

**The Board of Directors' of AB Volvo proposal to the Annual General Meeting 2008 concerning a share-based incentive program and the transfer of shares in the company held by the company itself to the participants in the program. (Point 17 on the proposed agenda)**

- A. The Board proposes, after preparation of the proposal by the Remuneration Committee, that the Annual General Meeting should approve to implement a share-based incentive program during the second financial quarter 2008 (below referred to as the "Program") for senior executives within the Volvo Group. The reason for the proposal is that the Board considers it to be in the interest of the company that the senior executives are given personal incentives that are linked to the financial performance of the Volvo Group. The conditions for the Program are as follows.
1. Under the Program, a maximum of 2,950,000 Series B Volvo shares can be allotted to a maximum of 275 senior executives, including the members of the Group Executive Committee and other executives nominated by the Board (the "Participants"), during the first six months 2009. Shares will be allotted provided the Volvo Group's Return On Equity (ROE), (net income *./.* shareholders' equity), calculated on the basis of the Volvo Group's annual report 2008, is higher than 12 per cent. Maximum allotment will be effected if ROE reaches 15 per cent and shares will be allotted proportionally within the interval in accordance with the Board's instructions.
  2. Preferential rights to acquire shares shall accrue to the Participants. Over-subscription is not permitted. The President and CEO Leif Johansson may receive a maximum of 40,000 shares while the other Participants may receive a maximum of 10,000 – 20,000 shares each.
  3. Participants not resident in Sweden at the time of allotment may, to the extent AB Volvo considers it favourable from a cost or administrative perspective, instead of shares, receive an amount in cash corresponding to the market value of the shares at the time of allotment.
  4. The Participants shall not pay anything for their rights under the Program.
  5. The shares to be allotted under the Program shall be existing shares. The company may fulfil its obligations to deliver shares under the Program either through a third party, which would acquire and transfer the shares in its own name, or, subject to the approval by the Annual General Meeting in accordance with item B. below, by transferring shares held by AB Volvo in the company.
  6. A Participant may receive shares or cash only if the Participant remains employed within the Volvo Group at the time of allotment. However, if the Participant retires with pension before allotment, he or she shall be entitled to receive a proportional amount of shares or cash notwithstanding such retirement. Under the Program, the retirement age is 65 or such other age that has been agreed between the Participant and the relevant Volvo company.
  7. Shares may be transferred on one or more occasions.
  8. The chairman of the Board may decide on minor changes of the Program, to the extent such are required in order to satisfy legal requirements governing the implementation of the Program.

9. Assuming that the maximum amount of shares (2,950,000) will be allotted, the company's cost for the Program will amount to a maximum of 319 million kronor including social fees, calculated on a share price at implementation of the Program of 92 kronor.
- B. The Board further proposes that the Annual General Meeting should approve the transfer of shares in the company held by the company itself at any time to the Participants in order to fulfil the company's undertakings in accordance with the Program on the following terms.
1. No more than 2,950,000 Series B shares may be transferred.
  2. Preferential rights to acquire shares shall accrue to the Participants who are entitled to acquire shares in accordance with the terms and conditions of the Program.
  3. The preferential rights of Participants to acquire shares are to be exercised during the first six months 2009.
  4. The Participants shall not pay anything for the shares acquired under the Program.
  5. Shares may be transferred on one or more occasions.

The reason for deviation from shareholders' preferential rights is to minimize the cash flow effects of fulfilling the commitments under the Program.

If a decision by the General Meeting regarding the Board's proposal under item B is to be valid, the decision must be supported by shareholders with at least nine-tenths of both the votes cast and the shares represented at the General Meeting.

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