

INTERIM REPORT**VOLVOFINANS****Six months ended****June 30, 2003 for****AB VOLVOFINANS (PUBL), GÖTEBORG****Corp. reg. no. 556069-0967****and the****VOLVOFINANS GROUP**

OWNERSHIP/OPERATIONS

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

The remaining 50% is owned by the Swedish Volvo dealers through their holding company AB Volverkinvest.

The main task of Volvofinans remains the support of 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 operations.

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 half of 2003 increased by 6%, compared with the corresponding period in the preceding year. A total of 137,400 cars were registered (129,800). Volvo and Renault registrations increased marginally and amounted to 33,949 (33,899). Volvo and Renault's market share amounted to SEK 24.7% (26.1).

The market for heavy trucks (> 7 tons) increased by 23% compared with a year earlier and a total of 2,501 trucks (2,041) were registered. Volvo's market share was slightly more than 52.4% (41.3), which means the company remains a dominant player in the Swedish heavy trucks market. The successful launch by Volvofinans of the Volvo dealers' Truck Card is continuing according to plan.

The inflow of contracts to Volvofinans continues to increase. At June 30, 2003, the contract stock amounted to 221,107 contracts (216,938), a 2% increase. The truck and bus share of the contract stock amounts to 10,300 contracts (9,900), or about 5%.

Slightly more than half (49.5%) of all passenger cars, new and used, sold through Volvo dealerships in Sweden generate a financial contract with Volvofinans.

Volvofinans financed 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 2% 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 was slightly more than SEK 4 billion during the first half of the year. The Swedish Volvo dealers also successfully continued the launch of their own "Tanka" brand of fuel during the year.

The number of corporate customers for which Svensk Vagnparksfinans handles the fleet management continues to rise. At mid-year, 28,900 (26,400) cars were under management with cost control, an increase of 9.5%.

The Group's lending volume at June 30, 2003 amounted to SEK 23.9 billion, compared with SEK 23.3 billion in the preceding year, up 3%.

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 114.7 M (118.8), which was SEK 4.1 M or 3% lower than the year-earlier period.

The lower income is attributable to the somewhat higher cost of borrowing that impacted Volvofinans as a result of the rating downgrade of Ford and consequently of Volvofinans in October 2002. The higher lending cost has not been fully offset by the company's pricing. The interest-rate decline, which resulted in the historically low level of interest rates, also impacted income adversely.

Income from operations including net leasing declined by 3%, while overheads rose by 3%. This was partly offset by Volvofinans's extremely low credit risk, which enabled the company to make a certain adjustment in its risk reserves.

CREDIT RISKS AND CREDIT LOSSES

The losses incurred on receivables pertaining to the credit card operations declined by SEK 0.4 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 at June 30, 2003, to SEK 31.0 M (29.0). 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 T	2003	GRUOP 2002	PARENT COMPANY 2003	2002
Incurred loan losses				
Incurring loan losses	- 4,008	- 4,393	-	-
<u>Losses recovered</u>	<u>762</u>	<u>756</u>	<u>31</u>	<u>48</u>
	- 3,246	- 3,637	31	48
Credit risk provisions				
Provisions for possible loan losses	6,021	-1,592	7,081	- 478
Reversal of provisions <u>no longer required</u>	-	-	-	-
	6,021	-1,592	7,081	- 478
LOAN LOSSES, net	2,775	- 5,229	7,112	- 430

CAPITAL PROCUREMENT

The Volvofinans Group's main funding is from two domestic money market programs, with a limit totalling SEK 21.0 billion, and a Euro-Commercial Paper Program with a limit of EUR 500 million. The short-term borrowing on 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 6.0 billion is sold through the same banks, with the exception that Handelsbanken is the lead manager.

Of the SEK 14.8 billion in credit facilities with banks that Volvofinans had at June 30, 2003, SEK 8.4 billion pertained to bilateral loans with the core banks with which we cooperate and SEK 6.4 billion to syndicated credit facilities. Of this SEK 14.8 billion, SEK 0.5 billion had been utilized at June 30, 2003.

Also at June 30, 2003, the company's borrowing on the market via its three programs amounted to SEK 15.2 billion.

RATING

Volvofinans received the same international rating from Standard & Poor's as the Ford Group, which is BBB for the long term and A-2/K-2 for the short term.

Since 1988, Volvofinans has had a credit rating of K-1 for borrowing in the Swedish commercial paper market. In connection with the rating downgrade in October 2002, this domestic rating was also changed, to K-2.

In its press release, Standard & Poor's points out that the rating changes are not related to Volvofinans's performance, but are due entirely to that of the Ford Group.

CAPITAL ADEQUACY

The Group's capital base at June 30, 2003, amounted to SEK 2,562 M (2,487), of which SEK 1,785 M (1,641) is primary capital. The capital adequacy ratio was 10.56% (10.52). The Group's capital adequacy at year-end 2002 was 10.87%.

The capital adequacy for the Parent Company at June 30, 2003, was 11.27% (11.23) and 11.54% at year-end 2002.

At June 30, 2003, the Group's primary capital adequacy ratio was 7.36% (6.94). The ratio at year-end 2002 was 7.43%.

Göteborg, August 2003



Björn Ingemanson
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.

If any questions, please contact President Björn Ingemanson at telephone no, +46 31-838890 or Chief Financial Officer Bert Björn at +46 31-838812.

CONSOLIDATED STATEMENT OF INCOME

Amount in SEK T	2003	Group	2003	Parent Company
	Jan - June	2002 Jan - June	2002 Jan - June	2002 Jan - June
Interest income	405,082	458,317	371,026	431,204
Leasing income	1,218,406	1,098,830	1,218,406	1,098,830
Interest expense	- 454,638	- 491,763	- 451,036	- 488,377
Commission income	113,882	107,593	34,020	32,764
Commission expense	- 14,782	- 9,359	- 12,085	- 6,648
Total operating income	1,267,950	1,163,618	1,160,331	1,067,773
General administrative expense	- 97,998	- 94,337	- 34,374	- 35,074
Depreciation of tangible fixed assets	- 1,039,241	- 926,865	- 1,037,940	- 925,686
Other operating expense	- 18,764	- 18,364	- 5,454	- 6,384
Total operating expense	- 1,156,003	- 1,039,566	- 1,077,768	- 967,144
Income before credit losses	111,947	124,052	82,563	100,629
Net credit losses	2,775	- 5,229	7,112	- 430
Income before appropriations and tax	114,722	118,823	89,675	100,199
Appropriations	-	-	- 73,286	- 85,199
Estimated tax	- 32,122	- 33,270	- 4,589	- 4,200
Net profit	82,600	85,553	11,800	10,800

DEFINITIONS

Return on equity:

Income for the period excluding deduction for standard tax divided by opening adjusted shareholders' equity.

Risk capital:

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

I/E ratio:

Operating income in relation to operating expense.

CONSOLIDATED BALANCE SUMMARY

Amount in SEK T	2003	Group	2003	Parent Company
	June 30	2002 June 30	2002 June 30	2002 June 30
Lending to credit institutions	1,063,156	289,748	1,063,158	289,748
Lending to the public	23,889,622	23,257,359	22,363,692	21,767,253
Lending, Group companies	-	-	678,109	556,334
Other assets	494,773	677,568	567,055	762,206
Total assets	25,447,551	24,224,675	24,672,014	23,375,541
Borrowing	20,204,943	19,132,991	20,077,012	19,015,285
Other liabilities	1,805,489	1,801,657	1,193,800	1,099,719
Subordinated debentures	976,800	1,026,800	976,800	1,026,800
Deferred tax	560,114	503,781	560,114	503,781
Guarantee fund loans	200,000	200,000	200,000	200,000
Shareholders' equity*	1,585,483	1,440,623	1,574,613	1,429,757
Income before appropriations and tax	114,722	118,823	89,675	100,199
Total liabilities and shareholders' equity	25,447,551	24,224,675	24,672,014	23,375,541

* Guarantee fund and 72% of untaxed reserves are included

KEY RATIOS (GROUP)

Group	2003 Jan - June	2002 Jan - June	2002 Jan - Dec
Return on equity, %	10.42	11.88	11.56
Risk capital/Balance-sheet total, %	13.51	13.58	13.70
Capital adequacy ratio, %	10.56	10.52	10.87
Primary capital relation, %	7.36	6.94	7.43
Credit losses/Ø lending, %	-	0.05	0.05
I/E ratio	1.98	1.98	1.96
I/E ratio excluding credit losses	1.93	2.06	2.06

VOLVOFINANS

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