Annual Report and Consolidated Financial Statements for the 2021 fiscal year

Contents

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR
* NR 862 *

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AUKTOR. TRANSLATOR KAMMARKOLLEGIET NR 862

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, 2021 to December 31, 2021.

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

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

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

Operations at Volvo Group Treasury are divided into two separate portfolios, where the first pertains to Volvo Group's industrial operations and the second to Volvo Group's customer finance operations within financial services. The 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 through Volvo Treasury Group. Financing of companies included in industrial operations is mainly driven by their operational needs, such as cash flow and investment. Financing needs for companies included in customer finance operations arise from lending to end customers and dealerships.

Risks and risk management
Business operations entail risks, and responsible assumption of risk is a precondition for maintaining long-lasting, sound profitability. Each of 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 Volvo Group's Board of Directors, the Group Executive Board and management groups within 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 Volvo Group's ability to protect value from threats to the Group's financial and organizational position or reputation. Regulatory and legal

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compliance are part of operational business management and decisions in all operations in the entire Volvo Group, at all levels and by all employees.

- 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 adheres to 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

Outbreaks of global pandemics, such as the ongoing COVID-19 pandemic, can lead to considerable disruption in many countries' economies, which include key markets for Volvo Group and Volvo Treasury Group , and can adversely impact global economic activity as well as Volvo Group's and Volvo Treasury Group's earnings moving forward. The unknown nature of the duration and expected development of the COVID-19 pandemic means no predictions can be made in relation to future effects. However, each prolongment or deterioration of the virus outbreak should be expected to adversely impact Volvo Group's and Volvo Treasury Group's financial results and may have a material negative impact on the Group's and Volvo Treasury Group's operations and financial performance.

Significant events during the fiscal year

Compared with the preceding year, volatility in the financial markets retuned to more normal levels in 2021.

Compared with December 31, 2020, net lending to companies within Volvo Group rose SEK 27.5 billion as a consequence of an increased borrowing need in Volvo Group's industrial operations and higher transaction volumes in Financial Services customer finance operations. However, average net lending remained at the same level as in the preceding year. Interest income declined year-on year, which was primarily a result of lower average short-term market interest rates compared with the previous year. In addition, interest expenses for external interest-bearing liabilities and derivative contracts decreased year-on-year as a result of lower market interest rates.

Financial instruments measured at fair value through profit and loss (FVTPL) positively impacted earnings as a result of a positive movement in interest rates during the latter part of the year, primarily pertaining to medium-term USD and BRL interest rates. Volvo Group can hedge the portion of the projected portfolio deemed to have a high likelihood of being realized. In 2021, hedges have been used solely for future cash flows pertaining to specific orders, which has been decided on a case-by-case basis.

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Income derived from loan commitments issued to Volvo Financial Services totaled SEK 56.2 million and were included under the item Other operating income. Costs derived from issued loan commitments were included under the Administrative expenses item.

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

Future development
The duration, development and future impact of the COVID-19 pandemic is not possible to foresee. We continue to focus on our colleagues, customers and business partners, with health and safety as our top priority, as well as to maintain a stringent cost control and to 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. The conflict between Russia and Ukraine might adversely impact the development of Volvo Treasury Group's financial performance and position. However, it is currently not possible to assess the impact of the dispute on Volvo Treasury Group.

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.

Multi-year comparison

	2021	2020	2019	2018	2017	2016
Consolidated statement of income						
Net interest income	863,2	496,3	634,5	365,0	330,0	1 055,9
Gross income	710,9	510,4	253,8	108,4	621,8	1 185,9
Operating income	626,6	455,5	183,4	40,9	514,6	1 081,1
Consolidated balance sheet						
Financial assets	78 895,2	64 705,4	67 509,0	71 641,8	64 395,5	62 662,4
Current receivables	111 674,1	77 660,3	111 637,6	92 126,9	98 610,1	105 429,1
Marketable securities	–	–	–	–	–	1 021,4
Cash and cash equivalents	42 297,1	62 680,8	40 216,0	32 800,3	22 447,0	10 670,4
Shareholders' equity	17 360,6	16 998,6	16 585,5	16 299,1	16 162,9	16 102,7
Non- current liabilities	86 056,2	75 040,4	75 717,6	67 480,9	57 196,1	69 456,3
Current liabilities	129 466,4	113 032,6	127 083,5	112 805,6	112 109,7	94 240,2
Number of employees	39	40	41	42	43	40

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 16,146,799,806. The Board of Directors and the CEO propose that the above earnings of SEK 16,146,799,806 be appropriated as follows:

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SEK 5,000,000,000 distributed as a dividend to the Parent Company and the remainder, SEK 11,146,799,806 to 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 million Swedish kronor (MSEK) unless otherwise stated. The amounts within parentheses refer to the preceding year.

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Consolidated statement of income

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	Note	2021	2020
Interest income	4	2 355,7	2 814,2
Interest expense	5	-1 898,7	-2 218,9
Financial instruments measured at FVTPL	3, 24	406,2	-99,0
Net interest income		**863,2**	**496,3**
Other financial profit and loss	6, 24	-152,3	14,1
Gross income		**710,9**	**510,4**
Other operating income		84,3	127,5
Administrative expenses	7, 8, 9	-166,0	-179,6
Other operating expenses		-2,6	-2,8
Operating income		**626,6**	**455,5**
Tax on income for the year	11	-140,2	-45,1
Net income		**486,4**	**410,4**

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Other comprehensive income

	2021	2020
Net income	**486,4**	**410,4**
Items that will not be reclassified to profit and loss:		
Remeasurement of defined-benefit pensions	23,0	-8,5
Items that may be subsequently reclassified to profit and loss:		
Exchange-rate differences on translation of foreign operations	62,9	-87,8
Comprehensive income for the year	**572,3**	**314,1**
Total net income attributable to Parent Company shareholders	486,4	410,4
Total comprehensive income attributable to Parent Company shareholders	572,3	314,1

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Consolidated balance sheet

	Note	Dec. 31, 2021	Dec. 31, 2020
ASSETS			
Non-current assets			
Tangible assets			
Equipment	12	0,9	1,5
Financial assets			
Receivables from Group companies (within the Volvo Group)	24, 25	77 025,8	60 305,5
Other long term receivables	14	1 869,4	4 399,9
Total financial assets		**78 895,2**	**64 705,4**
Deferred Taxes	11	**15,9**	**23,6**
Total non-current assets		**78 912,0**	**64 730,5**
Current assets			
Current receivables			
Receivables from Group companies (within the Volvo Group)	24, 25	109 639,9	75 933,6
Tax assets	11	1,1	1,6
Other current receivables	15	2 033,1	1 725,1
Total current receivables		**111 674,1**	**77 660,3**
Cash and cash equivalents	16	**42 297,1**	**62 680,8**
Total current assets		**153 971,2**	**140 341,1**
TOTAL ASSETS		**232 883,2**	**205 071,6**

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	Note	Dec. 31, 2021	Dec. 31, 2020
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		500,0	500,0
Reserves		196,6	133,7
Retained earnings		16 177,6	15 954,5
Net income		486,4	410,4
Total shareholders' equity		**17 360,6**	**16 998,6**
Non- current liabilities			
Bond loans	19, 24	79 364,8	66 391,1
Other liabilities to credit institutions	19, 24	6 672,4	8 339,2
Other non-current liabilities	20	0,8	254,5
Provisions for pensions and similar obligations	18	18,2	55,6
Total non-current liabilities		**86 056,2**	**75 040,4**
Current liabilities			
Liabilities to credit insitutions	21	33 725,10	40 336,80
Liabilities to Group companies (within the Volvo Group)	24, 25	95 123,70	72 157,00
Accounts payable - trade	24	3,00	1,10
Current tax liabilities	11	–	–
Other current liabilities	22	614,60	537,70
Total current liabilities		**129 466,4**	**113 032,6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**232 883,2**	**205 071,6**

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Changes in shareholders' equity, Group

	Note	Share capital	Reserves (translation differences)	Retained earnings	Total shareholders' equity
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**
Net income for the year		–	–	486,4	486,4
Other comprehensive income					
Translation differences		–	62,9	–	62,9
Remeasurement of defined-benefit pensions	18	–	–	31,1	31,1
Tax effect of remeasurement of defined-benefit pesions	18	–	–	-5,9	-5,9
Remeasurement of special payroll tax	18	–	–	-2,2	-2,2
Total comprehensive income for the year		–	***62,9***	***509,4***	***572,3***
Transactions with shareholders/related parties					
Group contributions granted and received	17	–	–	-264,8	-264,8
Tax effect of Group contributions granted and received	11	–	–	54,5	54,5
Total transactions with shareholders/related parties		–	–	***-210,3***	***-210,3***
Balance at December 31, 2021		**500,0**	**196,6**	**16 664,0**	**17 360,6**

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Consolidated cash-flow statement

ACTIVITIES DURING THE YEAR	Note	2021	2020
Interest received	4	2 425,5	2 873,5
Interest paid	5	-1 821,9	-2 378,6
Income tax paid	11	-97,8	-78,8
Payments to suppliers and employees		-24,8	-70,1
Other financial transactions		-775,7	-703,2
Cash-flow from operating activities before changes in operating receivables and liabilities	26	**-294,7**	**-357,2**
Increase (-)/decrease (+) in current receivables	15	-1 089,9	1 194,6
Increase (+)/decrease (-) in current liabilities	22	-7,1	-0,4
Increase (-)/decrease (+) in lending to Group companies	24, 25	-45 154,7	33 044,8
Increase (+)/decrease (-) in borrowing from Group companies	24, 25	25 414,4	-22 393,3
Increase (-)/decrease (+) in non-current receivables		19,2	-0,2
Cash-flow from operating activities		**-21 113,0**	**11 488,3**
Group contributions received	17	126,0	500,0
Group contributions granted	17	–	-350,0
Issue of interest-bearing securities	19, 22	40 502,1	55 833,4
Repayment of interest-bearing securities	19, 22	-31 883,9	-51 988,9
Increase in other borrowing	19, 22	29 945,9	47 526,1
Decrease in other borrowing	19, 22	-38 007,5	-41 062,5
Cash-flow from financing activities	26	**682,7**	**10 458,1**
Cash-flow during the year	16	-20 430,3	21 946,4
Revaluation differences on cash and cash equivalents		46,5	518,4
Cash and cash equivalents, beginning of the year	16	62 680,9	40 216,1
Cash and cash equivalents, end of year	16	**42 297,1**	**62 680,9**

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Income Statement, Parent Company

	Note	2021	2020
Interest income	4	2 309,7	2 753,4
Interest expense	5	-1 872,6	-2 186,7
Financial instruments at FVTPL	3, 24	383,3	-99,4
Net interest income		**820,4**	**467,3**
Other financial profit and loss	6, 24	-153,8	12,8
Gross income		**666,6**	**480,1**
Other operating income		84,6	127,4
Administrative expenses	7, 8, 9	-155,1	-175,3
Other operating expenses		-2,2	-2,0
Operating income		**593,9**	**430,2**
Allocations	17	-264,8	126,0
Income before tax		**329,1**	**556,2**
Tax on income for the year	11	-75,6	-63,2
Net income		**253,5**	**493,0**

Other comprehensive income

Total comprehensive income for the year	**253,5**	**493,0**

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Balance sheet, Parent Company

	Note	Dec. 31, 2021	Dec. 31, 2020
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	76 910,7	59 976,5
Other non-current receivables	14	1 830,6	4 383,8
Total financial assets		**78 965,9**	**64 584,9**
Deferred tax	11	**11,7**	**8,7**
Total non-current assets		**78 978,0**	**64 594,0**
Current assets			
Current receivables			
Receivables from Group companies (within the Volvo Group)	24, 25	108 532,8	74 490,3
Tax assets	11	2,3	2,4
Other current receivables	15	1 992,3	1 720,5
Total current receivables		**110 527,4**	**76 213,2**
Cash and cash equivalents	16	**42 284,5**	**62 667,7**
Total current assets		**152 811,9**	**138 880,9**
TOTAL ASSETS		**231 789,9**	**203 474,9**

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SHAREHOLDERS' EQUITY AND LIABILITIES	Note	Dec. 31, 2021	Dec. 31, 2020
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		15 893,2	15 400,2
Net income		253,5	493,0
Total unrestricted equity		**16 146,7**	**15 893,2**
Total shareholders' equity		**16 746,7**	**16 493,2**
Non-current liabilities			
Bond loans	19, 24	79 364,8	66 391,1
Other liabilities to credit institutions	19, 24	4 974,8	6 433,4
Other non-current liabilities	20	0,8	247,6
Liabilities to Group companies (within the Volvo Group)	24, 25	1 570,4	1 585,0
Total non-current liabilities		**85 910,8**	**74 657,1**
Current liabilities			
Liabilities to credit institutions	21	33 509,6	40 009,3
Liabilities to Group companies (within the Volvo Group)	24, 25	95 012,8	71 783,8
Accounts payable – trade	24	2,9	1,0
Other current liabilities	22	607,1	530,5
Total current liabilities		**129 132,4**	**112 324,6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**231 789,9**	**203 474,9**

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Changes in shareholders' equity, Parent Company

	Share capital	Reserves	Retained earnings	Total shareholders' equity
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**
Net income for the year	–	–	253,5	253,5
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	*253,5*	*253,5*
Balance at December 31, 2021	**500,0**	**100,0**	**16 146,7**	**16 746,7**

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Cash-flow statement, Parent Company

ACTIVITIES DURING THE YEAR	Note	2021	2020
Interest received	4	2 381,5	2 807,1
Interest paid	5	-1 796,6	-2 343,9
Income tax paid	11	-22,2	-66,5
Payments to suppliers and employees		-153,6	-49,6
Other financial transactions		-768,1	-702,4
Cash-flow from operating activities before changes in operating receivables and liabilities	26	**-359,1**	**-355,3**
Increase (-)/decrease (+) in current receivables	5	-1 145,6	1 173,8
Increase (+)/decrease (-) in current liabilities	22	–	–
Increase (-)/decrease (+) in lending to Group companies	24, 25	-57 303,2	33 122,0
Increase (+)/decrease (-) in borrowing from Group companies	24, 25	19 755,1	-21 806,8
Increase (-)/decrease (+) in non-current receivables		–	–
Cash-flow from operating activities		**-39 052,7**	**12 133,7**
Group contributions received	17	126,0	500,0
Group contributions granted	17	–	-350,0
Issue of interest-bearing securities	19, 24	40 502,1	55 833,4
Repayment of interest-bearing securities	19, 24	-31 878,1	-51 988,9
Increase in other borrowing	19, 24	30 025,3	46 505,6
Decrease in other borrowing	19, 24	-37 779,8	-40 667,5
Cash-flow from financing activities	26	**995,5**	**9 832,6**
Cash-flow during the year	16	-20 279,8	21 966,3
Revaluation differences on cash and cash equivalents		-103,3	519,3
Cash and cash equivalents, beginning of the year	16	62 667,7	40 182,1
Cash and cash equivalents, December 31	16	**42 284,5**	**62 667,7**

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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. Rounding differences can arise.

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:

		Average rate	*Average rate	As per Dec. 31	As per Dec. 31
Country	**Currency**	**2021**	**2020**	**2021**	**2020**
Singapore	1 SGD	6,38420	6,66801	6,68060	6,17880
Australia	1 AUD	6,44152	6,33798	6,56250	6,26460

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 2021

The amendments to IFRS 7, IFRS 9 and IFRS 16 that apply from January 1, 2021, 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 benchmark interest rates to new benchmark rates. The transition entails adjustment of the contract terms and conditions for some financial instruments, which is to be reported as an adjustment of the floating interest rate. Volvo Group is diligently monitoring the transition, which will take place at different points in time for different interest rates over the coming years. Accordingly, the amendments to IFRS 7, IFRS 9 and IFRS 16 will be applied when the new benchmark interest rates have been incorporated into the underlying contracts. During this period, Volvo Group is implementing system and process updates to ensure proper handling of the new benchmark interest rates. In 2021, GBP LIBOR was replaced with SONIA. Volvo Group had a limited number of contracts pertaining to interest-rate derivatives linked to GBP LIBOR, which have been concluded and which had negligible impact on profit or loss.

New accounting policies 2022 and later

A number of new and amended accounting standards and interpretations have been published and enter force in 2022 and later. These include IFRS 17 Insurance Contracts, which replaces IFRS 4, the current standard for insurance contracts. The new and amended accounting standards or interpretations are not expected to have any material impact on Volvo Group's financial statements.

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:

Capitalized development expenses 5 years

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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 Group's financial instruments that are measured at fair value through profit and loss (FVTPL) are categorized as held for trading in accordance with level 2. The valuation of level 2 instruments is based on market conditions using 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 and currency risks pertaining to financial liabilities in customer finance operations and industrial operations, and are thus classified as held for sale.

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

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

Financial assets in the form of cash and cash equivalents include interest-bearing securities with high liquidity that can easily be converted to cash, such as reverse repurchase agreements with a maturity that is less than three months from the purchase date. Interest-bearing securities with a maturity that 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 arising in connection with raising financial liabilities are amortized over the loan's duration 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

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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 operating leases according to the exception in RFR 2, which means that lease payments are recognized in profit and loss as administrative expenses 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, 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 Volvo Group's Annual General Meeting the following year decides to not issue a dividend to shareholders. The LTI is recognized according to IAS 19 *Employee Benefits.* Cash-based remuneration is regularly remeasured at every balance-sheet date. During the vesting period, the LTI is recognized as an expense and a current liability.

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

Group contributions

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

Income taxes

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

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

Adjustment of tax liability is made for likely tax on income due to identified tax risks. Tax processes are regularly evaluated and when it is likely that the tax authorities or court will not approve an uncertain tax treatment according to the tax legislation, the tax liability is adjusted for the anticipated outcome. Claims where adjustment of the tax liability 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 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

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

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

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 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. The key mandates and governing policies are described in their respective sections. Work with financial risks is an integrated part of Volvo Group's operations, where parts of the responsibility for the financial operations and the financial risks are centralized in Volvo Group Treasury, Volvo Group's internal bank, which includes Volvo Treasury Group. These operations are carried out in order to reduce the interest-rate, currency, credit, liquidity and other risks to which Volvo Group is exposed. AB Volvo's Board of Directors and Audit Committee regularly receive information during the year about Volvo Treasury Group's financial risks and other matters encompassed by the financial risk policy. The financial policy is reviewed annually.

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.

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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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The first phase of the Interest Rate Benchmark Reform (IBOR) was implemented in 2021, whereby GBP LIBOR was replaced with SONIA. Volvo Group had a limited number of interest-rate derivative contracts linked to GBP LIBOR, which have been concluded and which had negligible impact on profit or loss.

Policy
The goal is to limit and minimize Volvo Group's interest-rate risk. In accordance with Volvo Group's Financial risk policy, Volvo Treasury Group uses interest-rate derivatives to minimize the interest-rate risk of financial assets and liabilities and their effects on Volvo Group's earnings. Interest rate swaps are used to alter/affect the interest-fixing term for financial assets and liabilities. Currency interest rate swaps enable borrowing in foreign currencies from different markets without incurring currency risks. Sometimes standardized interest-rate forward contracts (futures) and forward rate agreements (FRA) are used. The majority of these contracts are used to hedge interest-rate levels on short-term borrowing.

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

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

For Volvo Group's industrial operations, earnings and profitability are closely tied to the business cycle. Financing for Volvo Group's industrial operations involves a fixed as well as a floating interest rate. To minimize the interest-rate risk for industrial operations, the interest-fixing term for financial liabilities is between one and three months. Short- and long-term borrowing is primarily carried out via the capital markets and through bilateral loans. The average effective interest rate at year end on financial debt pertaining to the industrial operations was 3.9% (1.9%).

Borrowing and lending from and to the industrial operations of Volvo Group primarily take place through Group accounts in various currencies. Volvo Treasury Group administrates Volvo Group accounts, which means that surpluses and deficits with respect to external banks are offset through short-term currency transactions and that any excess liquidity is invested in bank accounts, in short-term deposits at banks or in reverse repurchase agreements. At the end of 2021, 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 0.9% (0.8%) as of December 31, 2021.

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, 2021, expressed in million Swedish kronor.

Currency	Funding	Derivatives	Lending	Liquidity	Impact on market value if interest rate rises 1%
AUD	0,0	0,4	-1,5	(0,00)	-1,1
BRL	–	2,7	-2,7	–	0,0
CLP	–	1,3	-1,3	–	0,0
EUR	394,9	-394,4	-13,2	0,7	-12,0
GBP	-0,1	–	–	-1,0	-1,1
HUF	0,0	0,3	–	0,0	0,3
JPY	14,0	-14,0	–	0,0	0,0
NOK	3,9	-3,9	–	0,00	0,0
SEK	46,9	-19,8	-13,9	-15,4	-2,2
THB	–	0,1	-0,1	(0,00)	0,0
TRY	0,0	0,8	-0,8	0,0	0,0
USD	1,9	-3,9	-4,5	0,0	-6,5
ZAR	0,0	2,6	-2,8	0,0	-0,2
Others	0,0	0,1	-0,1	0,0	0,0
Total	**461,5**	**-427,7**	**-40,9**	**-15,8**	**-22,8**

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 for industrial operations have a short-term interest-fixing term, thereby making the price risk negligible.

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, 2021, the VaR utilized was SEK 11.8 million (13.1).

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Currency risk

Currency risk refers to the risk that future cash flows will fluctuate due to changes in exchange rates, since the company's financial assets and liabilities are in different currencies. Exposure to currency risks in Volvo Treasury Group's operations are primarily related to changes in the value of financial liabilities and financial assets (financial currency exposure), changes in the value of contracted and expected future payment flows in Volvo Group (commercial currency exposure) and changes in the value of assets and liabilities in foreign subsidiaries (currency exposure of shareholders' equity).

Policy

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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 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 Volvo Group's subsidiaries were made primarily in local currency. Using derivatives such as currency interest rate swaps and currency swaps enables Volvo Treasury Group to meet the borrowing and lending requirements of Group companies in different currencies, without increasing Volvo Group's risk.

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, 2021, expressed in million Swedish kronor.

Currency	Funding	Derivatives	Lending	Liquidity	Impact on gross income if currency rate appreciates 5%*
AUD	–	-49,2	49,2	0,0	0,0
BRL	–	-28,5	28,2	–	-0,3
CHF	–	13,30	6,0	-19,3	0,0
CLP	–	-8,8	8,7	–	-0,1
CZK	–	-4,3	-0,3	4,6	0,0
EUR	-294,2	507,2	-58,9	-154,4	-0,3
GBP	–	–	66,4	-66,4	0,0
HUF	–	-25,8	-0,2	26,1	0,1
JPY	-46,1	48,5	-2,5	0,2	0,1
NOK	-116,1	116,0	2,8	-2,8	-0,1
RUB	–	-1,2	1,0	0,2	0,0
THB	–	-1,9	1,9	0,0	0,0
USD	-504,2	-63,3	539,1	28,4	0,0
ZAR	–	-26,2	23,5	2,7	0,0
Others	–	-6,9	5,7	1,4	0,2
Total	**-960,6**	**468,9**	**670,6**	**-179,3**	**-0,4**

*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

Volvo Group's consolidated currency portfolio exposure is the value of the projected future cash flows in foreign currency and is prepared centrally. Volvo Treasury Group has the mandate to hedge the portion of the projected portfolio deemed to have a high likelihood of being realized. In 2021, hedges have been used solely for future cash flows pertaining to specific orders, which has been decided on a case-by-case basis. Volvo Treasury Group uses forward contracts and currency options to hedge future payment flows in foreign currency. The hedged amount of fixed flows for all periods falls within the framework of Volvo Group's financial risk policy.

As of December 31, 2021, there were no forward contracts and currency options outstanding for the hedging of commercial currency risks SEK – million (81.1).

Currency exposure of shareholders' equity

The consolidated value of assets and liabilities in foreign subsidiaries within Volvo Treasury Group is influenced by exchange rates in conjunction with translation into Swedish kronor. To minimize currency exposure of shareholders' equity, the amount of shareholders' equity in foreign subsidiaries is continuously optimized taking into consideration commercial and legal preconditions and, in connection with this activity, payments of substantial internal dividends in foreign currency may be subject to hedging. At the end of 2021, net assets in foreign subsidiaries amounted to SEK 852.8 million (775.5), consisting of SGD that amounted to SEK 821.9 million (752.5) and AUD that amounted to SEK 30.9 million (23.0). Net assets in foreign subsidiaries were not hedged through loans in foreign currencies, in line with the policy established by Volvo Group's Board of Directors. Currency hedging of shareholders' equity may take place where a foreign subsidiary is considered to be overcapitalized, and currency hedging is conducted when internal dividends are paid in cases where subsidiaries are overcapitalized.

Credit risks

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

Policy

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

Financial credit risk

Financial credit risk is managed in such a way that exposure is within approved limits for counterparties outside Volvo Group. All other exposure is kept to a minimum. A framework for credit limits was developed to maintain a low level of risk, where individual counterparty limits were established depending on the counterparty's rating. All limits must be approved by Volvo Group Treasury's management. The framework also allows setting temporary limits. According to Volvo Group's financial risk policy, 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.

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

Volvo Group's financial assets are to large extent managed by Volvo Treasury Group and invested in the money market and capital markets. The majority have been placed in accounts at banks that the Volvo Group collaborates with. Cash and cash equivalents on December 31, 2021 amounted to SEK 42.3 billion (62.7).

Commercial credit risk

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

Credit risk related to lending to Group companies is considered negligible and, accordingly, no collateral has been pledged for the receivables (whereupon these are not disclosed). No company within Volvo Group has ever been permitted to enter default. Volvo Treasury Group applies the general model in IFRS 9, and the model the company uses for expected future credit losses from intra-Group receivables recognized at amortized cost is based on a probability of default for each company derived from the Group's probability, an exposure on default and a loss given default, which is assessed regularly. The company's area of operations is also assessed. Forward-looking factors, such as the company's level of capitalization and its ability to absorb any future losses incurred by the company as well as the probability of default are assessed. The assessment for these intra-Group receivables also means that the exception for low credit risk is applied, which means that as long as the borrower demonstrates a strong ability to meet its obligations and a sound financial position, the probability of default within 12 months is applied. Lending to companies within Volvo Group complies with the limits established for the particular counterparty. Volvo Treasury Group's receivables from Group companies on December 31, 2021 amounted to SEK 186,665.7 million (136,239.1).

Financial counterparty risk

The use of derivative instruments leads to a counterparty risk, meaning that a potential loss cannot be settled (in part or in full) against a potential gain if the counterparty does not fulfill its part of the contract. Volvo Treasury Group works actively with limits per counterparty to reduce risk for high net amounts toward individual counterparties. To minimize this exposure, Volvo Treasury Group enters into netting agreements (ISDA agreements) with all counterparties that could potentially be involved in derivative transactions. The netting agreements entail that receivables and liabilities can be offset against each other in certain situations, such as in the event of the counterparty's insolvency. These ISDA agreements are often accompanied by a credit support annex (CSA). The CSAs establish the terms and conditions for when the parties are liable to execute cash transfers between each other to reduce exposure to open net positions. However, these netting agreements have no impact on Volvo Treasury Group's recognized earnings and balance sheet, since the derivative transactions are recognized in gross amounts. The table below shows the effect of netting agreements and cash transfers on Volvo Treasury Group's gross exposure from interest- and currency-risk derivatives outstanding as of December 31, 2021. For further information regarding gross exposure per type of derivative, see Note 24 Financial instruments.

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Table 3.3 The effect from netting agreements and cash transfers on Volvo Treasury Group's gross derivatives position at December 31, 2021

	Gross amount	Netting agreements	Cash transfers	Net position	Change in %
Interest and currency risk derivatives reported as assets	2 686,9	-1 016,8	-1 239,6	430,5	84%
Interest- and currency risk derivatives reported as liabilities	2 234,5	-1 016,8	-1 127,9	89,9	96%

Liquidity risks

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

Policy

Volvo Treasury Group endeavors to maintain good financial preparedness for Volvo Group by constantly maintaining liquid assets and credit facilities to provide for anticipated liquidity requirements. Volvo Treasury Group has reduced liquidity risks by diversifying its financing to various borrowing sources, retaining a good balance between short- and long-term borrowing, and by securing borrowing preparedness through credit facilities, see more on this in Note 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 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 2021, this match rate was 94.1% (99.3%).

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

Table 3.4 below also includes short- and long-term financial liabilities to Group companies. Current liabilities to Group companies (within Volvo Group) such as borrowing through Group accounts are not included in capital flows balances, which can change from day to day. At the end of 2021, current liabilities to Volvo Group companies through Group accounts amounted to SEK 84.3 billion (66.2).

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Table 3.4 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
2022	-33 492.0	-233.0	705.5	-0.1	2022	-981.8	-588.2	-236.4	–
2023	-41 947.7	-273.3	784.6	–	2023	-920.7	-360.7	-69.0	–
2024	-20 411.0	-571.5	210.0	–	2024	-311.5	-189.3	-44.2	–
2025	-8 673.2	-591.5	219.1	–	2025	-165.8	-72.9	41.0	–
2026	-6 203.5	-365.6	83.4	–	2026	-52.9	-39.6	18.8	–
2027	–	-98.6	5.5	–	2027	-24.7	-3.5	5.5	–
2028-**	-6 885.9	-15.4	0.0	–	2028-**	-38.1	-0.1	14.6	–
Total	**-117 613,3**	**-2 148,9**	**2 008,1**	**-0,1**	**Total**	**-2 495,5**	**-1 254,3**	**-269,7**	**0,0**

Parent Company

Capital flow				Interest flow			
	Loans*	Derivatives (liability)	Derivatives (asset)		Loans*	Derivatives (liability)	Derivatives (asset)
2022	-33 051.9	-228.9	1 105.1	2022	-965.8	-578.0	-225.9
2023	-41 085.5	-272.2	589.0	2023	-910.8	-354.2	-60.1
2024	-19 583.9	-571.5	175.9	2024	-308.7	-184.6	-38.0
2025	-8 673.2	-591.5	49.3	2025	-165.8	-69.9	44.1
2026	-6 203.4	-365.7	12.5	2026	-52.9	-38.1	19.4
2027	–	-91.3	0.3	2027	-24.7	-3.2	5.5
2028-**	-6 885.9	-15.4	–	2028-**	-38.1	-0.1	14.6
Total	**-115 483,8**	**-2 136,5**	**1 932,1**	**Total**	**-2 466,8**	**-1 228,1**	**-240,4**

* The interest payments on the hybrid bond are included in a total amount of 595.2 (876.3), 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 2022 and 2023 are part of the normal business operations of Volvo Treasury Group, in which Volvo Group's customer finance has a shorter maturity structure than Volvo Group's industrial operations.

The future cash flow for Volvo Treasury Group of negative SEK 117,380.0 million (neg: 120,434.6) is considered covered in the form of cash and cash equivalents that amounted to SEK 42.3 billion (62.7) net on December 31, 2021 and through future payments from Group companies in the form of receivables from Group companies that amounted to SEK 186,665.7 million (136,239.1) on December 31, 2021. In addition, there were committed but unutilized credit facilities of SEK 42.3 billion (41.6).

In 2014, Volvo Group issued a EUR 1.5 billion hybrid bond with an original maturity of 61.6 years to further strengthen Volvo Group's balance sheet and to extend the maturity profile of the debt portfolio. The first portion of the bond (EUR 0.9 billion) was repaid in 2020.

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Note 4 Interest income

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

	Note	Group		Parent Company	
		2021	2020	2021	2020
Financial assets measuret at amortized cost*	24	2 316,2	2 766,7	2 270,3	2 706,1
Bank deposits	16	39,5	47,5	39,4	47,3
Total		**2 355,7**	**2 814,2**	**2 309,7**	**2 753,4**

*Pertains to receivables to Group companies.

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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	
		2021	2020	2021	2020
Financial liabilities measuret at amortized cost*	24	-1 061,4	-1 264,8	-1 055,7	-1 248,8
Financial liabilities measuret at fair value throught profit and loss	24	-797,8	-901,4	-777,4	-885,2
Cash and cash equivalents	26	-34,9	-48,1	-34,9	-48,1
Netting agreements	21	-3,8	-3,6	-3,8	-3,6
Pension liabilties	18	-0,8	-1,0	-0,8	-1,0
Total		**-1 898,7**	**-2 218,9**	**-1 872,6**	**-2 186,7**

*Of which 61.6 (58.1) pertains to liabilities to Group companies.

Note 6 Other financial income and expenses

	Group		Parent company	
	2021	2020	2021	2020
Exchange rate gains and losses on derivatives used for hedge financial assets and liabilities	-3 617,3	7 998,2	-3 680,2	8 029,9
Realized result and unrealized revaluation on derivatives used to hedge future cash flow exposure in foreign currency	-232,0	-69,2	-232,1	-69,2
Cash and cash equivalents	-208,0	535,9	-208,1	535,8
Exchange rate gains and losses on financial assets and liabilities	3 905,0	-8 450,8	3 966,6	-8 483,7
Total	**-152,3**	**14,1**	**-153,8**	**12,8**

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Note 7 Employees

Note 7.1 Average number of employees

	2021		2020	
	No. of employees	of whom, men	No. of employees	of whom, men
Parent Company				
Gothenburg	28	18	29	17
Total	**28**	**18**	**29**	**17**
Subsidiaries outside Sweden				
Singapore	11	4	11	4
Total	**11**	**4**	**11**	**4**
Group total	**39**	**22**	**40**	**21**

Note 7.2 Board members and senior executives

	2021			
Parent Company	No. of Board members*	of whom, men	No. of senior executives*	of whom, men
Sweden	5	4	3	3
Total	**5**	**4**	**3**	**3**
Subsidiaries outside Sweden				
Singapore	3	3	3	1
Australia	4	4	1	1
Total	**7**	**7**	**4**	**2**
Group total	**12**	**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 ten (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 2021	Subsidiary company 2021	Group 2021	Parent company 2020	Subsidiary company 2020	Group 2020
Wages, salaries and other remuneration to Board members and the President	-3,4	-4,6	-8,0	-3,1	-3,3	-6,4
(whereof bonus)	*-1,6*	*-2,3*	*-3,9*	*-1,3*	*-1,0*	*-2,3*
Wages and other remuneration to employees	-26,3	-8,8	-35,1	-24,8	-8,7	-33,5
(whereof Profit Shares)	-	-	-	-	-	-
Total	**-29,7**	**-13,4**	**-43,0**	**-27,9**	**-12,0**	**-39,9**
Social costs	-9,5	-	-9,5	-8,3	-	-8,3
Pensions costs	-19,4	-0,1	-19,5	-24,8	-0,1	-24,9
whereof pension costs to Board members and the President	-	*-0,1*	*-0,1*	*-0,5*	*-0,1*	*-0,6*
The cost of non-monetary benefits to other employees	-0,5	-0,9	-1,5	-0,7	-1,0	-1,7
Remuneration to senior executives						
Wages, salaries and other remuneration to the President	-3,4	-4,6	-8,0	-3,1	-3,3	-6,4
whereof bonus	*-1,6*	*-2,3*	*-3,9*	*-1,3*	*1,0*	-0,3
The Company's outstanding pension obligations to the President	-0,3	0,0	-0,3	-0,2	0,0	-0,2
Cost of non-monetary benefits to the President	-0,1	-0,3	-0,4	0,0	-0,3	-0,3
Wages, salaries and other remuneration to other senior executives	-	-	-	-	-	-
whereof bonus	-					
Cost of non-monetary benefits to other senior executives	-					

Total expenses for salaries and remuneration includes government grants received in 2021 from the Swedish Agency for Economic and Regional Growth of SEK – million (0.5) due to the extraordinary situation that arose during COVID-19.

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.

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Note 8 Government grants

In 2021, no government grants were received, SEK – million (0.8).

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.

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Deloitte	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
Audit assignment	1,7	1,8	1,4	1,5
Audit related services	0,3	0,3	0,3	0,3
Total	**2,0**	**2,1**	**1,7**	**1,8**

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Note 10 Operating leases

Future lease payments pertaining to non-cancelable leases at year end amounted to 4.7 (2.7) for the Group and 2.8 (1.0) for the Parent Company. Lease expenses for the year amounted to 3.3 (3.2) for the Group and 0.3 (0.4) 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	
	2021	**2020**	**2021**	**2020**
Payment due within one year	-3,2	-1,1	-2,8	-0,8
Payment due after one year and within five years	-1,6	-1,7	0,0	-0,2
Total	**-4,7**	**-2,7**	**-2,8**	**-1,0**

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

	Group		Parent Company	
Whereof	**2021**	**2020**	**2021**	**2020**
Minimum lease payments expenses	-3,3	-3,2	-0,3	-0,4

Note 11 Income tax

Distribution of income tax	Group		Parent Company	
	2021	**2020**	**2021**	**2020**
Current tax for the period	-111,9	-44,0	-52,1	-65,7
Current tax for prior periods	-26,5	-0,1	-26,5	-0,1
Deferred tax arising or reversed during the period	-1,8	-1,0	3,0	2,6
Total	**-140,2**	**-45,1**	**-75,6**	**-63,2**

In 2021, tax attributable to Group contributions increased the Group's unrestricted reserves by 54.5 compared with last year's reduction (27.0) and increased the Parent Company's equity with 54.5 compared with last year's reduction (27.0).

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Specification of income tax	Group		Parent Company	
	2021	2020	2021	2020
Income before taxes	**626,6**	**455,5**	**329,1**	**556,2**
Tax according to current tax rate	-129,1	-97,5	-67,8	-119,0
Difference due to different countries' tax rates	0,8	1,0	–	–
Other non-deductible expenses/income	18,5	55,5	18,5	55,6
Taxes related to prior year	-26,4	0,3	-26,5	-0,1
Other, net	-4,0	-4,4	0,2	0,3
Total	**-140,2**	**-45,1**	**-75,6**	**-63,2**

Deferred tax

Changes in deferred tax assets/liabilities, net*	Group		Parent Company	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Opening balance	23,6	22,6	8,7	6,1
Deferred taxes recognised in the year's income	-2,9	-0,4	3,0	1,2
Of which recognised in Other comprehensive income, Remeasurements of defined-benefit plans	-4,8	1,4	0,0	1,4
Deferred tax assets/liabilities, net, as of December 31**	**15,9**	**23,6**	**11,7**	**8,7**

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

**Of which, temporary differences pertaining to provisions for pensions in the Group were the most significant and amounted to 15.4 (20.1).

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Note 12 Tangible fixed assets

	Group		Parent Company	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Equipment				
Opening acquisition cost	4,1	3,8	0,5	0,5
Purchases	–	-0,2	–	–
Right of use assets	-0,5	0,6	–	–
Translation difference	0,2	-0,1	–	–
Closing amortized cost	**3,8**	**4,1**	**0,5**	**0,5**
Opening accumulated depreciation	-2,6	-2,4	-0,1	-0,1
Sales and scrapping	–	0,1	–	–
Depreciation for the year	-0,3	-0,4	–	–
Translation difference	0,0	0,1	–	–
Closing accumulated depreciation	**-2,9**	**-2,6**	**-0,1**	**-0,1**
Closing balance	**0,9**	**1,5**	**0,4**	**0,4**

*The Group's leases encompass the leasing of company cars. Recognized assets of SEK 1.9 million. 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.

Note 13 Financial assets

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	Parent Company	
Participations in subsidiaries	Dec. 31,	Dec. 31,
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	852 722
Total					**224 608**	**852 722**

Note 14 Other non-current receivables

	Group		Parent Company	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Outstanding interest and currency derivatives	1 869,4	4 399,9	1 830,6	4 383,8
Total	**1 869,4**	**4 399,9**	**1 830,6**	**4 383,8**

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Note 15 Other current receivables

	Group		Parent Company	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Outstanding interest and currency derivatives	837,9	1 604,9	797,4	1 600,6
Accrued interest income and prepaid interest expenses	6,6	77,1	6,6	77,1
Other accrued income and prepaid expenses	27,2	42,3	27,0	42,1
Other receivables	1,6	0,8	1,6	0,7
Netting agreements	1 159,73	–	1 159,73	–
Total	**2 033,1**	**1 725,1**	**1 992,3**	**1 720,5**

Note 16 Cash and cash equivalents

	Group		Parent Company	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Cash in banks	28 661,1	40 873,7	28 648,5	40 860,6
Time deposits in banks	13 636,0	13 995,0	13 636,0	13 995,0
Reverse repurchase agreements	–	7 812,10	–	7 812,10
Total	**42 297,1**	**62 680,8**	**42 284,5**	**62 667,7**

*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.

There were no reverse repurchase agreements outstanding as of December 31, 2021.

Note 17 Group contributions

Group contributions of SEK 335.2 million (126.0) were received by Volvo Investment AB and contributions of SEK 600.0 million were paid to AB Volvo (–).

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 Volvo Group or are transferred to pension trusts.

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

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is part-financed through Volvo pension foundation. The pension liability is calculated annually on the balance-sheet date based on actuarial assumptions.

The defined-benefit obligations are calculated based on applicable salary levels as per the balance-sheet date, with a discount interest rate of 3.8% (3.8%) regarding ITP2 and -0.1% (0.3%) for other pension liabilities. Annual yield and mortality estimates are established by PRI for ITP2 or Finansinspektionen (Sweden's financial supervisory authority) for other pension liabilities.

The Volvo Pension Foundation was formed in 1996 to secure pension obligations under the ITP plan. Since its formation, the company has provided plan capital in a net amount of SEK 56.4 million to the Foundation. The return on plan assets during 2021 was 13.1% (7.3%).

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

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

Accounting policies for defined-benefit plans differ from IAS 19 primarily because:
– The calculation of the pension liability according to Swedish accounting policies does not take into account future pay increases.
– The discount interest rate for calculating the Swedish liability is determined by PRI Pensionsgaranti and Finansinspektionen.
– Changes in the discount interest rate, real return on plan assets and other actuarial assumptions are recognized directly in profit and loss, and in the balance sheet.
– Deficits must either be recovered through payments to the plan or be recognized as a liability in the balance sheet.
– Surpluses cannot be recognized as an asset but can, in certain cases, be credited to the company to reduce pension costs.

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

Note 18.1 Provisions for pensions and similar obligations

Pension costs during the year	Dec. 31, 2021	Dec. 31, 2020
Current service costs	-2,7	-3,7
Interest costs	-2,0	-2,1
Interest income	1,2	1,1
Total pension costs for defined-benefit plans	**-3,5**	**-4,7**
Pension costs for defined-contribution plans	-6,4	-5,9
Total pension costs	**-9,9**	**-10,6**

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Note 18.2 Provisions for pensions and similar obligations

Applicable assumptions for actuarial calculations (Sweden)	**Dec. 31, 2021**	**Dec. 31, 2020**
Discount rate	2,0	1,5
Expected salary increase	2,4	2,4
Inflation	1,8	1,8

Obligations in defined-benefit plans	**Dec. 31, 2021**	**Dec. 31, 2020**
Obligations at January 1	137,2	123,2
Defined-benefits earned during the year	2,7	3,7
Interest costs	2,0	2,1
Remeasurements		
-Effect of change in demographic assumptions	–	–
-Effect of changes in financial assumptions	-17,2	8,1
-Effect of experience adjustments	-2,3	1,1
Benefits paid	-1,1	-1,0
Obligations at December 31	**121,3**	**137,2**
Of which, funded defined-benefit plans	121,3	137,2

Fair value of plan assets in funded plans	**Dec. 31, 2021**	**Dec. 31, 2020**
Plan assets at January 1	81,5	62,0
Interest income	1,2	1,1
Remeasurements	11,4	4,1
Employer contribution	9,0	14,4
Plan assets at December 31	**103,1**	**81,6**

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Not 18.3 Net provisions for pensions and similar obligations

Net provisions for post-employment benefits

Group	Dec. 31, 2021	Dec. 31, 2020
Funded status at December 31	18,2	55,6
Net provisions for post-employment benefits at December 31	**18,2**	**55,6**

Parent company

Obligations in defined-benefit plans

	Funded	Unfunded	Total
Obligations opening balance 2020	**53,1**	–	**53,1**
Service costs	2,2	–	2,2
Interest costs	2,2	–	2,2
Pensions paid	-1,0	–	-1,0
Obligations as of December 31, 2020	**56,6**	–	**56,6**
Service costs	2,0	–	2,0
Interest costs	2,3	–	2,3
Pensions paid	-1,1	–	-1,1
Obligations as of December 31, 2021	**59,8**	–	**59,8**

Fair value of plan assets in funded plans

Plan assets opening balance 2020	**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	**81,5**
Actual return on plan assets	12,6
Contributions and compensation to / from the fund	9,0
Plan assets as of December 31, 2021	**103,1**

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Provisions for post-employment benefits

	Dec. 31, 2021	Dec. 31, 2020
Obligations *	-59,8	-56,6
Fair value of plan assets	103,1	81,5
Funded status	**43,2**	**24,9**
Limitation on assets in accordance with Swedish accounting principles (when plan assets exceed corresponding obligations)	**43,2**	**24,9**
Net provisions for post-employment benefits **	–	–

Pension costs

	Dec. 31, 2021	Dec. 31, 2020
Pension costs for defined-benefit plans	**-10,1**	**-15,4**
Pension costs for defined-contribution plans	**-4,2**	**-4,1**
Special payroll tax / yield tax **	-5,1	-5,2
Cost for credit insurance FPG	-0,1	-0,1
Total pension costs for the period	**-19,4**	**-24,8**

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

** Net retirement benefit obligations regarding ITP2 amount to 0.0 (0.0)

Note 19 Non-current liabilities

The following list shows Volvo Treasury Group's and Parent Company's non-current liabilities in which the largest loans are distributed by currency 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, 2021.

Bond loans	Actual interest rate	Effective interest rate	Group		Parent company	
	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
EUR 2012-2020/2022-2078	0,00-4,79	0,00-4,79	50 072,7	34 968,7	50 072,7	34 968,7
SEK 2018-2020/2022-2024	0,39-2,31	0,39-2,31	24 266,0	25 741,3	24 266,0	25 741,3
NOK 2019-2020/2022-2024	1,79-2,62	1,80-2,65	2 818,3	3 579,8	2 818,3	3 579,8
JPY 2020-2020/2023-2023	0,70-0,70	0,70-0,70	917,5	927,20	917,5	927,20
HKD 2019-2019/2024-2024	2,31-2,31	2,31-2,31	839,0	764,7	839,0	764,7
Other bond loans	2,96-2,96	2,96-2,96	451,3	409,4	451,3	409,4
Total			79 364,8	66 391,1	79 364,8	66 391,1

Other liabilities to credit institution	Actual interest rate	Effective interest rate	Group		Parent company	
	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
EUR 2017-2018/2022-2023	0,00-0,00	0,00-0,00	3 068,1	6 022,5	3 068,1	6 022,5
JPY 2019-2020/2023-2024	0,37-1,24	0,37-1,24	1 570,4	1 584,9	-	-
AUD 2018-2020/2022-2024	0,97-1,51	0,97-1,51	117,6	315,0	-	-
Outstanding interest and currency derivatives	-	-	1 915,9	416,4	1 907,6	410,9
Lease liability	-	-	0,4	0,4	-	-
Total			6 672,4	8 339,2	4 975,7	6 433,4

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, 2021	Other liabilities to credit Dec. 31, 2021	*Of which, derivative contracts* *Dec. 31, 2021*	Leasing liabilities Dec. 31, 2021	Parent Compai Due date	Bond loans Dec. 31, 2021	Other liabilities to credit Dec. 31,	*Of which, derivative contracts* *Dec. 31, 2021*
2023	38 018,4	4 202,7	273,3	0,1	2023	38 018,4	3 339,4	272,2
2024	19 583,9	1 398,5	571,5	-	2024	19 583,9	571,5	571,5
2025	8 673,2	591,5	591,5	-	2025	8 673,2	591,5	591,5
2026	6 203,4	365,6	365,6	-	2026	6 203,4	365,7	365,7
2027	0,0	98,6	98,6	-	2027	0,0	91,3	91,3
2028-	6 885,9	15,4	15,4	-	2028-	6 885,9	15,4	15,4
Total	79 364,8	6 672,3	*1 915,9*	*0,1*	**Total**	79 364,8	4 974,8	*1 907,6*

Granted but unutilized non-current credit facilities that may be utilized unconditionally amounted to SEK 42.3 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 the item Administrative expenses in the income statement and under Other current receivables in the balance sheet, see Note 15 Other current receivables.

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Note 20 Other non-current liabilities

	Group		Parent Company	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Outstanding interest and currency derivatives	–	253,8	–	246,9
Other non-current liabilities	0,8	0,7	0,8	0,7
Total	**0,8**	**254,5**	**0,8**	**247,6**

Note 21 Current liabilities to credit institutions

	Group		Parent Company	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Bond loans*	21 747,3	30 903,9	21 747,3	30 903,9
Bank loans and other loans	10 498,9	4 852,1	10 287,7	4 536,2
Netting agreements	1 245,6	4 427,5	1 245,7	4 427,5
Outstanding interest and currency derivatives	233,0	152,5	228,9	141,7
Leasing liabilities	0,3	0,7	–	–
Total	**33 725,1**	**40 336,8**	**33 509,6**	**40 009,3**

* From 2021, short-term bonds have been separated from bank loans and other loans.

Granted overdraft facilities amount to 2,186 (2,408) in the Group and 632 (1,487) in the Parent Company.

Note 22 Other current liabilities

	Koncernen		Moderbolaget	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Accrued interest expenses and prepaid interest income	478,1	446,7	477,6	445,9
Outstanding interest and currency derivatives	105,7	57,4	104,3	57,0
Wages, salaries and tax-at-source	21,9	21,2	17,6	16,6
Accrued expenses and deferred income	8,3	11,7	6,9	10,3
Other current liabilities	0,6	0,7	0,6	0,7
Total	**614,6**	**537,7**	**607,0**	**530,5**

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Note 23 Contingent liabilities

	Group		Parent Company	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Contingent liabilities on behalf of other Group companies	511,3	501,9	511,3	501,9
Pension guarantees	1,2	1,1	1,2	1,1
Total contingent liabilities	**512,5**	**503,0**	**512,5**	**503,0**
Contingent liabilities received from other Group companies, which reduce net obligations	-511,3	-501,9	-511,3	-501,9
Total contingent liabilities, net	**1,2**	**1,1**	**1,2**	**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, 2021		Parent Company Dec. 31, 2021		Group Dec. 31, 2020		Parent Company Dec. 31, 2020	
		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	2 686,9	2 686,9	2 627,9	2 627,9	6 004,8	6 004,8	5 984,4	5 984,4
		2 686,9	**2 686,9**	**2 627,9**	**2 627,9**	**6 004,8**	**6 004,8**	**5 984,4**	**5 984,4**
Financial assets measured at amortized cost									
Receivables from Group Company		186 665,7	187 145,6	185 443,5	185 720,2	136 239,1	137 883,4	134 466,8	135 826,8
Other interest-bearing receivables	15	1 159,70	1 159,70	1 159,70	1 159,70	-	-	-	-
		187 825,4	**188 305,3**	**186 603,2**	**186 879,9**	**136 239,1**	**137 883,4**	**134 466,8**	**135 826,8**
Cash and cash equivalents		**42 297,1**	**42 297,1**	**42 284,5**	**42 284,5**	**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	2 234,5	2 234,5	2 240,8	2 240,8	880,1	880,0	856,5	856,5
		2 234,5	**2 234,5**	**2 240,8**	**2 240,8**	**880,1**	**880,0**	**856,5**	**856,5**
Financial liabilities measured at amortized cost ***									
Long term bond loans and other loans	19	84 121,2	85 340,4	82 432,9	83 632,3	74 313,9	76 441,6	72 413,6	74 514,6
Short term bank loans and other loans	21	33 492,1	33 644,8	33 280,8	33 432,5	40 184,3	40 230,2	39 867,6	39 912,4
Payable to Group Company	25, 3.5	95 123,7	71 962,2	96 583,2	73 193,5	72 157,0	71 962,2	73 368,8	73 193,5
		212 737,0	**190 947,4**	**212 296,9**	**190 258,3**	**186 655,2**	**188 634,0**	**185 650,0**	**187 620,5**
Trade Payables		**3,0**	**3,0**	**2,9**	**2,9**	**1,1**	**1,1**	**1,0**	**1,0**

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

** Gross exposure of derivatives with positive values has been reduced by 84.0% (88.0%) through netting agreements and liquidity transfers to 430.5 (717.0).

*** The consolidated balance sheet includes financial liabilities (loan-related derivative instruments) of -2,148.9 (568.9).

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

	Group Dec. 31, 2021				Group Dec. 31, 2020			
	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	1 825,7	-5 268.7	-	-797,7	7 998.30	-168.2	-	-901.3
Financial assets valued at amortised costs	-	-	2 316,2	-61.2	-	-	2 766.7	-58.2
Cash and cash equivalents	775.6	-983.7	39.5	-	893,5	-357,7	47,5	-
Finacial liabilities valued at amortized cost	9 120,2	-5 215,2	-	-1 039,8	4 077.0	-12 527.8	-	-1 259,4
Effect on Gross income	11 721,5	-11 467,6	2 355,7	-1 898,7	12 968,8	-13 053,7	2 814,2	-2 218,9

	Parent company Dec. 31, 2021				Parent company Dec. 31, 2020			
	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	1 782.3	-5 311.3	-	-777.5	8 029.92	-168.6	-	-885.2
Financial assets valued at amortised costs			2 270,3	-73,6		-	2 706.1	-60,4
Cash and cash equivalents	775.6	-983,7	39,4	-	893,7	-357,9	47,3	-
Finacial liabilities valued at amortized cost	9 321,7	-5 355,1	-	-1 021,5	4 161,5	-12 645,2	-	-1 241,1
Effect on Gross Income	11 879,6	-11 650,1	2 309,7	-1 872,6	13 085,1	-13 171,7	2 753,4	-2 186,7

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

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

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

	Group			
	Dec. 31, 2021		Dec. 31, 2020	
	Nominal Amount	Carrying value	Nominal Amount	Carrying value
Interest-rate swaps				
- receivable position	96 629,0	2 538,4	119 312,6	5 411,7
- payable position	193 334,3	-2 149,9	149 159,1	-813,4
Interest-rate forwards and futures				
- receivable position	–	–	–	–
- payable position	–	–	–	–
Foreign exchange forward contracts				
- receivable position	13 228,3	148,0	24 579,4	588,2
- payable position	10 158,4	-84,7	5 179,6	-64,7
Options purchased, caps and floors				
- receivable position	2 000,0	0,8	10 408,6	4,9
- payable position	3 068,1	–	–	0,0
Options written, caps and floors				
- receivable position	–	–	–	–
- payable position	–	–	204,7	-2,0
Total		**452,8**		**5 124,7**

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	Parent Company			
	Dec. 31, 2021		Dec. 31, 2020	
	Nominal Amount	Carrying value	Nominal Amount	Carrying value
Interest-rate swaps				
- receivable position	94 844,3	2 488,2	118 110,9	5 401,3
- payable position	192 472,8	-2 140,5	147 751,6	-795,9
Interest-rate forwards and futures				
- receivable position	–	–	–	–
- payable position	–	–	–	–
Foreign exchange forward contracts				
- receivable position	11 908,3	119,1	23 333,3	579,2
- payable position	8 539,9	-80,5	3 848,1	-59,6
Options purchased, caps and floors				
- receivable position	2 000,0	0,8	10 408,6	4,9
- payable position	3 068,1	–	0,0	0,0
Options written, caps and floors				
- receivable position	–	–	–	–
- payable position	–	–	204,7	-2,0
Total		**387,1**		**5 127,9**

Note 25 Transactions with related parties

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

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

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

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

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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, 2021**
Group contributions received		–	126,0	–	–	–
Group contributions granted		–	–	–	–	–
Bond loans	19	66 391,1	10 613,9	2 359,8	–	79 364,8
Other liabilities to credit institutions	19	8 339,2	-3 364,4	198,1	1 499,5	6 672,4
Other non- current liabilities	20	254,5	20,3	-0,2	-273,9	0,7
Current liabilities to credit institutions	21	40 336,8	-6 713,1	21,0	80,4	33 725,1
			682,7			

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

				Parent company		
				Non cash items		
Cash-flow from financing activities	**Note**	**1 January 2020**	**Cash flow**	**Unrealized exchange rate effects**	**FV valuation**	**Dec. 31, 2021**
Group contributions received		–	126,0	–	–	–
Group contributions granted		–	–	–	–	–
Bond loans	19	66 391,1	10 613,9	2 359,8	–	79 364,8
Other liabilities to credit institutions	19	6 433,4	-3 177,0	222,6	1 496,7	4 975,7
Other non-current liabilities	20	247,6	19,8	–	-266,6	0,8
Liabilities to credit institutions	21	40 009,3	-6 587,2	–	87,5	33 509,6
			995,5			

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

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.

This is a true and accurate translation of the original document
(Certified): ....
John Lightowler
Authorized Translator

Note 28 Proposed disposition of unappropriated earnings

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

Retained earnings		15 893 262 290
Net income		253 537 516
	SEK	**16 146 799 806**

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

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Dividend	SEK	5 000 000 000
To be carried forward	SEK	11 146 799 806
		16 146 799 806

The proposed transfer of value will reduce the company's equity ratio to 5.1%. The equity ratio is deemed satisfactory, given the continued profitability of the company's operations. The company's liquidity is expected to be possible to maintain at a similarly satisfactory level.

The Board of Directors is of the opinion that the proposed transfer of value does not compromise the company's ability to discharge its obligations in the short and long term, nor to make any necessary investments. The proposed transfer of value can therefore be justified considering that stated in Chapter 17, Section 3, paragraphs 2–3 of the Swedish Companies Act (the prudence principle).

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

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

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

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

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Gothenburg, February 25, 2022

Thomas Lestin
CEO

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Frederik Ljungdahl
Chairman

Sune Martinsson

Erik Annerstedt

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Karin Heltborg

Our Auditors' Report was submitted on February 25, 2022
Deloitte AB

Fredrik Jonsson
Authorized Public Accountant

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

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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

Vi have audited the annual accounts and consolidated accounts of Volvo Treasury AB (publ) for the financial year 2021-01-01 - 2021-12-31. The annual accounts and consolidated accounts of the company are included on pages 1 – 51 in this document.

In vår 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 2021 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 2021 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.

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

Våra 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 styrelse in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

Vi conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Vårt responsibilities under those standards are further described in the Auditor's Responsibilities section. Viare independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled vårt ethical responsibilities in accordance with these requirements. This includes that, based on vår 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.

Vi believe that the audit evidence vi have obtained is sufficient and appropriate to provide a basis for våra opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in vår professional judgment, were of most

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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 vårt opinion thereon, the annual accounts and consolidated accounts as a whole, but vi do not provide a separate opinion on these matters.

Key Audit Matter

Volvo Treasury AB (publ) enters deals for financial derivative instruments with credit institutes to hedge risks for fluctuations in currency exchange rates and interest rates. The valuation of these financial instruments is an important area in our audit considering the complexity involved.

Our audit procedures have included, but not exclusively, comprised of;

- We have audited relevant internal controls in the valuation process, including controls for input data in valuation models, changes in models applied and validation of data output towards counterparty.
- We have audited the input data applied by management to determine valuation of the financial derivative portfolio. Input data has been used to reperform calculation of carrying fair value for financial derivatives.
- We have audited valuation of financial derivative instruments comparing carrying fair value to counterparty.
- 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.

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Auditor's responsibility
Våra 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 våra opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements

Opinions
In addition to vår audit of the annual accounts and consolidated accounts, vi have also audited the administration of the Board of Directors and the Managing Director of Volvo Treasury AB (publ) for the financial year 2021-01-01 - 2021-12-31 and the proposed appropriations of the company's profit or loss

Vi 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 ledamöter and the Managing Director be discharged from liability for the financial year.

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

Vi believe that the audit evidence vi have obtained is sufficient and appropriate to provide a basis for våra 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

Vårt objective concerning the audit of the administration, and thereby vårt 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.

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

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

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

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

Gothenburg 2022-02-25

Deloitte AB

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 five members with no deputies. Four of these members were elected at the scheduled general meeting of shareholders and the fifth members was elected at an extraordinary general meeting of shareholders for the period until the next annual general meeting. The company's Articles of Association stipulate that the general meeting may not appoint fewer than three and not more than ten Board members.

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

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

Volvo Group also has an Internal Audit function with the primary task of independently ensuring that companies in the Group comply with the principles and rules that are stated in the Group's directives, guidelines and instructions for financial reporting. The Head of the Internal Audit

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function reports directly to the CEO, the Group's General Counsel and to the Audit Committee of the Board of AB Volvo.

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

Control environment

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

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

Risk assessment

Risks pertaining to financial reporting are evaluated and overseen by Volvo Group's Board of Directors through its Audit Committee, and by Volvo Treasury Group's Board of Directors, by identifying significant risks and how they should be managed and counteracted. The 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

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

Information and communication

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

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John Lightowler
Authorized Translator

Monitoring

Ongoing responsibility for following up Volvo Treasury Group's internal control rests with Volvo Treasury AB (publ) management group and controller functions in cooperation with Volvo Group's

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accounting function. In addition, the Internal Audit and the Internal Control functions of Volvo Group conduct review and follow-up in accordance with what is described in the introduction of this report. More specifically, the Internal Control function runs and coordinates evaluation activities through Volvo Group Internal Control Program, which aims to 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 Volvo Group's Board of Directors and its Audit Committees as well as to Volvo Treasury Group's Board of Directors.

Gothenburg 2022-02-25

Volvo Treasury AB (publ)

Board of Directors

AUKTORISERAD TRANSLATOR AV KAMMARKOLLEGIET * NR 862 *

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Authorized Translator

Auditor´s report on the corporate governance statement

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To the general meeting of the shareholders of 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 2021-01-01 - 2021-12-31 on pages 56-58 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Vår examination has been conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that vårexamination 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. Vi believe that the examination has provided oss 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 2022-02-25

Deloitte AB

Fredrik Jonsson

Authorized Public Accountant

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