Annual Report and Consolidated Financial Statements for the 2020 fiscal year

Content

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

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(Certified):
John Lightowler
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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, 2020 to December 31, 2020.

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

The Volvo Treasury Group is included in the Group function, Volvo Group Treasury, which is the Volvo Group's internal bank with responsibility for the 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 the Volvo Group's operations. Most of the Volvo Group's financial transactions are conducted through Volvo Treasury Group or one of the Volvo Group's other treasury entities in America or Asia.

Operations at Volvo Group Treasury are divided into two separate portfolios, where the first pertains to the Volvo Group's industrial operations and the second to the Volvo Group's customer finance operations within financial services. The division has been made for the purpose of better securing the specific needs of the respective operations. 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 via the 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. Each of the Volvo Group's business areas monitors and manages risks in their own operations. Volvo Group's risks are sorted into four categories:

- Strategic risks can affect the Group's ability to create value, the long-term development of operations and the Group's ability to achieve its vision and ambitions. Strategic risks are managed through strategic plans and business decisions made by the Volvo Group's Board of Directors, the Group Executive Board and management groups within the Volvo Group.
- Operational risks can affect the Group's ability to increase value and are important for daily operations. Operational risks are managed through operational business decisions across the entire Volvo Group, at all levels and by all employees.
- Compliance risks can affect the Volvo Group's ability to protect value from threats to the Group's financial and organizational position or reputation. Regulatory and legal compliance are part of operational business management and decisions in all operations in the entire Volvo Group, at all levels and by all employees.

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- Financial risks can affect the Volvo Group's ability to expand and protect its financial position. Financial risks are managed as an integrated part of business operations, where portions of the responsibility are centralized to the Group's internal bank, Volvo Group Treasury, according to the financial framework Volvo Group Financial Policies and Procedures.

Volvo Treasury Group, which is a part of Volvo Group Treasury, primarily controls financial risks and follows the Volvo Group's financial risk policy in its operations. The policy is updated annually and regulates how to control and govern the management of interest-rate risks, currency risks, credit risks, liquidity risks and other price risks. The policy also establishes principles for how financial activities must be conducted, establishes mandates and limits for managing financial risks and specifies which instruments must be used to mitigate these risks. 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.

The COVID-19 pandemic

The outbreak of the COVID-19 pandemic around the world has led to widespread economic disruptions in many countries and economic activity is expected to be negatively impacted in the coming quarters. How long the COVID-19 pandemic will continue and how it will develop is unknown. It is also not possible to predict how long the crisis measures taken in different countries will continue or what additional measures will be taken.

However, if the virus outbreak continues or worsens, it can, inter alia, entail limitations to stop the spread of infection and movement restrictions being retained in the most important markets, that further disruptions to the financial markets will occur and that the global economic downturn will intensify. Considering how the crisis can develop, negative effects on the Volvo Treasury Group's financial development cannot be ruled out.

Significant events during the fiscal year

Volvo Treasury Group secured liquidity, carried out financial activities and managed risks pursuant to the financial policy despite the growing uncertainty in the financial markets due to COVID-19.

In 2014, the Volvo Group issued a EUR 1.5 billion hybrid bond through Volvo Treasury Group with the aim of further strengthening the Volvo Group's balance sheet and extending the maturity profile of the debt portfolio. The first portion of the bond (EUR 0.9 billion) was repaid on June 10, 2020. The remaining portion (EUR 0.6 billion) has a first redemption date in 2023 and is recognized as a loan with an average original maturity of 61.6 years, and is subordinated to other existing financial liabilities.

Funding in the external bond market increased SEK 4.7 billion during the year as a result of ensuring liquidity in the Group. Volvo Treasury Group renegotiated a portion of its credit facilities in the beginning of 2020 and thereby extended the maturity by one year.

During the year, net lending to companies within the Volvo Group decreased SEK 20.3 billion as a consequence of a decreased need for lending to the Volvo Group's industrial operations and lower transaction volumes in Financial Services customer finance operations. As a result of this, interest income decreased compared with the previous year. Interest expenses for external interest-bearing liabilities and derivative contracts decreased compared with the previous year as a result of lower market interest rates and the repayment of a hybrid bond.

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Financial instruments measured at fair value through profit and loss (FVTPL) negatively impacted earnings, albeit to a lesser extent than last year. The underlying cause of the negative impact was lower market interest rates, primarily for USD and GBP.
The Volvo Group's hedging of commercial cash flows is managed by and reported in Volvo Treasury Group. The effect of the hedge is included under Other financial income and expenses. The result from operations was negative SEK 69 M, compared with negative SEK 488 M last year, which was primarily a consequence of the reduced portfolio and strengthening of the Swedish krona. The COVID-19 pandemic has generated uncertainty regarding projected future cash flows, which led to a considerable decrease of hedged commercial cash flows.

Income derived from loan commitments issued to Volvo Financial Services totaled SEK 127 M and were included under the item Other operating income. Costs derived from issued loan commitments were included under the Administrative expenses item.

The prepared Annual Report states that a Group contribution totaling SEK 126 M was received from Sotrof AB (556519-4494).

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

Future development
The ongoing COVID-19 pandemic continues to create uncertainty and can still lead to new restrictions for society and companies, which can affect us, our business partners and our customers. We continue to focus on our colleagues, customers and business partners, with health and safety as our top priority, and maintain a stringent cost control and focus on cash flow. Operations are expected to continue with unchanged content and with the same target of developing and improving the quality of deliveries.

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 document.

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Multi-year comparison

	2020	2019	2018	2017	2016	2015
Consolidated statement of income						
Net interest income	496.3	634.5	365.0	330.0	1,055.9	1,141.3
Gross income	510.4	253.8	108.4	621.8	1,185.9	868.6
Operating income	455.5	183.4	40.9	514.6	1,081.1	791.8
Consolidated balance sheet						
Financial assets	64,705.4	67,509.0	71,641.8	64,395.5	62,662.4	57,182.9
Current receivables	77,660.3	111,637.6	92,126.9	98,610.1	105,429.1	110,698.9
Marketable securities	-	-	-	-	1,021.4	3,163.8
Cash and cash equivalents	62,680.8	40,216.0	32,800.3	22,447.0	10,670.4	7,965.6
Shareholders' equity	16,998.6	16,585.5	16,299.1	16,162.9	16,102.7	15,958.5
Non- current liabilities	75,040.4	75,717.6	67,480.9	57,196.1	69,456.3	59,882.1
Current liabilities	113,032.6	127,083.5	112,805.6	112,109.7	94,240.2	103,152.4
Number of employees	40	41	42	43	40	39

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 15,893,265,550. The Board of Directors and the CEO propose that the available earnings of SEK 15,893,265,550 be carried forward. In other matters, please refer to the following income statement and balance sheet as well as Note 28 Proposed disposition of unappropriated earnings

All amounts in the Annual Report are given in millions of kronor (MSEK) unless otherwise stated. The amounts within parentheses refer to the preceding year.

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Consolidated statement of income

	Note	2020	2019
Interest income	4	2,814.2	3,858.3
Interest expense	5	-2,218.9	-3,112.1
Financial instruments measured at FVTPL	3, 24	-99.0	-111.7
Net interest income		**496.3**	**634.5**
Other financial profit and loss	6, 24	14.1	-380.7
Gross income		**510.4**	**253.8**
Other operating income		127.5	133.4
Administrative expenses	7, 8, 9	-179.6	-175.3
Other operating expenses		-2.8	-28.5
Operating income		**455.5**	**183.4**
Tax on income for the year	11	-45.1	-45.1
Net income		**410.4**	**138.3**

Other comprehensive income

Net income	**410.4**	**138.3**
Items that will not be reclassified to profit and loss:		
Remeasurement of defined-benefit pensions	-8.5	-12.2
Items that may be subsequently reclassified to profit and loss:		
Exchange-rate differences on translation of foreign operations	-87.8	42.4
Comprehensive income for the year	**314.1**	**168.5**
Total net income attributable to Parent Company shareholders	410.4	138.3
Total comprehensive income attributable to Parent Company shareholders	314.1	168.5

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Consolidated balance sheet

	Note	Dec. 31, 2020	Dec. 31, 2019
ASSETS			
Non-current assets			
Tangible assets			
Equipment	12	1.5	1.4
Financial assets			
Receivables from Group companies (within the Volvo Group)	24, 25	60,305.5	66,435.8
Other long term receivables	14	4,399.9	1,073.3
Total financial assets		**64,705.4**	**67,509.1**
Deferred Taxes	11	**23.6**	**22.6**
Total non-current assets		**64,730.5**	**67,533.1**
Current assets			
Current receivables			
Receivables from Group companies (within the Volvo Group)	24, 25	75,933.6	109,431.0
Tax assets	11	1.6	-
Other current receivables	15	1,725.1	2,206.6
Total current receivables		**77,660.3**	**111,637.6**
Cash and cash equivalents	16	**62,680.8**	**40,216.0**
Total current assets		**140,341.1**	**151,853.6**
TOTAL ASSETS		**205,071.6**	**219,386.7**

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SHAREHOLDERS' EQUITY AND LIABILITIES	Note	Dec. 31, 2020	Dec. 31, 2019
Shareholders' equity			
Share capital		500.0	500.0
Reserves		133.7	221.5
Retained earnings		15,954.5	15,725.7
Net income		410.4	138.3
Total shareholders' equity		**16,998.6**	**16,585.5**
Non- current liabilities			
Bond loans	19, 24	66,391.1	65,754.1
Other liabilities to credit institutions	19, 24	8,339.2	9,688.2
Other non-current liabilities	20	254.5	214.0
Provisions for pensions and similar obligations	18	55.6	61.3
Total non-current liabilities		**75,040.4**	**75,717.6**
Current liabilities			
Liabilities to credit insitutions	21	40.336.80	34,906.50
Liabilities to Group companies (within the Volvo Group)	24, 25	72.157.00	91,441.30
Accounts payable - trade	24	1.10	2.30
Current tax liabilities	11	-	6.60
Other current liabilities	22	537.70	726.90
Total current liabilities		**113,032.6**	**127,083.6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**205,071.6**	**219,386.7**

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Changes in shareholders' equity, Group

	Note	Share capital	Reserves (translation differences)	Retained earnings	Total shareholders' equity
Balance at December 31, 2018		**500.0**	**179.1**	**15,620.0**	**16,299.1**
Net income for the year		-	-	138.3	138.3
Other comprehensive income					
Translation differences		-	42.4	-	42.4
Remeasurement of defined-benefit pensions	18	-	-	-14.4	-14.4
Tax effect of remeasurement of defined-benefit pesions	18	-	-	3.1	3.1
Remeasurement of special payroll tax	18	-	-	-0.9	-0.9
Total comprehensive income for the year		-	***42.4***	***126.1***	***168.5***
Transactions with shareholders/related parties					
Group contributions granted and received	17	-	-	150.0	150.0
Tax effect of Group contributions granted and received	11	-	-	-32.1	-32.1
Total transactions with shareholders/related parties		-	-	***117.9***	***117.9***
Balance at December 31, 2019		**500.0**	**221.5**	**15,864.0**	**16,585.5**
Net income for the year		-	-	410.4	410.4
Other comprehensive income					
Translation differences		-	-87.8	-	-87.8
Remeasurement of defined-benefit pensions	18	-	-	-7.2	-7.2
Tax effect of remeasurement of defined-benefit pesions	18	-	-	2.2	2.2
Remeasurement of special payroll tax	18	-	-	-3.5	-3.5
Total comprehensive income for the year		-	***-87.8***	***401.9***	***314.1***
Transactions with shareholders/related parties					
Group contributions granted and received	17	-	-	126.0	126.0
Tax effect of Group contributions granted and received	11	-	-	-27.0	-27.0
Total transactions with shareholders/related parties		-	-	***99.0***	***99.0***
Balance at December 31, 2020		**500.0**	**133.7**	**16,364.9**	**16,998.6**

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Consolidated cash-flow statement

ACTIVITIES DURING THE YEAR	Note	2020	2019
Interest received	4	2,873.5	3,821.0
Interest paid	5	-2,378.6	-2,964.3
Income tax paid		-78.8	-75.8
Payments to suppliers and employees		-70.1	-72.2
Other financial transactions		-703.2	593.6
Cash-flow from operating activities before changes in operating receivables and liabilities	26	**-357.2**	**1,302.3**
Increase (-)/decrease (+) in current receivables	15	1,194.6	-1,104.7
Increase (+)/decrease (-) in current liabilities	22	-0.4	0.9
Increase (-)/decrease (+) in lending to Group companies	24, 25	33,044.8	-15,960.9
Increase (+)/decrease (-) in borrowing from Group companies	24. 25	-22,393.3	12,237.6
Increase (-)/decrease (+) in non-current receivables		-0.2	-6.5
Cash-flow from operating activities		**11,488.3**	**-3,531.3**
Group contributions received	17	500.0	692.0
Group contributions granted	17	-350.0	-600.0
Issue of interest-bearing securities	19. 22	55,833.4	42,453.7
Repayment of interest-bearing securities	19, 22	-51,988.9	-29,221.2
Increase in other borrowing	19. 22	47,526.1	13,414.6
Decrease in other borrowing	19. 22	-41,062.5	-15,989.1
Cash-flow from financing activities	26	**10,458.1**	**10,750.0**
Cash-flow during the year	16	21,946.4	7,218.7
Revaluation differences on cash and cash equivalents		518.4	197.0
Cash and cash equivalents, beginning of the year	16	40,216.1	32,800.4
Cash and cash equivalents, end of year	16	**62,680.9**	**40,216.1**

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Income Statement, Parent Company

	Note	2020	2019
Interest income	4	2,753.4	3,739.9
Interest expense	5	-2,186.7	-3,041.4
Financial instruments at FVTPL	3, 24	-99.4	-104.0
Net interest income		**467.3**	**594.5**
Other financial profit and loss	6, 24	12.8	-381.2
Gross income		**480.1**	**213.3**
Other operating income		127.4	133.2
Administrative expenses	7, 8, 9	-175.3	-159.4
Other operating expenses		-2.0	-24.5
Operating income		**430.2**	**162.6**
Allocations	17	126.0	150.0
Income before tax		**556.2**	**312.7**
Tax on income for the year	11	-63.2	-59.9
Net income		**493.0**	**252.8**

Other comprehensive income

Total comprehensive income for the year		**493.0**	**252.8**

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Balance sheet, Parent Company

	Note	Dec. 31, 2020	Dec. 31, 2019
ASSETS			
Non-current assets			
Tangible assets			
Equipment	12	0.4	0.4
Financial assets			
Participations in subsidiaries	13	224.6	224.6
Receivables from Group companies (within the Volvo Group)	24, 25	59,976.5	65,932.8
Other non-current receivables	14	4,383.8	1,072.4
Total financial assets		**64,584.9**	**67,229.8**
Deferred tax	11	**8.7**	**6.1**
Total non-current assets		**64,594.0**	**67,236.3**
Current assets			
Current receivables			
Receivables from Group companies (within the Volvo Group)	24, 25	74,490.3	107,897.9
Tax assets	11	2.4	1.2
Other current receivables	15	1,720.5	2,165.5
Total current receivables		**76,213.2**	**110,064.5**
Cash and cash equivalents	16	**62,667.7**	**40,182.1**
Total current assets		**138,880.9**	**150,246.7**
TOTAL ASSETS		**203,474.9**	**217,483.0**

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	Note	Dec. 31, 2020	Dec. 31, 2019
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital (5,000,000 Series A shares, quotient value SEK 100)		500.0	500.0
Legal reserves		100.0	100.0
Total restricted equity		**600.0**	**600.0**
Unrestricted equity			
Retained earnings brought forward		15,400.2	15,147.4
Net income		493.0	252.8
Total unrestricted equity		**15,893.2**	**15,400.2**
Total shareholders' equity		**16,493.2**	**16,000.2**
Non-current liabilities			
Bond loans	19, 24	66,391.1	65,754.1
Other liabilities to credit institutions	19, 24	6,433.4	8,386.8
Other non-current liabilities	20	247.6	200.0
Liabilities to Group companies (within the Volvo Group)	24, 25	1,585.0	853.2
Total non-current liabilities		**74,657.1**	**75,194.1**
Current liabilities			
Liabilities to credit institutions	21	40,009.3	34,475.8
Liabilities to Group companies (within the Volvo Group)	24, 25	71,783.8	91,098.4
Accounts payable – trade	24	1.0	2.0
Other current liabilities	22	530.5	712.6
Total current liabilities		**112,324.6**	**126,288.8**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**203,474.9**	**217,483.0**

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Changes in shareholders' equity, Parent Company

	Share capital	Reserves	Retained earnings	Total shareholders' equity
Balance at December 31, 2018	**500.0**	**100.0**	**15,147.4**	**15,747.4**
Net income for the year	-	-	252.8	252.8
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	***252.8***	***252.8***
Balance at December 31, 2019	**500.0**	**100.0**	**15,400.2**	**16,000.2**
Net income for the year	-	-	493.0	493.0
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	***493.0***	***493.0***
Balance at December 31, 2020	**500.0**	**100.0**	**15,893.2**	**16,493.2**

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Cash-flow statement, Parent Company

ACTIVITIES DURING THE YEAR	Note	2020	2019
Interest received	4	2,807.1	3,586.5
Interest paid	5	-2,343.9	-2,779.5
Income tax paid	11	-66.5	-61.7
Payments to suppliers and employees		-49.6	-50.6
Other financial transactions		-702.4	608.0
Cash-flow from operating activities before changes in operating receivables and liabilities	26	**-355.3**	**1,302.7**
Increase (-)/decrease (+) in current receivables	5	1,173.8	-1,106.3
Increase (+)/decrease (-) in current liabilities	22	0.0	0.6
Increase (-)/decrease (+) in lending to Group companies	24, 25	33,122.0	-17,335.0
Increase (+)/decrease (-) in borrowing from Group companies	24, 25	-21,806.8	11,994.6
Increase (-)/decrease (+) in non-current receivables		0.0	-6.3
Cash-flow from operating activities		**12,133.7**	**-5,149.7**
Cash-flow from investing activities		-	-
Group contributions received	17	500.0	692.0
Group contributions granted	17	-350.0	-600.0
Issue of interest-bearing securities	19, 24	55,833.4	42,453.7
Repayment of interest-bearing securities	19, 24	-51,988.9	-29,221.2
Increase in other borrowing	19, 24	46,505.6	13,435.6
Decrease in other borrowing	26	-40,667.5	-14,406.6
Cash-flow from financing activities	26	**9,832.6**	**12,353.5**
Cash-flow during the year	16	21,966.3	7,203.8
Revaluation differences on cash and cash equivalents		519.3	196.8
Cash and cash equivalents, beginning of the year	16	40,182.1	32,781.5
Cash and cash equivalents, December 31	16	**62,667.7**	**40,182.1**

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Notes — Group and Parent Company

Note 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") have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the EU. This annual report is prepared in accordance with IAS 1, *Presentation of Financial Statements*, and in accordance with 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*, issued by the Swedish Financial Reporting Board, has been applied.

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.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company and subsidiaries in which Volvo Treasury AB (publ) has a controlling influence. 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.

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 the one in which the company primarily generates and expends cash and cash equivalents. Volvo Treasury's functional currency is Swedish kronor. In most cases, the functional currency is the currency of the country where the company is located. In preparing the consolidated financial statements, all items in the income statements of foreign subsidiaries are translated to Swedish kronor at average exchange rates. All assets and liabilities items in the balance sheet are translated at exchange rates at the respective year ends (closing-day rates). 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 are translated to the functional currency at the closing-day exchange rates, both in the individual Group company and in the Group's financial statements. 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.

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The following exchange rates were used in the consolidated financial statements:

Country	Currency	Average rate 2020	Average rate 2019	As per Dec. 31 2020	As per Dec. 31 2019
Singapore	1 SGD	6.66801	6.93269	6.17880	6.90430
Australia	1 AUD	6.33798	6.57244	6.26460	6.51250

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 also the sections Leases, Group contributions, and Pensions and similar obligations.

New accounting policies in 2020
When preparing the consolidated financial statements as of December 31, 2020, no new standards and interpretations have been applied.

New accounting policies 2021 and later
When preparing the consolidated financial statements as of December 31, 2020, a number of standards and interpretations had been published, which will enter force in 2021. The following is a description of the future policy amendments that are considered to potentially have an impact on Volvo Treasury Group's financial statements.

Amendments to IFRS 9, IFRS 7 and IFRS 16
The amendments to IFRS 7, IFRS 9 and IFRS 16 pertain to the Interest Rate Benchmark Reform – Phase 2 and provide guidance for how to report the effects of the reform. The Interest Rate Benchmark Reform pertains to the transition from the existing interest rate benchmarks such as LIBOR to new benchmark rates. Volvo Group is carefully following the transition, which will happen in 2021. The amendments to IFRS 7, IFRS 9 and IFRS 16 will be applied when the new interest rate benchmarks have been incorporated into the underlying contracts, which is expected to have taken place by the end of 2021. The amendments apply from January 1, 2021.

Valuation, depreciation, amortization and impairment of intangible and tangible fixed assets
Volvo Treasury Group recognizes intangible and tangible fixed assets at cost less accumulated depreciation and amortization. Depreciation and amortization are applied on a straight-line basis, based on the historical cost of the assets, adjusted in appropriate cases by impairment and estimated useful lives. An analysis of whether any impairment is needed as of the balance-sheet date is performed if there is an indication that a financial asset has decreased in value.

The following depreciation periods are applied:

Software development	5 years
Equipment	5 years

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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, and subsequent re-valuation between the contract date and the settlement date is recognized in profit and loss. 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. All of Volvo Treasury'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 observable market prices for exchange rates and interest rates available in the active market 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.

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Financial assets and liabilities measured at FVTPL

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

Realized and unrealized interest-rate gains/losses 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 as a result of matching interest fixing for borrowing and lending. 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 instruments, and gains or losses on these are recognized in profit and loss.

Financial assets measured at amortized cost

Receivables to 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 include interest-bearing securities with high liquidity that can easily be converted to cash, such as converted repurchase agreements with a maturity that is less than three months from the purchase date. Interest-bearing securities with a maturity that is less than 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.

Transaction costs in connection with raising financial liabilities are amortized over the loan's duration as a financial expense using 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*.

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 (Parent Company). The Parent Company recognizes all leases as

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operating leases according to the exception in RFR 2, which means that lease payments are recognized in profit and loss as administration costs in the period in which they arise.

Government grants

Government grants are financial contributions from national and supranational bodies in return for compliance with certain conditions. Grants that pertain to assets are recognized in the balance sheet either as prepaid income or as a reduction in the carrying amounts of the assets in question. Grants that pertain to earnings are recognized as prepaid income in the balance sheet and are recognized as revenue in order to cover the expense to which the grant pertains. If expenses arise before the grant has been received but an agreement has been made to receive it, the grant is recognized in profit and loss to cover the expenses to which the grant pertains. For more information see Note 8 Government grants.

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 the 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 dividend if the 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 employees are allocated a certain number of shares based on the employee's length of service: 25, 35 and 45 years.

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This plan is recognized in accordance with IFRS 2 *Share-based payment.* There was no dividend in 2020 due to the extraordinary situation with the COVID-19 pandemic.

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 are 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.

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.

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 the 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 and followed up by the head office at Volvo Treasury AB (publ) in Sweden, which is why Volvo

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Treasury Group's operations are conducted in one segment and accordingly, no reporting is made by segment in accordance with IFRS 8 *Operating segments*.

Note 2 Key sources of uncertainty in estimations and critical assessments

When preparing the financial statements, management has made their best assessments of certain amounts that are included in the financial statements, with consideration given to their materiality. The sources of uncertainty identified by the company and that are deemed to meet these criteria are presented in connection with the notes they have been deemed able to affect. Since future results are currently uncertain, these assessments may result in a difference between the actual outcome and these estimates. In accordance with IAS 1, the company must provide separate information about which of the accounting policies that may be significantly impacted by the estimates and assumptions made and which, if actual results differ from said estimates, 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.

Note 3 Financial risks

The Volvo Group, through its 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 must be controlled and governed and that defines roles and responsibilities in the Volvo Group. The financial risk policy also establishes principles for how financial activities must be carried out, establishes mandates and governing policies for managing financial risks and specifies which instruments must be used to mitigate these risks. Work with financial risks is an integrated part of the Volvo Group's operations, where parts of the responsibility for the financial operations and the financial risks are centralized in Volvo Group Treasury, the Volvo Group's internal bank, which includes Volvo Treasury Group. These operations are carried out in order to reduce the currency, interest-rate, credit and liquidity risks to which the Volvo Group is exposed. The following section describes the implication of different financial risks and the goals and policies involved in managing these risks.

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 24 Financial instruments.

Interest-rate risk

Interest-rate risk refers to the risk that the fair value of financial assets and liabilities (price risk) or earnings and future cash flow (cash-flow risk) will fluctuate due to changes in market interest rates.

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Policy

The goal is to limit and minimize the Volvo Group's interest-rate risk. In accordance with the Volvo Group's Financial risk policy, Volvo Treasury Group uses currency derivatives to minimize the interest-rate risk of financial assets and liabilities and their effects on the 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 the Volvo Group's customer finance operations involves 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 the Volvo Group's industrial operations, earnings and profitability are closely tied to the business cycle. Financing for the 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. Short- and long-term borrowing is primarily carried out via the capital markets and through bilateral loans. After taking derivatives into account, the average effective interest rate at year end on financing outstanding for the industrial operations was 1.94% (4.28%). The decrease was primarily due to the effect of the repayment of the first portion of the hybrid bond in June 2020.

Borrowing and lending from and to the industrial operations of the Volvo Group primarily take place through Group accounts in various currencies. Volvo Treasury Group administrates the 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 converted repurchase agreements. At the end of 2020, the 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 0.77% (1.42%) as of December 31, 2020.

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Table 3.1 shows changes in the market value of financial assets and liabilities in the industrial operations if interest rates strengthen by one percentage point from the interest rate level on December 31, 2020, expressed in millions of Swedish kronor.

Currency	Funding	Derivatives	Lending	Liquidity	Impact on market value if interest rate rises 1%
AUD	0.4	0.2	-0.6	-	0.0
BRL	-	2.0	-2.0	-	0.0
CLP	-	1.8	-1.8	-	0.0
EUR	603.9	-578.5	-20.1	-3.5	1.8
GBP	-0.1	0.2	-	-1.6	-1.5
HUF	0.0	0.2	0.0	0.0	0.2
JPY	23.6	-6.6	-5.8	0.0	11.2
NOK	7.3	-7.3	0.0	-	0.0
SEK	96.2	-75.3	-18.3	-17.2	-14.6
THB	-	0.8	-0.8	-	0.0
TRY	0.0	0.8	-0.8	0.0	0.0
USD	2.4	-3.6	-6.0	0.1	-7.1
ZAR	0.0	1.3	-1.3	0.0	0.0
Others	-0.2	-0.9	-0.1	0.3	-1.0
Total	**733.5**	**-664.9**	**-57.6**	**-21.9**	**-11.0**

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Price risk

Exposure to price risk due to changed interest-rate levels pertains to financial assets and liabilities with longer interest-fixing terms for fixed interest rates. All loans outstanding have a short-term interest-fixing term to mitigate this risk.

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 methods for defining market risk. Volvo Group Treasury uses Value-at-Risk (VaR) as its primary tool for measuring market risk in its customer finance portfolio. 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 million, and utilization is measured on a daily basis. On December 31, 2020, VaR utilized was SEK 13.1 million (11.6).

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 the Volvo Group (commercial currency exposure) and changes in the value of assets and liabilities in foreign subsidiaries (currency exposure of shareholders' equity).

Policy

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The goal for exchange-rate-risk management is to secure contracted flows through currency hedging 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 the 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, USD and JPY. Lending to the 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 the Volvo Group's own risk.

Table 3.2 shows the earnings effect on gross profit in the industrial operations if the currency strengthens by five percentage points from the currency level on December 31, 2020, expressed in millions of Swedish kronor.

Currency	**Funding**	**Derivatives**	**Lending**	**Liquidity**	**Impact on gross income if currency rate appreciates 5%***
AUD	-	-19.3	19.1	0.2	0.0
BRL	-	-30.1	29.9	-	-0.2
CHF	-	-	5.7	-5.8	-0.1
CLP	-	-11.8	11.6	-	-0.2
CZK	-	-4.7	0.6	4.0	-0.1
EUR	-482.4	368.7	76.3	37.3	-0.1
GBP	-	-83.1	56.2	26.9	0.0
HUF	-	-10.7	-	10.7	0.0
JPY	-46.5	-571.3	615.2	1.9	-0.7
NOK	-107.9	107.9	15.6	-15.6	0.0
RUB	-	-	0.4	-0.4	0.0
THB	-	-36.2	36.2	0.0	0.0
USD	-284.7	36.0	295.0	-46.3	0.0
ZAR	-	-16.4	16.3	0.4	0.3
Others	-	-4.4	4.6	-0.2	0.0
Total	**-921.5**	**-275.4**	**1,182.7**	**13.1**	**-1.1**

*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.

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Commercial currency exposure
The Volvo Group's commercial currency exposure is hedged centrally within the Group through Volvo Treasury Group and is determined by the Volvo Group's financial risk policy.

The Volvo Group's consolidated transaction exposure in foreign currency is the value of the forecast future cash flows in foreign currency. Volvo Treasury Group only hedges that part of forecast future cash flows in foreign currency that with the greatest probability will be realized, the largest portion of which within six months. In accordance with the Volvo Group's Financial risk policy, the company uses currency derivatives such as forward contracts and currency options to minimize the risk of currency effects on the Volvo Group's earnings. For commercial currency exposure in the Volvo Group, Volvo Treasury Group has a mandate to enter currency derivatives with external counterparties on behalf of the Volvo Group without entering corresponding contracts with Group companies (within the Volvo Group), which entails that unrealized and realized effects from the derivatives affect Volvo Treasury Group's balance sheet and profit and loss.

The portfolio for hedging commercial currency exposure decreased due to the COVID-19 pandemic, which has generated uncertainty regarding projected future cash flows. The nominal value of forward and option contracts outstanding for hedging commercial currency risks at December 31 amounted to SEK 81.1 million (4,023.1). Table 3.3 shows the derivatives outstanding for hedging commercial currency risks.

Table 3.3 Forward and option contracts outstanding for hedging commercial currency risks at December 31, 2020

Due date	USD/BRL	Carrying value
2021	9.9	0.0
Total local currency	**9.9**	**-**
Average contract rate	**5.5**	**-**
Market value of outstanding forward contracts, Mkr	**5.0**	**5.0**

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. At the end of 2020, net assets in foreign subsidiaries amounted to SEK 775.5 million (858.5), consisting of SGD that amounted to SEK 752.5 million (837.7) and AUD that amounted to SEK 23 million (20.8). Net assets in foreign subsidiaries were not hedged through loans in foreign currencies, in line with the policy established by the Volvo Group's Board of Directors.

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).

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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 the 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 the Volvo Group's financial risk policy, counterparties for investments should have a rating better or equivalent to A from one of the well-established credit rating agencies 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.

The 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, 2020 amounted to SEK 62.7 billion (40.2).

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. No company within the Volvo Group has ever entered bankruptcy. The 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 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 the Volvo Group complies with the limits established for the particular counterparty. The Volvo Treasury Group's receivables from Group companies on December 31, 2020 amounted to SEK 136,239.1 million (175,866.8).

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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. The 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 effects of Volvo Treasury Group's netting agreements and cash transfers on the Volvo Treasury Group's gross exposure of interest-rate and currency derivatives outstanding. For further information regarding gross exposure per type of derivative, see Note 24 Financial instruments.

Table 3.4 The effect from netting agreements and cash transfers on Volvo Treasury Group's gross derivatives position at December 31, 2020

	Gross amount	Netting agreements	Cash transfers	Net position	Change in %
Interest and currency risk derivatives reported as assets	6,004.8	-858.1	-4,427.5	719.2	88%
Interest- and currency risk derivatives reported as liabilities	-880.1	858.1	-	-22.0	97%

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 the 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 19 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 the 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 2020, this match rate was 99.3% (95.4%).

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 3.5 below also includes short- and long-term financial liabilities to Group companies. Current liabilities to Group companies (within the Volvo Group) such as borrowing through Group accounts are not included in capital flows balances, which are short-term and can change from day to day. During 2020, current liabilities to Volvo Group companies through Group accounts amounted to SEK 66.2 billion (83.2).

Table 3.5 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
2021	-46,121.1	-152.5	1,604.9	-0.7	2021	-953.8	-203.5	-243.7	0.0
2022	-24,729.2	-123.7	2,536.0	-0.4	2022	-861.4	-126.4	-28.5	0.0
2023	-26,731.1	-94.2	927.2		2023	-728.2	-47.5	60.2	
2024	-9,475.6	-172.9	227.2		2024	-238.5	5.5	2.1	
2025	-5,555.3	-20.5	113.2		2025	-151.2	-3.6	68.8	
2026	-1,103.2	-5.0	41.1		2026	-50.9	-0.6	27.6	
2027-**	-6,719.1	-0.1	0.4		2027-**	-58.6	-0.2	24.9	
Total	**-120,434.6**	**-568.9**	**5,450.0**	**-1.1**	**Total**	**-3,042.6**	**-376.3**	**-88.6**	**0.0**

Parent Company

Capital flow				Interest flow			
	Loans*	Derivatives (liability)	Derivatives (asset)		Loans*	Derivatives (liability)	Derivatives (asset)
2021	-46,114.6	-141.7	1,600.6	2021	-953.8	-195.2	-232.4
2022	-24,527.6	-123.7	2,528.5	2022	-845.7	-121.9	-19.3
2023	-26,657.6	-94.3	923.1	2023	-727.7	-45.6	66.9
2024	-9,435.8	-172.9	223.4	2024	-238.5	6.6	6.4
2025	-5,555.2	-19.8	109.6	2025	-151.2	-3.1	70.8
2026	-1,103.3	-0.2	40.7	2026	-50.9	-0.5	27.9
2027-**	-6,719.1	0.0	0.4	2027-**	-58.6	-0.2	24.6
Total	**-120,113.2**	**-552.6**	**5,426.3**	**Total**	**-3,026.4**	**-359.9**	**-55.1**

* The interest payments on the hybrid bond are included in a total amount of 876.3 (1,608.9), 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 2078.

Most of the loan maturities in 2021 and 2022 are part of the normal business operations of the Volvo Treasury Group, in which the Volvo Group's customer finance has a shorter maturity structure than the Volvo Group's industrial operations.

The future cash flow for Volvo Treasury Group of negative SEK 120,434.6 million (neg: 199,934.0) is considered covered in the form of cash and cash equivalents that amounted to SEK 62.7 billion (40.2) net on December 31, 2020 and through future payments from Group companies in the form of receivables from Group companies that amounted to SEK 136,239.1 million

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(175,866.9) on December 31, 2020. In addition, there were committed but unutilized credit facilities of SEK 41.6 billion (43.0).

In 2014, the Volvo Group issued a EUR 1.5 billion hybrid bond with an original maturity of 61.6 years to further strengthen the 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 on June 10, 2020.

Note 4 Interest income

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

	Note	Group		Parent Company	
		2020	2019	2020	2019
Financial assets measuret at amortized cost*	24	2,766.7	3,804.7	2,706.1	3,686.6
Bank deposits	16	47.5	53.6	47.3	53.3
Total		**2,814.2**	**3,858.3**	**2,753.4**	**3,739.9**

*Pertains to receivables to Group companies.

Note 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.

	Note	Group		Parent Company	
		2020	2019	2020	2019
Financial liabilities measuret at amortized cost*	24	-1,264.8	-1,551.0	-1,248.7	-1,528.6
Financial liabilities measuret at fair value throught profit and loss	24	-901.3	-1,507.9	-885.2	-1,459.6
Cash and cash equivalents	26	-48.1	-48.5	-48.1	-48.5
Netting agreements	21	-3.6	-3.1	-3.6	-3.1
Pension liabilties	18	-1.1	-1.6	-1.1	-1.6
Total		**-2,218.9**	**-3,112.1**	**-2,186.7**	**-3,041.4**

*Of which 58.1 (297.8) pertains to liabilities to Group companies

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Note 6 Other financial income and expenses

	Group		Parent company	
	2020	**2019**	**2020**	**2019**
Exchange rate gains and losses on derivatives used for hedge financial assets and liabilities	7,998.3	-2,867.9	8,029.9	-2,841.8
Realized result and unrealized revaluation on derivatives used to hedge future cash flow exposure in foreign currency	-69.2	-487.5	-69.2	-487.5
Cash and cash equivalents	535.8	-330.3	535.8	-330.3
Exchange rate gains and losses on financial assets and liabilities	-8,450.8	3,305.0	-8,483.7	3,278.4
Total	**14.1**	**-380.7**	**12.8**	**-381.2**

Note 7 Employees

Note 7.1 Average number of employees

	2020		2019	
	No. of employees	of whom, men	No. of employees	of whom, men
Parent Company				
Gothenburg	29	17	30	17
Total	**29**	**17**	**30**	**17**
Subsidiaries outside Sweden				
Singapore	11	4	11	4
Total	**11**	**4**	**11**	**4**
Group total	**40**	**21**	**41**	**21**

Note 7.2 Board members and senior executives

	2020			
Parent Company	No. of Board members*	of whom, men	No. of senior executives*	of whom, men
Sweden	4	4	3	3
Total	**4**	**4**	**3**	**3**
Subsidiaries outside Sweden				
Singapore	3	3	3	1
Australia	4	4	1	1
Total	**7**	**7**	**4**	**2**
Group total	**11**	**11**	**7**	**5**

* 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 eight (of whom seven are men) and the number of senior executives is six (of whom four are men).

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Note 7.3 Salaries, remuneration, social security expenses and pension costs

	Parent company 2020	Subsidiary company 2020	Group 2020	Parent company 2019	Subsidiary company 2019	Group 2019
Wages, salaries and other remuneration to Board members and the President	-3.1	-3.3	-6.4	-3.3	-4.5	-7.8
(whereof bonus)	*-1.3*	*-1.0*	*-2.3*	*-1.6*	*-2.2*	*-3.7*
Wages and other remuneration to employees	-24.8	-8.7	-33.5	-28.0	-9.0	-37.0
(whereof Profit Shares)	-	-	-	*-0.4*	-	*-0.4*
Total	**-27.9**	**-11.9**	**-39.8**	**-31.3**	**-13.5**	**-44.8**
Social costs	-8.3	-	-8.3	-10.0	-	-10.0
Pensions costs	-24.8	-0.1	-24.9	-14.8	-0.1	-14.9
whereof pension costs to Board members and the President	*-0.5*	*-0.1*	*-0.6*	*-0.8*	*-0.1*	*-0.9*
The cost of non-monetary benefits to other employees	-0.7	-0.1	-1.7	-1.2	-1.1	-2.2
Remuneration to senior executives						
Wages, salaries and other remuneration to the President	-3.1	-3.3	-6.4	-3.3	-4.5	-7.8
whereof bonus	*-1.3*	*-1.0*	*-0.3*	*-1.6*	*-2.2*	-3.8
The Company's outstanding pension obligations to the President	-0.2	-	-0.2	-0.2	-	-0.2
Cost of non-monetary benefits to the President	0.0	-0.3	-0.3	0.0	-0.3	-0.3
Wages, salaries and other remuneration to other senior executives	-3.0	-	-	-4.8	-	-
whereof bonus	-1.3	-	-	-2.0	-	-
Cost of non-monetary benefits to other senior executives	0.0	-	-	-0.1	-	-

Total expenses for salaries and remuneration includes government grants from the Swedish Agency for Economic and Regional Growth of 0.5 (0) due to the extraordinary situation that arose during COVID-19.

At the Volvo Group's Annual General Meeting in June 2020, it was resolved that no dividend would be paid, and thus no payments related to the LTI were made for 2019.

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.

Note 8 Government grants

In 2020, government grants of 0.8 (0) were received. Of these, 0.5 were recognized in profit and loss.

During the COVID-19 pandemic, the company received furlough grants from of 0.8 from the Swedish Agency for Economic and Regional Growth. Of these, 0.5 were recognized as a reduction in employee expenses. See also Note 7 Employees.

Note 9 Fees and other remuneration to 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 services are defined as other assignments.

Deloitte	**Group 2020**	**2019**	**Parent Company 2020**	**2019**
Audit assignment	1.8	1.4	1.5	1.0
Audit related services	0.3	0.3	0.3	0.3
Total	**2.1**	**1.7**	**1.8**	**1.3**

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Note 10 Operating leases

Future lease payments pertaining to non-cancelable leases at year end amounted to 2.7 (4.4) for the Group and 1.0 (3.5) for the Parent Company. Lease expenses for the year amounted to 3.2 (3.7) for the Group and 0.4 (2.4) for the Parent Company.

The company as a lessee
Future rental payments (minimum lease payments) related to non-cancellable leases are allocated according to the following:

	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Payment due within one year	-1.1	-2.9	-0.8	-2.3
Payment due after one year and within five years	-1.7	-1.5	-0.2	-1.3
Total	**-2.7**	**-4.4**	**-1.0**	**-3.5**

Lease expenses for operating leases during the year were as follows:

	Group		Parent Company	
Whereof	**2020**	**2019**	**2020**	**2019**
Minimum lease payments expenses	-3.2	-3.7	-0.4	-2.4

From 2020, the leases for a number of premises were renegotiated. These contracts run from 2020 onward, with a 30-day term of notice. Accordingly, for these premises, the fee for 30 days is given under the item "Payment due within one year."

Note 11 Income tax

Distribution of income tax	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Current tax for the period	-44.0	-40.4	-65.7	-60.9
Current tax for prior periods	-0.1	-8.1	-0.1	0.0
Deferred tax arising or reversed during the period	-1.0	3.4	2.6	1.0
Total	**-45.1**	**-45.1**	**-63.2**	**-59.9**

Tax attributable to Group contributions has increased the Group's unrestricted reserves by 27.0 (32.1) and increased the Parent Company's equity with 27.0 (32.1).

The main reasons for differences between tax according to the applicable tax rate of 20.6% for 2021 (21.4%) and recognized income tax for the period, recorded at the applicable tax rate of 21.4%, are stated in the table below.

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Specification of income tax	Group		Parent Company	
	2020	2019	2020	2019
Income before taxes	**455.5**	**183.4**	**556.2**	**312.7**
Tax according to current tax rate	-97.5	-40.4	-119.0	-66.9
Difference due to different countries' tax rates	1.0	-3.6	-	-
Other non-deductible expenses/income	55.5	7.3	55.6	7.3
Taxes related to prior year	0.3	-8.4	-	-0.2
Recognition/derecognition of deferred tax	-	-	-0.1	-
Other, net	-4.4	-	0.3	0.0
Total	**-45.1**	**-45.1**	**-63.2**	**-59.9**

Deferred tax

Changes in deferred tax assets/liabilities, net*	Group		Parent Company	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Opening balance	22.6	16.1	6.1	5.1
Deferred taxes recognised in the year´s income	-0.4	5.1	1.2	1.0
Of which recognised in Other comprehensive income, Remeasurements of defined-benefit plans	1.4	1.4	1.4	-
Deferred tax assets/liabilities, net, as of December 31**	**23.6**	**22.6**	**8.7**	**6.1**

*The deferred tax assets and tax liabilities stated above are recognized in the 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 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 20.1 (18.7).

Note 12 Tangible assets

	Group		Parent Company	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Equipment				
Opening acquisition cost	3.8	1.8	0.5	0.5
Purchses	-0.2	-	-	-
Right of use assets	0.6	2.0	-	-
Translation difference	-0.1	0.0	-	-
Closing amortized cost	**4.1**	**3.8**	**0.5**	**0.5**
Opening accumulated depreciation	-2.4	-1.3	-0.1	-0.1
Sales and scrapping	0.1	-	-	-
Depreciation for the year	-0.4	-1.0	-	-
Translation difference	0.1	-0.1	-	-
Closing accumulated depreciation	**-2.6**	**-2.4**	**-0.1**	**-0.1**
Closing balance	**1.5**	**1.4**	**0.4**	**0.4**

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*The Group's leases encompass the leasing of company cars, recognized assets of SEK 2.3 M. Given the insignificance of the effects, in accordance with IAS 1.31, the Group has elected not to provide any further disclosures pursuant to IFRS 16. The exemption provided in RFR 2, not IFRS 16, has been applied for the Parent Company.

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Note 13 Financial assets

Participations in subsidiaries	Dec. 31, 2020	Dec. 31, 2019
Opening acquisition cost	224.6	224.6
Closing accumulated acquisition cost	**224.6**	**224.6**

	Registered office in	Percentage holding	Voting share	No. of rights participations / shares	Carrying amount kSEK	Shareholder´s equity kSEK
Volvo Treasury Asia Ltd	Singapore	100%	100%	20,025,000	224,608	775,412
Total					**224,608**	**775,412**

Note 14 Other non-current receivables

	Group		Parent Company	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Outstanding interest and currency derivatives	4,399.9	1,073.3	4,383.8	1,072.4
Total	**4,399.9**	**1,073.3**	**4,383.8**	**1,072.4**

Note 15 Other current receivables

	Group		Parent Company	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Outstanding interest and currency derivatives	1604.9	903.7	1600.6	862.7
Accrued interest income and prepaid interest expenses	77.1	65.8	77.1	65.8
Other accrued income and prepaid expenses	42.3	58.2	42.1	58.2
Other receivables	0.8	0.9	0.7	0.8
Netting agreements	-	1,178.0	-	1,178.0
Total	**1,725.1**	**2,206.6**	**1,720.5**	**2,165.5**

Note 16 Cash and cash equivalents

	Group		Parent Company	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Cash in banks	40,873.7	31,180.5	40,860.6	31,146.6
Time deposits in banks	13,995.0	9,035.5	13,995.0	9,035.5
Reverse repurchase agreements	7,812.1	-	7,812.1	-
Total	**62,680.8**	**40,216.0**	**62,667.7**	**40,182.1**

*A reverse repurchase agreement is a financial agreement whereby one party commits to purchasing a security from a counterparty and simultaneously agrees that the security will be sold back at a determined price at a given point in the future.

Covered bonds with a value of SEK 7.8 billion with an average maturity of 3.1 years were received as security for reverse repurchase agreements outstanding at December 31, 2020.

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Note 17 Group contributions

Group contributions of 126.0 were received from Sotrof AB. In the previous year, Group contributions of 500.0 were received by AB Volvo and 350.0 were paid to Sotrof AB.

Note 18 Provisions for pensions and similar obligations

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 the Volvo Group or are transferred to pension trusts.

Defined-benefit plans are plans whereby the company's commitment is 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 the 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 3.84% (3.84%) regarding ITP2 and 0.3% (0.7%) 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 47.4 M to the Foundation. The return on plan assets during 2020 was 7.25% (14.21%).

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.

The 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.

In the tables on the following page, disclosures are provided regarding the defined-benefit pension plan. 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

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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.

Note 18.1 Provisions for pensions and similar obligations

Pension costs during the year	Dec. 31, 2020	Dec. 31, 2019
Current service costs	-3.7	-1.4
Interest costs	-2.1	-2.8
Interest income	1.1	1.2
Total pension costs for defined-benefit plans	**-4.7**	**-3.0**
Pension costs for defined-contribution plans	-5.9	-7.3
Total pension costs	**-10.6**	**-10.3**

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Note 18.2 Provisions for pensions and similar obligations

Applicable assumptions for actuarial calculations (Sweden)	Dec. 31, 2020	Dec. 31, 2019
Discount rate	1.5	1.7
Expected salary increase	2.4	2.9
Inflation	1.8	1.8

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Obligations in defined-benefit plans	Dec. 31, 2020	Dec. 31, 2019
Obligations at January 1	123.2	99.9
Defined-benefits earned during the year	3.7	1.4
Interest costs	2.1	2.8
Remeasurements		
-Effect of change in demographic assumptions	-	-
-Effect of changes in financial assumptions	8.1	21.3
-Effect of experience adjustments	1.1	-1.2
Benefits paid	-1.0	-1.0
Obligations at December 31	**137.2**	**123.2**
Of which, funded defined-benefit plans	137.2	123.2

Fair value of plan assets in funded plans	Dec. 31, 2020	Dec. 31, 2019
Plan assets at January 1	62.0	47.1
Interest income	1.1	1.2
Remeasurements	4.1	5.7
Employer contribution	14.4	8.0
Plan assets at December 31	**81.6**	**62.0**

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Not 18.3 Net provisions for pensions and similar obligations

Net provisions for post-employment benefits at December 31	**55.6**	**61.3**

Parent company

Obligations in defined-benefit plans

	Funded	Unfunded	Total
Obligations opening balance 2019	**49.5**	**0.0**	**49.5**
Service costs	2.6	0.0	2.6
Interest costs	2.1	0.0	2.1
Pensions paid	-1.0	0.0	-1.0
Obligations as of December 31, 2019	**53.2**	**0.0**	**53.2**
Service costs	2.2	0.0	2.2
Interest costs	2.2	0.0	2.2
Pensions paid	-1.0	0.0	-1.0
Obligations as of December 31, 2020	**56.6**	**0.0**	**56.6**

Fair value of plan assets in funded plans

Plan assets opening balance 2019	**47.2**
Actual return on plan assets	6.9
Contributions and compensation to / from the fund	7.9
Plan assets as of December 31, 2019	**62.0**
Actual return on plan assets	5.2
Contributions and compensation to / from the fund	14.4
Plan assets as of December 31, 2020	**81.6**

Provisions for post-employment benefits

	Dec. 31, 2020	Dec. 31, 2019
Obligations *	-56.6	-53.1
Fair value of plan assets	81.5	62.0
Funded status	**24.9**	**8.9**
Limitation on assets in accordance with Swedish accounting principles (when plan assets exceed corresponding obligations)	**24.9**	**8.9**
Net provisions for post-employment benefits **	-	-

* The capital value for ITP2 amounts to negative 56.6 (negative: 53.1)

** Net pension obligations regarding ITP2 amount to 0.0 (0.0)

Pension costs

	Dec. 31, 2020	Dec. 31, 2019
Pension costs for defined-benefit plans	**-15.4**	**-6.6**
Pension costs for defined-contribution plans	**-4.1**	**-4.7**
Special payroll tax / yield tax **	-5.2	-3.4
Cost for credit insurance FPG	-0.1	-0.1
Total pension costs for the period	**-24.8**	**-14.8**

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Note 19 Non-current liabilities

The following list shows the Volvo Treasury Group's and Parent Company's non-current liabilities in which the largest loans are distributed by currency and their carrying amounts. 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, 2020.

Bond loans	Actual interest rate	Effective interest rate	Group		Parent company	
	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
EUR 2012-2020/2022-2078	0-4 79	0-4 79	34,968 7	39,373 2	34,968 7	39,373 2
SEK 2018-2020/2022-2024	0 40-2 31	0 40-2 31	25,741 3	23,461 9	25,741 3	23,461 9
NOK 2019-2020/2022-2024	1 21-2 28	1 22-2 30	3,579 8	1,586 9	3,579 8	1,586 9
JPY 2020-2020/2023-2023	0 7-0 7	0 7-0 7	927 2	-	927 2	-
HKD 2019-2019/2024-2024	2 31-2 31	2 31-2 31	764 7	866 2	764 7	866 2
Other bond loans	2 96-2 96	2 96-2 96	409 4	465 9	409 4	465 9
Total			**66,391.1**	**65,754.1**	**66,391.1**	**65,754.1**

Other liabilities to credit institution	Actual interest rate	Effective interest rate	Group		Parent company	
	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
EUR 2017-2018/2022-2023	0-0	0-0	6,022 5	6,260 2	6,022 5	6,260 2
JPY 2019-2020/2023-2024	0 37-1 24	0 37-1 24	1,584 9	853 2	-	-
AUD 2018-2020/2022-2024	0 92-1 52	0 92-1 53	315 0	448 4	-	-
USD 2016-2016/2021-2021	2 56-2 56	2 58-2 58	-	605 6	-	605 6
Outstanding interest and currency derivatives			416 4	1,520 7	410 9	1,521 0
Lease liability			0 4	0 2	-	-
Total			**8,339.2**	**9,688.2**	**6,433.4**	**8,386.8**

This includes remaining hybrid bonds of EUR 0 6 billion, with the first redemption occasion in 2023 and final maturity in 2078

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

Group Due date	Bond loans Dec. 31, 2020	Other liabilities to credit Dec. 31, 2020	*Of which, derivative contracts Dec. 31, 2020*	Leasing liabilities Dec. 31, 2020
2022	21,516.4	3,336.5	123.7	0.3
2023	22,853.9	3,971.5	94.3	0.1
2024	8,643.2	1,005.3	172.9	-
2025	5,555.3	20.5	20.5	-
2026	1,103.2	4.9	5.0	-
2027-	6,719.1	0.1	-	-
Total	**66,391.1**	**8,338.8**	***416.4***	***0.4***

Parent Compai Due date	Bond loans Dec. 31, 2020	Other liabilities to credit Dec. 31, 2020	*Of which, derivative contracts Dec. 31, 2020*
2022	21,516.4	3,134.9	123.7
2023	22,853.9	3,105.5	94.3
2024	8,643.2	172.9	172.9
2025	5,555.3	19.7	19.8
2026	1,103.2	0.3	0.2
2027-	6,719.1	0.1	-
Total	**66,391.1**	**6,433.4**	***410.9***

Granted but unutilized non-current credit facilities that may be utilized unconditionally amounted to SEK 41.6 billion at year end. These facilities consisted of stand-by facilities for loans with varying maturities between 2022 and 2025. A fee is charged for granted credit facilities, which is recognized under Administration costs in the income statement and under Other current receivables in the balance sheet, see Note 15. Other current receivables

Note 20 Other non-current liabilities

	Group		Parent Company	
	Dec. 31, 2020	**Dec. 31, 2019**	**Dec. 31, 2020**	**Dec. 31, 2019**
Outstanding interest and currency derivatives	253.8	213.5	246.9	199.5
Other non-current liabilities	0.7	0.5	0.7	0.5
Total	**254.5**	**214.0**	**247.6**	**200.0**

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Note 21 Current liabilities to credit institutions

	Group		Parent Company	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Short term bank loans and other loans	35,756.1	34,172.7	35,440.1	33,761.7
Netting agreements	4,427.5	398.6	4,427.5	398.6
Outstanding interest and currency derivatives	152.5	334.4	141.7	315.5
Leasing liabilities	0.7	0.8	-	-
Total	**40,336.8**	**34,906.5**	**40,009.3**	**34,475.8**

Granted overdraft facilities amount to 2,408 (2,209) in the Group and 1,487 (1,580) in the Parent Company.

Note 22 Other current liabilities

	Koncernen		Moderbolaget	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Accrued interest expenses and prepaid interest income	446.7	556.4	445.9	555.8
Outstanding interest and currency derivatives	57.4	139.5	57.0	131.8
Wages, salaries and tax-at-source	21.2	22.4	16.6	18.4
Accrued expenses and deferred income	11.7	7.7	10.3	6.3
Other current liabilities	0.7	0.9	0.7	0.3
Total	**537.7**	**726.9**	**530.5**	**712.6**

Note 23 Contingent liabilities

	Group		Parent Company	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Contingent liabilities on behalf of other Group companies	501.9	521.7	501.9	521.7
Pension guarantees	1.1	1.1	1.1	1.1
Total contingent liabilities	**503.0**	**522.8**	**503.0**	**522.8**
Contingent liabilities received from other Group companies, which reduce net obligations	-501.9	-521.7	-501.9	-521.7
Total contingent liabilities, net	**1.1**	**1.1**	**1.1**	**1.1**

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Note 24 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.

Note 24.1 Carrying amounts and fair values of financial instruments

	Note	Group Dec. 31, 2020		Parent Company Dec. 31, 2020		Group Dec. 31, 2019		Parent Company Dec. 31, 2019	
		Carrying Value	Fair value	Carrying Value	Fair value	Carrying Value	Fair value	Carrying Value	Fair value
Assets									
Financial assets at fair value through the income statement									
Outstanding interest and currency risk derivatives **	14, 15	6,004.8	6,004.8	5,984.4	5,984.4	1,976.9	1,976.9	1,935.1	1,935.1
		6,004.8	**6,004.8**	**5,984.4**	**5,984.4**	**1,976.9**	**1,976.9**	**1,935.1**	**1,935.1**
Financial assets measured at amortized cost									
Receivables from Group Company		136,239.1	137,883.4	134,466.8	135,826.8	175,866.6	176,600.6	173,830.7	174,955.6
Other interest-bearing receivables	15	-	-	-	-	1,178.0	1,178.0	1,178.0	1,178.0
		136,239.1	**137,883.4**	**134,466.8**	**135,826.8**	**177,044.6**	**177,778.6**	**175,008.7**	**176,133.6**
Cash and cash equivalents		**62,680.8**	**62,680.8**	**62,667.7**	**62,667.7**	**40,216.0**	**40,216.0**	**40,182.1**	**40,182.1**
Liabilities									
Financial liabilities at fair value through the income statement									
Outstanding interest and currency risks derivatives	19,20, 21,22	880.1	880.0	856.5	856.5	2,208.1	2,208.1	2,167.8	2,167.8
		880.1	**880.0**	**856.5**	**856.5**	**2,208.1**	**2,208.1**	**2,167.8**	**2,167.8**
Financial liabilities measured at amortized cost * **									
Long term bond loans and other loans	19	74,313.9	76,441.6	72,413.6	74,514.6	73,921.6	75,422.4	72,619.9	74,118.5
Short term bank loans and other loans	21	40,184.3	40,230.2	39,867.6	39,912.4	34,572.1	34,599.0	34,160.3	34,186.9
Payable to Group Company	25, 35	72,157.0	71,962.2	73,368.8	73,193.5	91,441.3	92,197.4	91,951.6	92,711.7
		186,655.2	**188,634.0**	**185,650.0**	**187,620.5**	**199,935.0**	**202,218.8**	**198,731.8**	**201,017.1**
Trade Payables		**1.1**	**1.1**	**1.0**	**1.0**	**2.3**	**2.3**	**2.0**	**2.0**

*The credit risk is included in the measurement of the fair value of liabilities and loans, as well as receivables and liabilities from/to Group companies, bond loans, bank loans and other loans to level 2.

**Gross exposure of derivatives with positive values has been reduced by 88% (88%) through netting agreements and liquidity transfers to 717 (229.0).

***In the consolidated balance sheet, financial liabilities include loan-related derivative instruments of 568.9 (1,855.1).

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Note 24.2 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 the Volvo Treasury Group's gross earnings for the various categories of the financial instruments is shown in the table below.

	Group Dec. 31, 2020				Group Dec. 31, 2019			
	Foreign Exchange gain	Foreign Exchange Loss	Interest income	Interest expense	Foreign Exchange gain	Foreign Exchange Loss	Interest income	Interest expense
Financial assets and liabilities at FVTPL*								
Interest and currency rate derivatives	7,998.3	-168.2	-	-901.3	-	-3,467.1	-	-1,508.0
Financial assets valued at amortised costs	-	-	2,766.7	-58.2	-	-	3,804.7	-297.5
Cash and cash equivalents	893.5	-357.7	47.5	-	21.4	-351.7	53.6	-
Finacial liabilities valued at amortized cost	4,077.0	-12,527.8	-	-1,259.4	4,274.4	-969.4	-	-1,306.7
Effect on Gross income	**12,968.8**	**-13,053.7**	**2,814.2**	**-2,218.9**	**4,295.8**	**-4,788.2**	**3,858.3**	**-3,112.2**

	Parent company Dec. 31, 2020				Parent company Dec. 31, 2019			
	Foreign Exchange gain	Foreign Exchange Loss	Interest income	Interest expense	Foreign Exchange gain	Foreign Exchange Loss	Interest income	Interest expense
Financial assets and liabilities at FVTPL*								
Interest and currency rate derivatives	8,029.9	-168.6	-	-885.2	-	-3,433.3	-	-1,459.6
Financial assets valued at amortised costs	-	-	2,706.1	-60.4	-	-	3,686.5	-306.8
Cash and cash equivalents	893.7	-357.9	47.3	-	21.4	-351.7	53.3	-
Finacial liabilities valued at amortized cost	4,161.5	-12,645.2	-	-1,241.1	4,274.4	-995.9	-	-1,275.0
Effect on Gross income	**13,085.1**	**-13,171.7**	**2,753.4**	**-2,186.7**	**4,295.8**	**-4,780.9**	**3,739.8**	**-3,041.4**

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

Below is an account of 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.

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Note 24.3 Outstanding derivative instruments hedging currency and interest-rate risk

Group	Dec. 31, 2020		Dec. 31, 2019	
	Nominal Amount	Carrying value	Nominal Amount	Carrying value
Interest-rate swaps				
- receivable position	119,312.6	5,411.7	77,941.5	911.3
- payable position	149,159.1	-813.4	177,961.7	-2,087.1
Interest-rate forwards and futures				
- receivable position	-	-	-	-
- payable position	-	-	-	-
Foreign exchange forward contracts				
- receivable position	24,579.4	588.2	26,606.9	1,059.4
- payable position	5,179.6	-64.7	15,180.6	-117.4
Options purchased, caps and floors				
- receivable position	10,408.6	4.9	428.2	5.4
- payable position	-	-	-	0.2
Options written, caps and floors				
- receivable position	-	-	-	-
- payable position	204.7	-2.0	405.5	-3.0
Total		**5,124.7**		**-231.2**

Parent Company	Dec. 31, 2020		Dec. 31, 2019	
	Nominal Amount	Carrying value	Nominal Amount	Carrying value
Interest-rate swaps				
- receivable position	118,110.9	5,401.3	77,147.9	903.6
- payable position	147,751.6	-795.9	176,377.1	-2,072.6
Interest-rate forwards and futures				
- receivable position	-	-	-	-
- payable position	-	-	-	-
Foreign exchange forward contracts				
- receivable position	23,333.3	579.2	23,487.7	1,042.5
- payable position	3,848.1	-59.6	13,290.6	-108.8
Options purchased, caps and floors				
- receivable position	10,408.6	4.9	428.2	5.4
- payable position	-	-	-	0.2
Options written, caps and floors				
- receivable position	-	-	-	-
- payable position	204.8	-2.0	405.4	-3.0
Total		**5,127.9**		**-232.7**

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Note 25 Transactions with related parties

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

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

Note 26 Cash-flow statement

				Group		
				Non cash items		
Cash-flow from financing activities	**Note**	**1 January 2020**	**Cash flow**	**Unrealized exchange rate effects**	**FV valuation**	**Dec. 31, 2020**
Group contributions received		-	500.0	-	-	-
Group contributions granted		-	-350.0	-	-	-
Bond loans	19	65,754.1	4,699.4	-4,062.4	-	66,391.1
Other liabilities to credit institutions	19	9,688.2	-36.6	-208.1	-1,104.3	8,339.2
Other non- current liabilities	20	214.0	2.2	-1.9	40.2	254.5
Current liabilities to credit institutions	21	34,906.5	5,643.1	-30.9	-181.9	40,336.8
			10,458.1			

*Group contributions received/granted are recognized under the item Receivable/liabilities with Group companies (in the 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.

				Parent company		
				Non cash items		
Cash-flow from financing activities	**Note**	**1 January 2020**	**Cash flow**	**Unrealized exchange rate effects**	**FV valuation**	**Dec. 31, 2020**
Group contributions received		-	500.0	-	-	-
Group contributions granted		-	-350.0	-	-	-
Bond loans	19	65,754.1	4,699.3	-4,062.3	-	66,391.1
Other liabilities to credit institutions	19	8,386.8	-744.2	-99.1	-1,110.1	6,433.4
Other non-current liabilities	20	200.0	-	-	47.6	247.6
Liabilities to credit institutions	21	34,475.8	5,727.5	-	-194.0	40,009.3
			9,832.6			

*Group contributions received/granted are recognized under the item Receivable/liabilities with Group companies (in the 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.

Note 27 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.

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Note 28 Proposed disposition of unappropriated earnings

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

Retained earnings		15,400,155,438
Net income		493,110,112
	SEK	15,893,265,550

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

To be carried forward	SEK	**15,893,265,550**

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 26, 2021

Thomas Lestin
CEO

Frederik Ljungdahl
Chairman

Sune Martinsson

Erik Annerstedt

Our Auditors' Report was submitted on February 26, 2021
Deloitte AB

Fredrik Jonsson
Authorized Public Accountant

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

This is a true and accurate translation of the original document

(Certified): ....

John Lightowler
Authorized Translator

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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 2020-01-01 – 2020-12-31. The annual accounts and consolidated accounts of the company are included on pages 1 – 45 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 2020 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 2020 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.
- We have audited valuation of financial derivative instruments by comparing carrying fair value to independent valuation or counterparty.

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- 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible

for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal controexpel that we identified.
We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

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 2020-01-01 – 2020-12-31 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 Managin 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.

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As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.
Deloitte AB, was appointed auditor of Volvo Treasury AB (publ) by the general meeting of the shareholders on the 2018-04-19 and has been the company's auditor since 2018-04-19.

Gothenburg February 26th, 2021
Deloitte AB

[Signature on Swedish original]

Fredrik Jonsson
Authorized public accountant

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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.

Introduction
The Board of Directors of Volvo Treasury AB (publ) comprises four members with no deputies. All of the members were elected at the scheduled general meeting of shareholders for a period of one year. 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 2013 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
The Volvo Treasury Group's system for internal control and risk management in connection with the financial reporting is designed in accordance with the Volvo Group's policies and guidelines. The following text describes how the internal control is organized within the Volvo Group in general and within the Volvo Treasury Group with regard to financial reporting.

The 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 the Volvo Group with regard to risks, control activities and monitoring the financial reporting.

The 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, guidelines 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.

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The Volvo Treasury Group's controller function has a specific function for internal control, which aims to provide support to the 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 the Volvo Group's control environment is the corporate culture that is established within the Group, in which managers and employees operate. The 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, guidelines and instructions, as well as the existing responsibility and authority structure. The principles for the Volvo Group's internal controls, as well as directives and guidelines for the financial reporting are contained in the 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 the 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 evaluation of the degree of risk that is required for errors to appear in the financial reporting is based on a number of criteria, for example the complexity of the accounting policies, the valuation principles for assets and liabilities and complex or changed business circumstances, etc. The identified risks, together with requisite mitigating control targets, are collected in a framework for internal control of financial reporting, Volvo Internal Control Standard (VICS).

Control activities

The Volvo Group's Board of Directors and its Audit Committees as well as the 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

Guidelines and instructions relating to the financial reporting are updated and communicated on a regular basis from the Volvo Group's management to all employees concerned. The 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 guidelines, policies and instructions for the financial reporting, and at identifying and communicating shortcomings and areas of improvement in the processes for financial reporting.

Monitoring

Ongoing responsibility for following up Volvo Treasury Group's internal control rests with the Volvo Treasury AB (publ) management group and controller functions in cooperation with the Volvo Group's accounting function. In addition, the Internal Audit and the Internal Control functions of the 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 the Volvo Group Internal Control Program, which aims to

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systematically evaluate the quality of the internal control over financial reporting on a yearly 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 guidelines that are collected in policies found in the Financial Policies and Procedures, as well as The Volvo Way 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 a 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 the Volvo Group's Board of Directors and its Audit Committees as well as to Volvo Treasury Group's Board of Directors.

Gothenburg, February 26, 2021

Volvo Treasury AB (publ)

Board of Directors

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

This is a true and accurate translation of the original document

(Certified)

John Lightowler
Authorized Translator

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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 2020-01-01 – 2020-12-31 on pages 50 – 52 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 auditing standard RevU 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 uw 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 February 26th, 2021
Deloitte AB

[Signature on Swedish original]

Fredrik Jonsson
Authorized Public Accountant

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