Annual Report and Consolidated Financial Statements for the 2019 fiscal year

The Board of Directors and the President of Volvo Treasury AB (publ), (556135-4449) hereby submit the following Annual Report and Consolidated Financial Statements.

Content

AV KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

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All amounts are shown in millions of Swedish kronor (SEK M) unless otherwise stated. The amounts within parentheses refer to the preceding year.

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Board of Directors' report

Volvo Treasury AB (publ) is a wholly owned subsidiary of AB Volvo (publ) Gothenburg (556012-5790). The Company is the Parent Company of Volvo Treasury Asia Ltd, which in turn is the Parent Company of Volvo Treasury Australia Pty Ltd ("Volvo Treasury Group").

Volvo Treasury AB is a unit within the Group function, Volvo Group Treasury. Volvo Group Treasury is the Volvo Group's internal bank with responsibility for the Volvo Group's borrowing and operational financial risk management, including external banking relations. Volvo Group Treasury is also responsible for ensuring and developing an efficient financial infrastructure for the Volvo Group's operations. Most of the Volvo Group's financial transactions are conducted through Volvo Treasury Group or one of the Volvo Group's other treasury entities in America or Asia. All financial transactions in Volvo Treasury Group, and between Volvo Treasury Group and other companies within the Volvo Group, are carried out on market terms.

Mandates and limits for Volvo Group Treasury's management, monitoring and reporting of operational financial risks are set by the Board and CFO of the Volvo Group or in certain cases by the Senior Vice President, Group Treasury & Corporate Finance. A more detailed description of these risks and the manner in which they are managed is presented in Note 3 Financial risks below. See also the Annual Report for the Volvo Group for information on employee policies.

Corporate Governance Report

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

Operations during 2019

Volvo Treasury Group — Summary

The Group's operating income by company is presented in the table below.

	2019	2018	2017	2016	2015
Volvo Treasury AB	167.1	16.4	472.1	1,010.3	728.3
Volvo Treasury Asia Ltd	16.3	24.5	42.5	70.8	63.5
Group total	**183.4**	**40.9**	**514.6**	**1,081.1**	**791.8**

During the year, net lending to companies within the Volvo Group decreased SEK 3.3 billion as a consequence of increased financing by customers. An improved cash flow within the industrial business was reflected in the increase in cash and cash equivalents of SEK 7.4 billion. At the same time, growth in customer financing operations resulted in an increase in external financing of SEK 10.9 billion.

Both interest income from companies in the Volvo Group and interest expenses for external interest-bearing liabilities and derivative contracts have increased year-on-year, which was due to higher lending to customer financing operations and increased costs for managing cash and cash equivalents.

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Financial instruments measured at fair value through profit and loss (FVTPL) negatively impacted earnings, albeit to a lesser extent than last year. The underlying cause of the negative impact was higher market interest rates, primarily for the EUR and SEK as well as lower market interest rates for the USD.

The Volvo Group's hedging of commercial cash flows is managed by and reported in Volvo Treasury Group. The result from operations was negative SEK 487.5 M, which was primarily a consequence of the weaker Swedish krona. The effect of the hedge is included under Other financial income and expenses.

Income derived from loan commitments issued to Volvo Financial Services totaled SEK 133 M and were included under the item Other operating income. Costs derived from issued loan commitments were included under the Administrative expenses item.

The prepared Annual Report states that a Group contribution of SEK 350.0 M was distributed to Sotrof AB, while a Group contribution of SEK 500.0 M was received from AB Volvo.

Proposed disposition of unappropriated earnings

According to the balance sheet of Volvo Treasury AB's Parent Company, the Annual General Meeting has at its disposal the following earnings of SEK 15,400.16 M. The Board of Directors and the CEO propose that the above earnings of SEK 15,400.16 M be carried forward. Read more in Note 28, Proposed disposition of unappropriated earnings.

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Consolidated statement of income

	Note	2019	2018
Interest income	4	3,858.3	2,999.0
Interest expense	5	-3,112.1	-2,512.1
Financial instruments measured at FVTPL	3.23	-111.7	-121.9
Net interest income		**634.5**	**365.0**
Other financial income and expenses	6.23	-380.7	-256.5
Gross income		**253.8**	**108.4**
Other operating income		133.4	130.9
Administrative expenses	7.8	-175.3	-165.0
Other operating expenses		-28.5	-33.4
Operating income		**183.4**	**40.9**
Tax on income for the year	9	-45.1	-16.9
Net income		**138.2**	**24.0**
Other comprehensive income			
Net income		**138.2**	**24.0**
Items that will not be reclassified to profit and loss:			
Remeasurement of defined-benefit pensions		-12.2	-7.3
Items that may be subsequently reclassified to profit and loss:			
Exchange-rate differences on translation of foreign operations		42.4	47.8
Comprehensive income for the year		**168.4**	**64.5**
Total net income attributable to Parent Company shareholders		138.2	24.0
Total comprehensive income attributable to Parent Company shareholders		168.4	64.5

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Consolidated balance sheet

	Note	Dec. 31, 2019	Dec. 31, 2018
ASSETS			
Non-current assets			
Intangible assets			
Software development	10	0.0	0.0
Tangible assets			
Equipment	11	1.4	0.5
Financial assets			
Receivables from Group companies (within the Volvo Group)	23.25	66,435.8	70,191.3
Other long term receivables	13	1,073.2	1,450.5
Total financial assets		**67,509.0**	**71,641.8**
Deferred Taxes	9	**22.6**	**16.1**
Total non-current assets		**67,533.1**	**71,658.4**
Current assets			
Current receivables			
Receivables from Group companies (within the Volvo Group)	23.25	109,431.0	89,768.5
Tax assets	9	0.0	0.0
Other current receivables	14	2,206.6	2,358.4
Total current receivables		**111,637.6**	**92,126.9**
Marketable securities	0	-	-
Cash and cash equivalents	15	**40,216.0**	**32,800.3**
Total current assets		**151,853.6**	**124,927.2**
TOTAL ASSETS		**219,386.7**	**196,585.6**

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	Note	Dec. 31, 2019	Dec. 31, 2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		500.0	500.0
Reserves		221.5	179.1
Retained earnings		15,725.8	15,596.0
Net income		138.2	24.0
Total shareholders' equity		**16,585.5**	**16,299.1**
Non- current liabilities			
Bond loans	18.23	65,754.1	59,115.3
Other liabilities to credit institutions	18.23	9,688.2	8,167.1
Other non-current liabilities	19	214.0	145.8
Liabilities to Group companies (within the Volvo Group)	23.25	0.0	0.0
Provisions for pensions and similar obligations	17	61.3	52.7
Total non-current liabilities		**75,717.6**	**67,480.9**
Current liabilities			
Liabilities to credit insitutions	20	34,906.5	33,340.1
Liabilities to Group companies (within the Volvo Group)	23.25	91,441.3	78,880.7
Accounts payable - trade	23	2.3	1.7
Current tax liabilities	9	6.6	5.1
Other current liabilities	21	726.8	577.9
Other provisions		-	-
Total current liabilities		**127,083.5**	**112,805.6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**219,386.7**	**196,585.6**

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Changes in shareholders' equity, Group

	Note	Share capital	Reserves (translation differences)	Retained earnings	Total shareholders' equity
Balance at December 31, 2017		**500.0**	**130.4**	**15,532.5**	**16,162.9**
Net income for the year		-	-	24.0	24.0
Other comprehensive income					
Translation differences		-	47.8	-	47.8
Remeasurement of defined-benefit pensions	17	-	-	-7.3	-7.3
Total comprehensive income for the year		-	*47.8*	*16.7*	*64.5*
Transactions with shareholders/related parties					
Group contributions granted and received	16	-	-	92.0	92.0
Tax effect of Group contributions granted and received	9	-	-	-20.2	-20.2
Total transactions with shareholders/related parties		-	-	*71.8*	*71.8*
Balance at December 31, 2018		**500.0**	**179.1**	**15,620.1**	**16,299.1**
Net income for the year		-	-	138.2	138.2
Other comprehensive income					
Translation differences		-	42.4	-	42.4
Remeasurement of defined-benefit pensions	17	-	-	-12.2	-12.2
Total comprehensive income for the year		-	*42.4*	*126.0*	*168.4*
Transactions with shareholders/related parties					
Group contributions granted and received	16	-	-	150.0	150.0
Tax effect of Group contributions granted and received	9	-	-	-32.1	-32.1
Total transactions with shareholders/related parties		-	-	*117.9*	*117.9*
Balance at December 31, 2019		**500.0**	**221.5**	**15,864.0**	**16,585.5**

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Consolidated cash-flow statement

ACTIVITIES DURING THE YEAR	Note	2019	2018
Interest received	4	3,821.0	2,945.3
Interest paid	5	-2,964.3	-2,544.5
Other financial transactions		597.6	-59.4
Income tax paid	10	-75.8	-424.1
Payments to suppliers and employees		-71.9	-40.1
Cash-flow from operating activities before changes in operating receivables and liabilities		**1,306.6**	**-122.8**
Increase (-)/decrease (+) in marketable securities		0.0	0.0
Increase (-)/decrease (+) in current receivables	15	-1,104.7	88.0
Increase (+)/decrease (-) in current liabilities	22	1.0	-1.9
Increase (+)/decrease (-) in provisions		0.0	0.0
Increase (-)/decrease (+) in lending to Group companies		-15,910.0	477.0
Increase (+)/decrease (-) in borrowing from Group companies	26	12,237.6	7,389.5
Increase (-)/decrease (+) in non-current receivables	26	-6.5	-0.8
Cash-flow from operating activities		**-3,476.0**	**7,829.0**
Cash-flow from investing activities		-	-
Group contributions received	17	692.0	291.0
Group contributions granted	17	-600.0	-700.0
Issue of interest-bearing securities	19,21	42,453.7	41,517.6
Repayment of interest-bearing securities	19,21	-29,221.2	-36,775.5
Increase in other borrowing	19,21	13,414.6	34,158.6
Decrease in other borrowing	19,21	-16,041.5	-35,967.8
Cash-flow from financing activities	30	**10,697.6**	**2,523.9**
Cash-flow during the year	16	7,218.6	10,352.9
Revaluation differences on cash and cash equivalents		197.0	0.3
Cash and cash equivalents, beginning of the year	16	32,800.4	22,447.0
Cash and cash equivalents, end of year	16	**40,216.0**	**32,800.4**

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Income statement, Parent company

	Note	2019	2018
Interest income	4	3,739.9	2,872.7
Interest expense	5	-3,041.4	-2,432.4
Financial instruments at FVTPL	3.23	-104.0	-115.2
Net interest income		**594.5**	**325.1**
Other financial income and expenses	6.23	-381.2	-266.1
Gross income		**213.3**	**59.0**
Other operating income		133.2	130.8
Administrative expenses	7.8	-159.4	-144.5
Other operating expenses		-24.5	-28.6
Operating income		**162.6**	**16.7**
Allocations	16	150.0	92.0
Income before tax		**312.6**	**108.7**
Tax on income for the year	9	-59.9	-24.6
Net income		**252.8**	**84.2**

Other comprehensive income

Total comprehensive income for the year		**252.8**	**84.2**

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Balance sheet, Parent company

	Note	Dec. 31, 2019	Dec. 31, 2018
ASSETS			
Non-current assets			
Intangible assets			
Software development	10	0.0	0.0
Tangible assets			
Equipment	11	0.4	0.4
Financial assets			
Participations in subsidiaries	12	224.6	224.6
Receivables from Group companies (within the Volvo Group)	23,25	65,932.8	69,483.0
Other non-current receivables	13	1,072.4	1,448.2
Total financial assets		**67,229.8**	**71,155.8**
Deferred tax	9	**6.1**	**5.1**
Total non-current assets		**67,236.3**	**71,161.4**
Current assets			
Current receivables			
Receivables from Group companies (within the Volvo Group)	23,25	107,897.9	87,207.6
Tax assets	9	1.2	0.0
Other current receivables	14	2,165.5	2,340.3
Total current receivables		**110,064.5**	**89,547.9**
Marketable securities	0	-	-
Cash and cash equivalents	15	**40,182.1**	**32,781.5**
Total current assets		**150,246.7**	**122,329.4**
TOTAL ASSETS		**217,483.0**	**193,490.8**

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	Note	Dec. 31, 2019	Dec. 31, 2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital (5,000,000 Series A shares, quotient value SEK 100)		500.0	500.0
Legal reserves		100.0	100.0
Total restricted equity		**600.0**	**600.0**
Unrestricted equity			
Retained earnings brought forward		15,147.4	15,063.3
Net income		252.8	84.2
Total unrestricted equity		**15,400.2**	**15,147.5**
Total shareholders' equity		**16,000.2**	**15,747.5**
Non-current liabilities			
Bond loans	18.23	65,754.1	59,115.3
Other liabilities to credit institutions	18.23	8,386.8	7,516.1
Other non-current liabilities	19	200.0	143.6
Liabilities to Group companies (within the Volvo Group)	23.25	853.2	0.0
Provisions for pensions	19	0.0	2.3
Total non-current liabilities		**75,194.1**	**66,777.2**
Current liabilities			
Liabilities to credit institutions	20	34,475.8	30,792.5
Liabilities to Group companies (within the Volvo Group)	23.25	91,098.4	79,618.5
Accounts payable – trade	23	2.0	1.5
Tax liabilities	10	-	2.9
Other current liabilities	21	712.6	550.8
Other provisions		-	-
Total current liabilities		**126,288.8**	**110,966.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**217,483.0**	**193,490.8**

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Changes in shareholders' equity, Parent company

	Share capital	Reserves	Retained earnings	Total shareholders' equity
Balance at December 31, 2017	**500.0**	**100.0**	**15,063.3**	**15,663.3**
Net income for the year	-	-	84.2	84.2
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	*84.2*	*84.2*
Balance at December 31, 2018	**500.0**	**100.0**	**15,147.4**	**15,747.4**
Net income for the year	-	-	252.8	252.8
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	*252.8*	*252.8*
Balance at December 31, 2019	**500.0**	**100.0**	**15,400.2**	**16,000.2**

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Cash-flow statement, Parent company

ACTIVITIES DURING THE YEAR		2019	2018
Interest received	4	3,586.5	2,832.3
Interest paid	5	-2,779.5	-2,473.3
Income tax paid	10	-61.7	-19.2
Payments to suppliers and employees		-50.6	-42.4
Other financial transactions		608.0	-539.2
Cash-flow from operating activities before changes in operating receivables and liabilities		**1,302.8**	**-241.8**
Increase (-)/decrease (+) in current receivables	14	-1,106.3	86.4
Increase (+)/decrease (-) in current liabilities	21	0.6	-1.0
Increase (-)/decrease (+) in lending to Group companies	25	-17,335.0	563.9
Increase (+)/decrease (-) in borrowing from Group companies	25	11,994.6	6,206.0
Increase (-)/decrease (+) in non-current receivables		-3.2	-0.8
Cash-flow from operating activities		**-5,146.5**	**6,612.6**
Cash-flow from investing activities		-	-
Group contributions received	16	692.0	291.0
Group contributions granted	16	-600.0	-700.0
Issue of interest-bearing securities	18, 20	42,453.7	41,517.6
Repayment of interest-bearing securities	18, 20	-29,221.2	-36,775.5
Increase in other borrowing	18, 20	13,435.6	32,863.7
Decrease in other borrowing	18, 20	-14,406.6	-33,464.7
Cash-flow from financing activities	26	**12,353.4**	**3,732.2**
Cash-flow during the year	15	7,203.8	10,344.8
Revaluation differences on cash and cash equivalents		196.8	0.0
Cash and cash equivalents, beginning of the year	15	32,781.5	22,436.7
Cash and cash equivalents, December 31	15	**40,182.2**	**32,781.5**

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Notes — Group and Parent Company

Note 1 Accounting and valuation policies

The consolidated financial statements for Volvo Treasury AB 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 describes its accounting policies in Note 1. In some cases, the accounting policies are described in connection with certain notes to provide increased understanding of the respective accounting areas.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company and subsidiaries in which Volvo Treasury AB 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 using foreign 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 pertaining to financial assets and liabilities are classified to Profit/loss from other financial transactions.

Financial instruments used to hedge currency and interest-rate risk are marked to market. Foreign exchange gains are recognized as receivables and losses are recognized as liabilities. Depending on the maturity of the financial instrument, these items are recognized as current or non-current in the balance sheet. The impact on earnings on remeasurement is reported under the item Other financial income and expenses.

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The exchange rates used in the consolidated financial statements are as follows:

Country	Currency	Average rate 2019	Average rate 2018	As per Dec. 31 2019	As per Dec. 31 2018
Singapore	1 SGD	6.93269	6.44390	6.90430	6.56050
Australia	1 AUD	6.57244	6.49538	6.51250	6.32450

Valuation, depreciation, amortization and impairment of intangible and tangible fixed assets
Volvo Treasury Group recognizes intangible and tangible fixed assets at cost less depreciation and amortization. Depreciation and amortization is based on the historical cost of the assets, adjusted in appropriate cases by impairment and estimated useful lives.

Depreciation periods

Software development	5 years
Equipment	5 years

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Financial instruments
Volvo Treasury Group applies the accounting policies contained in IFRS 7, IFRS 9 and IAS 32, *Financial Instruments,* as well as IFRS 13, *Fair Value Measurement*. Depending on the maturity of the financial instrument, these items are recognized as current or non-current in the balance sheet. Gains and losses on financial instruments are recognized in profit and loss.

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 carrying amounts 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.

A financial asset is derecognized from the balance sheet when all significant risks and benefits linked to the asset have been transferred to an external party. 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 classified based on the extent to which market data has been used in the calculation of fair value. All of Volvo Treasury's financial instruments that are measured at fair value through profit and loss (FVTPL) are classified 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
Volvo Treasury Group's financial instruments that are held for trading are measured at FVTPL. These instruments comprise derivative instruments used to hedge interest rates and currencies.

Realized and unrealized interest-rate gains/losses pertaining to derivatives used to hedge interest-bearing assets and investments, and unrealized interest-rate gains/losses pertaining to derivatives held to hedge financial assets and liabilities are recognized in Net interest income.

Financial instruments used to hedge currency risk in contracted commercial cash flows are recognized in Gross profit.

Volvo Treasury AB has decided not to apply hedge accounting for these financial instruments, and gains or losses on these are recognized in profit and loss.

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

Financial liabilities measured at amortized cost
Proceeds from borrowings are measured at amortized cost pursuant to the effective-interest-rate method.
Transaction costs in connection with raising financial liabilities are amortized over the loan's duration as a financial expense using the effective-interest-rate method. Issued hybrid bonds are categorized as liabilities in the accounts since they entail a contractual obligation to make interest payments and to repay the nominal debt to the holder. For more information, see Note 23, Financial instruments.

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

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

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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.

Share-based payments

Volvo Treasury Group applies IFRS 2, *Share-based Payment for share-based incentive programs*. The principle distinguishes between "cash-settled" and "equity-settled" remuneration, in Volvo Treasury Group's case, shares in AB Volvo. Volvo Treasury AB's President and two senior executives of Volvo Treasury Group are included in the Volvo Group's incentive program, which comprises both cash- and equity-settled remuneration.

Based on the fair value of the benefit at the allocation date, the cost of this program is recognized in accordance with IFRS 2 over the vesting period and is expensed in profit and loss. The market value of this compensation is determined by taking the share price at the allocation date of the right and reducing this with the present value of expected dividends for the period until the issuance of the shares. AB Volvo will invoice for the cost of the issued shares when the shares are issued.

Long-term share-based incentive program 2014–2015.

The 2014 Annual General Meeting resolved on a long-term, share-based incentive program for a maximum of 300 individuals on the Group Executive Board and senior executives at the Volvo Group for the years 2014–2016. In 2016, the Board decided to replace this program from and including 2016, which resulted in this program ending one year early. The program was concluded in 2019 and the remaining shares allocated under the program were issued to the participants.

Long term incentive (LTI) program from 2016.

In 2016, the Board decided to introduce an LTI program for the Volvo Group's 300 most senior executives, including the Group Executive Board. This program will replace the previous long-term share-based incentive program from 2014 and is reported in accordance with IAS 19 *Employee Benefits*. For further information regarding the Volvo Group's incentive programs, please refer to the Volvo Group's Annual Report, Note 27 Employees. The cost of the incentive programs is recognized in profit and loss as Administration costs. See also Note 7 Employees.

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

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 year comprises current and deferred tax. Taxes are recognized in profit and loss, except when the tax relates to items recognized in Other comprehensive income or directly in Shareholders' equity. In such cases, the tax is also recognized in Other comprehensive income and Shareholders' equity.

Tax legislation in Sweden and other countries sometimes has rules other than those identified in generally accepted accounting policies, with respect to the timing of taxation and measurement of certain commercial transactions. Deferred taxes are recognized for the differences that arise between the taxable values and the carrying amounts of assets and liabilities, so-called temporary differences, as well as on tax loss carryforwards. With regard to the measuring of deferred tax assets, that is, the value of future tax reductions, these items are recognized provided that it is probable that the amounts can be utilized against future taxable surpluses.

Cash-flow statement

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

Segment reporting

Volvo Treasury Group comprises a number of organizational units, with all units reporting to and being coordinated by Volvo Group Treasury's head office, located at Volvo Treasury AB (publ) in Sweden. The company raises most of the Volvo Group's external financing for central financing purposes in the Group. Volvo Treasury Asia Ltd in Singapore is the financing source in the regional market and treasury function for the Group companies in Asia. The same applies to Volvo Treasury Australia Pty Ltd, which has as its principal business serving as a financing source and treasury for the Group companies in Australia. The subsidiaries' operations do not differ from those of Volvo Treasury AB and in this sense, they are an extension of the Parent Company in the regional markets. All Volvo Treasury activities in all units are controlled and coordinated by, and reported 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*.

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

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the consolidated financial statements. In certain cases, the regulations allow exceptions to 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 2019

When preparing the consolidated financial statements at December 31, 2019, the following new standards and interpretations have been applied:

IFRS 16 Leases

From and including January 1, 2019, Volvo Treasury Group applies IFRS 16 *Leases*. IFRS 16 does not imply any significant accounting changes for the lessor, but does entail accounting changes for the lessee. For Volvo Treasury Group, this means that the future lease payments for rented premises and company cars are recognized in the balance sheet. The balance sheet recognizes the lessee's rights to use assets and its obligation to pay for these rights over a corresponding period. The right-of-use for the asset and the obligation to pay will be recognized at the present value of future lease payments.

By applying the new lease accounting for lessees, assets and interest-bearing liabilities in the balance sheet have increased and part of the lease payments are recognized as interest expense instead of as administration costs.

New accounting policies 2020 and later

No other new or amended accounting standards or interpretations that have been published and which enter force in 2020 or later are expected to have a material impact on the financial statements of Volvo Treasury Group.

Note 2 Key sources of estimation uncertainty

In conjunction with the preparation of these financial statements, the company management has made certain estimates and assumptions that affect the carrying amounts of assets and liabilities, as well as contingent liabilities at the balance-sheet date, and recognized income and expenses. The company management has made these estimates and assumptions using their best judgement after taking into account their relevance and materiality. 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 are reviewed each year and adjustments made to these when it is deemed appropriate, see more under Note 1 Accounting and valuation policies. (Translator's note: As per Swedish source text).

Note 3 Financial risks

Volvo Treasury Group is included in the Group function, Volvo Group Treasury, which is responsible for the Volvo Group's borrowing and operational financial risk management, including external banking relations. Volvo Group Treasury is also responsible for ensuring and developing an efficient financial infrastructure for the Volvo Group's operations. Most of the Volvo Group's financial transactions are conducted through Volvo Treasury Group. These operations are carried out in order to reduce the currency, interest-rate, credit and liquidity risks to which the Volvo Group is exposed.

Volvo Treasury Group is exposed, through its operations, to various financial risks. The following section describes the implication of different financial risks and the goals and policies involved in managing these risks.

Currency risk

The balance sheet may be impacted by fluctuations in various exchange rates. Currency risks in Volvo Treasury Group's operations are related to changes in the value of loans and investments (financial currency exposure) and changes in the value of assets and liabilities in foreign subsidiaries (currency exposure of shareholders' equity). The goal for Volvo Treasury Group's exchange-rate-risk management is to secure contracted flows through currency hedging in accordance with the established policy for financial risks and to minimize exposure for financial items in the balance sheet.

Financial currency exposure

Investments and borrowing occur mainly in SEK, EUR, USD and JPY. Lending to the Volvo Group's subsidiaries were made primarily in local currency. Using derivatives such as cross-currency interest swaps and currency swaps enables Volvo Treasury Group to meet the borrowing and lending requirements of Group companies in different currencies, without increasing the Volvo Group's own risk.

Commercial currency exposure

In accordance with the Volvo Group's Financial risk policy, Volvo Treasury uses currency derivatives to minimize the risk of currency effects on the Volvo Group's earnings. For commercial currency exposure in the Volvo Group, Volvo Treasury Group has a mandate to enter currency derivatives with external counterparties on behalf of the Volvo Group without entering corresponding contracts with Group companies (within the Volvo Group).

The Volvo Group's consolidated transaction exposure in foreign currency is the value of the forecast future cash flows in foreign currency. Volvo Treasury Group only hedges that part of forecast future cash flows in foreign currency that with the greatest probability will be realized in so-called contracted flows, of which the largest portion within six months. Volvo Treasury Group uses forward contracts and currency options to hedge contracted future cash flows in foreign currencies. The hedged portion of contracted future cash flows is contained within the framework of the Volvo Group's financial risk policy for all periods.

The table below shows the impact on Volvo Treasury Group's gross earnings if the Swedish krona strengthens by 10% compared with other currencies from the currency level at December 31, 2019.

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Note 3.1 Outstanding derivatives hedging commercial currency risks at December 31, 2019

Due date	EUR/USD	GBP/SEK	USD/BRL	USD/KRW	USD/SEK	Market value
2020	-24.4	107.4	13.4	156.0	228.4	
2021	0.0	0.0	0.0	0.0	0.0	
Total local currency	-24.4	107.4	13.4	156.0	228.4	
Average contract rate	1.1	12.2	3.8	1,171.4	9.5	
Market value in SEK of outstanding forward contracts	-3.2	4.7	-7.5	30.5	46.5	71.1
Currency if strengthened by 10%	1.3	13.5	4.2	1288.6	10.4	
The impact on gross income in SEK if hedge currency strengthened by 10%*	2.8	-131.4	-5.1	-148.1	-216.7	-498.5

* Sensitivity analyses for currency risks are based on simplified assumptions. It is not unreasonable to assume that a currency will appreciate by 10% in relation to other currencies. In reality, however, exchange rates do not normally change at the same date and in the same direction, and the real effect can deviate from the sensitivity analysis. The sensitivity analysis pertains to the change in the market value that is calculated based on the nominal value.

Currency exposure of shareholders' equity

The consolidated value of assets and liabilities in foreign subsidiaries is influenced by exchange rates in conjunction with translation into Swedish kronor. Net assets in foreign subsidiaries amounted to SEK 859 M at year-end 2019. Net assets in foreign subsidiaries were not hedged through loans in foreign currencies, in line with the policy established by the Volvo Group's Board of Directors.

Interest-rate risk

Interest-rate risk refers to the risk that changes in interest rates will influence the Volvo Group's consolidated earnings and cash flow (cash-flow risk) or the fair value of financial assets and liabilities (price risk).

Lending to the Volvo Group's customer finance operations involves a range of maturities and interest-fixing terms. This lending is financed through short- and long-term borrowing via the capital markets at floating and fixed interest rates. Within the framework of established limits, financing must match lending in terms of maturities. Interest-fixing terms between borrowing and lending are matched through the use of such derivative instruments as interest-rate swaps, currency interest-rate swaps, forward contracts and standardized interest-rate forward contracts. Financial assets and liabilities related to the Volvo Group's customer finance operations are matched so as to minimize the exposure to cash-flow risk and price risk.

Borrowing and lending from and to the industrial operations of the Volvo Group primarily take place through Group accounts in various currencies. Volvo Treasury Group administrates the Volvo Group accounts, which means that surpluses and deficits with respect to external banks are offset through short-term currency transactions and that any excess liquidity is invested in short-term money markets.

Financing for the Volvo Group's industrial operations involves a fixed as well as a floating interest rate. Short- and long-term borrowing is carried out via the capital markets and through bilateral loans. The use of such derivative instruments as interest swaps and currency interest swaps creates an interest-fixing term corresponding to between one to three months. After taking derivatives into account, the average effective interest rate at year end on financing outstanding for the Volvo Group's industrial operations was 4.28%.

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Surplus liquidity within the Volvo Group is managed by Volvo Treasury Group. This management mainly involves deposits in bank accounts.

At the end of 2019, the Volvo Treasury Group's interest-bearing assets comprised lending to Group companies and cash and cash equivalents. The average effective interest rate on these liquid assets, taking into account derivative instruments, was 0.02% as of December 31, 2019,

The table (Note 3.2) below shows the impact on Volvo Treasury Group's net interest income should interest rates strengthen by one percentage point from the rates applying on December 31, 2019.

Interest risk	Market value	Impact on gross income if interest rates strengthen with 1 basis point
Cash and bank*	40,216.0	0.0
Receivables	179,755.5	-11.4
Liabilities	-204,429.3	10.8
Total	**15,542.2**	**-0.6**

* The sensitivity analysis includes all financial assets and liabilities, as well as derivatives, but not deposits and lending to/from Volvo companies via Group accounts.

It should be noted that the above assessment of profit sensitivity with regard to changes in market interest rates ignores the possible impact of short-term earnings effects arising when all derivatives are marked to market in profit and loss. Volvo Treasury Group's accounting policies for derivatives are described in Note 1.

The carrying amounts in the balance sheet, fair values and other specifications pertaining to derivative instruments used for managing currency and interest-rate risks related to financial assets and liabilities are shown in Note 23.

Credit risks

Credit risks are defined as the risk that Volvo Treasury does not receive payments for recognized loans (commercial credit risk), that Volvo Treasury's investments are unable to be realized (financial 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).

Volvo Treasury Group has no financial assets that were due for payment or impaired at year end.

Financial credit risk

The Volvo Group's financial assets are to large extent managed by Volvo Treasury and invested in the money market and capital markets. The majority have been placed in accounts at banks that the Volvo Group collaborates with. All investments must meet the requirements of low credit risk and high liquidity. According to the Volvo Group's financial risk policy, counterparties for investments and derivate transactions should have a rating better or equivalent to A from one of the well-established credit rating agencies or similar.

Commercial credit risk

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Lending to companies within the Volvo Group complies with the limits established for the particular counterparty. Credit risk related to lending to Group companies is considered negligible and, accordingly, no collateral has been pledged for the receivables. The Volvo Treasury Group's receivables from Group companies on December 31, 2019 amounted to 175,866.8 (159,959.8).

The company applies the general approach together with the application of the exemption for low credit risk on intra-Group receivables recognized at amortized cost. The calculation is based on an estimate of the companies' probability of default. Exposure at default and loss given default are estimated using the exposure at the balance-sheet date and the circumstances prevailing. When assessing probability of default, consideration is given to forward-looking factors, such as the company's level of capitalization and its ability to absorb any future losses incurred by the company.

Financial counterparty risk

The use of derivative instruments leads to a counterparty risk, meaning that a potential loss cannot be settled (in part or in full) against a potential gain if the counterparty does not fulfill its part of the contract. The Volvo Treasury Group works actively with limits per counterparty to reduce risk for high net amounts toward individual counterparties. To minimize this exposure, Volvo Treasury Group enters into netting agreements (ISDA agreements) with all counterparties that could potentially be involved in derivative transactions. The netting agreements entail that receivables and liabilities can be offset against each other in certain situations, such as in the event of the counterparty's insolvency. These ISDA agreements are often accompanied by a credit support annex (CSA). The CSAs establish the terms and conditions for when the parties are liable to execute cash transfers between each other to reduce exposure to open net positions. However, these netting agreements have no impact on Volvo Treasury Group's recognized earnings and balance sheet, since the derivative transactions are recognized in gross amounts. Volvo Treasury Group's gross exposure of derivatives with positive values amounts to 1,976.9 (3,606.9), which was reduced 1,371.6 (1,394.3) through netting agreements and a further 376.3 (1,581.4) through liquidity transfers, yielding a total reduction of 88% (83%) to 229.0 (630.1). For further information regarding gross exposure per type of derivative, see Note 23 Financial instruments.

Effect of offsetting agreements and cash transfers on Volvo Treasury Group's gross derivative positions at Dec 31, 2019

	Gross amount	Netting agreement	Cash transfers	Net position	Change in %
Assets	1,975	-1,375	-376	227	88%
Liabilities	2,469	-1,409	-775	285	88%

Note 3.3 shows the effect of netting agreements and cash transfers on the Volvo Treasury Group's gross exposure from interest- and currency-risk derivatives outstanding.

Liquidity risks

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

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

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The net of cash and cash equivalents on December 31, 2019 amounted to 40.2 billion (32.8). Read more about Volvo Treasury Group's cash and cash equivalents in Note 15. In addition, there were committed but unutilized credit facilities of SEK 43 billion (44.0).

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. Current liabilities to Group companies (within the Volvo Group) pertain to borrowing through group accounts, which are not included in capital flows. During 2019, current and non-current receivables for Volvo Group companies amounted to SEK 175.9 billion (160.0) while current and non-current liabilities to Volvo Group companies amounted to SEK 91.4 billion (78.9).

Most of the loan maturities in 2019 and 2020 are part of the normal business operations of the Volvo Treasury Group, in which the Volvo Group's customer finance has a shorter maturity structure than the Volvo Group's industrial operations. Financial assets and liabilities related to the Volvo Group's customer finance operations are matched so as to minimize the exposure to cash-flow risk and price risk. Within the framework of established limits, financing must match lending in terms of maturities. For practical and business reasons, Volvo Treasury AB has a mandate to go down to a match rate of 80%. At the end of 2019, this match rate was 95.4% (93.2%).

Some of Volvo Treasury'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.
In 2014, AB Volvo issued a EUR 1.5 billion hybrid bond through Volvo Treasury AB with the aim of strengthening the Volvo Group's balance sheet and extending the maturity profile of the debt portfolio. The bond was issued in two components: EUR 0.9 billion with the first redemption occasion in 2020 and final maturity in 2075, and EUR 0.6 billion, with the first redemption occasion in 2023 and final maturity in 2078. The hybrid bond is recognized as a loan and has an average maturity of 57.6 years, and is subordinated to other existing financial liabilities.

Note 3.3 Future cash flows including derivatives related to non-current and current financial liabilities

Group

Capital flow					Interest flow				
	Loans*	Derivatives (liability)	Derivatives (asset)			Loans*	Derivatives (liability)	Derivatives (asset)	
2020	-126,012.5	-334.4	645.4	-0.8	2020	-1,504.3	-711.5	-38.7	0.0
2021	-32,468.9	-516.9	332.8	-0.2	2021	-778.6	-355.9	-18.0	0.0
2022	-13,425.3	-367.2	185.2		2022	-558.7	-157.6	34.9	
2023	-7,144.8	-525.7	63.6		2023	-483.9	-46.7	64.2	
2024	-2,767.7	-103.1	18.0		2024	-118.1	-12.9	53.1	
2025	-573.8	-7.0	5.1		2025	-73.5	-4.1	34.1	
2026-**	-17,541.0	-0.9	0.1		2026-**	-118.6	-0.4	36.9	
Total	**-199,934.0**	**-1,855.1**	**1,250.1**	**-1.0**	**Total**	**-3,635.8**	**-1,289.0**	**166.5**	**0.0**

Parent Company

Capital flow					Interest flow				
	Loans*	Derivatives (liability)	Derivatives (asset)			Loans*	Derivatives (liability)	Derivatives (asset)	
2020	-126,111.9	-330.5	631.8	-0.3	2020	-1,194.6	-697.6	-44.6	0.0
2021	-32,195.7	-516.9	332.8	-0.1	2021	-671.3	-347.6	-18.0	0.0
2022	-13,271.1	-367.2	185.2		2022	-536.1	-153.0	34.9	
2023	-7,123.8	-525.8	63.6		2023	-479.3	-44.1	64.2	
2024	-1,914.5	-103.1	18.0		2024	-115.7	-11.5	53.1	
2025	-573.8	-7.2	5.1		2025	-73.5	-3.6	34.1	
2026-**	-17,541.0	-0.9	0.1		2026-**	-118.6	-0.4	36.9	
Total	**-198,731.8**	**-1,851.3**	**1,236.5**	**-0.3**	**Total**	**-3,189.1**	**-1,257.7**	**160.5**	**0.0**

* The interest payments on the hybrid bond are included in a total amount of 1,608.9 (2,271.9), which pertains to the period through the first redemption occasion, which is 2020, as well as 2023. The interest payments that follow in the event an opportunity to redeem the bond is not utilized have as yet not been established.

**Includes EUR 1.5 billion for the hybrid bond. The bond was issued in two components: EUR 0.9 billion with the first redemption occasion in 2020 and final maturity in 2075, and EUR 0.6 billion, with the first redemption occasion in 2023 and final maturity in 2078.

Note 4 Interest income

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

	Group		Parent Company	
	2019	2018	2019	2018
Interest	3,858.3	2,999.0	3,739.9	2,872.7
Total	**3,858.3**	**2,999.0**	**3,739.9**	**2,872.7**

Of the above stated amount, 3,804.7 (2,951.5) pertains to interest received for the Group from other companies within the Volvo Group. The corresponding amounts for the Parent Company are 3,686.5 (2,825.3).

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.

	Group		Parent Company	
	2019	2018	2019	2018
Interest	-3,112.1	-2,512.1	-3,041.4	-2,432.4
Total	**-3,112.1**	**-2,512.1**	**-3,041.4**	**-2,432.4**

Of the above stated amount, 297.8 (194.0) pertains to interest received for the Group from other companies within the Volvo Group. The corresponding amounts for the Parent Company are 306.8 (207.7).

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Note 6 Other financial revenue and expenses

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Interest and currency derivatives	-3,355.4	-1,474.2	-3,329.3	-1,476.4
Cash and cash equivalents	-330.3	-161.3	-330.3	-161.3
Loans originated by the company and financial liabilities valued at amortized cost	3,305.0	1,379.0	3,278.5	1,371.6
Total	**-380.7**	**-256.5**	**-381.2**	**-266.1**

Note 7 Employees

Note 7.1 Average number of employees

	2019		2018	
	No. of employees	of whom, men	No. of employees	of whom, men
Parent Company				
Gothenburg	30	17	31	20
Total	**30**	**17**	**31**	**20**
Subsidiaries outside Sweden				
Singapore	11	4	11	4
Total	**11**	**4**	**11**	**4**
Group total	**41**	**21**	**42**	**24**

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Note 7.2 Board members and senior executives

	2019			
Parent Company	No. of Board members*	of whom, men	No. of senior executives*	of whom, men
Sweden	4	4	4	4
Total	**4**	**4**	**4**	**4**
Subsidiaries outside Sweden				
Singapore	3	3	3	1
Australia	4	4	1	1
Total	**7**	**7**	**4**	**2**
Group total	**11**	**11**	**8**	**6**

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

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

	Parent company 2019	Subsidiary company 2019	Group 2019	Parent company 2018	Subsidiary company 2018	Group 2018
Wages, salaries and other remuneration to Board members and the President	-3.3	-4.5	-7.8	-3.4	-4.2	-7.7
(whereof bonus)	*-1.8*	*-2.2*	*-3.7*	*-1.8*	*-2.1*	*-3.9*
Wages and other remuneration to employees	-28.0	-9.0	-37.0	-26.4	-8.9	-35.3
(whereof Profit Shares)	*-0.4*	*0.0*	*-0.3*	*-0.5*	*-*	*-0.5*
Total	**-31.3**	**-13.5**	**-44.8**	**-29.8**	**-13.1**	**-43.0**
Social costs	-10.0	0.0	-10.0	-9.4	0.0	-9.4
Pensions costs	-14.8	-0.1	-14.9	-9.4	0.3	-9.1
whereof pension costs to Board members and the President	*-0.9*	*-0.1*	*-0.9*	*-0.8*	*0.3*	*-0.5*
The cost of non-monetary benefits to other employees	-1.2	-1.1	-2.2	-0.7	-2.8	-3.5
Remuneration to senior executives						
Wages, salaries and other remuneration to the President	-3.3	-4.5	-7.8	-3.4	-4.2	-7.7
whereof bonus	*-1.6*	*-2.2*	*-3.8*	*-1.8*	*-2.1*	*-3.9*
The Company's outstanding pension obligations to the President	-0.2	0.0	-0.2	-0.2	-	-0.2
Cost of non-monetary benefits to the President	0.0	-0.3	-0.3	0.0	-0.3	-0.3
Wages, salaries and other remuneration to Board members						
whereof bonus						
The Company's outstanding pension obligations to the Board members						
Cost of non-monetary benefits to the Boards members						
Wages, salaries and other remuneration to other senior executives	-4.8			-6.0		
whereof bonus	-2.9			-1.9		
Cost of non-monetary benefits to other senior executives	-0.1			-0.2		

Values to the text regarding incentive programs:	Parent Company 2019	Subsidiaries 2019	Group 2019	parent Comapny 2018	Subsidiaries 2018	Group 2018
Cost for the Company's participation in the Volvo Groups incentive program	0.01	0	0	0.2	0	0
Outstanding shares rights conditional on the program at the beginning of the year	4617	0	0	13231	0	0
Allotments during the year	0	0	0	0	0	0
Adjustments during the year	4617	0	0	8614	0	0
Forfeited/cancelled during the year	0	0	0	0	0	0
Group internal transitions	0	0	0	0	0	0
Outstanding equity rights conditional on the program at the end of the year	0	0	0	4617	0	0

Total costs for salaries and remuneration include 0.2 (0.2) in respect of the company's participation in the Volvo Group's incentive programs. Shareholder rights outstanding that are conditional in accordance with the program amounted to 4,617 (13,231) shares at the start of the year. During the year, no allocation was made and distribution of 4,617 shares was carried out. No shares were forfeited/expired during the year. No intra-Group transfers were made during the year. At year end, the number of shareholder rights outstanding amounted to 0.0. See also Share-based payments under Note 1 Accounting and valuation policies.

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 Fees and other remuneration to auditors

Fees and other remunerations to auditors

PricewaterhouseCoopers	**Group 2019**	**Group 2018**	**Parent Company 2019**	**Parent Company 2018**
Audit assignment	-	0.0	-	0.0
Audit related services	-	-	-	-
Tax services	-	0.3	-	-
Other assignments	-	-	-	-
Total	-	**0.3**	-	**0.0**

Deloitte	**Group 2019**	**Group 2018**	**Parent Company 2019**	**Parent Company 2018**
Audit assignment	1.4	1.0	1.0	-
Audit related services	0.3	0.3	0.3	-
Tax services	0.0	0.0	0.0	-
Other assignments		-	-	
Total	**1.7**	**1.3**	**1.3**	**0.9**

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.

Note 9 Income tax

Distribution of income tax	**Group 2019**	**Group 2018**	**Parent Company 2019**	**Parent Company 2018**
Current tax for the period	-40.4	-4.4	-60.9	-24.1
Current tax for prior periods	-8.1	0.0	0.0	0.0
Deferred tax arising or reversed during the period	3.4	-12.5	1.0	-0.6
Total	**-45.1**	**-16.9**	**-59.9**	**-24.6**

Tax attributable to Group contributions has increased the Group's unrestricted reserves by 32.1 (20.2) and increased the Parent Company's equity with 32.1 (20.2).

The main reasons for differences between tax according to the applicable tax rate of 21.4% (22%) and recognized income tax for the period are stated in the table below.

Specification of income tax	**Group 2019**	**Group 2018**	**Parent Company 2019**	**Parent Company 2018**
Income before taxes	**183.4**	**40.9**	**312.7**	**108.7**
Tax according to tax rate	-40.4	-9.0	-66.9	-23.9
Difference due to different countries' tax rates	-3.6	4.3		
Other non-deductible expenses/income	7.3	-0.2	7.3	-0.2
Taxes related to prior year	-8.4	-0.3	-0.2	0.0
Other, net	0.0	-11.7	0.0	-0.5
Total	**-45.1**	**-16.9**	**-59.9**	**-24.6**

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Deferred tax

Changes in deferred tax assets/liabilities, net*	Group		Parent Company	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Opening balance	16.1	14.7	5.1	5.6
Deferred taxes recognised in the year's income	5.1	0.0	1.0	-0.5
Of which recognised in Other comprehensive income, Remeasurements of defined-benefit plans	1.4	1.4	0.0	-
Deferred tax assets/liabilities, net, as of December 31**	**22.6**	**16.1**	**6.1**	**5.1**

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

**Of which, temporary differences pertaining to provisions for pensions in the Group were the most significant and amounted to 18.7 (15.5).

Note 10 Intangible assets

Capitalized development costs	Group		Parent Company	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Opening acquisition cost	20.5	20.5	20.5	20.5
Closing amortized cost	**20.5**	**20.5**	**20.5**	**20.5**
Opening accumulated amortization	-20.5	-19.6	-20.5	-19.6
Amortization for the year	0.0	-0.9	0.0	-0.9
Closing accumulated amortization	**-20.5**	**-20.5**	**-20.5**	**-20.5**
Closing balance	**0.0**	**0.0**	**0.0**	**0.0**

Note 11 Tangible assets

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Equipment	Group		Parent Company	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Opening acquisition cost	1.8	1.7	0.5	0.5
Purchses	-	-	-	-
Sales and scrapping	-	-	-	-
Right of use assets	2.0	-	0.0	-
Translation difference	0.1	0.1	-	-
Closing amortized cost	**3.9**	**1.8**	**0.5**	**0.5**
Opening accumulated depreciation	-1.3	-1.2	-0.1	-0.1
Sales and scrapping	-	-	-	-
Depreciation for the year	-1.0	0.0	-	-
Translation difference	-0.1	-0.1	-	-
Closing accumulated depreciation	**-2.4**	**-1.3**	**-0.1**	**-0.1**
Closing balance	**1.4**	**0.5**	**0.4**	**0.4**

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*The Group's lease contracts encompass the leasing of company cars. Carrying amounts of SEK 2.0 M are recognized in the above table. 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 12 Financial assets

Participations in subsidiaries	Parent Company Dec. 31, 2019	Parent Company Dec. 31, 2018
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	633,922
Total					**224,608**	**633,922**

Note 13 Other non-current receivables

	Group		Parent Company	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Outstanding interest and currency derivatives	1,073.2	1,450.5	1,072.4	1,448.2
Total	**1,073.2**	**1,450.5**	**1,072.4**	**1,448.2**

Note 14 Other current receivables

	Group		Parent Company	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Outstanding interest and currency derivatives	903.7	2,156.2	862.7	2,138.4
Accrued interest income and prepaid interest expenses	65.8	71.4	65.8	71.2
Other accrued income and prepaid expenses	58.2	52.0	58.1	51.8
Other receivables	0.9	0.8	0.9	0.8
Other interest bearing receivables	1178.0	78.1	1178.0	78.1
Total	**2,206.6**	**2,358.4**	**2,165.5**	**2,340.3**

Note 15 Cash and cash equivalents

	Group		Parent Company	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Cash in banks	31,180.5	26,239.2	31,146.6	26,220.4
Time deposits in banks	9,035.6	5,534.0	9,035.5	5,534.0
Reverse repurchase agreements	0.0	1,027.0	0.0	1,027.0
Total	**40,216.0**	**32,800.3**	**40,182.1**	**32,781.5**

Note 16 Group contributions

Group contributions of 500.0 (692.0) were received (paid) by AB Volvo and 350.0 (600.0) were paid to (received from) Sotrof AB.

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Note 17 Provisions for pensions and similar obligations

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

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

The defined-benefit obligations are calculated based on applicable salary levels as per the balance-sheet date, with a discount interest rate of 3.84% (3.84%) regarding ITP2 and 0.7% (0.6%) for other pension liabilities. Annual yield and mortality estimates are established by PRI for ITP2 (Translator's note: Swedish original has "IPT2") 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 33.0 M to the Foundation. The return on plan assets during 2019 was 14.21% (-1.67%).

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

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

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

In the tables on the following page, disclosures are provided regarding the defined-benefit pension plan. Volvo recognizes the difference between outstanding obligations and the value of the plan assets in the balance sheet. The disclosures pertain to the assumptions applied in the actuarial 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 17.1 Provisions for pensions and similar obligations

Pension costs during the year	**Dec. 31, 2019**	**Dec. 31, 2018**
Current service costs	-1.4	-2.5
Interest costs	-2.8	-2.4
Interest income	1.2	1.3
Total pension costs for defined-benefit plans	**-3.0**	**-3.6**
Pension costs for defined-contribution plans	-7.3	-6.1
Total pension costs	**-10.3**	**-9.7**

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Note 17.2 Provisions for pensions and similar obligations

Applicable assumptions for actuarial calculations (Sweden)	**Dec. 31, 2019**	**Dec. 31, 2018**
Discount rate	1.7	2.5
Expected salary increase	2.9	2.9
Inflation	1.8	1.8

Obligations in defined-benefit plans	**Dec. 31, 2019**	**Dec. 31, 2018**
Obligations at January 1	99.9	89.1
Defined-benefits earned during the year	1.4	2.5
Interest costs	2.8	2.4
Remeasurements		
-Effect of change in demographic assumptions	*0.0*	*0*
-Effect of changes in financial assumptions	21.3	4.6
-Effect of experience adjustments	-1.2	2.3
Benefits paid	-1.0	-1.0
Obligations at December 31	**123.2**	**99.9**
Of which, funded defined-benefit plans	123.2	99.9

Fair value of plan assets in funded plans	**Dec. 31, 2019**	**Dec. 31, 2018**
Plan assets at January 1	47.1	47.7
Interest income	1.2	1.3
Remeasurements	5.7	-1.9
Employer contribution	8.0	-
Plan assets at December 31	**62.0**	**47.1**

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Note 17.3 Net provisions for pensions and similar obligations

Group	Dec. 31, 2019	Dec. 31, 2018
Funded status at December 31	61.2	52.8
Net provisions for post-employment benefits at December 31	**61.3**	**52.7**

Parent company

Obligations in defined-benefit plans

	Funded	Unfunded	Total
Obligations opening balance 2018	**46.0**	**0.0**	**46.0**
Service costs	2.5	0.0	2.5
Interest costs	1.9	0.0	1.9
Pensions paid	-0.9	0.0	-0.9
Obligations as of December 31, 2018	**49.5**	**0.0**	**49.5**
Service costs	2.6	0.0	2.6
Interest costs	2.1	0.0	2.1
Pensions paid	-1.0	0.0	-1.0
Obligations as of December 31, 2019	**53.1**	**0.0**	**53.1**

Fair value of plan assets in funded plans

Plan assets opening balance 2018	**47.8**
Actual return on plan assets	-0.6
Contributions and compensation to / from the fund	-
Plan assets as of December 31, 2018	**47.2**
Actual return on plan assets	6.9
Contributions and compensation to / from the fund	7.9
Plan assets as of December 31, 2019	**62.0**

Provisions for post-employment benefits	Dec. 31, 2019	Dec. 31, 2018
Obligations *	-53.1	-49.5
Fair value of plan assets	62.0	47.2
Funded status	**8.8**	**-2.3**
(when plan assets exceed corresponding obligations)	**-8.8**	-
Net provisions for post-employment benefits **	**0.0**	**-2.3**

* The capital value for ITP2 amounts to negative 53.1 (negative: 49.5)

** Net pension obligations regarding ITP2 amount to 0.0 (negative: 2.3)

Pension costs

	Dec. 31, 2019	Dec. 31, 2018
Pension costs for defined-benefit plans	**-6.6**	**-3.2**
Pension costs for defined-contribution plans	**-4.7**	**-4.8**
Special payroll tax / yield tax **	-3.4	-1.3
Cost for credit insurance FPG	-0.1	-0.1
Total pension costs for the period	**-14.8**	**-9.4**

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Note 18 Non-current liabilities

The following list shows the Volvo Treasury Group's and Parent Company's non-current liabilities in which the largest loans are distributed by currency and their carrying amounts. Information on loan terms pertains to the Group as of December 31, 2019.

Bond loans	Actual interest rate	Effective interest rate	Group		Parent company	
	Dec. 31, 2019	Dec. 31, 2019	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
EUR 2012-2019/2021-2078*	0.02-4.86	0.02-4.86	39,373.2	37,964.5	39,373.2	37,964.5
SEK 2018-2019/2021-2023	0.08-1.51	0.08-1.51	23,461.9	21,150.8	23,461.9	21,150.8
USD 2019-2019/2029-2029	0.60	0.60	465.9	-	465.9	-
NOK 2019-2019/2022-2024	2,58-2,85	2,6051-2,8806	1,586.9	-	1,586.9	-
HKD 2019-2019/2024-2024	2,31-2,31	2,31-2,31	866.3	-	866.3	-
Other bond loans	0.0	0.0	0.0	0.0	0.0	0.0
Total			**65,754.1**	**59,115.3**	**65,754.1**	**59,115.3**

Other liabilities to credit institution	Actual interest rate	Effective interest rate	Group		Parent company	
	Dec. 31, 2019	Dec. 31, 2019	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
JPY 2019-2019/2024-2024			- -		- -	
EUR 2017-2018/2022-2023	0.06-0.23	0.06-0.23	6,260.2	6,165.2	6,260.2	6,165.2
AUD 2017-2019/2021-2023	2.81-3.18	2.81-3.18	448.4	650.9	-	-
USD 2016-2016/2021-2021	3.27-3.27	3.31-3.31	605.6	583.1	605.6	583.1
Outstanding interest and currency derivatives			1,520.7	767.9	1,521.0	767.8
			0.2	-	0	-
Total			**9,688.2**	**8,167.1**	**8,386.8**	**7,516.1**

* Includes EUR 1.5 billion for the hybrid bond. The bond was issued in two components: EUR 0.9 billion with the first redemption occasion in 2020 and final maturity in 2075, and 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, 2019	Other liabilities to credit Dec. 31, 2019	*Of which, derivative contracts* *Dec. 31, 2019*
2021	31,590.09	1,395.66	516.90
2022	10,141.05	3,651.44	367.18
2023	3,993.71	3,676.87	525.76
2024	1,914.45	956.29	103.09
2025	573.85	7.17	7.17
2026-	17,540.96	0.85	0.85
Total	**65,754.1**	**9,688.2**	***1,520.7***

Parent Compai Due date	Bond loans Dec. 31, 2019	Other liabilities to credit Dec. 31, 2019	*Of which, derivative contracts* *Dec. 31, 2019*
2021	31,590.09	1,122.51	516.90
2022	10,141.05	3,497.26	367.18
2023	3,993.71	3,655.84	525.76
2024	1,914.45	103.09	103.09
2025	573.85	7.17	7.17
2026-	17,540.96	0.85	0.85
Total	**65,754.1**	**8,386.8**	***1,521.0***

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. The list below shows the currency distribution of the Group's and the Parent Company's long-term borrowing as at December 31, 2019.

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Group	Loan	Parent Company	Loan
AUD	448.4	AUD	0.0
EUR	45,633.4	EUR	45,633.4
JPY	853.2	JPY	0.0
SEK	23,461.9	SEK	23,461.9
USD	1,071.5	USD	1,071.5
Other currencies	2,453.2	Other currencies	2,453.2
Right of use assets interest expense	0.2		0.0
Total	**73,921.6**	**Total**	**72,619.9**

Granted but unutilized non-current credit facilities that may be utilized unconditionally amounted to SEK 43.0 billion at year end. These facilities consisted of stand-by facilities for loans with varying maturities between 2021 and 2024. A fee is charged for granted credit facilities, which is recognized under Administration costs in the income statement and under Other current receivables in the balance sheet, see Note 14.

Note 19 Other non-current liabilities

	Group		Parent Company	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Outstanding interest and currency derivatives	213.6	145.5	199.5	143.3
Other non-current liabilities	0.5	0.3	0.5	0.3
Total	**214.0**	**145.8**	**200.0**	**143.6**

Note 20 Current liabilities to credit institutions

	Group		Parent Company	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Short term bank loans and other loans	34,572.1	32,944.3	34,160.3	30,411.0
Outstanding interest and currency derivatives	334.4	395.8	315.5	381.5
Total	**34,906.5**	**33,340.1**	**34,475.8**	**30,792.5**

Granted overdraft facilities amount to 1.697 (2.521) in the Group and 972 (964) in the Parent Company.

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Authorized Translator

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Note 21 Other current liabilities

	Koncernen		Moderbolaget	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Accrued interest expenses and prepaid interest income	556.4	425.1	555.8	422.2
Outstanding interest and currency derivatives	139.5	123.6	131.8	105.0
Wages, salaries and tax-at-source	22.4	21.7	18.4	17.6
Accrued expenses and deferred income	7.7	6.9	6.3	5.8
Other current liabilities	0.8	0.7	0.3	0.2
Total	**726.8**	**577.9**	**712.6**	**550.8**

Note 22 Contingent liabilities

	Group		Parent Company	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Contingent liabilities on behalf of other Group companies	521.7	513.8	521.7	513.8
Pension guarantees	1.1	1.0	1.1	1.0
Total contingent liabilities	**522.7**	**514.8**	**522.7**	**514.8**
Contingent liabilities received from other Group companies, which reduce net obligations	-521.68	-513.8	-521.68	-513.8
Total contingent liabilities, net	**1.1**	**1.0**	**1.1**	**1.0**

Note 23 Financial instruments

Disclosures on carrying amounts and fair values

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

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Note 23.1 Carrying amounts and fair values of financial instruments

	Note	Group Dec. 31, 2019		Parent Company Dec. 31, 2019		Group Dec. 31, 2018		Parent Company Dec. 31, 2018	
		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 **	13.14	1,976.9	1,976.9	1,935.1	1,935.1	3,606.7	3,606.7	3,586.6	3,586.6
		1,976.9	**1,976.9**	**1,935.1**	**1,935.1**	**3,606.7**	**3,606.7**	**3,586.6**	**3,586.6**
Financial assets measured at amortized cost									
Receivables from Group Company	25	175,866.9	176,600.6	173,830.7	174,955.6	159,959.8	161,551.4	156,690.6	158,266.7
Other interest-bearing receivables	14	1,178.0	1,178.0	1,178.0	1,178.0	78.1	78.1	78.1	78.1
		177,044.8	**177,778.6**	**175,008.7**	**176,133.6**	**160,037.9**	**161,629.5**	**156,768.7**	**158,344.8**
Cash and cash equivalents		**40,216.0**	**40,216.0**	**40,182.1**	**40,182.1**	**32,800.3**	**32,800.3**	**32,781.5**	**32,781.5**
Liabilities									
Financial liabilities at fair value through the income statement									
Outstanding interest and currency risks derivatives	18,19, 20,21	2,208.1	2,208.1	2,167.8	2,167.8	1,432.7	1,432.7	1,397.5	1,397.5
		2,208.1	**2,208.1**	**2,167.8**	**2,167.8**	**1,432.7**	**1,432.7**	**1,397.5**	**1,397.5**
Financial liabilities measured at amortized cost ***									
Long term bond loans and other loans	18	73,921.6	75,422.4	72,619.9	74,118.5	66,514.5	68,171.1	65,863.6	67,519.5
Short term bank loans and other loans	20	34,572.1	34,599.0	34,160.3	34,186.9	32,944.3	33,095.5	30,411.0	30,555.8
Payable to Group Company	25, 3.3	91,441.3	92,197.4	91,951.6	92,711.7	78,880.7	78,881.8	79,618.5	79,624.2
		199,935.0	**202,218.8**	**198,731.8**	**201,017.1**	**178,339.5**	**180,148.4**	**175,893.1**	**177,699.5**
Trade Payables		**2.3**	**2.3**	**2.0**	**2.0**	**1.7**	**1.7**	**1.5**	**1.5**

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

**Gross exposure of derivatives with positive values has been reduced by 88% (83%) through netting agreements and liquidity transfers to 229.0 (630.1).

***In the consolidated balance sheet, financial liabilities include loan-related derivative instruments of 1,855.1 (1,163.7).

The carrying amounts and fair values of the Volvo Treasury Group's financial instruments are compared in Table 23. The classification of accounts receivable, loan receivables and other interest-bearing receivables has been changed from the category loan receivables and accounts receivable to the category financial assets measured at amortized cost.

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Note 23.2 Income, expenses, gains and losses related to financial instruments

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

	Group Dec. 31, 2019				Group Dec. 31, 2018			
	Gains	Losses	Interest income	Interest expense	Gains	Losses	Interest income	Interest expense
Financial assets and liabilities at FVTPL*								
Marketable securities	-	-	-	-	-	-	-	-
Interest and currency rate derivatives	-	-3,467.1	-	-1,507.9	86.0	-1,682.1	-	-1,111.7
Financial assets valued at amortised costs	-	-	3,804.7	-297.5	-	-	2,951.5	-194.1
Cash and cash equivalents	21.4	-351.7	53.6	-	20.3	-181.6	47.5	-
Finacial liabilities valued at amortized cost	4,274.4	-969.4	-	-1,306.7	4,531.8	-3,152.8	-	-1,206.3
Effect on Gross income	**4,295.8**	**-4,788.2**	**3,858.3**	**-3,112.1**	**4,638.0**	**-5,016.4**	**2,999.0**	**-2,512.1**

	Parent company Dec. 31, 2019				Parent company Dec. 31, 2018			
	Gains	Losses	Interest income	Interest expense	Gains	Losses	Interest income	Interest expense
Financial assets and liabilities at FVTPL*								
Marketable securities	-	-	-	-	-	-	-	-
Interest and currency rate derivatives	-	-3,433.3	-	-1,459.6	86.0	-1,677.5	-	-1,060.5
Financial assets valued at amortised costs	-		3,686.5	-306.8	-	-	2,825.3	-207.7
Cash and cash equivalents	21.4	-351.7	53.3	-	20.3	-181.6	47.4	-
Finacial liabilities valued at amortized cost	4,274.4	-995.9	-	-1,275.0	4,531.8	-3,160.2	-	-1,164.2
Effect on Gross income	**4,295.7**	**-4,781.0**	**3,739.9**	**-3,041.4**	**4,638.0**	**-5,019.4**	**2,872.7**	**-2,432.4**

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

Below is an account of derivative instruments and options on financial and commercial assets and liabilities. The nominal amount represents the gross amount of the contract. The contracts outstanding have been recognized at market value. The stated market values represent the calculated values that will not necessarily be realized.

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Note 23.3 Outstanding derivative instruments hedging currency and interest-rate risk

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	Group			
	Dec. 31, 2019		Dec. 31, 2018	
	Nominal Amount	Carrying value	Nominal Amount	Carrying value
Interest-rate swaps				
- receivable position	77,941.5	911.3	105,027.0	3,150.7
- payable position	177,961.7	-2,087.1	128,885.9	-1,155.2
Interest-rate forwards and futures				
- receivable position	-	-	-	-
- payable position	-	-	-	-
Foreign exchange forward contracts				
- receivable position	26,606.9	1,059.4	26,631.5	456.0
- payable position	15,180.6	-117.4	21,217.1	-277.5
Options purchased, caps and floors				
- receivable position	428.2	5.4	286.1	0.1
- payable position	0.0	0.2	307.1	0.0
Options written, caps and floors				
- receivable position	0.0	0.0	-	-
- payable position	405.4	-3.0	307.1	0.0
Total		**-231.2**		**2,174.1**

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	Parent Company			
	Dec. 31, 2019		Dec. 31, 2018	
	Nominal Amount	Carrying value	Nominal Amount	Carrying value
Interest-rate swaps				
- receivable position	77,147.9	903.6	103,270.1	3,174.7
- payable position	176,377.1	-2,072.6	126,853.9	-1,191.4
Interest-rate forwards and futures				
- receivable position	-	-	-	-
- payable position	-	-	-	-
Foreign exchange forward contracts				
- receivable position	23,487.7	1,042.6	22,849.0	411.7
- payable position	13,290.6	-108.8	18,479.6	-206.2
Options purchased, caps and floors				
- receivable position	428.2	5.4	286.1	0.1
- payable position	0.0	0.2	307.1	-
Options written, caps and floors				
- receivable position	-	-	-	-
- payable position	405.4	-3.0	307.1 -	
Total		**-232.6**		**2,189.0**

Note 24 Information about the Parent Company

The Parent Company of the Group of which Volvo Treasury AB is a subsidiary and for which the consolidated accounts are prepared is AB Volvo (publ) (556012-5790), with registered office in Gothenburg, Sweden.

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The company is not presenting a sustainability report in accordance with Chapter 7 Section 31 of the Annual Accounts Act. AB Volvo (publ) (556012-5790), with registered office in Gothenburg, Sweden, prepares a sustainability report for the Group that includes the company.

Note 25 Transactions with related parties

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

Receivables and liabilities outstanding to companies within the Volvo Group are shown in the balance sheet. Revenues and expenses attributable to companies within the Volvo Group are shown in Notes 4 and 5. The Group's income statements and balance sheets will be presented to the Annual General Meeting for approval.

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.

Note 26 Cash-flow statement

Group

Cash-flow from financing activities	Note	1 January 2019	Cash flow	Non cash items: Unrealized exchange rate effects	Non cash items: FV valuation	Dec. 31, 2019
Group contributions received		-	692.0	-	-	-
Group contributions granted		-	-600.0	-	-	-
Bond loans	18	59,115.3	8,131.1	-1,492.3	-	65,754.1
Other liabilities to credit institutions	18	8,167.1	1,014.5	-246.2	752.8	9,688.2
Other non- current liabilities	19	145.8	-0.2	0.4	68.1	214.0
Current liabilities to credit institutions	20	33,340.1	1,464.2	163.6	-61.3	34,906.5
			10,697.6			

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

Parent company

Cash-flow from financing activities	Note	1 January 2019	Cash flow	Non cash items: Unrealized exchange rate effects	Non cash items: FV valuation	Dec. 31, 2019
Group contributions received		-	692.0	-	-	-
Group contributions granted		-	-600.0	-	-	-
Bond loans	18	59,115.3	8,131.2	-1,492.3	-	65,754.1
Other liabilities to credit institutions	18	7,516.1	380.9	-263.4	753.2	8,386.8
Other non-current liabilities	19	143.6	0.0	0.2	56.2	200.0
Liabilities to credit institutions	20	30,792.5	3,749.3	-56.6	-9.3	34,475.8
			12,353.4			

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

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Note 27 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.

Note 28 Proposed disposition of unappropriated earnings

[Translator's note: tables updated for new tables supplied by Volvo, these are accurate translations of the original]

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

Retained earnings		15.147.370.061
Net income		252.785.377
	SEK	**15.400.155.438**

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

To be carried forward	SEK	**15.400.155.438**

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

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

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

Gothenburg, March 13, 2020

Thomas Lestin
CEO

Frederik Ljungdahl
Chairman

Sune Martinsson

Erik Annerstedt

Our Auditors' Report was submitted on March 13, 2020
Deloitte AB

Fredrik Jonsson
Authorized Public Accountant

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Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Volvo Treasury AB (publ) for the financial year 2019-01-01 - 2019-12-31. The annual accounts and consolidated accounts of the company are included on pages 1 - 42 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 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 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

Key Audit Matters

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

Key Audit Matter

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

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

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

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Responsibilities of the Board of Directors and the Managing Director

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

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

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

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

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

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Volvo Treasury AB (publ) for the financial year 2019-01-01 - 2019-12-31 and

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the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

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

Deloitte AB, was appointed auditor of Volvo Treasury AB by the general meeting of the shareholders on the 2018-04-13 and has been the company's auditor since 2018-04-13.

Gothenburg March 13th, 2020

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 owns 100% of the shares of Volvo Treasury AB (publ) and therefore holds all the voting rights at the shareholder's general meetings.

Introduction

The Board of Directors of Volvo Treasury AB (publ) comprises four members with no deputies. All of the members were elected at the scheduled general meeting of shareholders for a period of one year. The company's Articles of Association stipulate that the general meeting may not appoint fewer than three and not more than ten Board members.

The company's Articles of Association were adopted at the 2013 Annual General Meeting. The Articles of Association may be amended through resolution by the general meeting of shareholders in the manner prescribed by the Companies Act, and no further restrictions apply as to how such amendments are implemented.

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

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

Internal control over financial reporting

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

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

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

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

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

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

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

Risk assessment
Risks pertaining to financial reporting are evaluated and overseen by the Volvo Group's Board of Directors through its Audit Committee, and by Volvo Treasury Group's Board of Directors, by identifying significant risks and how they should be managed and counteracted. The evaluation of the degree of risk that is required for errors to appear in the financial reporting is based on a number of criteria, for example the complexity of the accounting policies, the valuation principles for assets and liabilities and complex or changed business circumstances, etc. The identified risks, together with requisite mitigating control targets, are collected in a framework for internal control of financial reporting, Volvo Internal Control Standard (VICS).

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

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

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(Certified): ....
John Lightowler
Authorized Translator

KAMMARKOLLEGIET AUKTORISERAD TRANSLATOR * NR 862 *

Monitoring

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Ongoing responsibility for following up Volvo Treasury Group's internal control rests with the Volvo Treasury management group and controller functions in cooperation with the Volvo Group's accounting function. In addition, the Internal Audit and the Internal Control functions of the Volvo Group conduct review and follow-up in accordance with what is described in the introduction of this report. More specifically, the Internal Control function runs and coordinates evaluation activities through the Volvo Group Internal Control Program, which aims to systematically evaluate the quality of the internal control over financial reporting on a yearly basis. An evaluation plan is settled annually and presented to the Audit Committee. This evaluation program comprises three main areas:

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

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

Gothenburg, March 13, 2020

Volvo Treasury AB (publ)

Board of Directors

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(Certified):
John Lightowler
Authorized Translator

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Auditor's report on the Corporate Governance Statement

This auditor's report is a translation of the Swedish language original. In the event 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, corporate identity number 556135-4449

Engagement and responsibility
The Board of Directors who is responsible for the corporate governance statement for the financial year 2019-01-01 - 2019-12-31 on pages 47 - 49 and that it has been prepared in accordance with the Annual Accounts Act.

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

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of 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, March 13th, 2020
Deloitte AB

Fredrik Jonsson
Authorized Public Accountant

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