

**INTERIM REPORT**

**AB Volvofinans (publ)**  
**Corp. Reg. No: 556069-0967**  
January 1 – March 31, 2007

**Volumes**

Sales of new cars in Sweden increased by 11.7% compared with the year-earlier period. A total of 68,400 cars (61,300) were registered. The share of Volvo and Renault registrations was 23.5%, or 16,100 cars (14,800).

The order situation within truck sales is particularly strong and indicates an annual volume of 7,000 vehicles, compared with 5,871 in the year-earlier period. Volvo's market share is expected to be stable compared with the preceding year (45%).

Volvofinans' total car penetration amounted to 45.7% (46.6%) during the first quarter. Truck penetration, excluding Volvo Truck Center (for rolling 12-month period), totaled 49.5% (51.5%). The total number of contracts, 241 700, decreased by 1%.

**Lending**

Lending to the general public amounted to SEK 23.6 billion (23.7), which is on a par with the year-earlier period.

Truck shares totaled SEK 3.5 billion (3.8), corresponding to 15% of total lending.

**Income**

Income for the period before appropriations and taxes amounted to SEK 79.0 million (69.2), an increase of 14% compared with the year-earlier period.

Intensifying competition in lending operations reduced margins somewhat, while there was a slight decrease in borrowing expenses. The combined effect of these occurrences was improved operating margins. Return on shareholders' equity was 10.23% (9.79).

**Credit losses/Risk provisions**

Credit losses amounted to SEK 2.7 million (2.0), and pertain entirely to credit card operations. The main portion of lending (91%) refers to our sales financing for which Volvo dealers carry the credit risks, which is why, as in preceding years, this part does not show any credit losses.

The Parent Company posted a reversal of provisions of SEK 2.9 million and Volvofinans Konto increased provisions by SEK 0.4 million. At the reporting date, provisions amounted to SEK 99.4 million. At year-end, they amounted to SEK 101.9 million. Problem credits amounted to SEK 70.5 million (57.8), which only pertain to credit card operations.

**Capital procurement**

During the period, all market programs were utilized with favorable demand in the domestic and European capital markets. At March 31, Volvofinans' total market borrowing was SEK 12.5 billion and unutilized credit facilities amounted to SEK 9.8 billion.

**Rating**

Volvofinans has international credit ratings from Moody's Investor Service as follows:

- Moody's, short-term financing: P-2
- Moody's, long-term financing: A3

Detailed analysis from Moody's Investor Service is available on our web site: [www.volvofinans.se](http://www.volvofinans.se)

*For more information, please contact: Bert Björn,  
President and CEO, Tel: +46 (0)31-83 88 00.*

*This report has not been subjected to special review by auditors*

## INCOME STATEMENT

Amounts in SEK T	Group			Parent Company		
	2007 March 31	2006*** March 31	2006** March 31	2007 March 31	2006*** March 31	2006** March 31
Interest income	218,864	166,030	146,439	157,072	124,554	124,554
Leasing income	408,006	364,333	539,172	576,597	539,172	539,172
Interest expense	- 178,586	- 118,438	- 115,726	- 176,852	- 117,178	- 114,467
Net income from financial transactions*	1,252	2,683		1,252	2,683	
Commission income	63,031	60,039	60,039	19,740	18,560	18,560
Commission expense	- 3,872	- 3,435	- 5,141	- 2,896	- 2,283	- 3,989
<b>Total operating income</b>	<b>508,695</b>	<b>471,212</b>	<b>624,783</b>	<b>574,913</b>	<b>565,508</b>	<b>563,830</b>
General administrative expenses	60,893	57,527	57,527	20,891	20,235	20,235
Depreciation of tangible fixed assets	357,954	333,394	488,641	500,667	488,006	488,006
Other operating expenses	10,663	9,269	9,269	2,510	3,325	3,324
<b>Total operating expenses</b>	<b>429,510</b>	<b>400,190</b>	<b>555,438</b>	<b>524,068</b>	<b>511,565</b>	<b>511,565</b>
<b>Income before credit losses</b>	<b>79,185</b>	<b>71,022</b>	<b>69,345</b>	<b>50,846</b>	<b>53,943</b>	<b>52,265</b>
Credit losses, net	- 187	- 1,784	- 1,784	2,905	2,930	2,930
<b>Income before appropriations and taxes</b>	<b>78,998</b>	<b>69,238</b>	<b>67,561</b>	<b>53,751</b>	<b>56,872</b>	<b>55,195</b>
* Net income from financial transactions						
		<u>2007 Jan-Mar</u>	<u>2006 Jan-Mar</u>			
Currency-related		811	1,005			
Interest-bearing securities and related derivatives contracts		<u>441</u>	<u>1,677</u>			
		1,252	2,683			

\*\* In accordance with earlier accounting principles

\*\*\* In accordance with IFRS

**BALANCE SHEET**

<b>Amounts in SEK T</b>	<b>Group</b>			<b>Parent Company</b>		
	<b>2007 March 31</b>	<b>2006*** March 31</b>	<b>2006** March 31</b>	<b>2007 March 31</b>	<b>2006*** March 31</b>	<b>2006** March 31</b>
Lending, incl. leasing objects	23,576,976	23,687,221	23,687,221	21,970,394	22,155,874	22,155,874
Lending, Group companies	-	-	-	778,293	750,441	750,441
Other assets*	754,718	547,065	509,055	899,785	692,586	654,576
<b>Total assets</b>	<b>24,331,694</b>	<b>24,234,286</b>	<b>24,196,276</b>	<b>23,648,472</b>	<b>23,598,901</b>	<b>23,560,891</b>
Borrowing	19,323,540	19,515,478	19,494,855	19,118,571	19,320,834	19,300,211
Other liabilities*	1,242,883	1,117,084	1,104,649	802,849	700,809	688,374
Subordinated loan	458,004	568,284	564,000	458,004	568,284	564,000
Deferred tax	774,387	727,177	727,459	774,387	727,177	727,459
Shareholders' equity, Note 1	2,453,882	2,237,025	2,237,752	2,440,910	2,224,925	2,225,652
<b>Income before appropriations and taxes</b>	<b>78,998</b>	<b>69,238</b>	<b>67,561</b>	<b>53,751</b>	<b>56,872</b>	<b>55,195</b>
<b>Total liabilities and equity</b>	<b>24,331,694</b>	<b>24,234,286</b>	<b>24,196,276</b>	<b>23,648,472</b>	<b>23,598,901</b>	<b>23,560,891</b>

\* of which, derivative instruments with positive and negative market values, respectively

	<b>2007 March 31</b>	<b>2006 March 31</b>
Derivative instruments with positive market values	26,444	47,406
Derivative instruments with negative market values	- 49,255	- 20,663

\*\* In accordance with earlier accounting principles

\*\*\* In accordance with IFRS

**KEY RATIOS**

<b>Group</b>	<b>2007 Jan - Mar</b>	<b>2006 Jan - Mar</b>	<b>2006 Full year</b>
Return on shareholders equity, %	10.23	9.79	10.65
Risk capital/total assets, %	15.47	14.86	14.65
Capital adequacy ratio, %	11.32	11.19	11.04
Core capital ratio, %	10.03	9.34	9.79
Loan losses as a percentage of lending, %	0.00	0.03	-
I/C ratio	2.08	1.99	2.10
I/C ratio excluding loan losses	2.08	2.04	2.09

**CASH-FLOW STATEMENT**

## ONGOING OPERATIONS

<b>GROUP</b>	<b>2007 Jan - Mar</b>	<b>2006 Jan - Mar</b>
Operating income	78,998	69,238
Depreciation	357,954	332,744
<i>Changes in operating assets and liabilities</i>		
Lending to credit institutions	15,268	53,913
Lending to general public	671,680	911,619
Other assets	4,240	137,077
Liabilities, credit institutions	- 237,710	- 5,785
Funding from general public	115,486	- 247,104
Securities issued	- 554,378	- 638,258
Other liabilities	- 24,399	- 122,547
<b>Cash flow from ongoing operations</b>	<b>427,139</b>	<b>490,897</b>

## INVESTMENT OPERATIONS

Changes in intangible fixed assets	- 7,529	- 2,152
Changes in tangible fixed assets	- 417,616	- 387,096
<b>Cash flow from investment operations</b>	<b>- 425,145</b>	<b>- 389,248</b>

## FINANCING OPERATIONS

Subordinated loan	- 1,996	- 101,645
<b>Cash flow from financing operations</b>	<b>- 1,996</b>	<b>- 101,645</b>
Cash flow for the period	- 2	4
Cash and cash equivalents, January 1	12	11
Cash flow from ongoing operations	427,139	490,897
Cash flow from investment operations	- 425,145	- 389,248
Cash flow from financing operations	- 1,996	- 101,645
<b>Cash and cash equivalents at the end of the period</b>	<b>10</b>	<b>15</b>

## CHANGES IN SHAREHOLDERS' EQUITY

### Note 1 GROUP

<b>Amounts in SEK 000s</b>	<b>Share capital</b>	<b>Other capital contributed</b>	<b>Retained earnings</b>	<b>Total equity</b>
Equity, December 31, 2005	100,000	1,232	1,964,720	2,065,952
Effects of transition to IFRS IAS 39 Financial instruments			- 727	- 727
<b>Equity, January 1, 2006, after adjustments</b>	<b>100,000</b>	<b>1,232</b>	<b>1,963,993</b>	<b>2,065,225</b>
Changes in equity of associated companies		872	- 872	0
Net profit for the year			216,857	216,857
<b>Total changes before transactions with the owners</b>	<b>100,000</b>	<b>2,104</b>	<b>2,179,978</b>	<b>2,282,082</b>
Dividend			- 28,200	- 28,200
<b>Equity, December 31, 2006</b>	<b>100,000</b>	<b>2,104</b>	<b>2,151,778</b>	<b>2,253,882</b>
Profit for the period before taxes			78,998	78,998
<b>Equity, March 31, 2007</b>	<b>100,000</b>	<b>2,104</b>	<b>2,230,776</b>	<b>2,332,880</b>

### PARENT COMPANY

	<b>Restricted equity</b>		<b>Retained earnings</b>	<b>Total equity</b>
	<b>Share capital</b>	<b>Restricted reserves</b>	<b>earnings</b>	<b>equity</b>
Equity, December 31, 2005	100,000	20,000	63,242	183,242
Effects of transition to IFRS IAS 39 Financial instruments			- 727	- 727
<b>Equity, January 1, 2006, after adjustments</b>	<b>100,000</b>	<b>20,000</b>	<b>62,515</b>	<b>182,515</b>
Group contribution received			62,465	62,465
Tax attributable to Group contribution received			- 17,490	- 17,490
<b>Total changes in net wealth reported directly against equity</b>	<b>0</b>	<b>0</b>	<b>44,975</b>	<b>44,975</b>
Net profit for the year			50,770	50,770
<b>Total changes before transactions with the owners</b>	<b>100,000</b>	<b>20,000</b>	<b>158,260</b>	<b>278,260</b>
Dividend			- 28,200	- 28,200
<b>Equity, December 31, 2006</b>	<b>100,000</b>	<b>20,000</b>	<b>130,160</b>	<b>250,060</b>
Profit for the period before taxes			53,751	53,751
<b>Equity, March 31, 2007</b>	<b>100,000</b>	<b>20,000</b>	<b>183,811</b>	<b>303,811</b>

## ACCOUNTING PRINCIPLES

From 2007, Volvofinans applies IFRS (International Financial Reporting Standards), as endorsed by the EU. This interim report was prepared in accordance with IAS 34. All comparative figures are restated in accordance with IFRS. The main difference is that derivative instruments are reported at market value. Volvofinans applies hedge accounting for fixed interest borrowing swapped for floating interest. This means that the hedged instrument is recognized at fair value, taking into account the risk that is hedged. The new regulations entail a slight change in the appearance of the balance sheet and income statement. Derivative instruments are divided up into positive and negative market values and are reported in a

gross amount in the balance sheet. The same applies for accrued interest on swaps.

The income statement becomes somewhat more volatile and a new item, net income from financial transactions, shows value changes driven by fluctuations in exchange rates and market rates pertaining to our borrowing and related derivative instruments. Consequently, the new valuation principles resulted in a negative effect of SEK 1 million on profit brought forward at Dec. 31, 2005, and a positive effect of SEK 0.7 million at Mar. 31, 2006. Accordingly, there was a positive change in income for the first quarter of 2006 of SEK 1.7 million. At Dec. 31, 2006, the positive effect was SEK 0.6 million compared with the earlier-reported profit brought forward. All

amounts referred to are stated before taxes. The balance-sheet total increased by SEK 23.3 million at Dec. 31, 2005 and the corresponding figure for Dec. 31, 2006 was a decrease of SEK 14.5 million.

The amended regulations also affected the classification of interest expenses in the income statement. For the first quarter of 2006, SEK 1.7 million was reclassified from provision expenses to interest expenses. This pertained to fees in connection with market borrowing.

No significant events have taken place after the end of the reporting period.

## BRIDGE BALANCE SHEET

GROUP

<u>Amounts in SEK T</u>	<u>2006 January 1</u>	<u>Effects of IAS 39</u>	<u>2005 December 31</u>
Lending, incl. leasing objects	24,597,980	0	24,597,980
Lending, Group companies	-	-	-
Other assets*	682,408	23,315	659,092
<b>Total assets</b>	<b>25,280,387</b>	<b>23,315</b>	<b>25,257,072</b>
Borrowing	20,406,626	17,448	20,389,178
Other liabilities*	1,211,430	947	1,210,482
Subordinated loan	669,929	5,929	664,000
Deferred tax	727,177	- 283	727,459
Shareholders' equity	2,194,842	0	2,194,842
<b>Profit brought forward</b>	<b>70,383</b>	<b>- 727</b>	<b>71,110</b>
<b>Total liabilities and equity</b>	<b>25,280,387</b>	<b>23,315</b>	<b>25,257,072</b>

\* of which, derivative instruments with positive and negative market values, respectively

	<u>2006 January 1</u>
Derivative instruments with positive market values	41,986
Derivative instruments with negative market values	- 14,957

**VOLVOFINANS**

**VOLVOFINANS**

AB Volvofinans (publ), Reg.No. 556069-0967  
Bohusgatan 15, Box 198, SE-401 23 Göteborg, Sweden  
Telephone +46 31 83 88 00 • Fax +46 31 16 26 32  
[www.volvofinans.se](http://www.volvofinans.se)