Appendix 10

QUESTIONS AND ANSWERS ETC *

ANNUAL GENERAL MEETING OF SCANIA AB (publ), 4 May 2006

Sune Carlsson

Before I open the floor to questions, I will ask the Secretary if any written questions have been submitted to today's AGM.

The Secretary

Aside from one question, no written questions have been submitted. The only one submitted is a written question from AMF Pension, which asks Scania to report on its work to increase the number of female managers at the operational level.

Sune Carlsson

In that case, let me ask if there is any representative of AMF Pension here at the AGM who can confirm and perhaps clarify the question.

Sarah McPhee

Mr. Chairman, honoured shareholders. My name is Sarah McPhee and I represent AMF Pension and the AMF Pension mutual funds. Together we own 12.684.050 shares in Scania AB. Our pension account holders are very happy with these holdings. I believe many employees of Scania have their pension accounts at AMF and likewise feel secure about our continuing to invest on a large scale in Scania, so we thank Scania for the fine financial return.

It is quite correct that we have addressed a letter to Scania's Board of Directors concerning the participation of women in operational management. We are doing this because we very much believe it would be better for Sweden's listed businesses if the percentage of women increased in operational management, instead of bringing in women at the Board level through quotas. Before the AGM we thus asked the Board to report on how it is promoting female leadership, female participation in operational management at Scania AB. Thank you.

Sune Carlsson

Thank you very much. I will ask Leif to present the answer to this question, since it concerns operational management.

* Transcript based on tape recording, which the Secretary has edited slightly for better readability.

Leif Östling

This is an extremely important question. It is also an incredibly difficult question. If we look at Scania as a company, the fact is that at our production units we have about 15 percent women and 85 percent men. This applies to all levels. Development has, I believe, a bit above 20 percent women. When we come to administration we have about 55 percent women and 45 percent men. I believe that Scania is very representative of most other traditional industrial companies in Sweden. In distributive trades and banking, things seem a little different.

When you go back one step earlier, look at university-level institutes of technology, commercial institutes, upper secondary schools and the number of applicants to engineering education. That is, of course, our recruitment base. When I attended Chalmers University of Technology, specialising in mechanical engineering, we were 148 guys and 2 girls studying to become graduate engineers. We were born around 1945. I know things have changed a little since then, but unfortunately not so much. If we look at institutes of technology, in the specialisations we recruit from, there are between 20 and 25 percent female students. The rest are male. That is, of course, our recruitment base into the company. If we look at upper secondary schools, it is actually the same way. Fewer than 20 percent of those applying to engineering education of various kinds are women. Besides, we have another problem in Sweden: altogether too few people apply for engineering education programmes at all, both girls and guys. This is a bigger problem, not for big industrial companies, but I have heard from my colleagues at small and medium-sized companies that they have a hard time employees in Sweden with an engineering education. Many cite this as the primary reason why production is being moved out of Sweden. It is not related to tax policies and other things, but is in fact because they cannot find suitably educated labour.

So what do we do at Scania? We recruit as much as we find from the natural recruitment base we have. As for academic education, we can say that for some reason, and I heard the same thing at SKF, between 40 and 45 percent of those entering our trainee programme are female graduate engineers and MBAs. In other words, women there are clearly overrepresented in relation to men if you look at the gender allocation during their education. We think this is very good, but it is something we have only seen during the past 5, 6 or 7 years. Gradually more and more women will be moving into executive positions in the company, but it is a very slow process at companies, as in our society otherwise. This is one of the absolutely biggest problems we have. It has to do with engineering education in general and it has to do with the low percentage of women in this country applying to engineering education. I am concerned.

Sune Carlsson

Thank you, Leif. Now our oral question time follows. We have help from a number of hostesses with microphones, which means you can stay in your seats in the auditorium. If you make yourself known, you will get a microphone. I would also like to remind you to state your name, so we can include it in the minutes, and make a few pauses when you speak so we can translate the questions. The floor is open for questions.

Lennart Söderlind

I have some questions, mainly for the President and CEO. You said in the Annual Report, page 7, and you repeated it here also, that your target is 100,000 vehicles. You were a little vague about whether it would take 5, 10 or 15 years. I interpret you as leaning towards 15 rather than 5. My follow-up question about it is whether this increase will occur along with increased market demand, or whether Scania intends to expand its market share too.

Then a completely different question. You touched on it a little in your speech, namely that service accounts for an ever larger proportion of Vehicles and Service. I wonder how that proportion will look over time. You say it is 50 percent today. Will it ever be 90, for example?

As Scania increasingly becomes a service company, shouldn't service be spun off in terms of financial reporting from Vehicles and Service, in this way also enabling us to see a good market share in this area and also a good operating margin?

Note 5 in the Annual Report indicates that costs of goods rose by 14.8 percent, according to my calculation. I wonder how you view this trend in both the short and medium term. Is it possible to keep track of this, quite simply? The increase that has occurred, by my calculation, accounts for 2/3 of total cost increase in Vehicles and Service. This is undeniably quite a lot.

And finally a completely different question. It may be an error, but on page 91 it says under distribution of earnings that there is supposed to be 4,032 million in net income for the year, but on page 55 it says that this is 4,665. Proportionally, the dividend per share should thus be SEK 17.35 instead of SEK 15. Thank you for letting me speak.

Sune Carlsson

Thank you. When can we see 100,000 vehicles?

Leif Östling

The answer about 100,000 – you have to have a target in a company, but as I always say, volume without profits is not good volume either. It is a matter of striking a balance, so that all the capital you have invested as shareholders in the company can lead to good returns and growth. We will reach 100,000 before 2020. That is what you are saying about 15 years. We will do that, I have completely convinced of that. However, I am not entirely convinced that we will achieve this in 5 years. It will be somewhere between these.

Is this increased demand? Yes, I think the way the world economy is evolving today, where we have a completely new world economy with the collapse of the whole Communist block, we naturally have completely new opportunities ahead. Countries like China, India and Russia are lively, enthusiastic participants in the economy today. This means new markets are opening to us that were not open 10-15 years ago. They are now going full swing and will certainly continue this way for many more years. It is roughly like the reconstruction of western Europe after the Second World War. In the 1950s and 60s we had a very dynamic period in western Europe. I believe we will see something similar here.

Service at a 90 percent share, by then we will certainly have passed 2020. I believe it will grow upward, but I don't know where it will stop. It will always fade somewhere, of course. Let's say we can approach 60 percent, something like that, within the not too distant future.

Separating parts and service from the vehicle business in our financial reporting is not something we have done, but we will have to examine your proposal. I regard it as a proposal for discussion within the company, and then we will have to see how we can illustrate this in a way that makes it meaningful.

Turning to costs of goods, I know that during 2005 we had sharp rises in material costs that went into our calculation. It is equivalent to nearly half of this, one third to half, I should think. Then we have another element, exchange rate fluctuations in places like South America, where we had a sharp strengthening of the Brazilian real compared to 2004. That also has a sizeable impact on costs. Then we have specification drift. This is because customers want more and more highly specified products. They pay for that too, but it means we put more materials into each product.

Sune Carlsson

Page 91 – perhaps I can handle that. On page 55 we have the Scania consolidated income statement, the whole Group's income statement, and there net income is stated as SEK 4,665 million. On page 91, in the proposed distribution of earnings, there we have the Parent Company's figures, which may be entirely different from the Group's, and there net income is stated as SEK 4,032 million. There is no error in the accounts.

Instead, these figures may actually be different. The Parent Company's figure may, in principle, be either higher or lower than in the consolidated income statement.

More questions?

Lennart Söderlind

Follow-up question. It says on page 55 "Attributable to Scania shareholders" − the figure I mentioned, 4,665. That is reasonably what can be distributed as dividends. Not the Group, but the Parent Company in particular.

Sune Carlsson

You are both right and wrong. Naturally all earnings of the Group ultimately belong to the shareholders, but at their disposal this year is what is stated on page 91, in other words, previously retained earnings and the Parent Company's net income for the year. The net income of the Group is not immediately distributable as dividends. It has to be brought into the Parent Company, for example through a dividend from a company in Germany or in France or somewhere else.

More questions?

Gunnar Ek

Thank you, Mr Chairman. My name is Gunnar Ek. I represent the Swedish Shareholders' Association. First, Mr Chairman, the Scania Group has had wonderfully favourable growth in recent years. Last year was a really good year, not to mention the first quarter of this year. It is very, very enjoyable to be a shareholder in such a company.

I would like to return to the 100,000 vehicle target. This includes both trucks and buses. We have not been given any timing. I can understand it may be difficult to state this, but when Leif Östling discusses this issue, he constantly says that the main thing is profitability, not volume. I would like you to discuss this a little more. Among other things based on the fact that in 2005 there was a decent upturn in sales, with a very modest upturn in terms of the number of vehicles delivered, about 4 percent there. Sales were substantially higher than this. Do you have as a target on the Board that profitability should come first and then volume? Is that what we should see ahead of us, that in 10 years volume may very well not be more than 5,000 or perhaps 10,000 trucks more than today, but with continued good profitability? In your judgement, is it meaningless to boost volume because there will be substantially poorer prices overall, and that is why you will not do this? It would be interesting to hear what deeper view you have in this area.

Then, bus business at both Volvo and Scania has been a source of some concern for a number of years, not achieving satisfactory profitability. What is this due to? Why it is not really possible to earn money in the bus business? Even though fuel prices are rising and public transport is being made more attractive in numerous places around the world, companies don’t reach higher bus volume. It even declined somewhat. What is the real reason for this trend?

Then a more comprehensive question. I am naturally convinced I will not get a completely certain reply, because you can’t get one. Long-term, what will it mean that oil prices are likely to rise more and more, and thus diesel and petrol prices? Will this lead to a higher volume of more local production and thus less transport work, since transport will rise in price? Or is this trend unavoidable and transport prices will not mean so much? This is of no small importance to our company. That is why the question is rather interesting.

Mr Chairman, these were my questions. I look forward to the replies.

Leif Östling

The 100,000 volume target and earnings. If we go back 6-7 years, to ’98, ’99, 2000, the company was certainly more volume-oriented than it is today. We discovered when we reached 2002, and also in 2001, that we could not continue in this way. We got a number of customers, especially larger customers, under very poor conditions. We began doing calculations on some individual transactions and concluded that marginal income was practically zero, once we had included all repurchase obligations and other factors. Volume that yields no income is, of course, not especially attractive. Nor do I believe this as a shareholder in Scania. Instead we should sell to earn money, not to exchange money. What will be the balance here, when it comes to volume growth, is preserving our margin − we have fluctuated around 9-10-11-12 percent − while continuing to grow with the market. Looking ahead, it is clear that underlying market growth will contribute most to us. Then in the course of time, something may happen to a competitor, so there is a consolidation in the industry, which may open business opportunities for us. We have seen this earlier. As you know, this is an industry that 30 years ago had 26 players in Europe. Now there are no more than 5-6 left. There is certainly room for further consolidation. This is roughly the way we think. We welcome volume, but there must be profitability in that volume, otherwise we will abstain. In that case, someone else who has different capabilities may take care of the volume we believe is unprofitable.

Buses – should they be profitable? Well, why? As you know, buses are a political business. Buses are politics. That is not a normal business. That’s the way it is with all public procurement of city buses and suburban buses. It is completely incomprehensible to me as CEO of this company, when I have seen this industry, how we can handle a business so badly, as all manufacturers in Europe have managed to do, when it comes to public procurements of buses by local and regional authorities.. And unfortunately that persists. In other words, the price level is altogether too low. I said so in a letter to Prime Minister Göran Persson, when he complained about Katrineholm. I said, in that case you can pay SEK 100,000 or 200,000 more for buses, then perhaps we can re-examine the matter, but he didn't want to.

As for future oil prices and their impact on transport work, the fact is that transport work is very cheap, that is, road transport work in a logistics flow. I don't believe there will be a lot of small, dispersed production units around the world. Instead we are likely to see a concentration into rather large production units and a lot of transport work between production units and to customers and recipients. If we look at transport growth, we can say that the entire growth from 1970 onward has been on the roads, due to truck transport. This means that we vehicle manufacturers, but also transport companies, have a great responsibility to handle these traffic flows in a responsible way. The price of oil for transport work means very little to the total price of a product.

Gunnar Ek

Is it possible that the 100,000 target for both buses and trucks has been set on the basis of what you just said about profitability first and volume next, and perhaps you don't need to stick to it so closely if you only look at the vehicle business. Because the concept that you are increasingly embracing now, in other words an overall concept, is to take care of everything from sales to service, all types of maintenance and eventually also repurchase. The second element, the service element, is where you can earn much more money. The old parallel is with Kodak, which at one time almost gave away cameras. You could only use Kodak film in those cameras, so they could charge a really good price for film instead. In other words, sell trucks a little cheaper, as long as you get the customer, because then you can earn it back on the service side. Isn't this really the way this concept is structured, so that your profitability target is the overall target, but the actual truck sales target, truck and bus sales, is not really so holy? Am I right?

Leif Östling

Yes, you are. We hate to give anything away at this company. Every product and product category must live on its own merits and bring in so much money that they deserve to continue to exist. And we will continue on this basis, at least as long as I am CEO of the company.

Gunnar Tjellström

I have a question related to Leif Östling's lecture, in which he said that some hauliers were accelerating their orders now, because there will be new regulations. I wonder whether this will mean a substantial increase in cost for them, or why they are doing this. About how big is the cost increase? Thank you.

Leif Östling

The price of vehicles will increase. I believe it is about EUR 5,000, SEK 40-45,000. Fuel consumption will be about the same as before, so in other words you don't gain any productivity improvement, but you pay a higher price in order to meet environmental rules. You have to sit down and do a really thorough calculation about this. Shall I go for a new product? There are also fiscal incentives in the market. Highway tolls, other taxes and charges related to the environmental class of your vehicle. You have to sit down and calculate in each individual case. I also believe that many transport companies say it is better to place an order for a vehicle with proven, well-known technology. As you know, these vehicles travel quite a lot of kilometres a year, in many cases operating as many as 6-7,000 hours, so their owners are very sensitive to disruptions. I believe this also means quite a lot.

Sune Carlsson

More questions?

Rainer Bernhart

My name is Rainer Bernhart and I reacted a little bit when you said that in South America there is of course a problem with currencies. But doesn't Scania do the same as everyone else and sign large forward contracts? That was my first question.

And then my second question, that as a shareholder − this applies not only to myself but also quite a few others I have spoken to. They think it would be a lot of fun to get a guided tour of the factory at some later AGM, if it is possible. Thank you.

Leif Östling

Answering your last question, I only want to say it is an excellent suggestion. We should be able to organise this for interested shareholders at next year's AGM. Of course we can do that.

As for currencies and South American currencies, of course you can hedge these currencies, but it is quite expensive to hedge such uncertain currencies, so usually we don't.

Sune Carlsson

Do we have any other question?

Lena Håkanson

My name is Lena Håkanson. I wonder, all curves are pointing very much upward now, but oil is beginning to point downward. How have you prepared for alternative engine fuels? When the oil runs out, you have no use for a fine truck if you can't drive it. Thank you.

Leif Östling

Yes indeed, we are working with alternative fuels. We were very early with ethanol-powered engines at Scania. We learned about them in Brazil, where ethanol is made from sugar cane. We are also involved with natural gas and with bio-oils, rapeseed oil among others. I also believe there will be oils for vehicles for many years ahead. Both petrol and diesel oil. Perhaps they will be more synthetically produced in the future than they are today, but the existing distribution structure for fuels represents enormous invested capital, and there will be great inventiveness to enable us to use that distribution structure in the future as well.

Kurt Holm

My name is Kurt Holm, member of the Swedish Shareholders' Association. Scania is, of course, part of the circle of companies around Investor. So one is struck by the fact that most Investor companies have raised their dividend. Scania, as we know, has very good annual accounts. Why haven't you raised the dividend by one or two kronor? And it would be interesting to get an explanation of the current dividend.

Sune Carlsson

Perhaps I should answer that. Let me remind you that Scania very sharply increased the dividend last year. This means we have reached a level that provides a sizeable return per share. Given the assessment we have made of future needs and how the Group should develop, the Board has concluded that we should recommend to the AGM to keep the dividend at a high level during the current year. The fact is that the yield on a Scania share is among the higher yields in this country.

Do we have more questions?

Kurt Holm

I think you could have carried out a one for one split, and then you could have raised the dividend by one krona.

Sune Carlsson

Since we cannot raise the dividend during an AGM compared to the Board's proposal − we can only lower it − we will have to consider your opinions for next year.

More questions?

I cannot hear any further question. So can we end this point on the agenda? The answer is Yes.