

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

January 1 - June 30 2004

OWNERSHIP/OPERATIONS

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

Since the formation of the company in 1959, the remaining 50% is owned by the Swedish Volvo dealers through their holding company AB Volverkinvest.

The main task of Volvofinans is to support sales of Volvo and Renault products in the Swedish market. The operations include financing of cars, as well as trucks and buses, sold through Swedish Volvo dealership.

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

Volvofinans Konto AB conducts credit-card operations and manages and markets, primarily,

Volvo's retail loyalty card – the Volvo Card (Volvokortet).

VOLUMES/LENDING TO THE PUBLIC

New car sales in Sweden during the first six months of 2004 declined by 3%, compared with the corresponding period in the preceding year. A total of 133,300 cars were registered (137,400). Volvo and Renault registrations increased to 34,182 (33,949). Volvo and Renault's market share amounted to SEK 25.6% (24.7).

The market for heavy trucks (> 7 tons) decreased by 5% compared with a year earlier and a total of 2,500 trucks (2,650) were registered. Volvo's market share was slightly more than 48% (52.4), which means the company remains the dominant player in the Swedish heavy trucks market. The successful launch by Volvofinans of the Volvo Truck Card is continuing according to plan.

At mid-year, the contract stock amounted to 219,413 contracts (221,107), a 1% decrease. The truck and

bus share of the contract stock amounts to 10,279 contracts (10,282), or about 5%. Nearly half (49.8%) of all passenger cars, new and used, sold through Volvo dealerships in Sweden generate a financial contract with Volvofinans.

Volvofinans financed approximately 54% of all new truck deals during the first half of the year, a continued high and stable level.

The Volvo Card continued to expand and develop positively, resulting in increased card and lending volumes. Lending rose 12% compared with the year-earlier period. The number of cards used actively for purchases exceeds half a million each month and the total volume of purchases with the Volvo card slightly exceeded SEK 4 billion during the first half of the year.

The number of corporate customers for which Svensk Vagnparksfinans handles fleet management continues to rise. At mid-year, 30,059 (28,887) cars were under management with cost control, an increase of 4%.

The Group's lending volume at mid-year amounted to SEK 24.3 billion, up 2% compared with SEK 23.9 billion a year earlier.

The truck and bus share of lending amounts to SEK 4.4 billion, or about 18%.

INCOME

Income of the Volvofinans Group before appropriations and taxes amounted to SEK 119.8 M (114.7), which was SEK 5.1 M or 4% higher than in the year-earlier period.

The higher income is mainly attributable to improved income from card and corporate customers operations, as well as to the reversal of risk provisions, which was made possible by Volvofinans's extremely low credit risk.

Income from operations including net leasing rose by 2%, while overheads rose by 4%.

CREDIT RISKS AND CREDIT LOSSES

The losses incurred on receivables pertaining to the credit card operations declined by SEK 0.1 M compared with the year-earlier period. The losses recovered are attributable mainly to payments received for receivables sold that were previously written-off as losses, and are on the same level as in the preceding year.

Risk provisions related to contract and credit card stocks are made in accordance with group-based valuation. A certain reversal of reserves has taken place to better reflect the low credit risk the company has, since most of the credit risk and residual risk is borne by the dealers.

The Group's nonperforming loans pertain solely to credit card receivables. These are covered in their entirety by provisions and amounted to SEK 34.0 M (31.0) at June 30, 2004. There are no loans for which an interest deferment or concession has been granted and no assets taken over for the protection of claims. Loan losses are presented in the following table:

Amount in SEK 000s	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Incurring loan losses				
Incurring loan losses	-3,895	-4,008	-	-
Losses recovered	<u>694</u>	<u>762</u>	<u>51</u>	<u>31</u>
	-3,201	-3,246	51	31
Credit risk provisions				
Provisions for possible loan losses	5,718	6,021	7,921	7,081
Reversal of provisions no longer required	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	5,718	6,021	7,921	7,081
Loan losses, net	2,517	2,775	7,972	7,112

CAPITAL PROCUREMENT

The Volvofinans Group's main funding is from three money market programs totaling SEK 25.6 billion, as well as from bilateral bank loans. Short-term borrowing in the market for periods of less than one year must at all times be covered by unutilized credit facilities with banks.

Volvofinans's Nordic Commercial Paper program of SEK 15.0 billion provides the possibility for issues in NOK, DKK and EUR, in addition to SEK. The program is sold through SEB, the lead manager, Handelsbanken, FöreningsSparbanken, Nordea and Danske Bank.

The Volvofinans MTN program of SEK 6 billion is sold through the same banks, with the exception that Handelsbanken is the lead manager.

SEK 8.9 billion of the SEK 14.8 billion in credit facilities with banks that Volvofinans had at June 30, 2004 pertained to bilateral loans with the core banks with which we cooperate an SEK 5.9 billion to syndicated credit facilities. SEK 0.2 billion of this SEK 14.8 billion had been utilized at June 30, 2004.

At the same date, the company's market borrowing via its three programs amounted to SEK 14.3 billion.

RATING

In August 2003, Moody's Investor Service published credit ratings for Volvofinans for the first time. The ratings were "A3" for long-term financing and "P-2" for short-term financing. According to Moody's, the outlook for the long rating is "Negative" while the short-term rating has a "Stable" outlook.

Since June 2001, Volvofinans has had an international credit rating from Standard & Poor's for its long-term borrowing. Up to November 2003, Standard & Poor's elected to connect Volvofinans's rating to that of Ford Motor Company. On November 18, 2003 Standard & Poor's announced that it had decided not to fully link Volvofinans' rating to Ford's rating any longer. Accordingly, Volvofinans's rating was not downgraded one level, like Ford's, but remained at "BBB" for long-term financing and at "A-2" for short-term financing. At the same time, the outlook was changed to "Stable" from "Negative."

Since 1988, Volvofinans has received a short-term domestic rating from Standard & Poor's for borrowing in the Swedish commercial paper market, where it has had a rating of "K-2" since October 2002.

Detailed analyses from the rating institutions are provided on the company's website:
www.volvofinans.se.

CAPITAL ADEQUACY

The Group's capital base at June 30, 2004 amounted to SEK 2,634 M (2,562), of which SEK 1,927 M (1,785) is primary capital. The capital adequacy ratio was 10.72% (10.56). The Group's capital adequacy at year-end 2003 was 11.06%.

The capital adequacy for the Parent Company at mid-year was 11.53% (11.27) and 11.75% at year-end 2003.

At June 30, 2004, the Group's primary capital adequacy ratio was 7.84% (7.36). The ratio at year-end 2003 was 7.94%.

Göteborg, August 2004



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, +46-31-838812.

INCOME STATEMENT

Amounts in SEK 000s	2004	Group	2004	Parent Company
	Jan - June	2003 Jan - June	Jan - June	2003 Jan - June
Interest income	324,707	405,082	283,427	371,026
Leasing income	1,151,891	1,218,406	1,151,891	1,218,406
<u>Interest expense</u>	<u>- 322,152</u>	<u>- 454,638</u>	<u>- 319,120</u>	<u>- 451,036</u>
Net interest income	1,154,446	1,168,850	1,116,198	1,138,396
Commission income	121,242	113,882	35,973	34,020
<u>Commission expense</u>	<u>- 14,202</u>	<u>- 14,782</u>	<u>- 11,179</u>	<u>- 12,085</u>
Total operating income	1,261,486	1,267,950	1,140,992	1,160,331
General administrative expense	- 102,626	- 97,998	- 34,780	- 34,374
Depreciation of tangible fixed assets	- 1,022,609	- 1,039,241	- 1,021,332	- 1,037,940
<u>Other operating expenses</u>	<u>- 18,964</u>	<u>- 18,764</u>	<u>- 5,114</u>	<u>- 5,454</u>
Total operating expenses	- 1,144,199	- 1,156,003	- 1,061,226	- 1,077,768
Income before credit losses	117,287	111,947	79,766	82,563
<u>Net credit losses</u>	<u>2,517</u>	<u>2,775</u>	<u>7,972</u>	<u>7,112</u>
Income before appropriations and tax	119,804	114,722	87,738	89,675
Appropriations	-	-	- 70,710	- 73,286
<u>Estimated tax</u>	<u>- 33,545</u>	<u>- 32,122</u>	<u>- 4,128</u>	<u>- 4,589</u>
Net profit	86,259	82,600	12,900	11,800

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	2004	Group	2004	Parent Company
	June 30	2003 June 30	June 30	2003 June 30
Lending to credit institutions	143,022	1,063,156	143,022	1,063,158
Lending to the public	24,327,106	23,889,622	22,616,989	22,363,692
Lending to Group companies	-	-	846,565	678,109
<u>Other assets</u>	<u>542,640</u>	<u>494,773</u>	<u>651,943</u>	<u>567,055</u>
Total assets	25,012,768	25,447,551	24,258,519	24,672,014
Borrowing	19,730,575	20,204,943	19,598,061	20,077,012
Other liabilities	1,643,835	1,805,489	1,065,042	1,193,800
Subordinated debentures	976,800	976,800	976,800	976,800
Deferred tax	615,036	560,114	615,036	560,114
Guarantee fund loans	200,000	200,000	200,000	200,000
Shareholders' equity *	1,726,718	1,585,483	1,715,842	1,574,613
Income before appropriations and tax	119,804	114,722	87,738	89,675
Total liabilities and shareholders' equity	25,012,768	25,447,551	24,258,519	24,672,014

* including 72% of untaxed reserves

KEY RATIOS

Group	2004	2003	2003
	Jan - June	Jan - June	Full year
Return on equity %	9.99	10.42	10.42
Risk capital/Balance-sheet total %	14.55	13.51	14.09
Capital adequacy %	10.72	10.56	11.06
Primary capital %	7.84	7.36	7.94
Credit losses/ø lending %	-	-	-
I/E ratio	1.98	1.98	1.97
I/E ratio excl. credit losses	1.94	1.93	1.91

VOLVOFINANS

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