

INTERIM REPORT

AB Volvofinans (publ)
Corp. reg. no. 556069-0967

January 1 - June 30, 2006

OWNERSHIP/OPERATIONS

Volvofinans is 50% owned by Ford Credit International, USA, a subsidiary of Ford Motor Company.

The remaining 50% is owned since the company was founded in 1959 by the Swedish Volvo dealerships through their holding company, AB Volverkinvest.

Volvofinans' primary task is to support sales of Volvo and Renault products in the Swedish market. Operations include financing of cars, trucks and buses sold through the Swedish Volvo dealerships.

AB Volvofinans and the subsidiary, Volvofinans Konto AB, are authorized credit market companies under the supervision of the Swedish Finansinspektionen (Financial Supervisory Authority).

Volvofinans Konto AB conducts credit card operations and administers and markets mainly

the Swedish Volvo dealerships' charge and benefits card – the Volvo Card.

VOLUMES/LENDING

Sales of new cars in Sweden during the first six months of 2006 rose compared with the corresponding period a year earlier. A total of 144,200 cars (137,200) were registered. The share of Volvo and Renault registrations was 35,200 (34,000). The total Volvo and Renault market share was 24.4% (24.8).

The market for trucks (>7 tons) rose 12% compared with a year earlier and a total of 3,000 trucks (2,700), of which 1,400 Volvo, was registered. Volvo's market share was about 47% (45), making Volvo the dominant player on the Swedish truck market for heavy vehicles. Volvofinans' successful launch of the Swedish Volvo dealerships' Truck Card proceeded as planned. During the first half of the year, goods and services were sold for about SEK 150 million through the slightly more than 16,000 cards.

At mid-year, the portfolio of loan and leasing agreements amounted to 214,700 contracts (218,300). Truck and bus contracts in the portfolio amounted to 9,500 (10,100), which is slightly less than 5%.

Nearly half, or 47.1% (49.7), of all car transactions, new and used, within the Swedish Volvo dealerships generate a financial contract with Volvofinans. The new-car penetration is 51.1% and used-car penetration is 42.6%.

Volvofinans finances the Swedish Volvo dealerships' truck sales, excluding sales through the AB Volvo owned Volvo Truck Center. This share amounts to 63% of the Volvo market and the financing share was 51%.

The Volvo Card continued to expand and is developing positively, which resulted in increased card and lending volumes. Lending rose by 4% compared with a year earlier. The number of cards used actively for purchasing is one half million each month and goods and services were consumed totaling about

SEK 4.5 billion during the first half of the year with the Volvo Card.

The number of corporate customers using Svensk Vagnparksfinans to handle fleet administration is at a stable high level. A mid-year, 31,200 (29,900) cars were being administered, including cost follow-up.

The Group's lending volume at June 30, 2006 was SEK 23.8 billion compared with SEK 24.2 billion a year earlier.

Trucks and buses accounted for SEK 3.8 billion (4,2) of lending, corresponding to 16% of total lending.

INCOME

Consolidated income before credit losses rose 6% to SEK 142.2 million (133.9). The higher earnings are attributable to somewhat higher operating margins despite intense competition.

Income for the period before appropriations and taxes increased by 10% to SEK 138.2 million (125.5). Earnings were affected by the risk provisions made continually as a result of increased lending volumes. The increase in reserves occurred within the credit card operations.

CREDIT RISKS AND LOAN LOSSES

The confirmed customer losses, which mainly pertain to the credit card operations, increased somewhat as a consequence of increased business volumes. However, loss levels continued to be at a comparatively very low level. The reversed losses pertain mainly to proceeds from sold losses previously written-off. Risk provisions for contract and credit card portfolios are carried out in accordance with group-based valuation.

The Group's credit risk remains very low since most of the credit risks and residual value risks are carried by the Volvo dealers.

The Group's problem credits pertain solely to credit card receivables. Provisions are made for these in full and amounted at mid-year to SEK 60.0 million (45.7). The number of customers referred to debt collection agencies is 7,600 (6,500). The increase in problem credits is due to a rise in the average debt, among other reasons due to higher fuel prices and the customer's possibility to extend the credit period. There are no credits in which interest concessions were agreed and no property pledged to secure receivables was taken over. Credit losses are shown in the table below.

Amount in SEK 000s	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Incurring loan losses				
Incurring loan losses	- 4,626	-4,747	-	-65
Losses recovered	<u>820</u>	<u>888</u>	<u>16</u>	<u>47</u>
	- 3,806	-3,859	16	-18
Credit risk provisions				
Provisions for possible loan losses	<u>- 217</u>	<u>-4,575</u>	<u>5,128</u>	<u>1,150</u>
Loan losses, net	- 4,023	-8,434	5,144	1,132

CAPITAL PROCUREMENT

The Volvofinans Group's main capital procurement is through three market programs with a total limit of SEK 29.6 billion and bank borrowing.

Volvofinans' Nordic commercial paper program of SEK 15 billion provides the possibility in addition to SEK to also issue in NOK, DKK and EUR. The program is arranged through SEB, which is the lead bank, Handelsbanken, FöreningsSparbanken, Nordea and Danske Bank. For borrowing in the European money market, we utilize our European commercial paper program with a limit value of EUR 500 million. The program is led by SEB, with Handelsbanken and CSFB as additional arranging banks.

Our MTN program for SEK 10.0 billion is used for long-term borrowing in which issues are arranged by the Swedish commercial banks and Danske Bank, with Handelsbanken as lead bank.

Short-term market borrowing, with a remained maturity of less than one year, is always covered using bank credit facilities. SEK 8.2 billion of the SEK 10.8 billion in bank facilities Volvofinans had at mid-year was bilateral with the core banks with which we cooperate and SEK 2.6 billion syndicated credit facilities. SEK 0.4 billion of the SEK 10.8 billion was utilized at mid-year.

Market borrowing through the three programs amounted at the same date to SEK 12.1 billion. Of total capital procurement, 60% was long-term borrowing.

RATING

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

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

On June 9, Moody's announced that Volvofinans would be reviewed for a possible downgrade of its long-term credit rating. The rating institute concedes that Volvofinans' operations are successful, but want to determine whether the performance of our half-owner, Ford Motor Company, could result in any negative impact on Volvofinans over the long term. The review is scheduled to be completed within three months.

Detailed analyses from Moody's Investor Service are provided at www.volvofinans.se.

CAPITAL ADEQUACY

The Group's capital base at June 30 amounted to SEK 2,652 million (2,700), of which SEK 2,238 million (2,082) was core capital. Capital adequacy was 10.90% (11.00). At year-end, the Group's capital adequacy was 10.73%.

Capital adequacy for the Parent Company at mid-year amounted to 11.70% (11.77) and at year-end to 11.46%.

The Group's Tier 1 capital ratio was 9.20% (8.48) at June 30 and 8.96% at year-end.

Göteborg, August 2006



Bert Björn
President and Chief Executive Officer

This interim report was prepared in accordance with the guidelines issued by the Swedish Financial Supervisory Authority.

The report is prepared in accordance with the Act on Annual Accounts of Credit Institutions and Securities Companies.

This report is unaudited.

The income statements and balance sheets and other supplementary information can be ordered by telephone at +46-31-838862, or via the website, www.volvofinans.se.

If you have any questions, please contact our President and CEO Bert Björn, +46-31-838800.

INCOME STATEMENT

Amounts in SEK 000s	2006	Group	2006	Parent Company
	Jan - June	2005 Jan - June	Jan - June	2005 Jan - June
Interest income	305,118	308,881	261,009	262,449
Leasing income	1,088,983	1,119,716	1,088,983	1,119,715
Interest expense	- 250,024	- 268,496	- 247,037	- 265,696
Net interest income	1,144,077	1,160,101	1,102,955	1,116,468
Dividends received	56	15	56	15
Commission income	126,423	124,521	38,575	36,503
Commission expense	- 10,444	- 12,575	- 8,061	- 9,978
Total operating income	1,260,112	1,272,062	1,133,525	1,143,008
General administrative expense	- 116,874	- 108,292	- 41,228	- 35,223
Depreciation of tangible fixed assets	- 982,512	- 1,010,728	- 981,136	- 1,009,551
Other operating expenses	- 18,490	- 19,141	- 6,172	- 5,951
Total operating expenses	- 1,117,876	- 1,138,161	- 1,028,536	- 1,050,725
Income before credit losses	142,236	133,901	104,989	92,283
Net credit losses	- 4,023	- 8,434	5,144	1,132
Income before appropriations and tax	138,213	125,467	110,133	93,415
Appropriations	-	-	- 88,883	- 73,832
Estimated tax	- 38,700	- 35,131	- 5,950	- 5,483
Net profit	99,513	90,336	15,300	14,100

DEFINITIONS

Return on equity:

Income for the period after deductions for standard tax divided by opening adjusted shareholders' equity.

Risk capital:

Shareholders' equity, guarantee fund loans, subordinated debentures and tax liability of untaxed reserves.

I/E ratio

Operating income in relation to operating expense.

BALANCE SHEET

Amounts in SEK 000s	2006	Group	2006	Parent Company
	June 30	2005 June 30	June 30	2005 June 30
Lending to credit institutions	29,466	77,145	29,466	77,145
Lending to the public	23,799,462	24,191,148	22,121,432	22,580,220
Lending to Group companies	-	-	886,225	862,099
Other assets	754,988	649,242	911,347	761,387
Total assets	24,583,916	24,917,535	23,948,470	24,280,851
Borrowing	19,417,606	19,817,392	19,235,552	19,659,416
Other liabilities	1,498,887	1,379,110	1,085,674	943,330
Subordinated debentures	564,000	837,800	564,000	837,800
Deferred tax	727,459	675,519	727,459	675,519
Guarantee fund loans	200,000	200,000	200,000	200,000
Shareholders' equity *	2,037,751	1,882,247	2,025,652	1,871,371
Income before appropriations and tax	138,213	125,467	110,133	93,415
Total liabilities and shareholders' equity	24,583,916	24,917,535	23,948,470	24,280,851

* including 72% of untaxed reserves

KEY RATIOS

Group	2006	2005	2005
	Jan - June	Jan - June	Full year
Return on equity %	9.77	9.60	9.74
Risk capital/Balance-sheet total %	14.92	14.93	14.36
Capital adequacy %	10.90	11.00	10.73
Primary capital %	9.20	8.48	8.96
Credit losses/Ø lending %	0.03	0.07	0.03
I/E ratio	1.97	1.91	1.97
I/E ratio excl. credit losses	2.03	2.04	2.04

VOLVOFINANS

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