

V O L V O

VOLVO TREASURY AB

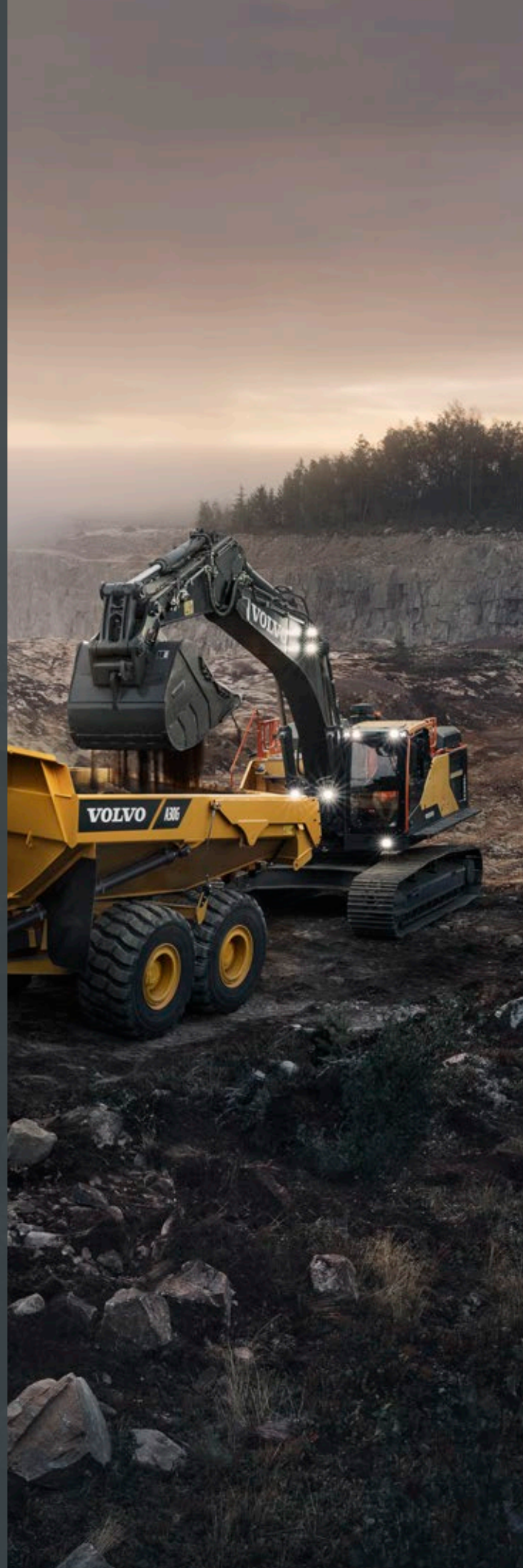
Annual Report and Consolidated Financial Statements
for the 2022 fiscal year



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This report is a translation of the Swedish language original. In the event of any differences between this translation and the Swedish original, the latter shall prevail.



Board of Directors' report

The Board of Directors and the President of Volvo Treasury AB (publ), hereby submit the following Annual Report for the period from January 1, 2022 to December 31, 2022.

Volvo Treasury AB (publ) is a wholly owned subsidiary of AB Volvo (publ), corporate identity number 556012-5790, domiciled in Gothenburg and is encompassed by the Annual and Sustainability Report prepared by AB Volvo. For further information, please refer to the annual report prepared by AB Volvo. For the above reason, the company is not preparing a sustainability report in accordance with Chapter 7, Section 31 of the Annual Accounts Act.

Volvo Treasury AB (publ) is domiciled in Gothenburg, Sweden and the company's address is: Volvo Treasury AB, 405 08 Gothenburg, Sweden. The Company is the Parent Company of Volvo Treasury Asia Ltd, which in turn is the parent Company of Volvo Treasury Australia Pty Ltd and which together comprise the Volvo Treasury Group.

Information about operations

Volvo Treasury Group is included in the Group function, Volvo Group Treasury, which is Volvo Group's internal bank with responsibility for Volvo Group's borrowing and operational financial risk management, including external banking relations. Volvo Group Treasury is also responsible for ensuring and developing an efficient financial infrastructure for Volvo Group's operations. Most of Volvo Group's financial transactions are conducted through Volvo Treasury Group or one of Volvo Group's other treasury units in America or Asia.

Operations at Volvo Group Treasury are handled and followed up in two separate portfolios, where the first pertains to Volvo Group's industrial operations and the second to Volvo Group's customer finance operations within financial services. The set up with portfolios is made to support, and in accordance with, the Volvo Group's segment reporting. Financing operations are primarily conducted via Volvo Group Treasury's units in their local geographic operations. Larger financing transactions, such as bond issues, are process driven and are mainly conducted through Volvo Treasury Group. Financing of companies included in industrial operations is mainly driven by their operational needs, such as cash flow and investment. Financing needs for companies included in customer finance operations arise from lending to end customers and dealerships.

Risks and risk management

Business operations entail risks, and responsible assumption of risk is a precondition for maintaining long-lasting, sound profitability. The Volvo Group manages financial risk as an integrated element of the business operations where parts of the responsibility for the finance operation and financial risk management are centralized to Volvo Group Treasury.

Financial risks are divided into interest rate risks, currency risks, credit risks, liquidity risks and other price risks. The board of AB Volvo has adopted a financial risk policy that regulates how these risks should be controlled and governed and defines roles and responsibilities within the Volvo Group. The financial risk policy also establishes principles for how financial activities shall be carried out and sets the mandates as well as steering principles for the management of financial risks. The financial risk policy is reviewed annually. A more detailed description of financial risks and the manner in which they are managed is presented in Note 1 Accounting and valuation policies, financial instruments and Note 3 Financial risks.

Financial impact from the war in Ukraine

At the start of the war in Ukraine the Volvo Treasury Group had assets related to Russia of SEK 4.3 billion, exclusively to the Volvo Group. The war start led to a distressed market situation followed by a disruptive RUB market. It was uncertain how liquid outstanding hedges in RUB would be, hence the decision was taken to early terminate derivatives relating to RUB. The early expiration of derivatives had a positive impact on net operating income of SEK 1.3 billion, a more detailed description included in Note 6 Other financial income and expense. An effect of the derivatives being early terminated is that the assets related to Russia are handled and risk measured separately as an open position. Given the current market situation and the uncertainty that prevails regarding assets related to Russia the value of these have been written down by SEK 1.7 billion. A shareholder contribution from AB Volvo has been received on the corresponding amount, more information included in the note 9 Write down. At the fiscal year end Volvo Treasury Group had assets related to Russia of SEK 5 billion, change explained by currency effects and write down.

Significant events during the fiscal year

During 2022, volatility in the financial markets increased dramatically. The war in Ukraine and increasing inflation has affected both market interest rates and credit spreads.

Compared to December 31, 2022, net lending to companies within the Volvo Group rose to SEK 29 billion as a consequence of higher transaction volumes in Financial Services customer finance operations. The average net lending has increased with SEK 36 billion during the year. Interest income increased year-on-year following increased market interest rates in all our major currencies. Interest expense relating to external interest-bearing liabilities and derivatives contracts increased year-on-year pertaining to increased market interest rates.

Financial instruments measured at fair value through profit and loss (FVTPL) positively impacted earnings as a result of a positive movement in interest rates in all our major currencies. Volvo Group can hedge the portion of the projected portfolio deemed to have a high likelihood of being realized. In 2022, hedges have been used solely for future cash flows pertaining to specific orders, which has been decided on a case-by-case basis.

Income derived from loan commitments and liquidity fees totaled SEK 100 million and is included under the item Other operating income. Costs derived from issued loan commitments are included under the Administrative expenses item.

Environmental and employee matters and other non-financial information

Remuneration to Board members amounted to SEK 0 (0). The company is part of Volvo Group and thus follows Volvo Group's joint environmental and employee policies. The company does not conduct any operations that affect the environment.

Future development

The war in Ukraine is still ongoing and is affecting the Volvo Treasury Group, we continue to monitor the development closely to evaluate the impact on our business. Markets continue to be volatile following inflationary pressure and uncertainty. The effects of the COVID-19 pandemic are still reminiscent affecting the world globally and it is too early to say that it has passed. Operations are expected to continue with unchanged content and with the same target of developing and improving the quality of deliveries. Focus will continue to be securing Group payment capability and proactively manage financial risks.

Corporate Governance Report

Volvo Treasury AB (publ) has prepared a Corporate Governance Report that is separate from the Annual Report, which can be found after the Annual Report in this docut.

MULTI-YEAR COMPARISON

CONSOLIDATED INCOME STATEMENT					
SEK M	2022	2021	2020	2019	2018
Net interest income	9	863	496	635	365
Gross income	2,463	711	510	254	108
Operating income	684	626	456	183	41

CONSOLIDATED BALANCE SHEET					
SEK M	2022	2021	2020	2019	2018
Financial assets	93,667	78,895	64,705	67,509	71,642
Current receivables	139,846	111,674	77,660	111,638	92,127
Cash and cash equivalents	54,441	42,297	62,681	40,216	32,800
Shareholders' equity	13,872	17,361	16,999	16,586	16,299
Non- current liabilities	117,419	86,056	75,040	75,718	67,481
Current liabilities	156,674	129,466	113,033	127,084	112,806
Number of employees	43	39	40	41	42

Proposed disposition of unappropriated earnings concerning the company's profits

According to the balance sheet of Volvo Treasury AB's Parent Company, the Annual General Meeting has at its disposal the following earnings of SEK 12,565,076,329. The Board of Directors and the President for consistency propose that the above earnings of SEK 12,565,076,329 be appropriated as follows: SEK 12,565,076,329

to be carried forward. In other matters, please refer to the following income statement and balance sheet as well as Note 27 Proposed disposition of unappropriated earnings.

All amounts in the Annual Report are given in million Swedish kronor (SEK M) unless otherwise stated. The amounts within parentheses refer to the preceding year.

CONSOLIDATED INCOME STATEMENT			
SEK M	Note	2022	2021
Interest income	4	5,071	2,356
Interest expense	5	-4,232	-1,899
Financial instruments measured at FVTPL	3, 23	-830	406
Net interest income		9	863
Other financial profit and loss	6, 23	2,454	-152
Gross income		2,463	711
Other operating income		113	84
Administrative expenses	7, 8, 10	-189	-166
Other operating expenses		-3	-3
Operating income before write-down		2,384	626
Write-down	9	-1,700	-
Operating income		684	626
Tax on income for the year	11	-466	-140
Net income		218	486

OTHER COMPREHENSIVE INCOME			
SEK M	Note	2022	2021
Net income		218	486
<i>Items that will not be reclassified to profit and loss:</i>			
Remeasurement of defined-benefit pensions		13	23
<i>Items that may be subsequently reclassified to profit and loss:</i>			
Exchange-rate differences on translation of foreign operations		136	63
Other comprehensive income for the period, net of income tax		149	86
Comprehensive income for the year		367	572
Total net income attributable to Parent Company shareholders		218	486
Total comprehensive income attributable to Parent Company shareholders		367	572

CONSOLIDATED BALANCE SHEET			
SEK M	Note	Dec 31, 2022	Dec 31, 2021
ASSETS			
Non-current assets			
Tangible assets			
Equipment		0	1
Financial assets			
Receivables from Group companies (within the Volvo Group)	23, 24	89,722	77,026
Other long term receivables	13	3,945	1,869
Total financial assets		93,667	78,895
Deferred Taxes	11	11	16
Total non-current assets		93,678	78,912
Current assets			
Current receivables			
Receivables from Group companies (within the Volvo Group)	23, 24	134,009	109,640
Tax assets	11	–	1
Other current receivables	14	5,837	2,033
Total current receivables		139,846	111,674
Cash and cash equivalents	15	54,441	42,297
Total current assets		194,287	153,971
TOTAL ASSETS		287,965	232,883
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		500	500
Reserves		333	197
Retained earnings		12,821	16,178
Net income		218	486
Total shareholders' equity		13,872	17,361
Non- current liabilities			
Bond loans	18, 23	102,887	79,365
Other liabilities to credit institutions	18, 23	11,520	6,672
Other non-current liabilities	10, 19	3,009	1
Provisions for pensions and similar obligations	17	3	18
Total non-current liabilities		117,419	86,056
Current liabilities			
Liabilities to credit insitutions	20	52,144	33,725
Liabilities to Group companies (within the Volvo Group)	23, 24	103,311	95,124
Accounts payable - trade	23	1	3
Current tax liabilities	11	–	–
Other current liabilities	10, 21	1,218	614
Total current liabilities		156,674	129,466
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		287,965	232,883

CHANGE IN CONSOLIDATED EQUITY					
SEK M	Note	Share capital	Reserves (translation differences)	Retained earnings	Total share- holders' equity
Balance at December 31, 2020		500	134	16,365	16,999
Net income for the year		–	–	486	486
Other comprehensive income					
Translation differences		–	63	–	63
Remeasurement of defined-benefit pensions	17	–	–	31	31
Tax effect of remeasurement of defined-benefit pensions	17	–	–	–6	–6
Remeasurement of special payroll tax	17	–	–	–2	–2
Total comprehensive income for the year		–	63	509	572
Transactions with shareholders/related parties					
Group contributions granted and received	16	–	–	–265	–265
Tax effect of Group contributions granted and received	11	–	–	55	55
Total transactions with shareholders/related parties		–	–	–210	–210
Balance at December 31, 2021		500	197	16,664	17,361
Net income for the year		–	–	218	218
Other comprehensive income					
Translation differences		–	136	–	136
Remeasurement of defined-benefit pensions	17	–	–	17	17
Tax effect of remeasurement of defined-benefit pensions	17	–	–	–4	–4
Remeasurement of special payroll tax	17	–	–	0	0
Total comprehensive income for the year		–	136	231	367
Transactions with shareholders/related parties					
Shareholder contribution received				1,700	1,700
Dividend granted				–5,000	–5,000
Group contributions granted and received	16	–	–	–700	–700
Tax effect of Group contributions granted and received	11	–	–	144	144
Total transactions with shareholders/related parties		–	–	–3,856	–3,856
Balance at December 31, 2022		500	333	13,039	13,872

CONSOLIDATED CASH FLOW STATEMENTS

Activities during the year			
SEK M	Note	2022	2021
Interest received	4	4,522	2,426
Interest paid	5	-3,937	-1,822
Income tax paid	11	-148	-98
Payments to suppliers and employees		-190	-25
Other financial transactions		4,036	-776
Cash flow from operating activities before changes in operating receivables and liabilities	25	4,283	-295
Increase (-)/decrease (+) in current receivables	14	-2,000	-1,090
Increase (+)/decrease (-) in current liabilities	21	-4	-7
Increase (-)/decrease (+) in lending to Group companies	23, 24	-30,930	-45,155
Increase (+)/decrease (-) in borrowing from Group companies	23, 24	11,453	25,415
Increase (-)/decrease (+) in non-current receivables		0	19
Cash flow from operating activities		-17,198	-21,113
Group contributions received	16	335	126
Group contributions granted	16	-600	-
Dividend granted		-5,000	-
Issue of interest-bearing securities	18, 21	93,635	40,502
Repayment of interest-bearing securities	18, 21	-68,408	-31,884
Increase in other borrowing	18, 21	23,875	29,946
Decrease in other borrowing	18, 21	-14,078	-38,007
Cash flow from financing activities	25	29,759	683
Cash flow during the year	15	12,561	-20,430
Revaluation differences on cash and cash equivalents		-417	46
Cash and cash equivalents, beginning of the year	15	42,297	62,681
Cash and cash equivalents, end of year	15	54,441	42,297

Parent company

INCOME STATEMENT			
SEK M	Note	2022	2021
Interest income	4	4,991	2,310
Interest expense	5	-4,186	-1,873
Financial instruments at FVTPL	3, 23	-778	383
Net interest income		27	820
Other financial profit and loss	6, 23	2,452	-154
Gross income		2,479	666
Other operating income		113	85
Administrative expenses	7, 8, 10	-161	-155
Other operating expenses		-2	-2
Operating income before write-down		2,429	594
Write-down	9	-1,700	-
Operating Income		729	594
Allocations	16	-700	-265
Income before tax		29	329
Tax on income for the year	11	-311	-76
Net income		-282	253

OTHER COMPREHENSIVE INCOME			
SEK M	Note	2022	2021
Total comprehensive income for the year		-282	253



» Parent company

BALANCE SHEET			
SEK M	Note	Dec 31, 2022	Dec 31, 2021
ASSETS			
Non-current assets			
Tangible assets			
Equipment		0	0
Financial assets			
Participations in subsidiaries	12	225	225
Receivables from Group companies (within the Volvo Group)	23, 24	89,036	76,911
Other non-current receivables	13	3,922	1,830
Total financial assets		93,183	78,966
Deferred tax	11	11	12
Total non-current assets		93,194	78,978
Current assets			
Current receivables			
Receivables from Group companies (within the Volvo Group)	23, 24	132,690	108,533
Tax assets	11	–	2
Other current receivables	14	5,806	1,992
Total current receivables		138,496	110,527
Cash and cash equivalents	15	54,393	42,285
Total current assets		192,889	152,812
TOTAL ASSETS		286,083	231,790
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital (5,000,000 Series A shares, quotient value SEK 100)		500	500
Legal reserves		100	100
Total restricted equity		600	600
Unrestricted equity			
Retained earnings brought forward		12,846	15,893
Net income		–282	253
Total unrestricted equity		12,564	16,146
Total shareholders' equity		13,164	16,746
Non-current liabilities			
Bond loans	18, 23	102,887	79,365
Other liabilities to credit institutions	18, 23	10,040	4,975
Other non-current liabilities	19	2,973	1
Liabilities to Group companies (within the Volvo Group)	23, 24	791	1,570
Total non-current liabilities		116,691	85,911
Current liabilities			
Liabilities to credit institutions	20	50,990	33,510
Liabilities to Group companies (within the Volvo Group)	23, 24	104,034	95,013
Accounts payable – trade	23	1	3
Other current liabilities	21	1,203	607
Total current liabilities		156,228	129,133
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		286,083	231,790

» Parent company


CHANGES IN SHAREHOLDERS' EQUITY				
SEK M	Share capital	Reserves (translation differences)	Retained earnings	Total share- holders' equity
Balance at December 31, 2020	500	100	15,893	16,493
Net income for the year	–	–	253	253
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	253	253
Balance at December 31, 2021	500	100	16,146	16,746
Net income for the year	–	–	–282	–282
Shareholder Contribution received	–	–	1,700	1,700
Dividend granted	–	–	–5,000	–5,000
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	–3,582	–3,582
Balance at December 31, 2022	500	100	12,564	13,164

CASH FLOW STATEMENTS			
Activities during the year			
SEK M	Note	Dec 31 2022	Dec 31 2021
Interest received	4	4,444	2,382
Interest paid	5	–3,892	–1,797
Income tax paid	11	–98	–22
Payments to suppliers and employees		–197	–154
Other financial transactions		4,047	–768
Cash flow from operating activities before changes in operating receivables and liabilities	25	4,304	–359
Increase (–)/decrease (+) in current receivables	5	–2,083	–1,146
Increase (+)/decrease (–) in current liabilities	21	–6	–
Increase (–)/decrease (+) in lending to Group companies*	23, 24	–31,114	–46,076
Increase (+)/decrease (–) in borrowing from Group companies**	23, 24	11,820	26,306
Increase (–)/decrease (+) in non-current receivables		5	–
Cash flow from operating activities		–17,074	–21,275
Group contributions received	16	335	126
Group contributions granted	16	–600	–
Dividend granted		–5,000	–
Issue of interest-bearing securities	18, 23	93,635	40,502
Repayment of interest-bearing securities	18, 23	–68,522	–31,878
Increase in other borrowing	18, 23	23,801	30,025
Decrease in other borrowing	18, 23	–14,044	–37,780
Cash flow from financing activities	25	29,605	995
Cash flow during the year	15	12,531	–20,280
Revaluation differences on cash and cash equivalents		–423	–103
Cash and cash equivalents, beginning of the year	15	42,285	62,668
Cash and cash equivalents, December 31	15	54,393	42,285

* The comparison figure for the item has been adjusted compared to 2021, before –57,303 adjusted with 11,227.

** The comparison figure for the item has been adjusted compared to 2021, before 19,755 adjusted with 6,551.

In the annual report for 2021, the cash flow from the current operations for the parent company has been stated with an incorrect value, this had its background in a system error, no adjustments in assessments or correction of errors in underlying cash flow has been done. In the cash flow analysis for the parent company, a correction has been made under change in lending to group companies from –57,303 to –46,076 and change in deposits from group companies from 19,755 to 26,306.



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Group and Parent Company

Notes

1 Accounting and valuation policies

Compliance with norms and laws

The consolidated financial statements for Volvo Treasury AB (publ) and its subsidiaries ("Volvo Treasury Group") are prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU). This annual report is prepared in accordance with IAS 1 Presentation of Financial Statements and the Swedish Annual Accounts Act (1995:1554). The income statement has been adapted to provide a relevant presentation of the results of the operations. In addition, RFR 1 Supplementary Rules for Groups has been applied, which is issued by the Swedish Financial Reporting Board. Amounts in SEK M unless otherwise specified. The amounts within parentheses refer to amounts for year 2021.

Volvo Treasury's accounting policies

To the extent deemed appropriate, Volvo Treasury AB (publ) describes its accounting policies in Note 1 Accounting and valuation policies. In some cases, the accounting policies are described in connection with certain notes to provide increased understanding of the respective accounting areas. The total amount in tables and statements might not always summarize as there are rounding differences. The aim is to have each line item corresponding to the source and it might therefore be rounding differences in the total.

Consolidated financial statements

The consolidated financial statements comprise the parent company and subsidiaries over which the parent company exercise control. The consolidated financial statements have been prepared in accordance with the policies set forth in IFRS 10, Consolidated Financial Statements. Intra-Group transactions are eliminated in the consolidated financial statements.

Translation to Swedish kronor when consolidating companies that have other functional currencies

The functional currency of each Group company is determined based on the primary economic environment in which the company operates. The primary economic environment is normally in which the company primarily generates and expends cash. The functional currency is in most cases, the currency in the country where the company is located. Volvo Treasury AB functional currency is Swedish kronor. In preparing the consolidated financial statements, items in

the income statements of foreign subsidiaries are translated to SEK using monthly average exchange rates. Balance sheet items are translated into SEK using exchange rates at year end (closing rate). The changes in consolidated Shareholders' equity arising as a result of year-on-year variations between closing-day exchange rates are recognized in Other comprehensive income and cumulative differences in provisions under Shareholders' equity.

Receivables and liabilities in foreign currency

Receivables and liabilities in currencies other than the functional currency of the reporting entity (foreign currencies) are translated to the functional currency using the closing rate. Translation differences regarding financial assets and liabilities, including derivatives used for hedging currency and interest rate risks, are reported under the item Other financial income and expenses.

Exchange rate		Average rate		As per 31 dec	
Country	Currency	2022	2021	2022	2021
Australia	1 AUD	7,01355	6,44152	7,0892	6,56250
Euro Zone	1 EUR	10,63002	10,1449	11,1283	10,2269
Singapore	1 SGD	7,33666	6,38420	7,7748	6,68060
USA	1 USD	10,12445	8,5815	10,4371	9,0437

Parent Company

The Parent Company applies the Swedish Annual Accounts Act (1995:1554) and RFR 2, Accounting for legal entities. This recommendation entails that as a rule, legal entities whose securities are listed on an authorized marketplace should apply the IFRS/IASs that are applied in the consolidated financial statements. According to RFR 2, the company must apply all International Financial Reporting Standards (IFRS) adopted by the EU to the greatest extent possible within the regulatory framework for the Annual Report. In certain cases, exceptions can be made from the IFRS/IAS regulations. For more information regarding any exceptions that have been applied, see the sections Leases, Group contributions, and Pensions and similar obligations.

New accounting policies in 2022

The Volvo Treasury Group has no new accounting standards that significantly affect the Group.

» Note 1

New accounting policies 2023 and later

New accounting standards and interpretations that have been published and is effective from 2023 and later are not considered to have a material impact on the Volvo Treasury Group.

Financial assets

In the Parent Company, financial assets are reported in the form of shares in subsidiary companies, at cost.

Financial instruments

Volvo Treasury Group applies the accounting policies contained in IFRS 7 Financial Instruments: Disclosures IFRS 9 Financial Instruments IFRS 13 Fair Value Measurement and IAS 32 Financial Instruments: Presentation.

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party according to the contractual terms of the instrument. Liabilities are recognized when the counterparty has delivered and a contractual obligation to pay arises. Supplier liabilities are recognized when the invoice is received.

Purchases and sales of financial assets and liabilities are recognized on the settlement date. Transaction costs are included in the fair value of assets except where the value changes are recognized in profit and loss. Transaction costs in connection with borrowing are amortized over the period of the loan as a financial expense using the effective interest rate method. Depending on the maturity of the financial instrument, these items are recognized as current or non-current in the balance sheet. Derivatives used to hedge currency and interest rate risk are reported as assets if the market value is positive and as liabilities if the market value is negative.

A financial asset is derecognized from the balance sheet upon maturity or when all significant risks and benefits linked to the asset have been transferred to an external party. Volvo Treasury Group has no financial assets that had fallen due for payment without being settled or written down at year end. Financial liabilities are derecognized from the balance sheet when the obligation has been met, annulled or extinguished.

Fair values are established for assets based on quoted market prices where these are available. If market prices are not available, fair values are established for individual assets using different valuation techniques.

Financial instruments are categorized based on the extent to which market data has been used in the calculation of fair value. A majority of Volvo Treasury Group's financial instruments that are measured at fair value through profit and loss (FVTPL) are categorized as held for trading in accordance with level 2. The valuation of level 2 instruments is based on market conditions using quoted market data existing at each balance sheet date. Observable market prices are primarily derived from official capital market quoted rates or prices. The basis for the interest is the zero coupon curve in each currency, from which the present value of estimated future cash flows is calculated. Currency forwards use the forward rate for each

currency's spot price and future date at the balance sheet date.

Based on the applicable forward rates, a present value calculation is then made on the balance sheet date.

Financial assets and liabilities measured at FVTPL

Financial assets and liabilities measured at FVTPL comprise derivatives instruments held to hedge interest rate and currency risks pertaining to financial liabilities in customer finance operations and industrial operations, and are thus classified as held for sale.

Realized and unrealized interest income/expense pertaining to derivatives used to hedge financial liabilities are recognized in Interest expense. Unrealized profit and loss due to fluctuations in the fair value of the financial instruments are recognized under the item Financial instruments at FVTPL. The company intends to hold these derivatives until maturity which is why the market valuation, over time, does not affect earnings or cash flow. The impact of foreign exchange gains/losses on earnings on remeasurement is reported under the item Other financial income and expenses in the income statement.

Financial instruments used to hedge currency risk in forecast and contracted commercial cash flows are also recognized in this category. Realized earnings and unrealized remeasurements are reported under the item Other financial income and expenses in Gross profit.

Volvo Treasury Group has decided not to apply hedge accounting for these financial instrument.

Financial assets measured at amortized cost

Receivables with Group companies and other financial receivables are held as part of a business model that aims to gather contractual cash flows. The contractual cash flows solely comprise payments of principal and interest, and are measured at amortized cost pursuant to the effective interest rate method. Gains and losses are recognized in profit and loss when the loans or receivables are divested or impaired, as well as in pace with the recognition of accrued interest.

Financial assets in the form of cash and cash equivalents mainly consist of interest bearing securities, but can also include interest bearing securities, with high liquidity that can easily be converted to cash, such as reverse repurchase agreements with a maturity that is less than three months from the purchase date. Interest bearing securities with a maturity that exceeds three months from the purchase date are recognized as marketable securities.

Financial liabilities measured at amortized cost

Proceeds from borrowings are measured at amortized cost pursuant to the effective interest rate method.

Issued hybrid bonds are categorized as liabilities in the accounts since they entail a contractual obligation to make interest payments and to repay the nominal debt to the holder.

The carrying amounts and fair values of all of Volvo Treasury Group's financial instruments are presented in Note 24 Financial instruments.

» Note 1

Leases

Leases where Volvo Treasury Group is the lessee are recognized pursuant to IFRS 16 Leases, which entails that future lease payments pertaining primarily to rented premises and company cars are recognized as right-of-use assets under equipment and as interest-bearing liabilities under other liabilities. Under RFR 2 Accounting for legal entities the provisions contained in IFRS 16 do not need to be applied in legal entities. The Parent Company recognizes all leases as operating leases, which means that lease payments are recognized in profit and loss as administrative expenses in the period in which they arise.

Pensions and similar obligations

Volvo Treasury Group applies IAS 19 Employee Benefits, for pensions and similar obligations. In accordance with IAS 19, actuarial calculations must be made for all defined benefit plans in order to determine the present value of Volvo Treasury Group's commitments pertaining to unvested benefits for current and former employees. The actuarial calculations are prepared annually and are based on actuarial assumptions that are determined at the balance sheet date. Changes in the present value of commitments due to revised actuarial assumptions and experience based assumptions comprise remeasurements.

Provisions for pensions and similar obligations in Volvo Treasury Group's balance sheet correspond to the present value of the commitments at the balance sheet date, less the fair value of plan assets. According to IAS 19, the discount rate of interest is applied in calculating the net interest income/expense on the net pension liability (the asset). All changes in the net pension liability (the asset) are recognized as they occur; service costs and net interest expense (income) are recognized in profit and loss, while remeasurements, such as actuarial gains and losses are recognized in Other comprehensive income. The special employers' contribution is included in the pension liability and pertains to the Swedish plan. For defined contribution plans, premiums are expensed as incurred.

Under RFR 2, the provisions contained in IAS 19 that apply to defined benefit pension plans do not need to be applied in legal entities (Parent Company). However, disclosures must be made regarding the relevant parts of IAS 19. RFR 2 refers to the provisions in the Swedish Pension Obligations Vesting Act regarding provisions to pensions and similar obligations, and to the recognition of plan assets in pension foundations.

Long-term incentive (LTI) program and share-based payments

In 2016, Volvo Group's Board of Directors decided to introduce a cash based LTI program for senior executives in the Group. A precondition for participating in the program is that participants are

obligated to reinvest the annual compensation paid (after tax) in Volvo Class B shares and hold these for at least three years after procurement. There will be no compensation if Volvo Group's Annual General Meeting the following year decides to not issue a dividend to shareholders. The LTI is recognized according to IAS 19 Employee Benefits. Cash-based remuneration is regularly remeasured at every balance-sheet date. During the vesting period, the LTI is recognized as an expense and a current liability.

The company also pays a benefit to all employees, a jubilee awards plan, whereby a certain number of shares are allocated based on the length of service: 25, 35 and 45 years. This plan is recognized in accordance with IFRS 2 Share based payment.

Group contributions

Under certain circumstances, profits may be transferred in the form of Group contributions between companies within the same group. Group contributions paid are normally a tax deductible cost for the giver and taxable income for the receiver. Group contributions are recognized in the Group in shareholders' equity as a transaction with the owner in accordance with IAS 1, item 109. Group contributions are recognized in the Parent Company in profit and loss as an appropriation in accordance with the alternative rule in RFR 2.

Income taxes

Tax on income for the period comprises current and deferred tax. Deferred taxes are recognized for all of the temporary differences that arise between the taxable values of assets and liabilities and their carrying amounts, as well as on tax loss carryforwards. Tax loss carryforwards have an unlimited utilization period, but can be limited due to limits on amount, Group contributions or mergers. With regard to the measuring of deferred tax assets, that is, the value of future tax reductions, these items are recognized to the extent it is probable that the amounts can be utilized against future taxable surpluses.

Taxes are recognized in profit and loss, except when the underlying transaction is recognized directly in Other comprehensive income or Shareholders' equity. Tax effects pertaining to the above are recognized in Other comprehensive income and Shareholders' equity.

Adjustment of tax liability is made for likely tax on income due to identified tax risks. Tax processes are regularly evaluated and when it is likely that the tax authorities or court will not approve an uncertain tax treatment according to the tax legislation, the tax liability is adjusted for the anticipated outcome. Claims where adjustment of the tax liability is not deemed necessary are generally recognized as contingent liabilities. Temporary differences in the form of untaxed reserves are recognized including deferred tax liabilities under the item Untaxed reserves.

» Note 1

Cash flow statement

The cash flow statement is prepared in accordance with IAS 7 Statement of Cash Flows, applying the direct method, showing recognized changes in operating receivables and liabilities during the period. The cash flow statements of foreign Group companies are translated at the average exchange rate and are included under the item Exchange rate differences in cash and cash equivalents. Cash and cash equivalents comprise cash and bank balances this includes cash pools where Volvo Treasury Group is the cash pool holder.

Segment reporting

Volvo Treasury Group comprises a number of organizational units, with all units reporting to and being coordinated by Volvo Group Treasury's head office, located at Volvo Treasury AB (publ) in Sweden. The company raises most of Volvo Group's external financing for central financing purposes in the Group. Volvo Treasury Asia Ltd in Singapore is the financing source in the regional market and treasury function for the Group companies in Asia. The same applies to Volvo Treasury Australia Pty Ltd, which has as its principal business serving as a financing source and treasury for the Group companies in Australia. The subsidiaries' operations do not differ from those of Volvo Treasury AB and in this sense, they are an extension of the Parent Company in the regional markets. All Volvo Treasury activities in all units are controlled and coordinated by, and reported to and followed up by the head office at Volvo Treasury AB (publ) in Sweden, which is why Volvo Treasury Group's operations are conducted in one segment and accordingly, no reporting is made by segment in accordance with IFRS 8 Operating segments.

2 Key sources of estimations uncertainty and critical judgements

The preparation of the Volvo Group's financial statements requires the use of estimates and assumptions that may affect the recognized amounts of assets and liabilities at the date of the financial statements. In addition, the recognized amounts of net sales and expenses during the periods presented are affected. In preparing the financial statements, management has made its best judgments of certain amounts included in the financial statements, materiality taken into account. Actual results may differ from previously made estimates. In accordance with IAS 1, the company is required to disclose the assumptions and other major sources of estimation uncertainties that, if actual results differ, may have a material impact on the financial statements. The accounting policies applied by Volvo Treasury Group that are deemed to meet these criteria pertain to the measurement of financial instruments at fair value and to the assumptions on which this measurement is based. Refer to the section on financial instruments under Note 1 Accounting and valuation policies. In the same way that pensions and the actuarial assumptions made to calculate the pension obligation, see more under Note 1 Accounting and valuation policies.

3 Financial risks

The Volvo Group's global operations is exposed to financial risks in the form of interest rate risks, currency risks, credit risks, liquidity risks and other price risks. The Board of AB Volvo has adopted a financial risk policy that regulates how these risks should be controlled and governed and defines roles and responsibilities within the Volvo Group. The financial risk policy also establishes principles for how financial activities shall be carried out, sets mandates and steering principles for the management of financial risks as well as defines the financial instruments to be used to mitigate these risks. Key mandates and steering principles are described in their respective risk sections.

AB Volvo's Board of Directors and Audit Committee are informed regularly during the year about the development of the Volvo Treasury Group's financial risks and other matters covered within the financial risk policy. The financial risk policy is reviewed on an annual basis.

Work with financial risks is an integrated part of Volvo Group's operations, where parts of the responsibility for the financial operations and the financial risks are centralized in Volvo Group Treasury, Volvo Group's internal bank, which includes Volvo Treasury Group. These operations are carried out in order to reduce the interest rate, currency, credit, liquidity and other risks to which Volvo Group is exposed. Disclosures regarding carrying amounts and fair value in the balance sheet pertaining to derivative instruments used for managing risks related to financial assets and liabilities are shown in Note 23 Financial instruments.

Interest rate risks

Interest rate risk refers to the risk that changed interest rates will affect the net income and the cash flow (cash flow risk) or the fair value of financial assets and liabilities (price risk).

Following the 2021 interest rate benchmark reform (IBOR), GBP LIBOR was replaced with SONIA and USD LIBOR has been replaced by SOFR for all new transactions. The Volvo Group has a number of outstanding interest derivative contracts linked to USD LIBOR which will be converted to SOFR in 2023, with no material effect expected in the income statement.

Policy

The goal is to limit and minimize Volvo Group's interest rate risk. In accordance with Volvo Group's Financial risk policy, Volvo Treasury Group uses interest rate derivatives to minimize the interest rate risk

of financial assets and liabilities and their effects on Volvo Group's earnings. Interest rate swaps are used to alter/affect the interest-fixing term for financial assets and liabilities. Currency interest rate swaps enable borrowing in foreign currencies from different markets without incurring currency risks. Sometimes standardized interest rate forward contracts (futures) and forward rate agreements (FRA) are used. The majority of these contracts are used to hedge interest rate levels on short-term borrowing.

Cash flow risks

The effects of changed interest rate levels on future currency and interest rate flows affects earnings and future cash flows.

For customer finance operations, the interest fixing term for financing and lending is matched to minimize financial risks. Lending to Volvo Group's customer finance operations is conducted using a range of interest rate fixing and loan to maturities. Lending is financed through short- and long term borrowing via the capital markets at floating and fixed interest rates. Financial assets and liabilities related to the customer finance operations are matched so as to minimize the exposure to cash flow risk. Within the framework of established limits, external financing must match lending to customer finance operations in terms of the interest fixing term.

For Volvo Group's industrial operations, earnings and profitability are closely tied to the business cycle. Financing for Volvo Group's industrial operations involves a fixed as well as a floating interest rate. To minimize the interest rate risk for industrial operations, the interest fixing term for financial liabilities is between one and three months. Bilateral loans is primarily carried out via the capital markets. The average effective interest rate at year end on financial debt pertaining to the industrial operations was 4,4% (3,9%).

Borrowing and lending from and to the industrial operations of Volvo Group primarily take place through Volvo Group accounts in various currencies. Volvo Treasury Group administrates Volvo Group accounts, which means that surpluses and deficits with respect to external banks are offset through short term currency transactions and that any excess liquidity is invested in bank accounts, in short-term deposits at banks or in reverse repurchase agreements. At the end of 2022, Volvo Treasury Group's interest bearing assets comprised lending to Group companies and cash and cash equivalents. The average effective interest rate on these interest bearing assets, taking into account derivative instruments, was 3,4% (0,9%) as of December 31, 2022.

» Note 3

The table below shows the impact in the market value of financial assets and liabilities in the industrial operations if interest rates were to increase by one percentage point from the interest rate level on December 31, 2022.

Currency	Funding	Derivatives	Lending	Liquidity	Impact on market value if interest rate rises 1%
AUD	–	0	–1	0	–1
BRL	–	7	–7	–	0
CLP	–	3	–3	–	0
EUR	207	–214	–14	–1	–22
GBP	0	–	–	–1	–1
HUF	–	0	–	0	0
JPY	5	–5	–	0	0
NOK	3	–3	–	0	–
SEK	9	14	–12	–17	–6
THB	–	0	0	–	–
TRY	–	1	–1	–	0
USD	3	–9	–2	0	–8
ZAR	0	3	–4	0	–1
Others	0	0	0	0	0
Total	227	–203	–44	–19	–39

Price risk

Exposure to price risk as a result of changed interest rate refers to financial assets and liabilities with long interest rate (fixed interest). All outstanding loans in Industrial Operations are signed with short interest rate fixings, therefore the price risk is immaterial.

The customer finance operations' financial assets and liabilities are matched so as to minimize the exposure to price risk. Within the framework of established limits, financing must match lending.

There are several measurements which can be used to define market risk. Volvo Group Treasury is using Value-at-Risk (VaR) as its main tool for mandating market risk (including interest rate risk, currency risk and liquidity risk). VaR is calculated to a 97,7% confidence level over a one day horizon based on the historic value for volatility and correlation. It is used to measure and set mandates for different market risks such as interest rate risks, currency risks and liquidity risks. In terms of VaR, Volvo Group Treasury has a mandate to assume limited currency and interest rate risks. The total VaR mandate for Volvo Group Treasury is SEK 150 M, and utilization is measured on a daily basis. On December 31, 2022, the VaR utilized was SEK 40,8 M (11,8). Assets related to Russia are risk measured and followed up separately.

Currency risk

Currency risk refers to the risk that future cash flows will fluctuate due to changes in exchange rates, since the company's financial assets and liabilities are in different currencies. Exposure to currency risks in Volvo Treasury Group's operations are primarily related to

changes in the value of financial liabilities and financial assets (financial currency exposure), changes in the value of contracted and expected future payment flows in Volvo Group (commercial currency exposure) and changes in the value of assets and liabilities in foreign subsidiaries (currency exposure of shareholders' equity).

Policy

The aim for the currency risk management is to secure cash flow from firm flows through currency hedges for financial risks and to minimize exposure for financial items in the balance sheet. This work within commercial and financial currency exposure and currency exposure of shareholders' equity is described below.

Financial currency exposure

For Volvo Group's industrial operations and customer finance operations, financial assets and liabilities are matched to eliminate currency risks. Investments and borrowing occur mainly in SEK, EUR and USD. Lending to Volvo Group's subsidiaries were made primarily in local currency. Using derivatives such as currency interest rate swaps and currency swaps enables Volvo Treasury Group to meet the borrowing and lending requirements of Group companies in different currencies, without increasing Volvo Group's risk.

The table below shows the earnings effect on gross profit in the industrial operations if the currency strengthens by ten percentage points from the currency level on December 31, 2022, expressed in SEK M.

Currency	Funding	Derivatives	Lending	Liquidity	Impact on gross income if currency rate appreciates 10%*
AUD	–	–35	24	11	0
BRL	–	–115	114	–	–1
CHF	–	–	10	–10	0
CLP	–	–35	34	0	–1
CZK	–	–2	–1	3	0
EUR	–329	217	–655	778	11
GBP	–	–	167	–167	0
HUF	–	–11	0	11	0
JPY	–46	46	–1	1	0
NOK	–119	119	–29	29	0
THB	–	–2	2	0	0
USD	–749	140	556	53	0
ZAR	–	–31	32	–1	0
Others	–	–9	20	–11	0
Total	–1.243	282	273	697	9

* The sensitivity analysis includes all of the Parent Company's financial assets and derivatives at market value. The subsidiaries VTA and VTAU are excluded since the currency risk is managed by each unit in its home currency and fully matched, which means the exposure is zero.

» Note 3

Commercial currency exposure

Volvo Group's consolidated currency portfolio exposure is the value of the forecasted flows in foreign currency and is prepared centrally. Volvo Treasury Group may hedge the part of the forecasted portfolio that is considered highly probable to occur, however during 2022 only future cash flows for specific orders, decided on a case-by-case basis, has been hedged. Volvo Treasury Group uses forward contracts and currency options to hedge future payment flows in foreign currency. The hedged amount of fixed flows for all periods falls within the framework of Volvo Group's financial risk policy.

As of December 31, 2022, there were no outstanding forward contracts and currency options for hedging of commercial currency risks.

Currency exposure of shareholders' equity

The consolidated value of assets and liabilities in foreign subsidiaries within Volvo Treasury Group is influenced by exchange rates in conjunction with translation into Swedish kronor. To minimize currency exposure of shareholders' equity, the amount of shareholders' equity in foreign subsidiaries is continuously optimized taking into consideration commercial and legal preconditions and, in connection with this activity, payments of substantial internal dividends in foreign currency may be subject to hedging. At the end of 2022, net assets in foreign subsidiaries amounted to SEK 934 M (853), consisting of SGD that amounted to SEK 896 M (822) and AUD that amounted to SEK 38 M (31). Net assets in foreign subsidiaries were not hedged through loans in foreign currencies, in line with the policy established by Volvo Group's Board of Directors. Currency hedging of shareholders' equity may take place where a foreign subsidiary is considered to be overcapitalized, and currency hedging is conducted when internal dividends are paid in cases where subsidiaries are overcapitalized.

Credit risks

Credit risks are defined as the risk that Volvo Treasury Group's investments are unable to be realized (financial credit risk), that the company does not receive payments for recognized loans (commercial credit risk), and that potential profit is not realized due to the counterparty not fulfilling its part of the contract when using derivatives (financial counterparty risk).

Policy

The goal for credit-risk management is to define, measure and follow up on credit exposure to minimize the risk of losses pertaining to commercial and financial credit risks as well as counterparty risk.

Financial credit risk

Financial credit risk is managed in such a way that exposure is within approved limits for counterparties outside Volvo Group. All other exposure is kept to a minimum. A framework for credit limits was developed to maintain a low level of risk, where individual counterparty limits were established depending on the counterparty's rating. All limits must be approved by Volvo Group Treasury's management. The framework also allows setting temporary limits. According to Volvo Group's financial risk policy, this includes normally using counterparties for investments and derivative transactions with a credit rating better or equivalent to A – from one of the well-established credit rating institutions or similar. All investments must meet the requirements of low credit risk and high liquidity.

The Group applies the general model for assessing impairment reserves of cash and cash equivalents and investments recognized at amortized cost. The assessment is based on the counterparty's credit rating, on the estimated exposure on default and on the loss given default. The credit risk related to cash and cash equivalents and investments is deemed negligible.

Volvo Group's financial assets are to large extent managed by Volvo Treasury Group and invested in the money market and capital markets. The majority have been placed in accounts at banks that the Volvo Group collaborates with. Cash and cash equivalents on December 31, 2022 amounted to SEK 54 billion (42).

Commercial credit risk

Commercial credit risk entails that a potential loss can occur if a counterparty does not fulfill its parts of the contract. In terms of financial transactions, the risk is connected to the borrower failing to repay the entire or part of the amount borrowed or the interest accrued.

Credit risk related to lending to Group companies is considered negligible and, accordingly, no collateral has been pledged for the receivables (whereupon these are not disclosed). No company within Volvo Group has ever been permitted to enter default. Volvo Treasury Group applies the general model in IFRS 9, and the model the company uses for expected future credit losses from intra-Group receivables recognized at amortized cost is based on a probability of default for each company derived from the Group's probability, an exposure on default and a loss given default, which is assessed regularly. The company's area of operations is also assessed. Forward-looking factors, such as the company's level of capitalization and its ability to absorb any future losses incurred by the company as well as the probability of default are assessed. The assessment for these intra-Group receivables also

» Note 3

means that the exception for low credit risk is applied, which means that as long as the borrower demonstrates a strong ability to meet its obligations and a sound financial position, the probability of default within 12 months is applied. Lending to companies within Volvo Group complies with the limits established for the particular counterparty. Volvo Treasury Group's receivables from Group companies on December 31, 2022 amounted to SEK 223,731 M (186,666) whereof SEK 6,744 M, before write-down, is related from lending to Group companies in Russia. Given the current market situation and the uncertainty that prevails regarding assets related to Russia the value of these have been written down by SEK 1,700 M to SEK 5,044 M. After the write-down, the risks are deemed not to have changed significantly, the model is taking changed market conditions into account.

Financial counterparty risk

The use of derivative instruments leads to a counterparty risk, meaning that a potential loss cannot be settled (in part or in full) against a potential gain if the counterparty does not fulfill its part of the contract. Volvo Treasury Group works actively with limits per counterparty to reduce risk for high net amounts toward individual counterparties. To minimize this exposure, Volvo Treasury Group enters into netting agreements (ISDA agreements) with all counterparties that could potentially be involved in derivative transactions. The netting agreements entail that receivables and liabilities can be offset against each other in certain situations, such as in the event of the counterparty's insolvency. These ISDA agreements are often accompanied by a credit support annex (CSA). The CSAs establish the terms and conditions for when the parties are liable to execute cash transfers between each other to reduce exposure to open net positions. However, these netting agreements have no impact on Volvo Treasury Group's recognized earnings and balance sheet, since the derivative transactions are recognized in gross amounts. The table below shows the effect of netting agreements and cash transfers on Volvo Treasury Group's gross exposure from interest- and currency risk derivatives outstanding as of December 31, 2022. For further information regarding gross exposure per type of derivative, see Note 23 Financial instruments.

The effect from netting agreements and cash transfers on Volvo Treasury Group's gross derivatives position at December 31, 2022

SEK M	Gross amount	Netting agreements	Cash transfers	Net position	Change in %
Interest and currency risk derivatives reported as assets	4,658	-4,386	-129	143	97%
Interest- and currency risk derivatives reported as liabilities	8,962	-4,386	-4,387	189	98%

Liquidity risks

Liquidity risk is defined as the risk that Volvo Treasury Group would be unable to finance or refinance its assets or fulfill its payment obligations.

Policy

Volvo Treasury Group endeavors to maintain good financial preparedness for Volvo Group by constantly maintaining liquid assets and credit facilities to provide for anticipated liquidity requirements. Volvo Treasury Group has reduced liquidity risks by diversifying its financing to various borrowing sources, retaining a good balance between short- and long term borrowing, and by securing borrowing preparedness through credit facilities, see more on this in Note 18 Non-current liabilities.

Some of Volvo Treasury Group's long term loan agreements contain clauses stipulating a right for the lender to request early repayment following a change in control of the borrower. It has been deemed necessary in certain cases to accept these conditions to receive financing on acceptable terms.

For customer finance operations, the maturity for financing and lending is matched to minimize risks. Lending to Volvo Group's customer finance operations involves a range of maturities. This lending is financed through short- and long term borrowing via the capital markets and through bilateral loans. The customer finance operations are measured based on the degree of matching for maturities in borrowing and lending. For practical and business reasons, Volvo Group Treasury has a mandate to deviate to a match rate of 80–120% regarding the customer finance portfolio. At the end of 2022, this match rate was 103,0% (94,1%).

The following list shows expected future cash flows including derivatives related to financial liabilities based on the market's expected future interest rates and foreign exchange rates that applied on the balance sheet date. Expected capital flows pertain to receipts and payments on loans and derivatives. Expected interest flows are based on future market interest rates and pertain to receipts and payments of interest on loans and derivatives. Interest flows are recognized in the cash flow from operating activities. Future cash flows in foreign currency are based on the respective exchange rates at the balance sheet date.

Table 3.4 below also includes short- and long term financial liabilities to Group companies. Current liabilities to Group companies (within Volvo Group) such as borrowing through Group accounts are not included in capital flows balances, which can change from day to day. At the end of 2022, current liabilities to Volvo Group companies through Group accounts amounted to SEK 87 billion (84).

» Note 3

Future cash flows including derivatives related to non-current and current financial liabilities

Group	Capital flow				Interest flow			
	Loans*	Derivatives (liability)	Derivatives (asset)	Leasing	Loans*	Derivatives (liability)	Derivatives (asset)	Leasing
SEK M								
2023	-50,432	-1,712	582	-1	-3,583	-1,830	783	0
2024	-49,063	-1,185	673	0	-2,018	-1,216	706	0
2025	-26,615	-1,446	191	-	-1,171	-323	222	-
2026	-18,773	-847	130	-	-678	114	49	-
2027	-8,042	-555	67	-	-249	6	0	-
2028	-332	-37	42	-	-32	3	-4	-
2029-**	-7,405	-107	-3	-	-18	2	-3	-
Total	-160,662	-5,889	1,682	-1	-7,749	-3,244	1,753	0

Parent Company	Capital flow			Interest flow		
	Loans*	Derivatives (liability)	Derivatives (asset)	Loans*	Derivatives (liability)	Derivatives (asset)
SEK M						
2023	-49,317	-1,673	550	-3,537	-2,063	617
2024	-47,986	-1,185	606	-1,990	-1,431	589
2025	-26,375	-1,441	217	-1,159	-481	157
2026	-18,640	-840	149	-676	-10	28
2027	-8,042	-545	70	-249	-34	-2
2028	-332	-29	42	-32	2	-4
2029-**	-7,405	-107	-3	-18	2	8
Total	-158,097	-5,820	1,631	-7,661	-4,015	1,393

* The interest payments on the hybrid bond are included in a total amount of 324 (595), which pertains to the period through 2023. The interest payments that follow in the event an opportunity to redeem the bond is not utilized have as yet not been established.

** This includes hybrid bonds of EUR 0.6 billion, with the first redemption occasion in 2023 and final maturity in 2028. A decision has been made to call the second tranche (EUR 0.6 billion) of the hybrid bond on the call date March 10, 2023. This will have no impact on the financial position of the Volvo Group.

Most of the loan maturities in 2023 and 2024 are part of the normal business operations of Volvo Treasury Group, in which Volvo Group's customer finance has a shorter maturity structure than Volvo Group's industrial operations.

The future cash flow for Volvo Treasury Group of negative SEK 174 billion (neg: 117) is considered covered in the form of cash and cash equivalents that amounted to SEK 54 billion (42) net on December 31, 2022 and through future payments from Group companies in the form of receivables from Group companies that amounted to SEK 224 billion (187) on December 31, 2022. In addition, there were committed but unutilized credit facilities of SEK 46 billion (42).

In 2014, Volvo Treasury issued a EUR 1.5 billion hybrid bond with an original maturity of 61.6 years to further strengthen Volvo Group's balance sheet and to extend the maturity profile of the debt portfolio. The first portion of the bond (EUR 0.9 billion) was repaid in 2020. A decision has been made to call the second tranche (EUR 0.6 billion) of the hybrid bond on the call date March 10, 2023. This will have no impact on the financial position of the Volvo Treasury Group.

4 Interest income

Interest income pertains to accrued and realized interest on interest bearing assets and investments.

SEK M	Note	Group		Parent Company	
		2022	2021	2022	2021
Financial assets measured at amortized cost*	24	4,773	2,316	4,693	2,270
Bank deposits	16	298	40	298	40
Total		5,071	2,356	4,991	2,310

* Pertains to receivables to Group companies.

5 Interest expense

Interest expenses pertain to accrued and realized interest on interest bearing liabilities and derivatives held to hedge loan receivables and financial liabilities.

SEK M	Note	Group		Parent Company	
		2022	2021	2022	2021
Financial liabilities measured at amortized cost*	24	-2,534	-1,061	-2,516	-1,056
Financial liabilities measured at fair value through profit and loss	24	-1,643	-798	-1,615	-777
Cash and cash equivalents	26	-44	-35	-44	-35
Netting agreements	21	-11	-4	-11	-4
Pension liabilities	18	0	-1	0	-1
Total		-4,232	-1,899	-4,186	-1,873

* Of which 810 (62) pertains to liabilities to Group companies.

6 Other financial income and expenses

SEK M	Note	Group		Parent Company	
		2022	2021	2022	2021
Exchange rate gains and losses on derivatives used for hedge financial assets and liabilities		-5,166	-3,617	-5,265	-3,680
Realized result and unrealized revaluation on derivatives used to hedge future cash flow exposure in foreign currency		-43	-232	-43	-232
Realized result related to early expirations from derivatives as hedged future cash flow to Russia		1,272	-	1,272	-
Cash and cash equivalents		79	-208	79	-208
Exchange rate gains and losses on financial assets and liabilities*		6,312	3,905	6,409	3,966
Total		2,454	-152	2,452	-154

* Exchange rate result attributable to lending to companies in Russia amounts to 1,151 (-12)

7 Employees

Average number of employees	2022		2021	
	No. of employees	of whom, men	No. of employees	of whom, men
Parent Company				
Sweden	32	18	28	18
Total	32	18	28	18
Subsidiaries outside Sweden				
Singapore	11	3	11	4
Total	11	3	11	4
Group total	43	21	39	22

Board members and other senior executives	2022			
	No. of Board members*	of whom, men	No. of senior executives*	of whom, men
Parent Company				
Sweden	5	4	3	2
Total	5	4	3	2
Subsidiaries outside Sweden				
Singapore	3	3	3	1
Australia	4	4	1	1
Total	7	7	4	2
Group total	12	11	7	4

* The same persons are to a certain extent represented in the figures for the different companies. Excluding this aspect, the total number of Board members is ten (of whom seven are men) and the number of senior executives is six (of whom four are men).

» Note 7

Wages, remunerations, social costs and pension costs SEK M	2022			2021		
	Parent company	Subsidiary company	Group	Parent company	Subsidiary company	Group
Wages, salaries and other remuneration to Board members and the President	-3	-6	-9	-3	-5	-8
(whereof bonus)	-2	-3	-5	-2	-2	-4
Wages and other remuneration to employees	-28	-10	-38	-26	-9	-35
(whereof Profit Shares)	-	-	-	-	-	-
Total	-31	-16	-47	-29	-14	-43
Social costs	-10	0	-10	-10	-	-10
Pensions costs	-7	0	-7	-19	0	-19
whereof pension costs to Board members and the President	-	0	0	-	0	0
The cost of non-monetary benefits to other employees	-1	-1	-2	-1	-1	-2
Remuneration to senior executives						
Wages, salaries and other remuneration to the President	-3	-6	-9	-3	-5	-8
whereof bonus	-2	-3	-5	-2	-2	-4
The Company's outstanding pension obligations to the President	0	-	0	0	-	0
Cost of non-monetary benefits to the President	0	0	0	0	0	0
Wages, salaries and other remuneration to other senior executives	-4	-	-4	-3	-	-3
whereof bonus	-1	-	-1	-1	-	-1
Cost of non-monetary benefits to other senior executives	0	-	0	0	-	0

The company's President has a notice of termination of six months on his own accord and a 12 month notice of termination from Volvo Treasury AB.

8 Fees to the auditors

Audit involves examination of the annual report and financial accounting and the administration by the Board of Directors and the President. Audit-related assignments mean other quality assurance services required by enactment, the Articles of Association, regulations or agreement. Tax services include both tax consultancy and tax compliance services. All other tasks are defined as other.

Fees to the auditors SEK M	Group		Parent Company	
	2022	2021	2022	2021
Deloitte				
Audit assignment	2	2	1	2
Audit related services	0	0	0	0
Total	2	2	1	2

9 Write-down

The Volvo Treasury Group has receivables from group companies in Russia amounting to 6,7 billion, given prevailing market conditions and the uncertainty surrounding the assets, the value has been written down by SEK 1,7 billion to SEK 5,0 billion.

10 Operating leases

Future lease payments pertaining to non-cancelable leases at year end amounted to 6 (5) for the Group and 3 (3) for the Parent Company. Lease expenses for the year amounted to 4 (3) for the Group and 3 (3) for the Parent Company.

Company as the lessee

Future lease payments (minimum leasing fees) related to non-cancellable lease contracts at year end are distributed as follows:

SEK M	Group		Parent Company	
	2022	2021	2022	2021
Payment due within one year	-4	-3	-4	-3
Payment due after one year and within five years	-2	-2	-	-
Total	-6	-5	-4	-3

Leasing expenses related to operating lease contracts during the year consist of the following:

SEK M	Group		Parent Company	
	2022	2021	2022	2021
Whereof minimum lease payments expenses	-1	-3	-1	-

11 Income tax

Distribution of income tax		Group		Parent Company	
SEK M		2022	2021	2022	2021
Current tax for the period		-455	-112	-299	-52
Current tax for prior periods		-11	-26	-11	-27
Deferred tax arising or reversed during the period		0	-2	-1	3
Total		-466	-140	-311	-76

In 2022, tax attributable to Group contributions increased the Group's unrestricted reserves by 144 (54) and increased the Parent Company's equity with 144 (54).

Specification of income tax		Group		Parent Company	
SEK M		2022	2021	2022	2021
Income before taxes		683	626	29	329
Tax according to current tax rate		-141	-129	-6	-68
Difference due to different countries' tax rates		-10	1	-	-
Other non-deductible expenses/income		-295	18	-294	18
Taxes related to prior year		-10	-26	-11	-26
Other, net		-10	-4	0	0
Total		-466	-140	-311	-76

» Note 11

Deferred tax, Changes in deferred tax assets/liabilities, net*	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
SEK M				
Opening balance	16	24	12	9
Deferred taxes recognised in the year's income	-1	-3	3	3
Of which recognised in Other comprehensive income, Remeasurements of defined-benefit plans	-4	-5	-4	0
Deferred tax assets/liabilities, net, as of December 31**	11	16	11	12

* The deferred tax assets and tax liabilities stated above are recognized in Volvo Treasury Group's balance sheet, in part net after taking offsetting opportunities into account. Deferred tax assets and tax liabilities have been measured using the tax rates expected to apply during the period when the asset is realized or the liability is to be settled according to the tax rates and tax regulations that have been decided or adopted on the balance sheet date.

** Of which, temporary differences pertaining to provisions for pensions in the Group were the most significant and amounted to 12 (15).

12 Financial assets

Participations in subsidiaries	Parent Company	
	Dec 31, 2022	Dec 31, 2021
SEK M		
Opening acquisition cost	225	225
Closing accumulated acquisition cost	225	225

SEK M	Registered office in	Percentage holding	Voting share	No. of rights participations/shares	Carrying amount	Shareholder's equity
Volvo Treasury Asia Ltd*	Singapore	100%	100%	20,025,000	225	934
Total					225	934

* Volvo Treasury Asia Ltd, which in turn holds 100% of the shares in Volvo Treasury Australia Pty Ltd

13 Other non-current receivables

SEK M	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Outstanding interest and currency derivatives	3,945	1,869	3,922	1,830
Total	3,945	1,869	3,922	1,830

14 Other current receivables

SEK M	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Outstanding interest and currency derivatives	779	838	748	797
Accrued interest income and prepaid interest expenses	87	7	87	7
Other accrued income and prepaid expenses	11	27	11	27
Other receivables	1	1	1	1
Netting agreements	4,959	1,160	4,959	1,160
Total	5,837	2,033	5,806	1,992

15 Cash and cash equivalents

SEK M	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Cash in banks	31,494	28,661	31,446	28,649
Time deposits in banks	22,947	13,636	22,947	13,636
Total	54,441	42,297	54,393	42,285

16 Group contributions

Group contributions of 300 (335) was received from Volvo Investment AB and 1,000 (600) was granted to AB Volvo.

17

Provisions for post-employment benefits

Post-employment benefits, such as pensions and other remuneration are mainly settled by means of regular payments to independent authorities or bodies that assume pension commitments for employees through defined-contribution plans. The remaining portion is fulfilled through defined-benefit plans (applies only in Sweden), where the commitments remain within Volvo Group or are transferred to pension trusts.

Defined-benefit plans entail the company undertaking to pay predetermined amounts to the employee at or after retirement. These plans are secured through provisions in the balance sheet and through transfers of funds to pension foundations. A credit insurance has also been procured to cover the value of issued obligations. The main defined-benefit pension plan is the ITP2 plan, which is based on final salary. This plan is partly closed, which means that only new employees born before 1979 are able to choose the ITP2 solution. The proprietary ITP2 plan for the company is part-financed through Volvo pension foundation. The pension liability is calculated annually on the balance-sheet date based on actuarial assumptions.

The defined-benefit obligations are calculated based on applicable salary levels as per the balance-sheet date, with a discount interest rate of 2,85% (3.8%) regarding ITP2 and 0,2% (–0.1%) for other pension liabilities. Annual yield and mortality estimates are established by PRI for ITP2 or Finansinspektionen (Sweden's financial supervisory authority) for other pension liabilities.

The Volvo Pension Foundation was formed in 1996 to secure pension obligations under the ITP plan. Since its formation, the company has provided plan capital in a net amount of SEK 56.4 M to the Foundation. The return on plan assets during 2022 was –10,01% (13.1%).

Provisions for pensions and similar obligations in the company's balance sheet correspond to the present value of the obligations at the balance-sheet date, less the fair value of plan assets.

Volvo Group applies IAS 19 Employee Benefits in its financial reporting. This results in differences that can be material in the recognition of defined-benefit plans pertaining to pensions and when recognizing plan assets placed in the Volvo Pension Foundation.

Accounting policies for defined-benefit plans differ from IAS 19 primarily because:

- The calculation of the pension liability according to Swedish accounting policies does not take into account future pay increases.
- The discount interest rate for calculating the Swedish liability is determined by PRI Pensionsgaranti and Finansinspektionen.
- Changes in the discount interest rate, real return on plan assets and other actuarial assumptions are recognized directly in profit and loss, and in the balance sheet.
- Deficits must either be recovered through payments to the plan or be recognized as a liability in the balance sheet.
- Surpluses cannot be recognized as an asset but can, in certain cases, be credited to the company to reduce pension costs.

The following tables disclose information about defined benefit plans. Volvo recognizes the difference between outstanding obligations and the value of the plan assets in the balance sheet. The disclosures pertain to the assumptions applied in the actuarial computations, recognized costs during the reporting period and the value of obligations and plan assets at the end of the period. In addition, changes in the value of obligations and plan assets during the period are specified.

Pension costs during the year

SEK M	Dec 31, 2022	Dec 31, 2021
Current service costs	–3	–3
Interest costs	–2	–2
Interest income	2	1
Total pension costs for defined-benefit plans	–3	–4
Pension costs for defined-contribution plans	5	–6
Total pension costs	2	–10

Applicable assumptions for actuarial calculations (Sweden)

Percentage	Dec 31, 2022	Dec 31, 2021
Discount rate	4	2
Expected salary increase	3	2
Inflation	2	2

Obligations in defined-benefit plans

SEK M	Dec 31, 2022	Dec 31, 2021
Obligations at January 1	122	137
Defined-benefits earned during the year	3	3
Interest costs	3	2
Remeasurements		
–Effect of change in demographic assumptions	3	0
–Effect of changes in financial assumptions	–34	–17
–Effect of experience adjustments	2	–2
Benefits paid	–2	–1
Obligations at December 31	97	121
Of which, funded defined-benefit plans	97	121

Fair value of plan assets in funded plans

SEK M	Dec 31, 2022	Dec 31, 2021
Plan assets at January 1	103	82
Interest income	2	1
Remeasurements	–11	11
Employer contribution	0	9
Plan assets at December 31	94	103

» Note 17

Group			
SEK M	Dec 31, 2022	Dec 31, 2021	
Funded status at December 31	3	18	
Net provisions for post-employment benefits at December 31	3	18	

Parent company			
SEK M	Funded	Unfunded	Total
Obligations in defined-benefit plans			
Obligations opening balance 2021	57	0	57
Service costs	2	0	2
Interest costs	2	0	2
Pensions paid	-1	0	-1
Obligations as of December 31, 2021	60	0	60
Service costs	15	0	15
Interest costs	2	0	2
Pensions paid	-1	0	-1
Obligations as of December 31, 2022	76	0	76
Fair value of plan assets in funded plans			
Plan assets opening balance 2021			81
Actual return on plan assets			13
Contributions and compensation to/from the fund			9
Plan assets as of December 31, 2021			103
Actual return on plan assets			-9
Contributions and compensation to/from the fund			0
Plan assets as of December 31, 2022			94

Provisions for post-employment benefits		
SEK M	Dec 31, 2022	Dec 31, 2021
Obligations*	-75	-60
Fair value of plan assets	93	103
Funded status	18	43
Limitation on assets in accordance with Swedish accounting principles (when plan assets exceed corresponding obligations)	-18	-43
Net provisions for post-employment benefits**	-	-

Pension costs		
SEK M	Dec 31, 2022	Dec 31, 2021
Pension costs for defined-benefit plans	-2	-10
Pension costs for defined-contribution plans	-4	-4
Special payroll tax / yield tax**	-1	-5
Cost for credit insurance FPG	0	0
Total pension costs for the period	-7	-19

* The capital value for ITP2 amounts to negative -75 (negative: -60)

** Net retirement benefit obligations regarding ITP2 amount to 0(0)

18 Non-current liabilities

The following list shows Volvo Treasury Group's and Parent Company's non-current liabilities in which the largest loans are distributed by currency. Unrealized exchange-rate losses and market-value adjustments pertaining to derivative contracts with remaining

maturities of more than one year are also recognized under non-current liabilities. Information on loan terms pertains to the Group as of December 31, 2022.

Bond loans		Actual interest rate	Effective interest rate	Group		Parent Company	
SEK M		Dec 31, 2022	Dec 31, 2022	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
EUR 2012-2022/2024-2078*		0-4,79	0-4,79	78.319	50.073	78.319	50.073
SEK 2020-2022/2024-2027		0,50-4,29	0,50-4,29	18.054	24.266	18.054	24.266
NOK 2019-2020/2024		4,39-4,45	4,46-4,52	1.691	2.818	1.691	2.818
GBP 2022/2026		4,77	4,77	3.125	-	3.125	-
HKD 2019/2024		2,31	2,31	969	839	969	839
USD 2019-2022/2029		2,10-2,96	2,10-2,96	730	451	730	451
JPY				-	918	-	918
Total				102.887	79.365	102.887	79.365

* This includes remaining hybrid bonds of EUR 0.6 billion, with the first redemption occasion in 2023 and final maturity in 2078. A decision has been made to call the second tranche (EUR 0.6 billion) of the hybrid bond on the call date March 10, 2023. This will have no impact on the financial position of the Volvo Treasury Group.

» Note 18

Other liabilities to credit institution SEK M	Actual interest rate	Effective interest rate	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2022	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
EUR 2022/2024–2025	2,82–3,06	2,84–3,08	3.894	3.068	3.895	3.067
JPY 2019/2024	0,37	0,37	792	1.570	–	–
AUD 2020–2022/2024–2026	3,77–4,52	3,84–4,61	658	118	–	–
SEK 2022/2024	2,44	2,46	1.998	–	1.998	–
Outstanding interest and currency derivatives	–	–	4.178	1.916	4.147	1.908
Lease liability	–	–	0	0	0	–
Total			11.520	6.672	10.040	4.975

The following list shows the Group's and the Parent Company's maturity structure for the non-current liability:

Group, Dec 31, 2022, SEK M					Parent Company, Dec 31, 2022, SEK M				
Maturity date	Bond loans	Other liabilities to credit institutions	Of which, derivative contracts	Leasing liabilities	Maturity date	Bond loans	Other liabilities to credit institutions	Of which, derivative contracts	Leasing liabilities
2024	44.096	6.152	1.186	0	2024	44.096	5.075	1.185	0
2025	24.372	3.689	1.446	–	2025	24.372	3.444	1.441	–
2026	18.640	980	847	–	2026	18.640	840	840	–
2027	8.042	555	555	–	2027	8.042	545	545	–
2028	332	37	37	–	2028	332	29	29	–
2029 -	7.405	107	107	–	2029 -	7.405	107	107	–
Total	102.887	11.520	4.178	0	Total	102.887	10.040	4.147	

Granted but unutilized non-current credit facilities that may be utilized unconditionally amounted to SEK 46 billion at year end. These facilities consisted of stand-by facilities for loans with varying maturities between 2024 and 2026. A fee is charged for granted

credit facilities, which is recognized under the item Administrative expenses in the income statement and under Other current receivables in the balance sheet, see Note 14 Other current receivables.

19 Other non-current liabilities

SEK M	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Outstanding interest and currency derivatives	3,008	–	2,972	–
Other non-current liabilities	1	1	1	1
Total	3,009	1	2,973	1

20 Current liabilities to credit institutions

SEK M	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Bond loans	37,794	21,747	37,794	21,747
Bank loans and other loans	12,451	10,499	11,336	10,288
Netting agreements	187	1,246	187	1,246
Outstanding interest and currency derivatives	1,712	233	1,673	229
Leasing liabilities	0	–	–	–
Total	52,144	33,725	50,990	33,510

Granted overdraft facilities amount to 2,305 (2,186) in the Group and 1,002 (632) in the Parent Company.

21 Other current liabilities

SEK M	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Accrued interest expenses and prepaid interest income	878	478	876	478
Outstanding interest and currency derivatives	131	105	127	104
Wages, salaries and tax-at-source	23	21	18	15
Tax liability	179	1	176	2
Accrued expenses and deferred income	7	8	5	7
Other current liabilities	0	1	1	1
Total	1,218	614	1,203	607

22 Contingent liabilities

SEK M	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Contingent liabilities on behalf of other Group companies	556	511	556	511
Pension guarantees	2	1	2	1
Total contingent liabilities	558	512	558	512
Contingent liabilities received from other Group companies, which reduce net obligations	-556	-511	-556	-511
Total contingent liabilities	2	1	2	1

23 Financial instruments

Disclosures on carrying amounts and fair values

The carrying amounts and fair values of all of Volvo Treasury Group's financial instruments are compared in the following tables.

Carrying amounts and fair values of financial instruments		Group		Parent Company		Group		Parent Company	
		Dec 31, 2022		Dec 31, 2022		Dec 31, 2021		Dec 31, 2021	
SEK M	Note	Carrying Value	Fair value	Carrying Value	Fair value	Carrying Value	Fair value	Carrying Value	Fair value
Assets									
Financial assets at fair value									
Outstanding interest and currency risk derivatives**	13, 14	4,724	4,724	4,670	4,670	2,687	2,687	2,628	2,628
		4,724	4,724	4,670	4,670	2,687	2,687	2,628	2,628
Financial assets measured at amortized cost									
Receivables from Group Company		223,731	221,118	221,726	219,039	186,666	187,146	185,444	185,720
Other interest-bearing receivables	14	4,958	4,958	4,958	4,958	1,160	1,160	1,160	1,160
		228,689	226,076	226,684	223,998	187,826	188,306	186,604	186,880
Cash and cash equivalents		54,440	54,440	54,393	54,393	42,297	42,297	42,285	42,285

* The measurement of the fair value of bonds issued, bank loans and other loans as well as receivables and liabilities from/to Group companies is conducted at level 2, and where credit risk is also included.

** Gross exposure of derivatives with positive values has been reduced by 97% (84%) through netting agreements and liquidity transfers to 143 (431).

» Note 23

Carrying amounts and fair values of financial instruments		Group Dec 31, 2022		Parent Company Dec 31, 2022		Group Dec 31, 2021		Parent Company Dec 31, 2021	
		Carrying Value	Fair value*	Carrying Value	Fair value*	Carrying Value	Fair value*	Carrying Value	Fair value*
SEK M	Note								
Liabilities									
Financial liabilities at fair value									
Outstanding interest and currency risks derivatives**	18,19, 20,21	9,029	9,029	8,918	8,918	2,234	2,234	2,241	2,241
		9,029	9,029	8,918	8,918	2,234	2,234	2,241	2,241
Financial liabilities measured at amortized cost***									
Non-current bond loans and other loans	18	110,230	106,801	108,780	105,354	84,121	85,340	82,433	83,632
Current bank loans and other loans	20	50,432	50,153	49,317	49,035	33,492	33,645	33,281	33,432
Payable to Group Company	24, 3, 5	103,311	102,140	104,825	102,597	95,124	71,962	96,583	73,194
		263,973	259,094	262,922	256,986	212,737	190,947	212,297	190,258
Trade Payables		1	1	1	1	3	3	3	3

* The measurement of the fair value of bonds issued, bank loans and other loans as well as receivables and liabilities from/to Group companies is conducted at level 2, and where credit risk is also included.

** Gross exposure of derivatives with positive values has been reduced by 97% (84%) through netting agreements and liquidity transfers to 143 (431).

*** The consolidated balance sheet includes financial liabilities (loan-related derivative instruments) of -5,889 (-2,149).

Income, expenses, gains and losses related to financial instruments

The impact of exchange gains and losses, as well as interest income and interest expense, on Volvo Treasury Group's gross earnings for the various categories of the financial instruments is shown in the table below.

Financial assets and liabilities at FVTPL *		Group Dec 31, 2022				Group Dec 31, 2021			
		Foreign Exchange gain	Foreign Exchange Loss	Interest income	Interest expense	Foreign Exchange gain	Foreign Exchange Loss	Interest income	Interest expense
SEK M									
Interest and currency rate derivatives		324	-5,094	-	-1,643	1,826	-5,269	-	-798
Financial assets valued at amortized costs		-	-	4,773	-810	-	-	2,316	-61
Cash and cash equivalents		1,093	-1,014	298	-	776	-984	40	-
Financial liabilities valued at amortized cost		14,119	-7,804	-	-1,779	9,120	-5,215	-	-1,040
Effect on Gross income		15,536	-13,912	5,071	-4,232	11,722	-11,468	2,356	-1,899

Financial assets and liabilities at FVTPL *		Parent company Dec 31, 2022				Parent company Dec 31, 2021			
		Foreign Exchange gain	Foreign Exchange Loss	Interest income	Interest expense	Foreign Exchange gain	Foreign Exchange Loss	Interest income	Interest expense
SEK M									
Interest and currency rate derivatives		148	-4,965	-	-1,615	1,782	-5,311	-	-777
Financial assets valued at amortized costs		-	-	4,693	-817	-	-	2,270	-74
Cash and cash equivalents		1,093	-1,014	298	-	776	-984	39	-
Financial liabilities valued at amortized cost		14,119	-7,707	-	-1,754	9,322	-5,355	-	-1,021
Effect on Gross income		15,360	-13,686	4,991	-4,186	11,880	-11,650	2,309	-1,872

* Accrued and realized interest is included in gains and losses related to financial assets and liabilities measured at FVTPL.

» Note 23

Outstanding derivative instruments hedging currency and interest-rate risk

The table below sets out the accounting for derivative instruments and options on financial and commercial assets and liabilities. The nominal amount represents the gross amount of the contract. The contracts outstanding have been recognized at market value. The stated market values represent the calculated values that will not necessarily be realized.

SEK M	Group Dec 31, 2022		Group Dec 31, 2021	
	Nominal Amount	Carrying value	Nominal Amount	Carrying value
Interest-rate swaps				
– receivable position	191,081	4,518	96,629	2,538
– payable position	161,273	–8,677	193,334	–2,150
Foreign exchange forward contracts				
– receivable position	33,381	206	13,228	148
– payable position	27,922	–351	10,158	–84
Options purchased, caps and floors				
– receivable position	56	0	5,068	1
Options written, caps and floors				
– payable position	56	0	–	–
Total		–4,304		453

SEK M	Parent Company Dec 31, 2022		Parent Company Dec 31, 2021	
	Nominal Amount	Carrying value	Nominal Amount	Carrying value
Interest-rate swaps				
– receivable position	189,412	4,517	94,844	2,488
– payable position	158,649	–8,628	192,473	–2,141
Foreign exchange forward contracts				
– receivable position	30,753	153	11,908	119
– payable position	26,030	–289	8,540	–80
Options purchased, caps and floors				
– receivable position	56	0	5,068	1
Options written, caps and floors				
– payable position	56	0	–	–
Total		–4,247		387

24 Transactions with related parties

All financial transactions with companies within Volvo Group are carried out on market terms.

Receivables and liabilities outstanding to companies within Volvo Group are shown in the balance sheet. Revenues and expenses attributable to companies within Volvo Group are shown in Notes 4 and 5.

Transactions with the Board or management consist of remuneration and are presented in Note 7 Employees.

The Parent Company AB Volvo is the guarantor for Volvo Treasury Group's different credit programs.

25 Cash flow statement

Cash flow from financing activities		Group, Non cash items				
		Note	1 January 2021	Cash flow	Unrealized exchange rate effects	FV valuation
SEK M						Dec 31, 2022
Group contributions received*			–	335	–	–
Group contributions granted*			–	–600	–	–
Dividend granted			–	–5,000	–	–
Bond loans	18		79,365	15,512	8,010	–
Other liabilities to credit institutions	18		6,672	2,055	531	2,262
Other non- current liabilities	19		1	0	0	3,008
Current liabilities to credit institutions	20		33,725	17,457	–328	1,290
				29,759		

Cash flow from financing activities		Parent company, Non cash items				
		Note	1 January 2021	Cash flow	Unrealized exchange rate effects	FV valuation
SEK M						Dec. 31, 2022
Group contributions received*			–	335	–	–
Group contributions granted*			–	–600	–	–
Dividend granted			–	–5,000	–	–
Bond loans	18		79,365	16,152	7,370	–
Other liabilities to credit institutions	18		4,975	2,548	278	2,239
Other non- current liabilities	19		1	0	0	2,972
Current liabilities to credit institutions	20		33,510	16,170	–	1,310
				29,605		

* Group contributions received/granted are recognized under the item Receivable/liabilities with Group companies (in Volvo Group) in the balance sheet and are moved from the items increase (–)/decrease (+) in lending to Group companies and increase (+)/decrease (–) in borrowing from Group companies to the items Group contributions received/granted in the cash flow statement.

26 Significant events after the close of the fiscal year

No events occurred after the close of the fiscal year that significantly affected the earnings or position of the Group or the Parent Company.

27 Proposed disposition of unappropriated earnings

The following earnings are at the disposal of the Annual General Meeting:

Retained earnings	11,146,799,806
Net income	-281,723,477
Shareholder contribution received	1,700,000,000
SEK	12,565,076,329

The Board of Directors and the President propose that the above sum be appropriated as follows:

To be carried forward	12,565,076,329
SEK	12,565,076,329

In other matters regarding the company's earnings and position, please refer to the following income statement and balance sheet as well as the cash flow statement and accompanying notes.

The Group's income statements and balance sheets will be presented to the Annual General Meeting for approval.

The Board of Directors and the President certify that the consolidated accounts have been prepared in accordance with international financial reporting standards (IFRS) as adopted by the EU and present a true and fair view of the Group's position and earnings. The Annual Report was prepared in accordance with generally accepted accounting practice and presents a true and fair view of the Parent Company's financial position and earnings.

The Board of Directors' Report for the Group and Parent Company gives a fair review of the development of the business, position and earnings for the Group and Parent Company, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Gothenburg, February 28, 2023

Thomas Lestin
President

Frederik Ljungdahl
Chairman

Joakim Berger
Board member

Erik Annerstedt
Board member

Karin Heltborg
Board member

Our Auditors' Report was submitted on February 28, 2023
Deloitte AB

Fredrik Jonsson
Authorized Public Accountant

Auditor's report

This auditor's report is a translation of the Swedish language original.
In the events of any differences between this translation and the
Swedish original the latter shall prevail.

To the general meeting of the shareholders of Volvo Treasury AB
(publ) corporate identity number 556135-4449.



Auditor's report

This auditor's report is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.

To the general meeting of the shareholders of Volvo Treasury AB (publ) corporate identity number 556135-4449

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Volvo Treasury AB (publ) for the financial year 2022-01-01–2022-12-31. The annual accounts and consolidated accounts of the company are included on pages 1–35 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key Audit Matter

Volvo Treasury AB (publ) enters deals for financial derivative instruments with credit institutes to hedge risks for fluctuations in currency exchange rates and interest rates. The valuation of these financial instruments is an important area in our audit considering the complexity involved. Our audit procedures have included, but not exclusively, comprised of:

- We have audited relevant internal controls in the valuation process, including controls for input data in valuation models, changes in models applied and validation of data output towards counterparty.
- We have audited the input data applied by management to determine valuation of the financial derivative portfolio. Input data has been used to reperform calculation of carrying fair value for financial derivatives.
- We have audited valuation of financial derivative instruments comparing carrying fair value to counterparty confirmations.
- We have audited completeness and accuracy in the disclosures related to financial derivative instruments.
- Our experts on financial instruments have been involved during the audit and performance of the audit procedures.
- We have, in collaboration with our experts on IT-audit, audited general IT-controls and relevant application controls for the Treasury system applied for valuation of financial derivative instruments.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going

» Auditor's report

concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Volvo Treasury AB (publ) for the financial year 2022-01-01–2022-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of the auditor's report.

Deloitte AB, was appointed auditor of Volvo Treasury AB (publ) by the general meeting of the shareholders on the 2022-02-28 and has been the company's auditor since 2018-04-19.

Gothenburg 2023-02-28
Deloitte AB

Fredrik Jonsson
Authorized public accountant

A photograph of a Volvo truck on a highway at dusk, with a modern building in the background.

Corporate Governance Report

Volvo Treasury AB (publ) has issued debt securities which are listed on a regulated market and the company is therefore required to prepare this Corporate Governance Report in accordance with the Annual Accounts Act (1995:1554). AB Volvo (publ) owns 100% of the shares of Volvo Treasury AB (publ) and therefore holds all the voting rights at the shareholder's general meetings.

Corporate Governance Report

Introduction

The Board of Directors of Volvo Treasury AB (publ) comprises five members with no deputies. Three of these members were elected at the scheduled general meeting of shareholders and two members was elected at an extraordinary general meeting of shareholders for the period until the next annual general meeting. The company's Articles of Association stipulate that the general meeting may not appoint fewer than three and not more than ten Board members.

The company's Articles of Association were adopted at the 2021 Annual General Meeting. The Articles of Association may be amended through resolution by the general meeting of shareholders in the manner prescribed by the Companies Act, and no further restrictions apply as to how such amendments are implemented.

The general meeting of shareholders of Volvo Treasury AB (publ) has not given the Board any mandate to decide on the issue of new shares or the buy back of the company's own shares.

Volvo Treasury AB (publ) has decided not to establish an Audit Committee. In light of the above, the Board of Directors of Volvo Treasury AB (publ) is responsible for the performance of the tasks specified in Chapter 8 Section 49(b) of the Companies Act (2005:551) and the tasks of the Audit Committee pursuant to Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, in its original wording.

Internal control over financial reporting

Volvo Treasury Group's system for internal control and risk management in connection with the financial reporting is designed in accordance with Volvo Group's policies and guidelines. The following text describes how the internal control is organized within Volvo Group in general and within Volvo Treasury Group with regard to financial reporting.

Volvo Group has a specific function for internal control, which aims to provide support for management groups within the business areas and Group functions that will allow them to continuously provide solid and improved internal controls relating to financial reporting. Work conducted through this function is based primarily on a methodology that aims to ensure compliance with directives and guidelines, and to create effective conditions for specific control activities in key processes related to financial reporting. AB Volvo's

Audit Committee is informed of the result of the work performed by the Internal Control function within Volvo Group with regard to risks, control activities and monitoring the financial reporting.

Volvo Group also has an Internal Audit function with the primary task of independently ensuring that companies in the Group comply with the principles and rules that are stated in the Group's directives, policies and instructions for financial reporting. The Head of the Internal Audit function reports directly to the CEO, the Group's General Counsel and to the Audit Committee of the Board of AB Volvo.

Volvo Treasury Group's controller function has a specific function for internal control, which aims to provide support to Volvo Treasury Group's Board that will allow it to continuously provide solid and improved internal controls relating to financial reporting.

Control environment

Fundamental to Volvo Group's control environment is the corporate culture that is established within the Group, in which managers and employees operate. Volvo Group works actively on communication and training pertaining to the company's core values as described in the Group's Code of Conduct, to ensure that good morals, ethics and integrity permeate the organization.

The foundation of the internal control process relating to the financial reporting is built up around the Group's directives, policies and instructions, as well as the existing responsibility and authority structure. The principles for Volvo Group's internal controls, as well as directives and policies for the financial reporting are contained in Volvo Group Management System, a Group-wide management system that includes the Group's instructions, rules and policies.

Risk assessment

Risks pertaining to financial reporting are evaluated and overseen by Volvo Group's Board of Directors through its Audit Committee, and by Volvo Treasury Group's Board of Directors, by identifying significant risks and how they should be managed and counteracted. The risk assessment is based on a number of criteria, such as the complexity of the accounting principles, revaluation principles of assets or liabilities, complex and/or changing business circumstances, etc. The identified risks, together with mitigating generic controls, are collected in a framework for internal control of financial reporting, Volvo Internal Control Standard (VICS).

» Corporate Governance Report

Control activities

Volvo Group's Board of Directors and its Audit Committees as well as Volvo Treasury Group's Board of Directors constitute the overall supervisory body for internal control. Several control activities are applied in the ongoing business processes to ensure that potential errors or deviations in the financial reporting are prevented, discovered and corrected by including control activities that match the control targets defined in the VICS framework. Control activities range from review of outcome results at management group meetings to specific reconciliation of accounts and analyses of the ongoing processes for financial reporting.

Information and communication

Policies and instructions relating to the financial reporting are updated and communicated on a regular basis from Volvo Group's management to all employees concerned. Volvo Group accounting department holds a direct operative responsibility for ongoing financial accounting which is aimed at ensuring a uniform application of the Group's policies, principles and instructions for the financial reporting, and at identifying and communicating shortcomings and areas of improvement in the processes for financial reporting.

Follow-up

Ongoing responsibility for following up Volvo Treasury Group's internal control rests with Volvo Treasury AB (publ) management group and controller function in cooperation with Volvo Group's accounting function. In addition, the Internal Audit and the Internal Control functions of Volvo Group conduct review and follow-up in accordance with what is described in the introduction of this report. More specifically, the Internal Control function runs and coordinates evaluation activities through Volvo Group Internal Control Programme, which aims to systematically evaluate the quality of the internal control over finan-

cial reporting on an annual basis. An evaluation plan is settled annually and presented to the Audit Committee. This evaluation program comprises three main areas:

1. *Group-wide controls:* Self-assessment procedure carried out by management teams at business area/Group-function levels as well as company level. The areas evaluated are mainly compliance with the Group's financial directives and policies that are collected in policies found in the Financial Policies and Procedures and the Group's Code of Conduct.
2. *Process controls at transaction levels:* Processes related to the financial reporting are evaluated by testing of routines/controls based on the framework for internal control of financial reporting, VICS – Volvo Internal Control Standards.
3. *General IT controls:* Processes for maintenance, development and authorization management pertaining to financial applications are evaluated by testing routines/controls.

The results of the evaluation activities are reported to Volvo Group's Board of Directors and its Audit Committees as well as to Volvo Treasury Group's Board of Directors.

Gothenburg 2023-02-28

Volvo Treasury AB (publ)

Board of Directors

Auditor's report on the corporate governance statement

This auditor's report is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.

To the general meeting of the shareholders in Volvo Treasury AB
(publ) corporate identity number 556135-4449

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the financial year 2022-01-01–2022-12-31 on pages 39–41 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg 2023-02-28
Deloitte AB

Fredrik Jonsson
Authorized public accountant



Volvo Treasury AB (publ)
SE-405 08 Göteborg, Sweden
Telephone +46 31 66 00 00
www.volvogroup.com

Volvo Treasury Group is included in the Volvo Group. The Volvo Group drives prosperity through transport and infrastructure solutions, offering trucks, buses, construction equipment, power solutions for marine and industrial applications, financing and services that increase our customers' uptime and productivity. Founded in 1927, the Volvo Group is committed to shaping the future landscape of sustainable transport and infrastructure solutions. The Volvo Group is headquartered in Gothenburg, Sweden, employs 102,000 people and serves customers in more than 190 markets. In 2022, net sales amounted to SEK 473 billion. Volvo shares are listed on Nasdaq Stockholm.

V O L V O

