

V O L V O

# Volvo Treasury AB

Annual Report and Consolidated Financial Statements  
for the 2023 fiscal year



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





# Board of Directors' report

The Board of Directors and the President of Volvo Treasury AB (publ), hereby submit the following Annual Report for the period from January 1, 2023 to December 31, 2023.

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

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

## Information about operations

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

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

## Risks and risk management

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

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

## Significant events during the fiscal year

During 2023, the Volvo Treasury Group has divested their assets related to Russia. For more information about the impact on the result, see Note 9 Disposal of assets.

In 2023 the volatility in the financial markets has decreased significantly although it's historically still on an elevated level. Market rates has increased and long market rates are now on higher levels than for many years.

In comparison to 2022, net lending to companies within the Volvo Group increased with SEK 3 billion as a consequence of higher transaction volumes in Financial Services customer finance operations. The average net lending has increased with SEK 26 billion during the year. Interest income increased year-on-year following increased market interest rates in all our major currencies. Interest expense relating to external interest-bearing liabilities and derivatives contracts increased year-on-year pertaining to increased market interest rates.

Financial instruments measured at fair value through profit and loss (FVTPL) negatively impacted earnings which primarily is explained by previous years positive valuations materializing as interest.

Volvo Group can hedge the portion of the projected portfolio deemed to have a high likelihood of being realized. In 2023, hedges have been used solely for future cash flows pertaining to specific orders, which has been decided on a case-by-case basis.

Income derived from loan commitments and liquidity fees totaled SEK 152 million and is included under the item Other operating income. Costs derived from issued loan commitments are included under the Administrative expenses item.

### Environmental and employee matters and other non-financial information

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

### Future development

Geopolitical tensions around the world are affecting the Volvo Treasury Group and the development is closely monitored and effects on the business continuously being assessed. The volatility in the financial markets has remained and uncertainty prevails whether inflation has peaked or not. Operations are expected to continue with unchanged content and with the same target of developing and

improving the quality of deliveries. Focus will continue to be securing The Volvo Group's payment capability and proactively manage financial risks.

### Corporate Governance Report

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

### Proposed disposition of retained earnings concerning the company's profits

According to the balance sheet of Volvo Treasury AB's Parent company, the Annual General Meeting has at its disposal the following earnings of SEK 14,176,796,940. The Board of Directors and the President for consistency propose that the above earnings of SEK 14,176,796,940 be allocated as follows: SEK 14,176,796,940 to be carried forward. In other matters, please refer to the following income statement and balance sheet as well as Note 27 Proposed disposition of retained earnings.

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

### MULTI-YEAR COMPARISON

CONSOLIDATED INCOME STATEMENT					
SEK M	2023	2022	2021	2020	2019
Net interest income	1,547	9	863	496	635
Gross income	342	2,463	711	510	254
Operating income	-226	684	626	456	183

CONSOLIDATED BALANCE SHEET					
SEK M	2023	2022	2021	2020	2019
Financial assets	111,566	93,667	78,895	64,705	67,509
Current receivables	140,974	139,846	111,674	77,660	111,638
Cash and cash equivalents	60,984	54,441	42,297	62,681	40,216
Shareholders' equity	15,489	13,872	17,361	16,999	16,586
Non- current liabilities	109,086	117,419	86,056	75,040	75,718
Current liabilities	188,965	156,674	129,466	113,033	127,084
Number of employees	46	43	39	40	41

CONSOLIDATED INCOME STATEMENT			
SEK M	Note	2023	2022
Interest income	4	12,180	5,071
Interest expense	5	-10,451	-4,232
Financial instruments measured at FVTPL	3, 23	-182	-830
<b>Net interest income</b>		<b>1,547</b>	<b>9</b>
Other financial profit and loss	6, 23	-1,205	2,454
<b>Gross income</b>		<b>342</b>	<b>2,463</b>
Other operating income		152	113
Administrative expenses	7, 8, 10	-220	-189
Other operating expenses		-3	-3
<b>Operating income before write-down</b>		<b>271</b>	<b>2,384</b>
Write-down		-	-1,700
Disposal of assets	9	-497	-
<b>Operating income</b>		<b>-226</b>	<b>684</b>
Tax on income for the year	11	72	-466
<b>Net income</b>		<b>-154</b>	<b>218</b>

OTHER COMPREHENSIVE INCOME			
SEK M	Note	2023	2022
<b>Net income</b>		<b>-154</b>	<b>218</b>
<i>Items that will not be reclassified to profit and loss:</i>			
Remeasurement of defined-benefit pensions		-10	13
<i>Items that may be subsequently reclassified to profit and loss:</i>			
Exchange-rate differences on translation of foreign operations		-26	136
<b>Other comprehensive income for the period, net of income tax</b>		<b>-36</b>	<b>149</b>
<b>Comprehensive income for the year</b>		<b>-190</b>	<b>367</b>
Total net income attributable to Parent Company shareholders		-154	218
Total comprehensive income attributable to Parent company shareholders		-190	367

CONSOLIDATED BALANCE SHEET			
SEK M	Note	Dec 31, 2023	Dec 31, 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Tangible assets</b>			
Equipment		1	0
<b>Financial assets</b>			
Receivables from Group companies (within the Volvo Group)	23, 24	107,227	89,722
Other long term receivables	13	4,339	3,945
<b>Total financial assets</b>		<b>111,566</b>	<b>93,667</b>
Deferred Taxes	11	15	11
<b>Total non-current assets</b>		<b>111,582</b>	<b>93,678</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies (within the Volvo Group)	23, 24	137,074	134,009
Tax assets	11	–	–
Other current receivables	14	3,900	5,837
<b>Total current receivables</b>		<b>140,974</b>	<b>139,846</b>
<b>Cash and cash equivalents</b>	15	<b>60,984</b>	<b>54,441</b>
<b>Total current assets</b>		<b>201,958</b>	<b>194,287</b>
<b>TOTAL ASSETS</b>		<b>313,540</b>	<b>287,965</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		500	500
Reserves		307	333
Retained earnings		14,836	12,821
Net income		–154	218
<b>Total shareholders' equity</b>		<b>15,489</b>	<b>13,872</b>
<b>Non- current liabilities</b>			
Bond loans	18, 23	96,970	102,887
Other loans	18, 23	10,120	11,520
Other non-current liabilities	10, 19	1,981	3,009
Provisions for pensions and similar obligations	17	15	3
<b>Total non-current liabilities</b>		<b>109,086</b>	<b>117,419</b>
<b>Current liabilities</b>			
Bond loans	20	46,641	37,794
Other loans	20	19,111	14,350
Liabilities to Group companies (within the Volvo Group)	23, 24	121,299	103,311
Trade payables	23	3	1
Current tax liabilities	11	–	–
Other current liabilities	10, 21	1,911	1,218
<b>Total current liabilities</b>		<b>188,965</b>	<b>156,674</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>313,540</b>	<b>287,965</b>

CHANGE IN CONSOLIDATED EQUITY					
SEK M	Note	Share capital	Reserves (translation differences)	Retained earnings	Total share- holders' equity
<b>Balance as of December 31, 2021</b>		<b>500</b>	<b>197</b>	<b>16,664</b>	<b>17,361</b>
Net income for the year		–	–	218	218
<b>Other comprehensive income</b>					
Translation differences		–	136	–	136
Remeasurement of defined-benefit pensions	17	–	–	17	17
Tax effect of remeasurement of defined-benefit pensions	17	–	–	–4	–4
Remeasurement of special payroll tax	17	–	–	0	0
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>136</b>	<b>231</b>	<b>367</b>
<b>Transactions with shareholders/related parties</b>					
Shareholder contribution received				1,700	1,700
Dividend granted				–5,000	–5,000
Group contributions granted and received	16	–	–	–700	–700
Tax effect of Group contributions granted and received	11	–	–	144	144
<b>Total transactions with shareholders/related parties</b>		<b>–</b>	<b>–</b>	<b>–3,856</b>	<b>–3,856</b>
<b>Balance as of December 31, 2022</b>		<b>500</b>	<b>333</b>	<b>13,039</b>	<b>13,872</b>
Net income for the year		–	–	–154	–154
<b>Other comprehensive income</b>					
Translation differences		–	–26	–	–26
Remeasurement of defined-benefit pensions	17	–	–	–10	–10
Tax effect of remeasurement of defined-benefit pensions	17	–	–	–	–
Remeasurement of special payroll tax	17	–	–	–	–
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>–26</b>	<b>–164</b>	<b>–190</b>
<b>Transactions with shareholders/related parties</b>					
Shareholder contribution received		–	–	497	497
Dividend granted		–	–	–	–
Group contributions granted and received	16	–	–	1,650	1,650
Tax effect of Group contributions granted and received	11	–	–	–340	–340
<b>Total transactions with shareholders/related parties</b>		<b>–</b>	<b>–</b>	<b>1,807</b>	<b>1,807</b>
<b>Balance as of December 31, 2023</b>		<b>500</b>	<b>307</b>	<b>14,682</b>	<b>15,489</b>

CONSOLIDATED CASH FLOW STATEMENT			
SEK M	Note	2023	2022
<b>Operating activities</b>			
Interest received	4	11,364	4,522
Interest paid	5	-9,646	-3,937
Income tax paid	11	-431	-148
Payments to suppliers and employees		-63	-190
Other financial transactions		2,097	4,036
<b>Cash flow from operating activities before changes in operating receivables and liabilities</b>	25	<b>3,321</b>	<b>4,283</b>
Increase (-)/decrease (+) in current receivables	14	3,118	-2,000
Increase (+)/decrease (-) in current liabilities	21	-2	-4
Increase (-)/decrease (+) in lending to Group companies	23, 24	-30,458	-30,930
Increase (+)/decrease (-) in borrowing from Group companies	23, 24	14,534	11,453
Increase (-)/decrease (+) in non-current receivables		0	0
<b>Cash flow from operating activities</b>		<b>-9,487</b>	<b>-17,198</b>
<b>Investing activities</b>			
Disposals		3,319	-
<b>Cash flow from investing activities</b>		<b>3,319</b>	<b>-</b>
<b>Financing activities</b>			
Group contributions received	16	300	335
Group contributions granted	16	-1,000	-600
Dividend granted		-	-5,000
Issue of interest-bearing securities	18, 23	115,758	93,635
Repayment of interest-bearing securities	18, 23	-96,208	-68,408
Increase in other borrowing	18, 23	8,393	23,875
Decrease in other borrowing	18, 23	-13,195	-14,078
<b>Cash flow from financing activities</b>	25	<b>14,048</b>	<b>29,759</b>
Change in cash and cash equivalents	15	7,880	12,561
Translation difference on cash and cash equivalents		-1,337	-417
Cash and cash equivalents, beginning of year	15	54,441	42,297
<b>Cash and cash equivalents, end of year</b>	15	<b>60,984</b>	<b>54,441</b>



## Parent company

INCOME STATEMENT			
SEK M	Note	2023	2022
Interest income	4	12,041	4,991
Interest expense	5	-10,380	-4,186
Financial instruments at FVTPL	3, 23	-208	-778
<b>Net interest income</b>		<b>1,453</b>	<b>27</b>
Other financial profit and loss	6, 23	-1,212	2,452
<b>Gross income</b>		<b>241</b>	<b>2,479</b>
Other operating income		153	113
Administrative expenses	7, 8, 10	-190	-161
Other operating expenses		-2	-2
<b>Operating income before write-down</b>		<b>202</b>	<b>2,429</b>
Write-down		-	-1,700
Disposal of assets	9	-497	-
<b>Operating Income</b>		<b>-295</b>	<b>729</b>
Allocations	16	1,650	-700
<b>Income before tax</b>		<b>1,355</b>	<b>29</b>
Tax on income for the year	11	-241	-311
<b>Net income</b>		<b>1,114</b>	<b>-282</b>

OTHER COMPREHENSIVE INCOME			
SEK M	Note	2023	2022
<b>Total comprehensive income for the year</b>		<b>1,114</b>	<b>-282</b>



## » Parent company

BALANCE SHEET			
SEK M	Note	Dec 31, 2023	Dec 31, 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Tangible assets</b>			
Equipment		1	0
<b>Financial assets</b>			
Participations in subsidiaries	12	225	225
Receivables from Group companies (within the Volvo Group)	23, 24	106,947	89,036
Other non-current receivables	13	4,177	3,922
<b>Total financial assets</b>		<b>111,349</b>	<b>93,183</b>
Deffered tax	11	11	11
<b>Total non-current assets</b>		<b>111,361</b>	<b>93,194</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies (within the Volvo Group)	23, 24	135,855	132,690
Tax assets	11	–	–
Other current receivables	14	3,829	5,806
<b>Total current receivables</b>		<b>139,684</b>	<b>138,496</b>
<b>Cash and cash equivalents</b>	15	<b>60,975</b>	<b>54,393</b>
<b>Total current assets</b>		<b>200,659</b>	<b>192,889</b>
<b>TOTAL ASSETS</b>		<b>312,020</b>	<b>286,083</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
<b>Restricted equity</b>			
Share capital (5,000,000 Series A shares, quotient value SEK 100)		500	500
Legal reserves		100	100
<b>Total restricted equity</b>		<b>600</b>	<b>600</b>
<b>Unrestricted equity</b>			
Retained earnings brought forward		13,062	12,846
Net income		1,114	–282
<b>Total unrestricted equity</b>		<b>14,176</b>	<b>12,564</b>
<b>Total shareholders' equity</b>		<b>14,776</b>	<b>13,164</b>
<b>Non-current liabilities</b>			
Bond loans	18, 23	96,970	102,887
Other loans	18, 23	9,050	10,040
Other non-current liabilities	19	1,984	2,973
Liabilities to Group companies (within the Volvo Group)	23, 24	706	791
<b>Total non-current liabilities</b>		<b>108,710</b>	<b>116,691</b>
<b>Current liabilities</b>			
Bond loans	20	46,642	37,794
Other loans	20	18,128	13,196
Liabilities to Group companies (within the Volvo Group)	23, 24	121,866	104,034
Trade payables	23	3	1
Other current liabilities	21	1,895	1,203
<b>Total current liabilities</b>		<b>188,534</b>	<b>156,228</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>312,020</b>	<b>286,083</b>

## » Parent company

CHANGES IN SHAREHOLDERS' EQUITY				
SEK M	Share capital	Reserves (translation differences)	Retained earnings	Total share- holders' equity
<b>Balance as of December 31, 2021</b>	<b>500</b>	<b>100</b>	<b>16,146</b>	<b>16,746</b>
Net income for the year	–	–	–282	–282
Shareholder Contribution received	–	–	1,700	1,700
Dividend granted	–	–	–5,000	–5,000
Other comprehensive income	–	–	–	–
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–3,582</b>	<b>–3,582</b>
<b>Balance as of December 31, 2022</b>	<b>500</b>	<b>100</b>	<b>12,564</b>	<b>13,164</b>
Net income for the year	–	–	1,114	1,114
Shareholder Contribution received	–	–	497	497
Other comprehensive income	–	–	–	–
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>1,612</b>	<b>1,612</b>
<b>Balance as of December 31, 2023</b>	<b>500</b>	<b>100</b>	<b>14,176</b>	<b>14,776</b>

CASH FLOW STATEMENTS			
SEK M	Note	2023	2022
Operating activities			
Interest received	4	11,229	4,444
Interest paid	5	–9,574	–3,892
Income tax paid	11	–408	–98
Payments to suppliers and employees		–32	–197
Other financial transactions		2,107	4,047
Cash flow from operating activities before changes in operating receivables and liabilities	25	3,322	4,304
Increase (–)/decrease (+) in current receivables	5	3,118	–2,083
Increase (+)/decrease (–) in current liabilities	21	–2	–6
Increase (–)/decrease (+) in lending to Group companies	23, 24	–30,494	–31,114
Increase (+)/decrease (–) in borrowing from Group companies	23, 24	13,861	11,820
Increase (–)/decrease (+) in non-current receivables		0	5
Cash flow from operating activities		–10,195	–17,074
Investing activities			
Disposals		3,319	–
Cash flow from investing activities		3,319	–
Financing activities			
Group contributions received	16	300	335
Group contributions granted	16	–1,000	–600
Dividend granted		–	–5,000
Issue of interest-bearing securities	18, 23	115,759	93,635
Repayment of interest-bearing securities	18, 23	–96,162	–68,522
Increase in other borrowing	18, 23	7,509	23,801
Decrease in other borrowing	18, 23	–11,613	–14,044
Cash flow from financing activities	25	14,793	29,605
Change in cash and cash equivalents	15	7,917	12,531
Translation difference on cash and cash equivalents		–1,335	–423
Cash and cash equivalents, beginning of year	15	54,393	42,285
Cash and cash equivalents, end of year	15	60,975	54,393

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## Group and Parent Company

## Notes

## 1

## Accounting and valuation policies

**Compliance with norms and laws**

The consolidated financial statements for Volvo Treasury AB (publ) and its subsidiaries ("Volvo Treasury Group") are prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU). This annual report is prepared in accordance with IAS 1 Presentation of Financial Statements and the Swedish Annual Accounts Act (1995:1554). The income statement has been adapted to provide a relevant presentation of the results of the operations. In addition, RFR 1 Supplementary Rules for Groups has been applied, which is issued by the Swedish Corporate Reporting Board. Amounts in SEK M unless otherwise specified. The amounts within parentheses refer to amounts for year 2022.

**Volvo Treasury's accounting policies**

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

**Consolidated financial statements**

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

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

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

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

**Receivables and liabilities in foreign currency**

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

Exchange rate		Average rate		As per 31 dec	
Country	Currency	2023	2022	2023	2022
Australia	AUD	7.0474	7.0136	6.8178	7.0892
Euro Zone	EUR	11.4770	10.6300	11.0542	11.1283
Singapore	SGD	7.9017	7.3367	7.5780	7.7748
USA	USD	10.6134	10.1245	9.9830	10.4371

**Parent company**

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

**New accounting policies in 2023**

The Volvo Group is within the scope of the OECD Pillar Two model rules, an international tax reform. Pillar Two legislation has been enacted in Sweden and will start to apply as from financial year 2024. Read more in Volvo Group Note 10 Income taxes about Pillar Two.



## » Note 1

**New accounting policies 2024 and later**

New accounting standards and interpretations that have been published and is effective from 2024 and later are not considered to have a material impact on the Volvo Treasury Group.

**Financial assets**

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

**Financial instruments**

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

Financial asset and liabilities are recognized on the trade date in accordance with the contractual terms of the instrument.

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

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

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

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

**Financial assets and liabilities measured at FVTPL**

Financial assets and liabilities measured at FVTPL comprise derivatives instruments held to hedge interest rate and currency risks

pertaining to financial liabilities in customer finance operations and industrial operations, and are thus classified as held for sale.

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

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

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

**Financial assets measured at amortized cost**

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

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

**Financial liabilities measured at amortized cost**

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

The carrying amounts and fair values of all of Volvo Treasury Group's financial instruments are presented in 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 Accounting for legal entities the provisions contained in IFRS 16 do not need to be applied in legal entities. The Parent company recognizes all leases as operating leases, which means that lease payments are recognized in profit and loss as administrative expenses in the period in which they arise.

## » Note 1

**Pensions and similar obligations**

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

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

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

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

In 2016, Volvo Group's Board of Directors decided to introduce a cash based LTI program for senior executives in the Group. A precondition for participating in the program is that participants are obligated to reinvest the annual compensation paid (after tax) in Volvo Class B shares and hold these for at least three years after procurement. There will be no compensation if Volvo Group's Annual General Meeting the following year decides to not issue a dividend to shareholders.

In 2023, the Annual General Meeting adopted a new long-term incentive plan for senior management, including Executives within the Group. The new plan will replace the current long-term incentive plan adopted in 2016. The replacement will, due to increased performance period under the new plan, need to take place during a two-year phase out of the current plan via two long-term transition programs for 2023 and 2024, respectively.

The LTI is recognized according to IAS 19 Employee Benefits and according to IFRS 2 Share based payment. Cash-based remuneration is regularly remeasured at every balance-sheet date. During the vesting period, the LTI is recognized as an expense and a current liability.

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

**Group contributions**

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

**Income taxes**

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

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

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

## » Note 1

**Cash flow statement**

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

**Segment reporting**

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

**2****Key sources of estimations uncertainty and critical judgements**

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

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

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

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

### Interest rate risks

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

Following the interest rate benchmark reform USD LIBOR was replaced with SOFR during 2023. At the point of cessation the Volvo Group had a number of outstanding interest rate derivative contracts linked to USD LIBOR which were converted to SOFR with no material effect in the income statement. Currently no other major IBOR rates, where the Volvo Group have outstanding contracts, are scheduled for cessation.

### Policy

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

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

### Cash flow risks

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

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

For Volvo Group's industrial operations, earnings and profitability are closely tied to the business cycle. Financing for Volvo Treasury Group's industrial operations involves a fixed as well as a floating interest rate. To minimize the interest rate risk for industrial operations, the interest fixing term for financial liabilities is between one and three months. Bilateral loans is primarily carried out via the capital markets. The average interest rate at year-end on financial debt pertaining to the industrial operations was 4,2% (4,4%).

Borrowing and lending from and to the industrial operations of Volvo Group primarily take place through Volvo Group accounts in various currencies. Volvo Treasury Group administrates Volvo Group accounts, which means that surpluses and deficits with respect to external banks are offset through short term currency transactions and that any excess liquidity is invested in bank accounts, in short-term deposits at banks or in reverse repurchase agreements. At the end of 2023, Volvo Treasury Group's interest bearing assets comprised lending to Group companies and cash and cash equivalents. The average interest rate on these interest bearing assets, taking into account derivative instruments, was 4,7% (3,4%) as of December 31, 2023.

## » Note 3

The table below shows the impact on income of the result in the industrial operations if interest rates were to increase by 1 percentage point from the interest rate level on December 31, 2023 expressed in SEK M.

Currency	Funding	Derivatives	Lending	Liquidity	Impact on income if interest rate rises 1%
AUD	0	0	0	0	0
BRL	–	4	–4	–	0
CLP	–	0	0	–	0
EUR	115	–113	–15	–1	–14
GBP	0	–	–	0	0
HUF	0	0	–	0	0
JPY	0	–	–	0	0
NOK	3	–3	–	0	0
SEK	23	–19	–2	–11	–9
THB	–	0	0	0	0
TRY	0	2	–2	0	0
USD	1	–4	0	0	–3
ZAR	0	2	–2	0	0
Others	0	1	–1	0	0
<b>Total</b>	<b>142</b>	<b>–130</b>	<b>–26</b>	<b>–12</b>	<b>–26</b>

**Price risk**

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

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

There are several measurements which can be used to define market risk. Volvo Group Treasury is using Value-at-Risk (VaR) as its main tool for mandating market risk (including interest rate risk, currency risk and liquidity risk). VaR is calculated to a 97,7% confidence level over a one day horizon based on the historic value for volatility and correlation. It is used to measure and set mandates for different market risks such as interest rate risks, currency risks and liquidity risks. In terms of VaR, Volvo Group Treasury has a mandate to assume limited currency and interest rate risks. The total VaR mandate for Volvo Group Treasury is SEK 150 M, and utilization is measured on a daily basis. On December 31, 2023, the VaR utilized was SEK 21 M (40,8). The VaR utilization at the end of 2022 excluded assets related to Russia as these were risk measured and followed up separately.

**Currency risk**

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

risks in Volvo Treasury Group's operations are primarily related to changes in the value of financial liabilities and financial assets (financial currency exposure), changes in the value of contracted and expected future payment flows in Volvo Group (commercial currency exposure) and changes in the value of assets and liabilities in foreign subsidiaries (currency exposure of shareholders' equity).

**Policy**

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

**Financial currency exposure**

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

The table below shows the impact on income in the industrial operations if the SEK strengthens by 10% from the currency level on December 31, 2023, expressed in SEK M.

Currency	Funding	Derivatives	Lending	Liquidity	Impact on income if currency rate appreciates 10%*
AUD	–	–17	23	–11	–5
BRL	–	–65	63	–	–2
CHF	–	–2	19	–38	–21
CLP	–	–14	14	–	0
CZK	–	–3	0	1	–2
EUR	–25	–434	209	262	12
GBP	–	–	91	–105	–14
HUF	–	–24	–1	23	–2
JPY	–	–	0	–3	–3
NOK	–54	18	7	21	–8
THB	–	–3	3	0	0
USD	–275	75	–128	322	–6
ZAR	–	–31	30	–22	–23
Others	–	–30	30	0	0
<b>Total</b>	<b>–354</b>	<b>–530</b>	<b>360</b>	<b>450</b>	<b>–74</b>

\* The sensitivity analysis includes all of the Parent company's financial assets and derivatives at market value. The subsidiaries Volvo Treasury Asia Ltd and Volvo Treasury Australia Pty Ltd are excluded since the currency risk is managed by each unit in its home currency and fully matched, which means the exposure is zero.



## » Note 3

*Commercial currency exposure*

Volvo Group's consolidated currency portfolio exposure is the value of the forecasted flows in foreign currency and is prepared centrally. Volvo Treasury Group may hedge the part of the forecasted portfolio that is considered highly probable to occur, however during 2023 only future cash flows for specific orders, decided on a case-by-case basis, has been hedged. Volvo Treasury Group uses forward contracts and currency options to hedge future payment flows in foreign currency. The hedged amount of fixed flows for all periods falls within the framework of Volvo Group's financial risk policy.

As of December 31, 2023, there were outstanding forward contracts and currency options amounting to M –105 SEK (–), corresponding internal derivatives is established with companies within the Volvo Group that neutralize the impact of the result.

*Currency exposure of shareholders' equity*

The consolidated value of assets and liabilities in foreign subsidiaries within Volvo Treasury Group is influenced by exchange rates in conjunction with translation into Swedish kronor. To minimize currency exposure of shareholders' equity, the amount of shareholders' equity in foreign subsidiaries is continuously optimized taking into consideration commercial and legal preconditions and, in connection with this activity, payments of substantial internal dividends in foreign currency may be subject to hedging, corresponding internal derivatives is established with companies within the Volvo Group that neutralize the impact of the result.

At the end of 2023, net assets in foreign subsidiaries amounted to SEK 950 M (934), consisting of SGD that amounted to SEK 914 M (896) and AUD that amounted to SEK 36 M (38). Net assets in foreign subsidiaries were not hedged through loans in foreign currencies, in line with the policy established by Volvo Group's Board of Directors. Currency hedging of shareholders' equity may take place where a foreign subsidiary is considered to be overcapitalized, and currency hedging is conducted when internal dividends are paid in cases where subsidiaries are overcapitalized.

**Credit risks**

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

*Policy*

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

*Financial credit risk*

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

The credit risk related to cash and cash equivalents and investments is deemed negligible.

Volvo Group's financial assets are to large extent managed by Volvo Treasury Group and invested in the money market and capital markets. The majority have been placed in accounts at banks that the Volvo Group collaborates with. Cash and cash equivalents on December 31, 2023 amounted to SEK 61 billion (54).

*Commercial credit risk*

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

Credit risk related to lending to Group companies is considered negligible and, accordingly, no collateral has been pledged for the receivables (whereupon these are not disclosed). No company within Volvo Group has ever been permitted to enter default. Volvo Treasury Group applies the general model in IFRS 9, and the model the company uses for expected future credit losses from intra-Group receivables recognized at amortized cost is based on a probability of default for each company derived from the Group's probability, an exposure on default and a loss given default, which is assessed regularly. The company's area of operations is also assessed. Forward-looking factors, such as the company's level of capitalization and its ability to absorb any future losses incurred by the company as well as the probability of default are assessed. Given that the borrowers show a strong ability to repay, an exception for low credit risk is applied, meaning that the probability of default during 12 months is applied. Lending to companies within Volvo Group complies with the limits established for the particular counterparty. Volvo Treasury Group's receivables from Group companies on December 31, 2023 amounted to SEK 244,301 M (223,731).

## » Note 3

*Financial counterparty risk*

The use of derivative instruments leads to a counterparty risk, meaning that a potential loss cannot be settled (in part or in full) against a potential gain if the counterparty does not fulfill its part of the contract. Volvo Treasury Group works actively with limits per counterparty to reduce risk for high net amounts toward individual counterparties. To minimize this exposure, Volvo Treasury Group enters into netting agreements (ISDA agreements) with all counterparties that could potentially be involved in derivative transactions. The netting agreements entail that receivables and liabilities can be offset against each other in certain situations, such as in the event of the counterparty's insolvency. These ISDA agreements are often accompanied by a credit support annex (CSA). The CSAs establish the terms and conditions for when the parties are liable to execute cash transfers between each other to reduce exposure to open net positions. However, these netting agreements have no impact on Volvo Treasury Group's recognized earnings and balance sheet, since the derivative transactions are recognized in gross amounts. The table below shows the effect of netting agreements and cash transfers on Volvo Treasury Group's gross exposure from interest- and currency risk derivatives outstanding as of December 31, 2023. For further information regarding gross exposure per type of derivative, see Note 23 Financial instruments.

**The impact from netting agreements and cash transfers on Volvo Treasury Group's gross exposure derivatives position as of December 31, 2023**

SEK M	Gross amount	Netting agreements	Cash transfers	Net position	Change in %
Interest and currency risk derivatives reported as assets	5,745	-3,452	-1,773	520	91%
Interest and currency risk derivatives reported as liabilities*	5,646	-3,452	-2,110	84	99%

\* Internal derivatives is established with companies within the Volvo Group are excluded.

**Liquidity risks**

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

*Policy*

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

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

For customer finance operations, the maturity for financing and lending is matched to minimize risks. Lending to Volvo Group's customer finance operations involves a range of maturities. This lending is financed through short- and long term borrowing via the capital markets and through bilateral loans. The customer finance operations are measured based on the degree of matching for maturities in borrowing and lending. For practical and business reasons, Volvo Group Treasury has a mandate to deviate to a match rate of 80–120% regarding the customer finance portfolio. At the end of 2023, this match rate was 91,3% (103%).

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

Table 3.4 below also includes short- and long term financial liabilities to Group companies. Current liabilities to Group companies (within Volvo Group) such as borrowing through Group accounts are not included in capital flows balances, since these can change from day to day. At the end of 2023, current liabilities to Volvo Group companies through Group accounts amounted to SEK 105 billion (87).

## » Note 3

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

Group	Capital flow				Interest flow			
	Loans	Derivatives (liability)	Derivatives (asset)	Leasing	Loans	Derivatives (liability)	Derivatives (asset)	Leasing
SEK M								
2024	-64,717	-1,034	416	-1	-4,320	-1,540	534	-
2025	-46,946	-991	1,068	0	-2,825	-766	300	-
2026	-35,828	-427	1,024	-	-1,792	-427	425	-
2027	-14,071	-591	256	-	-771	-155	95	-
2028	-4,693	-57	123	-	-336	-47	107	-
2029	-1,251	-63	11	-	-85	-5	-10	-
2030–	-2,067	-107	19	-	-123	-2	-16	-
<b>Total</b>	<b>-169,573</b>	<b>-3,270</b>	<b>2,917</b>	<b>-1</b>	<b>-10,252</b>	<b>-2,942</b>	<b>1,435</b>	<b>-</b>

Parent company	Capital flow			Interest flow		
	Loans	Derivatives (liability)	Derivatives (asset)	Loans	Derivatives (liability)	Derivatives (asset)
SEK M						
2024	-63,736	-1,034	345	-4,273	-1,977	545
2025	-46,715	-991	1,037	-2,825	-1,010	291
2026	-34,993	-426	903	-1,789	-552	419
2027	-14,071	-591	242	-771	-174	95
2028	-4,693	-57	115	-345	-49	108
2029	-1,251	-58	9	-85	-5	-10
2030–	-2,067	-107	19	-123	0	-9
<b>Total</b>	<b>-167,526</b>	<b>-3,264</b>	<b>2,670</b>	<b>-10,211</b>	<b>-3,767</b>	<b>1,439</b>

Most of the loan maturities in 2024 and 2025 are part of the normal business operations of Volvo Treasury Group, in which Volvo Group's customer finance has a shorter maturity structure than Volvo Group's industrial operations.

The future cash flow for Volvo Treasury Group of negative SEK -182 billion (-174) is considered covered in the form of cash and cash equivalents that amounted to SEK 61 billion (54) net on December 31, 2023 and through future payments from Group

companies in the form of receivables from Group companies that amounted to SEK 244 billion (224) on December 31, 2023. In addition, there were committed but unutilized credit facilities of SEK 53 billion (46).

A hybrid bond amounting to EUR 1.5 billion was issued in the Volvo Treasury Group in 2014. The final tranche of this bond (EUR 0.6 billion) was repaid in March, 2023.

## 4 Interest income

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

SEK M	Note	Group		Parent company	
		2023	2022	2023	2022
Financial assets measured at amortized cost*	23	10,617	4,773	10,478	4,693
Bank deposits	15	1,563	298	1,563	298
<b>Total</b>		<b>12,180</b>	<b>5,071</b>	<b>12,041</b>	<b>4,991</b>

\* Pertains to receivables to Group companies.

## 5 Interest expense

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

SEK M	Note	Group		Parent company	
		2023	2022	2023	2022
Financial liabilities measured at amortized cost*	23	-8,164	-2,534	-8,122	-2,516
Financial liabilities measured at fair value through profit and loss	23	-2,265	-1,643	-2,236	-1,615
Cash and cash equivalents	25	-6	-44	-6	-44
Netting agreements	20	-16	-11	-16	-11
Pension liabilities	17	0	0	0	0
<b>Total</b>		<b>-10,451</b>	<b>-4,232</b>	<b>-10,380</b>	<b>-4,186</b>

\* Of which 3,212 (810) pertains to liabilities to Group companies.

## 6 Other financial income and expenses

SEK M	Note	Group		Parent company	
		2023	2022	2023	2022
Exchange rate gains and losses on derivatives used for hedge financial assets and liabilities		2,066	-5,166	1,707	-5,265
Realized result and unrealized revaluation on derivatives used to hedge future cash flow exposure in foreign currency		-15	-43	-15	-43
Realized result related to early expirations from derivatives as hedged future cash flow to Russia		-	1,272	-	1,272
Exchange rate gain and losses on cash and cash equivalents		-298	79	-297	79
Exchange rate gains and losses on financial assets and liabilities*		-2,958	6,312	-2,607	6,409
<b>Total</b>		<b>-1,205</b>	<b>2,454</b>	<b>-1,212</b>	<b>2,452</b>

\* Exchange rate result attributable to lending to companies in Russia amounts to -1,318 (1,151).

Average number of employees	2023		2022	
	No. of employees	of whom, men	No. of employees	of whom, men
<b>Parent company</b>				
Sweden	35	19	32	18
<b>Total</b>	<b>35</b>	<b>19</b>	<b>32</b>	<b>18</b>
<b>Subsidiaries outside Sweden</b>				
Singapore	11	3	11	3
<b>Total</b>	<b>11</b>	<b>3</b>	<b>11</b>	<b>3</b>
<b>Group total</b>	<b>46</b>	<b>22</b>	<b>43</b>	<b>21</b>

Board members and other senior executives	2023			
	No. of board members*	of whom, men	No. of senior executives*	of whom, men
<b>Parent company</b>				
Sweden	5	4	3	2
<b>Total</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>
<b>Subsidiaries outside Sweden</b>				
Singapore	3	3	3	1
Australia	4	4	1	1
<b>Total</b>	<b>7</b>	<b>7</b>	<b>4</b>	<b>2</b>
<b>Group total</b>	<b>12</b>	<b>11</b>	<b>7</b>	<b>4</b>

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



## » Note 7

Wages, remunerations, social costs and pension costs SEK M	2023			2022		
	Parent company	Subsidiary company	Group	Parent company	Subsidiary company	Group
Wages, salaries and other remuneration to Board members and the President	-4	-8	-12	-3	-6	-9
(whereof bonus)	-2	-4	-6	-2	-3	-5
Wages and other remuneration to employees	-32	-12	-44	-28	-10	-38
(whereof Profit Shares)	-	-	-	-	-	-
<b>Total</b>	<b>-36</b>	<b>-20</b>	<b>-56</b>	<b>-31</b>	<b>-16</b>	<b>-47</b>
Social costs	-12	-	-12	-10	-	-10
Pensions costs	9	-	9	-7	0	-7
whereof pension costs to Board members and the President	-1	0	-1	-	0	0
The cost of non-monetary benefits to other employees	0	-1	-1	-1	-1	-2
<b>Remuneration to senior executives</b>						
Wages, salaries and other remuneration to the President	-4	-8	-12	-3	-6	-9
whereof bonus	-2	-4	-6	-2	-3	-5
The company's outstanding pension obligations to the President	0	-	0	0	-	0
Cost of non-monetary benefits to the President	0	0	0	0	0	0
Wages, salaries and other remuneration to other senior executives	-4	-	-4	-4	-	-4
whereof bonus	-2	-	-2	-1	-	-1
Cost of non-monetary benefits to other senior executives	0	-	0	0	-	0

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

## 8

## Fees to the auditors

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

Fees to the auditors SEK M	Group		Parent company	
	2023	2022	2023	2022
<b>Deloitte</b>				
Audit assignment	2	2	1	1
Audit related services	0	0	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>

## 9

## Disposal of assets

During 2023, Volvo Treasury Group has divested its assets related to Russia. The divestment has had a net negative impact on the result amounting to SEK -497 M, a shareholder contribution from AB Volvo has been received in the corresponding amount.

## 10 Operating leases

Future lease payments pertaining to non-cancelable leases at year-end amounted to 7 (6) for the Group and 4 (3) for the Parent Company. Lease expenses for the year amounted to 4 (4) for the Group and 3 (3) for the Parent company.

### Company as the lessee

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

SEK M	Group		Parent company	
	2023	2022	2023	2022
Payment due within one year	-4	-4	-4	-4
Payment due after one year and within five years	-3	-2	0	-
<b>Total</b>	<b>-7</b>	<b>-6</b>	<b>-4</b>	<b>-4</b>

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

SEK M	Group		Parent company	
	2023	2022	2023	2022
Whereof minimum lease payments expenses	-2	-1	-1	-1

## 11 Income tax

Distribution of income tax				
SEK M	Group		Parent company	
	2023	2022	2023	2022
Current tax for the period	24	-455	-288	-299
Current tax for prior periods	47	-11	47	-11
Deferred tax arising or reversed during the period	1	0	0	-1
<b>Total</b>	<b>72</b>	<b>-466</b>	<b>-241</b>	<b>-311</b>

In 2023, tax attributable to Group contributions decreased the Group's unrestricted reserves by 340 in comparison to increase previous year (144) and decreased the Parent company's equity with 340 in comparison to increase previous year (144).

Specification of income tax				
SEK M	Group		Parent company	
	2023	2022	2023	2022
<b>Income before taxes</b>	<b>-226</b>	<b>683</b>	<b>1,355</b>	<b>29</b>
Tax according to current tax rate	47	-141	-279	-6
Difference due to different countries' tax rates	14	-10	-	-
Other non-deductible expenses/income*	-9	-295	-9	-294
Taxes related to prior year	47	-10	47	-11
Other, net	-27	-10	-	0
<b>Total</b>	<b>72</b>	<b>-466</b>	<b>-241</b>	<b>-311</b>

\* Of which, non-deductible expenses attributable to disposal of assets related to Russia amounts to 556 (1,700) and non-deductible income attributable to negative net interest income received amounts to 513 (278).

Deferred tax, Changes in deferred tax assets/liabilities, net*				
SEK M	Group		Parent company	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Opening balance	11	16	11	12
Deferred taxes recognized in the year's income	4	-1	3	3
Of which recognized in Other comprehensive income, Remeasurements of defined-benefit plans	-	-4	-3	-4
<b>Deferred tax assets/liabilities, net, as of December 31**</b>	<b>15</b>	<b>11</b>	<b>11</b>	<b>11</b>

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

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

**12** Financial assets

Participations in subsidiaries SEK M	Parent company	
	Dec 31, 2023	Dec 31, 2022
Opening acquisition cost	225	225
<b>Closing accumulated acquisition cost</b>	<b>225</b>	<b>225</b>

SEK M	Registered office in	Percentage holding	Voting share	No. of rights participations/shares	Carrying amount	Shareholder's equity
Volvo Treasury Asia Ltd*	Singapore	100%	100%	20,025,000	225	948
<b>Total</b>					<b>255</b>	<b>948</b>

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

**13** Other non-current receivables

SEK M	Group		Parent company	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Outstanding interest and currency derivatives	4,339	3,945	4,177	3,922
<b>Total</b>	<b>4,339</b>	<b>3,945</b>	<b>4,177</b>	<b>3,922</b>

**14** Other current receivables

SEK M	Group		Parent company	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Outstanding interest and currency derivatives	1,407	779	1,335	748
Accrued interest income and prepaid interest expenses	141	87	141	87
Other accrued income and prepaid expenses	53	11	54	11
Other receivables	2	1	2	1
Netting agreements	2,297	4,959	2,297	4,959
<b>Total</b>	<b>3,900</b>	<b>5,837</b>	<b>3,829</b>	<b>5,806</b>

**15** Cash and cash equivalents

SEK M	Group		Parent company	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Cash in banks	26,884	31,494	26,884	31,446
Time deposits in banks	34,100	22,947	34,091	22,947
<b>Total</b>	<b>60,984</b>	<b>54,441</b>	<b>60,975</b>	<b>54,393</b>

**16** Group contributions

Group contributions of 1,950 (300) was received from Volvo Investment AB and 300 (1,000) was granted to AB Volvo.

## Provisions for post-employment benefits

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

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

The defined-benefit obligations are calculated based on applicable salary levels as per the balance-sheet date, with a discount interest rate of 2,85% (2,85%) regarding ITP2 and 1% (0,2%) for other pension liabilities. Annual yield and mortality estimates are established by PRI for ITP2 or Finansinspektionen (Sweden's financial supervisory authority) for other pension liabilities.

The Volvo Pension Foundation was formed in 1996 to secure pension obligations under the ITP plan. Since its formation, the company has provided plan capital in a net amount of SEK 56.4 M to the Foundation. The return on plan assets during 2023 was 10% (-10,01%).

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

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

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

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

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

**Pension costs during the year**

SEK M	Dec 31, 2023	Dec 31, 2022
Current service costs	-2	-3
Interest costs	-4	-2
Interest income	4	2
<b>Total pension costs for defined-benefit plans</b>	<b>-2</b>	<b>-3</b>
Pension costs for defined-contribution plans	7	5
<b>Total pension costs</b>	<b>5</b>	<b>2</b>

**Applicable assumptions for actuarial calculations (Sweden)**

Percentage	Dec 31, 2023	Dec 31, 2022
Discount rate	3	4
Expected salary increase	3	3
Inflation	2	2

**Obligations in defined-benefit plans**

SEK M	Dec 31, 2023	Dec 31, 2022
Obligations at January 1	97	122
Defined-benefits earned during the year	1	3
Interest costs	4	3
<b>Remeasurements</b>		
–Effect of change in demographic assumptions	1	3
–Effect of changes in financial assumptions	18	-34
–Effect of experience adjustments	0	2
Benefits paid	-2	-2
<b>Obligations as of December 31, 2023</b>	<b>119</b>	<b>97</b>
Of which, funded defined-benefit plans	119	97

**Fair value of plan assets in funded plans**

SEK M	Dec 31, 2023	Dec 31, 2022
Plan assets at January 1	94	103
Interest income	4	2
Remeasurements	5	-11
Employer contribution	0	0
<b>Plan assets as of December 31, 2023</b>	<b>103</b>	<b>94</b>

## » Note 17

Group		
SEK M	Dec 31, 2023	Dec 31, 2022
Funded status as of December 31	16	3
<b>Net provisions for post-employment benefits as of December 31, 2023</b>	<b>16</b>	<b>3</b>

Parent company			
SEK M	Funded	Unfunded	Total
<b>Obligations in defined-benefit plans</b>			
Obligations opening balance 2022	60	–	60
Service costs	15	–	15
Interest costs	2	–	2
Pensions paid	–1	–	–1
<b>Obligations as of December 31, 2022</b>	<b>76</b>	<b>–</b>	<b>76</b>
Service costs	10	–	10
Interest costs	2	–	2
Pensions paid	–2	–	–2
<b>Obligations as of December 31, 2023</b>	<b>86</b>	<b>–</b>	<b>86</b>
<b>Fair value of plan assets in funded plans</b>			
Plan assets opening balance 2022			103
Actual return on plan assets			–9
Contributions and compensation to/from the fund			–
<b>Plan assets as of December 31, 2022</b>			<b>94</b>
Actual return on plan assets			9
Contributions and compensation to/from the fund			0
<b>Plan assets as of December 31, 2023</b>			<b>103</b>

Provisions for post-employment benefits		
SEK M	Dec 31, 2023	Dec 31, 2022
Obligations*	–86	–75
Fair value of plan assets	103	93
<b>Funded status</b>	<b>17</b>	<b>18</b>
Limitation on assets in accordance with Swedish accounting principles (when plan assets exceed corresponding obligations)	–17	–18
<b>Net provisions for post-employment benefits**</b>	<b>–</b>	<b>–</b>

Pension costs		
SEK M	Dec 31, 2023	Dec 31, 2022
Pension costs for defined-benefit plans	–2	–2
Pension costs for defined-contribution plans	–5	–4
Special payroll tax / yield tax**	–2	–1
Cost for credit insurance FPG	0	0
<b>Total pension costs for the period</b>	<b>–9</b>	<b>–7</b>

\* The capital value for ITP2 amounts to negative –86 (–75).

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

## 18

## Non-current liabilities

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

maturities of more than one year are also recognized under non-current liabilities. Information on loan terms pertains to the Group as of December 31, 2023.

Bond loans	Weighted average rate	Group		Parent company	
SEK M	Dec 31, 2023, %	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
EUR*	2,65%	67,218	78,319	67,218	78,319
SEK	4,55%	21,440	18,054	21,440	18,054
USD	2,72%	698	730	698	730
GBP	5,47%	7,614	3,125	7,614	3,125
NOK	–	–	1,691	–	1,691
HKD	–	–	969	–	969
<b>Total</b>		<b>96,970</b>	<b>102,887</b>	<b>96,970</b>	<b>102,887</b>

\* A hybrid bond amounting to EUR 1.5 billion was issued in the Volvo Treasury Group in 2014. The last tranche of this bond (EUR 0.6 billion) was repaid in March 2023 this had no impact on the financial net position of the Volvo Treasury Group.



## » Note 18

Other loans SEK M	Group		Parent company	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Other loans	7,885	7,342	6,820	5,893
Revaluation of outstanding derivatives	2,235	4,178	2,230	4,147
Lease liability	0	0	0	0
<b>Total</b>	<b>10,120</b>	<b>11,520</b>	<b>9,050</b>	<b>10,040</b>

A total of SEK 95,482 M (96,129) in bond loans and SEK 7,885 (7,342) in other loans were borrowed to finance the credit portfolio in Financial Services. The interest rate risk in Financial Service is managed with the objective to achieve a match of interest rate fixes on borrowing and lending, in order to eliminate interest rate

risk. The average interest rate on Industrial Operations financial liabilities at year end amounted to 4,2% (4,4%), including the Volvo Treasury Group's credit costs.

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

Group, Dec 31, 2023, SEK M				
Maturity date	Bond loans	Other liabilities	Of which, derivative contracts	Leasing liabilities
2025	44,172	3,764	991	0
2026	34,442	1,813	426	–
2027	13,518	1,143	591	–
2028	4,140	610	57	–
2029	698	616	63	–
2030 –	0	2,174	107	–
<b>Total</b>	<b>96,970</b>	<b>10,120</b>	<b>2,235</b>	<b>0</b>

Parent company, Dec 31, 2023, SEK M				
Maturity date	Bond loans	Other liabilities	Of which, derivative contracts	Leasing liabilities
2025	44,172	3,534	991	0
2026	34,442	979	426	–
2027	13,518	1,143	591	–
2028	4,140	610	57	–
2029	698	610	58	–
2030 –	0	2,174	107	–
<b>Total</b>	<b>96,970</b>	<b>9,050</b>	<b>2,230</b>	<b>0</b>

Granted but unutilized non-current credit facilities that may be utilized unconditionally amounted to SEK 53 billion at year-end. These facilities consisted of stand-by facilities for loans with varying maturities between 2025 and 2028. A fee is charged for granted

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

## 19

## Other non-current liabilities

SEK M	Group		Parent company	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Revaluation of outstanding derivatives	1,980	3,008	1,983	2,972
Other non-current liabilities	1	1	1	1
<b>Total</b>	<b>1,981</b>	<b>3,009</b>	<b>1,984</b>	<b>2,973</b>

## 20

## Current liabilities

SEK M	Weighted average rate	Group		Parent company	
	Dec 31, 2023, %	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
<b>Bond loans</b>					
EUR	2.61%	38,137	21,762	38,137	21,762
SEK	3.51%	6,011	13,890	6,011	13,890
NOK	6.09%	1,568	1,216	1,568	1,216
HKD	2.31%	925	–	925	–
JPY	–	–	926	–	926
<b>Other loans</b>					
Other loans		16,187	12,451	15,206	11,336
Netting agreements		1,889	187	1,889	187
Revaluation of outstanding derivatives		1,034	1,712	1,034	1,673
Leasing liabilities		1	0	–	–
<b>Total</b>		<b>65,752</b>	<b>52,144</b>	<b>64,770</b>	<b>50,990</b>

Granted overdraft facilities amount to 1,922 (2,305) in the Group and 627 (1,002) in the Parent company.

A total of SEK 46,641 M (37,794) in bond loans and SEK 16,187 M (12,451) in other loans were borrowed to finance the credit portfolio in Financial Services. The interest rate risk in Financial Service

is managed with the objective to achieve a match of interest rate fixings on borrowing and lending, in order to eliminate interest rate risk. The average interest rate on Industrial Operations financial liabilities at year end amounted to 4.2% (4.4%), including the Volvo Treasury Group's credit costs.

## 21

## Other current liabilities

SEK M	Group		Parent company	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Accrued interest expenses and prepaid interest income	1,353	878	1,352	876
Revaluation of outstanding derivatives	503	131	503	127
Wages, salaries and tax-at-source	29	23	22	18
Tax liability	16	179	10	176
Accrued expenses and deferred income	9	7	7	5
Other current liabilities	1	0	1	1
<b>Total</b>	<b>1,911</b>	<b>1,218</b>	<b>1,895</b>	<b>1,203</b>

## 22

## Contingent liabilities

SEK M	Group		Parent company	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Contingent liabilities on behalf of other Group companies	553	556	553	556
Pension guarantees	2	2	2	2
<b>Total contingent liabilities</b>	<b>555</b>	<b>558</b>	<b>555</b>	<b>558</b>
Contingent liabilities received from other Group companies, which reduce net obligations	–553	–556	–553	–556
<b>Total contingent liabilities</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

**Disclosures on carrying amounts and fair values**

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

Carrying amounts and fair values of financial instruments		Group Dec 31, 2023		Parent company Dec 31, 2023		Group Dec 31, 2022		Parent company Dec 31, 2022	
		Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
SEK M	Note								
<b>Assets</b>									
<b>Financial assets at fair value</b>									
Interest and currency risk derivatives**	13, 14	5,746	5,746	5,512	5,512	4,724	4,724	4,670	4,670
		<b>5,745</b>	<b>5,746</b>	<b>5,512</b>	<b>5,512</b>	<b>4,724</b>	<b>4,724</b>	<b>4,670</b>	<b>4,670</b>
<b>Financial assets measured at amortized cost</b>									
Receivables from Group Companies		244,301	243,261	242,802	239,212	223,731	221,118	221,726	219,039
Other interest-bearing receivables	14	2,297	2,297	2,297	2,297	4,958	4,958	4,958	4,958
		<b>246,598</b>	<b>245,558</b>	<b>245,099</b>	<b>241,509</b>	<b>228,689</b>	<b>226,076</b>	<b>226,684</b>	<b>223,998</b>
<b>Cash and cash equivalents</b>									
		<b>60,984</b>	<b>60,984</b>	<b>60,975</b>	<b>60,975</b>	<b>54,440</b>	<b>54,440</b>	<b>54,393</b>	<b>54,393</b>

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

\*\* Gross exposure of derivatives with positive values has been reduced by 91% (97%) through netting agreements and liquidity transfers to 520 (143).

Carrying amounts and fair values of financial instruments		Group Dec 31, 2023		Parent company Dec 31, 2023		Group Dec 31, 2022		Parent company Dec 31, 2022	
		Carrying value	Fair value*	Carrying value	Fair value*	Carrying value	Fair value*	Carrying value	Fair value*
SEK M	Note								
<b>Liabilities</b>									
<b>Financial liabilities at fair value</b>									
Interest and currency risks derivatives**	18, 19, 20, 21	5,753	5,753	5,750	5,750	9,029	9,029	8,918	8,918
		<b>5,753</b>	<b>5,753</b>	<b>5,750</b>	<b>5,750</b>	<b>9,029</b>	<b>9,029</b>	<b>8,918</b>	<b>8,918</b>
<b>Financial liabilities measured at amortized cost***</b>									
Non-current bond loans and other loans	18	104,855	103,969	103,790	102,906	110,230	106,801	108,780	105,354
Current bond loans and other loans	20	64,717	64,331	63,736	63,349	50,432	50,153	49,317	49,035
Liabilities to Group Companies	24, 3, 5	121,299	119,701	122,572	120,976	103,311	102,140	104,825	102,597
		<b>290,871</b>	<b>288,001</b>	<b>290,098</b>	<b>287,230</b>	<b>263,973</b>	<b>259,094</b>	<b>262,922</b>	<b>256,986</b>
<b>Trade Payables</b>									
		<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

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

\*\* Gross exposure of derivatives with positive values has been reduced by 91% (97%) through netting agreements and liquidity transfers to 520 (143).

\*\*\* The consolidated balance sheet includes financial liabilities (loan-related derivative instruments) of -3,269 (-5,889).

## » Note 23

**Gains, losses, Income, expenses related to financial instruments**

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

Financial assets and liabilities at FVTPL*	Group Dec 31, 2023				Group Dec 31, 2022			
	Foreign exchange gain	Foreign exchange loss	interest income	interest expense	Foreign exchange gain	Foreign exchange loss	Interest income	Interest expense
SEK M								
Interest and currency risk derivatives	3,978	-2,108	-	-2,265	324	-5,094	-	-1,643
Financial assets valued at amortized costs	-	-1,318	10,617	-3,306	-	-	4,773	-810
Cash and cash equivalents	1,040	-1,339	1,563	-	1,093	-1,014	298	-
Financial liabilities valued at amortized cost	11,320	-12,960	-	-4,880	14,119	-7,804	-	-1,779
<b>Effect on Gross income</b>	<b>16,338</b>	<b>-17,725</b>	<b>12,180</b>	<b>-10,451</b>	<b>15,536</b>	<b>-13,912</b>	<b>5,071</b>	<b>-4,232</b>

Financial assets and liabilities at FVTPL*	Parent company Dec 31, 2023				Parent company Dec 31, 2022			
	Foreign exchange gain	Foreign exchange loss	Interest income	Interest expense	Foreign exchange gain	Foreign exchange loss	Interest income	Interest expense
SEK M								
Interest and currency risk derivatives	3,711	-2,225	-	-2,236	148	-4,965	-	-1,615
Financial assets valued at amortized costs	-	-1,319	10,478	-3,310	-	-	4,693	-817
Cash and cash equivalents	1,040	-1,338	1,563	-	1,093	-1,014	298	-
Financial liabilities valued at amortized cost	11,569	-12,858	-	-4,834	14,119	-7,707	-	-1,754
<b>Effect on Gross income</b>	<b>16,320</b>	<b>-17,740</b>	<b>12,041</b>	<b>-10,380</b>	<b>15,360</b>	<b>-13,686</b>	<b>4,991</b>	<b>-4,186</b>

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

## » Note 23

**Outstanding derivative instruments hedging currency and interest-rate risk**

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

SEK M	Group Dec 31, 2023		Group Dec 31, 2022	
	Nominal amount	Carrying value	Nominal amount	Carrying value
<b>Interest-rate swaps</b>				
– receivable position	214,056	5,405	191,081	4,518
– payable position	132,907	–5,360	161,273	–8,677
<b>Foreign exchange forward contracts</b>				
– receivable position	31,219	341	33,381	206
– payable position	20,671	–393	27,922	–351
<b>Options purchased, caps and floors</b>				
– receivable position	111	0	56	0
<b>Options written, caps and floors</b>				
– payable position	–	–	56	0
<b>Total</b>		<b>–7</b>		<b>–4,304</b>

SEK M	Parent company Dec 31, 2023		Parent company Dec 31, 2022	
	Nominal amount	Carrying value	Nominal amount	Carrying value
<b>Interest-rate swaps</b>				
– receivable position	209,759	5,251	189,412	4,517
– payable position	132,643	–5,375	158,649	–8,628
<b>Foreign exchange forward contracts</b>				
– receivable position	27,591	261	30,753	153
– payable position	18,639	–375	26,030	–289
<b>Options purchased, caps and floors</b>				
– receivable position	111	0	56	0
<b>Options written, caps and floors</b>				
– payable position	–	–	56	0
<b>Total</b>		<b>–238</b>		<b>–4,247</b>

## 24 Transactions with related parties

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

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

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

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

## 25 Cash flow statement

Cash flow from financing activities		Group, Non cash items				December 31, 2023
SEK M	Note	December 31, 2022	Cash flow	Unrealized currency effect	Fair value valuation	
Group contributions received*		–	300	–	–	–
Group contributions granted*		–	–1,000	–	–	–
Dividend granted		–	–	–	–	–
Bond loans	18	102,887	–804	–5,113	–	96,970
Other loans	18	11,520	1,274	–732	–1,942	10,120
Other non-current liabilities	19	3,009	0	1	–1,029	1,981
Current liabilities	20	52,144	14,278	–35	–635	65,752
<b>Cash flow impact</b>			<b>14,048</b>			

Cash flow from financing activities		Parent company, Non cash items				December 31, 2023
SEK M	Note	December 31, 2022	Cash flow	Unrealized currency effect	Fair value valuation	
Group contributions received*		–	300	–	–	–
Group contributions granted*		–	–1,000	–	–	–
Dividend granted		–	–	–	–	–
Bond loans	18	102,887	–814	–5,103	–	96,970
Other loans	18	10,040	1,872	–945	–1,917	9,050
Other non-current liabilities	19	2,973	0	–	–990	1,983
Current liabilities	20	50,990	14,435	–	–655	64,770
<b>Cash flow impact</b>			<b>14,793</b>			

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

## 26 Significant events after the close of the fiscal year

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

## Proposed disposition of retained earnings

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

Retained earnings	12,565,076,329
Net income	1,114,404,229
Shareholder contribution received	497,316,382
<b>SEK</b>	<b>14,176,796,940</b>

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

To be carried forward	14,176,796,940
<b>SEK</b>	<b>14,176,796,940</b>

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

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

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

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

Gothenburg, February 28, 2024

**Thomas Lestin**  
President/Board member

**Frederik Ljungdahl**  
Chairman

**Joakim Berger**  
Board member

**Erik Annerstedt**  
Board member

**Karin Heltborg**  
Board member

Our Auditors' Report was submitted on February 28, 2024  
Deloitte AB

**Fredrik Jonsson**  
Authorized Public Accountant



# Auditor's report

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

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



## Auditor's report

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

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

#### Report on the annual accounts and consolidated accounts

##### *Opinions*

We have audited the annual accounts and consolidated accounts of Volvo Treasury AB (publ) for the financial year 2023-01-01–2023-12-31. The annual accounts and consolidated accounts of the company are included on pages 1–33 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 2023 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 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

##### *Basis for Opinions*

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

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

##### *Key Audit Matters*

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

##### *Key Audit Matter*

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

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

##### *Responsibilities of the Board of Directors and the Managing Director*

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

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

## » Auditor's report

*Auditor's responsibility*

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

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

**Report on other legal and regulatory requirements***Opinions*

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Volvo Treasury AB (publ) (publ) for the financial year 2023-01-01–2023-12-31 and the proposed appropriations of the company's profit or loss.

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

*Basis for Opinions*

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

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

*Responsibilities of the Board of Directors and the Managing Director*

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

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

*Auditor's responsibility*

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

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

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

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

A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: [www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). This description forms part of the auditor's report.

Deloitte AB, was appointed auditor of Volvo Treasury AB (publ) by the general meeting of the shareholders on the 2023-02-28 and has been the company's auditor since 2018-04-19.

Gothenburg 2024-02-28  
Deloitte AB

Fredrik Jonsson  
Authorized public accountant

# Corporate Governance Report



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



## Corporate Governance Report

### Introduction

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

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

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

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

### Internal control over financial reporting

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

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

the Internal Control function within Volvo Group with regard to risks, control activities and monitoring the financial reporting.

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

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

### Control environment

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

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

### Risk assessment

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

## » Corporate Governance Report

### Control activities

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

### Information and communication

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

### Follow-up

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

through Volvo Group Internal Control Programme, which aims to systematically evaluate the quality of the internal control over financial reporting on an annual basis. An evaluation plan is settled annually and presented to the Audit Committee. This evaluation program comprises three main areas:

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

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

Gothenburg 2023-02-28

Volvo Treasury AB (publ)

Board of Directors

# Auditor's report on the corporate governance statement

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

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

## Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the financial year 2023-01-01–2023-12-31 on pages 37–39 and that it has been prepared in accordance with the Annual Accounts Act.

## The scope of the audit

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

## Opinions

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

Gothenburg 2024-02-28  
Deloitte AB

Fredrik Jonsson  
Authorized public accountant





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Volvo Treasury Group is included in the Volvo Group. The Volvo Group drives prosperity through transport and infrastructure solutions, offering trucks, buses, construction equipment, power solutions for marine and industrial applications, financing and services that increase our customers' uptime and productivity. Founded in 1927, the Volvo Group is committed to shaping the future landscape of sustainable transport and infrastructure solutions. The Volvo Group is headquartered in Gothenburg, Sweden, employs 104,000 people and serves customers in more than 190 markets. In 2023, net sales amounted to SEK 553 billion. Volvo shares are listed on Nasdaq Stockholm.

**V O L V O**

