

YEAR-END REPORT

AB Volvofinans (publ)
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Volvofinans, 2004

It is with pride and gratitude that we at Volvofinans have completed our 45th year of operations. In addition to reporting record earnings, we were once again ranked the “Finance Company of the Year” by ISE, an independent analysis company.

Our balance sheet exceeded SEK 25 billion and our capital base of SEK 2.8 billion provides a capital adequacy ratio exceeding 11%. Our stable lending portfolios, with extremely small credit risks, provide access to a broad base of financing sources that function very smoothly.

Group earnings totaled SEK 252.6 million. In view of the continued fall in interest rates to a historically low level, we are extremely satisfied in being able to report earnings of this magnitude.

Continuing rises in earnings in credit card operations and fleet management activities, combined with a modest rise in costs and continuing minor credit losses, offset the effect of lower interest rates. Credit losses continue to be limited to credit card operations. Some liquidation of risk provisions was conducted, which also provided a positive contribution to earnings.

The return on equity reached 10.53%, which was above budget and better than the preceding year. The capital base was strengthened and capital adequacy is now 11.01%. Core capital already meets the statutory requirement of 8%, and is actually 8.22%.

Lending increased 4% – or SEK 0.9 billion – to SEK 24.9 billion. The total number of contracts fell marginally, to slightly less than 250,000, of which 30,300 pertain to fleet management. The Volvo Card business continues to make highly favorable progress. More than 550,000 customers use the card each month for buying fuel and vehicle-related products, primarily at Volvo dealerships. Sales via the Volvo card amounted to SEK 8.8 billion in 2004 and more than 25 million card-based sales were completed.

Volvofinans’ ratings were stable during the year. The current rating from the leading credit rating institutes remained unchanged: according to Moody's it is A3/P-2 and according to Standard & Poor's it is BBB/A-2. Both institutes give Volvofinans a higher rating than Ford, our part owner.

Passenger car sales in Sweden rose slightly. During the year, a total of 264,200 new cars were registered, an increase of 1%. Both Volvo and Renault were successful, with a total of 67,300 new car registrations, corresponding to a market share of 25.5%. In addition, the Swedish Volvo dealerships sold about 69,000 used passenger cars. Volvofinans financed 54% of new cars and 45% of used vehicles.

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The Swedish truck market enjoyed yet another good year in 2004 and Volvo continued its success. A total of some 4,500 new vehicles were registered, slightly less than the preceding year. Volvo's market share totaled 47%, of which Volvofinans financed 54% via Volvo dealerships. Cooperation with Volvo Trucks and the Volvo dealerships is continuing as previously. We have further enhanced our products, the Volvo Truck Card and financing solutions. The truck card has gained considerable circulation and the business is reporting sharp growth.

During 2005, the AB Volvo-owned dealer, Volvo Truck Center, will begin to finance sales operations internally via AB Volvo. This means that the Trucks business area will experience slightly lower sales volumes; however, this will have only a marginal impact on Volvofinans total lending.

During the past year, 81,600 new financing agreements were signed with Volvofinans via the Volvo dealership network. Volvofinans continues to lead the development of vehicle financing in Sweden and is the dominant market player. Unique cooperation with the Volvo dealerships has consolidated the positions of both Volvo and Volvofinans in vehicle financing in Sweden.

For the Volvo dealerships, 2004 was one of the best years ever, with continuing favorable profitability, higher sales volumes, a high workload in workshops and a healthy volume of spare parts sales. Financing managed via Volvofinans, combined with fuel sales via the Volvo Card and the Volvo dealership's Tanka filling stations, made a substantial contribution to the successes.

The Volvo Card accounts for a central and highly significant share of sales of workshop services and store products in Volvo dealerships. The true significance of the Volvo Card becomes apparent when fuel sales in Tanka-stations – accounting for a market share of almost 10 percent – are added to other purchases. Invoicing of Volvo customers via the Volvo Card have had highly positive benefits for customers and Volvofinans, as well as for other parties in the Swedish Volvo dealerships.

The expansion of the Tanka network is now largely completed, as planned. Combined with the Volvo Card, the Tanka concept offers Volvo dealerships profitability, synergism and an effective communications tool.

Volvofinans is well positioned for further success. The unique cooperation program with our shareholder – the Volvo dealerships, which provide us with new business each day – means that we can look very positively to the future and expect to enhance our positional strength.

Bert Björn
President

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INCOME STATEMENT

	Group		Parent Company	
	2004	2003	2004	2003
Amounts in 000s	Jan - Dec	Jan - Dec	Jan - Dec	Jan - Dec
Interest income	629,747	754,017	544,647	683,557
Leasing income	2,296,590	2,407,002	2,296,590	2,407,002
Interest expense	- 604,387	- 824,428	- 598,711	- 817,571
Dividends received	986	224	986	-
Commission income	245,979	235,105	71,746	70,077
Commission expense	- 28,291	- 29,327	- 22,475	- 23,721
Total operating income	2,540,624	2,542,593	2,292,783	2,319,344
General Administrative expenses	207,419	198,389	69,139	66,580
Depreciation of tangible fixed assets	2,052,467	2,080,691	2,049,865	2,078,060
Other operating expenses	39,805	42,035	11,467	14,328
Total operating expenses	2,299,691	2,321,115	2,130,471	2,158,968
Income before credit losses	240,933	221,478	162,312	160,376
Credit losses, net	11,643	7,994	19,522	17,569
Income before appropriations and taxes	252,576	229,472	181,834	177,945
Appropriations	-	-	- 216,012	- 196,152
Income before taxes	252,576	229,472	- 34,178	- 18,207
Taxes	- 71,146	- 64,438	9,336	4,962
Net profit for the year	181,430	165,034	-24,842	- 13,245

BALANCE SHEET

	Group		Parent Company	
	2004	2003	2004	2003
Amounts in 000s	Dec 31	Dec 31	Dec 31	Dec 31
Lending, incl. leasing	24,966,045	24,407,531	23,296,005	22,965,277
Lending Group company	-	-	740,314	674,556
Other assets	703,308	555,809	816,349	689,101
Total assets	25,669,353	24,963,340	24,852,668	24,328,934
Borrowing	20,536,894	20,084,111	20,385,768	19,940,217
Other liabilities	1,471,993	1,336,876	817,310	857,239
Debenture loan	876,800	976,800	876,800	976,800
Deferred taxes	675,519	615,036	675,519	615,036
Guarantee fund loans	200,000	200,000	200,000	200,000
Shareholders' equity *	1,908,147	1,750,517	1,897,271	1,739,642
Total liabilities and equity	25,669,353	24,963,340	24,852,668	24,328,934

* including 72% of taxed reserves

KEY RATIOS

Group	2004	2003
Return on equity, %	10.53	10.42
Risk capital/total assets, %	14.16	14.09
Capital adequacy, %	11.01	11.06
Primary capital, %	8.22	7.94
Credit losses/ø lending, %	-	-
I/E ratio	2.06	1.97
I/E ratio excl. credit losses	1.96	1.91

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