

**INTERIM REPORT**

**AB Volvofinans (publ)**  
**Corp. Reg. No: 556069-0967**

January 1 – September 30, 2006

**VOLUMES**

Sales of new cars in Sweden increased by 5% compared with the year-earlier period. A total of 209,800 cars (199,800) were registered. The share of Volvo and Renault registrations was 23.3% or 48,800 cars (47,000).

Truck sales amounted to 4,124 vehicles (3,811) and Volvo's shares amounted to 46% (45). Current order situation indicates an annual volume of 5,600 vehicles, compared with 5,432 the year-earlier.

**LENDING**

Lending amounted to SEK 23.7 billion (23.4), an increase of SEK 0.3 billion, or 1%, compared with the year-earlier period. Trucks share declined by SEK 0.3 billion and amounted to SEK 3.7 billion (4.0), which is 15% (17) of total lending. The reduction within Trucks was attributable to Volvo-owned dealership Volvo Truck Center now financing its operations internally through AB Volvo.

**INCOME**

Consolidated income before credit losses amounted to SEK 221.9 million (199.8), an increase of 11%, compared with the year-earlier period. Income improvements were due to somewhat higher operating margins.

Income for the period before appropriations and taxes amounted to SEK 216.2 million (188.6), an increase of 15% compared with the year-earlier period. Return on shareholders' equity was 10.19% (9.62).

**CREDIT LOSSES/RISK PROVISIONS**

The confirmed credit losses amounted to SEK 5.6 million (5.8), and pertain entirely to the credit card operations. The main portion of lending (91%) refers to our sales financing in which Volvo dealers carry the credit risks, which is why, as in preceding years, this part does not show any credit losses.

Group-based risk provisions increased marginally. At the reporting date, provisions amounted to SEK 110.8 million. At year end they amounted to SEK 110.6 million.

Problem credits amounted to SEK 62.0 million (47.5), which only pertain to credit card operations.

**CAPITAL PROCUREMENT**

Total short- and long-term market borrowing on September 30 amounted to SEK 12.9 billion and unutilized bank credit facilities amounted to SEK 10.8 billion.

**RATING**

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

Short-term financing: P-2  
Long-term financing: A3

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

Following Moody's decision to review Volvofinans's credit rating, the rating institute confirmed on October 12 our rating for long-term financing, A3. Moody's decision was based on Volvo's leading position in the Swedish market for vehicle financing and the diversified results generated throughout the Group.

*Copies of this report and other supplementary information may be ordered at: Tel: +46 (0)31-83 88 62, or our web site, [www.volvofinans.se](http://www.volvofinans.se)*

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

## INCOME STATEMENT

Amounts in SEK 000s	2006 Jan - Sep	Group 2005 Jan - Sep	2006 Jan - Sep	Parent Company 2005 Jan - Sep
Interest income	471,922	445,556	406,231	375,792
Leasing income	1,659,019	1,680,822	1,659,019	1,680,822
Interest expense	- 396,101	- 385,435	- 391,603	- 381,373
Dividends received	56	15	56	15
Commission income	190,686	187,100	58,117	54,365
Commission expense	- 18,176	- 17,900	- 14,591	- 14,323
<b>Total operating income</b>	<b>1,907,406</b>	<b>1,910,158</b>	<b>1,717,229</b>	<b>1,715,298</b>
General administrative expenses	168,280	156,784	58,097	50,938
Depreciation of tangible Fixed assets	1,488,130	1,524,822	1,486,016	1,522,864
Other operating expenses	29,069	28,802	7,380	8,040
<b>Total operating expenses</b>	<b>1,685,479</b>	<b>1,710,408</b>	<b>1,551,493</b>	<b>1,581,842</b>
<b>Income before credit losses</b>	<b>221,927</b>	<b>199,750</b>	<b>165,736</b>	<b>133,456</b>
Credit losses, net	- 5,729	- 11,110	8,138	2,986
<b>Income before appropriations And taxes</b>	<b>216,198</b>	<b>188,640</b>	<b>173,874</b>	<b>136,442</b>
Appropriations	-	-	- 141,999	- 107,067
Estimated tax	- 60,535	- 52,819	- 8,925	- 8,225
<b>Net income</b>	<b>155,663</b>	<b>135,821</b>	<b>22,950</b>	<b>21,150</b>

## BALANCE SHEET

Amounts in SEK 000s	2006 30 Sep	Group 2005 30 Sep	2006 30 Sep	Parent Company 2005 30 Sep
Lending, credit institutions	1,578	91,702	1,578	91,702
Lending, general public	23,708,043	23,447,774	22,032,872	21,873,986
Lending, Group companies	-	-	885,039	793,806
Other assets	659,722	634,732	826,067	780,063
<b>Total assets</b>	<b>24,369,343</b>	<b>24,174,209</b>	<b>23,745,556</b>	<b>23,539,557</b>
Borrowing	19,339,958	19,321,656	19,155,378	19,163,024
Other liabilities	1,387,977	1,114,345	1,003,193	701,401
Subordinated loan	460,000	791,800	460,000	791,800
Deferred tax	727,459	675,519	727,459	675,519
Guarantee fund loan	200,000	200,000	200,000	200,000
Shareholders' equity *	2,037,751	1,882,247	2,025,652	1,871,371
<b>Income before appropriations and taxes</b>	<b>216,198</b>	<b>188,640</b>	<b>173,874</b>	<b>136,442</b>
<b>Total liabilities and shareholders' equity</b>	<b>24,369,343</b>	<b>24,174,209</b>	<b>23,745,556</b>	<b>23,539,557</b>

\* includes 72% of untaxed reserves

## KEY RATIOS

Group	2006 Jan - Sep	2005 Jan - Sep	2005 Full year
Return on shareholders' equity, %	10.19	9.62	9.74
Risk capital/total assets, %	14.94	15.46	14.36
Capital adequacy, %	10.54	11.13	10.73
Tier 1 ratio, %	9.26	8.73	8.96
Loan losses as a percentage of lending, %	0.03	0.06	0.03
I/C ratio	2.03	1.94	1.97
I/C ratio excluding loan losses	2.09	2.06	2.04

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