

## INTERIM REPORT

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

January 1 - September 30, 2003

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### **Car sales**

New car sales in Sweden increased by 3.8%, compared with the corresponding period in the preceding year. A total of 195,075 cars were registered (187,995). Volvo and Renault's market share amounted to SEK 24.1% or 46,925 cars (48,945).

Truck sales amounted to 3,469 units (3,054) and Volvo's market share totaled 51% (44). The current order bookings indicate an annual volume of 4,900 units, compared with 4,700 in 2002.

### **Lending**

Lending amounted to SEK 23.5 billion (22.8), an increase of SEK 0.7 billion or 3%, compared with the year-earlier period. The truck share of lending amounted to SEK 4.5 billion (4.3), which is 19% (20) of the total lending volume.

### **Income**

Income before appropriations and taxes amounted to SEK 178.0 M (185.0), a decline of 4% compared with

the year-earlier period. The return on shareholders' equity was 10.78% (12.33). The somewhat lower result was attributable to the fact that the higher borrowing cost resulting from the rating downgrade in October 2002 was not fully offset by the company's pricing. In addition, the interest-rate decline, which resulted in the historically low level of interest rates, also impacted earnings adversely.

### **Credit losses / Risk provisions**

Credit losses amounted to SEK 5.0 M (5.0) and are fully attributable to credit-card operations. Most of the lending (92%) pertains to our sales-financing, whereby Volvo dealers bear the entire credit risk, which is why, as in earlier years, no loan losses are reported for these operations.

Provisions to the Group-based risk reserves declined as a result of a changed percentage rate. At the time of reporting, reserves totaled SEK 130.0 M. At the beginning of the year, these amounted to SEK 141.8 M. Problem credits totaled SEK 31.0 M (28.5), which only pertains to credit-card operations.

### **Capital procurement**

At September 30, 2003, the company's borrowing on the market amounted to SEK 20.7 billion and unutilized credit facilities totaled SEK 14.6 billion.

Most of the borrowing is through our certificate program and MTN program, with an outstanding volume of SEK 13.9 billion at September 30. During the quarter, we initiated issues of certificates in Finland and raised a syndicated loan of EUR 50 M, with European banks as the lenders.

### **Rating**

In August, Moody's published its rating for Volvofinans, with A3 for long-term financing and P-2 for short-term.

Standard & Poor's has chosen to link Volvofinans' rating to Ford Credit. This means a rating of BBB for long-term financing and A-2 for short-term.

On October 21, Ford was added to the credit-watch "BBB/Watch Neg/A-2." Standard & Poor's measures

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also affected Volvofinans on October 22, as a result of the Ford connection. This action was taken although no negative events occurred; on the contrary, Volvofinans' operations remain stable.

## **New Chairman and President**

In September, Urmas Kruusval was appointed as new Chairman and the previous CFO for the company, Bert Björn, as the new President.

Additional copies of this report as well as supplemental information may be ordered by telephone, +46 31 83 88 62, or at our website, [www.volvofinans.se](http://www.volvofinans.se).

If any questions, contact our President Bert Björn, +46 31 83 88 12.

This report is unaudited.

## CONCOLIDATED STATEMENT OF INCOME

Amount in SEK T	Group		Parent Company	
	2003 Jan - Sept	2002 Jan - Sept	2003 Jan - Sept	2002 Jan - Sept
Interest income	579,122	821,111	527,057	778,509
Leasing income	1,832,728	1,673,765	1,832,728	1,673,765
Interest expenses	- 643,647	- 880,737	- 638,455	- 875,642
Commission income	174,101	163,849	51,991	49,335
Commission expenses	- 23,173	- 18,655	- 18,981	- 14,537
<b>Total operating income</b>	<b>1,919,131</b>	<b>1,759,333</b>	<b>1,754,340</b>	<b>1,611,430</b>
General administrative expenses	143,413	133,969	48,625	49,378
Depreciation of tangible assets	1,574,797	1,404,472	1,572,874	1,402,654
Other operating expenses	29,623	28,319	8,815	9,717
<b>Total operating expenses</b>	<b>1,747,833</b>	<b>1,566,760</b>	<b>1,630,314</b>	<b>1,461,749</b>
<b>Income before credit losses</b>	<b>171,298</b>	<b>192,573</b>	<b>124,026</b>	<b>149,681</b>
Credit losses, net	6,730	- 7,608	13,710	- 829
<b>Income before appropriations and tax</b>	<b>178,028</b>	<b>184,965</b>	<b>137,736</b>	<b>148,852</b>
Appropriations	-	-	- 113,153	- 126,456
Estimated tax	- 49,848	- 51,790	- 6,883	- 6,271
<b>Net profit</b>	<b>128,180</b>	<b>133,175</b>	<b>17,700</b>	<b>16,125</b>

## CONCOLIDATED BALANCE SUMMARY

Amount in SEK T	Group		Parent Company	
	2003 Sept 30	2002 Sept 30	2003 Sept 30	2002 Sept 30
Lending, to credit institutions	291,216	397,049	291,216	397,049
Lending, to the public	23,479,255	22,832,968	21,979,283	21,374,862
Lending, Group companies	-	-	790,775	688,039
Other assets	385,363	504,279	487,058	594,861
<b>Total assets</b>	<b>24,155,834</b>	<b>23,734,296</b>	<b>23,548,332</b>	<b>23,054,811</b>
Borrowing	19,094,642	18,763,694	18,969,023	18,655,015
Other liabilities	1,560,767	1,614,434	1,130,046	1,090,607
Subordinated loan	976,800	1,026,800	976,800	1,026,800
Deferred tax	560,114	503,780	560,114	503,780
Guarantee fund	200,000	200,000	200,000	200,000
Shareholders' equity*	1,585,483	1,440,623	1,574,613	1,429,757
<b>Income before appropriations and taxes</b>	<b>178,028</b>	<b>184,965</b>	<b>137,736</b>	<b>148,852</b>
<b>Total liabilities and shareholders' equity</b>	<b>24,155,834</b>	<b>23,734,296</b>	<b>23,548,332</b>	<b>23,054,811</b>

\* 72% of untaxed reserves are included

## KEY RATIOS

Group	2003	2002	2002
	Jan - Sept	Jan - Sept	Jan - Dec
Return on shareholders' equity, %	10.78	12.33	11.56
Risk capital/total assets, %	14.49	14.14	13.70
Capital adequacy ratio, %	10.87	10.81	10.87
Primary capital relation, %	7.57	7.13	7.43
Loan losses as percentage of lending, %	-	0.04	0.05
I/C ratio	2.04	2.05	1.96
I/C ratio excluding loan losses	1.96	2.15	2.06

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