

YEAR-END REPORT

AB Volvofinans (publ)
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Volvofinans 2006 – Year-end financial statement**New record year for Volvofinans**

Volvofinans, in its 47th year of operations, had its best earnings ever in 2006 at SEK 299.8 M (254.7), an increase of 18%. Group lending, about 90% of which is vehicle financing (75% automobiles and 15% trucks), amounted to SEK 24.2 billion (24.5) at year-end. Return on equity increased from 9.74% to 10.59%, capital adequacy rose from 10.73% to 11.04% and confirmed credit losses were, as in prior years, minimal at SEK 7.5 M or 0.03% of lending.

The market research firm ISI Wissing, in an independent survey, named Volvofinans the country's best finance company for the third consecutive year, a distinction the Group has earned four times.

"I'm extremely satisfied with our earnings. It demonstrates that our business model, which is without equal in Sweden, is functioning as planned," says Bert Björn, President of Volvofinans, commenting on earnings. "We share the risk with the country's Volvo dealers and have expanded our operations to several brands of cars

and vehicle-related services. Together we have created the IT support that operations require to work efficiently and we are well prepared for the new risk classifications that will emerge from the so-called Basel II rules. The credit rating firm Moody's confirmed our A3 credit rating in October, following in-depth analysis. In its motivating remarks, Moody's pointed out the fact that the operation has been stable for many years and is well diversified."

Volvofinans is 50% owned by the Swedish Volvo dealerships, through AB Volverkinvest, and 50% by Ford Motor Corporation, through Ford Credit International Inc., and has as its primary task to support sales of Volvo and Renault products in the Swedish market. There are currently 70 Volvo dealerships in the country, of which 47 sell only automobiles, 19 only trucks and 4 that sell both. Combined, they have 200 sales outlets, 250 service centers and 9,200 employees. The Volvo dealerships had sales of SEK 35 billion in 2006, with combined profit of approximately SEK 800 M.

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The Swedish automobile market has been growing since 2001. A total of 282,766 new cars were registered in 2006 (274,301). Volvo was able to hold on to its market share of approximately 20%, with 55,832 new cars. The product program is strong with several recent new additions – C70, S80, C30 and V70. Renault sales totaling 4% of the market plus the sale of other makes were in addition to that 20%, resulting in Volvo dealers accounting for up to 30% of new car sales or nearly every third car. Of those new cars, a growing share, 19.7% are so-called “environmental cars.”. Even the diesel segment is growing, up to 12.9%, with Volvo, Renault and Ford accounting for a large portion.

The truck market remains strong and Volvo was able to maintain its market share (45.2%). Truck operations, which require large, efficient organizations, is now being concentrated into larger units. Volvo Truck Center (owned by AB Volvo), which has been financing cars internally for the past year, accounted for 38% of sales in Sweden during 2006. Corresponding figures for the private players – Liljedahl Group, Persson Invest and Rejmes Group – amounted to 34%. Volvofinans provides sales financing for these three companies, as well as other truck retailers in the country. As a result, Volvofinans covers 62% of the “Volvo market.”

Volvofinans Konto AB, with approximately half a million active cardholders, provides a substantial contribution to the company’s earnings. Sales, including Volvo Card and Volvo Truck Card, amounted to SEK 9.4 billion in 2006. The Volvo Card, which is now also offers a VISA option, added 70,000 new users. The card, which offers some of the lowest fuel prices in the market, is valid at 1,200 Tank and OKQ8 stations nationwide. The Volvo Truck Card also gained new users, including from several large trucking companies, with the number of cardholders now at 17,000.

The Volvofinans Group had, at year-end, 201 employees, of which 179 were in Gothenburg and 22 in Stockholm. Of those 201 employees, 81 worked for the Parent Company, 79 at Volvofinans Konto and 41 at Volvofinans IT.

“Together with the country’s Volvo dealerships, we are now working to strengthen IT support and improve routines in accordance with the practical implementation of the new Basel II rules. In other words, we are well prepared for a rapidly changing vehicle market,” concludes Bert Björn.

For further information, see www.volvofinans.se

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INCOME STATEMENT

Amounts in SEK 000s	Group		Parent Company	
	2006 Jan - Dec	2005 Jan - Dec	2006 Jan - Dec	2005 Jan - Dec
Interest income	654,785	580,361	567,309	490,372
Leasing income	2,232,216	2,225,159	2,232,216	2,225,159
Interest expenses	- 561,527	- 495,131	- 555,327	- 489,860
Dividends received	1,472	1,186	600	386
Commission income	255,628	250,475	78,446	74,407
Commission expenses	- 21,382	- 23,747	- 16,607	- 19,044
Total operating income	2,561,192	2,538,303	2,306,637	2,281,420
General administrative expenses	226,748	211,105	78,926	70,521
Depreciation of fixed assets	1,991,800	2,023,715	1,988,804	2,020,906
Other operating expenses	44,047	39,362	13,461	10,985
Total operating expenses	2,262,595	2,274,182	2,081,191	2,102,412
Income before credit losses	298,597	264,121	225,446	179,008
Credit losses, net	1,165	- 9,448	10,817	5,660
Income before appropriations and tax	299,762	254,673	236,263	184,668
Appropriations	-	-	- 167,000	- 185,500
Profit/loss before taxes	299,762	254,673	69,263	- 832
Taxes	- 84,063	- 71,400	- 19,651	18
Net profit/loss	215,699	183,273	49,612	- 814

BALANCE SHEET

Amounts in SEK 000s	Group		Parent Company	
	2006 Dec 31	2005 Dec 31	2006 Dec 31	2005 Dec 31
Lending, incl. leasing	24,203,765	24,597,979	22,540,154	22,981,031
Lending, Group companies	-	-	884,041	860,192
Other assets	751,496	659,093	908,363	803,912
Total assets	24,955,261	25,257,072	24,332,558	24,645,135
Borrowing	20,000,142	20,389,178	19,800,024	20,208,874
Other liabilities	1,267,449	1,210,483	857,836	790,950
Subordinated loan	460,000	664,000	460,000	664,000
Deferred tax	774,219	727,459	774,219	727,459
Guarantee fund	200,000	200,000	200,000	200,000
Shareholders' equity *	2,253,451	2,065,952	2,240,479	2,053,852
Total liabilities and shareholders' equity	24,955,261	25,257,072	24,332,558	24,645,135

* including 72% of untaxed reserves

KEY RATIOS

Group	2006	2005
Return on shareholders' equity, %	10.59	9.74
Risk capital/total assets, %	14.65	14.36
Capital adequacy ratio, %	11.04	10.73
Core capital ratio, %	9.79	8.96
Loan losses as percentage of lending, %	-	0.03
I/C ratio	2.10	1.97
I/C ratio excluding loan losses	2.09	2.04