

YEAR-END REPORT

AB Volvofinans (publ)
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Volvofinans 2005**Volvofinans again reports all-time high**

Fiscal 2005 was yet another strong year for Volvofinans and the second consecutive year in which it was named "Best Finance Company" by the independent ISI Wissing. Group income was 254.7 MSEK, a new all-time high. Income before credit losses rose 23 MSEK (10%) and earnings capacity remains highly favorable.

The success is based on a close cooperation between Volvofinans and the Swedish Volvo dealerships, a 50% owner of Volvofinans. The other half is held by Ford Credit. The Volvo dealerships form a national network of dealers, 65 privately owned and two listed on the stock exchange, with a total of 200 sales outlets and slightly more than 250 service centers. In addition, the general agent, Volvo Personbilar Sverige AB, has ownership interests in four sales companies. The exchange-listed company Bilja AB owns the largest passenger car company and AB Volvo the largest truck company, Volvo Truck Center.

The operations in Volvofinans Konto (credit card) and the fleet business (company cars) contributed to earnings higher than budgeted, while vehicle financing (cars and trucks) contributed as planned.

The historically low interest rate, with a repo rate of 1.50% during the second half of 2005, put pressure on financing companies' margins. The low interest rate results in a weaker return on shareholders' equity, which, as expected, resulted in a lower return (9.74%) for Volvofinans compared to the preceding year. Credit losses were very small and, as previously, limited to the credit card operations.

The Group's lending amounted at year-end to 24.5 billion SEK, a decline with 4%, mainly due to the fact that the dealer Volvo Truck Center currently is financing its sales operations internally within AB Volvo.

Volvofinans' capital base at year-end amounted to 2.7 billion SEK and the capital adequacy ratio was 10.73 %. Core capital was strengthened during the year by 156 MSEK and currently amounts to 2.2 billion SEK, or 8.96%. The core capital ratio exceeds the statutory requirement of 8% by a favourable margin.

At the company's request, Standard & Poor's recalled all its credit ratings for the Group in August 2005. This request is based on the direct link to the 50%-owner Ford Motor Co (through Ford Credit), which Standard & Poor's decided to make, which does not fairly reflect Volvofinans' creditworthiness.

Volvofinans has credit ratings issued by Moody's Investors Service. The current ratings are "A3" for long-term borrowing and "P-2" for short-term borrowing.

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According to Moody's the outlook for the long-term rating is "Negative", while it is "Stable" for the short-term rating.

During the year Volvofinans issued commercial paper and bonds valued at 19 billion SEK.

The total number of contracts handled by Volvofinans amounted at year-end to 246,000, of which 30,000 pertain to fleet management.

The number of Volvo Card users is growing. More than 700,000 use the card for purchases of fuel and other car-related purchases, mainly at Volvo dealers. The Tanka network is now fully built out. Combined with OKQ8, this gives Volvo cardholders access to 1,200 gas stations in Sweden, more than any other competitor can offer. Sales over the Volvo Card reached a record-high 9.2 billion SEK during the year.

In 2005, 274,300 new cars were registered in Sweden, of which 54,100 Volvos and 12,600 Renaults. This gives the Swedish Volvo dealerships a market share of 25%. In addition, the Volvo dealers sold 69,000 used cars. Volvofinans financed 52% of the new cars and 44% of the used.

The truck market remained strong during 2005. In total, 5,400 new trucks were registered – up 10% compared with a year earlier – of which 46% were Volvo trucks. The country's privately owned dealers accounted for 63% of this market. Volvo Truck Center, which now finances its vehicles with the owner AB Volvo, accounted for the remaining 37%. Volvofinans financed nearly half (49.5%) of the privately owned Volvo dealers' truck business. Moreover, truck owners to an ever-increasing extent are using the Volvo Truck Card as the preferred payment method.

The total earnings for the dealers in Sweden amounted in 2005 to 815 MSEK, an improvement of 7%.

For further information, visit www.volvofinans.se

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INCOME STATEMENT

Amounts in SEK 000s	2005	Group	Parent Company	
	2005	2004	2005	2004
	Jan - Dec	Jan - Dec	Jan - Dec	Jan - Dec
Interest income	580,361	629,747	490,372	544,647
Leasing income	2,225,159	2,296,590	2,225,159	2,296,590
Interest expenses	- 495,131	- 604,387	- 489,860	- 598,711
Dividends received	1,186	986	386	986
Commission income	250,475	245,979	74,407	71,746
Commission expenses	- 23,747	- 28,291	- 19,044	- 22,475
Total operating income	2,538,303	2,540,624	2,281,420	2,292,783
General administrative expenses	211,105	207,419	70,521	69,139
Depreciation of fixed assets	2,023,715	2,052,467	2,020,906	2,049,865
Other operating expenses	39,362	39,805	10,985	11,467
Total operating expenses	2,274,182	2,299,691	2,102,412	2,130,471
Income before credit losses	264,121	240,933	179,008	162,312
Credit losses, net	- 9,448	11,643	5,660	19,522
Income before appropriations and tax	254,673	252,576	184,668	181,834
Appropriations	-	-	- 185,500	- 216,012
Profit/loss before taxes	254,673	252,576	- 832	- 34,178
Taxes	- 71,400	- 71,146	18	9,336
Net profit/loss	183,273	181,430	- 814	- 24,842

BALANCE SHEET

Amounts in SEK 000s	2005	Group	Parent Company	
	2005	2004	2005	2004
	Dec 31	Dec 31	Dec 31	Dec 31
Lending, incl. leasing	24,597,979	24,966,045	22,981,031	23,296,005
Lending, Group companies	-	-	860,192	740,314
Other assets	659,093	703,308	803,912	816,349
Total assets	25,257,072	25,669,353	24,645,135	24,852,668
Borrowing	20,389,178	20,536,894	20,208,874	20,385,768
Other liabilities	1,210,483	1,471,993	790,950	817,310
Subordinated loan	664,000	876,800	664,000	876,800
Deferred tax	727,459	675,519	727,459	675,519
Guarantee fund	200,000	200,000	200,000	200,000
Shareholders' equity *	2,065,952	1,908,147	2,053,852	1,897,271
Total liabilities and shareholders' equity	25,257,072	25,669,353	24,645,135	24,852,668

* including 72% of untaxed reserves

KEY RATIOS

Group	2005	2004
Return on shareholders' equity, %	9.74	10.53
Risk capital/total assets, %	14.36	14.16
Capital adequacy ratio, %	10.73	11.01
Core capital ratio, %	8.96	8.22
Loan losses as percentage of lending, %	0.03	-
I/C ratio	1.97	2.06
I/C ratio excluding loan losses	2.04	1.96