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Published 26 Aug 2003

## AB Volvofinans

Parent: AB VOLVOFINANS

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## MOODY'S ASSIGNS A3/P-2/C RATINGS TO AB VOLVOFINANS (SWEDEN)

### First-time ratings

London, 26 August 2003 -- Moody's Investors Service has today assigned A3/Prime-2 long-term and short-term deposit ratings and a C financial strength rating (FSR) to AB Volvofinans (Sweden). The outlook for the short-term deposit rating and the FSR is stable but is negative for the long-term deposit rating. This reflects the negative pressures on Volvofinans's owners.

According to Moody's, these ratings reflect the strategic role of Volvofinans in promoting the sales of Volvo and Renault products through attractive and competitive financing. As such, Volvofinans enjoys a leading market position in Sweden despite intense competition. Originally a joint venture between AB Volvo and the Volvo dealers, Volvofinans is today 50% owned by Ford Motor Company (rated Baa1 by Moody's) and 50% by the Volvo dealers. Importantly, this unique ownership structure for a vehicle captive finance company in Europe does not impair its operating and financial independence.

The ratings are also based on the fact that, as a finance company, Volvofinans is regulated by the Swedish Financial Supervisory Authorities (FSA). Moody's notes that this offers a higher degree of protection than for corporates. It implies, for example, that no dividend can be paid without consent from the FSA, which can also restrict owners' voting rights in case it is believed they could jeopardise the sound operations of Volvofinans. Under Swedish legislation, Volvofinans is also bankruptcy-remote from its parents. Volvofinans has posted historically solid financial fundamentals.

However, the rating agency notes that, like all captive financing companies, Volvofinans will remain strongly reliant on its parents' brand name and business developments. This could constrain its rating levels going forward. In addition, while Volvofinans incurred few credit losses since its creation, particularly as a result of its strict risk management practices, Volvofinans shows some concentration risks which will continue to be closely monitored.

The following ratings were assigned:

- A3 long-term and Prime-2 short-term deposit ratings.

- C financial strength rating.

Volvofinans is headquartered in Gothenburg, Sweden. At the end of June 2003, it had total assets of SEK24 billion (EUR2.6 billion).

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