ANNUAL REPORT 2008

PRIDE QUALITY DRIVER APPEAL PRODUCTIVITY SUSTAINABLE DEVELOPMENT

SCANIA

VISION

Scania's vision is to be the leading company in its industry by creating lasting value for its customers, employees, shareholders and the societies in which it operates.

MISSION

Scania's mission is to supply its customers with high-quality heavy vehicles and services related to the transport of goods and passengers by road. By focusing on customer needs, high-quality products and services, as well as respect for the individual, Scania shall create value-added for the customer and grow with sustained profitability, while contributing to a sustainable society.

Scania's operations specialise in developing and manufacturing vehicles, which shall lead the market in terms of performance and life cycle cost, as well as quality and environmental characteristics. Scania's sales and service organisation shall supply customers with vehicles and services that provide maximum operating time at minimum cost, while preserving environmental characteristics, over the service life of their vehicles.

The English-language version of Scania's Annual Report is a translation of the Swedish-language original, the binding version that shall prevail in case of discrepancies. Translation: Victor Kayfetz, Scan Edit.

The Financial Reports encompass pages 64–130 and were prepared in compliance with International Financial Reporting Standards. The Report of the Directors encompasses pages 4–52, 59–66 and 129–130.

The Report of the Directors and accompanying Financial Reports also fulfil the requirements of the Swedish Annual Accounts Act and have been audited by Scania's auditors.

Scania's Swedish corporate identity number: Scania AB (publ) 556184-8564.

Unless otherwise stated, all comparisons in this Annual Report refer to the same period of the preceding year.

VEHICLES AND SERVICES

TRUCKS

Scania develops, manufactures and sells trucks with a gross weight of more than 16 tonnes (Class 8), intended for long-distance, construction and distribution haulage as well as public services.

During 2008, Scania delivered 66,516 new trucks to customers at a value of SEK 55,566 million.

BUSES AND COACHES

Scania concentrates on buses and coaches with high passenger capacity for use as tourist coaches and in intercity and urban traffic. Bus and coach operations focus on delivering fully-built vehicles based on Scania components to customers. Scania achieves this through its own bodybuilding operations and through collaboration with selected manufacturers of bus and coach bodies.

During 2008, Scania delivered 7,277 buses and coaches.

ENGINES

Industrial and marine engines from Scania Engines are used in electric generator sets (gensets), construction and agricultural machinery as well as in ships and pleasure boats. Most deliveries are industrial engines.

During 2008, Scania delivered 6,671 engines.

SERVICES

Scania's growing range of service-related products supports transport and logistics companies in their business operations.

These service-related products encompass everything from parts, maintenance agreements and round-the-clock workshop services on various continents to driver training and IT support for vehicle performance data and transport planning.

FINANCIAL SERVICES

FINANCIAL SERVICES

Financial services are an important part of Scania's business. Financing is often one element of cost-effective comprehensive solutions for customers, who can choose between loan financing, various forms of leases and insurance solutions.

CONTENTS

OPERATIONS

FINANCIAL REPORTS

Scania is stable in hard times

After several years of strong global demand, turbulence in the financial system is impacting the real economy. This includes lower demand for investments in goods and passenger transport. Our ongoing efforts to boost efficiency, restructure and improve flexibility, along with our highly developed service business, will enable Scania to handle the downturn well and be even better equipped for the next upturn.

In 2008 Scania showed the strongest earnings in its history with net income of SEK 8,890 m. and return on capital employed of 43.1 percent. Meanwhile order bookings fell by 46 percent, with an accelerating decline late in the year, which led Scania to cut back its production rate sharply.

Since March 2008, Volkswagen AG has been the majority owner of Scania. Volkswagen has been Scania's main shareholder since 2000 and has backed our strategy throughout that period.

Greater efficiency and flexibility

During 2008 Scania carried out extensive changes that strengthen its efficiency and flexibility. In January, Scania successfully introduced a single global product range for trucks, having previously produced different truck series in Europe and Latin America. This change gives us greater flexibility, which is especially positive in a situation where markets outside Europe and Latin America are of growing importance. They can now be supplied from either one. Meanwhile we completed the concentration of European axle and gearbox production in Södertälje, Sweden. Since the end of 2008, our Falun and Sibbhult plants are closed.

Customer focus at all levels

Improving the productivity of the customer's transport business is our top priority at Scania. This implies that we consistently – throughout the organisation – eliminate activities and work processes that do not benefit the customer. Our employees show impressive dedication to this way of working. By continuously re-assessing and improving their work, while focusing on the customer and on quality, they help ensure that Scania can offer its customers better and better products and services with greater efficiency.

The Scania Production System (SPS) has created a learning organisation that carries out continuous improvements in the production network. Scania's target is to improve efficiency by 6 to 8 percent annually. This applies, not least, to energy efficiency – both in production and in our own transport of input goods.

Using the same principles as in SPS, we have developed the Scania Retail System (SRS), which we are now introducing in our sales and service organisation. We will thus improve the efficiency of our service network and services, while continuing to expand to meet the increasing needs of customers. Scania will thus help its customers gain maximum benefit from their vehicle investment.

Energy-efficient engines

Every year, Scania invests about 4 percent of its sales in research and development. The most important development task is to gradually improve the energy efficiency of vehicles. This improves the operating economy of our customers and makes our vehicles environmentally better.

During 2008 we were the first truck manufacturer to introduce engines that meet the European Union's Euro 5 environmental standards without exhaust aftertreatment.

"Scania is a strong company, whose technology, efficiency and flexibility give it the best potential to deal with the difficult market situation we face."

Euro 5 applies to vehicles sold from October 2009 onward. The next set of emission rules, Euro 6, will enter into force at the end of 2013. Scania has already developed technologies to meet its standards.

Halving carbon dioxide emissions by 2020

The EU has set a target of 20 percent lower greenhouse gas emissions by 2020. One important element of this is obviously reducing road transport emissions. At Scania, we believe it is possible to halve carbon dioxide emissions generated by transporting a tonne of cargo in a Scania vehicle by 2020, compared to 2000, by means of continued engine efficiency improvements, greater driver training, reduced air and rolling resistance and by working towards better cargo capacity per vehicle by using longer rigs.

Biofuels and hybrid technology will also play a major role. All our modern engines can run on renewable fuels. Scania's ethanol hybrid bus will also be tested under regular traffic conditions in Stockholm, Sweden.

The driver – a key individual

Truck and bus drivers play a very important role in ensuring that transport services are as efficient as possible. The difference between the fuel consumption of a highly skilled and a less skilled driver may be as large as 20 percent. Costs of wear and tear as well as repairs are also greatly affected. Boosting driver proficiency is thus the fastest way to both improve operating economy and reduce environmental impact.

Scania is attaching greater importance to marketing its driver training services. It is heartening that customers are responding with greater demand. Meanwhile such training raises the status and attractiveness of the driving profession, which is important to the transport industry considering the number of drivers approaching retirement age.

Outlook

The financial crisis and worsening economic conditions have affected Scania. In response to the rapid downturn in demand, which has led to increased inventories and poorer cash flow, we have greatly lowered our production rate. During 2009 we will focus further on cash flow and, among other things, postpone investments in machinery and development projects. If weak demand persists, it will continue to have an adverse impact on the company, but by virtue of its technology, efficiency and flexibility, Scania has the best potential to deal with the difficult market situation we face.

In the short term, there is great uncertainty about demand, but the long-term picture is clear. There will be good prospects for economic growth and an increasing need for transport services. We are thus still planning, by around the middle of the next decade, to boost our production capacity to about 150,000 vehicles annually within the existing structure and with unchanged staffing in our production network.

Unfortunately many employees with fixed term temporary contracts have had to leave their jobs due to lower demand. My hope is that they will regard Scania as an attractive employer the day we begin re-hiring. I would like to express my deep gratitude to our employees for their strong contributions during 2008. And I know that all of us at Scania will further intensify our efforts during 2009.

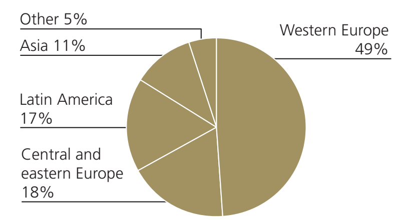
Leif Östling
President and CEO

Scania in figures

Scania's net sales rose by 5 percent to SEK 88,977 m. (84,486) during 2008. Scania's operating income rose by 3 percent to SEK 12,512 m. (12,164). Operating margin amounted to 14.1 (14.4) percent. Net income for the year increased by 4 percent and totalled SEK 8,890 m. (8,554), equivalent to a net margin of 10.0 (10.1) percent. Earnings per share amounted to SEK 11.11 (10.69).

KEY FIGURES	2008	2007	2006
Deliveries, units			
Trucks	**66,516**	68,654	59,344
Buses and coaches	**7,277**	7,224	5,937
Engines	**6,671**	7,228	6,546
Net sales, Vehicles and Services, SEK m.	**88,977**	84,486	70,738
Operating income, SEK m.			
Vehicles and Services	**12,098**	11,632	8,260
Financial Services	**414**	532	493
Total	**12,512**	12,164	8,753
Operating margin, percent	**14.1**	14.4	12.4
Income before taxes, SEK m.	**11,978**	11,906	8,583
Net income for the year, SEK m.	**8,890**	8,554	5,939
Earnings per share, SEK	**11.11**	10.69	7.42
Cash flow, Vehicles and Services, SEK m.	**1,774**	8,229	6,942
Return, percent on equity	**38.3**	35.0	24.1
on capital employed, Vehicles and Services	**43.1**	42.1	30.4
Net debt/equity ratio, Vehicles and Services	**0.49**	– 0.09	– 0.19
Equity/assets ratio, percent	**19.9**	27.1	29.7
Net capital expenditures, excl acquisitions, Vehicles and Services, SEK m.	**5,447**	4,277	3,810
Research and development expenditures, SEK m.	**3,955**	3,214	2,842
Number of employees, 31 December	**34,777**	35,096	32,820

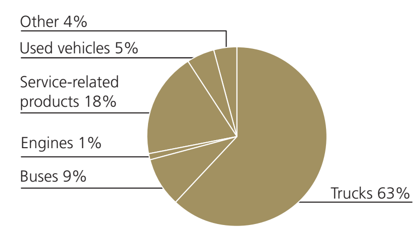
Vehicles delivered by region, 2008



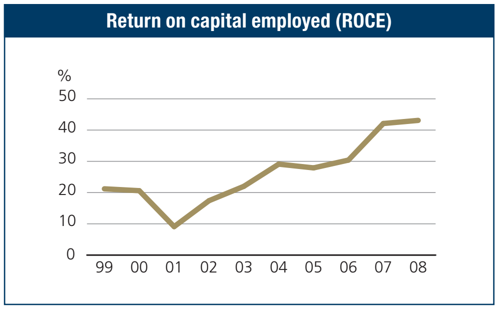
Net sales in Scania's ten largest markets

Vehicles and Services, SEK m.	2008	2007	Change in %
Brazil	**9,321**	6,965	**34**
Great Britain	**7,639**	8,683	**–12**
Germany	**5,602**	4,913	**14**
France	**4,923**	4,842	**2**
Russia	**4,471**	4,560	**–2**
Norway	**4,403**	3,908	**13**
Sweden	**4,353**	4,679	**–7**
The Netherlands	**4,349**	3,791	**15**
Italy	**3,805**	3,401	**12**
Spain	**2,946**	4,050	**–27**

Net sales by product area, 2008

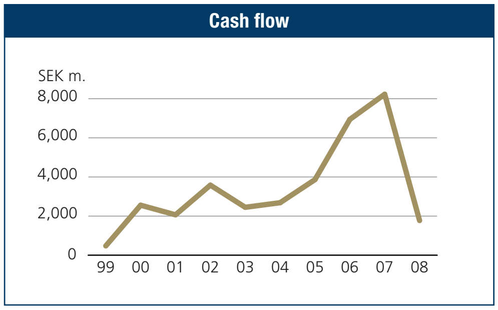


Vehicles and Services



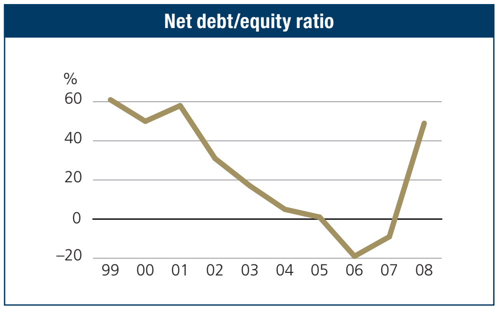
Return on capital employed

Scania's operating income has increased continuously since 2001 as a result of higher business volume and higher margins. Meanwhile capital employed in Vehicles and Services has been largely unchanged. The most important explanations for this successful performance are that the increase in vehicle deliveries has occurred by means of a productivity increase in existing plants and that service operations have expanded in cooperation with independent entrepreneurs and through streamlining of the Scania-owned sales and service network. Return on capital employed has thus increased from 9.1 percent in 2001 to 43.1 percent in 2008.



Cash flow

Historically, Scania has had strong growth in cash flow, mainly due to its successfull trend of earnings. In addition, since 2005 Scania has worked systematically to reduce its need for working capital and has also succeeded in shortening its operating cash conversion cycle from 85 days in 2005 to 60 days in 2008. Due to the economic slowdown during the second half of 2008, working capital rose, mainly in the form of higher inventories. Scania is working intensively to reduce inventories and thereby decrease the Group's short-term financing requirement. During 2008, net investments totalled SEK 5,447 m. and exceeded depreciation and amortisation, which amounted to SEK 3,235 m. This was in line with the increased investments in capacity which were made during this past year.

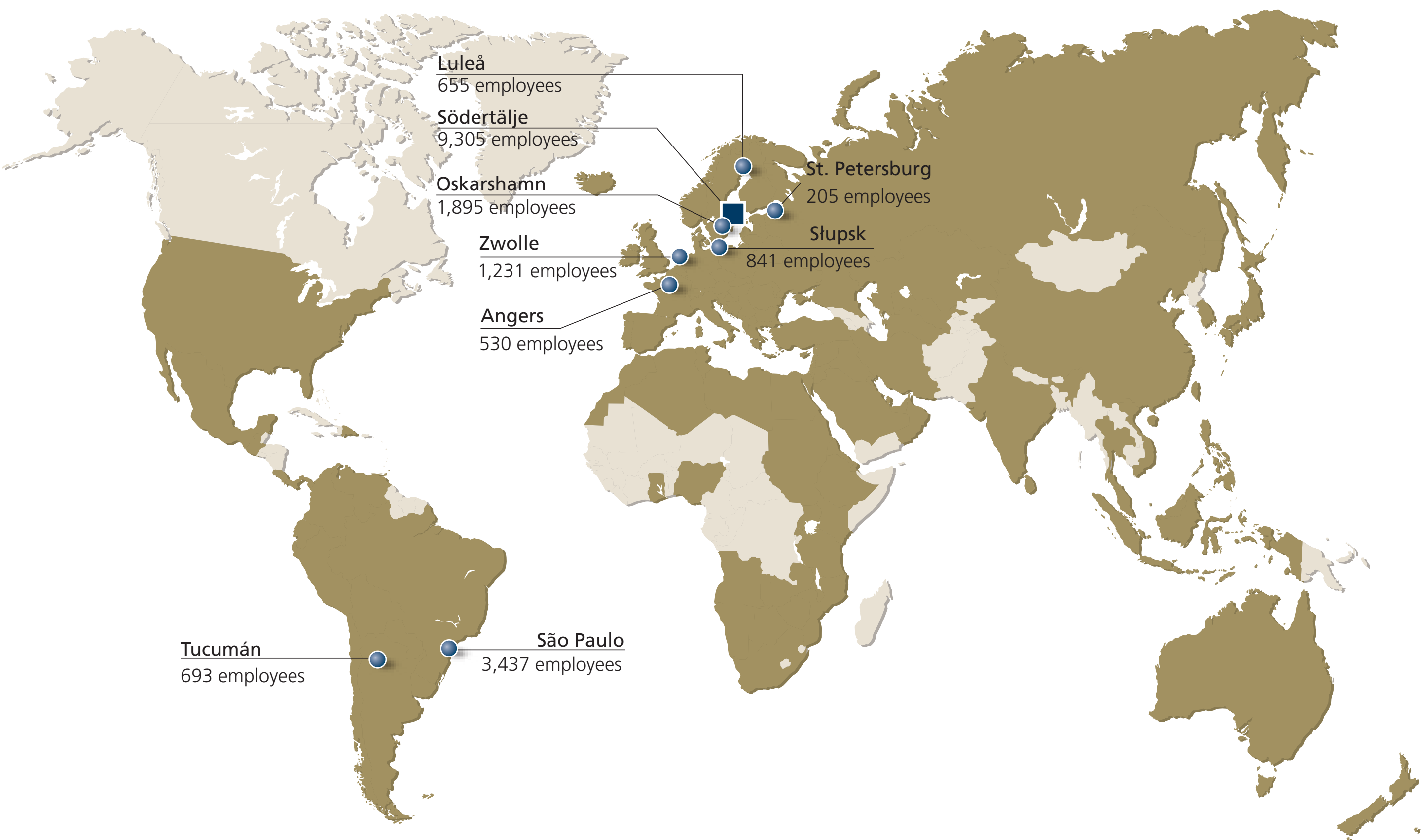


Net debt/equity ratio

At the end of 2008, Scania had a net debt/equity ratio of 49 percent. The optimal level of the net debt/equity ratio varies over time, due among other things to changes in credit market conditions. When Scania has been highly profitable and there has been a good supply of liquidity in the credit market, it has been advantageous to finance operations to a certain degree through borrowing. In this way, Scania has aimed at maximising the value of the company and thereby maximising its value to shareholders. As a consequence, in 2007 and 2008 Scania distributed surplus capital to the shareholders totalling SEK 20 billion in the form of regular dividends and share redemption programmes. During 2008, the increase in the net debt/equity ratio was also attributable to the higher working capital during the second half.

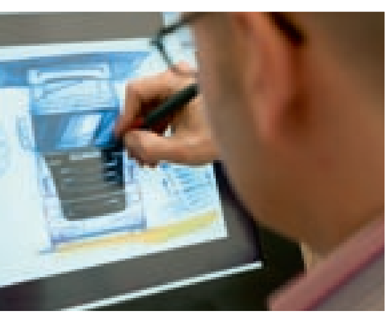
The world of Scania

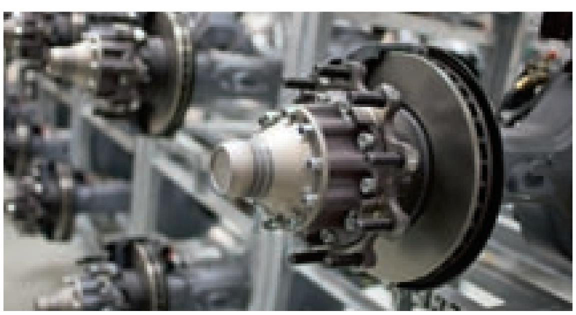
Scania operates in about 100 countries and has approximately 35,000 employees. Of these, nearly 3,000 work with research and development in close cooperation with production units, mainly in Sweden. Scania's corporate purchasing department is supplemented by local procurement offices in Poland, the Czech Republic, the United States, China and Russia. Production takes place in Europe and Latin America.



RESEARCH AND DEVELOPMENT
A total of 2,922 employees work with research and development. These operations are concentrated in Södertälje, Sweden.

SALES AND SERVICE
Altogether, Scania is represented in about 100 countries through more than 1,000 local sales facilities and over 1,500 service points.





Scania's global production system and product range

Scania's global production system and product range allow great flexibility in balancing production optimally and cost-effectively. Scania's production is based on a modular system, which means that most vehicle and engine components can be included in many different combinations. This, in turn, implies that with a limited number of components, it is possible to achieve large variation in vehicles. Meanwhile the modular system provides economies of scale in development, production and service.

TRUCKS

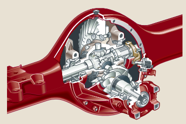
ASSEMBLY
Södertälje, Sweden
Angers, France
Zwolle, the Netherlands
São Paulo, Brazil

During 2008 Scania also began to manufacture and sell a single global truck range, the P-, G- and R-series, which is now made both in Europe and Latin America. This provides high flexibility and cost-effective production.

CABS

Oskarshamn, Sweden
São Paulo, Brazil

AXLES



Södertälje*, Sweden
São Paulo, Brazil

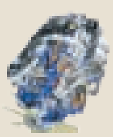
FRAMES

Luleå, Sweden

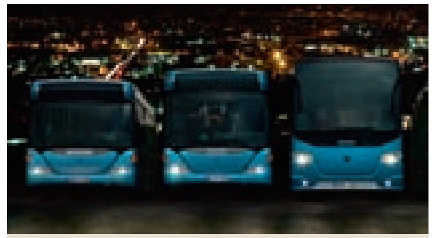
GEARBOXES

Södertälje*, Sweden
Tucumán, Argentina
São Paulo, Brazil

ENGINES



Södertälje, Sweden
São Paulo, Brazil



BUSES AND COACHES

CHASSIS ASSEMBLY
Södertälje, Sweden
São Paulo, Brazil

BODYBUILDING
Słupsk, Poland
St. Petersburg, Russia

SCANIA ENGINES

Södertälje, Sweden
São Paulo, Brazil

* Operations in Falun and Sibbhult, Sweden were moved to Södertälje in 2008.

Scania's core values

Scania's core values – customer first, respect for the individual and quality – form the basis of Scania's culture, leadership and business success.

Scania's identity is shaped by its customers and products – vehicles, services and financing – and by the people in the company, their values and working methods. Three core values – "customer first", "respect for the individual" and "quality" – tie the company together and form the basis of Scania's culture, leadership and business success.

Customer first

Through knowledge of customers' business operations, Scania focuses on creating added value for its customers. The customer is at the centre of the entire value chain: from research and development via production and procurement, to sales, financing and delivery of services.

Respect for the individual

Respect for the individual is built by recognising and utilising all employees' knowledge, experience and ambition to continuously develop and improve their working methods. New ideas and inspiration are born out of day-to-day operations, where Scania's employees develop their skills. This helps us ensure higher quality, efficiency and greater job satisfaction.

Quality

The customers' satisfaction and profitability require delivery of high quality products and services from Scania. Through knowledge of customers' needs, Scania continuously improves the quality of its products and services. Deviations are used as a valuable source of information for further improvements, and are handled in well-established processes.

Scania's strategy

Scania's strategy can be summarised in two words: profitable growth. Scania is the leading company in its industry both in terms of profitability and brand. This position is achieved by means of integrated efforts throughout the value chain and strategic focus.

Heavy transport vehicles

Vehicles in the heavy segment are often driven long distances and have a high degree of utilisation. Transport operations in this segment are dependent on appropriately specified and reliable vehicles as well as comprehensive services in order to be profitable. Scania also provides engines for purposes other than heavy road transport.

Modular product system

From Scania's modular product system, customers can select optimised vehicles. The more closely vehicles and services can be adapted to a transport task, the better the customer's operating economy. The modular system provides great flexibility towards the customers with almost unlimited specification possibilities using a carefully balanced number of main components with standardised interfaces. Keeping down the number of components is important for Scania's cross-functional product development and global production. The modular system allows considerably longer production runs than what is possible in a conventional product system. It also simplifies parts management, contributes to higher service availability and makes it easier to train service technicians.

Integrated business – vehicles, services and financing

Understanding customer needs and the ability to offer combined solutions of vehicles, services and financing with outstanding value for each customer are vital for Scania's success. Scania's customers often use their vehicles round-the-clock and require rapid access to maintenance and repairs at all hours from Scania's service network. Comprehensive packages of vehicles, services and customer financing are becoming more and more important.

Selective growth

Scania focuses on markets and segments where sustainable profitable growth can be achieved. A growing base of profitable customers and additional business with existing customers are more important than aggressive growth – Scania grows with successful customers. Entering a new market or segment implies a long-term commitment to customers and the society in that market.


KONECRANES
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KONECRANES
TOPLINE
SCANIA


SCANIA


SCANIA
SCANIA
Service
SCANIA

TRUCKS

Rapid downturn in demand

As global financial turbulence worsened starting in the summer of 2008, the real economy was also affected. This caused a very rapid downturn in demand for trucks in markets where Scania operates.

The downturn was preceded by a period of very high order bookings, which began late in 2006. After the market had deteriorated during 2008, most manufacturers took steps to reduce production during the final months of the year. Demand declined significantly faster, however, resulting in a situation of high inventory levels in the entire industry. Customers could therefore hold off on their investment decision until they needed to place a vehicle in service. Consequently, delivery figures provided a better picture of underlying demand late in the year than did order bookings for new trucks. Scania delivered a total of 66,516 trucks to customers, compared to 68,654 during the preceding year, a decrease of 3 percent. Order bookings fell by 49 percent to 43,843 units.

Common product range in all markets

During 2008 Scania's broadened truck range – the P-, G- and R-series – was introduced in all markets, which means that Scania has a common global product range. This changeover eased Scania's adjustment to lower demand, since the company was able to shift production of vehicles for export from Latin America to Europe. This decreased the workload at production units in Latin America, where demand remained at a good level during much of 2008, while utilising spare capacity in Europe.

Sharp fluctuations in fuel prices

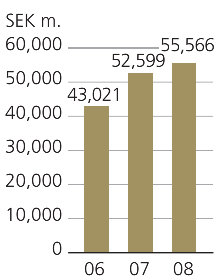
During the spring and summer, fuel prices rose to new peak levels. Meanwhile political leaders – especially in the European Union – established guidelines for reduced carbon dioxide emissions. Although fuel prices fell later in the year, customer demand for fuel efficiency and ever-tighter environmental regulations will pose a challenge for truck producers.

For Scania, this is a business opportunity, since the company offers fuel-efficient engines that can operate on all available renewable fuels. Today Scania already has the technical concept required to meet the standards of the next set of emission regulations that will apply in the EU. These regulations, labelled Euro 6, will be introduced at the end of 2013.

Focus on advanced segments

Scania's promise to customers is about providing the highest availability, combined with low operating costs. In all markets, Scania focuses on those customers who demand vehicles with high productivity throughout their life cycle. In emerging economies, too, an increasing proportion of the market prioritises long service life, good fuel economy, efficient service and high resale value. In the long term, this will mean increasing opportunities for Scania to expand its customer and volume base.

Trucks, net sales



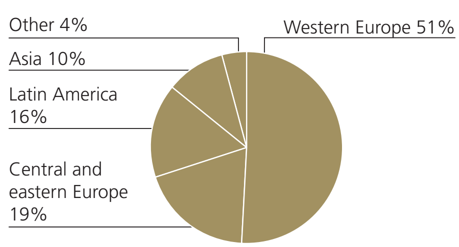
In 2008, net sales increased by 6 percent.

Scania's ten largest truck markets, vehicles delivered

Rank		Country	2008	2007	Change in %
1	(1)	Brazil	**7,965**	6,451	**23.5**
2	(2)	Great Britain	**5,808**	5,315	**9.3**
3	(3)	Russia	**4,627**	5,161	**–10.3**
4	(5)	France	**4,307**	4,367	**–1.4**
5	(4)	Germany	**4,100**	4,584	**–10.6**
6	(7)	Italy	**3,077**	3,028	**1.6**
7	(8)	The Netherlands	**2,955**	2,885	**2.4**
8	(10)	Sweden	**2,547**	2,387	**6.7**
9	(9)	Poland	**2,362**	2,837	**–16.7**
10	(6)	Spain	**2,320**	3,904	**–40.6**

The ten largest markets accounted for 60 percent of Scania's total truck deliveries.

Scania truck deliveries by region, 2008



Scania delivered a total of 66,516 trucks during 2008.

EUROPE

Deceleration in Europe

Poor liquidity in the banking sector and the economic downturn changed the market picture very quickly during 2008. The European market, which showed exceptionally strong expansion during 2007 and early 2008, thus experienced a sharp deceleration.

Western Europe was the first of Scania's markets to feel the economic deterioration. The same trend soon occurred in central and eastern Europe, where the Russian market also worsened significantly during the second half of 2008.

Difficult for customers to obtain financing

Financial turbulence, which deepened during the third quarter, led to difficulties for buyers in financing new vehicles.

Greater uncertainty about future economic trends also contributed to postponements of planned orders.

In western Europe, deliveries of Scania trucks declined 4 percent year-on-year, including downturns in Spain, Germany and Ireland. Order bookings in the region fell by 59 percent.

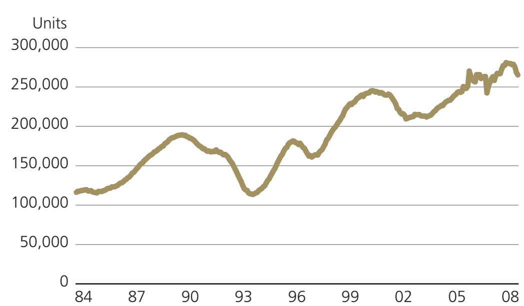
Weaker market in central and eastern Europe

After a relatively strong start to the year, an accelerating downturn in demand occurred in central and eastern Europe. Overall deliveries in the region declined by 15 percent. Order bookings were down by 57 percent.

Of the various markets, deliveries fell especially in the Baltic countries and Russia. Demand in Russia dropped sharply late in the year. The Russian economy was hard hit by global credit turmoil. Foreign capital was withdrawn, which had negative consequences for investments.

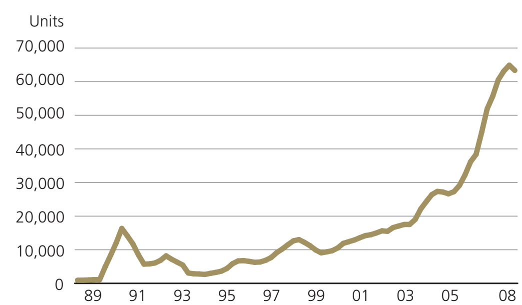
The total market for heavy trucks in 24 of the European Union member countries (all EU countries except for Bulgaria, Greece and Malta) plus Norway and Switzerland decreased by 3 percent to about 313,000 vehicles. Scania truck registrations totalled about 40,400, which meant a market share of 12.9 (13.6) percent.

The truck market in western Europe



During the past ten years, the truck market in western Europe has grown by more than 12 percent.

The truck market in the new EU countries



Growth has increased sharply in the new EU countries during the past several years but came to a halt in 2008.

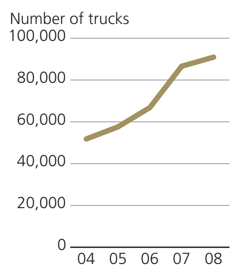
Scania's competitors in Europe are Mercedes, Volvo, DAF, MAN and Iveco.

LATIN AMERICA

Downturn late in the year

In Latin America, Scania truck deliveries rose by 10 percent in a market that was strong during the first nine months, but markets deteriorated towards the end of the year.

The truck market in Latin America



Since 2004 the truck market in Latin America has shown growth, but demand declined late in 2008.

Demand in Latin America, which was strong during the first part of 2008, was driven by good growth in the mining and agricultural sectors. Later in the year, however, there was a dramatic downturn in commodity prices in the wake of widespread liquidity shortages and the American economic downturn. Together with a general slowdown in economic activity, this caused a decline in demand late in the year. In 2008 as a whole, order bookings declined by 17 percent to 9,026 trucks.

In Brazil, Scania's transition to production of the P-, G- and R-series early in the year proceeded as planned. With the transition to a common global product range, Scania increased its efficiency and flexibility in both production and distribution, since it is now possible to completely re-allocate manufacturing between Europe and Latin America to achieve optimal capacity utilisation.

During the third quarter Scania received its largest-ever order in Brazil, for 260 trucks including driver training and on-board computers for transport planning. The order is an example of global convergence of market demands. This applies to demands on technology as well as repairs and maintenance and various other types of services.

Scania's market share in Brazil amounted to 20 percent. Mercedes was the market leader with a 24 percent share.

Scania is working to gradually increase its presence in emerging markets.

ASIA, MIDDLE EAST AND AFRICA

Good demand in many markets

Deteriorating world economic conditions affected the truck market in Asia, the Middle East and Africa towards the end of the year, but to a lesser degree than in North America and Europe. Infrastructure investments in many countries were one major reason why there was good demand for heavy trucks during 2008.

Deliveries of Scania trucks to Asia and other markets were stable at 9,102 units. Demand was good in various countries of the Middle East and in South East Asia, but declined especially in Turkey and South Korea. Scania noted an increase in truck deliveries to several markets in Africa, while a downturn occurred in Australia.

Total order bookings in markets outside Europe and Latin America rose during the first nine months and then fell during the fourth quarter. During 2008, order bookings reached 7,660 trucks, compared to 9,476 the preceding year. The introduction of the P-, G- and R-series in all markets improved Scania's competitiveness.

Scania is working to gradually increase its presence in emerging markets. Although the current liquidity shortages will have short-term repercussions on investments in many of these markets, there is still long-term potential for greater demand for transport services. Among other things, Scania will open a delivery centre in Dubai for bodyworking and equipping of complete vehicles.

In a number of countries, Scania has been successful in the mining sector offering offer high vehicle uptime, low fuel and parts consumption, maintenance and repair agreements as well as financing. In niches with this type of sophisticated needs, Scania has an opportunity to capture sizeable market share in such countries as India and Indonesia.


A Scania P 380 four-axle tipper truck being used in an open-cast mine outside of Kothagudem in the Godavari Valley, India.

BUSES AND COACHES

Stable bus and coach market

The overall demand for Scania's buses and coaches was stable during 2008. Demand deteriorated in Europe and Latin America, while it increased in Asia and in other markets.

Order bookings for buses and coaches fell by 12 percent to 7,191 (8,154) units. In Europe, demand was down by 21 percent compared to 2007. In western Europe, there was a general downturn in order bookings, especially in Spain and Ireland. In central and eastern Europe, demand increased in Romania and Russia, while it fell in Poland.

In Latin America, order bookings fell by 27 percent. Demand weakened in Brazil and Venezuela. In Asia and in other markets, order bookings rose by 12 percent. Demand was higher in a number of markets but lower in Taiwan and South Africa.

Asia offers opportunities for Scania to increase its bus and coach sales. The demand for public transport is increasing as the world's cities grow. Scania's new order in Singapore for 400 city buses is an example of the growing interest in buses that meet stricter environmental rules.

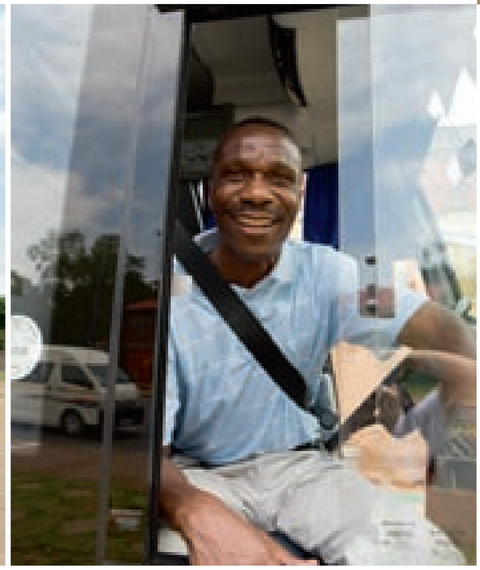
Another trend is that customers are increasingly demanding complete buses and coaches. Scania is thus working to intensify its cooperation with selected manufacturers of bus and coach bodies, for example in China. Scania also has its own production of bus bodies at its city bus plant in Poland.

During 2008, Scania's bus and coach deliveries totalled 7,227 (7,224) units. In Europe, the increase occurred mainly in the Nordic markets and in Italy. Lower deliveries were noted in Estonia and Russia. The downturn in Latin America was related to Brazil and Venezuela. In Asia, deliveries increased mainly due to Singapore.

Scania buses help Singapore update its public transport

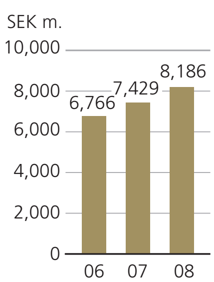
SBS Transit, Singapore's leading public transport company, ordered 400 city buses from Scania in 2008. With engines featuring exhaust gas recirculation (EGR) technology, these buses will meet both 2009 European emission standards (Euro 5) and the stricter enhanced environmentally friendly vehicle (EEV) standard. The order is a follow-up to SBS Transit's 500-bus order during 2007 and is part of that company's ongoing replacement of its fleet with vehicles featuring better environmental performance. The most important criteria for the procurement were passenger comfort, quality, environmental performance and operating economy. Another contributing factor was Scania's ability to live up to the demand for a long-term partner that can adapt its products and services to the needs of SBS Transit.

The delivery includes Scania's systems for logging and monitoring of vehicle performance data, training of the company's drivers in safe, fuel-efficient driving and support in building up systems for monitoring the performance and operating costs of the buses.



Scania offers a complete range of buses, coaches and chassis for public transport operators and tourist coach companies. They are renowned for very good operating economy. Each component is engineered to maximise the performance of the vehicle and set world-class standards for fuel economy, driveability, road handling, reliability and uptime. Each model is customised to ensure that owners get the best solution possible in terms of passenger capacity, number of seats, comfort level and other key criteria.

Buses and coaches, net sales



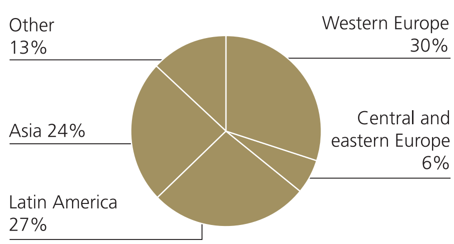
Net sales increased by 10 percent during 2008.

Scania's ten largest bus and coach markets, vehicles delivered

Rank		Country	2008	2007	Change in %
1	(1)	Brazil	**815**	1,017	**–19.9**
2	(2)	Iran	**727**	878	**–17.2**
3	(3)	Great Britain	**572**	508	**12.6**
4	(5)	Mexico	**477**	426	**12.0**
5	(22)	Singapore	**433**	89	**386.5**
6	(4)	Spain	**417**	475	**–12.2**
7	(9)	Italy	**339**	245	**38.4**
8	(7)	South Africa	**331**	315	**5.1**
9	(8)	Peru	**276**	311	**–11.3**
10	(6)	Australia	**264**	338	**–21.9**

The ten largest markets accounted for 64 percent of Scania's total bus and coach deliveries.

Scania bus and coach deliveries by region, 2008



Scania delivered a total of 7,277 buses and coaches during 2008.

The glass-bottom flagship boat at the John Pennekamp Coral Reef State Park in Key Largo, Florida, USA is powered by twin 16-litre Scania V8 engines.

During the sugar cane harvest in Brazil, threshing must take place around the clock. The Scania engine in this thresher ensures the necessary reliability.

The Southern African Large Telescope is the largest single optical telescope in the southern hemisphere. It relies on a 16-litre V8 engine from Scania for dependable power.

Demand for genset engines (here a mobile unit) increased sharply in Brazil and South Africa due to electricity shortages.

SCANIA ENGINES

A new generation of engines in the market

During 2008, shortages of electricity in many parts of the world increased the demand for gensets. Scania's new generation of engines is providing greater market potential in the run-up to a major tightening of emission standards in 2011.

Scania Engines focuses on diesel engines in the 9- to 16-litre displacement segment. Most deliveries are industrial engines for generating electricity (gensets). They may also be used for power production using alternative fuels.

The market for industrial engines is generally characterised by low mobility among customers. The stricter environmental standards – EU Stage IIIB and US Tier 4i – that will go into effect starting in 2011 represent a chance for Scania to successfully market fuel-efficient engines that lower the customer's cost, deliver outstanding performance and reduce environment impact. This will give Scania an opportunity to increase its market share.

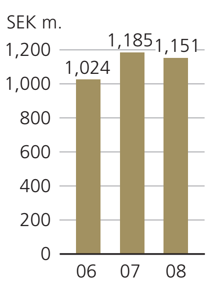
There is growing interest in ethanol engines in the Brazilian agricultural sector. Scania itends to satisfy this new need. Scania Engines is the only part of the Scania Group that sells in the US, an important market.

When it comes to marine engines for pleasure boats, Scania has a strategic alliance with the Japanese company Yanmar. Scania's larger engines complement Yanmar's lighter ones. Via Yanmar, Scania gains access to a well-developed pleasure boat sales and service network.

Order bookings for engines decreased by 3 percent to 6,338 units during 2008. In Europe, order bookings fell due to lower demand in Germany and Spain. Demand for marine engines was stable in 2008, but demand for genset engines increased sharply due to prevailing electricity shortages, especially in Brazil and South Africa. In Great Britain, Singapore and Malaysia as well, production of gensets containing Scania engines increased.

Scania delivered 6,671 (7,228) industrial and marine engines during 2008, a downturn of 8 percent. Net sales declined by 3 percent to SEK 1,151 m. (1,185).

Scania Engines, net sales



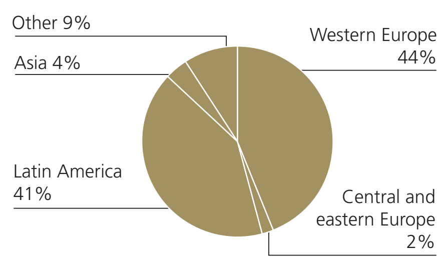
Net sales declined by 3 percent during 2008.

Scania's ten largest engine markets, engines delivered

Rank		Country	2008	2007	Change in %
1	(1)	Brazil	2,546	2,271	12.1
2	(5)	Great Britain	803	550	46.0
3	(9)	South Africa	502	230	118.3
4	(7)	Sweden	388	343	13.1
5	(3)	Germany	346	709	–51.2
6	(6)	The Netherlands	304	363	–16.3
7	(4)	Spain	268	669	–59.9
8	(8)	Norway	250	319	–21.6
9	(12)	Finland	224	176	27.3
10	(10)	Argentina	176	223	–21.1

38 percent of Scania's engine deliveries occur in Brazil.

Scania engine deliveries by region, 2008



Scania delivered a total of 6,671 engines during 2008.

Stable growth in demand for services

With more Scania vehicles on the roads and with a greater need for one-stop shopping, the demand for services is increasing. Providing services is of growing importance to Scania and is becoming an increasingly vital advantage during economic cycles. Service business is also less sensitive to competition than vehicle sales and is a stabilising factor for the Group's profitability.

Since the 1990s, Scania has enhanced its business by integrating the sales and service network while broadening its range of services. Closer proximity to the transport work of customers ensures high uptime for the more than 500,000 Scania vehicles that are in operation. More than 40 percent of all Scania employees work in sales and service companies, compared to 10 percent in the early 1990s.

During 2008, Scania service revenue rose by 8 percent to SEK 16,393 m. (15,139). The largest markets in terms of service sales are Great Britain, the Benelux countries, Sweden, Norway and Germany. Scania's service network consists of more than 1,500 workshops, including more than 1,000 in Europe.

Scania will meet higher demand by boosting the efficiency and capacity of its workshops, as well as by increasing its presence in such fast-growing markets as Russia. The population of Scania vehicles on the roads is expected to total one million by around 2015. A growing interest among customers in utilising authorised workshops with trained vehicle service technicians is also contributing to the rising volume of service business.

Close to customers through its own network

Since the mid-1990s, Scania has invested heavily in its service network in order to increase its own proximity to customer vehicles. Scania is the manufacturer that owns the largest percentage of its service network and that is "dedicated all the way" to its customers – from delivering the best custom-tailored vehicle to providing the best service and support for day-to-day transport work.

This service network, combined with Scania Assistance roadside repair service, enables Scania to offer vehicle servicing and repairs 24 hours a day and 365 days a year throughout Europe, as well as in a number of other markets.

Through Scania Assistance, customers can maintain continuous contact in their own languages via 17 assistance centres in some 50 countries. In case of breakdown, customers can summon help to start or repair a vehicle on the road, contact a workshop and have the vehicle towed.

Broadened range of services

By offering fixed-price service contracts, Scania can intensify its customer contact. A known total cost from the day a vehicle goes into operation makes it easier for customers to set the prices for their own transport assignments. Regular and professional service from Scania provides customers with continuous advice for avoiding stoppages. A service contract also enables customers to make uniform and regular payments, which makes liquidity planning easier.

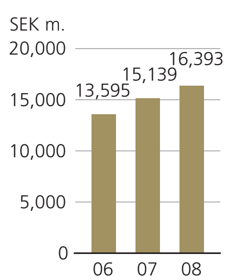
Scania has a broad service offering that encompasses repairs and maintenance, assistance in case of breakdowns, tyre service, fleet management, driver training and financing. Scania customers may choose a single service or a service contract specially tailored to include the particular services they need. Scania now also offers its customers repairs, maintenance and parts for trailers and bodywork. Having a single supplier of services can be substantially more efficient for the customer.

One important element of vehicle uptime and proximity to customers is Scania's parts management, which meets the highest standards of efficiency and speed in the market. Scania's distribution structure enables it to deliver parts throughout Europe within 12 hours.

To ensure that customers everywhere receive the same high degree of service, Scania certifies the quality of its service network through the Scania Dealer Operating Standard (DOS). This standard is based on a number of customer pledges that must be met in order for a service facility to be certified by Scania. >>

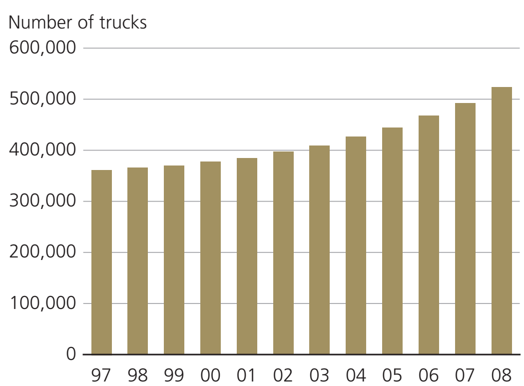
Scania has a broad service offering that encompasses repairs and maintenance, assistance in case of breakdowns, tyre service, fleet management, driver training and financing.

Services, net sales



Net sales increased by 8 percent during 2008.

Truck population on the roads



The population of Scania vehicles on the roads is expected to total one million by around 2015.

Driver training and IT support for efficient transport

Scania provides driver training in over 40 countries. During 2008, more than 9,600 (9,500) truck and bus drivers received such training. Well-trained drivers mean improved fuel economy, lower repair and maintenance costs, better road safety and reduced environmental impact.

Scania's customers are usually links in complex logistics chains. Drivers and hauliers thus increase require good information technology (IT) support. Scania Fleet Management is one example of a tool that enables a transport operator to utilise its fleet more efficiently and give its own customers better service.

The system also helps transport companies keep track of when it is time for maintenance and which drivers may need training to learn how to handle vehicles more efficiently. Hauliers can monitor their costs in a more efficient way.

Better customer contact – effective support

Scania has organised its distributor and dealership business in such a way as to accord greater importance to direct customer contact and service. This contact is where customer benefit is generated – or can be diminished.

Within this organisation, since 2006 Scania has gradually been introducing a new way of working – the Scania Retail System (SRS). All employees participate in the task of continuous improvement in working methods and in eliminating waste, with the aim of boosting customer satisfaction.

Employees continuously refine existing methods to meet customer needs, thereby shortening lead times and raising service quality. Tasks that customers are not prepared to pay for are identified and removed, resulting in greater customer benefit and a gradual improvement in efficiency.

The rest of the sales and service organisation can rely on back-up from the distributor, as well as from the regional and corporate level. By concentrating its back-up functions, Scania avoids duplication and waste. There is currently a project to physically standardise and modularise Scania service workshops, in order to further improve their efficiency and strengthen the Scania brand.

Well-trained drivers mean better fuel economy, lower repair and maintenance costs, better road safety and reduced environmental impact.

Scania's workshop in São José dos Pinhais, Brazil, can service up to 100 trucks and buses at the same time.

Good balance limits risk

Scania's financing and insurance solutions are an important element of Scania's total offering that enables customers to focus on their own business. Through a well-diversified portfolio and a cautious refinancing policy, Scania limits its risks in these operations.

Financial services strengthen Scania's business – supplying customers with high-quality vehicles and services for advanced transport of goods and passengers by road. Scania has wholly owned finance companies for customer financing that cover 40 markets. In markets where Scania does not have its own finance company, financing is offered through export financing solutions or through collaboration with local banks.

Customers are offered financing solutions tailored to fit their needs. They can choose between loan financing and various forms of leases. Financial services may also include insurance and various types of service contracts.

The largest markets for financial services are the Nordic region, Germany, the Benelux countries, Great Britain and France. Operations have grown rapidly in eastern and central Europe as well as in other markets outside western Europe, thereby achieving a better geographic balance.

In emerging markets, Scania's solutions are extra important, since local financial markets are not so developed.

Late in 2008, Scania submitted an application to the Brazilian central bank for permission to start a finance company.

Most borrowing occurs internally via Scania's treasury unit, and there is dedicated financing that covers the estimated demand for financing during the coming year, including borrowing that ensures the refinancing of the existing portfolio.

Market downturn and lower earnings

Despite a rapid deterioration in the market during the second half of 2008, the value of Scania's financing portfolio rose by 23 percent to SEK 47.2 (38.3) billion at year-end. Scania had a penetration rate of 36 (35) percent during 2008 in markets where the company has its own financing operations. In local currencies, the portfolio increased by 14 percent, equivalent to SEK 5.5 billion. Despite a cost increase in its borrowing, Scania noted a higher margin on new business transactions.

The operating income of the Financial Services business area fell to SEK 414 m. (532), equivalent to 1.0 (1.5) percent of the average portfolio during the year.

The year's total bad debt expenses, including provisions to the reserve for bad debts, increased to SEK 227 m. (90), which was equivalent to 0.53 (0.26) percent of the average portfolio. Of this, actual credit losses totalled SEK 183 m. (46). Customers providing transport services for the automotive and construction industries have been hit especially hard by the downturn in transport demand. A sizeable proportion of bad debt expenses are attributable to the German market, partly because many German banks have withdrawn operating loans to certain transport companies. Also affected are many markets in eastern and central Europe as well as Spain. In a number of markets including Spain, Scania has relatively minor exposure to the construction sector, limiting its bad debt expenses.

High-quality portfolio

Scania minimises its risks by having a well-balanced portfolio. Aside from broad geographic dispersion, Scania apportions risks among different types of customers, in terms of size, economic sector and vehicle applications.

At year-end, the portfolio was divided among 23,120 customers. Most were medium-sized hauliers. Credit exposure exceeded SEK 15 m. per customer for about 400 customers. The largest commitments, above SEK 50 m. per customer, encompass some 70 customers, many of them companies outside the transport sector such as retail chains. This category also includes various bus operators. Scania has no exposure to large rental companies. In case of very large individual credit exposures, Scania uses syndication with other financial institutions to reduce the individual credit risk.

Scania's knowledge of the transport industry and its proximity to customers facilitates the assessment of customer creditworthiness and the value of the collateral in the form of the vehicle being financed. The credit assessment takes into account not only the customer's financial position but also the customer's market situation and earning capacity.

The number of repossessed vehicles more than doubled during 2008 to 2,146. Owing to the deterioration in the vehicle market during the latter part of the year, Scania strengthened its organisation for handling repossessions. In most markets, Scania can control the process, in close cooperation with its local distribution network. In these markets the average time until repossessed vehicles were back in the market was about 90 days during 2008. By year-end this time had increased.

Broadened insurance offering

Scania offers vehicle-related insurance in more and more of the markets where it provides financing. To meet its customers' need for comprehensive protection, Scania has broadened its offering by adding "gap" insurance. The local finance companies develop their own specific offerings so that Scania insurance is tailored to customer needs.

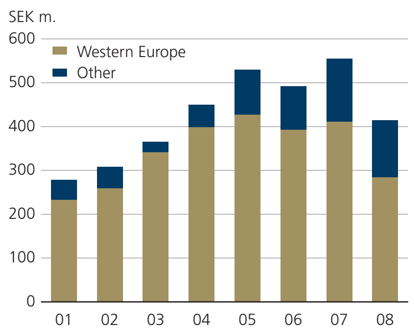
For further information, see especially Notes 2 and 3 on pages 80–84 and Note 6 on page 86.

Diversified financing portfolio, December 2008

Customer category	Number of customers	% of total portfolio value
Exposure <SEK 15 m.	22,722	98.3%
Exposure SEK 15–50 m.	325	1.4%
Exposure >SEK 50 m.	73	0.3%
Total	**23,120**	**100%**

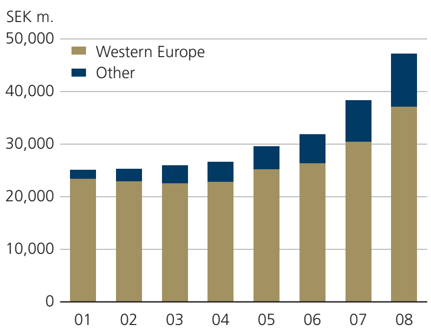
More than 300 customers have a credit exposure between SEK 15–50 m. and about 70 customers have a credit exposure exceeding SEK 50 m.

Operating income



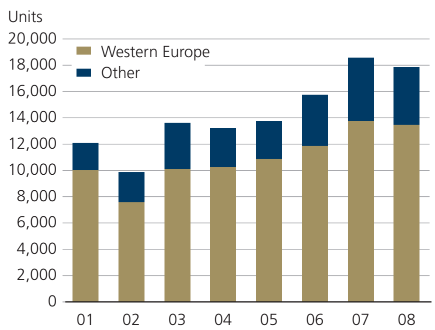
Operating income declined to SEK 414 m. during 2008.

Portfolio size



The customer financing portfolio increased by SEK 8.9 billion during 2008.

Trucks financed



Scania financed 17,853 trucks during 2008. The company delivered a total of 66,516 trucks.

Customer benefit and sustainable transport

Scania is in the forefront of efforts to achieve sustainable transport. It offers customers a broad selection of fuel-efficient vehicles that meet the most advanced environmental standards. The guiding principle of Scania's research and development is to provide vehicles with characteristics that enable customers to boost their productivity and profitability.

Scania invests about 4 percent of its annual sales volume in research and development. This level enables Scania to be a leader in strategically important fields, for example fuel injection and emission control systems, and to maintain its competitiveness.

Scania develops and manufactures all strategically and competitively important components in-house or in strategic alliances with other leading market players.

Research and development resources are concentrated in Södertälje, Sweden. This work encompasses the entire product development chain – from analysis of customer needs, macroeconomic factors and the competition via basic research programmes, pre-production engineering, customer clinics and long-term testing, to quality monitoring and environmental considerations. It also includes development of production methods.

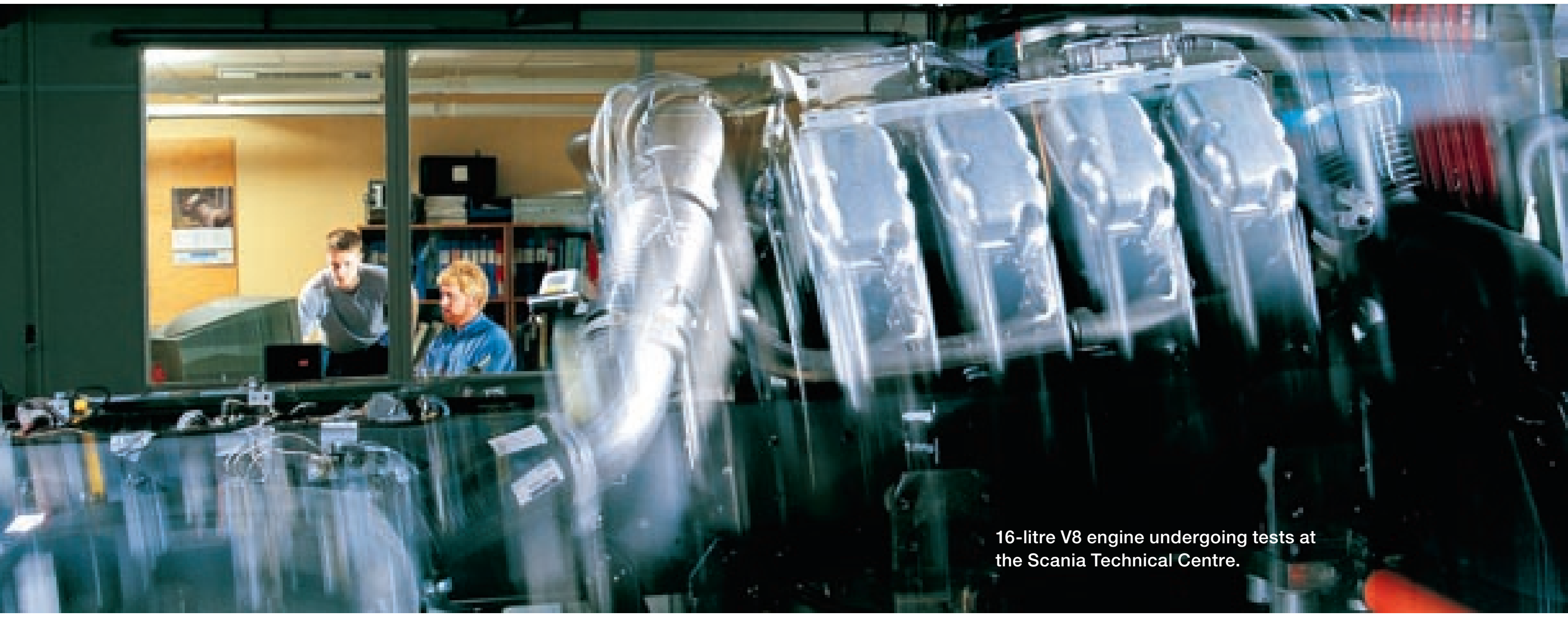
Modular system and strategic alliances

Scania's modular product system facilitates the task of ongoing product improvements. Parts and components are interchangeable and can thus be developed and put into production continuously, without new model launches. This is ideal from a technical standpoint and ensures quality and cost-effectiveness through the value chain. The modular system also increases customer benefit because the limited number of components allows better access to service, parts and proficiency in the service network.

For a number of years, Scania has been pursuing development projects in collaboration with other companies, among others the American engine manufacturer Cummins to develop the Scania XPI fuel injection system and with the Japanese truck manufacturer Hino. Development alliances, combined with the modular product system, provide economies of scale in Scania's research and development. This strategy is an important element of Scania's vision of achieving a production capacity of 150,000 vehicles per year around 2015.

Cutting-edge technology in powertrain development

Engines are the key to Scania's leading position. For many years, the most important priority has been to build engines that are so reliable that they give the owner



16-litre V8 engine undergoing tests at the Scania Technical Centre.

SCANIA HYBRID BUS TO UNDERGO TRIALS

Scania is developing hybrid technology based on technical solutions that are sufficiently robust for day-to-day use under tough conditions. The aim is to ensure that hybrid technology will be profitable for the customer without subsidies.

Scania's hybrid bus has undergone extensive testing. During 2009, trials of Scania ethanol hybrid buses are starting under normal traffic conditions in Stockholm, the Swedish capital.

Thanks to better fuel economy, emissions are at least 25 percent lower, and using ethanol to fuel these buses reduces net carbon dioxide emissions by up to 90 percent.

maximum vehicle uptime. Environmental characteristics also enjoy top priority. High fuel efficiency is essential for lowering traffic emissions and is a distinguishing feature of Scania vehicles. Good fuel economy is also crucial for the profitability of transport companies.

Scania also carries out in-house development of electronic control systems for engines, automated gear-changing and other purposes. The company is constantly refining engine-gearbox integration to provide even better performance. For example, this enables the user to drive with fewer gearchanges and at lower engine revs, consuming less fuel, with reduced wear and improved operating economy.

Low repair and maintenance costs are another important economic factor for the customer. Scania's development work on new components and products weighs in these aspects at an early stage.

Early application of new emission standards

In October 2009, Euro 5 emission standards go into effect, but since 2008 Scania customers have had access to engines that meet its environmental standards. Scania was the first truck manufacturer to succeed in meeting Euro 5 standards without exhaust gas aftertreatment.

The new engine platform was launched during 2007. From the beginning it was optimised for exhaust gas recirculation (EGR) and also for the Scania XPI extra high pressure fuel injection system. EGR reduces emissions during actual combustion. This is convenient for customers, since their vehicles do not need aftertreatment equipment or additive tanks. For customers who prefer selective catalytic reduction (SCR), Scania also offers vehicles featuring this technology.

Through its know-how in both technologies, Scania has already developed the concept to meet the standards of the next stage, Euro 6, which will become mandatory on 31 December 2013. Both EGR and SCR will be used in order to further reduce emissions.

Scania vehicles operate on renewable fuels

Scania engines can operate on the renewable fuels that are available today. Ethanol-fuelled Scania buses have been used since the 1980s and have been sold to a number of cities on different continents. During the spring of 2008, Scania also unveiled the first ethanol truck for urban transport. The third generation of ethanol-fuelled Scania engines feature highly efficient combustion. Using the environmentally best ethanol achieves a net reduction in carbon dioxide emissions of up to 90 percent.

Scania vehicles fuelled by biodiesel reduce net carbon dioxide emissions by between 60 and 70 percent. It is also possible to use biogas that is extracted from solid waste and from wastewater sludge. This can virtually eliminate net carbon dioxide emissions.

New steps in electronics development

For Scania it is strategically important to have the highest expertise in electronics development. This is especially valuable in development of the powertrain – engines and gearboxes. But other vehicle systems also increasingly interact electronically through a vehicle's CAN-bus system.

This trend increases opportunities to adapt the functions and characteristics of a vehicle to the specific needs of the user, also including the smooth integration of equivalent systems for superstructures and bodywork to ensure that the vehicle works optimally as a whole.

Other areas of electronics development are increasingly exact trouble-shooting systems for faster workshop service as well as systems and components to improve the safety and security of the driver and for accurate operating analysis and monitoring of the performance of individual vehicles and drivers.

Values permeate products and working methods

Scania's core values – customer first, respect for the individual and quality – permeate the operations of the company. They determine what characteristics are built into its products and how they are manufactured. All operations must be based on what will benefit the customer. Meanwhile Group employees are dedicated to continuously improving their working methods in order to ensure that Scania always stands for the highest quality and efficiency.

That Scania feeling in every product

Customers expect Scania to be among the leaders in technical performance. Scania also works to build in other values that customers have learned to appreciate during more than a century of vehicle development work.

Scania's customers must feel proud of their choice of vehicle – that they have chosen something beyond the ordinary. And the customer's customers – the buyers of transport services – must notice that the transport company they contract knows its business and uses the best conceivable equipment.

Ergonomics

Behind the wheel, a driver perceives the Scania experience via several senses and channels. All systems and functions are designed to give drivers the best possible support in their work. Many important controls are gathered on and around the steering wheel, enabling the driver to manoeuvre most of them without letting go of the steering wheel.

The experience

The feel conveyed through the steering wheel, pedals and controls is as important as their placement. The movements of the steering wheel should be reflected directly in the vehicle's position on the road. Via the steering wheel and suspension, the driver feels exactly what the vehicle's front wheels are being subjected to in the form of road irregularities and tracks. Steering and suspension are designed to convey a maximum of road feel.

Great attention is devoted to the climate and sound level in the cab, in order to support the driver's work. Scania wants the driver to experience certain noises in order to do a good job. Subdued engine noise and certain sounds from the suspension and wheels convey how hard the vehicle is being pushed.

Support systems

Numerous support systems make the driver's job easier. Scania Opticruise handles gearchanging and optimises fuel economy without requiring any intervention by the driver. The Scania Retarder takes care of downhill speed control in a safe manner, while avoiding wear on the wheel brakes and maximising engine braking.

Scania Ecocruise facilitates fuel-efficient driving by employing several patented solutions. The system enables a vehicle to pass the top of a hill as economically as possible without unnecessary acceleration, and it takes advantage of the speed after a downhill slope to save fuel.

The cruise control can be supplemented with adaptive cruise control, which automatically maintains the gap to the vehicle in front. Scania's lane departure warning system is designed to react only to abnormal driver behaviour and thus not be perceived by the driver as intrusive.

Prestige

Scania's styling reflects tradition while providing an active, powerful impression and fostering confidence among drivers, transport companies and other road users.

The Scania Production System (SPS) is a powerful instrument for increasing productivity.

Continuous improvements

The Scania Production System (SPS) is a management philosophy whose purpose is to make Scania's production more efficient and to eliminate waste in all respects.

SPS encourages employees to find deviations. A deviation is a disturbance that prevents production from running optimally.

Spreading best practice

By identifying deviations, it is also possible to do something about them, by testing and evaluating new solutions. Once a new solution has been introduced at one production unit, it is methodically spread to the other plants in the global production structure.

Everyone participates in improvements

Employee dedication is crucial in improving efficiency. Setting aside time to work with continuous improvements is one element of normal operations for everyone in the production network. It means that large portions of Scania's improvement work has shifted from engineers to fitters.

Cross-functional working method

Another mechanism for improving efficiency is through cross-functional (interdepartmental) working groups that include representatives from research and development, production and purchasing. This enables Scania to shorten lead times and assure quality at an earlier stage. The concentration of European production of strategic components in Södertälje, Sweden during the past several years has been a prerequisite for putting such an integrated working method into place.

Continuous increases in productivity

SPS is a powerful instrument for increasing productivity. With limited investments, the same number of employees at production units can build more vehicles.

One example is Scania's cab production unit in Oskarshamn, Sweden. From 2004 to 2007, productivity there increased by 50 percent, from 20 to 30 cabs per employee annually.

Flexibility during ups and downs

Scania's global production network and product range allow great flexibility in balancing production in an optimal, cost-effective way. The Scania Production System (SPS) engages all employees in the task of achieving continuous improvements and eliminating waste – which is expected to improve productivity by 6 to 8 percent annually.

Scania's production network is globally integrated, with a common production system for all units. With the same working methods as well as quality and environmental standards, production can be allocated between Europe and Latin America in order to achieve optimal capacity utilisation.

Annual technical production capacity increased to 90,000 vehicles by the end of 2008, compared to 80,000 at the beginning of the year.

The restructuring of European axle and gearbox production has now been completed. Together with the earlier restructuring of European parts management, this will lead to annual savings of SEK 300 m., with full effect from 2009.

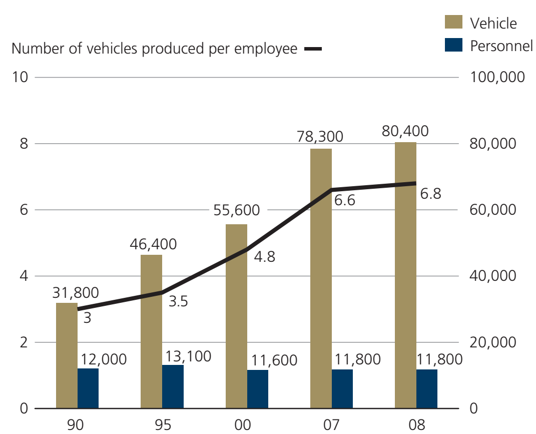
Increasingly flexible production

Scania's vision is to increase annual production capacity to 150,000 vehicles by around 2015, within the existing production structure. To achieve this and be able to respond to fluctuations in demand, Scania is building an increasingly flexible cost structure.

Purchased materials and components account for an increasing share of production costs – about 70 percent today. Of the 30 percent value-added, about one fifth is also directly connected to production volume – which allows great flexibility as a consequence of fixed term temporary employment contracts, flexible working hour systems and transport.

A continued annual productivity improvement of 6 to 8 percent also provides the basis for Scania's growth strategy. In the long term, Scania will continue to subject portions of its production to competition, thereby laying the groundwork for expanded outsourcing of non-strategic production.

Number of vehicles produced per employee



Scania's productivity has increased by an average of 6 to 8 percent annually. During 2008, however, the rate of increase slowed.

Production cutbacks

The rapid market downturn during the autumn of 2008 made it necessary to adjust production volume to lower demand, in order to avoid continued build-up of inventories. Scania managed to utilise the flexibility of its production network in order to implement cutbacks quickly and with minimal disruptions.

Since Scania has a global production structure, with the same product range in both Europe and Latin America, it was able to re-allocate production in a cost-effective way. Production of vehicles for export from Latin America was moved to Europe. This eased the workload at production units in Latin America, where demand remained at a relatively good level, while utilising spare capacity in Europe.

In addition, Scania did not renew the contracts of about 2,000 fixed term temporary employees and the halt in production during the Christmas and New Year period was extended to about one month. These measures allowed Scania to safeguard its core competency in the production network and avoid issuing dismissal notices to permanent employees during 2008.

Elimination of inefficient sub-operations

One central element of Scania's efficiency-raising work is to avoid operations that involve costs without adding any value. Improvements occur by means of small, gradual modifications, instead of through radical changes in processes.

One mechanism for improving efficiency is through cross-functional (interdepartmental) working groups

that include representatives from research, development, production and purchasing. This enables Scania to shorten lead times and perform quality assurance at an earlier stage. The concentration of European production of strategic components in Södertälje, Sweden during the past several years has been a prerequisite for putting such an integrated working method into place.

Scania's pioneering modular system also plays a key role in improving production efficiency. Using the modular system, components may be included in many different vehicle combinations. Customers get a vehicle that is optimised for their own transport operations at a lower production cost for Scania.

Scania opens facility in Dubai

During 2008 Scania built a facility for bodywork and equipping of complete vehicles in Dubai, following a groundbreaking ceremony attended by Sweden's Crown Princess Victoria. This delivery centre will produce complete vehicles, adapted to the requirements and operating conditions that apply in the Gulf region. A regional centre for sales and service training also opened in Dubai.

Delivery centres, which are also found in Russia, Malaysia, Taiwan, Thailand and South Africa, supplement the existing production structure and will be built at additional locations in the coming years in order to shorten lead times and allow greater proximity to customers.

Sustainable development – part of Scania's business

Scania's sustainable development work is an important factor behind its position as a leading company in its industry. Scania is a step ahead in offering reliable, energy-efficient products that boost the efficiency of its customers and contribute to a better environment.

The Sustainability Report on pages 32–45 presents Scania's sustainability efforts. For a report in line with the Global Reporting Initiative (GRI) index, see Scania's website www.scania.com.

Scania's sustainability work is very wide-ranging – from environmental standards at production units and innovations in sustainable transport to investments in employee health and proficiency. It also includes a high standard of ethical behaviour in relations to employees, customers, business partners and society at large.

The basis for this work is Scania's core values and adherence to the OECD Guidelines for Multinational Enterprises. These guidelines include an undertaking to respect human rights, never offer or receive bribes and refrain from anti-competitive activities. Good ethics are a prerequisite for building and retaining trust and respect – and thereby also for creating a profitable and sound long-term business.

Scania's values are also reflected in the standards it imposes on suppliers. The Group's procurement policy requires that suppliers meet high quality standards, have a certified environmental management system in place and live up to the UN Universal Declaration of Human Rights with regard to employee health, safety, compensation and working conditions. Scania pursues a close dialogue with its suppliers to monitor compliance with these requirements. This includes evaluating the work of these suppliers, but also providing training and advice.

High-priority areas

The ability to haul goods from one place to another is a prerequisite for improved well-being in large parts of the world. The global transport system must deal with the challenge of meeting a growing demand for transport services while fulfilling the stricter environmental standards that public authorities are imposing, both in industrialised and emerging countries. Global efforts to deal with the climate change issue are also entering a new phase, since a new international agreement on emission reduction is expected during 2009.

Scania is deeply committed to meeting these challenges and also sees major business opportunities in playing a leading role in these developments. Scania works actively to deal with the side effects of transport, by reducing resource waste at all levels both in the development and manufacture of products and in

Rotra, an innovative logistics and transport firm, was the first Netherlands-based haulier to start operating 25.25-metre rigs.

their use. Improving energy efficiency and reducing carbon dioxide emissions are a constant focus of interest in both customer relations and in production and development work. Scania assigns especially high priority to five areas:

The customer's business

Scania works systematically to support the efforts of transport companies to reduce their environmental impact. By means of high vehicle quality, gradual lengthening of servicing intervals and an ambition to be the best service organisation in its industry, resource utilisation in customers' transport work is reduced. Scania also provides driver training, which focuses among other things on road safety and fuel-efficient driving. This task includes improving driver working environment and health.

Product development

Scania prioritises innovations that help its customers to be energy-efficient and drive safely. This includes continuous improvements in engines and gearboxes, lower air and rolling resistance, development of engines for renewable fuels and hybrid technology and working towards regulations that allow longer vehicles which carry more cargo. Scania's ambition is that it should always be able to offer customers products that are at least one level better than the existing legal requirements.

Production

Scania implements continuous improvements in order to limit the environmental impact of its production activities. Efficient resource utilisation and preventive work are key elements of this. Energy efficiency is a high priority, along with a successive increase in the share of total energy consumption derived from renewable sources.

Safe, efficient goods shipments

Efficient transport logistics that supports Scania's production activities is essential to the company's competitiveness. Scania works systematically by means of continuous improvements, with the vision of being the leader in its industry when it comes to efficient goods shipments with little environmental impact.

Employees

Highly proficient, dedicated and healthy employees are a prerequisite for Scania's success. Scania works on a broad basis with human resource development throughout the organisation, by means of dedicated, active leadership.

On the basis of its global health and safety policy, Scania also lays the groundwork for good health and a safe working environment.

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Effective management and monitoring

Sustainability work is integrated into Scania's corporate governance framework and is described in the internal governing documents "How Scania is Managed" and "Strategic Update" (see the Corporate Governance Report, page 53). By working with continuous improvements, Scania focuses on methods rather than on results. Results come as a consequence of doing the right things right.

The commitment to following the OECD Guidelines applies to the entire Group, as do the Environmental Policy and Human Resource Policy, which are established by the Executive Board. The Scania Executive Board sets overall goals and strategies, and operational decisions are made in the line organisation. Every manager is responsible for ensuring that Scania lives up to its obligations. There is also a procedure for employees to report deviations from the regulations in force at the company.

To ensure continuous monitoring and reporting of environmental performance in the production network, Scania has established an internal reporting system that encompasses all production units as well as research laboratories. Indicators and key figures are reported quarterly at management meetings in the line organisation and annually to the Executive Board. The annual summary is examined by Scania's auditors.

Key environmental indicators are presented on page 41.

THE OECD GUIDELINES IN BRIEF

Generally: Respect human rights.

Information: Disclose relevant information to all stakeholders.

Employees: Respect the union rights of employees and help eliminate child labour.

Environment: Strive for continuous improvement.

Corruption: Never offer bribes or anything else that might be perceived as bribes.

Interest to customer: Disclose product information to customers and establish improvement procedures.

Science and technology: Work towards transferring knowledge to host countries.

Competition: Refrain from anti-competitive agreements among competitors.

Taxes: Pay on time.

Important role in society

Transport is vital to modern society, and Scania plays an important part in providing it. Dialogue and cooperation with customers, political leaders, public authorities and other social institutions are thus a strategic element of operations. During 2008, Scania pursued a number of dialogues on sustainability with customers, researchers and other stakeholders.

One purpose of this dialogue is to provide Scania with a solid basis for its business decisions. Another is to contribute opinions on how legislation should best be formulated to achieve a competitive transport industry – which is essential to a well-functioning and sustainable transport system. In accordance with Scania's rules, the company does not provide support to political organisations or parties.

The use of trucks, buses and engines is a highly regulated industry. Scania would like to promote a harmonised rule system, in which the industry is given sufficient time to adapt its products and production methods to the emission standards in force. Scania also supports legislation that encourages investments and innovations and promotes fair competition.

Having access to highly qualified and dedicated employees is vital to Scania's competitiveness. This is why Scania has well-developed collaboration with universities and institutes of technology and with organisations that promote an early interest in technology among children and young people.

Collaboration with and support to the research pursued at universities and institutes of technology are another strategically important area for Scania.


EBL
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Maintaining a life cycle perspective

Scania's goal is to develop technology that is as resource-efficient and clean as possible. This minimises the environmental impact of its products both during manufacturing and use – which is good for both business and the environment.

Scania's environmental work takes place with a holistic perspective and is part of the company's day-to-day work.

Scania works continuously with research and development concerning the environmental impact of its products and production network. The objective is to reduce the environmental impact of its products in all phases throughout their period of use and make end-of-life treatment of these products easier.

Most of the environmental impact of Scania products occurs during the service lives of vehicles and engines. For noise as well as a number of exhaust emissions, such as nitrogen oxides and particulates, there are legally mandated standards and threshold limits in most of Scania's markets.

Being a step ahead is a success factor

Scania works with continuous improvements in the environmental characteristics of its products. In its product development work, the company establishes strategic targets that must be met. The ambition is to always be able to offer customers products that are at least one level better than the existing legal standards. Staying ahead of environmental legislation is an important competitive factor.

Scania's customers often view their vehicle investments in a long-term perspective as well. Environmental characteristics are becoming an ever-higher priority. In a number of countries, environmentally low-impact vehicles benefit from tax- and toll-based incentives. For example, in Germany they receive discounts on road charges.

Many transport companies also choose to devote extra effort to improving environmental characteristics as part of their public image, or to meet specific requirements from their customers. Environmentally suitable, fuel-efficient driving is another important element of the driver training that Scania offers and can reduce fuel consumption by up to 10 percent.

Part of Scania's day-to-day work

Environmental work is integrated in Scania's production system. Each production unit has overall environmental objectives that provide the basis for detailed targets at the local level.

Environmental work at production units is evaluated yearly by the Scania Blue Rating Environment system, which is also used to improve this work and disseminate best practice. Scania's production units, as well as its research and development units and corporate units, are certified according to ISO 14001 international environmental management standards. At units in the Scania sales and service organisation, environmental work is part of the Dealer Operating Standard (DOS), which is followed up in regular audits. Scania requires its suppliers to be certified as meeting ISO/TS 16949 quality management standards and ISO 14001.

EXHAUST EMISSIONS PER VEHICLE CONTINUING TO DECREASE

For nearly two decades, reduced exhaust emissions have been a prominent environmental objective in engine development. Emissions from heavy vehicles have fallen sharply since the early 1990s. The adoption of Euro 4 environmental standards in the EU represented a 55 percent reduction in nitrogen oxide emissions and a 95 percent reduction in particulate emissions, compared to 1990 levels. The Euro 5 emission standard, which becomes mandatory in October 2009, will lower nitrogen oxide emissions by 75 percent and particulates by 95 percent compared to 1990. Enhanced Environmentally Friendly Vehicle (EEV) standards are even tougher, for example with regard to hydrocarbons and particulates.

Lower particulate or nitrogen oxide emissions normally result in higher fuel consumption. Thanks to successful product development, Scania has been able to sharply lower the emission levels from trucks and buses while providing better fuel economy than 15 years ago. For example, despite sharply reduced emissions, Scania's new Euro 5 engines have fuel economy as good as that of its Euro 4 and Euro 3 engines.

SCANIA'S ENVIRONMENTAL POLICY

Scania continuously improves the environmental performance of its products, processes and services. Business demands and other requirements form the basis for improvements, where fulfilment of legislation is fundamental. Scania's environmental work is proactive, based on a life cycle perspective and the principle of precaution.

Environmental responsibility

Environmental work is based on Scania's Environmental Policy and is integrated with the day-to-day task of continuous improvements.

Like other industrial companies, Scania has an impact on the environment, since it uses natural resources in the production process and because emissions are generated in its production network and when its products are distributed and used. Scania is constantly working to reduce undesirable environmental impact by working preventively and aiming at resource-efficient, clean technology.

Knowledge

The key to successful improvement work is the right expertise and a thorough awareness of international trends. This is why Scania invests in training and motivating its employees as well as its sub-contractors so that they can perform their tasks in a responsible way. During 2008 a new environmental training course was developed, and employees in the purchasing organisation underwent special training in sustainability and social responsibility.

Use of raw materials and chemical products

Transforming raw materials and components into final products is a fundamental element of Scania's operations. More efficient resource utilisation is thus one of Scania's most important environmental objectives. Aside from components, metallic raw materials are Scania's most important input goods. Most are recycled materials. During 2008, Scania's use of raw materials totalled 202,080 tonnes, equivalent to a cost of SEK 2,540 m. The raw material cost per vehicle produced was thus SEK 32,000.

A truck includes numerous chemical substances, and most of these materials are incorporated into the finished product that Scania delivers to the customer. To live up to the environmental policy's requirement to follow the principle of precaution, Scania is continuously working to find alternatives that reduce environmental impacts, but also to bring down total consumption. During 2008 the use of chemical products amounted to 6,850 m^3, equivalent to a cost of SEK 249 m. The cost of chemical products per vehicle produced was thus SEK 3,100.

Energy and water consumption

Scania strives for efficient utilisation of energy and a transition to renewable energy sources. To achieve this, it implements continuous improvements in the processes where energy is used, among other things through systematic work with local energy analyses and action plans.

During 2008, energy use amounted to 660 GWh, equivalent to 8.3 MWh per vehicle produced. This means that over the past decade, energy use per vehicle produced has declined by 35 percent.

Scania is taking steps to reduce water consumption. At its São Paulo (Brazil) production unit, located in an area with water use restrictions, Scania has begun implementing measures to use rainwater and reduce water use.

Lower emissions and discharges

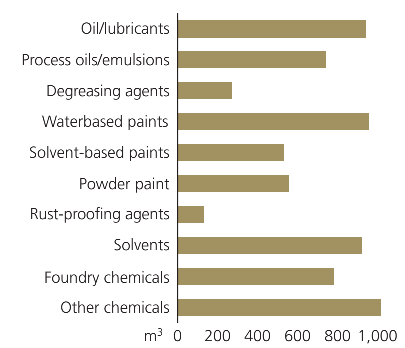
Scania endeavours to reduce its atmospheric emissions and discharges into waterways and the soil. This occurs through conscious choices when purchasing chemical >>

FACTS ABOUT REACH

Registration, Evaluation and Authorisation of Chemicals (REACH) is the EU's new regulation on chemicals. For Scania, REACH means improved information about the environmental and health risks of the chemical products used in production and maintenance. Under its rules, Scania has introduced clear communication to suppliers of chemical products so that they will take into account Scania's application areas in their safety assessments.

More information is available at www.scania.com.

Chemical use



Consumption of chemicals totalled about 6,850 m^3.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>> products and production technology, in order to avoid resource-intensive and costly clean-up measures. One example of this is that Scania always endeavours to use closed processes.

Atmospheric emissions of carbon dioxide, volatile organic compounds and nitrogen oxides occur at Scania's production units.

Carbon dioxide emissions at production units are mainly attributable to the use of electricity and fossil fuels for processes, heating supply and testing. Of total carbon dioxide emissions during 2008, 20 percent can be attributed to fossil fuels (excluding fuel for engine testing), 24 percent to purchased electricity and district heating and 56 percent to goods shipments. The use of fossil fuels decreased by 8 percent during 2008. This is because the Oskarshamn production unit in Sweden switched to district heating and because the production of axle and gearbox components in Sweden moved from Falun and Sibbhult to Södertälje. During the past decade, carbon dioxide emissions per vehicle produced fell by 32 percent.

Emissions of volatile organic compounds (VOCs) occur in conjunction with painting and rust-proofing. Scania has introduced a new concept for chassis painting, in which components are painted before assembly with water-based and powder paints – with low VOC content. This has made a crucial contribution to reducing emissions. During the past decade, VOC emissions per vehicle produced declined by 54 percent.

Nitrogen oxide emissions are mainly due to engine testing. Improvements in diesel engines and better fuel have contributed to a substantial reduction in emissions of nitrogen oxides as well as particulates. Shorter testing periods have also helped reduce emissions.

More efficient goods shipments

Scania endeavours to reduce environmental impact and improve road safety in its goods shipments. During 2008 a special action plan for more efficient goods shipments was adopted. The plan includes stricter environmental and safety requirements for transport suppliers. One example of this is that Scania is tightening its requirements on suppliers to train their drivers in safe, fuel-efficient driving; another is that they must be able to show the results of their improvement efforts.

One objective of this strategy is to help reduce carbon dioxide emissions. To monitor this work, Scania's transport-related carbon dioxide emissions are now being measured at the global level. During 2008 they totalled 108,500 tonnes, or 1.3 tonnes per vehicle produced, and included all shipments of raw materials and components to production units as well as delivery to the distribution network of completed vehicles and engines.

Waste management

Scania's objective is to reduce the quantity of waste and increase waste recycling. To some extent, this recycling takes place within Scania's own production network. During 2008, excluding foundry sand, a total of 82,400 tonnes of residual products and wastes were recycled, equivalent to 1 tonne per vehicle produced. Most of this, about 85 percent, was utilised for material and energy recycling.

The task of reducing the quantity of waste sent to landfills enjoys priority. In recent years, however, such waste has gradually increased due to higher production. The quantity of waste sent to landfills accounts for only 4.5 percent of waste produced. Waste classified as hazardous is sent for external treatment and totalled 1,000 tonnes, equivalent to 12 percent of waste produced.

Accident prevention work

Scania works systematically to identify and prevent environmental risks. All facilities have undergone orientation studies and risk assessments of buildings, soil and groundwater pollution. As needed, supplementary investigations and required actions have been undertaken. This work takes place in close cooperation with local or regional authorities. In São Paulo (Brazil), Zwolle and Meppel (the Netherlands), soil clean-up measures have now been completed and inspection work are under way.

The production units in Falun and Sibbhult (Sweden) were phased out during 2008. The soil investigations that were performed show moderate risk, which means that there is no need for clean-ups at these properties. During 2008, no accidents occurred that caused significant environmental impact or led to major clean-up expenses.

Operating permits

The operations of Scania's production units around the world have permits that comply with national legislation. In addition to legal requirements and the conditions included in the permits, there may also be local operating requirements and rules. New permits for expanded production were issued for Södertälje and Zwolle. In São Paulo, the permit is valid two years at a time, and a new permit was issued during 2008. The authorities are currently examining Scania's application for a new permit related to expanded operations in Angers (France). During 2008 there were no violations of the conditions in force.

Scania's Oskarshamn production unit stopped using oil-fired space heating during 2008 and is no longer required to participate in the EU trading system for carbon dioxide emission allowances. The Södertälje production unit, with a large furnace unit for back-up power, is now the only operation included in the trading system.

Environmental performance in the production network

	2008	2007	2006
Number of vehicles produced	**79,874**	78,331	66,737
Net sales, SEK m.			
Scania products	**88,977**	84,486	70,738
Raw material consumption			
Per vehicle, kg	**2,500**	2,900	3,100
Total, tonnes	**202,080**	228,000	207,000
Total, SEK m.	**2,540**	2,510	2,310
Chemical consumption			
Per vehicle, m^3	**0.086**	0.085	0.084
Total, m^3	**6,850**	6,600	5,600
Total, SEK m.	**249**	212	163
Energy use			
Per vehicle, MWh	**8.3**	9	10
Total, GWh	**660**	677	652
Total, SEK m.	**346**	313	279
Carbon dioxide emissions			
Fossil fuels, 1,000 tonnes	**38**	42	41
Purchased heat and electricity, 1,000 tonnes	**47**	46	43
Goods shipments, 1,000 tonnes	**108**		
Per vehicle, tonnes	**2.4**		
of which plant-related	**1.06**		
Total, tonnes	**193,500**	88,200[1]	84,200[1]
Water use			
Per vehicle, m^3	**8.3**	9	11
Total, 1,000 m^3	**659**	671	705
Total, SEK m.	**8**	8	7
Solvent emissions			
Per vehicle, kg	**4.3**	4.8	5.4
Total, tonnes	**341**	377	360
Recycling of residual products and waste			
Per vehicle, kg	**900**	1,000	1,000
Total, tonnes	**69,000**	77,000	64,000
Revenue, SEK m.	**112**	106	71
Sent to landfills and other off-site disposal			
Per vehicles, kg	**170**	180	170
Total, tonnes	**14,000**	14,000	12,000
Total, SEK m.	**25**	25	20

1 Goods shipments are not included in 2006 and 2007.

Emissions from goods shipments were calculated as specified by the Network for Transport and the Environment. An in-depth account of measures and results as well as a summary of environmental performance by production unit are available at www.scania.com. The website has not been reviewed by the company's auditors.

PRODUCER RESPONSIBILITY FOR BATTERIES

As a producer of heavy vehicles, Scania is included in the new system of producer responsibility for batteries. This means that the company must ensure that the batteries delivered with vehicles and by the Scania service network in the EU are collected and recycled. Scania's sales volume must be reported to the regulatory authority in each member country, and the batteries must be correctly labelled.

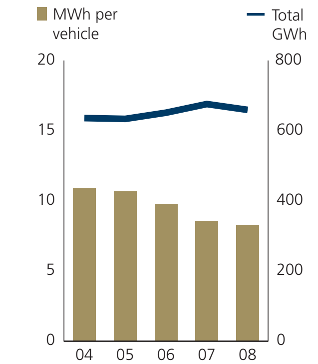
Carbon dioxide emissions related to energy use

	Energy use, GWh		Carbon dioxide emissions, ktonnes*	
	2008	1998	**2008**	1998
Electricity	**422**	373	**41**	23
District heating	**81**	78	**6**	6
Fossil fuels	**158**	189	**38**	49
Total	**660**	640	**85**	78
	kWh		tonnes	
Per vehicle	**8,300**	12,800	**1.06**	1.56

* Since 2006, Scania has used a new emission factor for emissions from electricity generation. The emission factor for electricity comes from International Energy Data Sources.

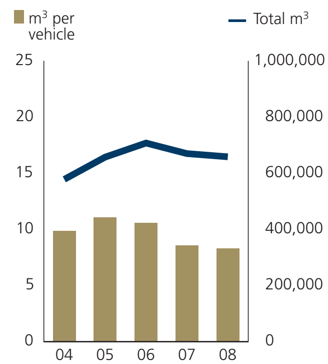
Carbon dioxide emissions amounted to 1.1 tonnes per vehicle, or a total of 85,000 tonnes.

Energy use



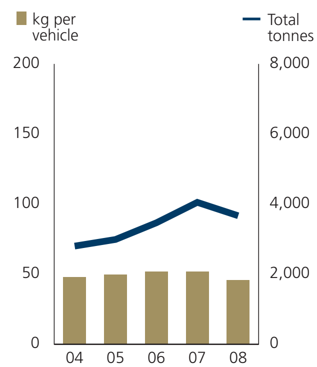
Despite higher production volume, energy use decreased to 8.3 MWh per vehicle produced.

Water use



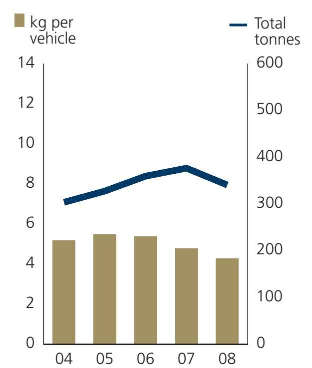
After a few years of increased water consumption, the trend reversed.

Waste sent to landfills



Waste sent to landfills totalled about 14,000 tonnes (excluding foundry sand), equivalent to 170 kg per vehicle.

Solvent emissions



Solvent emissions from painting and rust-proofing decreased to 4.3 kg per vehicle.

Improved road safety for sustainable transport

Scania works in various ways to improve road safety. Better road safety is all about interaction between infrastructure, vehicles and road users. Scania is continuously developing new products and services that help the driver make the right decisions behind the wheel.

Worldwide, about 1.2 million people die in road accidents each year and 50 million more are injured. This makes road accidents the ninth most common cause of death in the world and one of our biggest health problems. Given the trend to date, traffic fatalities are expected to be the third largest cause of death in the world by 2020.

Creating an efficient, sustainable transport system that ensures the safety of road users is a major challenge. At the turn of the 21st century, the European Union established the goal of halving the number of deaths on EU roads by 2010. One step along the way is that road safety issues are being viewed as increasingly important at both the national and international level. The World Health Organisation (WHO) was assigned the task of co-ordinating the road safety work of the United Nations. Since 2005, Scania has participated in this work as a partner of WHO.

Road safety is, above all, a matter of human behaviour and attitudes. The driver is the most important actor in improving road safety. This is why Scania works continuously to develop new products and services that will help the driver make the right decisions behind the wheel.

The driver – a key individual

The driver is of crucial importance to operating economy, road safety and environmental impact. Trained drivers not only operate their vehicles more safely but also more fuel-efficiently, which has a favourable effect both on operating economy and the environment.

For many years, Scania has provided driver training. Well-trained drivers are the key to a safer traffic environment, better fuel economy, reduced vehicle wear-and-tear and higher profitability for transport companies.

Scania's global platform for training truck and bus drivers consists of theoretical and practical exercises. The training programme is aimed at experienced professional drivers and is based on the EU driver training directive, which began to apply to bus drivers in September 2008 and will also apply to truck drivers from one year later. The directive requires drivers to undergo 35 hours of mandatory training within a five-year period.

Scania offers driver training in over 40 countries, and during 2008 it trained more than 9,600 drivers around the world. During the past ten years, Scania has helped more than 50,000 drivers undergo the programme.

Scania Driver Competitions

With the endorsement of the European Commission, in 2003 and 2005 Scania organised the world's largest driver competition. Since 2007 Scania's driver competitions have become a global arrangement, featuring contestants from some 40 countries in Europe, Latin America, Asia and Africa.

For many years, Scania has worked with driver training. Truck and bus driver training is targeted to experienced professional drivers. Even experienced drivers can reduce their fuel consumption by up to 10 percent.

Focus on human resource development and good health

Scania's success is based on highly capable, dedicated and healthy employees in a good working environment.

Dedicated employees

The key to Scania's success is dedicated employees. Everyone at Scania knows that continuous improvements, always with customer benefit in mind and quality at all levels, will generate strong long-term growth. An employee who undergoes continuous professional development, feels a sense of participation and feels well contributes to higher efficiency and quality. Clear core values and common principles for operational management and leadership tie together the whole organisation.

By taking advantage of the unique knowledge, wishes and talents of each employee, the company is continually refining its working methods. New ideas and improvements are generated in day-to-day work. Operational and human resource development go hand in hand, ensuring higher quality, efficiency and job satisfaction.

At Scania, all employees are responsible for their operations and improving them, as well as their own professional development. The company applies five common leadership principles:

1. Coordinate but work independently – take responsibility
2. Work with details and understand the context
3. Act now – think long-term
4. Build know-how through continuous learning
5. Stimulate commitment through involvement

SCANIA'S HUMAN RESOURCE POLICY

Scania shall be a highly regarded employer with competent and dedicated employees who work in a creative and healthy environment where diversity and an ethical approach are cherished.

Everyday human resource development

Human resource development is a high-priority area. Its premise is that learning and personal development occur mainly in day-to-day work. Every employee has an individual development plan. Scania offers its employees more than 300 different courses and training programmes in such fields as leadership, technology and communication. A large proportion of these programmes are taught by internal lecturers and teachers, in keeping with Scania's "learning organisation" concept.

To meet the need for highly capable service technicians, Scania also provides training in its service network at more than 50 service schools with about 100 full-time instructors. All of Scania's 12,500 service technicians update their skills every year.

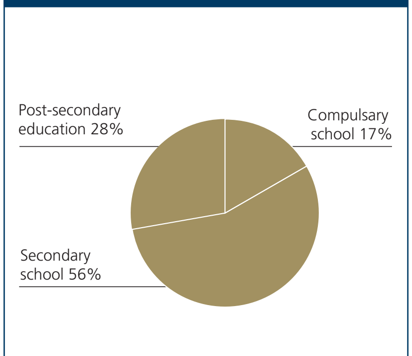
The employees of tomorrow

Scania regards the educational system in the communities around it as one of its most important partners. One natural element is to encourage more women to apply for technically oriented studies. Scania works actively to generate an interest in science and technology among children and young people.

Scania collaborates closely with technical upper secondary schools and university-level institutes of technology, which are important to its future recruitment of talented employees.

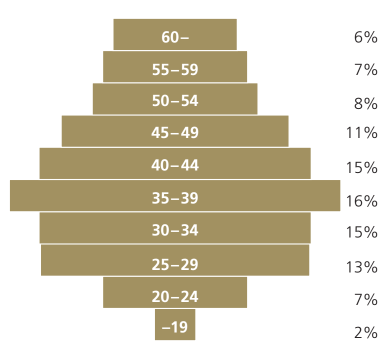
Scania's strategic recruitment efforts also include its trainee programme, which runs for 14 months and welcomes graduate engineers, business administration graduates and information technology specialists.

Educational level

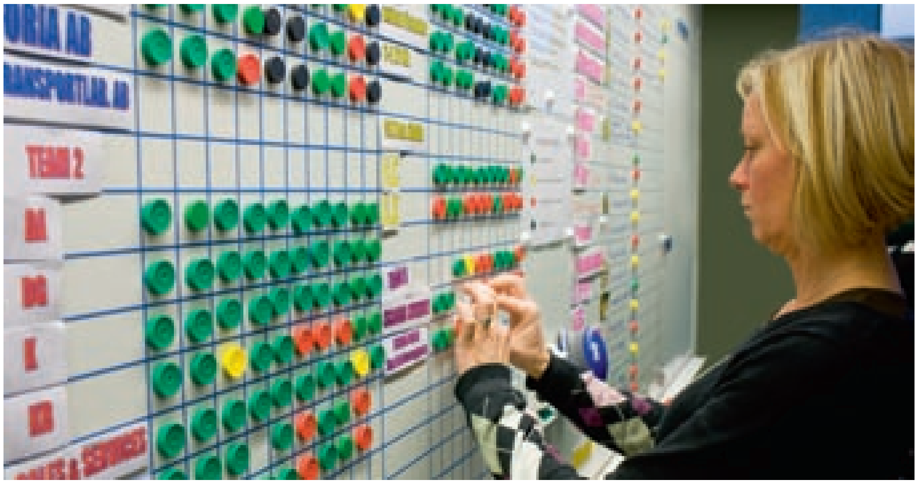


Scania's employees have a high level of education.

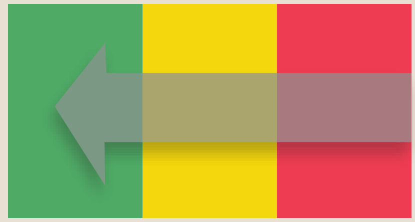
Age distribution



The age distribution among Scania's employees is well-balanced, and their median age is 39.12 years.



THE GLOBAL HEALTH PRINCIPLE



Scania has a global health principle, in which it works proactively and systematically to lay the groundwork for good health and a safe working environment. This is done by means of regular meetings with health and safety engineers, company physicians, nurses, ergonomists and health instructors. Together they develop the standards and methods that support the global health principle.

Higher healthy attendance

Group-wide methods for improving health and well-being are a natural element of work, in keeping with Scania's core values.

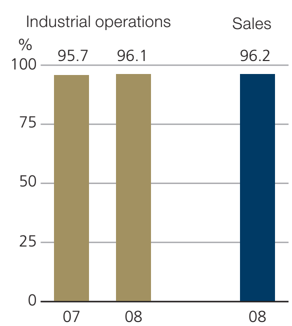
Based on its global health policy, Scania lays the groundwork for good health and a safe working environment throughout the organisation. The centrepiece of this policy is the global health principle.

Scania works proactively by focusing on promoting and improving health, using active leadership and "employeeship". Scania's work with continuous improvements creates the prerequisites for systematic health promotion efforts.

At Scania's production units, health promotion work has continually helped improve "healthy attendance" – the average percentage of employees at work. In the company's Swedish operations, where absences due to illness are down by half in the past decade, healthy attendance today is more than 96 percent. This successful health promotion work has also been expanded to Scania's growing sales and service network, and common global methods for working environment programmes have begun to be introduced. These methods are being disseminated and developed via the global health network, whose aim is to standardise methods, exchange experience and disseminate best practice. Coordination and responsibility for the network rest with the corporate health unit in Södertälje, Sweden, which also provides medical back-up.

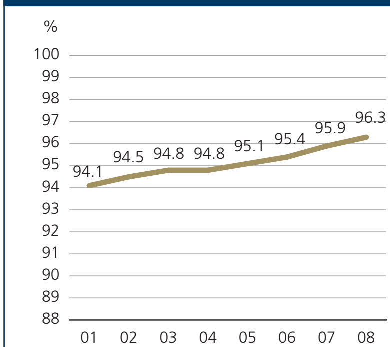
Scania's global health promotion work is evaluated by means of various key figures: healthy attendance, accidents and employee turnover. One standardised method for verifying and improving the application of the health principle and related methods is Scania Blue Rating Health and Working Environment.

Global healthy attendance



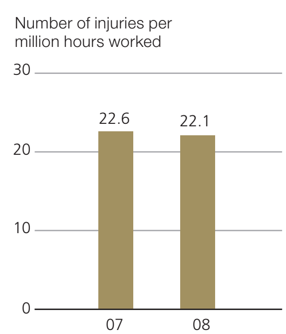
Global healthy attendance among employees in Scania's industrial operations increased by 0.4 percentage points. In sales and service operations, this figure was reported for the first time.

Healthy attendance[1] in Swedish operations

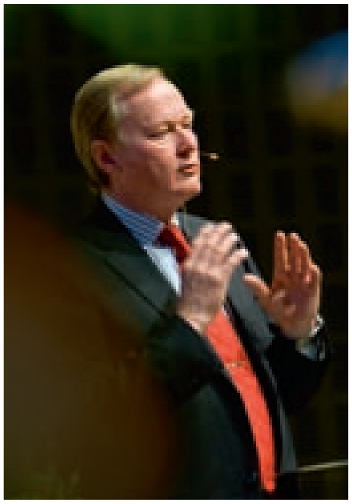


1 Healthy attendance is 100 percent of planned working hours minus coded absences due to illness.

Work-related injuries



Work-related injuries resulting in absences, per million hours worked (global industrial). The number of work-related injuries declined despite a production increase lasting during most of 2008.



Broad stock market downturn

During 2008 the stock market was dominated by great uncertainty and worries about a significant economic downturn. The financial turbulence that began in the United States during 2007 spread to large parts of the world. Investment goods were among the industries that noted a sharp downturn in share prices. The NASDAQ OMX Nordic Exchange Stockholm fell by a total of 39 percent. Scania Series B shares lost 46 percent.

The stock market downturn began in mid-2007 and continued in 2008. In September, the American investment bank Lehman Brothers went bankrupt, which had repercussions in financial markets worldwide. Ever-worsening credit problems had an adverse impact on the stock market, since various investors including hedge funds were forced to sell large shareholdings because they found it increasingly difficult to continue financing these holdings.

The outlook for truck manufacturers deteriorated during the year as order bookings fell sharply. This downturn accelerated in the second half as a result of worsening liquidity shortages and great uncertain about future business conditions, making Scania's customers reluctant to take delivery of trucks they had already ordered. They also held off on ordering additional trucks. Scania shares thus showed a negative trend. Including the dividend, the B share provided a total return of –41 percent. This can be compared to the dividend-adjusted SIXRX index, which provided a return equivalent to –39 percent. In the past five years, Scania's B share has provided an annual total return averaging 26 percent. This can be compared to the SIXRX index, with a return equivalent to 9 percent.

Share trading

Scania B trading volume averaged 2,545,600 shares per day in 2008. It was thus lower than in 2007. The turnover rate was 169 (189) percent, compared to 132 (131) percent for the Exchange as a whole.

The split and redemption

In May each Scania share, both the A and B share, was divided into two shares – one ordinary share and one redemption share – with the latter being redeemed at a value of SEK 7.50 per share. This redemption programme meant that SEK 6 billion was repaid to the shareholders and together with the regular dividend, the shareholders received a total of SEK 10 billion during 2008.

Information on the split, redemption and tax issues for shareholders is available on www.scania.com, under Investor Relations, ”information about 2008 share split and redemption”.

Dividend and dividend policy

The proposed regular dividend of SEK 2.50 per share is equivalent to 22.5 percent of 2008 net income. In the past five years, an average of 50.7 percent of net income has been distributed to the shareholders. The company's capital needs are continuously evaluated and adapted to the investments required to safeguard growth. In Scania's view, this creates higher long-term shareholder value than a fixed dividend policy.

Major ownership changes

On 22 July 2008, Volkswagen bought 134,711,900 Series A shares in Scania, or 30.62 percent of voting power, from Investor and the Wallenberg foundations in accordance with an agreement signed in March 2008. Volkswagen's ownership stake thus increased to 68.60 (37.98) percent of voting power and 37.73 (20.89) percent of share capital.

The transaction was carried out after approval from the appropriate competition authorities.

In addition, additional shares of Scania, held in trust by a credit institution, with voting rights amounting to 0.87 percent and an equity interest of 3.63 percent are attributable to Volkswagen. Volkswagen thus owns shares in Scania equivalent to about 41.36 percent of share capital and about 69.47 percent of voting power.

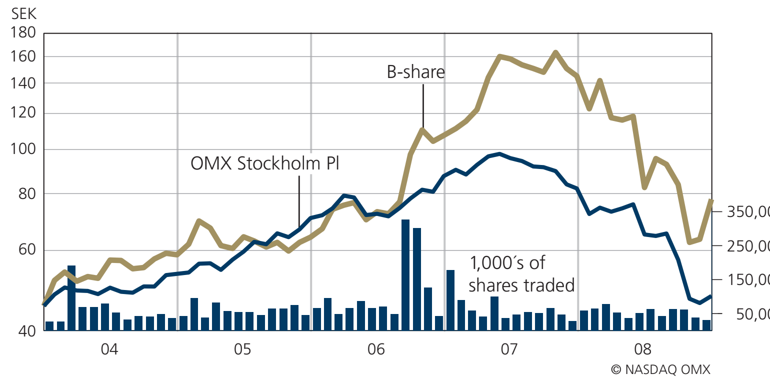
In January 2009, Porsche Automobil Holding SE announced that the company had increased its holding in Volkswagen AG to 50.8 percent, which means that Porsche indirectly controls Scania. In compliance with Swedish legislation, Porsche then presented a mandatory offer for Scania of SEK 68.52 in cash for each A share and SEK 67.10 in cash for each B share. Scania's Board of Directors recommended that shareholders do not accept the offer.

About Scania shares

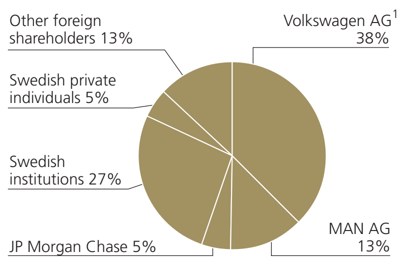
Scania has been quoted on the NASDAQ OMX Nordic Exchange Stockholm since 1 April 1996. Its share capital is divided into 400 million Series A shares and 400 million Series B shares, where each Series A share represents one vote and each Series B share represents one tenth of a vote. Otherwise there are no differences between these types of shares. The nominal value per share is SEK 2.50.

Further information on Scania shares is available on www.scania.com under Investor Relations.

Share price performance

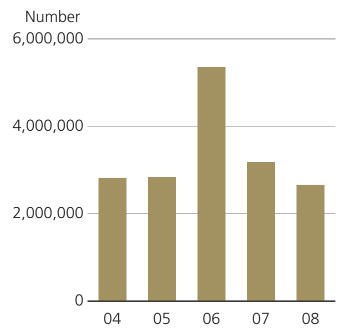


Shareholder structure (capital), 31 January 2009



1 In addition, additional shares of Scania, held in trust by a credit institution, with voting rights amounting to 0.87 percent and an equity interest of 3.63 percent are attributable to Volkswagen.

Average daily trading, B shares



The ten largest shareholders, 31 January 2009

Owner	Capital %	Votes %
Volkswagen AG [1]	37.73	68.60
MAN AG	13.35	17.22
Clearstream Banking	4.30	1.03
JP Morgan Chase	4.72	0.98
Swedbank Robur (mutual funds)	3.60	0.65
AMF Pensionsförsäkring AB	2.25	0.54
Alecta Pensionsförsäkring	2.69	0.49
Skandia Liv	1.21	0.29
Second AP Fund	1.02	0.29
Oslo Pensjonforsikring	0.15	0.28
Total	71.02	90.37

Performance-based bonus foundation

Via foundations, employees own Scania shares that on 31 January 2009 amounted to the equivalent of 0.89 percent of share capital. The foundation may own shares equivalent to a maximum of 10 percent of the share capital in Scania.

1 In addition, additional shares of Scania, held in trust by a credit institution, with voting rights amounting to 0.87 percent and an equity interest of 3.63 percent are attributable to Volkswagen.

Per share data

SEK (unless otherwise stated)	2008	2007	2006	2005	2004
Year-end market price, B share	**77.75**	145.01	107.37	64.18	58.71
Highest market price, B share	**162.43**	188.80	112.50	71.54	62.50
Lowest market price, B share	**50.25**	98.44	64.06	57.14	45.54
Change in market price, %, B share	**– 46.4**	35.1	67.3	9.3	29.6
Total return, %, B share	**– 40.8**	45.5	74.7	15.6	32.9
Market capitalisation, SEK m.	**61,900**	128,800	97,150	57,300	52,600
Earnings	**11.11**	10.69	7.42	5.83	5.40
Price/earnings ratio, B share	**7**	14	14	11	11
Dividend*	**2.5**	5.00	3.75	3.75	3.75
Redemption	**–**	7.50	8.75	–	–
Dividend yield, %**	**3.2**	3.4	3.5	5.8	6.4
Dividend payout ratio, %	**22.5**	46.8	50.5	64.3	69.5
Equity	**27.4**	31.0	32.7	29.7	26.8
Cash flow, Vehicles and Services	**2.22**	10.62	8.68	5.09	3.42
Number of shareholders***	**130,020**	124,413	107,487	109,400	46,400

* For 2008: Proposed by the Board of Directors.
** Dividend divided by the market price of a B share at year-end.
*** On 31 January 2009.

Articles of Association

Adopted at the Annual General Meeting on 5 May 2008.

§ 1 The registered name of the company is Scania Aktiebolag. The company is a public company (publ).

§ 2 The aim of the company's operations is to carry on, directly or through subsidiaries or associated companies, development, manufacturing and trading in motor vehicles and industrial and marine engines; to own and manage real and movable property; to carry on financing business (although not activities that require a permit according to the Banking and Finance Business Act); as well as other operations compatible with the above.

§ 3 The company's registered office shall be in the Municipality of Södertälje.

§ 4 The company's share capital shall be a minimum of one billion six hundred million kronor (SEK 1,600,000,000) and a maximum of six billion four hundred million kronor (SEK 6,400,000,000).

§ 5 The total number of shares in the company shall be a minimum of six hundred and forty million (640,000,000) and a maximum of two billion five hundred and sixty million (2,560,000,000).

The shares may be issued in two series, Series A and Series B. A maximum of 2,560,000,000 Series A shares and a maximum of 2,560,000,000 Series B shares may be issued, subject to the limitation that the total number of Series A and Series B shares may not exceed 2,560,000,000 shares. In a vote at a General Meeting of shareholders, each Series A share carries one vote and each Series B share carries one tenth of a vote.

If the company decides to issue new shares of both Series A and Series B and the shares are not to be paid by consideration in kind, existing holders of Series A shares and Series B shares shall have the preferential right to subscribe for new shares of the same class in proportion to the number of existing shares of each class held by such existing shareholder ("primary preferential right"). Shares not subscribed for by shareholders with a primary preferential right shall be offered to all shareholders for subscription ("subsidiary preferential right"). If the total number of shares to be offered is not sufficient to cover the subscriptions made through the exercise of subsidiary preferential rights, such shares shall be distributed among the subscribers in relation to the number of existing shares they already hold and, where this is not possible, through the drawing of lots.

If the company decides to issue new shares of only Series A or Series B, for which consideration in kind is not paid, all shareholders, regardless of whether such shareholders currently hold shares of Series A or Series B, shall have the preferential right to subscribe for new shares in proportion to the number of shares held by them prior to such issuance.

The above shall not in any way limit the ability of the company to make decisions regarding cash issues or issues where consideration is paid by offsetting against a debt, which diverge from the shareholders' preferential rights.

In the case of an increase in equity through a bonus issue, new shares of each class shall be issued in proportion to the number of shares of the same type already existing. Existing shares of a particular class will thereby carry the right to new shares of the same type. The aforesaid shall not in any way limit the ability of the company to, through a bonus issue, following the necessary changes in the Articles of Association, issue shares of a new type.

What has been stipulated above regarding shareholders' preferential rights to new shares shall apply correspondingly to the new issue of warrants and convertible debentures.

§ 6 In addition to those Board members who are appointed according to law by a party other than the Annual General Meeting, the Board of Directors shall comprise a minimum of three and a maximum of ten members with a maximum of two deputies. These members and deputies shall be elected at each Annual General Meeting for the period up to the end of the next Annual General Meeting.

§ 7 The company signatory (or signatories) are the person(s) appointed for this purpose by the Board of Directors.

§ 8 Two Auditors and two Deputy Auditors or a registered auditing company shall be appointed at the Annual General Meeting, for the period up to the end of the Annual General Meeting held during the fourth financial year after the election of Auditors, to carry out the company's audit. If the same Auditor or auditing company is to be reappointed after the term has come to an end, the General Meeting may decide that the appointment shall be valid up to the close of the Annual General Meeting held during the third financial year after the election of the Auditor.

§ 9 The Company's financial year shall be the calendar year.

§ 10 The Annual General Meeting shall be held in the Municipality of Södertälje or the Municipality of Stockholm. The meeting shall be opened by the Chairman of the Board or the person appointed to do so by the Board.

§ 11 The Annual General Meeting shall be held once a year, by June at the latest. The following matters shall be dealt with at the Annual General Meeting:

1. Election of a chairman for the meeting.
2. Approval of the voting list.
3. Approval of the agenda.
4. Election of two persons to verify the minutes.
5. Consideration of whether the meeting has been duly convened.
6. Presentation of the annual accounts and Auditors' Report, and the consolidated annual accounts and Auditors' Report.
7. Resolutions concerning
   a. adoption of the income statement and balance sheet and the consolidated income statement and balance sheet,
   b. distribution of the profit or loss according to the adopted balance sheet,
   c. discharge of the members of the Board and the President from liability for the financial year.
8. Determination of the number of Board members and deputy Board members.
9. Determination of remuneration for the Board and Auditors.
10. Election of Board members and deputy Board members.
11. Election of Auditors and Deputy Auditors when applicable.
12. Other matters to be dealt with at the Annual General Meeting pursuant to the Swedish Companies Act or the Articles of Association.

§ 12 At a General Meeting, each shareholder entitled to vote may vote for the full number of votes held or represented by him.

§ 13 Notice convening the Annual General Meeting, or an Extraordinary General Meeting where a change in the Articles of Association is on the agenda, shall be issued no earlier than six weeks and no later than four weeks prior to the Meeting. Notice convening other Extraordinary General Meetings shall be issued no earlier than six weeks and no later than two weeks prior to the Meeting.

Notice convening a General Meeting shall be in the form of an announcement in the Swedish official gazette *Post- och Inrikes Tidningar* and in the Swedish national-circulation newspapers *Dagens Nyheter* and *Svenska Dagbladet*. Shareholders who wish to attend a General Meeting must be included in a print-out of the shareholder list reflecting conditions five weekdays prior to the General Meeting, and must also register with the company no later than 16.00 CET on the date stated in the notice convening the Meeting. Such a day may not be a Sunday, another public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not be earlier than five weekdays prior to the Meeting.

Shareholders may bring one or two assistants to a General Meeting, although only if the shareholder has given prior notice thereof to the company as stipulated in the preceding section.

§ 14 The company's shares shall be registered in a central securities depository register according to the Financial Instruments Accounting Act (1998:1479).

Risks and risk management at Scania

Risks are a natural element of business operations and entrepreneurship. Part of the day-to-day work of Scania is to manage risks, to prevent risks from harming the company and to limit the damage that may arise.

Scania is one of the leading companies in the heavy vehicle industry. This leads to high expectations from all stakeholders, especially customers, about Scania as a company and its products. It is important to monitor and minimise events and behaviour that might adversely affect the company's brand and reputation. Scania's strong corporate culture is based on established values, principles and methods and is the foundation of the company's risk management work. Scania's Board of Directors is responsible to the shareholders for the company's risk management. The company continuously reports on risk-related matters to the Board and the Audit Committee of the Board.

STRATEGIC RISKS

Corporate governance- and policy-related risks

The Executive Board carries the main responsibility for managing corporate governance- and policy-related risks. All units of the company work according to a management system that meets Scania's requirements, guidelines and policies and is well documented. Rapid dissemination of appropriate information is safeguarded via the company's management structures and processes. Management systems are continuously being improved, among other things by means of regular reviews, both internal and performed by third parties. For a more detailed description of Scania's management structure, see the section entitled "The management of the company" in the Corporate Governance Report on page 56.

Business development risks

Risks associated with business development and long-term planning are managed primarily through Scania's cross-functional (interdepartmental) meeting structure for decision making of a strategic and tactical nature, as well as Scania's established yearly process for strategic planning. Such planning is discussed and questioned throughout the company, based on external and internal deliberations. All units and levels of the company are involved in the strategic process. Both the cross-functional meeting structure and the strategic process are long-established and are evolving continuously. Risks of overlooking threats and opportunities, of sub-optimising operations in the company and of making the wrong decisions are thereby minimised, while the risk of uncertainty and lack of clarity concerning the company's strategy and business development is managed in a systematic way. Research and development projects are revised continuously on the basis of each project's technological and commercial relevance.

OPERATIONAL RISKS

Market risks

The demand for heavy trucks, buses and engines is affected by economic cycles and is thus subject to fluctuations. With regard to truck sales, in historical terms it is also possible to discern a cyclical pattern with sales peaks about every ten years. Truck sales also undergo more temporary variations around their long-term growth trend and the ten-year cycle just described. During the past decade, for example, exports of used trucks from western Europe to central and eastern Europe have led to high demand for new replacement vehicles in western Europe. Countries and regions may suffer economic or political problems that adversely affect the demand for heavy vehicles. Fluctuations in world financial markets have a large or small impact on real economic cycles and thus on the demand for Scania's products. Markets may temporarily stall, and local currencies may depreciate. A well-diversified market structure limits the effect of a downturn in any given market. In individual markets, substantial changes may occur in the business environment, such as the introduction or raising of customs duties and taxes as well as changes in vehicle specifications. Impositions of sanctions against certain countries may make it impossible to market Scania's products. In addition, shortcomings in national legal systems may substantially impair Scania's ability to carry out operations and sales. Scania monitors all its markets continuously in order to spot warning signals early and be able to take action and implement changes in its marketing strategy.

Risks associated with independent distributors

Independent distributors may suffer problems that have an adverse effect on Scania's operations. This may include shortcomings in management and investment

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>> capacity or problems related to generational shifts in family businesses. Scania may consequently experience a volume downturn before the dealer, or a new dealer, has fully restored operations. If the problems are not merely transitory, Scania may replace dealers or take over the business. Scania continuously maintains close contact with its dealers in order to spot warning signs at an early stage and be able to take action. There is no single independent distributor of substantial size. Scania's high degree of forward integration limits the risks associated with independent distributors.

Production risks

Scania has an integrated component manufacturing network with two geographic bases, Sweden and Brazil/Argentina. This concentration entails some risk, which is nevertheless offset by the fact that the company's uniform global production system enables it to source components from either area. According to the Scania Contingency Planning Principles, Scania's ability to maintain delivery assurance to its customers must not be adversely affected. Scania has a shared risk management model, the Business Interruption Study, with corporate-level responsibility for coordination and support to line management. This model is continuously being refined and also takes into account the effects of suppliers on Scania's delivery precision. Risk identification and contingency planning are part of every manager's responsibilities and include contingency planning adapted to each operating unit. Training and drills occur with all employees and service providers at Scania's facilities. Follow-up occurs by means of monitoring systems, reporting and response procedures.

Scania's Blue Rating Fire Safety system is a standardised method for carrying out risk inspections, with a focus on physical risks and for being able to present Scania's risks in the reinsurance market. Yearly risk inspections are conducted at all production units and numerous Scania-owned distributors/workshops.

Scania's Blue Rating Health and Work Environment system is a method Scania uses to evaluate and develop health and working environment, so that Scania can gradually improve the working environment in its operations. Inspections have been conducted at all major production units. See also the Sustainability Report, pages 32–45.

Information risks

For Scania, it is crucial that its operations can share and process information in a flexible and reliable way, both within the company and in collaboration with customers, suppliers and other business partners. The main risks to information management are that:

- Interruptions occur in critical information systems, regardless of cause
- Strategic and other sensitive information is revealed to unauthorised persons
- Strategic and other sensitive information is intentionally or unintentionally changed or corrupted

Scania has a corporate unit for global IS/IT management and coordination, which is responsible for implementation and follow-up of Scania's information security policy. As part of their normal responsibilities, managers monitor the risks and security level in their respective area of responsibility and ensure that all employees are aware of their responsibilities in this respect. Follow-up occurs by means of both internal monitoring and monitoring performed by third parties.

Supplier risks

Before signing new contracts, Scania verifies the ability of suppliers to meet Scania's quality, financial, logistic, environmental and ethical requirements. In order to minimise the impact of production interruptions or financial problems among suppliers, Scania normally works with more than one supplier for each item.

Scania continuously safeguards the quality and delivery precision of purchased items. It carries out day-to-day monitoring, then prioritises and classifies deviations. In case of repeated deviations, an escalation model is used in order to create greater focus and quickly restore a normal situation. Through Scania's Business Interruption Study risk management model, the risks that may adversely affect the continuity of Scania's production are identified and managed. The Scania Blue Rating Fire Safety system has been used in order to conduct risk inspections of selected suppliers. Fluctuations in the world's financial markets also risk affecting Scania's suppliers to a greater or lesser degree. The financial status of suppliers is monitored continuously.

Environmental risks

At Scania there are procedures for regularly and systematically identifying and assessing environmental risks. Strategic environmental risk management is integrated with other business development risk management (see page 49). Operational environmental risk management is also coordinated with other risk management and is mainly intended to prevent accidents, operational abnormalities and soil pollution. Orientation studies and risk assessments of soil and groundwater contamination have been completed at all production units. Based on these inventories, risk areas have been identified and the necessary actions have been taken or initiated. Scania's Blue Rating Environment system is a method for evaluating and developing environmental work so that Scania can, in an effective way, gradually improve its ability to avoid environmental risks. See also the Sustainability Report, pages 32–45.

Human resource and talent recruitment

For its future success, Scania is dependent on its ability to attract and retain competent, motivated employees. Human resource and talent development occur with the help of a coordinated methodology. In this way, Scania achieves quality assurance and continuous improvement in its human resource activities. Trends are continuously monitored, for example by using key figures for healthy attendance, employee turnover, age structure, and professional job satisfaction and development dialogues. Targeted action is taken as needed. Close collaboration with various universities and institutes of technology makes it easier for Scania to recruit key technological expertise.

Research and development risks

Research and product development occur in close contact with the production network and the sales and service organisation to effectively safeguard high quality.

Emission legislation

Scania must meet regulatory requirements in order to sell its products. These requirements may range from minor modifications to demands for an overall reduction in the environmental impact of vehicle use, especially emissions. Whereas product modifications are often relatively simple and intended for local markets, the technical standards in emission legislation are very complicated and common to whole regions. Scania's ability to meet future emission requirements is of great importance to its future.

Today there are two technologies for limiting exhaust emissions: selective catalytic reduction (SCR) and exhaust gas recirculation (EGR). Since both technologies are undergoing continuous refinements, their future limitations are difficult to predict. Scania has decided to develop both technologies in order to reduce risks and have the greatest possible flexibility. Another advantage of this choice is that the two technologies can be combined and thereby contribute to even lower environmental impact.

Product launch risks

Political decisions aimed at influencing the vehicle market in a given direction – for example, for environmental reasons – by such means as tax cuts and levies as well as regional environmental zoning rules may lead to rapid changes in demand. This may require acceleration of product introductions and increases in research and development resources at an earlier stage. Scania manages this by integrating its business intelligence work into all its development and introduction projects. Throughout the development period, work occurs on a cross-functional basis to ensure that the results of business intelligence gathered by all units are taken into account and that Scania establishes the right priorities in its development portfolio. The product launch process includes carrying out risk analyses on a number of occasions in order to manage this type of risk.

Product liability

It is Scania's objective to develop products that are reliable and safe to the user, the general public and the environment. However, if a product should show signs of technical shortcomings that might be harmful to people or property, that is dealt with by the Scania Product Liability Council. This body decides what technical solutions should be used in order to solve the problem and what marketing measures are needed. The Product Liability Council also conducts a review of the processes in question to ensure that the problem does not recur.

Risks in the sales and service network

Repair and maintenance contracts comprise one important element of business at dealerships and help to generate good capacity utilisation at workshops and higher parts sales per vehicle. These contracts are often connected to predetermined prices. Thus both price and handling risks arise. One advanced form of business ob-

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>> ligation is an uptime guarantee for a vehicle, in which the customer pays for the distance or time it is used. Scania works actively to improve its dealers' expertise and ability to understand their customers' business as well as to assess the risks of these obligations.

As a result of repurchase guarantees and trade-ins, the sales and service network handles a large volume of used trucks and buses. Prices and sales figures may vary substantially over economic cycles. However, due to Scania's high degree of integration into its dealership network, the company has extensive knowledge about the price situation and price variations.

Dealers assume a credit risk in relation to their customers, mainly for workshop services performed and parts sold. However, the customer base is widely dispersed and each invoice is limited. Each individual credit is thus of limited size.

Insurable risks

Scania works continuously with the identification, analysis and administration of insurable risks, both at Group and local level.

A corporate unit is responsible for the Group's global insurance portfolio. Customary Group insurance policies to protect the Group's goods shipments, assets and obligations are arranged in accordance with Scania's Corporate Governance Manual and Finance Policy. Local insurance policies are obtained in accordance with the laws and standards of the country in question. When needed, Scania receives assistance from outside insurance consultancy companies in identifying and managing risks. Insurance is obtained only from professional insurance companies, whose financial strength is continuously monitored.

Risk inspections, mainly focusing on physical risks, are performed yearly in most cases at all production units and at numerous Scania-owned distributors/workshops according to the standardised Scania Blue Rating Fire Safety system. This work maintains a high claim prevention level and a low incidence of claims.

LEGAL RISKS

Contracts and rights

Scania's operations include a considerable amount of intangible licensing agreements, patents and other intellectual property. Scania also concludes numerous commercial and financial contracts, which is normal for a company of Scania's scale and type. Scania's operations are not dependent on any single commercial or financial contract, patent, licensing agreement or similar right.

Legal actions

Scania is affected by numerous legal proceedings as a consequence of the company's operating activities. This includes alleged breaches of contract, non-delivery of goods or services, product liability, patent infringement or infringements related to other intellectual property or other allegations. However, neither Scania nor any of its subsidiaries is affected by any legal action or arbitration proceeding or has been informed of any claim that is deemed capable of materially affecting Scania's financial position.

Administration of contracts, essential rights, legal risks and risk reporting

Administration of contracts, essential rights and legal risks occurs in the normal course of operations in accordance with the instructions described in Scania's Corporate Governance Report (see pages 53-58). Scania has also introduced a Legal Risk Reporting system, according to which risks are defined and reported. At least once a year, a report on such risks is submitted to the Audit Committee of the Board.

Tax risk

Scania and its subsidiaries are the object of a large number of tax cases, as a consequence of the company's operating activities. These cases are essentially related to the fields of value-added tax, internal pricing and deduction of foreign tax. For more information, see also Note 8 on page 87. None of these cases is deemed capable of resulting in any claim that would substantially affect Scania's financial position. Tax risks above a certain level are reported regularly to management. Once a year, a report is submitted to the Audit Committee of the Board.

FINANCIAL RISKS

Beyond business risks, Scania is exposed to various financial risks. Those that are of the greatest importance are currency, interest rate, refinancing and credit risks. Financial risks are managed in accordance with the Financial Policy adopted by Scania's Board of Directors. See also the "Financial review" on page 64 and Note 30 on page 112.

Corporate governance at Scania

Corporate governance at Scania is based on Swedish legislation, especially the Swedish Companies Act, the rule book for issuers at the NASDAQ OMX Nordic Exchange Stockholm (“Stockholm Stock Exchange”) and the Swedish Code of Corporate Governance (“the Code”).

Scania’s ambition is that its corporate governance shall maintain a high international standard through the clarity and simplicity of its management systems and governing documents.

This Corporate Governance Report has not been subjected to review by Scania’s auditors.

Internal governing documents

The most important governing documents at Scania are:

- Scania’s Articles of Association (reproduced on page 48)
- The Rules of Procedure of the Board of Directors, including the Board’s instruction to the President and CEO and guidelines for essential reporting processes at Scania
- The Rules of Procedure of the Audit Committee
- How Scania is Managed
- Strategic Update
- Corporate Governance Manual
- Scania Financial Manual
- Communication Policy

Application and deviations

This Corporate Governance Report has been prepared in compliance with the Swedish Code of Corporate Governance. Companies that apply the Code may deviate from individual rules but, in such cases, must issue explanations reporting the reasons for each deviation. Scania complies with the Code in 2008 without exceptions.

The Annual General Meeting

The right of shareholders to make decisions on Scania’s affairs is exercised at the Annual General Meeting (AGM). All shareholders in Scania are entitled to have an item dealt with at the AGM. At the AGM, each Series A share represents one vote and each Series B share one tenth of a vote. Scania’s share capital is divided into 400 million A shares and 400 million B shares.

According to the Swedish Companies Act, within six months of the expiry of each financial year, Swedish limited liability companies shall hold a general meeting of shareholders, where the Board of Directors shall present the Annual Report and the Auditors’ Report. This shareholder meeting is called the Annual General Meeting. At Scania, the AGM is normally held during April or May.

Notice convening the AGM shall be issued no earlier than six and no later than four weeks before the Meeting. Notice convening an Extraordinary General Meeting (EGM) shall be issued no earlier than six and no later than two weeks before the Meeting. Notice convening an AGM and an EGM is published on Scania’s website, in the Swedish national newspapers *Dagens Nyheter* and *Svenska Dagbladet* as well as in the official gazette *Post- och Inrikes Tidningar* (www.bolagsverket.se). In order to have an item dealt with at the AGM, a shareholder must submit it in writing to the Board early enough that the item can be included in the notice convening the Meeting. In addition, at the AGM, shareholders have the opportunity to ask questions about the company and its results for the year in question. Normally all members of the Board, the corporate management and the auditors are present in order to answer such questions.

In order to participate in decisions, a shareholder is required to attend the AGM, in person or represented by proxy. The shareholder is also required to be recorded in the shareholder list by a certain date before the AGM and to notify the company according to certain procedures.

In accordance with the Swedish Companies Act and Scania’s Articles of Association, the composition of the Board is decided by election. Decisions at the AGM are usually made by simple majority. In some cases, however, the Swedish Companies Act or the Articles of Association stipulates either a certain level of attendance in order to reach a quorum or a qualified majority of votes. A shareholder may utilise all votes that correspond to the shareholder’s shareholding and that are duly represented at the AGM.

The minutes of the AGM are published on Scania’s website.

Information about rules and practices at the annual general meetings of companies listed on the Stockholm Stock Exchange and about other aspects of Swedish corporate governance is available on the Scania website, www.scania.com. This information is found under Corporate Governance, labelled “Special Features of Swedish Corporate Governance”.

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>> **The Nomination Committee**

The main task of the Nomination Committee is to propose candidates to the AGM for election to the Board of Directors and as Chairman of the Board and, as required – in consultation with the Board's Audit Committee – to propose candidates for election as auditors.

Beyond this, the Nomination Committee works out proposals concerning the chairman at the AGM, remuneration to the Board and its committees and remuneration to the auditors. It also assesses the independence of Board members in relation to the company and its major shareholders.

In 2008 the AGM decided that the members of the Nomination Committee shall be appointed by the three largest shareholders in voting power that are identifiable no later than six months before the AGM.

In preparation for the AGM in 2009, the following persons have served on the company's Nomination Committee:

Gudrun Letzel, representing Volkswagen AG, Chairman
Thomas Kremer, representing MAN AG
Mats Lagerqvist, representing the Swedbank Robur mutual funds

The members of the Nomination Committee receive no compensation from the company.

THE BOARD OF DIRECTORS

Scania's Board of Directors is elected every year by the shareholders at the AGM. The Board is the link between the shareholders and the company's management. It is of great importance in the task of developing Scania's strategy and business operations.

According to the Articles of Association, the Board shall consist of a minimum of three and a maximum of ten members plus a maximum of two deputy members, besides those Board members who are appointed according to Swedish law by any other than the AGM. The members are elected each year at the AGM for the period up to the end of the next AGM.

On 5 May 2008, Scania's AGM elected ten Board members and no deputy members. They are:

Helmut Aurenz
Staffan Bohman
Peggy Bruzelius
Börje Ekholm
Gunnar Larsson
Francisco J. Garcia Sanz
Hans Dieter Pötsch
Peter Wallenberg Jr
Martin Winterkorn
Leif Östling

The Nomination Committee's assessment of elected Board members' independence according to the Swedish Code of Corporate Governance and the rules of the Stockholm Stock Exchange

Board member	Audit committee	Remuneration committee	Independent in relation to the company and its management	Independent in relation to the company's major shareholders
Helmut Aurenz			YES	YES
Staffan Bohman, Vice Chairman	X		YES	YES
Peggy Bruzelius		X	YES	YES
Börje Ekholm			YES	YES
Gunnar Larsson	X		YES	YES
Francisco J. Garcia Sanz		X	YES	NO
Hans Dieter Pötsch	X		YES	NO
Peter Wallenberg Jr			YES	YES
Martin Winterkorn, Chairman		X	YES	NO
Leif Östling			NO	YES

The AGM elected Martin Winterkorn as Chairman and Staffan Bohman as Vice Chairman. In addition, the trade unions at Scania have appointed two Board members and two deputy members for them. They are:

Johan Järvklo
Håkan Thurfjell
Mikael Johansson, deputy member
Stefan U. Klingberg, deputy member

The work of the Board

The statutory Board meeting, which is held directly after the AGM, approves Rules of Procedure and a standing agenda for the Board meetings and, as required, rules of procedure for its committees.

According to its Rules of Procedure, the Board shall hold at least six regular meetings each year. Beyond this, the Board meets when there are special needs.

The meetings held in January/February, April/May, July/August and October/November are devoted, among other things, to financial reporting from the company. The meeting held in October/November deals with long-term plans and in December with the financial forecast for the following year. At all its regular meetings, the Board deals with matters of a current nature and capital expenditure issues.

During 2008, the Board held a total of eight meetings.

The committees report their work to the Board on a continuous basis. The Board also regularly discusses various aspects of the company's operations, for example management recruitment, financing, product development and market issues. This occurs at in-depth briefings where affected managers from the company participate.

Board members' attendance at Board meetings can be seen in the adjacent table.

The instruction of the Board to Scania's President and CEO specifies his duties and powers. This instruction includes guidelines on capital expenditures, financing, financial reporting and external communications. According to the Swedish Companies Act, the President may be elected as a member of the Board, which is currently the case. The company's President and CEO, Leif Östling, is the only member of the Board who also belongs to Scania's operative management.

Board meetings, 2008

Board member	Attendance out of 8 meetings in all
Helmut Aurenz [1]	4
Staffan Bohman	7
Peggy Bruzelius	7
Börje Ekholm	8
Gunnar Larsson [1]	5
Hans Dieter Pötsch	8
Francisco J. Garcia Sanz	7
Peter Wallenberg Jr	8
Martin Winterkorn	6
Leif Östling	8
Johan Järvklo	8
Håkan Thurfjell [2]	4
Mikael Johansson [2]	4
Stefan U. Klingberg	8

1 Newly elected at the AGM in 2008.
2 Appointed by Scania's trade unions before the AGM in 2008.

Since the AGM there have been five Board meetings.

Remuneration to the Board

Compensation to the members of the Board is determined by the AGM and is paid to those members who are not employees of Scania. The remuneration decided by the AGM is reported in Note 28 of the Annual Report, Compensation to executive officers.

Evaluation of the work of the Board

A written evaluation is performed annually, in which all Board members are given the opportunity to present their opinions about the Board, including the Chairman, and its work. The President and CEO is evaluated on a continuous basis by the Board. Once a year, the Board also carries out an evaluation of the President and CEO in which he does not participate.

The committees of the Board

The Board currently has two committees: the Audit Committee and the Remuneration Committee. The Board appoints the members of the committees from among its own members.

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The Audit Committee

The Audit Committee consists of Staffan Bohman (Chairman), Hans Dieter Pötsch and Gunnar Larsson, who replaced Vito H. Baumgartner at the Board meeting after the AGM in 2008. During 2008 the Audit Committee met a total of six times. All members participated in all meetings through attendance after becoming members of the Audit Committee.

The Audit Committee discusses and monitors issues related to administrative processes, risk control and the controller organisation. Its brief also includes discussing and evaluating the company's application of important accounting issues and principles and the company's financial reporting, as well as evaluating the auditors and approving the use of external auditors for non-auditing-related services. When auditors are to be elected, the Audit Committee presents a proposal. The results of the evaluation of auditors and, in case of the election of auditors, the proposal of the Audit Committee are presented to the Board as a whole. As appropriate, the Board in turn informs the Nomination Committee. The Nomination Committee proposes candidates to the AGM for election as auditors and proposes the compensation to be paid to the auditors.

The Audit Committee shall also receive and discuss complaints concerning accounting, internal controls or auditing in the company.

The company's auditors normally participate in the meetings of the Audit Committee, provided that the auditors are not being evaluated or discussed.

The Remuneration Committee

The Remuneration Committee consists of Martin Winterkorn (Chairman), Peggy Bruzelius and Francisco J. Garcia Sanz, who replaced Börje Ekholm at the Board meeting after the AGM in 2008. During 2008, the Remuneration Committee met twice. All members participated in all meetings through attendance, except Francisco J. Garcia Sanz, who participated in one meeting.

The Remuneration Committee discusses issues concerning compensation principles and incentive programmes, as well as preparing proposals for such issues that must be approved by the AGM.

In compliance with the principles that the AGM has approved for the Board, the Remuneration Committee also prepares decisions concerning conditions of employment for the company's President and CEO and, as appropriate, its Executive Vice Presidents.

Auditors

In Swedish limited liability companies, independent auditors are elected by the shareholders at the AGM, normally for a period of four years. The auditors then report to the shareholders at the company's AGM.

To ensure that the requirements concerning information and controls that are incumbent on the Board are being met, the auditors report on a continuous basis to the Audit Committee on all substantive accounting issues, any errors and suspected irregularities. The auditors are also invited, as needed, to participate in and report to the meetings of the Board. At least once per year, the auditors report to the Audit Committee without the President and CEO or any other member of the company's operative management being present at the meeting. The auditors have no assignments for companies that affect their independence as auditors for Scania.

Scania paid its auditors the fees (including compensation for costs) that are stated in the Annual Report, Note 29, Fees and other remuneration to auditors, for both audit-related and non-audit-related assignments.

The management of the company

Under the Board of Directors, the President and CEO has overall responsibility for the Scania Group. At the side of the President and CEO is the Executive Board, which jointly decides – in compliance with guidelines approved by the Board and the instruction on the division of labour between the President and CEO and the Board – on issues in its area of competency that are of a long-term, strategic nature, such as the development of the company, research and development, environmental work, marketing, pricing policy, capital expenditures and financing. The Executive Board also prepares such issues that shall be decided by the Board of Directors.

The corporate units are responsible for carrying out the established strategies. Each corporate unit reports to one of the members of the Executive Board. The strategy meetings of the Executive Board take place four to six times per year. These strategies are summarised from a global perspective and updated, taking into account market developments. The implementation of strategies is an initial agenda item at subsequent meetings between the Executive Board and the heads of corporate units.

The heads of corporate units are responsible to the Executive Board for ensuring that the appropriate actions are taken in their respective fields of responsibility based on the strategies that have been decided. The heads of corporate units also have a general responsibility for issues that affect the entire company, and they assist the President and CEO and the Executive Board in their work. The Executive Board and the heads of corporate units meet four to six times per year to provide updates and information on current activities and projects, as well as to discuss the implementation of strategic decisions. These meetings also deal with issues that may later be presented for decision at the meetings of the Executive Board.

The members of the Executive Board and most of the heads of corporate units who are not prevented by other obligations also gather at a brief meeting once each normal work week.

The decision-making structure and management of Scania are described in greater detail in the internal governing document “How Scania is Managed”.

All managers in the company are responsible for working and communicating in compliance with the company’s strategies. The strategic direction of the Scania Group is described in the annually updated “Strategic Update”. This internal governing document serves as the foundation for business and operating plans.

The companies in the Scania Group also work in compliance with the principles established in Scania’s “Corporate Governance Manual”. The main responsibility for the operations of subsidiaries, ensuring that the established profitability targets are achieved and that all of Scania’s internal rules and principles are followed, rests with the Board of Directors of each respective subsidiary.

The principles and rules presented in the governing document “Scania Financial Manual” also apply to the Scania Group as a whole. Financial, commercial, legal and tax risks are reported regularly to the Audit Committee.

Management compensation

Compensation issues for the President and CEO and, as appropriate, Group Vice Presidents, are decided by the Board after preparation by its Remuneration Committee.

The principles for compensation to executive officers are decided by the AGM, based on a proposal by the Board. The proposal is prepared by the Remuneration Committee. Share-related incentive programmes are decided by the AGM.

Compensation to executive officers, including the President and CEO and the Executive Board, is stated in the Annual Report, Note 28, ”Compensation to executive officers”. Note 28 of the Annual Report for 2008 also states the compensation to the heads of corporate units.

Internal control of financial reporting at Scania

The description below has been prepared in compliance with the Swedish Code of Corporate Governance and according to the instruction issued by the Swedish Corporate Governing Board in July 2008.

The cornerstones of Scania’s internal control system consist of the control environment, risk assessment, control activities, information and communication as well as monitoring.

Control environment

Internal control at Scania is based on the decisions on organisational structure, powers and guidelines made by the Board of Directors. The Board’s decisions have been transformed into functioning management and control systems by the Executive Board. Organisational structure, decision-making procedures, powers and responsibilities are documented and communicated in governing documents, such as internal policies, manuals and codes. Also included in the basis for internal control are Group-wide accounting and reporting instructions, instructions regarding powers and authorisation rights as well as manuals. The Group reporting system for integrated financial and operational information is another central element of the control environment and internal control. Integrated reporting of financial and operational information ensures that external financial reporting is firmly based on business operations. In addition to information on final outcome figures, the reporting system also includes quarterly moving forecast information. The Finance and Business Control unit is responsible for continuous updating of accounting and reporting instructions, with due regard for external and internal requirements.

Risk assessment and control activities

Risk management and risk assessment are an integral element of the business management and decision-making processes. Risk areas identified in financial reporting are handled and scrutinised via Scania’s controller organisation.

The controller organisation, like financial responsibility, follows the company’s organisational and responsibility structure. Controllers who closely scrutinise business

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>> operations are found at all levels of the organisation. Clear reporting to higher levels takes place regularly, ensuring a solid understanding of how a unit's business operations are reflected in the figures. In its task of compiling, verifying and analysing financial information, the corporate-level controller organisation has access to the figures and business-related comments of all operational units.

Information and communication

In order to inform, instruct and coordinate financial reporting, Scania has formal information and communications channels to employees concerned regarding policies, guidelines and reporting manuals. These formal information and communications channels are supplemented by frequent dialogue between Finance and Business Control and the individuals in charge of financial reporting at operational units. The Group holds internal seminars and conferences regularly, with a focus on quality assurance in financial reporting and governance models.

Monitoring

Scania monitors compliance with the above-described governing documents and the effectiveness of the control structure. Monitoring and evaluation are performed by the company's corporate controller departments in industrial operations, all sales and service companies and finance companies. During the 2008 financial year, in its control and investigative activities the company prioritised areas and processes with large flows and values as well as selected operational risks. Monitoring compliance with the Scania Corporate Governance Manual and Scania Financial Manual remained high priority areas, along with units undergoing changes.

In preparation for every meeting, the Audit Committee of the Board of Directors receives an internal control report for review. This report is prepared by Group Internal Audit, whose task is to monitor and review internal control of the company's financial reporting. The independence of the unit is ensured by its reporting to the Audit Committee. Functionally, the unit reports to the Chief Financial Officer of Scania. The Board receives monthly financial reports, except for January and July. This financial information increases in terms of content in the run-up to each interim report, which is always preceded by a Board meeting where the Board approves the report.

Through the organisational structure and the work methods described above, the company deems the internal control system concerning financial reporting well suited to the company's operations.

Scania's Corporate Governance Report is available at www.scania.com under Corporate Governance and is updated regularly.

Board of Directors, Executive Board and Corporate Units

AUDITORS: Ernst & Young AB, Lars Träff

Board of Directors

MARTIN WINTERKORN

Born 1947.
Chairman of the Board since 2007.
Chairman, Remuneration Committee.
Other directorships: Chairman of the Board of Management, Volkswagen AG. Chairman or Board member of a number of subsidiaries of the Volkswagen Group. Board member of FC Bayern München AG, Infineon Technologies AG, Salzgitter AG and TÜV SÜD AG.
Relevant work experience: Chairman of the Board of Management, Volkswagen AG; member, Board of Management, Volkswagen AG; responsible for Group Research and Development, Volkswagen AG; Chairman of the Board of Management of the Volkswagen Brand.
Education: Prof. Dr. rer. nat.
Shares in Scania: 0.

LEIF ÖSTLING

Born 1945.
Member since 1994. President and CEO of Scania.
Other directorships: Chairman of AB SKF, Vice Chairman of ISS A/S. Board member, Confederation of Swedish Enterprise and Association of Swedish Engineering Industries.
Relevant work experience: Various management positions at Scania since 1972, President and CEO of Scania since 1994.
Education: MBA and MSc.
Shares in Scania: 540,000 plus 160,000 via related companies.

HELMUT AURENZ

Born 1937.
Member since 2008.
Other directorships: Member of various boards and advisory boards, among them the advisory assemblies for Baden-Württembergische Bank, Landeskreditbank Baden-Württemberg, Landesbank Baden-Württemberg and Germany's MMC Marsh & McLennan.
Member of the World Economic Forum in Geneva. Independent Board member of Audi AG and Automobili Lamborghini Holding Spa.
Relevant work experience: Started in 1958 a now-sizeable garden and fertiliser products business in the ASB Group in Ludwigsburg, Germany.
Education: Apprenticeship in Horticulture, entrepreneur.
Shares in Scania: 0.

PEGGY BRUZELIUS

Born 1949.
Member since 1998. Member, Remuneration Committee.
Other directorships: Chairman of Lancelot Asset Management AB. Deputy Chairman of Electrolux AB. Board member of Industry and Commerce Stock Exchange Committee, Stockholm School of Economics, Axel Johnson AB, Axfood AB, Syngenta AG, Husqvarna AB and Akzo Nobel N.V.; Chairman, Swedish National Agency for Higher Education.
Relevant work experience: Various management positions at ABB.
Education: MBA.
Shares in Scania: 8,000.

HANS DIETER PÖTSCH

Born 1951.
Member since 2007. Member, Audit Committee.
Other directorships: Member of the Board of Management, Volkswagen AG; responsible for Finance and Controlling, Volkswagen AG. Chairman or Board member of several companies in the Volkswagen Group. Board member of Allianz Versicherungs-AG. Chairman of Bizerba GmbH und Co KG.
Relevant work experience: Various positions at BMW, General Manager for Finance and Administration at Trumpf GmbH & Co; Chairman of the Board of Management, DÜRR AG. Various management positions at Volkswagen AG.
Education: MSc.
Shares in Scania: 0.

GUNNAR LARSSON

Born 1942.
Member since 2008. Member, Audit Committee.
Other directorships: Member of the Royal Swedish Academy of Engineering Sciences (IVA) since 1997.
Relevant work experience: Held executive management positions for product development departments from 1981 to 1996 at Saab-Scania AB, Volvo Car Corporation, Audi AG and Volkswagen AG. Running an international consultancy for clients in the vehicle industry since 1996.
Education: MSc.
Shares in Scania: 0.

PETER WALLENBERG JR

Born 1959.
Member since 2005.
Other directorships: Chairman of Foundation Asset Management Sweden AB, the Grand Group AB and the Marcus and Amalia Wallenberg Foundation. Vice Chairman of the Royal Swedish Automobile Club, the Knut and Alice Wallenberg Foundation and the Stockholm Chamber of Commerce. Board member of Investor AB, SEB Kort AB, General Motors Norden AB, Stockholmsmässan AB, Stockholm Chamber of Commerce and SimBin Studios AB.
Relevant work experience: Various positions at Grand Hôtel.
Education: MBA.
Shares in Scania: 6,000.

FRANCISCO J. GARCIA SANZ

Born 1957.
Member since 2007.
Other directorships: Member of the Board of Management, Volkswagen AG. Globally responsible for Supply at Volkswagen AG. Board member of several companies in the Volkswagen Group.
Relevant work experience: Various positions at Adam Opel AG, various management positions at GM and Volkswagen AG.
Education: MSc.
Shares in Scania: 0.

BÖRJE EKHOLM

Born 1963.
Member since 2007.
Other directorships: Board member of Chalmersinvest AB, Husqvarna, Investor AB, KTH Holding AB, Royal Institute of Technology and Telefonaktiebolaget LM Ericsson.
Relevant work experience: McKinsey & Company; President of Novare Kapital, 1995-1997; various positions at Investor AB, 1992-1995, returned to Investor AB in 1997, President and CEO since 2005.
Education: MSc and MBA.
Shares in Scania: 2,000.

STAFFAN BOHMAN

Born 1949.
Member since 2005. Vice Chairman since 2008. Chairman, Audit Committee.
Other directorships: Board member of Atlas Copco AB, Boliden AB, Trelleborg AB, OSM AB, InterIKEA Holding SA and Ratos AB. Vice Chairman of EDB Business partner ASA.
Relevant work experience: Former CEO of DeLaval AB, Gränges AB and Sapa AB.
Education: MBA.
Shares in Scania: 30,000.

STEFAN U. KLINGBERG

Born 1969.
Deputy member since 2006.
Representative of the Federation of Salaried Employees in Industry and Services at Scania (PTK).
Relevant work experience: Various positions at Scania since 1995, current position Head of Services Portfolio and Contracts, Sales & Services Management.
Shares in Scania: 0.

HÅKAN THURFJELL

Born 1951.
Member since 2008.
Representative of the Federation of Salaried Employees in Industry and Services (PTK) at Scania.
Relevant work experience: Various managerial positions at Scania.
Shares in Scania: 0.

JOHAN JÄRVKLO

Born 1973.
Member since 2008. Previously deputy member since 2006.
Representative of the Swedish Metal Workers' Union at Scania.
Relevant work experience: Various positions at Scania.
Shares in Scania: 0.

MIKAEL JOHANSSON

Born 1963.
Deputy member since 2008.
Representative of the Swedish Metal Workers' Union at Scania.
Relevant work experience: Various positions at Scania.
Shares in Scania: 0.

Executive Board

1. MARTIN LUNDSTEDT
Born 1967, MSc.
Joined Scania in 1992.
Executive Vice President, Head of Franchise and Factory Sales.
Shares in Scania: 7,298.

2. URBAN ERDTMAN
Born 1945, MBA.
Joined Scania in 1989, employed until 2001.
Rejoined Scania in 2005.
Executive Vice President, Head of Sales and Services Management.
Shares in Scania: 12,853.

3. LEIF ÖSTLING
Born 1945, MBA and MSc.
Joined Scania in 1972.
President and CEO.
Shares in Scania: 540,000 plus 160,000 via related companies.

4. PER HALLBERG
Born 1952, MSc.
Joined Scania in 1977.
Executive Vice President, Head of Production and Procurement.
Shares in Scania: 13,767.

5. HASSE JOHANSSON
Born 1949, MSc.
Joined Scania in 2001.
Executive Vice President, Head of Research and Development.
Shares in Scania: 15,976.

6. JAN YTTERBERG
Born 1961, BSc.
Joined Scania in 1987.
Executive Vice President, Chief Financial Officer (CFO).
Shares in Scania: 10,512.

Corporate Units

ANDERS GRUNDSTRÖMER

Born 1958.
Joined Scania in 1977.
Executive Regional Director, Region Western and Southern Europe (WSE).
Shares in Scania: 100.

ANDERS GUSTAFSSON

Born 1961.
Joined Scania in 1991, employed until 2001.
Rejoined Scania in 2006.
Senior Vice President, Sales and Services Management, Service Operations.
Shares in Scania: 4,737.

MAGNUS HAHN

Born 1955.
Joined Scania in 1985.
Senior Vice President, Human Resources Support.
Shares in Scania: 5,390.

HENRIK HENRIKSSON

Born 1970.
Joined Scania in 1997.
Senior Vice President, Franchise and Factory Sales, Trucks.
Shares in Scania: 2,052.

JONAS HOFSTEDT

Born 1959.
Joined Scania in 1984.
Senior Vice President, Powertrain Development.
Shares in Scania: 3,778 plus 48 via related parties.

PETER HÄRNWALL

Born 1955.
Joined Scania in 1983.
Senior Vice President, Sales and Services Management, Business Support.
Shares in Scania: 6,896.

CLAES JACOBSSON

Born 1958.
Joined Scania in 1999.
Senior Vice President, Financial Services.
Shares in Scania: 6,001.

MIKAEL JANSSON

Born 1959.
Joined Scania in 1984.
Senior Vice President, Franchise and Factory Sales, Parts.
Shares in Scania: 2,253 plus 64 via related parties.

MELKER JERNBERG

Born 1968.
Joined Scania in 2002.
Senior Vice President, Franchise and Factory Sales, Buses and Coaches.
Shares in Scania: 2,540.

THOMAS KARLSSON

Born 1953.
Joined Scania in 1988.
Senior Vice President, Powertrain Production.
Shares in Scania: 6,839.

RAIMO LEHTIÖ

Born 1957.
Joined Scania in 2002.
Executive Regional Director, Region Eastern Europe and Northern Asia (ENA) since March 2009.
Shares in Scania: 0.

ERIK LJUNGBERG

Born 1971.
Joined Scania in 1997, employed until 2006.
Rejoined Scania in 2008.
Senior Vice President, Corporate Relations.
Shares in Scania: 0.

HANS NARFSTRÖM

Born 1951.
Joined Scania in 1977.
Senior Vice President, Corporate IT.
Shares in Scania: 6,796 plus 40 via related parties.

ANDERS NIELSEN

Born 1962.
Joined Scania in 1987.
Senior Vice President, Chassis and Cab Production.
Shares in Scania: 4,736.

LARS OREHALL

Born 1947.
Joined Scania in 1974.
Senior Vice President, Truck, Cab and Bus Chassis Development.
Shares in Scania: 17,305.

JOHAN P SCHLYTER

Born 1961.
Joined Scania in 1986.
Executive Regional Director, Region Latin America, Southern Africa, Southeast Asia and Oceania (AAA).
Shares in Scania: 0.

TOMMY SJÖÖ

Born 1946.
Joined Scania in 1995.
Senior Vice President, Vehicle Sales Support
Shares in Scania: 2,054.

ROBERT SOBOCKI

Born 1952.
Joined Scania in 1978, employed until 1997.
Rejoined Scania in 2002.
Senior Vice President, Franchise and Factory Sales, Scania Engines.
Shares in Scania: 8,100.

LARS STENQVIST

Born 1967.
Joined Scania in 1992.
Senior Vice President, Vehicle Definition.
Shares in Scania: 2,686.

MIKAEL SUNDSTRÖM

Born 1957.
Joined Scania in 2004.
Senior Vice President, Corporate Legal Affairs and Risk Management.
Shares in Scania: 7,486.

PER-OLOV SVEDLUND

Born 1955.
Joined Scania in 1976.
Senior Vice President, Global Purchasing.
Shares in Scania: 8,770.

BENGT THORSSON

Born 1964.
Joined Scania in 1989.
Executive Regional Director, Region Central and Northern Europe (CNE).
Shares in Scania: 1,000.

Group financial review

NET SALES

The net sales of the Scania Group, in the Vehicles and Services segment, rose by 5 percent to SEK 88,977 m. (84,486). Currency rate effects had a positive impact on sales of approximately 1 percent.

New vehicle sales revenue rose by 6 percent. Sales were positively influenced by price increases. The demand for Scania's services remained high during 2008. Service revenue rose by 8 percent in Swedish kronor to SEK 16,393 m. (15,139), primarily due to higher prices. Currency rate effects had a limited impact.

Interest and leasing income in the Financial Services segment rose by 17 percent due to higher financing volume.

Net sales by product, SEK m.	2008	2007
Trucks	55,566	52,599
Buses	8,186	7,429
Engines	1,151	1,185
Service-related products	16,393	15,139
Used vehicles	4,370	5,270
Miscellaneous	3,812	3,840
Delivery sales value	89,478	85,462
Adjustment for lease income [1]	–501	–976
Total Vehicles and Services	88,977	84,486
Financial Services	4,772	4,070
Elimination	–1,825	–1,686
Scania Group total	**91,924**	86,870

1 Refers to the difference between sales value based on delivery value and sales recognised as revenue. This difference arises when Scania finances a sale with an operating lease or has an obligation to repurchase a product at a guaranteed residual value.

NUMBER OF VEHICLES

During 2008 Scania delivered 66,516 (68,654) trucks, a decrease of 3 percent. Bus chassis deliveries totalled 7,277 (7,224) units.

Vehicles delivered	2008	2007
Vehicles and Services		
Trucks	66,516	68,654
Buses	7,277	7,224
Total new vehicles	73,793	75,878
Used vehicles	10,738	15,016
Financial Services		
Number financed (new during the year)		
Trucks	17,853	18,593
Buses	464	343
Total new vehicles	18,317	18,936
Used vehicles	4,190	4,530
New financing, SEK m.	23,849	21,122
Portfolio, SEK m.	47,220	38,314

EARNINGS

Scania's operating income rose by 3 percent to SEK 12,512 m. (12,164) during 2008. Operating margin amounted to 14.1 (14.4) percent.

Operating income in Vehicles and Services increased by 4 percent to SEK 12,098 m. (11,632) during 2008. The improvement was attributable to higher prices for new vehicles and for services. Reduced vehicle deliveries, lower profitability for used vehicles and to some extent higher raw material costs had a negative impact on earnings.

Scania's research and development expenditures amounted to SEK 3,955 m. (3,214). After adjusting for SEK 202 m. (289) in capitalised expenditures and SEK 475 m. (418) in amortisation of capitalised expenditures, recognised expenses increased to SEK 4,228 m. (3,343). Compared to 2007, currency spot rate effects amounted to about SEK –45 m. Currency hedging income amounted to SEK –210 m. During 2007, the impact of currency hedgings on earnings was SEK –130 m. The total currency rate effect was thus SEK –125 m.

Operating income in Financial Services amounted to SEK 414 m. (532). This was equivalent to 1.0 (1.5) percent of the average portfolio during the year. The positive effects of portfolio growth were offset somewhat by a lower interest rate margin due to the more competitive situation in recent years. Operating income increased because of continued expansion, primarily in fast-growing markets. Bad debt expenses were also higher. The number of delayed payments rose generally during the year. Higher bad debt expenses were attributable to several markets, especially Germany. At the end of December, the size of the customer finance portfolio amounted to about SEK 47.2 billion, representing an increase of SEK 8.9 billion since the end of 2007. In local currencies, the portfolio increased by 14 percent, equivalent to SEK 5.5 billion.

Operating income per segment, SEK m.	2008	2007
Vehicles and Services		
Operating income	**12,098**	11,632
Operating margin, percent	***13.6***	*13.8*
Financial Services		
Operating income	**414**	532
Operating margin, percent [1]	***1,0***	*1.5*
Operating income, Scania Group	**12,512**	12,164
Operating margin, percent	***14.1***	*14.4*
Income before tax	**11,978**	11,906
Taxes	**–3,088**	–3,352
Net income	**8,890**	8,554
Earnings per share, SEK	**11.11**	10.69
Return on equity, percent	**38.3**	35.0

1 The operating margin of Financial Services is calculated by taking operating income as a percentage of the average portfolio.

Scania's net financial items totalled SEK –534 m. (–258). Net interest items amounted to SEK –375 m. (–214). Other financial income and expenses amounted to SEK –159 m. (–44). This included SEK –144 m. (–38) related to valuation effects attributable to financial instruments where hedge accounting was not applied.

Income before taxes amounted to SEK 11,978 m. (11,906). The Scania Group's tax expenses for 2008 were equivalent to 25.8 (28.2) percent of income before taxes. In December 2008, the Swedish government decided to lower the corporate tax rate in Sweden from 28 percent to 26.3 percent. This reduced the Group's deferred tax liability by SEK 144 m. during the year.

Net income for the year increased by 4 percent and amounted to SEK 8,890 m. (8,554), corresponding to a net margin of 10.0 (10.1) percent. Earnings per share amounted to SEK 11.11 (10.69).

CASH FLOW

Cash flow in Vehicles and Services amounted to SEK 1,774 m. (8,229). Tied-up working capital increased by SEK 4,501 m. (–986), mainly due to higher inventories attributable to a high production volume and a hesitation among customers to accept delivery of previously ordered trucks, as well as a higher degree of cancellations. Net investments amounted to SEK 5,386 m. (4,545), including SEK 202 m. (289) in capitalisation of development expenditures. During 2008 net investments were affected by divested businesses totalling SEK 61 m. (in 2007 by acquisitions of businesses totalling SEK –268 m.). Net debt position at the end of 2008 totalled SEK 8,364 m., compared to a net cash position of SEK 1,902 m. at the end of 2007.

Cash flow in Financial Services amounted to SEK –5,121 m. (–5,169). Net investments in customer finance contracts totaled SEK 5,822 m. (5,698).

NET DEBT

Net debt, SEK m.	2008	2007
Cash, cash equivalents and short-term investments	**–4,669**	–4,134
Current borrowings	**27,942**	15,492
Non-current borrowings	**25,704**	19,866
Net market value of derivatives for hedging of borrowings	**1,135**	310
Total	**50,112**	31,534
of which, attributable to Vehicles and Services	**8,364**	–1,902
of which, attributable to Financial Services	**41,748**	33,436

As a result of the year's cash flow in Vehicles and Services, SEK 1,774 m., after subtracting dividends and redemptions as well as the influence of currency rate effects, the net debt position declined by SEK 10,266 m. to SEK 8,364 m.

FINANCIAL POSITION

Financial ratios related to the balance sheet	2008	2007
Equity/assets (E/A) ratio, percent	**19.9**	27.1
E/A ratio, Vehicles and Services, percent	**26.9**	38.6
E/A ratio, Financial Services, percent	**9.6**	10.1
Equity per share, SEK	**27.4**	31.0
Return on capital employed, Vehicles and Services, percent	**43.1**	42.1
Net debt/equity ratio, Vehicles and Services	**0.49**	–0.09

During 2008, the equity of the Scania Group decreased by SEK 2,874 m. and totalled SEK 21,938 m. (24,812) at year-end. Net income added SEK 8,890 m. (8,554), while the dividend to shareholders decreased equity by SEK 4,000 m. (3,000). During 2008, Scania carried out a 2 to 1 share split with mandatory redemption of the new share at a price of SEK 7.50 per share, which decreased equity by SEK 6,000 m. (7,000). Equity increased by SEK 771 m. (642) because of exchange rate differences that arose when translating net assets outside Sweden, which was offset by the effect of hedging net assets in operations outside Sweden, a net amount of SEK –186 m. (–) after taxes. In addition, equity decreased by a net amount of SEK 2,346 m. (518) after taxes because of cash flow hedgings and actuarial losses on pension liabilities. Dividends to minority interests and changes in the holdings of minority interests lowered total equity by SEK 2 m. and SEK 1 m., respectively.

The regular dividend for the 2008 financial year proposed by the Board of Directors is SEK 2.50 (5.00) per share.

NUMBER OF EMPLOYEES

The number of employees in the **Scania Group** at year-end 2008 was 34,777, compared to 35,096 at the end of 2007.

In **Vehicles and Services**, the number of employees at the end of December was 34,265 (34,616).

In **Financial Services**, the number of employees at year-end 2008 was 512 (480).

FINANCIAL RISKS

Borrowing and refinancing risk

Scania's borrowings consist of two committed credit facilities in the international borrowing market, bonds issued under capital market programmes plus certain other borrowings.

At year-end 2008, borrowings amounted to SEK 53.2 (35.2) billion. In addition to utilised borrowing, Scania had unutilised committed credit facilities equivalent to SEK 26.9 (14.2) billion.

Interest rate risk

Scania's policy concerning interest rate risks is that the interest rate refixing period on its net debt should normally be 6 months, but divergences may be allowed within the 0–24 month range. One exception is Scania's customer finance, in which the interest rate refixing period on borrowings is matched with the interest rate refixing period on assets. To manage interest rate risks in the Scania Group, derivative instruments are used.

Currency risk

Currency transaction exposure during 2008 totalled about SEK 32 (31) billion. The largest currency flows were in euros, British pounds and Russian roubles. Based on 2008 revenue and expenses in foreign currencies, a one percentage point change in the Swedish krona against other currencies would affect operating income by about SEK 316 m. (313) on an annual basis.

Scania's policy is to hedge currency flows during a period of time equivalent to the projected orderbook until the date of payment. However, the hedging period is allowed to vary between 0 and 12 months. The Board of Directors approves maturities of more than 12 months.

At the end of 2008, Scania's net assets in foreign currencies amounted to SEK 14,650 m. (11,400). Net assets outside Sweden of Scania's subsidiaries are not hedged under normal circumstances. To the extent a foreign subsidiary has significant monetary assets in local currency, however, they may be hedged. At the end of 2008, Scania had hedged EUR 211 m in foreign net assets. At the close of 2007 and 2006, no foreign net assets were hedged.

Credit risk

The management of credit risks in Vehicles and Services is regulated by a credit policy. In Vehicles and Services, credit exposure consists mainly of receivables from independent dealers as well as end customers.

Provisions for credit losses amounted to SEK 711 m. (619), equivalent to 7.7 (6.7) percent of total receivables. The year's bad debt expenses amounted to SEK 102 m. (92).

To maintain a controlled level of credit risk in Financial Services, the process of issuing credit is supported by a credit policy as well as credit instructions. In Financial Services, the year's expenses for actual and potential credit losses totalled SEK 227 m. (90), equivalent to 0.53 (0.26) percent of the average portfolio. The year's actual credit losses amounted to SEK 183 m. (46).

At year-end, the total reserve for bad debt expenses in Financial Services amounted to SEK 635 m. (567), equivalent to 1.3 (1.5) percent of the portfolio at the close of 2007.

The year-end credit portfolio amounted to SEK 47,220 m. (38,314), allocated among about 23,100 customers, of which 98.3 percent were small customers with lower credit exposure per customer than SEK 15 m.

The management of the credit risks that arise in Scania's treasury operations, among other things in investment of cash and cash equivalents and derivatives trading, is regulated in Scania's Financial Policy document. Transactions occur only within established limits and with selected creditworthy counterparties.

OTHER CONTRACTUAL RISKS

Residual value exposure

Some of Scania's sales occur with repurchase obligations or guaranteed residual value. The value of all obligations outstanding at year-end was SEK 6,819 m. (6,257). Obligations outstanding increased somewhat, mainly due to a weaker krona and somewhat higher pricing of new and used vehicles, which results in higher residual values. During 2008, the volume of new contracts was about 5,000 (4,800).

Service contracts

A large proportion of Scania's sales of parts and workshop hours occurs through repair and service contracts. Selling a service contract involves a commitment by Scania to provide servicing to customers during the contractual period in exchange for a predetermined fee. The cost of the contract is allocated over the contractual period according to estimated consumption of service, and actual divergences from this are recognised in the accounts during the period. From a portfolio perspective, Scania continually estimates possible future divergences from the expected cost curve. Negative divergences from this result in a provision, which affects earnings for the period.

The number of contracts rose during 2008 by 7,900 and totalled 81,700 at year-end. Most of these are in the European market.

THE PARENT COMPANY

The Parent Company, Scania AB, is a public company whose assets consist of the shares in Scania CV AB. Otherwise the Parent Company runs no operations.

Scania CV AB is a public company and parent company of the Scania CV Group, which includes all production, sales and service and finance companies in the Scania Group.

Consolidated income statement

January – December, SEK m.	Note	2008	2007	2006
Vehicles and Services				
Net sales	4	**88,977**	84,486	70,738
Cost of goods sold	5	**–64,516**	–61,810	–52,255
Gross income		**24,461**	22,676	18,483
Research and development expenses [1]	5, 11	**–4,228**	–3,343	–3,023
Selling expenses	5	**–7,002**	–6,438	–6,016
Administrative expenses	5	**–1,142**	–1,259	–1,189
Share of income in associated companies and joint ventures	13	**9**	–4	5
Operating income, Vehicles and Services		**12,098**	11,632	8,260
Financial Services	6			
Interest and lease income		**4,772**	4,070	3,527
Interest and depreciation expenses		**–3,663**	–3,057	–2,608
Interest surplus		**1,109**	1,013	919
Other income		**357**	283	232
Other expenses		**–307**	–204	–179
Gross income		**1,159**	1,092	972
Selling and administrative expenses	5	**–518**	–470	–416
Bad debt expenses		**–227**	–90	–63
Operating income, Financial Services		**414**	532	493
Operating income		**12,512**	12,164	8,753
Interest income		**458**	479	632
Interest expenses		**–833**	–693	–863
Other financial income		**135**	74	142
Other financial expenses		**–294**	–118	–81
Total financial items	7	**–534**	–258	–170
Income before taxes		**11,978**	11,906	8,583
Taxes	8	**–3,088**	–3,352	–2,644
Net income		**8,890**	8,554	5,939
Attributable to:				
Scania shareholders		***8,890***	*8,554*	*5,939*
Minority interest		***0***	*0*	*0*
Depreciation/amortisation included in operating income	10	***–3,257***	*–3,121*	*–3,023*
Earnings per share, SEK [2]	9	**11.11**	10.69	7.42

1 Total research and development expenditures during the year amounted to SEK 3,955 m. (3,214 and 2,842, respectively).

2 There are no dilution effects.

Consolidated balance sheet

31 December, SEK m.	Note	2008	2007	2006
ASSETS				
Non-current assets				
Intangible non-current assets	11	**2,331**	2,511	2,464
Tangible non-current assets	12	**21,172**	18,525	17,130
Lease assets	12	**11,660**	10,708	9,666
Holdings in associated companies and joint ventures etc.	13	**495**	264	173
Long-term interest-bearing receivables	30	**24,877**	20,590	16,599
Other long-term receivables [1]	15, 17, 30	**1,093**	707	1,023
Deferred tax assets	8	**668**	528	649
Tax receivables		**56**	0	34
Total non-current assets		**62,352**	53,833	47,738
Current assets				
Inventories	14	**15,550**	11,242	10,100
Current receivables				
Tax receivables		**668**	252	370
Interest-bearing receivables	30	**13,879**	10,565	8,600
Non-interest-bearing trade receivables	30	**7,498**	7,540	7,379
Other current receivables [1]	15, 30	**5,419**	3,888	3,046
Total current receivables		**27,464**	22,245	19,395
Short-term investments	30	**88**	679	911
Cash and cash equivalents				
Short-term investments comprising cash and cash equivalents	30	**3,474**	933	8,808
Cash and bank balances		**1,107**	2,522	1,126
Total cash and cash equivalents		**4,581**	3,455	9,934
Total current assets		**47,683**	37,621	40,340
Total assets		**110,035**	91,454	88,078
1 Including fair value of derivatives for hedging of borrowings:				
Other non-current receivables, derivatives with positive value		**517**	120	99
Other current receivables, derivatives with positive value		**483**	177	365
Other non-current liabilities, derivatives with negative value		**1,355**	211	213
Other current liabilities, derivatives with negative value		**780**	396	125
Net amount		**–1,135**	–310	126

31 December, SEK m.	Note	2008	2007	2006
EQUITY AND LIABILITIES				
Equity				
Share capital		**2,000**	2,000	2,000
Contributed capital		**1,120**	1,120	1,120
Reserves		**–604**	697	330
Retained earnings		**19,421**	20,991	22,679
Equity attributable to Scania shareholders		**21,937**	24,808	26,129
Minority interest		**1**	4	5
Total equity	16	**21,938**	24,812	26,134
Non-current liabilities				
Non-current interest-bearing liabilities	30	**25,704**	19,866	17,918
Provisions for pensions	17	**4,621**	4,005	3,605
Other non-current provisions	18	**1,661**	1,053	1,473
Accrued expenses and deferred income	19	**2,806**	3,088	1,861
Deferred tax liabilities	8	**1,069**	1,809	2,278
Other tax liabilities		**278**	68	170
Other non-current liabilities [1]		**1,359**	216	536
Total non-current liabilities		**37,498**	30,105	27,841
Current liabilities				
Current interest-bearing liabilities	30	**27,942**	15,492	16,350
Current provisions	18	**1,315**	2,024	1,125
Accrued expenses and deferred income	19	**7,293**	6,986	7,283
Advance payments from customers		**732**	735	449
Trade payables	30	**6,783**	7,068	6,011
Tax liabilities		**561**	931	946
Other current liabilities [1]	30	**5,973**	3,301	1,939
Total current liabilities		**50,599**	36,537	34,103
Total equity and liabilities		**110,035**	91,454	88,078
Net debt, excluding provisions for pensions, SEK m. [1]		**50,112**	31,534	23,297
Net debt/equity ratio		**2.28**	1.27	0.89
Equity/assets ratio, %		**19.9**	27.1	29.7
Equity per share, SEK		**27.4**	31.0	32.7
Capital employed, SEK m.		**81,340**	64,485	63,881

Consolidated statement of recognised income and expense as well as changes in equity

Note 16 shows a complete reconciliation of all changes in equity.

January – December, SEK m.	2008	2007	2006
Exchange difference on translation	**771**	642	–661
Hedging of net assets in operations outside Sweden, net after taxes	**–186**	–	–
Hedge reserve			
Fair value changes on cash flow hedging recognised directly in equity	**–2,762**	–521	340
Cash flow reserve transferred to sales revenue in income statement	**209**	137	–103
Actuarial gains/losses etc. related to pension liabilities recognised directly in equity	**–625**	–316	–68
Taxes attributable to items recognised directly in equity	**832**	182	–46
Total income and expenses recognised directly in equity	**–1,761**	124	–538
Net income for the year	**8,890**	8,554	5,939
Total income and expenses for the year	**7,129**	8,678	5,401
Of which, attributable to:			
Scania AB shareholders	***7,129***	*8,679*	*5,402*
Minority interest	***0***	*–1*	*–1*

	2008	2007	2006
Equity, 1 January	**24,812**	26,134	23,736
Total recognised income and expenses for the year	**7,129**	8,678	5,401
Redemption	**–6,000**	–7,000	–
Dividend to Scania AB shareholders	**–4,000**	–3,000	–3,000
Dividend to minority interest	**–2**	–	–
Change in minority share	**–1**	–	–3
Equity, 31 December	**21,938**	24,812	26,134
Of which, attributable to:			
Scania AB shareholders	***21,937***	*24,808*	*26,129*
Minority interest	***1***	*4*	*5*

Consolidated cash flow statement

January – December, SEK m.	Note	2008	2007	2006
Operating activities				
Income before tax	24 a	**11,978**	11,906	8,583
Items not affecting cash flow	24 b	**4,187**	3,643	3,236
Taxes paid		**–3,803**	– 3,232	–2,552
Cash flow from operating activities before change in working capital		**12,362**	12,317	9,267
Change in working capital				
Inventories		**–3,802**	–772	–627
Receivables		**77**	–170	8
Provisions for pensions		**4**	31	96
Trade payables		**–375**	765	1,276
Other liabilities and provisions		**–405**	1,132	1,126
Total change in working capital		**–4,501**	986	1,879
Cash flow from operating activities		**7,861**	13,303	11,146
Investing activities				
Net investments through acquisitions/divestments of businesses	24 c	**61**	–268	–
Net investments in non-current assets, Vehicles and Services	24 d	**–5,447**	–4,277	–3,810
Net investments in credit portfolio etc., Financial Services	24 d	**–5,822**	–5,698	–3,514
Cash flow from investing activities		**–11,208**	–10,243	–7,324
Cash flow before financing activities		**–3,347**	3,060	3,822
Financing activities				
Change in net debt from financing activities	24 e	**14,652**	303	7,591
Dividend to shareholders		**–4,000**	–3,000	–3,000
Redemption		**–6,000**	–7,000	–
Cash flow from financing activities		**4,652**	–9,697	4,591
Cash flow for the year		**1,305**	–6,637	8,413
Cash and cash equivalents, 1 January		**3,455**	9,934	1,599
Exchange rate differences in cash and cash equivalents		**–179**	158	–78
Cash and cash equivalents, 31 December	24 f	**4,581**	3,455	9,934

Cash flow statement, Vehicles and Services

	2008	2007	2006
Cash flow from operating activities before change in working capital	**11,661**	11,788	8,873
Change in working capital etc.	**–4,501**	986	1,879
Cash flow from operating activities	**7,160**	12,774	10,752
Cash flow from investing activities	**–5,386**	–4,545	–3,810
Cash flow before financing activities	**1,774**	8,229	6,942
Cash flow per share, Vehicles and Services excluding acquisitions/divestments	**2.14**	10.62	8.68

See also Note 3, "Segment reporting", for further information on cash flow by business segment.

Notes to the consolidated financial statements

Amounts in tables are reported in millions of Swedish kronor (SEK m.) unless otherwise stated.

NOTE 1 Accounting principles

The Scania Group encompasses the Parent Company, Scania Aktiebolag (publ), Swedish corporate identity number 556184-8564, and its subsidiaries and associated companies. The Parent Company has its registered office in Södertälje, Sweden.

The consolidated accounts of the Scania Group have been prepared in compliance with the International Financial Reporting Standards (IFRSs) issued by the international accounting Standards Board (IASB) as well as the interpretations by the international Financial Reporting interpretations committee (IFRIC) as adopted by the European Union. In addition, the Swedish Financial Reporting Board's Recommendation RFR 1.1, "Supplementary Rules for Consolidated Financial Statements", has been applied.

The Parent Company applies the same accounting principles as the Group, except in the cases specified below in the section entitled "Parent Company accounting principles".

The functional currency of the Parent Company is Swedish kronor (SEK), and the financial reports are presented in Swedish kronor. Assets and liabilities are recognised at historical costs, aside from certain financial assets and liabilities which are carried at fair value. Financial assets and liabilities that are carried at fair value are derivative instruments and loans within the framework of hedge accounting, which are carried at fair value with regard to the risk being hedged.

Preparing the financial reports in compliance with IFRSs requires that Management make judgements and estimates as well as make assumptions that affect the application of accounting principles and amounts recognised in the financial reports. The actual outcome may diverge from these estimates and judgements.

Judgements made by Management that have a substantial impact on the financial reports, and estimates which have been made that may lead to significant adjustments, are described in more detail in Note 2, "Key judgements and estimates". Estimates and assumptions are reviewed regularly.

The principles stated below have been applied consistently for all periods, unless otherwise indicated below.

CHANGES IN ACCOUNTING PRINCIPLES

Accounting principles and calculation methods are unchanged from those applied in the Annual Report for 2007. New IFRS standards during 2008 have had no impact on Scania's accounting. Scania has not utilised the opportunity to reclassify financial instruments in accordance with amendments to IAS 39 that entered into force on 1 July 2008.

APPLICATION OF ACCOUNTING PRINCIPLES

Consolidated financial statements

The consolidated financial statements encompass Scania AB and all subsidiaries. "Subsidiaries" refers to companies in which Scania directly or indirectly owns more than 50 percent of the voting rights of the shares or otherwise has a controlling influence.

Subsidiaries are reported according to the purchase method of accounting. This means that identifiable assets and liabilities in the acquired company are accounted for at fair values. The acquisition analysis establishes the cost of the shares or business, as well as the fair value on the acquisition date of the company's identifiable assets, debts assumed and contingent liabilities. The cost of shares in subsidiaries or of the business, respectively, consists of the fair values on the transfer date of assets, liabilities that have arisen or are assumed and equity instruments issued as payment in exchange for the acquired net assets as well as transaction costs directly attributable to the acquisition.

In case of acquisition of a business in which the acquisition cost exceeds the fair value of the company's identified assets, liabilities assumed and contingent liabilities, the difference is reported as goodwill. When the difference is negative, this is recognised directly in the income statement. Only earnings arising after the date of acquisition are included in the equity of the Group. Divested companies are included in the consolidated financial statements until and including the date when controlling influence ceases.

Intra-Group receivables and liabilities, revenue or expenses and unrealised gains or losses that arise from intra-Group transactions between Group companies are eliminated in their entirety during the preparation of the consolidated financial statements. Unrealised gains that arise from transactions with associated companies and joint ventures are eliminated to the extent that corresponds to the Group's percentage of ownership in the company.

Minority interests in equity are reported separately from share capital owned by the Parent Company's shareholders. A separate disclosure of the minority interest in the year's earnings is provided.

Associated companies and joint ventures

The term "associated companies" refers to companies in which Scania, directly or indirectly, has a significant influence. "Joint ventures" refers to companies in which Scania, through contractual cooperation with one or more parties, has a joint controlling influence on operational and financial management. Holdings in associated companies and joint ventures are recognised using the equity method. This means that in the consolidated financial statements, holdings in associated companies are carried at the Group's share of the equity of the associated company after adjusting for the Group's share of surplus and deficit values, respectively. The Group's share of net earnings after taxes is recognised in the income statement as "Share of income in associated companies and joint ventures".

Foreign currencies – translation

Transactions in foreign currencies are translated to the functional currency at the exchange rate on the transaction date. Functional currency is the currency in the primary economic environment where the company carries out its operations. Monetary receivables and liabilities in foreign currencies are translated at the exchange rate on the balance sheet date, and exchange rate differences that arise are recognised in the income statement. Non-monetary items are recognised at historic cost using the exchange rate on the transaction date.

When preparing the consolidated financial statements, the income statements and balance sheets of foreign subsidiaries are translated to the Group's reporting currency, Swedish kronor. All items in the income statements of foreign subsidiaries are translated using the average exchange rates during the year. All balance sheet items are translated using the exchange rates on the balance sheet date (closing day rate). The changes in the equity of the Group that arise due to different exchange rates on the closing day compared to the exchange rate on the preceding closing day are recognised directly in equity. all subsidiaries use the local currency as their functional currency, aside from some markets in eastern Europe for which the euro is the functional currency.

Hyperinflationary economies – adjustment of financial reports

Inflation adjustment of financial reports occurs for operations with a functional currency that is the currency of a hyperinflationary country. At present, none of the Group's subsidiaries has a functional currency that is regarded as a as hyperinflationary currency.

Segment reporting

The operations of the Scania Group are managed and reported primarily by line of business and secondarily by geographic market. Scania's primary segments are Vehicles and Services plus Financial Services. These two segments have distinct products and differentiated risk situations. The tied-up capital and accompanying financing structure in Financial Services differ substantially from their equivalents at Vehicles and Services. Internal reporting at Scania is designed in accordance with this division into segments. Only overall analyses are conducted at the geographic level. Financial expenses and taxes are reported at the segment level in order to better reflect the Financial Services line of business. For reasons of comparability, equivalent information for Vehicles and Services has been included in the note on segment reporting.

The Vehicles and Services line of business encompasses trucks, buses and engines, including the services associated with these products. All products are built using common basic components, with coordinated development and production. Products and services are also organised under common areas of responsibility.

The Financial Services line of business encompasses financial solutions for Scania customers, such as loan financing, lease contracts and insurance solutions, all of which can be combined with service contracts. Financial Services operates in all of Scania's geographic markets, in Europe primarily via wholly owned finance companies, in other geographic markets primarily via collaboration with external creditors. The assets of this line of business encompass the assets that are directly used in its operations. Correspondingly, its liabilities and provisions refer to those that are directly attributable to its operations.

BALANCE SHEET – CLASSIFICATIONS

Scania's operating cycle, that is, the time that elapses from the purchase of materials until payment for goods delivered is received, is less than twelve months. This means that operations-related items are classified as current assets and current liabilities, respectively, if these are expected to be realised/settled within twelve months, counting from the balance sheet date. Cash and cash equivalents are classified as current assets unless they are restricted. Other assets and liabilities are classified as non-current. For classification of financial instruments, see the section on financial assets and liabilities under "Valuation principles", page 74.

NOTE 1 Accounting principles, continued

Classification of financial and operating leases (Scania as lessor)

Lease contracts with customers are carried as financial leases in cases where substantially all risks and rewards associated with ownership of the asset have been transferred to the lessee. At the beginning of the leasing period, sales revenue and a financial receivable equivalent to the present value of future minimum lease payments are recognised. The difference between the sales revenue and the cost of the leased asset is recognised as income. Lease payments received are recognised as payment of the financial receivable and as financial revenue.

Other lease contracts are classified as operating leases and are carried as lease assets among tangible non-current assets. Revenue from operating leases is recognised on a straight-line basis over the leasing period. Depreciation of the asset occurs on a straight-line basis to the estimated residual value of the asset at the end of the leasing period.

If a transaction includes a repurchase obligation or a residual value guarantee, the transaction is carried as an operating lease, provided that important risks remain with Scania.

Lease obligations (Scania as lessee)

In case of a financial lease, when the risks and rewards associated with ownership have been transferred to Scania, the leased asset is carried as a tangible non-current asset and the future commitment as a liability. The asset is initially carried at the present value of minimum lease payments at the beginning of the leasing period. The leased asset is depreciated according to a schedule and the lease payments are recognised as interest and principal payments on the liability. Operating leases are not carried as assets, since the risks and rewards associated with ownership of the asset have not been transferred to Scania. Lease payments are expensed continuously on a straight-line basis over the lease term.

BALANCE SHEET – VALUATION PRINCIPLES

Tangible non-current assets including lease assets

Tangible fixed assets are carried at cost minus accumulated depreciation and any impairment losses. A non-current asset is divided up into components, each with a different useful life (depreciation period), and these are reported as separate assets. Machinery and equipment as well as lease assets have useful lives of 3–12 years. The average useful life of buildings is 40 years, based on 50–100 years for frames, 20–40 years for frame supplements and inner walls, 20–40 years for installations, 20–30 years for exterior surface layers and 10–15 years for interior surface layers. Land is not depreciated.

Depreciation occurs mainly on a straight-line basis over the estimated useful life of an asset, and in those cases where a residual value exists, the asset is depreciated down to this value. Useful life and depreciation methods are examined regularly and adjusted in case of changed circumstances.

All borrowing costs are charged to earnings in the period to which they are attributable.

Intangible non-current assets

Scania's intangible assets consist of goodwill, capitalised expenditures for development of new products and software. Intangible non-current assets are accounted for at cost less any accumulated amortisation and impairment losses.

Goodwill

Goodwill arises when the cost of shares in a subsidiary exceeds the fair value of that company's acquired identifiable assets and liabilities according to the acquisition analysis. Recognised goodwill has arisen from acquisitions of distribution and dealer networks, which have resulted in increased profitability upon their integration into the Scania Group. Goodwill has an indefinite useful life and impairment testing is done at least yearly.

Capitalised product development expenditures

Scania's research and development activities are divided into a research phase and a development phase. Expenditures during the research phase are charged to earnings as they arise. Expenditures during the development phase are capitalised, beginning on the date when the expenditures are likely to lead to future economic benefits. This implies that it is technically possible to complete the intangible asset, the company has the intention and the potential to complete it and use or sell it, there are adequate resources to carry out development and sale, and remaining expenditures can be reliably estimated. Impairment testing occurs annually for development projects that have not yet gone into service, according to the principles stated below. The amortisation of capitalised development expenditures begins when the asset is placed in service and occurs on a straight-line basis during its estimated useful life. For capitalised product development expenditures, the average useful life is currently estimated at five years.

Capitalised software development expenditures

Capitalised software development expenditures include expenditures directly attributable to completion of the software. They are amortised on a straight-line basis during the useful life of the software, which is estimated at between three and five years.

Impairment testing of non-current assets

The carrying amounts of Scania's intangible and tangible assets as well as its shareholdings are tested on every closing day to assess whether there is indication of impairment. This includes intangible assets with an indeterminable useful life, which refer in their entirety to goodwill. The carrying amounts for goodwill and intangible assets that have not yet gone into service are tested at the end of every year regardless of whether there is an indication of impairment loss or not.

If there is any indication that a non-current asset has an impairment loss, the recoverable amount of the asset is estimated. The recoverable amount of the asset is its fair value minus costs to sell or value in use, whichever is higher. Value in use is an estimate of future cash flows that is discounted by an interest rate that takes into account risk for that specific asset. If it is not possible to attribute essentially independent cash flows to an individual asset, during impairment testing assets shall be grouped at the lowest level where it is possible to identify essentially independent cash flows, a “cash-generating unit”.

In impairment testing, the carrying amount in the balance sheet is compared to the estimated recoverable amount. In cases where the estimated recoverable amount of an asset or cash-generating unit is less than the carrying value, it is written down to the recoverable amount and an impairment loss is recognised in the income statement.

Inventories

Inventories are carried at the lower of cost and net realisable value according to the first in, first out (FIFO) principle. An allocable portion of indirect expenses is included in the value of the inventories, estimated on the basis of normal capacity utilisation.

Financial assets and liabilities

Financial instruments are any from of contract that gives rise to a financial asset in one company and a financial liability or equity instrument in another company. This encompasses cash and cash equivalents, interest-bearing receivables, trade receivables, trade payables, borrowings and derivative instruments. Cash and cash equivalents consist of cash and bank balances as well as short-term liquid investments with a maturity amounting to a maximum of 90 days, which are subject to an insignificant risk of fluctuations in value. “Short-term investments” consist of investments with a longer maturity than 90 days.

Recognition of financial assets and liabilities

Financial assets and liabilities are recognised in the balance sheet when the company becomes a party to their contractual terms and conditions. Receivables are recognised in the balance sheet when Scania has a contractual right to receive payment. Liabilities are recognised when the counterparty has performed and there is a contractual obligation to pay.

A financial asset or a portion of a financial asset is derecognised from the balance sheet when the rights in the contract have been realised, expire or the company loses control over them. A financial liability or a portion of a financial liability is derecognised from the balance sheet when the obligation in the contract has been fulfilled or annulled or has expired.

Scania applies settlement date accounting for everything except assets held for trading, where recognition occurs on the transaction date. Derivatives with positive values (unrealised gains) are recognised as “Other current receivables” or “Other non-current receivables”, while derivatives with negative values (unrealised losses) are recognised as “Other current liabilities” or “Other non-current liabilities”.

Classification of financial instruments

All financial assets and liabilities are classified in the following categories:

a) Financial assets and financial liabilities carried at fair value via the income statement consist of two sub-categories:
   i) Financial assets and financial liabilities held for trading, which includes all of Scania’s derivatives aside from those derivatives that are used as hedging instruments when hedge accounting is applied. The main purpose of Scania’s derivative trading is to hedge the Group’s currency and interest rate risks.
   ii) Financial assets and financial liabilities that were determined from the beginning to belong to this category. Scania has no financial instruments classified in this sub-category.

b) Held-to-maturity investments
   This category includes financial assets with predetermined or determinable payments and predetermined maturity that Scania has the intention and ability to hold until maturity.

c) Loan receivables and trade receivables
   These assets have predetermined or determinable payments. Scania’s cash and cash equivalents, trade receivables and loan receivables belong to this category.

d) Financial assets available for sale
   This category consists of financial assets that have not been classified in any other category, such as shares and participations in both listed and unlisted companies. Scania has no financial instruments classified in this category.

e) Other financial liabilities
   Includes financial liabilities not held for trading. Scania’s trade payables as well as borrowings belong to this category.

Recognition and carrying amounts

Financial assets and liabilities are initially recognised at their cost, which is equivalent to their fair value at that time. Financial assets and liabilities in foreign currencies are translated to Swedish kronor, taking into account the closing day exchange rate.

Below are the main accounting principles that Scania applies to financial assets and financial liabilities. The exceptions from these principles that are applied concern financial instruments included in hedging relationships. A more thorough description is provided for exceptions to the principles in the “Hedge accounting” section.

a) Financial assets and liabilities carried at fair value via the income statement are continuously carried at fair value. Changes in the value of derivatives that hedge forecasted future payment flows (sales) are recognised in the income statement. Changes in the value of derivatives that are used to convert borrowings to a desired currency or to a desired interest rate refixing structure are recognised in net financial items.
b) Held-to-maturity investments are carried in the balance sheet at accrued cost. Interest income is recognised in net financial items.
c) Loan receivables and trade receivables are carried in the balance sheet at accrued cost minus potential bad debt losses. Provisions for probable bad debt losses/doubtful receivables are made following an individual assessment of each customer, based on the customer’s payment capacity, expected future risk and the value of collateral received.
d) Financial assets available for sale are carried continuously at fair value, with changes in value recognised in equity. On the date that the assets are derecognised from the balance sheet, any previously recognised accumulated gain or loss in equity is transferred to the income statement. Scania has no financial instruments classified in this category.

NOTE 1 Accounting principles, continued

e) Other financial liabilities are initially recognised at market value, which is equivalent to the amount received on that date less any transaction costs, and later at accrued cost. Premiums or discounts upon issuance of securities are accrued over the life of the loan by using the effective interest method and are recognised in net financial items.

Any gains that arise in conjunction with the divestment of financial instruments or redemption of loan liabilities are recognised in the income statement.

Hedge accounting

Scania is exposed to various financial risks in its operations. In order to hedge currency rate risks, interest rate risks and raw material price risks, derivatives are used. Scania's external financing occurs mainly via different borrowing programmes. To convert this borrowing to the desired interest rate refixing structure, interest rate derivatives are used. To the extent that hedging of borrowings with variable interest rates is used, derivatives are recognised according to cash flow hedging rules. In those cases where hedging of borrowings with fixed interest rates is used, derivatives are recognised according to fair value hedging rules. To a lesser extent, electricity derivatives are used in order to hedge costs of electricity consumption and currency derivatives in order to hedge net assets in subsidiaries outside Sweden.

Due to the very strict requirements in order to apply hedge accounting, Scania has chosen not to apply hedge accounting to all hedging transactions. In cases where hedge accounting is not applied, because of the separate treatment of derivatives, which are carried at market value, and liabilities, which are carried at accrued cost, accounting volatility arises in net financial items.

Financially speaking, Scania considers itself hedged and its risk management adheres to the Financial Policy approved by the Board of Directors.

Cash flow hedging

Hedging instruments, primarily currency futures that were acquired for the purpose of hedging expected future commercial payment flows in foreign currencies (hedged items) against currency rate risks are recognised according to cash flow hedging rules. This implies that all derivatives are accounted for in the balance sheet at fair value, and changes in the value of futures contracts are recognised in a hedge reserve in equity. Amounts that have been recognised in the hedge reserve in equity are recognised in the income statement at the same time as the external sale is recognised as revenue, that is, when delivery to an external customer occurs.

Hedging instruments, primarily interest rate swaps that were acquired for the purpose of hedging future interest flows, are recognised according to cash flow hedging rules. This means that borrowings with variable interest rate are converted to fixed interest rate. The derivative is recognised in the balance sheet at fair value, and changes in value are recognised in the hedge reserve in equity. The interest portions of the derivative are recognised continuously in the income statement and thus affect net financial items in the same period as interest payments on the borrowings. Any gain or loss attributable to an inefficient portion is immediately recognised in the income statement.

Fair value hedging

Hedging instruments, primarily interest rate derivatives that eliminate the risk that changes in the market interest rate will affect the value of the liabilities (hedged item), are recognised according to fair value hedging rules. In these hedging relationships, the hedging instrument i.e. the derivative, is carried at fair value and the hedged item, i.e. the borrowing, is carried at fair value with regard to the risk that has been hedged. This means that the change in value of the derivative instrument and that of the hedged item match in net financial items.

Net asset hedging

Currency rate risk related to net assets in subsidiaries outside Sweden that have a functional currency different from the Group's presentation currency is hedged to the extent that the subsidiary is overcapitalised or has sizeable monetary assets that will not be utilised in its operations. Hedging occurs by using derivatives as hedging instruments or through hedging of monetary items that are recognised as a portion of the net investment. Translation differences on financial instruments used as hedging instruments are recognised including tax effects against the currency translation reserve in equity, provided that the hedge is efficient. This effect thus matches the translation differences that arise in equity when translating the accounts of the subsidiary outside Sweden into the Group's presentation currency.

Provisions

Provisions are reported if an obligation, legal or informal, exists as a consequence of events that occur. It must also be deemed likely that an outflow of resources will be required to settle the obligation and that the amount can be reliably estimated. Provisions for warranties for vehicles sold during the year are based on warranty conditions and the estimated quality situation. Provisions on service contracts are related to expected future expenses that exceed contractual future revenue. Provisions for residual value obligations arise as a consequence either of an operating lease (Scania as lessor) or a delivery with a repurchase obligation. The provision must cover the current assessment that expected future market value will be below the price agreed in the lease contract or repurchase contract. In this case, a provision for the difference between these amounts is to be reported, to the extent that this difference is not less than an as yet unrecognised deferred gain.

Assessment of future residual value risk occurs continuously over the contract period. For provisions related to pensions, see the description under "Employee benefits" below and in Note 17 "Provisions for pensions and similar commitments". For provisions related to deferred tax liabilities, see below under "Taxes".

Taxes

The Group's total tax consists of current tax and deferred tax. Deferred tax is recognised in case of a difference between the carrying amount of assets and liabilities and their fiscal value ("temporary difference"). Deferred tax assets minus deferred tax liabilities are recognised only to the extent that it is likely that they can be utilised. The tax effect attributable to items recognised directly in equity, such as changes in actuarial gains/ losses, is recognised together with the underlying item directly in equity.

Employee benefits

Within the Scania Group, there are a number of both defined contribution and defined benefit pension and similar plans, some of which have assets that are managed by special foundations, funds or the equivalent. The plans include retirement pensions, survivor pensions, health care and severance pay. These are financed mainly by provisions to accounts and partially via premium payments.

Plans in which Scania only pays fixed contributions and has no obligation to pay additional contributions if the assets of the plan are insufficient to pay all compensation to the employee are classified as defined contribution plans. The Group's expenditures for defined contribution plans are recognised as an expense during the period when the employees render the services in question.

Defined benefit plans are all plans that are not classified as defined contribution. These are calculated according to the "projected unit credit method", for the purpose of fixing the present value of the obligations for each plan. Calculations are performed every year and are based on actuarial assumptions that are set on the closing day. The obligations are carried at the present value of expected disbursements, taking into account inflation, expected future pay increases and using a discount rate equivalent to the interest rate on top-rated corporate or government bonds with a remaining maturity corresponding to the obligations in question. The interest rate on top-rated corporate bonds is used in those countries where there is a functioning market for such bonds. In other countries, the interest rate on government bonds is used instead. For plans that are funded, the fair value of the plan assets is subtracted from the estimated present value of the obligation. Changes in pension obligations and managed assets, respectively, due to changes in actuarial assumptions or adjustments in actuarial parameters based on outcomes are recognised directly in equity ("actuarial gains and losses") and do not give rise to any effects on earnings.

In the case of some multi-employer defined benefit plans, sufficient information cannot be obtained to calculate Scania's share of the plans. For this reason, these plans are reported as defined contribution. For Scania, this applies to the Dutch Pensioenfonds Metaal en Techniek, which is administered via MN Services, and Bedrijfstakpensioenfonds Metaloelektro, which is administered via PVF Achmea, as well as the portion of the Swedish ITP occupational pension plan that is administered via the retirement insurance company Alecta. Most of the Swedish plan for salaried employees (the collectively agreed ITP plan) is financed by provisions to accounts, however, which is safeguarded via credit insurance from the mutual insurance company Försäkringsbolaget Pensionsgaranti (FPG) and administered by a common institution operated on behalf of the Swedish business sector, Pensionsregistreringsinstitutet (PRI). See also Note 17 "Provisions for pensions and similar commitments".

Scania never values net assets at more than the present value of available economic benefits in the form of repayments from the plan or in the form of reductions in future fees to the plan. This value is determined as present value taking into account the discount rate in effect.

INCOME STATEMENT — CLASSIFICATIONS

Research and development expenses

This item consists of the research and development expenses that arise during the research phase and the portion of the development phase that does not fulfil the requirements for capitalisation, plus amortisation and any impairment loss during the period of previously capitalised development expenditures. See Note 11, "Intangible noncurrent assets".

Selling expenses

Selling expenses are defined as operating expenses in sales and service companies plus costs of corporate-level commercial resources. In the Financial Services segment, selling and administrative expenses are reported as a combined item, since a division lacks relevance.

Administrative expenses

Administrative expenses are defined as costs of corporate management as well as staff units and corporate service departments.

Financial income and expenses

"Financial income" refers to income from financial investments, pension assets and derivatives. "Other financial income" includes other positive earnings from fluctuation in the valuation of non-hedge accounted derivatives (see the section on financial instruments) and exchange rate gains. "Financial expenses" refers to expenses connected to loans, pension liability and derivatives. "Other financial expenses" include current bank fees, losses arising from valuation of non-hedge-accounted derivatives and exchange rate losses.

INCOME STATEMENT — VALUATION PRINCIPLES

Revenue recognition

Revenue from the sale of goods is recognised when substantially all risks and rewards are transferred to the buyer. Where appropriate, discounts provided are subtracted from sales revenue.

Net sales – Vehicles and Services

Sales

In case of delivery of new trucks, buses and engines as well as used vehicles in which Scania has no residual value obligation, the entire revenue is recognised at the time of delivery to the customer.

Leases

- Operating lease – in case of delivery of vehicles that Scania finances with an operating lease, revenue is allocated on a straight-line basis over the lease period.
- Residual value obligation – in case of delivery of vehicles on which Scania has a repurchase obligation at a guaranteed residual value, revenue is allocated on a straight-line basis until the repurchase date, as with an operating lease, provided that substantial risks remain with Scania.
- Short-term rental – in case of short-term rental of vehicles, revenue is allocated on a straight-line basis over the contract period. Leasing and rentals mainly involve new trucks and buses. In such cases, the asset is recognised in the balance sheet as a lease asset.

NOTE 1 Accounting principles, continued

Service-related products

Income for service and repairs is recognised as income when the service is performed. For service and repair contracts, income is allocated over the life of the contracts, based on how expenses are allocated over time.

Financial Services

In case of financial and operating leases, with Scania as the lessor, the recognition of interest income and lease income, respectively, is allocated over the lease period. Other income is recognised on a continuous basis.

MISCELLANEOUS

Related party transactions

Related party transactions occur on market terms. "Related parties" refer to the companies in which Scania can exercise a controlling or significant influence in terms of the operating and financial decisions that are made. The circle of related parties also includes those companies and physical persons that are able to exercise a controlling or significant influence over the financial and operating decisions of the Scania Group. Related party transactions also include defined benefit and defined contribution pension plans.

Government grants including EU grants

Government grants received that are attributable to operating expenses reduce these expenses. Government grants related to investments reduce the gross cost of non-current assets.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events. A contingent liability can also be a present obligation that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required, or because the amount of the obligation cannot be measured with sufficient reliability.

Earnings per share

Earnings per share are calculated as net income for the period attributable to Parent Company shareholders, divided by the weighted average number of shares outstanding per report period.

Incentive programmes and share-based payment

The outcome of the incentive programme for executive officers is recognised as a salary expense in the year the payment is related to. Part of the programme is payable in such a way that the employee him/herself acquires shares in Scania AB at market price (see Note 28 "Compensation to executive officers"). As a result, the rules according to IFRS 2, "Share-based payments", are not applicable.

CHANGES IN ACCOUNTING PRINCIPLES DURING THE NEXT YEAR

New standards, amended standards and interpretations that enter into force on 1 January 2009 have not been applied in advance. The following new and amended standards will be applied from 1 January 2009.

IFRS 8, "Operating Segments"

This standard sets out requirements for disclosure of information about the Group's operating segments and replaces the requirement to define primary and secondary segments based on lines of business and geographic areas. The standard will be applied starting with the financial year 2009. The introduction of IFRS 8 does not affect its segment reporting.

Revised IAS 23, "Borrowing Costs"

The revision requires capitalisation of borrowing costs when these are attributable to assets that necessarily take a substantial period of time to get ready for their intended use or sale. The revision will be applied starting with the financial year 2009 and is not expected to have any substantial effect on Scania's financial reports.

Revised IAS 1, "Presentation of Financial Statements"

The revision contains a new financial reporting structure and requires a company to provide a statement of comprehensive income that includes all changes in assets and liabilities that are not due to transactions with its owners. The revision will be applied starting with the financial year 2009 and will only affects the presentation of the Scania Group's financial reports.

The following new and amended standards will be applied to the financial year 2010.

Revised IFRS 3, "Business Combinations"

The standard deals with reporting of business combinations (acquisitions of businesses) and includes a number of changes. The main changes concern the definition of a business combination, two alternative methods for reporting goodwill and the requirement that transaction costs be recognised as expenses when they arise. The standard will be applied prospectively to acquisitions implemented after it enters into forces. The revised standard will affect financial reports related to acquisitions implemented during the financial year 2010, but is not deemed likely to have any substantial effect on Scania's financial reports.

PARENT COMPANY

Parent Company accounting principles

The Parent Company has prepared its Annual Report in compliance with Sweden's Annual Accounts Act and Recommendation RFR 2.1, "Accounting for Legal Entities" of the Swedish Financial Reporting Board. RFR 2.1 implies that the Parent Company in the Annual Report of a legal entity shall apply all International Financial Reporting Standards and interpretations approved by the EU as far as this is possible within the framework of the Annual Accounts Act, and taking into account the connection between reporting and taxation. The recommendation states what exceptions from IFRS and additions shall be made. The Parent Company does not apply IAS 39, "Financial instruments", but instead applies a cost-based method in accordance with the Annual Accounts Act. The scope of financial instruments in the accounts of the Parent Company is extremely limited. The reader is thus referred to the Group's disclosures related to IFRS 7, "Financial instruments – Disclosures".

Subsidiaries

Holdings in subsidiaries are recognised in the Parent Company financial statements according to the cost method of accounting. Testing of the value of subsidiaries occurs when there is an indication of a decline in value. Dividends received from subsidiaries are recognised as income to the extent they are attributable to profits earned after the acquisition. Dividends that exceed profits earned are recognised as a repayment of the investment and reduce the carrying amount.

Anticipated dividends

Anticipated dividends from subsidiaries are recognised in cases where the Parent Company has the exclusive right to decide on the size of the dividend and the Parent Company has made a decision on the size of the dividend before having published its financial reports.

Taxes

The Parent Company financial statements recognise untaxed reserves including deferred tax liability. The consolidated financial statements, however, reclassify untaxed reserves to deferred tax liability and equity.

Group contributions

The Parent Company's recognition of Group contributions received and provided is accounted for on the basis of their economic significance. In case a Group contribution is provided or received for tax reasons, the Group contribution including its current tax effect is recognised directly in retained earnings. Group contributions received that are comparable to dividends are recognised as revenue in the income statement.

NOTE 2 Key judgements and estimates

The key judgements and estimates for accounting purposes that are discussed in this section are those that Group Management and the Board of Directors deem the most important for an understanding of Scania's financial reports, taking into account the degree of significant influence and uncertainty. These judgements are based on historical experience and the various assumptions that Management and the Board deem reasonable under the prevailing circumstances. The conclusions drawn in this way provide the basis for decisions regarding recognised values of assets and liabilities, in those cases where these cannot easily be established through information from other sources. Actual outcomes may diverge from these judgements if other assumptions are made or other conditions emerge. Note 1 presents the accounting principles the company has chosen to apply.

Important estimates and judgements for accounting purposes are attributable to the following areas.

Revenue recognition

Scania delivers about 10 percent of its vehicles with residual value obligations or repurchase obligations. These are recognised as operating lease contracts, with the consequence that recognition of revenue and earnings is allocated over the life of the obligation.

If there are major changes in the market for used vehicles, this affects Scania's successive income recognition and, where appropriate, valuation of used vehicle inventories. In case the profit from vehicles sold with residual value guarantees or repurchase obligations is insufficient to cover a possible downturn in market value, there is a provision in the required amount. At the end of 2008, obligations related to residual value or repurchase amounted to about SEK 6,800 m.

Credit risks

In its Financial Services operations, Scania has an exposure in the form of contractual payments. At the end of 2008, these amounted to SEK 47,200 m.

In all essential respects, Scania has collateral in the form of the right to repossess the underlying vehicle. In case the market value of the collateral does not cover the exposure to the customer, Scania has a risk of loss. On 31 December 2008, the reserve for doubtful receivables in Financial Services operations amounted to SEK 635 m. See also "Credit risk exposure" under Note 30, "Financial instruments and financial risk management".

Intangible assets

Intangible assets at Scania are essentially attributable to capitalised product development expenditures and "acquisition goodwill". All goodwill items at Scania stem from acquisitions of previously independent importers/dealerships. All goodwill items are subject to an annual impairment test, which is mainly based on recoverable amounts, including important assumptions on the sales trend, margin and discount rate before tax. See also below.

In the long term, the increase in sales of Scania's products is deemed to be closely correlated with economic growth (GDP) in each respective market, which has been estimated at between 2 and 5 percent. The revenue/cost ratio, or margin, for both vehicles and service is kept constant over time compared to the latest known level. When discounting to present value, Scania uses its average cost of equity (currently 11 percent before taxes). These assumptions do not diverge from information from external information sources or from earlier experience. To the extent the above parameters change negatively, an impairment loss may arise. On 31 December 2008, Scania's goodwill after the necessary impairment losses of SEK 13 m. amounted to SEK 1,307 m. The impairment tests that were carried out showed that there are ample margins before additional impairment losses will arise.

Scania's development costs are capitalised in the phase of product development where decisions are made on future production and market introduction. In this case there is future predicted revenue and a corresponding production cost. In case future volume or the price and cost trend diverges negatively from the preliminary calculation, an impairment loss may arise. Scania's capitalised development costs amounted to SEK 872 m. on 31 December 2008.

Pension obligations

In the actuarial methods that are used to establish Scania's pension liabilities, a number of assumptions are highly important. The most critical ones are related to the discount rate on the obligations and expected return on managed assets. Other vital assumptions are the estimated pace of wage and salary increases and estimated life expectancy. A higher discount rate decreases the recognised pension liability. In calculating the Swedish pension liability, the discount rate was lowered by 0.5 percentage points to 4.0 percent during 2008, while in 2007 it was raised by 0.5 percentage points. Such a change in the above-mentioned actuarial parameters is recognised directly in equity, net after taxes.

Product obligations

Scania's product obligations are mainly related to vehicle warranties in the form of a one-year "factory warranty" plus extended warranties and, in some cases, special quality campaigns.

For each vehicle sold, Scania makes a warranty provision. For extended warranties and campaigns, a provision is made at the time of the decision. Provisions are dependent on the estimated quality situation and the degree of utilisation in the case of campaigns. An essential change in the quality situation may require an adjustment in earlier provisions. Scania's product obligations can be seen in Note 18 "Other provisions" and amounted to SEK 1,316 m. on 31 December 2008.

Legal and tax risks

On 31 December 2008, provisions for legal and tax risks amounted to SEK 813 m. See Note 18, "Other provisions".

Legal risks

Demands and claims aimed at the Group, including demands and claims that lead to legal proceedings, may be related to infringements of intellectual property rights, faults and deficiencies in products that have been delivered, including product liability, or other legal liability for the companies in the Group.

The Group is party to legal proceedings and related claims that are normal in its operations. In addition, there are demands and claims normal to the Group's operations that do not lead to legal proceedings. In the best judgement of Scania's management, such demands and claims will not have any material impact on the financial position of the Group, beyond the reserves that have been set aside.

Tax risks

The Group is party to tax proceedings. Scania's management has made the assessment, based on individual examination, that the final outcome of these proceedings will not have any material impact on the financial position of the Group, beyond the recognised reserves.

Significant judgements are made in order to determine both current and deferred tax liabilities/assets. As for deferred tax assets, Scania must assess the likelihood that deferred tax assets will be utilised to offset future taxable profits. The actual result may diverge from these judgements, among other things due to future changes in business climate, altered tax rules or the outcome of still uncompleted examinations of filed tax returns by authorities or tax courts.

Scania recognised deferred net tax liabilities totalling SEK 401 m. at the end of 2008. In addition, at the end of 2008 the Group had deferred tax receivables related to unutilised tax loss carry-forwards of about SEK 139 m. that were not carried in the financial statements after assessment of the potential for utilising the tax loss carry-forwards. This judgement may affect income both negatively and positively.

NOTE 3 Segment reporting

The Vehicles and Services line of business encompasses the following products: trucks, buses and engines, including the services associated with these products. All products are based on shared basic components. Products and services are, moreover, organised into shared areas of responsibility at both the industrial and sales levels.

The Financial Services line of business provides financial solutions to Scania customers, such as loan financing, lease contracts and insurance solutions. Scania's internal pricing is determined according to market principles, at "arm's length distance".

PRIMARY SEGMENTS (LINES OF BUSINESS)

	Vehicles and Services			Financial Services			Eliminations and other			Scania Group		
Income statement	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Revenue from external customers [1]	**88,977**	84,486	70,738	**4,772**	4,070	3,527	**–1,825**	–1,686	–1,643	**91,924**	86,870	72,622
Expenses	**–76,888**	–72,850	–62,483	**–4,358**	–3,538	–3,034	**1,825**	1,686	1,643	**–79,421**	–74,702	–63,874
Income from holdings in associated companies	**9**	–4	5	**–**	–	–	**–**	–	–	**9**	–4	5
Operating income	**12,098**	11,632	8,260	**414**	532	493	**–**	–	–	**12,512**	12,164	8,753
Financial income and expenses [2]	**–534**	–258	–170	**–**	–	–	**–**	–	–	**–534**	–258	–170
Income before tax	**11,564**	11,374	8,090	**414**	532	493	**–**	–	–	**11,978**	11,906	8,583
Taxes [2]	**–2,977**	–3,241	–2,499	**–111**	–111	–145	**–**	–	–	**–3,088**	–3,352	–2,644
Net income for the year	**8,587**	8,133	5,591	**303**	421	348	**–**	–	–	**8,890**	8,554	5,939
Depreciation/amortisation included in operating income [3]	**–3,235**	–3,121	–3,023	**–22**	–17	–14	**–**	–	–	**–3,257**	–3,138	–3,037

	Vehicles and Services			Financial Services			Scania Group		
Cash flow statement by segment	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Cash flow from operating activities	**11,661**	11,788	8,873	**701**	529	394	**12,362**	12,317	9,267
Change in working capital etc.	**–4,501**	986	1,879	**–**	–	–	**–4,501**	986	1,879
Cash flow from operating activities	**7,160**	12,774	10,752	**701**	529	394	**7,861**	13,303	11,146
Cash flow from investing activities	**–5,386**	–4,545	–3,810	**–5,822**	–5,698	–3,514	**–11,208**	–10,243	–7,324
Cash flow before financing activities	**1,774**	8,229	6,942	**–5,121**	–5,169	–3,120	**–3,347**	3,060	3,822

Balance sheet	Vehicles and Services 2008	2007	2006	Financial Services 2008	2007	2006	Eliminations and other 2008	2007	2006	Scania Group 2008	2007	2006
31 December												
Assets												
Intangible non-current assets	**2,308**	2,498	2,452	**23**	13	12	**–**	–	–	**2,331**	2,511	2,464
Tangible non-current assets	**21,132**	18,487	17,104	**40**	38	26	**–**	–	–	**21,172**	18,525	17,130
Lease assets [6]	**4,558**	4,269	3,775	**9,033**	8,019	7,379	**–1,931**	–1,580	–1,488	**11,660**	10,708	9,666
Shares and participations in associated companies	**495**	264	173	**–**	–	–	**–**	–	–	**495**	264	173
Interest-bearing receivables, non-current [5]	**283**	410	241	**24,594**	20,180	16,358	**–**	–	–	**24,877**	20,590	16,599
Other receivables, non-current	**1,766**	1,211	1,485	**51**	24	221	**–**	–	–	**1,817**	1,235	1,706
Inventories	**15,550**	11,242	10,100	**–**	–	–	**–**	–	–	**15,550**	11,242	10,100
Interest-bearing receivables, current [5]	**286**	450	496	**13,593**	10,115	8,104	**–**	–	–	**13,879**	10,565	8,600
Other receivables, current [4]	**13,119**	11,149	10,737	**1,403**	1,295	590	**–937**	–764	–532	**13,585**	11,680	10,795
Short-term investments, cash and cash equivalents	**4,345**	3,890	10,672	**324**	244	173	**–**	–	–	**4,669**	4,134	10,845
Total assets	**63,842**	53,870	57,235	**49,061**	39,928	32,863	**–2,868**	–2,344	–2,020	**110,035**	91,454	88,078
Equity and liabilities												
Equity	**17,204**	20,776	22,971	**4,734**	4,036	3,163	**–**	–	–	**21,938**	24,812	26,134
Interest-bearing liabilities [7]	**11,574**	1,678	6,463	**42,072**	33,680	27,805	**–**	–	–	**53,646**	35,358	34,268
Provisions for pensions	**4,601**	3,985	3,590	**20**	20	15	**–**	–	–	**4,621**	4,005	3,605
Other non-current provisions	**1,658**	2,248	3,174	**3**	614	577	**–**	–	–	**1,661**	2,862	3,751
Other liabilities, non-current	**4,805**	3,372	2,554	**707**	–	13	**–**	–	–	**5,512**	3,372	2,567
Current provisions	**1,313**	2,024	1,123	**2**	–	2	**–**	–	–	**1,315**	2,024	1,125
Other liabilities, current [4]	**22,687**	19,787	17,360	**1,523**	1,578	1,288	**–2,868**	–2,344	–2,020	**21,342**	19,021	16,628
Total equity and liabilities	**63,842**	53,870	57,235	**49,061**	39,928	32,863	**–2,868**	–2,344	–2,020	**110,035**	91,454	88,078
Gross investment for the period in												
– Intangible non-current assets	**213**	458	224	**8**	7	8	**–**	–	–	**221**	465	232
– Tangible non-current assets	**4,900**	3,795	3,523	**24**	24	16	**–**	–	–	**4,924**	3,819	3,539
– Lease assets	**1,584**	2,054	1,712	**4,370**	3,642	3,474	**–**	–	–	**5,954**	5,696	5,186

1 Elimination refers mainly to income on operating leases.

2 Financial income and expenses as well as taxes are reported at segment level to better reflect the Financial Services line of business, whose operations are based on net financing expense after taxes. For reasons of comparability, the corresponding information is also shown for the Vehicles and Services line of business.

3 Value decrease in operating leases is not included.

4 Elimination refers to internal receivables and liabilities between the two segments.

5 Interest-bearing receivables in the Financial Services segment mainly consist of hire purchase receivables and financial lease receivables.

6 Elimination refers to deferred profit on lease assets.

7 Refers to interest liabilities that are not allocated between non-current and current by segment.

NOTE 3 Segment reporting, continued

SECONDARY SEGMENTS (GEOGRAPHIC AREAS)

	Western Europe			Central and eastern Europe			Asia		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Vehicles and Services									
Net sales, January–December [1]	**51,319**	49,452	45,475	**13,781**	14,146	8,293	**6,665**	5,699	4,603
Assets, 31 December [2, 3]	**45,410**	37,416	44,359	**5,838**	4,359	3,404	**1,926**	1,482	1,150
Gross investments [2]	**4,120**	3,464	3,074	**450**	328	169	**90**	35	25
Financial Services									
Revenue, January–December [1]	**3,313**	2,935	2,933	**902**	618	397	**168**	186	184
Assets, 31 December [2]	**31,902**	26,268	23,498	**10,795**	8,592	6,106	**2,404**	2,149	2,271
Gross investments [2]	**18**	18	12	**9**	9	9	**3**	2	2

1 Revenue from external customers is allocated by location of customers.
2 Assets and gross investments, respectively (excluding lease assets), by geographic location.
3 Starting in 2007, assets in each region are reported on a net basis after eliminating intra-Group receivables.

GEOGRAPHIC AREAS

Scania is geographically divided into five parts: western Europe, central and eastern Europe, Asia, America and other markets. The list below shows what countries are included in each of these areas. Sales of Scania's products occur in all five geographic areas. Financial Services is found mainly in the European markets and to a lesser extent in the others. Most of Scania's research and development occurs in Sweden. Manufacturing of buses, trucks and engines occurs in a number of locations in Sweden as well as in Argentina, Brazil, France, the Netherlands, Poland and Russia.

COMPOSITION OF GEOGRAPHIC SEGMENTS

Western Europe: Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Iceland, Ireland, Italy, Malta, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland.

Central and eastern Europe: Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Kazakhstan, Latvia, Lithuania, Macedonia, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Ukraine, Uzbekistan.

Asia: Bahrain, China, Hong Kong, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, Kuwait, Lebanon, Macao, Malaysia, Oman, Qatar, Saudi Arabia, Singapore, South Korea, Sri Lanka, Syria, Taiwan, Thailand, Turkey, the United Arab Emirates, Vietnam.

America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, Guatemala, Guyana, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Surinam, Uruguay, the United States, Venezuela, the Virgin Islands.

Other markets: Algeria, Angola, Australia, Botswana, Chad, Egypt, Eritrea, Ethiopia, Ghana, Kenya, Liberia, Malawi, Mauritius, Morocco, Mozambique, Namibia, New Zealand, Niger, Nigeria, Reunion, Rwanda, the Seychelles, South Africa, Sudan, Tanzania, Tunisia, Uganda, Zambia, Zimbabwe.

NOTE 4 Net sales

Vehicles and Services	2008	2007	2006
Trucks	**55,566**	52,599	43,021
Buses	**8,186**	7,429	6,766
Engines	**1,151**	1,185	1,024
Service-related products	**16,393**	15,139	13,595
Used vehicles	**4,370**	5,270	5,189
Other products	**3,812**	3,840	3,032
Total delivery value	**89,478**	85,462	72,627
Adjustment for lease income [1]	**–501**	–976	–1,889
Net sales	**88,977**	84,486	70,738

1 Refers to the difference between sales value based on deliveries and revenue recognised as income. This difference arises when a lease or delivery, combined with a residual value guarantee or a repurchase obligation, is recognised as an operating lease, provided that significant risks remain. Refers mainly to trucks, SEK –367 m. (–1,090 and –1,666, respectively) and buses SEK –51 m. (+182 and –83, respectively). The adjustment from delivery value to net sales in operating leases occurs in two steps. First the entire delivery value of vehicles delivered during the period is subtracted from sales. Then the portion of delivery value attributable to the period in question for vehicles delivered during this and earlier periods is added to sales.

America			Other markets			Eliminations			Total		
2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
12,822	10,573	8,420	**4,390**	4,616	3,947	**–**	–	0	**88,977**	84,486	70,738
8,860	9,082	7,331	**1,808**	1,531	2,112	**–**	–	–1,121	**63,842**	53,870	57,235
427	397	367	**26**	29	112	**–**	–	0	**5,113**	4,253	3,747
12	16	1	**377**	315	12	**–**	–	0	**4,772**	4,070	3,527
226	172	140	**3,734**	2,747	848	**–**	–	0	**49,061**	39,928	32,863
1	1	0	**1**	1	1	**–**	–	0	**32**	31	24

NOTE 5 Operating expenses

Vehicles and Services	2008	2007	2006
Cost of goods sold			
Cost of goods	**41,719**	40,343	34,187
Staff	**9,408**	9,283	8,182
Depreciation/amortisation	**2,275**	2,233	2,210
Other	**11,114**	9,951	7,676
Total	**64,516**	61,810	52,255
Research and development expenses			
Staff	**1,616**	1,372	1,259
Depreciation/amortisation	**687**	613	529
Other	**1,925**	1,358	1,235
Total	**4,228**	3,343	3,023
Selling expenses			
Staff	**3,377**	2,846	2,638
Depreciation/amortisation	**257**	257	266
Other	**3,368**	3,335	3,112
Total	**7,002**	6,438	6,016
Administrative expenses			
Staff	**816**	623	531
Depreciation/amortisation	**16**	18	18
Other	**310**	618	640
Total	**1,142**	1,259	1,189

Financial Services	2008	2007	2006
Selling and administrative expenses			
Staff	**319**	280	258
Depreciation/amortisation	**22**	17	14
Other	**177**	173	144
Total	**518**	470	416

Cost of goods includes new trucks, buses and engines, but also used vehicles, bodywork and cars. The cost of goods is also dependent on the degree of integration in different markets. Capitalised product development expenditures have reduced the expense categories "Staff" and "Other".

NOTE 6 Financial Services

	2008	2007	2006
Interest income	**2,455**	1,934	1,513
Lease income	**2,317**	2,136	2,014
Depreciation	**–1,825**	–1,686	–1,620
Interest expenses	**–1,838**	–1,371	–988
Net interest income	**1,109**	1,013	919
Other income and expenses	**50**	79	53
Gross income	**1,159**	1,092	972
Selling and administrative expenses	**–518**	–470	–416
Bad debt expenses [1]	**–227**	–90	–63
Operating income	**414**	532	493

1 These expenses were equivalent to 0.53 (0.26 and 0.20, respectively) percent of the average credit portfolio.

Lease assets (operating leases)	2008	2007	2006
1 January	**8,019**	7,379	7,269
New contracts	**4,370**	3,642	3,474
Depreciation	**–1,825**	–1,686	–1,620
Terminated contracts	**–2,109**	–1,543	–1,537
Change in value adjustments	**–45**	29	45
Exchange rate differences	**623**	198	–252
Carrying amount, 31 December [2]	**9,033**	8,019	7,379

2 The carrying amount in the consolidated balance sheet also includes elimination of deferred profit recognition and internal gains. See Note 3.

Financial receivables (hire purchase contracts and financial leases)	2008	2007	2006
1 January	**30,295**	24,462	22,365
New receivables	**20,523**	16,091	14,659
Loan principal payments/ terminated contracts	**–15,320**	–11,737	–11,708
Change in value adjustments	**–4**	–101	–18
Exchange rate differences	**2,693**	770	–836
Carrying amount, 31 December	**38,187**	30,295	24,462
Total receivables and lease assets [3]	**47,220**	38,314	31,841

3 The number of contracts in the portfolio on 31 December totalled about 94,000 (87,000 and 75,000, respectively).

Net investments in financial leases	2008	2007	2006
Receivables related to future minimum lease payments	**33,543**	26,686	21,134
Less:			
Reserve for bad debts	**–539**	–531	–461
Imputed interest	**–3,086**	–2,344	–1,777
Net investment [4]	**29,918**	23,811	18,896

4 Included in the consolidated financial statements under “current-” and “non-current interest-bearing receivables”.

Future minimum lease payments [5]	Operating leases	Financial leases
2009	2,036	13,152
2010	1,579	8,790
2011	1,153	6,323
2012	627	3,575
2013	288	1,359
2014 and thereafter	117	344
Total	**5,800**	**33,543**

5 Minimum lease payments refer to the future flows of incoming payments to the contract portfolio, including interest. For operating leases, the residual value is not included since this is not a minimum lease payment for these contracts.

NOTE 7 Financial income and expenses

	2008	2007	2006
Financial income (Interest income)			
Bank balances and financial investments	**372**	333	342
Derivatives [1]	**16**	83	239
Expected return on pension assets	**70**	63	51
Other	**0**	0	0
Total financial income	**458**	479	632
Financial expenses (Interest expenses)			
Borrowings	**–469**	–349	–539
Pension liability	**–238**	–206	–188
Derivatives [1]	**–126**	–138	–136
Total financial expenses	**–833**	–693	–863
Other financial income [2]	**135**	74	142
Other financial expenses [2]	**–294**	–118	–81
Net financial items	**–534**	–258	–170

1 Refers to interest on derivatives that are used to match interest on borrowings and lending as well as the interest component in derivatives that are used to convert borrowing currencies to lending currencies.

2 Refers primarily to SEK –144 m. (–38 and 80, respectively) in market value effects of financial instruments as well as exchange rate differences and bank-related costs.

NOTE 8 Taxes

Tax expense/income for the year	2008	2007	2006
Current tax [1]	**–3,181**	–3,410	–2,647
Deferred tax	**93**	58	3
Total	**–3,088**	–3,352	–2,644
1 Of which, taxes paid:	**–3,803**	–3,232	–2,552

Deferred tax is attributable to the following:	2008	2007	2006
Deferred tax related to temporary differences	**359**	285	277
Deferred tax due to changes in tax rates and tax rules [2]	**144**	–67	6
Deferred tax income due to tax value of loss carry-forwards capitalised during the year	**67**	204	28
Deferred tax expense due to utilisation of previously capitalised tax value of tax loss carry-forwards	**–308**	–39	–59
Other changes in deferred tax liabilities/assets	**–169**	–325	–249
Total	**93**	58	3

2 The effect of changes in tax rates during 2008 mainly refers to Sweden. (During 2007, the tax rate changed in the following countries, among others: Germany, Spain and the Czech Republic.)

NOTE 8 Taxes, continued

	2008		2007		2006	
Reconciliation of effective tax	**Amount**	**%**	Amount	%	Amount	%
Income before tax	**11,978**		11,906		8,583	
Tax calculated using Swedish tax rate	**–3,354**	**28**	–3,334	28	–2,403	28
Tax effect and percentage influence:						
Difference between Swedish and foreign tax rates	**–339**	**3**	–166	1	–183	2
Tax-exempt income	**491**	**–4**	233	–2	176	–2
Non-deductible expenses	**–168**	**1**	–102	1	–167	2
Utilisation of tax value of loss carry-forwards not previously recognised	**128**	**–1**	179	–2	20	0
Valuation of tax value of loss carry-forwards not previously recognised	**28**	**0**	24	0	3	0
Adjustment for taxes pertaining to previous years	**–26**	**0**	–90	1	3	0
Changed tax rates	**132**	**–1**	–69	1	4	0
Other	**20**	**0**	–27	0	–97	1
Effective tax	**–3,088**	**26**	–3,352	28	–2,644	31

Deferred tax assets and liabilities are attributable to the following:	**2008**	2007	2006
Deferred tax assets			
Provisions	**563**	639	526
Provisions for pensions	**507**	430	391
Non-current assets	**775**	871	573
Inventories	**987**	550	496
Unutilised tax loss carry-forwards [3]	**190**	399	129
Derivatives	**759**	53	–
Other	**718**	611	663
Offset within tax jurisdictions	**–3,831**	–3,025	–2,129
Total deferred tax assets	**668**	528	649
Deferred tax liabilities			
Property, plant and equipment	**3,238**	3,333	3,170
Tax allocation reserve [4]	**1,521**	1,468	1,146
Derivatives	**–**	–	53
Other	**141**	33	38
Offset within tax jurisdictions	**–3,831**	–3,025	–2,129
Total deferred tax liabilities	**1,069**	1,809	2,278
Net deferred tax liabilities	**401**	1,281	1,629

3 Unutilised tax loss carry-forwards in 2008 stemmed mainly from Latin America, Germany, Russia and Spain. Of the deferred tax assets attributable to unutilised tax loss carry-forwards, SEK 141 m. may be utilised without time constraints.

4 In Sweden, tax laws permit provisions to an untaxed reserve called a tax allocation reserve. Deductions for provisions to this reserve are allowed up to a maximum of 25 percent of taxable profits. Each provision to this reserve may be freely withdrawn and face taxation, and must be withdrawn no later than the sixth year after the provision was made.

NOTE 8 Taxes, continued

Reconciliation of net deferred tax liabilities	2008	2007	2006
Carrying value on 1 January	**1,281**	1,629	1,575
Deferred taxes recognised in the year's income	**–93**	–58	–3
Exchange rate differences	**81**	10	–9
Reclassifications	**–**	–	20
Tax assets/tax liabilities in acquired businesses	**–**	–118	–
Recognised in equity, changes attributable to:			
actuarial gains and losses on pensions	**–165**	–74	–21
currency translation reserve	**–36**	–	–
hedge reserve	**–667**	–108	67
Net deferred tax liabilities, 31 December	**401**	1,281	1,629

Recognised tax assets related to subsidiaries that reported a loss during 2008 were valued on the basis of an assessment that future earnings capacity in each respective company made a valuation possible. In the Scania Group, deferred tax assets related to unutilised tax loss carry-forwards of SEK 139 m. (143 and 225, respectively) were not assigned a value after assessment of the potential for utilising the tax loss carry-forwards.

Expiration structure of deferred tax assets related to tax loss carry-forwards not recognised	2008
2009	5
2010	0
2011	0
2012	17
2013	4
2014 and thereafter	60
No expiration date	53
Total	**139**

NOTE 9 Earnings per share

Earnings per share	2008	2007	2006
Net income for the year attributable to Scania shareholders, SEK m.	**8,890**	8,554	5,939
Weighted average, millions of shares outstanding during the year	**800**	800	800
Earnings per share before/ after dilution, SEK	**11.11**	10.69	7.42

There are no financial instruments that can lead to dilution.

Earnings per share in 2006 have been recalculated to take into account the share split implemented during 2007.

NOTE 10 Depreciation/amortisation

Vehicles and Services	2008	2007	2006
Intangible non-current assets			
Development expenses	**–481**	–421	–361
Selling expenses	**–29**	–38	–38
Total	**–510**	–459	–399
Tangible non-current assets			
Costs of goods sold [1]	**–2,275**	–2,233	–2,210
Research and development expenses	**–206**	–192	–168
Selling expenses	**–228**	–219	–228
Administrative expenses	**–16**	–18	–18
Total	**–2,725**	–2,662	–2,624
Total depreciation/amortisation, Vehicles and Services	**–3,235**	–3,121	–3,023

1 Of which, a value decrease of SEK –278 m. (–256 and –230, respectively) related to short-term leasing in Vehicles and Services. In addition, there was a value decrease of SEK –748 m. (–929 and –582, respectively) in operating leases as well as a value decrease of capitalised repurchasing obligations, which was charged to the cost of goods sold.

Financial Services	2008	2007	2006
Operating leases (payments of principal)	**–1,825**	–1,686	–1,620
Other non-current assets	**–22**	–17	–14
Total depreciation/amortisation, Financial Services	**–1,847**	–1,703	–1,634

NOTE 11 Intangible non-current assets

2008	Goodwill	Development	Other intangibles [1]	Total
Accumulated cost				
1 January	1,221	2,288	419	**3,928**
Additions [2]	–22	202	41	**221**
Divestments and disposals	–	–1	–5	**–6**
Reclassifications	–	–	20	**20**
Exchange rate differences	121	–	4	**125**
Total	**1,320**	**2,489**	**479**	**4,288**
Accumulated amortisation				
1 January	–	1,143	271	**1,414**
Amortisation for the year				
– Vehicles and Services	–	474	36	**510**
– Financial Services	–	–	9	**9**
Divestments and disposals	–	–	–5	**–5**
Reclassifications	–	–	2	**2**
Exchange rate differences	–	–	1	**1**
Total	**–**	**1,617**	**314**	**1,931**
Accumulated impairment losses				
1 January	–	–	3	**3**
Impairment loss for the year	13	–	10	**23**
Total	**13**	**–**	**13**	**26**
Carrying amount, 31 December	**1,307**	**872**	**152**	**2,331**
– of which capitalised expenditures for projects that have been placed in service		682		
– of which capitalised expenditures for projects under development		190		

2007				
Accumulated cost				
1 January	1,041	2,001	363	3,405
Additions	131	293	41	465
Divestments and disposals	–	–6	–2	–8
Reclassifications	–	–	7	7
Exchange rate differences	49	–	10	59
Total	1,221	2,288	419	3,928
Accumulated amortisation				
1 January	–	726	212	938
Amortisation for the year				
– Vehicles and Services	–	418	41	459
– Financial Services	–	–	7	7
Divestments and disposals	–	–1	–	–1
Exchange rate differences	–	–	11	11
Total	–	1,143	271	1,414
Accumulated impairment losses				
1 January	–	–	3	3
Impairment loss for the year	–	–	–	–
Total	–	–	3	3
Carrying amount, 31 December	**1,221**	**1,145**	**145**	**2,511**

2006	Goodwill	Development	Other intangibles [1]	Total
Accumulated cost				
1 January	1,095	1,825	331	3,251
Additions	–	186	46	232
Divestments and disposals	–	–10	–9	–19
Reclassifications	–	–	8	8
Exchange rate differences	–54	–	–13	–67
Total	1,041	2,001	363	3,405
Accumulated amortisation				
1 January	–	369	184	553
Amortisation for the year				
– Vehicles and Services	–	361	38	399
– Financial Services	–	–	5	5
Divestments and disposals	–	–4	–7	–11
Exchange rate differences	–	–	–8	–8
Total	–	726	212	938
Accumulated impairment losses				
1 January	–	–	–	–
Impairment loss for the year	–	–	3	3
Total	–	–	3	3
Carrying amount, 31 December	**1,041**	**1,275**	**148**	**2,464**

Scania tests the value of goodwill and other intangible assets at least yearly. Impairment testing is carried out for cash-generating units, which usually correspond to a reporting unit. Goodwill has been allocated among a number of cash-generating units, and the amount allocated to each unit is not significant compared to the Group's total carrying amount for goodwill. Goodwill that has been allocated to cash-generating units coincides with the total carrying value of goodwill. Estimates of recoverable amounts are based on the same assumptions for all cash-generating units. The assumptions used are disclosed in Note 2, "Key judgements and estimates".

Intangible assets are essentially attributable to capitalised product development expenditures and "acquisition goodwill". All goodwill items are attributable to acquisitions of previously independent importers/dealers that comprise separate cash-generating units.

1 Refers mainly to software, which is purchased externally in its entirety.

2 Goodwill additions refer to the purchase price, adjusted in 2008, for the acquisition in Portugal in 2007.

NOTE 12 Tangible non-current assets

2008	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets[1]	Total
Accumulated cost					
1 January	14,402	24,330	2,545	15,992	**57,269**
Acquisitions/divestments of subsidiaries	5	–7	–	–	**–2**
Additions	356	951	3,617	5,954	**10,878**
Divestments and disposals	–201	–1,411	–3	–5,534	**–7,149**
Reclassifications	713	2,396	–2,994	–330	**–215**
Exchange rate differences	836	–70	27	1,200	**1,993**
Total	**16,111**	**26,189**	**3,192**	**17,282**	**62,774**
Accumulated depreciation					
1 January	5,471	17,281	–	5,249	**28,001**
Acquisitions/divestments of subsidiaries	5	–7	–	–	**–2**
Depreciation for the year					
– Vehicles and Services	396	2,050	–	1,027	**3,473**
– Financial Services	–	13	–	1,825	**1,838**
Divestments and disposals	–52	–1,157	–	–2,476	**–3,685**
Reclassifications	132	51	–	–330	**–147**
Exchange rate differences	260	–123	–	234	**371**
Total	**6,212**	**18,108**	**–**	**5,529**	**29,849**
Accumulated impairment losses[2]					
1 January	–	–	–	35	**35**
Change in value for the year	–	–	–	45	**45**
Exchange rate differences	–	–	–	13	**13**
Total	**–**	**–**	**–**	**93**	**93**
Carrying amount, 31 December	**9,899**	**8,081**	**3,192**	**11,660**	**32,832**
– of which "Machinery"		6,886			
– of which "Equipment"		1,195			
– of which "Buildings"	7,359				
– of which "Land"	2,540				
– of which Financial Services		40		9,033	**9,073**

1 Including assets for short-term rentals, operating leases as well as assets capitalised due to repurchase obligations.

2 Impairment losses on lease assets refer to value adjustment for realised and potential credit losses.

2007	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets [1]	Total
Accumulated cost					
1 January	13,054	23,398	2,323	14,288	53,063
Acquisitions/divestments of subsidiaries	74	64	–	–	138
Additions	305	827	2,687	5,696	9,515
Divestments and disposals	–203	–2,277	–40	–4,721	–7,241
Reclassifications	762	1,687	–2,469	293	273
Exchange rate differences	410	631	44	436	1,521
Total	14,402	24,330	2,545	15,992	57,269
Accumulated depreciation					
1 January	5,068	16,577	–	4,558	26,203
Acquisitions/divestments of subsidiaries	12	41	–	–	53
Depreciation for the year					
– Vehicles and Services	328	2,078	–	1,185	3,591
– Financial Services	–	10	–	1,686	1,696
Divestments and disposals	–73	–1,902	–	–2,276	–4,251
Reclassifications	–2	–1	–	–8	–11
Exchange rate differences	138	478	–	104	720
Total	5,471	17,281	–	5,249	28,001
Accumulated impairment losses [2]					
1 January	–	–	–	64	64
Change in value for the year	–	–	–	–29	–29
Total	–	–	–	35	35
Carrying amount, 31 December	**8,931**	**7,049**	**2,545**	**10,708**	**29,233**
– of which “Machinery”		5,976			
– of which “Equipment”		1,074			
– of which “Buildings”	6,736				
– of which “Land”	2,195				
– of which Financial Services		34		8,019	8,053

1 Including assets for short-term rentals, operating leases as well as assets capitalised due to repurchase obligations.
2 Impairment losses on lease assets refer to value adjustment for realised and potential credit losses.

NOTE 12 Tangible non-current assets, continued

2006	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets [1]	Total
Accumulated cost					
1 January	13,040	22,782	1,520	14,838	52,180
Additions	215	860	2,464	5,186	8,725
Divestments and disposals	–338	–1,090	–	–5,074	–6,502
Reclassifications	491	1,324	–1,629	–30	156
Exchange rate differences	–354	–478	–32	–632	–1,496
Total	13,054	23,398	2,323	14,288	53,063
Accumulated depreciation					
1 January	4,702	15,925	–	4,844	25,471
Depreciation for the year					
– Vehicles and Services	436	1,958	–	812	3,206
– Financial Services	–	9	–	1,620	1,629
Divestments and disposals	–173	–964	–	–2,435	–3,572
Reclassifications	216	–1	–	–88	127
Exchange rate differences	–113	–350	–	–195	–658
Total	5,068	16,577	–	4,558	26,203
Accumulated impairment losses [2]					
1 January	–	–	–	111	111
Change in value for the year	–	–	–	–47	–47
Total	–	–	–	64	64
Carrying amount, 31 December	**7,986**	**6,821**	**2,323**	**9,666**	**26,796**
– of which “Machinery”		5,963			
– of which “Equipment”		858			
– of which “Buildings”	5,914				
– of which “Land”	2,072				
– of which Financial Services		26		7,379	7,405

1 Including assets for short-term rentals, operating leases as well as assets capitalised due to repurchase obligations.
2 Impairment losses on lease assets refer to value adjustment for realised and potential credit losses.

	2008	2007	2006
Buildings in Sweden			
Tax assessment value	**1,416**	1,292	920
Equivalent carrying amount	**2,361**	2,279	2,136
Land in Sweden			
Tax assessment value	**605**	520	346
Equivalent carrying amount	**456**	456	448

NOTE 13 Holdings in associated companies, joint ventures etc.

	2008	2007	2006
Carrying amount, 1 January	**242**	148	71
Acquisitions, capital contributions, divestments and impairment losses during the year [1]	**161**	106	83
Exchange rate differences	**73**	–3	–5
Share in income for the year	**9**	–4	5
Dividends	**–12**	–5	–6
Carrying amount, 31 December	**473**	242	148
Contingent liabilities	**–**	–	–

1 SEK 161 m. refers to a capital contribution to Cummins-Scania XPI. Scania has a joint venture agreement with Cummins Inc. related to development projects.

Share of assets, liabilities, revenue and income	2008	2007	2006
Non-current assets	**342**	172	104
Current assets	**300**	145	120
Non-current liabilities	**9**	13	11
Current liabilities	**160**	62	65
Scania's share of net assets	**473**	242	148
Sales revenue	**481**	663	736
Income before taxes	**13**	–6	7
Taxes	**–4**	2	–2
Net income for the year	**9**	–4	5

Associated company or joint venture/ corporate ID number/country of registration	Ownership %	Carrying amount in Parent Company financial statements	Value of Scania's share in consolidated financial statements		
			2008	2007	2006
Cummins-Scania HPI L.L.C; 043650113, USA	30	0	**16**	18	23
BitsData AB, 556112-2613, Sweden	33	2	**6**	5	4
ScaMadrid S.A., ES A80433519, Spain	49	2	**27**	25	21
ScaValencia S.A., ES A46332995, Spain	26	14	**25**	20	14
Holdings in associated companies			**74**	68	62
Cummins-Scania XPI Manufacturing L.L.C; 20-3394999, USA	50	371	**395**	169	83
Other	–	2	**4**	5	3
Holdings in joint ventures			**399**	174	86
Holdings in associated companies and joint ventures			**473**	242	148
Other shares and participations			**22**	22	25
Total			**495**	264	173

NOTE 14 Inventories

	2008	2007	2006
Raw materials, components and supplies	**828**	885	960
Work in progress	**1,714**	1,736	1,392
Finished goods [1]	**13,008**	8,621	7,748
Total	**15,550**	11,242	10,100
1 Of which, used vehicles	**1,763**	853	861
Change in value adjustment	**–370**	18	31

NOTE 15 Other receivables

	2008	2007	2006
Prepaid expenses and accrued income	**25**	30	266
Derivatives with positive market value	**517**	120	99
Value-added tax	**3**	–	63
Other receivables	**548**	557	595
Total other non-current receivables	**1,093**	707	1,023
Prepaid expenses and accrued income	**1,920**	1,429	767
Derivatives with positive market value	**483**	177	365
Value-added tax	**1,305**	1,178	1,100
Other receivables	**1,711**	1,104	814
Total other current receivables	**5,419**	3,888	3,046
Total other receivables	**6,512**	4,595	4,069

NOTE 16 Equity

The equity of the Scania Group has changed as follows:

2008	Share capital	Contributed capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania shareholders	Minority interest	Total equity
Equity, 1 January	2,000	1,120	–189	886	20,991	24,808	4	24,812
Exchange differences on translation				771		771		771
Hedging of net assets in operations outside Sweden				–222		–222		–222
Hedge reserve								
Change in value related to cash flow hedge recognised directly in equity			–2,762			–2,762		–2,762
Cash flow reserve transferred to sales revenue in income statement			209			209		209
Actuarial gains/losses etc. related to pensions recognised directly in equity					–625	–625		–625
Tax attributable to items recognised directly in equity			667	36	165	868		868
Total changes in assets recognised directly in equity excluding transactions with the company's owners			**–1,886**	**585**	**–460**	**–1,761**	**0**	**–1,761**
Net income for the year					8,890	8,890		8,890
Total changes in assets excluding transactions with the company's owners			**–1,886**	**585**	**8,430**	**7,129**	**0**	**7,129**
Change in minority share							–1	–1
Redemption					–6,000	–6,000		–6,000
Dividend to Scania AB shareholders					–4,000	–4,000		–4,000
Dividend to minority interest							–2	–2
Equity, 31 December	**2,000**	**1,120**	**–2,075**	**1,471**	**19,421**	**21,937**	**1**	**21,938**

NOTE 16 Equity, continued

2007	Share capital	Contributed capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania shareholders	Minority interest	Total equity
Equity, 1 January	2,000	1,120	87	243	22,679	26,129	5	26,134
Exchange differences on translation				643		643	–1	642
Hedge reserve								
Change in value related to cash flow hedge recognised directly in equity			–521			–521		–521
Cash flow reserve transferred to sales revenue in income statement			137			137		137
Actuarial gains/losses etc. related to pensions recognised directly in equity					–316	–316		–316
Tax attributable to items recognised directly in equity			108		74	182		182
Total changes in assets recognised directly in equity excluding transactions with the company's owners	–	–	–276	643	–242	125	–1	124
Net income for the year					8,554	8,554		8,554
Total changes in assets excluding transactions with the company's owners	–	–	–276	643	8,312	8,679	–1	8,678
Dividend to shareholders					–3,000	–3,000		–3,000
Redemption					–7,000	–7,000		–7,000
Equity, 31 December	**2,000**	**1,120**	**–189**	**886**	**20,991**	**24,808**	**4**	**24,812**

2006	Share capital	Contributed capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania shareholders	Minority interest	Total equity
Equity, 1 January	2,263	1,120	–83	903	19,524	23,727	9	23,736
Exchange differences on translation				–660		–660	–1	–661
Hedge reserve								
Change in value related to cash flow hedge recognised directly in equity			340			340		340
Cash flow reserve transferred to sales revenue in income statement			–103			–103		–103
Actuarial gains/losses etc. related to pensions recognised directly in equity					–68	–68		–68
Tax attributable to items recognised directly in equity			–67		21	–46		–46
Total changes in assets recognised directly in equity excluding transactions with the company's owners	–	–	170	–660	–47	–537	–1	–538
Net income for the year					5,939	5,939		5,939
Total changes in assets excluding transactions with the company's owners	–	–	170	–660	5,892	5,402	–1	5,401
Reduction due to liquidation of Ainax	–263				263	0		0
Change in minority share related to Ainax						–	–3	–3
Dividend to shareholders					–3,000	–3,000		–3,000
Equity, 31 December	**2,000**	**1,120**	**87**	**243**	**22,679**	**26,129**	**5**	**26,134**

NOTE 16 Equity, continued

The share capital of Scania AB consists of 400,000,000 Series A shares outstanding with voting rights of one vote per share and 400,000,000 Series B shares outstanding with voting rights of 1/10 vote per share. A and B shares carry the same right to a portion of the company's assets and profit. The nominal value of both A and B shares is SEK 2.50 per share. All shares are fully paid and no shares are reserved for transfer of ownership. No shares are held by the company itself or its subsidiaries.

Contributed equity consists of a statutory reserve contributed by the owners of Scania AB when it became a limited company in 1995.

The hedge reserve consists of the change in market value of commercial cash flow hedging instruments in cases where hedge accounting is applied according to IAS 39, "Financial Instruments: Recognition and Measurement".

Currency translation reserve arises when translating net assets outside Sweden according to the current method of accounting. The positive exchange rate difference of SEK 771 m. during 2008 arose as a consequence of the weakening of the Swedish krona against currencies important to Scania. The exchange rate differences were mainly attributable to the weakening of the krona against the euro, partly offset by the krona's appreciation against the Brazilian real and the British pound.

Retained earnings consist not only of accrued profits but also of the change in pension liability attributable to changes in actuarial gains and losses etc. recognised directly in equity. Regarding changes in actuarial assumptions, see also Note 17, "Provisions for pensions and similar commitments". The Parent Company's regular dividend for 2008 was SEK 4,000 m., equivalent to SEK 5.00 per share. In addition, during 2008 Scania carried out a 2 to 1 share split with mandatory redemption of the second share at a price of SEK 7.50 per share, which was equivalent to SEK 6,000 m. The proposed regular dividend for 2009 is SEK 2,000 m., equivalent to SEK 2.50 per share.

Minority interest consists of the equity that belongs to external minority owners of certain subsidiaries in the Scania Group.

Reduction in share capital. The acquisition of Ainax in February 2005 was paid for by a new issue of 26,296,508 A shares, which is equivalent to 96.3 percent of the number of shares outstanding in Ainax. The new share issue affected the equity of the Scania Group in a net amount of zero, but since SEK 263 m. was accounted for as equity, "Retained earnings" was affected in the amount of SEK –263 m. According to a resolution approved by the Annual General Meeting and implemented through a decision by the Swedish Companies Registration Office, during 2006 share capital was reduced in the amount of SEK 262,965,080 through the withdrawal of 26,296,508 A shares in Scania owned by Scania. This restored share capital to what it was before the offer for Ainax was completed. Ainax AB was liquidated during 2006.

The equity of the Scania Group consists of the sum of equity attributable to Scania's shareholders and equity attributable to minority interest. At year-end 2008, the Group's equity totalled SEK 21,938 m. (24,812). According to the Group's Financial Policy, the Group's financial position shall meet the requirements of the business objectives it has established. At present, this is deemed to presuppose a financial position equivalent to the requirements for obtaining at least an A– credit rating from the most important rating institutions.

In order to maintain the necessary capital structure, the Group may adjust the amount of its dividend to shareholders, distribute capital to the shareholders or sell assets and thereby reduce debt.

Financial Services includes eight companies that are subject to oversight by national financial inspection authorities. In some countries, Scania must comply with local capital adequacy requirements. During 2008, these units met their capital adequacy requirements.

The Group's Financial Policy contains targets for key ratios related to the Group's financial position. These coincide with the ratios used by credit rating institutions. Scania's credit rating according to Standard and Poor's at the end of 2008 was for:

- long-term borrowing: A–
- outlook: Stable
- short-term borrowing: A–2
- short-term borrowing, Sweden: K–1.

During the year, the rating outlook remained Stable.

Reconciliation of change in number of shares outstanding	**2008**	2007	2006
Number of A shares outstanding, 1 January	**400,000,000**	100,000,000	126,296,508
Reduction in share capital related to shares owned by Ainax			–26,296,508
Share split 2 to 1 (5 to 1) with mandatory redemption of the second (fifth) share	**0**	300,000,000	
Number of A shares outstanding, 31 December	**400,000,000**	400,000,000	100,000,000
Number of B shares outstanding, 1 January	**400,000,000**	100,000,000	100,000,000
Share split 2 to 1 (5 to 1) with mandatory redemption of the second (fifth) share	**0**	300,000,000	
Number of B shares outstanding, 31 December	**400,000,000**	400,000,000	100,000,000

NOTE 17 Provisions for pensions and similar commitments

The Group's employees, former employees and their survivors may be included in both defined-contribution and defined-benefit plans related to post-employment compensation. The defined-benefit plans include retirement pensions, survivor pensions, health care and severance pay.

The commitment that is recognised in the balance sheet stems from the defined-benefit plans. The largest plans are found in Sweden, Great Britain and Brazil. The plans are safeguarded via re-insured provisions in the balance sheet, foundations and funds. Calculations are performed according to the "projected unit credit method", using the assumptions presented in the table below, also taking into account any revocability.

In the case of some of the Group's defined-benefit multi-employer plans, sufficient information cannot be obtained to calculate Scania's share in these plans. They have thus been accounted for as defined-contribution. In Scania's case, this applies to the Dutch fund Pensioenfonds Metaal en Techniek, which is administered via MN Services, and Bedrijfstakpensioenfonds Metalektro, which is administered via PVF Achmea, as well as the portion of the Swedish ITP occupational pension plan that is administered via the retirement insurance company Alecta. Most of the Swedish plan for salaried employees (the collectively agreed ITP plan), however, is accounted for by provisions in the balance sheet, safeguarded by credit insurance from the mutual insurance company Försäkringsbolaget Pensionsgaranti (FPG), and are administered by a Swedish multi-employer institution, the Pension Registration Institute (PRI).

Premiums to Alecta amounted to SEK 33 m. (64 and 76, respectively). A surplus or deficit at Alecta may mean a refund to the Group or lower or higher future premiums. At year-end 2008, Alecta's surplus, in the form of a collective consolidation level, amounted to 112 (152 and 144, respectively) percent. The collective consolidation level consists of the market value of Alecta's assets as a percentage of its insurance obligations calculated according to Alecta's actuarial assumptions.

In the Dutch plans, both companies and employees contribute to the plan. The companies' premiums to MN Services amounted to SEK 25 m. (24 and 24, respectively) and to PVF Achmea SEK 56 m. (48 and 51, respectively). The consolidation level amounted to 86 (148 and 135, respectively) percent for MN Services. PVF Achmea has not disclosed its consolidation level for 2008 but refers to an A+ rating from Standard & Poor's (133 percent in 2007 and 129 percent in 2006, respectively).

Scania's forecasted disbursement of pensions to defined-benefit plans, both funded and unfunded, is SEK 200 m. for 2009 (198 for 2008 and 151 for 2007, respectively).

	Expenses related to pension obligations			Expenses related to health care benefits			Expenses related to other obligations		
Expenses for pensions and other defined-benefit obligations recognised in the income statement	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Current service expenses	**–170**	–131	–129	**–6**	–4	–3	**–3**	–3	–11
Interest expenses	**–205**	–173	–157	**–28**	–29	–26	**–6**	–4	–5
Expected return on plan assets	**65**	58	46	**–**	–	–	**5**	5	5
Past service expenses	**–29**	–	–	**–**	–	–	**–**	–	–
Net gains (+) and losses (–) due to curtailments and settlements	**2**	2	–14	**–**	–	–	**–**	–	–
Curtailment in the valuation of net assets	**–4**	–10	–10	**–**	–	–	**–**	–	–
Total expense for defined-benefit obligations recognised in the income statement	**–341**	–254	–264	**–34**	–33	–29	**–4**	–2	–11

For defined-contribution plans, Scania makes continuous payments to public authorities and independent organisations, which thus take over obligations towards employees. The Group's expenses for defined-contribution plans amounted to SEK 437 m. (479 and 542, respectively) during 2008.

Pension expenses and other defined-benefit payments are found in the income statement under the headings "Cost of goods sold", SEK 17 (17 and 41, respectively), "Selling expenses", SEK 67 m. (58 and 62, respectively) and "Administrative expenses", SEK 126 m. (71 and 64, respectively). The interest portion of pension expenses, along with the return on plan assets, is found under "Financial expenses and income".

NOT 17 Provisions for pensions and similar commitments, continued

Expenses for pensions and other defined-benefit obligations recognised in equity	Expenses related to pension obligations			Expenses related to health care benefits			Expenses related to other obligations		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Experience-based adjustments in pension liability	**–292**	–228	–56	**48**	1	–	**10**	4	1
Experience-based adjustments in plan assets	**–146**	–13	22	**–**	–	–	**–3**	–5	–
Effects of changes in actuarial assumptions	**–229**	–31	–19	**–**	–	–	**–**	–	–
Net actuarial gains (+) and losses (–) for the year	**– 667**	–272	–53	**48**	1	–	**7**	–1	1
Special payroll tax related to actuarial gains and losses	**–134**	–58	–	**–**	–	–	**–**	–	–
Curtailment in valuation of net assets	**121**	14	–16	**–**	–	–	**–**	–	–
Total expense/revenue for defined-benefit obligations recognised in equity	**–680**	–316	–69	**48**	1	–	**7**	–1	1

The accumulated amount of actuarial losses in equity was SEK 1,850 m. (1,223 and 907, respectively) before taxes.

Recognised as provision for pensions in the balance sheet	Pension obligations			Obligations related to health care			Other obligations		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Present value of defined-benefit obligations, wholly or partly funded	**1,526**	1,450	1,216	**–**	–	–	**33**	46	41
Present value of defined-benefit obligations, unfunded	**4,084**	3,311	3,004	**248**	316	261	**37**	32	50
Present value of defined-benefit obligations	**5,610**	4,761	4,220	**248**	316	261	**70**	78	91
Fair value of plan assets	**–1,363**	–1,277	–1,100	**0**	0	0	**–49**	–54	–48
Net assets not fully valued due to curtailment rule	**53**	142	144	**–**	–	–	**–**	–	–
Recognised in the balance sheet	**4,300**	3,626	3,264	**248**	316	261	**21**	24	43
Of which, pension liability recognised under the heading “Provisions for pensions”	**4,352**	3,665	3,301	**248**	316	261	**21**	24	43
Of which, pension asset recognised under the heading “Other long-term receivables”	**–52**	–39	–37	**–**	–	–	**–**	–	–

Assumptions applied in actuarial calculation	Sweden (pension)			Great Britain (pension)			Brazil (health care)			Other countries (pension etc.)		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Discount rate (%)	**4.0**	4.5	4.0	**6.1**	6.0	5.1	**11.0**	9.2	10.3	**2.3–6.7**	2.9–5.3	2.3–5.0
Expected return on plan assets (%)	**–**	–	–	**5.4**	6.8	6.0	**10.8**	11.4	10.3	**3.7–6.7**	3.7–6.0	3.7–5.0
Expected wage and salary increase (%)	**3.0**	3.0	3.0	**0.0**	0.0	0.0	**–**	–	–	**1.5–4.5**	2.0–13.0	1.5–4.4
Change in health care costs (%)	**–**	–	–	**–**	–	–	**7.1**	7.1	8.6	**–**	–	–
Employee turnover (%)	**5.0**	5.0	5.0	**0.0**	0.0	0.0	**–**	–	–	**2.0–12.0**	2.0–13.0	1.0–6.4
Expected remaining years of service	**21.9**	21.5	21.7	**7.0**	8.0	9.0	**16.8**	15.1	18.2	**1.0–22.1**	4.5–22.9	8.3–33.0
Expected increase in pension (inflation) (%)	**2.0**	2.0	2.0	**2.7**	3.3	3.0	**–**	–	–	**0.8–2.3**	0.8–2.3	0.8–3.0

Expected return in each country and category of plan assets is calculated taking into account historic return and management’s estimate of future developments. These figures in the above tables have then been combined into a total expected return for Brazil, Great Britain and “Other countries” in the Scania Group, taking into account that no changes in investment strategies are planned. The categories of plan assets in question in the Scania Group are “Shares and participations”, “Other interest-bearing securities”, “Properties” and “Bank deposits” etc.

Starting in 2005, the plan in Great Britain has been closed to new beneficiaries and additional vesting. As a result, liability is not affected by future salary increases and any employee turnover.

Present value of defined-benefit commitments changed during the year as follows:	Liabilities related to pension obligations			Liabilities related to health care benefits			Liabilities related to other obligations		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Present value of defined-benefit obligations, 1 January	**4,761**	4,220	4,085	**316**	261	258	**78**	91	90
Present value of reclassified obligations, 1 January [1]	**–11**	118	–44	**–1**	–	–	**–3**	–19	–
Current service expenses	**170**	131	129	**6**	4	3	**3**	3	11
Interest expenses	**205**	173	157	**28**	29	26	**6**	4	5
Payments made by pension plan participants	**1**	1	–	**–**	–	–	**–**	–	–
Net actuarial gains and losses for the year	**519**	259	74	**–48**	–1	–	**–10**	–3	–1
Exchange rate differences	**110**	19	–68	**–37**	39	–15	**1**	6	–5
Disbursements of pension payments	**–172**	–154	–127	**–16**	–16	–11	**–5**	–4	–9
Past service expenses	**29**	–	–	**–**	–	–	**–**	–	–
Gains and losses due to net settlements for the year	**–2**	–6	14	**–**	–	–	**–**	–	–
Present value of defined-benefit obligations, 31 December	**5,610**	4,761	4,220	**248**	316	261	**70**	78	91

1 2007: a reclassification of a defined-contribution plan to a defined-benefit plan in the Netherlands.
2006: a reclassification of a defined-benefit plan to a defined-contribution plan in Switzerland.

Fair value of plan assets changed as follows during the year:	Plan assets related to pension obligations			Plan assets related to health care benefits			Plan assets related to other obligations		
	2008	2 007	2006	**2008**	2007	2006	**2008**	2007	2006
Fair value of plan assets, 1 January	**1,277**	1,100	1,048	**–**	–	–	**54**	48	47
Fair value of plan assets related to reclassified obligations [2]	**–**	112	–	**–**	–	–	**–**	–	–
Expected return on plan assets	**65**	58	46	**–**	–	–	**5**	5	5
Net actuarial gains and losses for the year	**–148**	–13	21	**–**	–	–	**–3**	–4	–
Exchange rate differences	**124**	11	–58	**–**	–	–	**–6**	7	–3
Payments to pension plan	**77**	46	57	**–**	–	–	**–**	–	–
Payments made by pension plan participants	**11**	8	8	**16**	–	11	**–**	–	–
Disbursements of pension payments	**–43**	–41	–22	**–16**	–	–11	**–1**	–2	–1
Gains and losses due to net settlements for the year	**–**	–4	–	–	–	–	**–**	–	–
Fair value of plan assets, 31 December	**1,363**	1,277	1,100	**0**	–	0	**49**	54	48

2 2007: a reclassification of a defined-contribution plan to a defined-benefit plan in the Netherlands.

Plan assets consist mainly of shares and interest-bearing securities with the following fair value on closing day:	**2008 SEK m.**	2007 SEK m.	2006 SEK m.	**2008 %**	2007 %	2006 %
Miscellaneous shares and participations	**397**	475	424	**28.1**	35.7	37.0
Miscellaneous interest-bearing securities	**587**	628	512	**41.5**	47.2	44.6
Properties leased to Scania companies	**83**	66	67	**5.9**	5.0	5.8
Investment properties	**90**	71	69	**6.4**	5.3	6.0
Bank deposits etc.	**255**	91	76	**18.1**	6.8	6.6
Total	**1,412**	1,331	1,148	**100.0**	100.0	100.0

NOTE 17 Provisions for pensions and similar commitments, continued

	Plan assets related to pension obligations			Plan assets related to health care benefits			Plan assets related to other obligations		
Actual return	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Actual return on plan assets	**–81**	45	68	**–**	–	–	**2**	1	5

	1% decrease		1% increase	
Sensitivity analysis concerning 1% change in health care expenses on:	**2008**	2007	**2008**	2007
Sum of cost for employment in current year and interest expense	**–4**	–8	**4**	1
Sum of present value of the defined-benefit obligation	**0**	–56	**61**	25

Multi-year summary recognised in balance sheet	**2008**	2007	2006	2005	2004
Present value of defined-benefit obligations	**5,928**	5,155	4,572	4,433	2,915
Fair value of plan assets	**–1,412**	–1,331	–1,148	–1,095	–416
Deficit	**4,516**	3,824	3,424	3,338	2,499
Net assets not valued in full due to curtailment rule	**53**	142	144	81	–
Recognised in balance sheet	**4,569**	3,966	3,568	3,419	2,499

Multi-year summary of expenses in equity	**2008**	2007	2006	2005	2004
Experience-based adjustments in pension liability	**–234**	–223	–55	–39	–
Experience-based adjustments in plan assets	**–149**	–18	22	54	–
Effects of changes in actuarial assumptions	**–229**	–31	–19	–773	–72
Net actuarial gains (+) and losses (–) for the year	**–612**	–272	–52	–758	–72
Special payroll tax related to actuarial gains and losses	**–134**	–58	–	–	–
Curtailment in value of net assets	**121**	14	–16	–12	–
Total expense/income for defined-benefit payments recognised in equity	**–625**	–316	–68	–770	–72

NOTE 18 Other provisions

During the year, the Scania Group's provisions changed as follows:

2008	Product obligations	Restructuring	Legal and tax risks	Other provisions [1]	Total
1 January	1,233	34	787	1,023	**3,077**
Provisions during the year	1,629	5	152	375	**2,161**
Provisions used during the year	–1,443	–23	–20	–400	**–1,886**
Provisions reversed during the year	–104	–11	–89	–191	**–395**
Exchange rate differences	1	1	–17	34	**19**
31 December	**1,316**	**6**	**813**	**841**	**2,976**
– of which, current provisions	1,068	5	13	229	**1,315**
– of which, non-current provisions	248	1	800	612	**1,661**

2007	Product obligations	Restructuring	Legal and tax risks	Other provisions [1]	Total
1 January	1,057	38	457	1,046	2,598
Provisions during the year	1,490	13	338	370	2,211
Provisions used during the year	–1,276	–15	–46	–322	–1,659
Provisions reversed during the year	–63	–3	–21	–88	–175
Exchange rate differences	25	1	59	17	102
31 December	**1,233**	**34**	**787**	**1,023**	**3,077**
– of which, current provisions	1,171	–	462	391	2,024
– of which, non-current provisions	62	34	325	632	1,053

2006	Product obligations	Restructuring	Legal and tax risks	Other provisions [1]	Total
1 January	1,028	45	397	802	2,272
Provisions during the year	1,339	14	141	449	1,943
Provisions used during the year	–1,056	–18	–16	–152	–1,242
Provisions reversed during the year	–230	–2	–36	–46	–314
Exchange rate differences	–24	–1	–29	–7	–61
31 December	**1,057**	**38**	**457**	**1,046**	**2,598**
– of which, current provisions					1,315
– of which, non-current provisions					1,661

1 "Other provisions" include provisions for potential losses on service agreements.

Uncertainty about the expected outflow dates is greatest for legal and tax disputes. Otherwise outflow is expected to occur within one to two years. Provisions are recognised without discounting and at nominal amounts, as the time factor is not deemed to have a major influence on the size of the amounts, since the future outflow is relatively close in time. For a description of the nature of the obligations, see also Note 1, "Accounting principles", and Note 2, "Key judgements and estimates".

NOTE 19 Accrued expenses and deferred income

	2008	2007	2006
Accrued employee-related expenses	**2,586**	2,597	2,268
Deferred income related to service and repair contracts	**1,962**	1,945	1,801
Deferred income related to repurchase obligations	**3,540**	3,549	2,993
Accrued financial expenses	**104**	102	133
Other customary accrued expenses and deferred income	**1,907**	1,881	1,949
Total	**10,099**	10,074	9,144
– of which, current	**7,293**	6,986	7,283
– of which, non-current	**2,806**	3,088	1,861
Of the above total, the following was attributable to Financial Services operations	**338**	331	289

Of the above deferred income related to vehicles sold with repurchase obligations, SEK 734 m. is expected to be recognised as revenue within 12 months. SEK 145 m. is expected to be recognised as revenue after more than 5 years.

NOTE 20 Assets pledged and contingent liabilities

Assets pledged	2008	2007	2006
Real estate mortgages	**28**	26	27
Other	**1**	0	4
Total [1]	**29**	26	31
1 Of which, assets pledged for:			
Non-current borrowings	**26**	25	25
Current borrowings	**2**	1	4
Liabilities of others	**1**	0	2

Contingent liabilities	2008	2007	2006
Contingent liability related to FPG credit insurance	**43**	39	37
Loan guarantees	**24**	30	31
Discounted bills and contracts	**0**	0	1
Other guarantees	**115**	135	131
Total	**182**	204	200

In addition to the above contingent liabilities, the Group has issued vehicle repurchase guarantees worth SEK 45 m. (131 and 188, respectively) to customers' creditors.

NOTE 21 Lease obligations

As a leasee, the Scania Group has entered into financial and operating leases.

Future payment obligations on non-cancellable operating leases:

	2008		2007		2006	
Operating leases	**Future minimum lease payments**	**Of which, related to premises**	Future minimum lease payments	Of which, related to premises	Future minimum lease payments	Of which, related to premises
Within one year	**292**	**167**	229	134	204	111
Between one year and five years	**607**	**433**	537	389	377	310
Later than five years	**426**	**425**	471	469	507	506
Total [1]	**1,325**	**1,025**	1,237	992	1,088	927

1 Refers to operating leases where the obligation exceeds one year.

Allocation of lease expenses	2008	2007	2006
Operating leases			
Fixed payments	**296**	251	203
Flexible payments	**4**	3	16
Payments related to sub-leased items	**–8**	–5	–4
Total [2]	**292**	249	215

2 Expenses for leases on premises were charged to income in the amount of SEK 160 m. (131 and 113, respectively).

NOTE 21 Lease obligations, continued

Future payment obligations on non-cancellable financial leases:

	2008			2007			2006		
Financial leases	**Future minimum lease payments**	**Interest**	**Present value of future lease payments**	Future minimum lease payments	Interest	Present value of future lease payments	Future minimum lease payments	Interest	Present value of future lease payments
Within one year	**28**	**1**	**27**	21	1	20	53	1	52
Between one year and five years	**105**	**14**	**91**	53	6	47	69	5	64
Later than five years	**7**	**1**	**6**	11	4	7	0	0	0
Total [3]	**140**	**16**	**124**	85	11	74	122	6	116

3 Refers to financial leases where the obligation exceeds one year.

Allocation of lease expenses	**2008**	2007	2006
Financial leases			
Fixed payments	**64**	44	57
Flexible payments	**–**	–	–
Payments related to sub-leased items	**–14**	–13	–20
Total	**50**	31	37

Financial lease assets in balance sheet:

Carrying amount	**2008**	2007	2006
Vehicles for leasing	**100**	27	74
Buildings	**34**	34	34
Machinery	**3**	6	18
Other	**12**	10	6
Total	**149**	77	132

NOTE 22 Government grants and EU grants

During 2008, the Scania Group received government grants and EU grants amounting to SEK 62 m. (57 and 41, respectively) attributable to operating expenses of SEK 138 m. (158 and 135, respectively). It also received government grants of SEK 11 m. (6 and 31, respectively) attributable to investments with a gross cost of SEK 436 m. (346 and 218, respectively). In addition, Scania has arranged a loan of SEK 3,000 m. with the European Investment Bank (EIB) which will be used for research and development during the years 2008 to 2010.

NOTE 23 Change in net debt

The relationship between the cash flow statement and the change in net debt in the balance sheet can be seen below.

Scania Group total	**2008**	2007	2006
Total cash flow before financing activities	**–3,347**	3,061	3,822
Exchange rate effects in interest-bearing liabilities	**–4,525**	–1,498	1,405
Businesses acquired	**–**	–152	–
Exchange rate effects in short-term investments	**–14**	232	–55
Exchange rate effects in cash and cash equivalents	**–179**	158	–78
Effect of carrying borrowings at fair value	**314**	398	364
Change in derivatives affecting net debt	**–825**	–436	–279
Dividend to shareholders	**–4,002**	–3,000	–3,000
Redemption	**–6,000**	–7,000	–
Change in net debt according to the balance sheet	**–18,578**	–8,237	2,179
Vehicles and Services			
Total cash flow before financing activities	**1,774**	8,229	6,942
Exchange rate effects in interest-bearing liabilities	**–1,254**	–491	553
Businesses acquired	**–**	–152	–
Exchange rate effects in short-term investments	**–14**	232	–55
Exchange rate effects in cash and cash equivalents	**–204**	150	–61
Effect of carrying borrowings at fair value	**314**	398	364
Change in derivatives affecting net debt	**–825**	–436	–279
Transfers between segments	**–55**	–363	140
Dividend to shareholders	**–4,002**	–3,000	–3,000
Redemption	**–6,000**	–7,000	–
Change in net debt according to the balance sheet	**–10,266**	–2,433	4,604

NOTE 24 Cash flow statement

In those cases where no allocation by segment is specified, the cash flow statement below refers to Vehicles and Services.

	2008	2007	2006
a. Interest and dividends received/paid			
Dividends received from associated companies	**12**	5	6
Interest received	**373**	718	550
Interest paid	**–383**	–711	–564
b.1. Vehicles and Services: Items not affecting cash flow			
Depreciation/amortisation	**3,235**	3,121	3,023
Bad debts	**98**	92	126
Associated companies	**3**	9	1
Deferred profit recognition, lease assets	**310**	222	104
Other	**214**	123	–100
Total	**3,860**	3,567	3,154
b.2. Financial Services: Items not affecting cash flow			
Depreciation/amortisation	**22**	17	14
Bad debts	**227**	90	63
Other	**78**	–31	5
Total	**327**	76	82
c. Net investment through acquisitions/divestments of businesses [1]			
Divestments of businesses	**46**	–	–
Acquisitions of businesses	**15**	–268	–
Total	**61**	–268	–

1 See Note 25, "Businesses acquired/divested".

	2008	2007	2006
d.1. Vehicles and Services: Acquisitions of non-current assets			
Investments in non-current assets [2]	**–6,293**	–5,058	–4,618
Divestments of non-current assets	**846**	781	808
Total	**–5,447**	–4,277	–3,810
d.2. Financial Services: Acquisitions of non-current assets			
New financing	**–9,906**	–9,032	–6,713
Payments of principal and completed contracts	**4,084**	3,334	3,199
Total	**–5,822**	–5,698	–3,514

2 Of which, SEK 202 m. (293 and 186, respectively) in capitalised research and development expenditures.

	2008	2007	2006
e. Change in net debt through financing activities			
Net change in current borrowings	**9,378**	–1,755	8,827
Repayment of non-current borrowings	**–5,924**	–7,369	–6,554
Increase in non-current borrowings	**11,198**	9,427	5,318
Total	**14,652**	303	7,591
f. Cash and cash equivalents			
Cash and bank balances	**1,107**	2,522	1,126
Short-term investments comprising cash and cash equivalents	**3,474**	933	8,808
Total	**4,581**	3,455	9,934

NOTE 25 Businesses acquired/divested

Acquired/divested assets and liabilities	Businesses acquired 2008 Carrying amounts upon acquisition	Businesses acquired 2007 Carrying amounts upon acquisition	Businesses acquired 2006 No acquisitions	Businesses divested 2008 Carrying amounts upon divestment	Businesses divested 2007 No divestment	Businesses divested 2006 No divestment
Tangible and intangible non-current assets	**2**	81	–	**–2**	–	–
Inventories	**8**	109	–	**–29**	–	–
Receivables	**–**	264	–	**–**	–	–
Cash and cash equivalents	**–**	1	–	**–**	–	–
Borrowings	**–1**	–152	–	**–**	–	–
Other liabilities and provisions	**–2**	–165	–	**5**	–	–
Net identifiable assets and liabilities	**7**	138	–	**–26**	–	–
Goodwill in consolidation	**–22**	131	–	**–**	–	–
Purchase price	**–15**	269	–	**–46**	–	–
Cash and cash equivalents in companies acquired/divested	**–**	1	–	**–**	–	–
Impact on consolidated cash and cash equivalents	**15**	–268	–	**46**	–	–
Number of employees	**–**	318	–	**73**	–	–

During 2008 Scania acquired a business in Hong Kong. A final settlement for the acquisition in Portugal was reached in 2008, leading to a repayment of SEK 22 m., which reduced the goodwill in the consolidated accounts. During 2007 Scania acquired businesses in Portugal, Austria and Poland. During 2006 Scania made no acquisitions. The carrying amount in acquired businesses has been deemed to be in accordance with fair value.

Acquired businesses have the following accumulated effect on the 2008 accounts: "Net sales" minus intra-Group sales, SEK +21 m.; "Gross income", SEK +5 m.; "Expenses", SEK –9 m.; "Operating income, SEK –4 m.; and "Income before taxes", SEK –4 m. The effect on the Scania Group's earnings of the fact that the acquisitions did not occur at the beginning of the financial year is marginal.

During 2008 Scania divested a business in Finland. During 2007 and 2006, no divestments occurred. No fair value adjustment was required.

Divested businesses have the following accumulated effect on the 2008 accounts: "Net sales" minus intra-Group sales, SEK +108 m.; "Gross income", SEK +5 m.; "Expenses", SEK –4 m.; "Operating income, SEK +1 m.; and "Income before taxes", SEK +1 m.

NOTE 26 Wages, salaries and other remuneration and number of employees

Wages, salaries and other remuneration, pension expenses and other mandatory payroll fees	2008	2007	2006
Operations in Sweden			
Boards of Directors, Presidents and Executive (or Group) Vice Presidents	**138**	160	133
of which bonuses	***62***	*94*	*70*
Other employees	**4,897**	4,608	4,035
Operations outside Sweden			
Boards of Directors, Presidents and Executive Vice Presidents	**228**	193	171
of which bonuses	***55***	*69*	*24*
Other employees	**6,133**	5,583	5,181
Subtotal [1]	**11,396**	10,544	9,520
Pension expenses and other mandatory payroll fees	**4,140**	3,580	3,348
of which pension expenses [2]	***1,183***	*910*	*830*
Total	**15,536**	14,124	12,868

1 Including non-monetary remuneration.

2 Of the pension expense in the Group, SEK 49 m. (38 and 28, respectively) was for Boards of Directors and executive officers in the Scania Group. At year-end, the total pension obligation was SEK 124 m. (120 and 108, respectively) for this category.

NOTE 26 Wages, salaries and other remuneration and number of employees, continued

Wages, salaries and other remuneration, pension expenses and other mandatory payroll fees by country	2008 Wages, salaries and other remuneration [3]	2008 Mandatory payroll fees (of which pensions)		2007 Wages, salaries and other remuneration [3]	2007 Mandatory payroll fees (of which pensions)		2006 Wages, salaries and other remuneration [3]	2006 Mandatory payroll fees (of which pensions)	
Operations in Sweden	**5,035**	**2,624**	**(747)**	4,768	2,203	(521)	4,168	2,108	(452)
Operations outside Sweden									
Brazil	**1,048**	**320**	**(5)**	907	304	(32)	845	243	(29)
The Netherlands	**983**	**256**	**(88)**	767	180	(81)	760	175	(82)
Great Britain	**631**	**141**	**(75)**	614	120	(50)	647	106	(40)
Norway	**489**	**92**	**(30)**	401	85	(8)	357	72	(21)
France	**389**	**253**	**(77)**	348	222	(66)	325	200	(62)
Germany	**371**	**73**	**(9)**	345	64	(6)	318	68	(9)
Denmark	**247**	**19**	**(15)**	237	19	(16)	221	17	(15)
Finland	**237**	**56**	**(42)**	251	67	(50)	231	52	(36)
Austria	**192**	**6**	**(1)**	183	11	(0)	180	8	(3)
Argentina	**184**	**54**	**(1)**	115	33	–	117	35	–
Russia	**141**	**22**	**(13)**	119	18	(12)	104	19	(12)
Switzerland	**140**	**27**	**(9)**	128	23	(5)	143	24	(6)
Australia	**135**	**9**	**(9)**	125	8	(8)	106	9	(9)
South Africa	**130**	**14**	**(8)**	102	8	(8)	80	13	(7)
Poland	**108**	**18**	**(17)**	150	13	(12)	108	17	(17)
37 countries with < 100 SEK m. [4]	**936**	**156**	**(37)**	655	119	(22)	516	89	(12)
Total operations outside Sweden	**6,361**	**1,516**	**(436)**	5,776	1,377	(389)	5,352	1,240	(378)
Total	**11,396**	**4,140**	**(1,183)**	10,544	3,580	(910)	9,520	3,348	(830)

3 Including non-monetary remuneration.

4 In 2007 and 2006, 34 and 37 countries, respectively, had less than SEK 100 m. in wages, salaries and other remuneration.

Gender distribution	**2008**	2007	2006
Board members in subsidiaries and the Parent Company	**408**	465	483
– of whom, men	**398**	436	468
– of whom, women	**10**	29	15
Presidents/Managing Directors of subsidiaries and the Parent Company, plus the Group's Executive Board	**108**	116	111
– of whom, men	**107**	114	109
– of whom, women	**1**	2	2

Number of employees, 31 December	**2008**	2007	2006
Vehicles and Services			
Production and corporate units [5]	**16,264**	17,291	16,517
Research and development [5]	**2,922**	2,528	2,174
Sales and service companies	**15,079**	14,797	13,682
Sub-total	**34,265**	34,616	32,373
Financial Services	**512**	480	447
Total	**34,777**	35,096	32,820
– of whom, employed on temporary contracts	**2,533**	4,244	3,405

5 Due to an organisational shift during 2008, the number of employees in the previous year has been adjusted accordingly.

Average number of employees (excluding employees on temporary contracts)	2008			2007			2006		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Operations in Sweden	**13,199**	**10,535**	**2,664**	12,881	10,458	2,423	12,577	10,363	2,214
Operations outside Sweden									
Brazil	**3,295**	**2,905**	**390**	3,235	2,887	348	3,160	2,812	348
The Netherlands	**2,119**	**1,978**	**141**	2,061	1,929	132	2,076	1,935	141
Great Britain	**1,520**	**1,305**	**215**	1,629	1,409	220	1,614	1,393	221
Poland	**1,378**	**1,256**	**122**	1,112	1,016	96	1,022	947	75
France	**1,120**	**960**	**160**	1,102	938	164	1,065	900	165
Germany	**1,026**	**905**	**121**	975	852	123	940	814	126
Norway	**876**	**823**	**53**	905	838	67	795	733	62
Belgium	**760**	**605**	**155**	961	757	204	809	647	162
Russia	**733**	**580**	**153**	699	565	134	666	550	116
Finland	**586**	**524**	**62**	654	585	69	659	583	76
Argentina	**582**	**557**	**25**	854	787	67	872	806	66
Denmark	**573**	**514**	**59**	578	543	35	556	492	64
South Africa	**493**	**407**	**86**	439	365	74	429	357	72
Austria	**422**	**374**	**48**	432	380	52	421	370	51
Czech Republic	**406**	**359**	**47**	354	312	42	303	265	38
Switzerland	**343**	**311**	**32**	347	308	39	337	301	36
Australia	**338**	**296**	**42**	307	270	37	276	239	37
South Korea	**274**	**235**	**39**	232	207	25	249	221	28
Portugal	**237**	**206**	**31**	242	214	28	–	–	–
Slovakia	**210**	**172**	**38**	195	161	34	164	130	34
Taiwan	**207**	**181**	**26**	181	158	23	151	131	20
Italy	**202**	**166**	**36**	206	165	41	196	160	36
Spain	**193**	**150**	**43**	168	130	38	167	127	40
Hungary	**170**	**139**	**31**	179	148	31	172	143	29
Chile	**159**	**124**	**35**	153	126	27	154	125	29
Malaysia	**148**	**121**	**27**	138	112	26	121	100	21
Latvia	**135**	**126**	**9**	126	118	8	119	112	7
Ukraine	**134**	**108**	**26**	92	72	20	93	75	18
Thailand	**126**	**91**	**35**	122	88	34	133	97	36
Estonia	**125**	**116**	**9**	113	108	5	103	96	7
Mexico	**120**	**107**	**13**	112	95	17	102	86	16
Marocko	**114**	**103**	**11**	113	103	10	103	96	7
Lithuania	**102**	**84**	**18**	93	76	17	82	66	16
18 countries with <100 employees [6]	**841**	**669**	**172**	887	716	171	684	553	131
Total outside Sweden	**20,067**	**17,557**	**2,510**	19,811	17,390	2,421	18,618	16,321	2,297
Total average number of employees	**33,266**	**28,092**	**5,174**	32,692	27,848	4,844	31,195	26,684	4,511

6 In 2007, 20 countries (in 2006, 28) had fewer than 100 employees.

NOTE 27 Related party transactions

Associated companies and joint ventures	Sales to 2008	2007	2006	Purchases from 2008	2007	2006	Receivables from 2008	2007	2006	Liabilities to 2008	2007	2006
ScaValencia S.A.	**221**	273	234	**138**	109	55	**6**	13	38	**2**	2	2
ScaMadrid S.A.	**157**	146	157	**32**	47	28	**28**	14	37	**2**	1	1
Cummins-Scania HPI L.L.C	**–**	–	–	**242**	308	265	**–**	–	–	**25**	42	47
Cummins-Scania XPI Manufacturing L.L.C	**–**	–	–	**33**	5	–	**16**	–	–	**5**	1	–
BitsData i Södertälje AB	**–**	10	1	**12**	–	7	**–**	5	–	**2**	1	–
Others	**10**	11	14	**5**	4	3	**1**	2	1	**–**	–	–

Disclosures of relationships with related parties that include a controlling influence is provided in the list of subsidiaries. See also the presentation of Scania's Board of Directors and Executive Board as well as Note 28, "Compensation to executive officers". Disclosures of dividends from, and capital contributions to, associated companies and joint ventures are provided in Note 13, "Holdings in associated companies and joint ventures etc". Disclosures of pension plans are provided in Note 17, "Provisions for pensions and similar commitments" and Note 26, "Wages, salaries and number of employees".

The Scania Group's transactions with its main owner, Volkswagen, and the latter's parent company, Porsche, are reported in the above table under "Others". Purchases of company cars have not been taken into account. These company cars are purchased at market value.

NOTE 28 Compensation to executive officers

REMUNERATION TO THE BOARD

According to the decision of the Annual General Meeting (AGM), remuneration during 2008 to the external members of the Board of Directors elected by the Annual Meeting amounted to SEK 4,718,750 (4,312,500), with SEK 1,250,000 (1,250,000) to be paid to the Chairman of the Board, SEK 625,000 (625,000) to the Vice Chairman of the Board and SEK 406,250 (406,250) to each of the other Board members elected by the AGM who are not employees of the company. In addition, the Board received an amount of SEK 300,000 (300,000) for work in the Audit Committee – SEK 150,000 (150,000) to the Chairman and SEK 75,000 (75,000) each to the two other members – and an amount of SEK 150,000 (150,000) for work in the Remuneration Committee, consisting of SEK 50,000 (50,000) to each member. Only Board members who are elected by the AGM and are not employed by the company received compensation. Beyond the customary remuneration to the Board, no compensation from Scania was paid to the members of the Board who are not employees of the company.

PRINCIPLES FOR COMPENSATION TO EXECUTIVE OFFICERS

The principles for compensation to Scania executive officers are adopted by the AGM. The purpose is to offer a market-related compensation package that will enable the company to recruit and retain executive officers. Compensation to executive officers consists of the following parts:

1. Fixed salary
2. Variable earnings-dependent salary
3. Pension

The fixed salary of executive officers shall be competitive in relation to position, individual qualifications and performance. The fixed salary is reviewed annually. The size of the variable salary is dependent on Scania's earnings. The pension comprises a premium-based pension system that applies in addition to the public pension and the ITP occupational pension.

FIXED SALARY FOR THE PRESIDENT AND CEO

The fixed salary of the President and CEO amounts to SEK 7,500,000 per year.

VARIABLE SALARY

Variable salary is dependent on Scania's earnings and consists of a two-part incentive programme, Part 1 and Part 2, previously called the Short Term Incentive (STI) and Long Term Incentive (LTI) programme.

The principles for variable salary to, among others executive officers, including the President and CEO, were approved by the 2008 AGM and constitute a programme with the same parameters that were in force during 2007. The programme covers a maximum of 150 executive officers.

The outcome is calculated on the basis of operating return defined as Scania Group net income after subtracting the cost of equity, residual net income (RNI), and is established by the Board's Remuneration Committee.

Part 1 is related to actual ability to generate a return during the year in question, all provided that RNI according to the preceding paragraph is positive, and is determined as a cash amount (maximum 45 to 150 percent of fixed salary depending on position). Part 2 is related to Scania's ability to increase RNI as defined above from one year to another, and the outcome is also determined as a cash amount (maximum 35 to 80 percent of annual fixed salary depending on position). The outcome of both these components will be disbursed during 2009.

As indicated above, both components are designed in such a way that they contain an upper limit for the compensation that is payable according to the programme. The outcome of the flexible salary programme for the period 1997–2008 for the members of the Executive Board, among them the President and CEO, has varied from 0 to 150 percent for Part 1 and from 0 to 75 percent for Part 2. The outcome for the period 1997–2008 has, on average, amounted to 84 percent of annual fixed salary with regard to Part 1 and 27 percent of annual fixed salary with regard to Part 2. The 2008 outcome for the President and CEO was 96 percent for Part 1 and 19 percent for Part 2.

Of the total outcome of Part 1 and Part 2 for 2008, 50 percent shall be paid in cash as salary and 50 percent shall be determined as a cash amount that, after subtracting the applicable tax, is used by the employee for the purchase of Series B shares in Scania AB through a third party designated by the company, on a day determined by the company. Payment of the portion of the combined outcome of Part 1 and Part 2 that shall be used for purchase of Scania B with one third of the cash amount over a three year

NOTE 28 Compensation to executive officers, continued

period where these shares will be held in one year from the respective date of purchase. These payments will be made on the condition that the participant is employed in the Scania Group at the close of the calendar year or that employment has ended through agreed retirement. However, the return on the shares is at the participants' disposal. As an alternative, participants shall be entitled to choose purchase of shares for a pension according to a pension obligation, secured through endowment insurance.

PENSION SYSTEM FOR EXECUTIVE OFFICERS

The President and CEO, Executive Board and Heads of Corporate Units are covered by a defined contribution pension system in addition to the public pension and the ITP occupational pension. According to this defined contribution system, benefits accrue by means of annual payment of premiums by the company. Added to this is the value of annual individual employee co-payments, amounting to 5 percent of fixed salary.

The annual company-paid premium for members of the Executive Board, excluding the President and CEO, varies between 17–32 percent of fixed salary. The premium for Heads of Corporate Units varies between 10–30 percent of fixed salary.

OTHER CONDITIONS FOR THE PRESIDENT AND CEO

In addition to the fixed salary, the incentive programme in force for the Executive Board shall apply to the President and CEO. The annual company-paid pension premium for the President and CEO according to his pension agreement amounts to 35 percent of his fixed salary for as long as the President and CEO remains an employee of the company. The premium for 2008 amounted to SEK 2,625,000. The agreement also prescribes that an extra annual pension provision of SEK 4,410,000 will be made each year according to applicable employment contract.

If the President and CEO resigns of his own volition, he is entitled to his salary for a six-month notice period. The applicable outcome of the incentive programme shall be proportional to the length of his period of employment during the year in question. In case of termination by the company before the end of 31 March 2012, the President and CEO shall be entitled to his fixed salary in an unchanged amount per year, plus annual compensation equivalent to the average of three years' variable salary according to applicable employment contract.

TERMINATION CONDITIONS FOR THE EXECUTIVE BOARD

If the company terminates their employment, the other members of the Executive Board are entitled to severance pay equivalent to a maximum of two years' salary, in addition to their salary during the six-month notice period. If they obtain new employment within 18 months, counting from their termination date, the severance pay ceases. In case of a substantial change in the ownership structure of Scania, two members of the Executive Board are entitled to resign of their own volition with severance pay amounting to two years' salary.

2008, SEK thousand	**Fixed salary**	**Board remu- neration**	**Outcome of Part 1**	**Outcome of Part 2**	**Other remu- neration**	**Total salary and remu- neration**	**Pension expenses, defined contribution system**	**Pension expenses, defined benefit system**	**Total pension expenses**	**Pension obligations**
Chairman of the Board		1,300 [1]				**1,300**				
President and CEO	7,500		7,210	1,404	13	**16,127**	7,076	898	**7,974**	6,178
Executive Board (5 persons)	16,300		14,444	2,812	1,171	**34,727**	4,225	1,684	**5,909**	7,537
Heads of Corporate Units (21 persons)	31,295		20,994	7,300	2,598	**62,187**	6,055	8,606	**14,661**	35,413

1 Board fee, plus fee for Remuneration Committee work.

2007, SEK thousand	Fixed salary	Board remu- neration	Outcome of Part 1	Outcome of Part 2	Other remu- neration	Total salary and remu- neration	Pension expenses, defined contribution system	Pension expenses, defined benefit system	Total pension expenses	Pension obligations
Chairman of the Board		1,300 [1]				1,300				
President and CEO	7,500		11,250	5,625	38	24,413	7,075	674	7,749	5,352
Executive Board (5 persons)	13,750		19,995	10,125	787	44,657	3,629	1,537	5,166	6,106
Heads of Corporate Units (18 persons)	29,704		30,748	19,217	1,857	81,526	4,241	5,882	10,123	26,778

1 Board fee, plus fee for Remuneration Committee work.

Pension expenses, defined-contribution system: annual premiums according to a defined contribution pension system and ITPK (defined contribution portion of the ITP occupational pension).

Pension expenses, defined-benefit system (ITP): risk insurance premiums and the increase of retirement pension liability according to the ITP occupational pension plan.

Other remuneration: taxable portion of car allowance, newspaper subscriptions and other perquisites. Amounts excluding employer payroll fees.

Retirement age: the retirement age according to agreements is 60 for the Executive Board excluding the President and CEO and 62 for other heads of Corporate Units. The retirement age for the ITP occupational pension is 65.

NOTE 29 Fees and other remuneration to auditors

Fees for auditing and other assignments recognised as expenses during the year, in those cases where the same auditing company has the auditing assignment in that particular company. "Auditing assignments" refers to examination of the annual accounts as well as the administration of the Board of Directors and the President and CEO. Everything else is "Other assignments". Scania's Annual General Meeting on 3 May 2007 elected the authorised public accountancy firm of Ernst & Young as global auditors of Scania. Starting with the 2007 accounts, Ernst & Young has thus been responsible for the auditing of all Scania companies in the world, with only a few exceptions.

SEK m.	**2008**		2007		2006	
Auditing firm	**Auditing assignments**	**Other assignments**	Auditing assignments	Other assignments	Auditing assignments	Other assignments
Ernst & Young	**48**	**3**	37	3	9	1
KPMG	**–**	**–**	–	–	21	2
Other auditors	**2**	**1**	1	–	14	7
Total	**50**	**4**	38	3	44	10

NOTE 30 Financial risk management

Hedging of currency flows 31 December 2008 [1]	**AUD/SEK**		**CHF/SEK**		**DKK/SEK**		**EUR/SEK**		**GBP/SEK**		**KRW/SEK**	
	Volume [2]	**Rate** [3]	**Volume** [2]	**Rate** [3]	**Volume** [2]	**Rate** [3]	**Volume** [2]	**Rate** [3]	**Volume** [2]	**Rate** [3]	**Volume** [2]	**Rate** [3]
Q1, 2009 [6]	–5	5.27	14	6.22	176	1.29	391	9.54	26	11.81	19,342	0.0060
Q2, 2009			21	5.99	128	1.27	300	9.42	15	12.73		
Q3, 2009			14	6.10	174	1.28	236	9.78	10	12.89		
Q4, 2009 [7]			14	6.64	131	1.37	289	10.03				
Q1, 2010							195	10.33				
Q2, 2010							120	10.58				
Total	**–5**	**5.27**	**63**	**6.21**	**609**	**1.30**	**1,531**	**9.83**	**51**	**12.29**	**19,342**	**0.0060**
Closing day rate, 31 Dec 2008		5.36		7.35		1.47		10.94		11.25		0.0061
Unrealised gain/loss (SEK m.) recognised in hedge reserve, 31 Dec 2008 [4, 5]	2		–106		–142		–2,323		73		3	
Hedging of currency flows 31 December 2007												
Total	101	5.74	83	5.72	1,234	1.25	1,475	9.31	100	13.43	16,435	0.0070
Hedging of currency flows 31 December 2006												
Total	36	5.46	15	6.16	212	1.24	390	9.25	40	13.78	16,100	0.0076

1 The table above show maturity dates regarding cash flow for hedging instruments. Consolidated income is affected when external sales occur, which is at least one month after the maturity date of the hedging instrument. The income statement will thus be affected at least one month after the maturity dates in the above table.

2 Volume is expressed in millions of local currency units.

3 Average forward price and lowest redemption price for currency options.

4 Fair value recognised in the fair value reserve in equity for cash flow hedgings where hedge accounting is applied.

NOTE 30 Financial risk management, continued

FINANCIAL RISK MANAGEMENT IN THE SCANIA GROUP

In addition to business risks, Scania is exposed to various financial risks in its operations. The financial risks that are of the greatest importance are currency, interest rate, credit and refinancing risk, which are regulated by a Financial Policy adopted by Scania's Board of Directors.

Credit risk related to customer commitments is managed, within established limits, on a decentralised basis by means of local credit assessments. Decisions on major credit commitments are made in corporate credit committees. Other risks are managed primarily at corporate level by Scania's treasury unit. Scania's Financial Policy states that the return on financial exposure shall be maximised, provided that the exposure is within the limits in the policy. On a daily basis, the corporate treasury unit measures the risks of outstanding positions, which are managed within established limits in compliance with the Financial Policy.

CURRENCY RISK

Currency risk is the risk that changes in currency exchange rates will adversely affect cash flow. Changes in exchange rates also affect Scania's income statement and balance sheet as follows:

- An individual company may have monetary assets and liabilities in a currency other than its functional currency, which are translated to the functional currency using the exchange rate on the balance sheet date. When settling monetary assets and liabilities, an exchange rate difference arises between the exchange rate on the balance sheet date and on the payment date. All changes in exchange rates attributable to translation or settlement of monetary items, including currency related derivative instruments, are recognised in the income statement. (Transaction effect).
- Revenue, expenses, assets and liabilities in a functional currency other than the Group's presentation currency (SEK) are translated at the average exchange rate during the year and the exchange rate on the balance sheet date, respectively. The effect that arises because the exchange rate on the balance sheet date is changed from the beginning of the year and the average exchange rate of the year deviates from the balance sheet rate is recognised in the translation reserve in equity. (Translation effect.)

During 2008, 95 (94 and 93, respectively) percent of Scania's sales occurred in countries outside Sweden. Since a large proportion of production occurs in Sweden, at costs denominated in Swedish kronor, this means that Scania has large net inflows of foreign currencies. During 2008, total net revenue in foreign currencies amounted to about SEK 31,600 m. (31,300 and 24,800, respectively). The largest currencies in this flow were EUR, GBP and RUB. The table on the next page shows currency exposure in Scania's operating income in the most commonly occurring currencies.

NOK/SEK		NZD/SEK		RUB/SEK		SGD/SEK		USD/SEK		ZAR/SEK	
Volume [2]	Rate [3]	Volume [2]	Rate [3]	Volume [2]	Rate [3]	Volume [2]	Rate [3]	Volume [2]	Rate [3]	Volume [2]	Rate [3]
216	1.16	5	4.53	200	0.26	10	4.78	12	7.54	62	0.79
				500	0.26	10	4.81	15	7.76		
						10	4.85	5	8.13		
						3	4.87				
216	**1.16**	**5**	**4.53**	**700**	**0.26**	**33**	**4.82**	**32**	**7.74**	**62**	**0.79**
	1.10		4.51		0.26		5.38		7.75		0.82
34		1		–75		–21		–3		–1	
1,124	1,17			13,631	0.26	39	4.42	86	6.43	124	0.95
388	1.14									119	0.97

5 Of which SEK –784 m. refers to realised hedging instruments that are recognised in the income statement during the first quarter of 2009.

6 The table excludes RUB 2,854 m. for which hedge accounting was not applied due to inefficiency. The average exchange rate for these hedges amounted to SEK 0.27 per RUB.

7 The table excludes CHF 7 m. for which hedge accounting was not applied due to inefficiency. The average exchange rate for these hedges amounted to SEK 6.64 per CHF.

NOTE 30 Financial risk management, continued

Currency exposure in operating income, Vehicles and Services	2008	2007	2006
Euro (EUR) [1]	11,200	16,200	12,000
British pound (GBP)	4,000	3,600	3,700
Russian rouble, (RUB) [1]	3,800	0	0
US dollar (USD)	3,500	2,700	3,100
Norwegian krone (NOK)	2,000	1,800	1,600
Danish krone (DKK)	1,800	1,500	1,300
Brazilian real (BRL)	1,000	–1,400	–2,500
Australian dollar (AUD)	900	1,000	800
Swiss franc (CHF)	900	500	600
Polish zloty (PLN)	600	1,000	300
Korean won (KRW)	500	800	800
South African rand (ZAR)	400	500	600
Argentine peso (ARS)	–1,200	–800	–700
Other currencies	1,800	3,400	2,700
Total currency exposure in operating income	**31,200**	30,800	24,300

Currency exposure in operating income, Financial Services	2008	2007	2006
Euro (EUR)	200	400	300
Other currencies	200	100	200
Total currency exposure in operating income	**400**	500	500

1 During 2008, Scania switched from invoicing its customers in Russia in euros to invoicing them in roubles.

Based on revenue and expenses in foreign currencies during 2008, a one percentage point change in the Swedish krona against other currencies, excluding currency hedges, has an impact on operating income of about SEK 316 m. (313 and 248, respectively) on an annual basis.

In Vehicles and Services, compared to 2007, currency spot rate effects totalled about SEK –45 m. Currency hedging income in 2008 amounted to SEK –210 m. During 2007, currency hedging had an impact of SEK –130 m. on income. Compared to 2007, the total negative currency rate effect was thus SEK –125 m.

Scania's policy is to hedge its currency flows during a period of time equivalent to the projected orderbook until the date of payment. However, the hedging period is allowed to vary between 0 and 12 months. Maturity over 12 months is decided by the Board of Directors. In dealing with currency risk, Scania uses forecasted future cash flows. Hedging of currency risks mainly occurs by selling currencies on forward contracts, but also by means of currency options.

The value of contracts not recognised in earnings can be seen in the previous spread. Changes in value on effective hedges are recognised in equity. See Note 1, "Accounting principles".

To ensure efficiency and risk control, borrowings in Scania's subsidiaries largely occur through the corporate treasury unit, mainly in EUR and SEK, and are then transferred to the subsidiaries in the form of internal loans in the local currencies of the subsidiaries.

By means of derivative contracts, corporate-level borrowings are converted to lending currencies. In Financial Services, assets should be financed by liabilities in the same currency. Scania's borrowings in various currencies excluding and including currency derivatives can be seen in the table "Borrowings" in the section on interest rate risk.

At the end of 2008, Scania's net assets in foreign currencies amounted to SEK 14,650 m. (11,400 and 9,750, respectively). The net foreign assets of subsidiaries are normally not hedged. To the extent subsidiaries have significant net monetary assets in local currencies, however, they may be hedged. At year-end 2008 Scania has hedged EUR 211 m. in foreign net assets. At the close of 2007 and 2006, no foreign net assets were hedged.

Net assets, Vehicles and Services	2008	2007	2006
Euro (EUR) [1]	4,250	2,250	2,200
Brazilian real (BRL)	1,500	1,600	1,700
Russian rouble (RUB) [1]	800	0	0
British pound (GBP)	600	250	100
Argentine peso (ARS)	550	500	500
South African rand (ZAR)	350	300	200
Mexican peso (MXN)	300	150	250
Peruvian sol (PEN)	300	150	50
Norwegian krone (NOK)	250	200	250
Swiss franc (CHF)	250	200	200
Danish krone (DKK)	250	150	100
Polish zloty (PLN)	200	500	350
US dollar (USD)	–250	–150	–50
Other currencies	1,000	1,000	650
Total net assets in foreign currencies, Vehicles and Services	**10,350**	7,100	6,500

Net assets, Financial Services	2008	2007	2006
Euro, (EUR)	3,000	3,000	2,150
Other currencies	1,300	1,300	1,100
Total net assets in foreign currencies, Financial Services	**4,300**	4,300	3,250
Total net assets in foreign currencies, Scania Group	**14,650**	11,400	9,750

1 During 2008, the functional currency in a number of Scania's Russian companies was changed from euros to roubles.

Effect of exchange rate differences on net income

Net income for the year was affected by carried exchange rate differences (excluding flow-related forward contracts) as shown in the following table:

	2008	2007	2006
Operating income	**261**	–159	–242
Financial income and expenses	**–8**	12	5
Taxes	**–10**	–4	0
Effect on net income for the year	**243**	–151	–237

For information about accumulated exchange rate differences that are recognised directly in equity, see Note 16, "Equity".

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect cash flow or the fair value of financial assets and liabilities. For Scania's assets and liabilities that carry variable interest rates, a change in market interest rates has a direct effect on cash flow, while for fixed-interest assets and liabilities, the fair value of the portfolio is instead affected. To manage interest rate risks, Scania primarily uses interest rate derivatives in the form of interest rate swap agreements.

At year-end 2008, Scania's interest-bearing assets mainly consisted of assets in Financial Services and of short-term investments and cash and cash equivalents. Interest-bearing liabilities consisted mainly of loans, to a great extent intended to fund lending in Financial Services operations and to a lesser extent to fund working capital in Vehicles and Services.

Interest rate risk in Vehicles and Services

Borrowings in Vehicles and Services are mainly used for funding of working capital. To match the turnover rate of working capital, a short interest rate refixing period is used in the borrowing portfolio. Scania's policy concerning interest rate risks in the Vehicles and Services segment is that the interest rate refixing period on its net debt should normally be 6 months, but that divergences are allowed in the range between 0 and 24 months.

Net debt in Vehicles and Services was SEK –8,364 m. (1,902 and 4,335, respectively) at year-end 2008. The borrowing portfolio amounted to SEK 11,574 m. (1,678 and 6,463, respectively) and the average interest rate refixing period for this portfolio was less than 6 (6 and 6, respectively) months. Short-term investments and cash and cash equivalents amounted to SEK 4,345 m. (3,890 and 10,672, respectively) and the average interest rate refixing period on these assets was less than 1 (1 and 1, respectively) month. The net debt also includes derivatives that hedge borrowings with a net value of SEK –1,135 m. (–310 and 126, respectively).

Given the same loan liabilities, short-term investments, cash and cash equivalents and interest rate refixing periods as at year-end 2008, a change in market interest rates of 100 basis points (1 percentage point) would change the interest expenses in Vehicles and Services by about SEK 85 m. (10 and 35, respectively) and interest income by about SEK 45 m. (35 and 95, respectively) on an annual basis.

Interest rate risk in Financial Services

Scania's policy regarding interest rate risks in the Financial Services segment is that lending and borrowing should match in terms of interest rates and maturity periods. Interest rate refixing related to the credit portfolio and borrowing in Financial Services had the following structure as of 31 December 2008:

Interest rate refixing in Financial Services, 31 December 2008	**Interest-bearing portfolio [1]**	**Interest-bearing liabilities (including interest rate derivatives) [2]**
2009	25,082	23,690
2010	9,172	8,609
2011	6,931	5,747
2012	3,993	2,801
2013	1,613	1,016
2014 and later	429	209
Total	**47,220**	**42,072**

Interest rate refixing in Financial Services, 31 December 2007	Interest-bearing portfolio [1]	Interest-bearing liabilities (including interest rate derivatives) [2]
2008	20,845	19,435
2009	7,213	6,007
2010	5,479	4,486
2011	3,239	2,822
2012	1,246	809
2013 and later	292	121
Total	38,314	33,680

Interest rate refixing in Financial Services, 31 December 2006	Interest-bearing portfolio [1]	Interest-bearing liabilities (including interest rate derivatives) [2]
2007	17,920	16,946
2008	5,806	5,063
2009	4,339	3,333
2010	2,480	1,987
2011	1,062	438
2012 and later	234	38
Total	31,841	27,805

1 Including operating leases.

2 Other funding consists mostly of equity.

NOTE 30 Financial risk management, continued

Scania's total borrowing portfolio amounted to SEK 53,225 m. (35,201 and 33,798, respectively) at year-end 2008.

Borrowings, 31 December 2008	Borrowings including currency swap agreements	Borrowings excluding currency swap agreements
EUR	36,376	25,522
GBP	3,096	2
BRL	2,065	1,786
DKK	1,520	28
PLN	1,423	364
RUB	1,335	49
ZAR	1,321	991
NOK	1,220	0
USD	781	309
CHF	688	11
KRW	673	0
AUD	394	0
CZK	388	768
CLP	313	287
THB	255	74
SEK	198	22,379
Other currencies	1,179	655
Total [1]	**53,225**	**53,225**

1 Total borrowings excluded SEK 421 m. related to accrued interest and fair value adjustments on bonds for which hedge accounting was previously applied.

CREDIT RISK

Credit risk is the risk that the counterparty in a transaction will not fulfil its contractual obligations and that any collateral will not cover the company's claim. An overwhelming share of the credit risk for Scania is related to receivables from customers. Scania sales are distributed among a large number of end customers with a large geographic dispersion, which limits the concentration of credit risk.

Credit risk, Vehicles and Services

In the Vehicles and Services segment, carried receivables from customers totalled SEK 8,470 m. (8,670 and 8,422, respectively), most of which consisted of receivables from independent dealerships and end customers. The total estimated fair value of collateral was SEK 1,676 m. Most of the collateral consisted of repossession rights and bank guarantees. During the year, collateral valued at SEK 23 m. was repossessed.

Timing analysis of portfolio assets past due but not recognised as impairment losses	Past-due payments 2008	Past-due payments 2007	Past-due payments 2006
< 30 days	**1,271**	1,278	1,089
30–90 days	**682**	456	381
91–180 days	**156**	146	84
> 180 days	**138**	226	293
Total	**2,247**	2,106	1,847

Provisions for bad debts amounted to SEK 711 m. (619 and 626, respectively), equivalent to 7.7 (6.7 and 6.9, respectively) percent of total receivables. The year's bad debt expense amounted to SEK 102 m. (92 and 125, respectively). Provisions for bad debts changed as follows:

Provisions for bad debts	2008	2007	2006
Provisions, 1 January	**619**	626	642
Provisions for potential losses	**71**	34	91
Withdrawals due to actual credit losses	**–55**	–82	–74
Currency rate effects	**54**	–13	–57
Other	**21**	54	24
Provisions, 31 December	**711**	619	626

Credit risk, Financial Services

The credit portfolio including operating leases in the Financial Services segment can be seen in the table below:

Credit portfolio	2008	2007	2006
Exposure	**47,855**	38,881	32,362
– of which, operating leases	**9,126**	8,054	7,434
Credit risk reserve	**635**	567	521
– of which, operating leases	**93**	35	55
Carrying amount	**47,220**	38,314	31,841
– of which, operating leases	**9,033**	8,019	7,379

To maintain a controlled level of credit risk in the segment, the process of issuing credit is supported by a credit policy as well as credit instructions. Credit risks are managed by active credit assessment as well as administration of customers who do not follow the agreed payment plan. Collateral in Financial Services operations mainly exists in the form of the products being financed.

The portfolio mainly consists of financing of trucks, buses and trailers for small and medium-sized companies. A description of credit risk exposure can be seen in the table below:

Concentration of credit risk	Number of customers	Percentage of total number of customers	Percentage of portfolio value
On 31 December 2008			
Exposure < SEK 15 m.	22,722	98.3	66.0
Exposure SEK 15–50 m.	325	1.4	18.1
Exposure > SEK 50 m.	73	0.3	15.9
Total	**23,120**	**100.0**	**100.0**

The credit risk concentration in 2008 was equivalent to that of 2007 and 2006. The table shows that most customers are in the segment with exposure < SEK 15 m. This segment included 98.3 (98.5 and 98.8, respectively) percent of the total number of customers, equivalent to 66.0

Timing analysis of portfolio assets

	2008			2007			2006		
Past due but not recognised as impairment losses	**Past-due payments**	**Total exposure [1]**	**Estimated fair value of collateral**	Past-due payments	Total exposure [1]	Estimated fair value of collateral	Past-due payments	Total exposure [1]	Estimated fair value of collateral
< 30 days	**202**	**5,217**	**5,040**	102	4,079	4,145	89	2,930	2,985
30–90 days	**220**	**3,208**	**3,185**	101	2,316	2,252	71	1,484	1,370
Past due and recognised as impairment losses									
91–180 days	**152**	**1,598**	**1,426**	53	537	493	50	395	343
> 180 days	**129**	**1,046**	**899**	71	441	403	74	376	269
Completed contracts	**99**	**731**	**573**	65	443	282	62	408	262
Total	**802**	**11,800**	**11,123**	392	7,816	7,575	346	5,593	5,229

1 Exposure is defined as maximum potential loss, without regard to the value of any collateral.

(67.9 and 69.1, respectively) percent of the portfolio. The segment with exposure of SEK 15-50 m. included 1.4 (1.2 and 1.0, respectively) percent of the total number of customers, equivalent to 18.1 (17.7 and 16.8, respectively) percent of the portfolio. The segment with exposure > SEK 50 m. included 0.3 (0.3 and 0.2, respectively) percent of the total number of customers, equivalent to 15.9 (14.4 and 14.1, respectively) percent of the portfolio.

Obligations with past-due receivables ordinarily lead to relatively quick repossession of the item being financed, unless the customer's payment problems can be deemed to be of a short-term, temporary nature. Under normal circumstances there is a smoothly functioning second-hand market for the objects being financed and the objects can then be sold relatively quickly. Due to the turmoil in the financial market during the second half of 2008, the second-hand market did not function as previously. As a result, the terms of financing contracts were renegotiated to a greater extent. At the end of 2008, the carrying amount of financial assets whose terms were renegotiated and that would otherwise be recognised as past due for payment or as impairment losses, totalled SEK 2,977 m. In prior years, only an extremely limited proportion of contracts were renegotiated. Renegotiation will only occur in cases when, in the judgement of Financial Services, the customer's liquidity problems are of a temporary nature and when renegotiation can take place without greatly worsening its risk position. Contracts are regarded as bad debts when payment is more than 90 days past due or when there in information that causes Scania to terminate the contracts early.

During 2008, 2,146 (895 and 958, respectively) financed vehicles were repossessed. At year-end, the number of repossessed but not yet sold vehicles amounted to 720 (239 and 208, respectively), with a total carrying amount of SEK 310 m. (129 and 111, respectively). Repossessed vehicles are sold off by means of a new financing contract with another customer, direct sale to an end customer or sale via Scania's dealership network.

Provisions for bad debts from customers amounted to SEK 635 m. (567 and 521, respectively), equivalent to 1.3 (1.5 and 1.6, respectively) percent of the total Financial Services portfolio. Provisions for bad debts changed as follows:

Provisions for bad debts	**2008**	2007	2006
Provisions, 1 January	**567**	521	532
Provisions for potential losses	**237**	100	58
Withdrawals due to actual credit losses	**–176**	–60	–55
Currency rate effects	**9**	7	–14
Other	**–2**	–1	0
Provisions, 31 December	**635**	567	521

The year's expenses for actual and potential credit losses amounted to SEK 227 m. (90 and 63, respectively).

Other credit risks at Scania

The administration of the financial credit risks that arise primarily in corporate treasury operations, among other things when investing liquidity and in derivatives trading, is regulated in Scania's Financial Policy. Transactions occur only within established limits and with selected, creditworthy counterparties. "Creditworthy counterparty" means that the counterparty has received an approved credit rating (at least A or the equivalent) from the credit institutes Standard and Poor's and/or Moody's. To reduce credit risk, the volume of exposure allowed per counterparty is limited, depending on the counterparty's credit rating. To further limit credit risk, Scania has entered into International Swaps and Derivatives Association (ISDA) netting contracts with most of its counterparties. Derivative transactions occurring in Nordpool are regarded as being risk-free, since it is owned by the Swedish and Norwegian governments.

NOTE 30 Financial risk management, continued

The corporate treasury unit is responsible for ensuring compliance with the rules of Scania's Financial Policy. Overall counterparty exposure related to derivatives trading, calculated as a net receivable per counterparty, amounted to SEK –3,721 m. (–573 and 249, respectively) at the end of 2008. Estimated gross exposure to counterparty risks related to derivatives trading totalled SEK 1,687 m. (405 and 597, respectively). Estimated gross exposure to cash and cash equivalents and short-term investments amounted to SEK 4,669 m. (4,134 and 10,845, respectively). Short-term investments are deposited with various banks. These banks normally have at least an A rating with Standard and Poor's and/or the equivalent with Moody's.

Scania had short-term investments worth SEK 3,562 m. (1,612 and 9,719, respectively), of which SEK 3,474 m. (933 and 8,808, respectively) consists of investments with a maturity of less than 90 days and SEK 88 m. (679 and 911, respectively) consisted of investments with a maturity of 91-365 days. In addition to short-term investments, Scania had bank balances worth SEK 1,107 m. (2,522 and 1,126, respectively).

REFINANCING RISK

Refinancing risk is the risk of not being able to meet the need for future funding. Scania applies a conservative policy concerning refinancing risk. For Vehicles and Services, there shall be a liquidity reserve consisting of available cash and cash equivalents as well as unutilised credit facilities which exceeds the funding needs for the next two years.

For Financial Services, there shall be dedicated funding that covers the estimated demand for funding during the next year. There shall also always be borrowings that safeguard the refinancing of the existing portfolio.

At the end of 2008, Scania's liquidity reserve, consisting of unutilised credit facilities, cash and cash equivalents and short-term investments, amounted to SEK 31,540 m. (18,344 and 20,800 respectively).

Scania's credit facilities include customary change control clauses, which means that the counterparty could demand early payment in case of significant changes in ownership involving a change in control of the company. During 2008, changes of ownership did not result in any changes in Scania's credit facilities.

At year-end, Scania had borrowings, in some cases with related ceilings, as follows (in SEK m.):

Borrowings, 2008	Total borrowings	Ceiling
Medium Term Note Programme	**1,753**	13,000
European Medium Term Note Programme	**22,514**	38,274
Other bonds	**6,371**	–
Credit facility (EUR)	**–**	26,871
Commercial paper, Sweden	**9,611**	10,000
Commercial paper, Belgium	**1,849**	4,374
Bank loans	**11,127**	–
Total [1]	**53,225** [2]	**92,519**

Borrowings, 2007	Total borrowings	Ceiling
Medium Term Note Programme	1,831	13,000
European Medium Term Note Programme	18,911	23,684
Other bonds	2,257	–
Credit facility (EUR)	–	14,210
Commercial paper, Sweden	3,587	6,000
Commercial paper, Belgium	379	3,789
Bank loans	8,236	–
Total [1]	35,201 [2]	60,683

Borrowings, 2006	Total borrowings	Ceiling
Medium Term Note Programme	3,260	13,000
European Medium Term Note Programme	18,272	22,625
Other bonds	590	–
Credit facility (EUR)	3,620	13,575
Commercial paper, Sweden	1,000	6,000
Commercial paper, Belgium	–	3,620
Bank loans	7,056	–
Total [1]	33,798 [2]	58,820

1 Of the total ceiling, SEK 26,871 m. (14,210 and 13,575, respectively) consisted of guaranteed revolving credit facilities.

2 Total borrowings excluded SEK 421 m. (158 and 470, respectively) related to accrued interest and fair value adjustments on bonds where hedge accounting was previously applied.

Controlling Scania's refinancing risk includes safeguarding access to credit facilities and ensuring that the maturity structure of borrowings is diversified. At year-end, Scania's total borrowings had the following maturity structure (in SEK m.):

Maturity structure of Scania's borrowings	2008	2007	2006
2007	–	–	15,768 [1]
2008	–	15,137 [1]	8,750
2009	**27,439** [1]	7,725	1,501
2010	**9,216**	3,195	1,726
2011	**8,874**	6,603	5,672
2012 and later	**3,883**	2,525	381
2013 and later	**348**	16	–
2014 and later	**3,465**	–	–
Total	**53,225** [2]	35,201 [2]	33,798 [2]

1 Borrowings with a maturity date within one year excluded accrued interest worth SEK 503 m. (354 and 581, respectively).

2 Total borrowings excluded SEK 421 m. (158 and 470, respectively) related to accrued interest and fair value adjustments on bonds for which hedge accounting was previously applied.

NOTE 31 Financial instruments

Financial assets in the Scania Group mainly consist of financial leases and hire purchase receivables that have arisen in the Financial Services segment due to financing of customers' vehicle purchases. Other financial assets of significance are trade receivables from independent dealerships and end customers in the Vehicles and Services segment plus short-term investments and cash and cash equivalents. Scania's financial liabilities consist largely of loans, mainly taken out to fund Financial Services' lending and leasing to customers and, to a lesser extent, to fund capital employed in Vehicles and Services. Financial assets and liabilities give rise to various kinds of risks, which are largely managed by means of various derivative instruments.

Scania uses derivative instruments, mainly for the purpose of:

- Transforming corporate-level borrowings in a limited number of currencies to the currencies in which the financed assets are denominated.
- Transforming the interest rate refixing period for borrowings in Financial Services as well as achieving the desired interest rate refixing period for other borrowings.
- Converting expected future commercial payments in foreign currencies to SEK.
- To a lesser extent, converting projected surplus liquidity in foreign currencies to SEK.
- To safeguard the price level of future electricity consumption.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of interest-bearing assets and liabilities in the balance sheet may diverge from their fair value, among other things as a consequence of changes in market interest rates. To establish the fair value of financial assets and liabilities, official market quotations have been used for those assets and liabilities that are traded in an active market.

In those cases where market quotations do not exist, fair value has been established by discounting future payment flows at current market interest rates and then converting to SEK at the current exchange rate. Fair value of financial instruments such as trade receivables, trade payables and other non-interest-bearing financial assets and liabilities that are recognised at accrued cost minus any impairment losses, is regarded as coinciding with the carrying amount. Scania has no instruments classified in the category of financial assets and liabilities that were determined from the beginning as belonging to the category "carried at fair value through the income statement (IFRS term: "through profit and loss").

Impairment losses on assets occur only when there is reason to believe that the counterparty will not fulfil its contractual obligations, not as a consequence of changes in market interest rates.

Scania Group, 2008, SEK m.	Financial assets and financial liabilities carried at fair value via the income statement ("through profit and loss")	Held-to-maturity investments	Loan receivables and trade receivables	Other financial liabilities	Net investment hedges	Cash flow hedges	**Total carrying amount**	**Total fair value**
Non-current interest-bearing receivables			24,877				24,877	24,672
Current interest-bearing receivables			13,879				13,879	13,765
Non-interest-bearing trade receivables			7,498				7,498	7,498
Cash and cash equivalents			4,669				4,669	4,669
Other non-current receivables [1]	517		550				1,067	1,067
Other current receivables [2]	493				23	654	1,170	1,170
Total assets	**1,010**	**–**	**51,473**	**–**	**23**	**654**	**53,160**	**52,841**
Non-current interest-bearing liabilities				25,704			25,704	25,086
Current interest-bearing liabilities				27,942			27,942	27,706
Trade payables				6,783			6,783	6,783
Other non-current liabilities [3]	1,182					173	1,355	1,355
Other current liabilities [4]	758					3,295	4,053	4,053
Total liabilities	**1,940**	**–**	**–**	**60,429**	**–**	**3,468**	**65,837**	**64,983**

1 Financial instruments included in the balance sheet under "Other non-current assets", SEK 1,093 m.
2 Financial instruments included in the balance sheet under "Other current receivables", SEK 5,419 m.
3 Financial instruments included in the balance sheet under "Other non-current liabilities", SEK 1,359 m.
4 Financial instruments included in the balance sheet under "Other current liabilities", SEK 5,973 m.

NOTE 31 Financial instruments, continued

Scania Group, 2007, SEK m.	Financial assets and financial liabilities carried at fair value via the income statement ("through profit and loss")	Held-to-maturity investments	Loan receivables and trade receivables	Other financial liabilities	Cash flow hedges	Fair value hedges	Total carrying amount	Total fair value
Non-current interest-bearing receivables			20,590				20,590	20,250
Current interest-bearing receivables			10,565				10,565	10,959
Non-interest-bearing trade receivables			7,540				7,540	7,540
Cash and cash equivalents			4,134				4,134	4,134
Other non-current receivables [1]	120		574				694	694
Other current receivables [2]	182				107		289	280
Total assets	302	–	43,403	–	107	–	43,812	43,857
Non-current interest-bearing liabilities				19,866			19,866	19,942
Current interest-bearing liabilities				15,492			15,492	16,347
Trade payables				7,068			7,068	7,068
Other non-current liabilities [3]	211						211	211
Other current liabilities [4]	282				369	116	767	767
Total liabilities	493	–	–	42,426	369	116	43,404	44,335

1 Financial instruments included in the balance sheet under "Other non-current assets", SEK 707 m.
2 Financial instruments included in the balance sheet under "Other current receivables", SEK 3,888 m.
3 Financial instruments included in the balance sheet under "Other non-current liabilities", SEK 216 m.
4 Financial instruments included in the balance sheet under "Other current liabilities", SEK 3,301 m.

Scania Group, 2006, SEK m.	Financial assets and financial liabilities carried at fair value via the income statement ("through profit and loss")	Held-to-maturity investments	Loan receivables and trade receivables	Other financial liabilities	Cash flow hedges	Fair value hedges	Total carrying amount	Total fair value
Non-current interest-bearing receivables			16,599				16,599	15,931
Current interest-bearing receivables			8,600				8,600	8,581
Non-interest-bearing trade receivables			7,379				7,379	7,379
Cash and cash equivalents	475	32	10,338				10,845	10,840
Other non-current receivables [1]	90		559			24	673	673
Other current receivables [2]	56				131	296	483	483
Total assets	621	32	43,475	–	131	320	44,579	43,887
Non-current interest-bearing liabilities				17,918			17,918	18,359
Current interest-bearing liabilities				16,350			16,350	16,122
Trade payables				6,011			6,011	6,011
Other non-current liabilities [3]	169					44	213	213
Other current liabilities [4]	122				10	4	136	136
Total liabilities	291	–	–	40,279	10	48	40,628	40,841

1 Financial instruments included in the balance sheet under "Other non-current assets", SEK 1,023 m.
2 Financial instruments included in the balance sheet under "Other current receivables", SEK 3,046 m.
3 Financial instruments included in the balance sheet under "Other non-current liabilities", SEK 536 m.
4 Financial instruments included in the balance sheet under "Other current liabilities", SEK 1,939 m.

HEDGE ACCOUNTING

Scania applies hedge accounting according to IAS 39 as follows:

– Cash flow hedge accounting is applied to currency derivatives used for hedging future payments in foreign currencies. For information about the amount recognised in equity as well as the amount removed from equity and recognised in the income statement in 2008, see Note 16, "Equity".
– During 2008 Scania ended fair value hedge accounting on bond loans. The difference between fair value and accrued cost on bond loans is allocated in the income statement over the remaining maturity of the loan. At the end of 2008, Scania has no fair value hedge accounting on bond loans.
– Instead of fair value hedge accounting, during 2008 Scania began to apply cash flow hedge accounting on interest rate derivatives to transform variable interest rates on loans to fixed rates. This reduces the volatility that previously occurred in the income statement when hedge accounting was not applied.

The table below shows the results of the loans and interest rate swap agreements that were recognised at fair value:

Fair value hedge accounting	Net income 2008	Net income 2007	Net income 2006
Financial liabilities (hedged item)	**–**	104	420
Interest rate-related derivatives (hedging instruments)	**–**	–111	–426
Total (inefficiency)	**0**	–7	–6

The table below shows the nominal amounts and the fixed rates on interest rate swaps that are included in cash flow hedges.

Interest rate swaps in cash flow hedges	Nominal amount 2008	Fixed interest rate % 2008
Maturity 2009	**1,837**	**3.93**
Maturity after 2009	**3,834**	**4.42**

– Cash flow hedge accounting is applied to electricity derivatives used for forecasted electricity consumption in Sweden. Scania's expected purchases of electric power in 2009 amount to 380 GWh. During the period 2009–2012, the Group has hedged 842 GWh at an average price of EUR 47,07/MWh.
– At year-end 2008, the effect on income of inefficient cash flow hedges amounted to SEK 16 m. (0 and 0, respectively).
– Scania applies hedge accounting to currency futures and loans that are used for hedging net investments outside Sweden. At the end of 2008, Scania had hedged EUR 211 m. in net investments outside Sweden. The year's income on these hedges totalled SEK –222 m. before taxes. Since Scania is applying hedge accounting, this amount was recognised directly in equity. At the end of 2007 and 2006, Scania had no hedged net investments abroad.

For more detailed information on accounting of hedging instruments and hedged items, see Note 1, "Accounting principles".

NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS RECOGNISED IN THE INCOME STATEMENT

The table below shows the following items that are recognised in the income statement:

– Gains and losses related to currency rate differences, including gains and losses attributable to cash flow hedge accounting.
– Gains and losses related to financial instruments for which fair value hedge accounting is applied.

Net gains/losses	2008	2007	2006
Financial assets and liabilities held for trading, carried at fair value	**–1,092**	–279	438
Loan and trade receivables [1]	**2,690**	1,201	–1,595
Other financial liabilities	**–1,810**	–1,160	1,181
Total	**–212**	–238	24

1 Also includes operating leases.

Gains and losses due to currency rate differences related to derivatives, loan receivables and borrowings mainly arise in Scania's treasury unit. An overwhelming proportion of loan receivables that give rise to currency rate differences comprise the treasury unit's receivables from Group companies.

INTEREST INCOME AND EXPENSES ON FINANCIAL INSTRUMENTS

The table below shows interest income and interest expenses for all of Scania's financial assets and financial liabilities:

	2008	2007	2006
Interest income on financial assets	**2,893** [1, 2]	2,405 [1, 2]	2,535 [1, 2]
Interest expenses on financial liabilities	**–2,527** [2, 3]	–2,038 [2, 3]	–1,752 [2, 3]
Total	**366**	367	783

1 SEK 103 m. (179 and 257, respectively) consists of interest income generated from financial investments carried at fair value.
2 Also includes operating leases as well as other interest income and interest expenses related to Financial Services that were recognised in the operating income.
3 SEK 201 m. (288 and 201, respectively) consists of interest expenses generated from financial liabilities carried at fair value.

The reason why income diverges from recognised interest income in net financial items is largely that Financial Services is included in the table and that interest income and interest expenses attributable to pensions are excluded.

NOTE 32 Subsidiaries

Company	Corporate ID no.	Registered office	Country	% Ownership
Vehicles and Services				
Scania CV AB	556084-0976	Södertälje	Sweden	100
Dynamate AB	556070-4818	Södertälje	Sweden	100
Dynamate IntraLog AB	556718-5409	Södertälje	Sweden	100
Fastighets AB Katalysatorn	556070-4826	Södertälje	Sweden	100
Fastighetsaktiebolaget Flygmotorn	556528-9112	Malmö	Sweden	100
Fastighetsaktiebolaget Hjulnavet	556084-1198	Stockholm	Sweden	100
Fastighetsaktiebolaget Vindbron	556040-0938	Gothenburg	Sweden	100
Ferruform AB	556528-9120	Luleå	Sweden	100
Hedenlunda Fastighet AB	556147-5871	Flen	Sweden	100
Scania Omni AB	556060-5809	Södertälje	Sweden	100
Scania Delivery Center AB	556593-2976	Södertälje	Sweden	100
Scania IT AB	556084-1206	Södertälje	Sweden	100
Scania Overseas AB	556593-2984	Södertälje	Sweden	100
Scania Parts Logistics AB	556528-9104	Södertälje	Sweden	100
Scania Real Estate AB	556084-1180	Katrineholm	Sweden	100
Scania Real Estate Services AB	556593-3024	Södertälje	Sweden	100
Scania Sverige AB	556051-4621	Södertälje	Sweden	100
Scania Trade Development AB	556013-2002	Södertälje	Sweden	100
Scania Treasury AB	556528-9351	Södertälje	Sweden	100
Stockholms Industriassistans AB	556662-3459	Stockholm	Sweden	100
Svenska Mektek AB	556616-7747	Södertälje	Sweden	100
Transportlaboratorium AB	556528-9294	Södertälje	Sweden	100
Vabis Försäkrings AB	516401-7856	Södertälje	Sweden	100
Aconcagua Vehiculos Com. S.A.	30-70737179-6	Mendoza	Argentina	100
Automotores del Atlantico S.A.	30-70709795-3	Mar del Plata	Argentina	100
Automotores Pesados S.A.	30-55137605-9	Tucuman	Argentina	99.38
Motorcam S.A.	33-70791031-9	Buenos Aires	Argentina	100
Scania Argentina S.A.	30-51742430-3	Buenos Aires	Argentina	100
Scania Plan S.A.	30-61086492-5	Buenos Aires	Argentina	96.66
Scania Australia Pty Ltd	000537333	Melbourne	Australia	100
Scania Österreich GmbH	AT 43324602	Brunn am Gebirge	Austria	100
Scania Belgium NV-S.A.	BE402.607.507	Diegem	Belgium	100
Scania Bus Belgium NV-S.A.	BE460.870.259	Diegem	Belgium	100
Scania Treasury Belgium NV	BE200012217359	Neder-Over-Heembeej	Belgium	100
Scania Bosnia Hertzegovina d.o.o.	1-23174	Sarajevo	Bosnia-Hercegovina	100
Scania Botswana (Pty) Ltd	CO.2000/6045	Gaborone	Botswana	99.9
Codema Coml Import LTDA	60849197/001-60	Guarulhos	Brazil	99.99
Scania Administradora de Consórcios Ltda	96.479.258/0001-91	Cotia	Brazil	99.99
Scania Latin America Ltda	635 010 727 112	Saõ Bernardo do Campo	Brazil	100
Suvesa Super Veics Pesados LTDA	88301668/0001-10	Canoas	Brazil	99.99
Griffin Automotive Limited	656978	Road Town	British Virgin Islands	100
Scania Bulgaria EOOD	BG121796861	Sofia	Bulgaria	100
Scania Chile S.A.	96.538.460-K	Santiago	Chile	100
Scania (Hong Kong) Ltd	1205987	Hong Kong	China	100
Scania Sales (China) Co Ltd	110105717867816	Beijing	China	100
Scania Hrvatska d.o.o.	1 351 923	Zagreb	Croatia	100
Scania Czech Republic s.r.o.	CZ61251186	Prague	Czech Republic	100
Scania Biler A/S	DK21498033	Kolding	Denmark	100
Scania Danmark A/S	DK 17045210	Herlev	Denmark	100
Scania Eesti AS	10 238 872	Tallinn	Estonia	100
Oy Autokuvio Ab	1505472-2	Hämeenlinna	Finland	100
Oy Maakunnan Auto Ab	1568951-7	Seinäjoki	Finland	100
Oy Scan-Auto Ab	FI0202014-4	Helsinki	Finland	100

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania France S.A.S.	FR38307166934	Angers	France	100
Scania IT France S.A.S.	FR17412 282 626	Angers	France	100
Scania Locations S.A.S	FR67402496442	Angers	France	100
Scania Production Angers S.A.S.	FR24378 442 982	Angers	France	100
Scania Deutschland GmbH	DE148787117	Koblenz	Germany	100
Scania Danmark GmbH	DE1 529 518 862	Flensburg	Germany	100
Scania Vertrieb und Service GmbH	DE812180098	Koblenz	Germany	100
Scania Great Britain Ltd	831017	Milton Keynes	Great Britain	100
Scania Hungaria KFT	10415577	Biatorbagy	Hungary	100
Italscania SPA	IT 01632920227	Trento	Italy	100
Scania Central Asia LLP	84931-1910-TOO	Almaty	Kazakhstan	100
SIA Scania Latvia	LV000311840	Riga	Latvia	100
UAB Scania Lietuva	2 387 302	Vilnius	Lithuania	100
Scania Luxembourg S.A.	LU165291-18	Münsbach	Luxembourg	99.9
Scania Malaysia SDN BHD	518606-D	Kuala Lumpur	Malaysia	100
Scania Comercial, S.A de C.V.	SCO-031124-MF5	Queretaro	Mexico	100
Scania Servicios S.A. de C.V	SSE-031124-C26	Queretaro	Mexico	100
Scania de Mexico S.A. de CV	SME-930629-JT3	Queretaro	Mexico	100
Scania Maroc S.A.	6100472	Casablanca	Morocco	100
Truck Namibia (Pty) Ltd	3864704-015	Windhoek	Namibia	100
Beers N.V.	NL003779439B01	The Hague	Netherlands	100
Scania Beers B.V.	27136821	The Hague	Netherlands	100
Scania Beers Rayon II B.V.	27146580	The Hague	Netherlands	100
Scania Group Treasury B.V.	27269640	The Hague	Netherlands	100
Scania Infomate Zwolle	8073.08.432.B01	Zwolle	Netherlands	100
Scania Insurance Nederland B.V.	27005076	The Hague	Netherlands	100
Scania Networks B.V.	NL802638429B01	The Hague	Netherlands	100
Scania Productie Meppel B.V.	NL800564364B06	Meppel	Netherlands	100
Scania Production Zwolle B.V.	NL800564364B04	Zwolle	Netherlands	100
Scania Treasury Netherland B.V.	27269639	The Hague	Netherlands	100
Norsk Lastebilutleie AS	875346822	Drammen	Norway	100
Norsk Scania AS	879 263 662	Oslo	Norway	100
Scania del Peru S.A.	101-36300	Lima	Peru	100
Scania Polska S.A.	521-10-14-579	Warsaw	Poland	100
Scania Production Słupsk S.A.	839-000-53-10	Słupsk	Poland	100
Scania Portugal SA	PT502929995	Santa Iria da Azóia	Portugal	100
Scania Romania SRL	J40/10908/1999	Bucharest	Romania	100
OOO Scania Russia	5 032 073 106	Moscow	Russia	100
Scania Peter OOO	78:111158:25	St Petersburg	Russia	100
OOO Petroscan	7816097078	St Petersburg	Russia	100
OOO Scania Service	5032052145	Golitsino	Russia	100
Scania Srbia d.o.o.	SR100014375	Belgrade	Serbia	100
Scania Singapore Pte Ltd	200309593R	Singapore	Singapore	100
Scania Slovakia s.r.o.	0035826649/801	Bratislava	Slovakia	100
Scania East Adriatic Region d.o.o.	1 605 810	Ljubliana	Slovenia	100
Scania Slovenija d.o.o.	1 124 773	Ljubliana	Slovenia	100
Scania South Africa Pty Ltd	95/0 1275/07	Sandton	South Africa	100
Scania Korea Ltd	136-81-15441	Seoul	South Korea	100
Scania Hispania S.A.	ESA59596734	Madrid	Spain	100
Proarga, S.L.	ESB36682003	Pontevedra	Spain	100
Scagalicia, S.L.	ESB36625044	Pontevedra	Spain	100
GB&M Garage et Carrosserie SA	CH-660-0046966-0	Geneva	Switzerland	100
Scania Schweiz AG	CH218687	Kloten	Switzerland	100
Thommen Nutzfahrzeuge AG	CH-280.3.001.323-2	Rümlingen	Switzerland	100

NOTE 32 Subsidiaries, continued

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania Tanzania Ltd	39320	Dar Es Salaam	Tanzania	100
Scan Siam Service Co. Ltd	3030522108	Bangkok	Thailand	73.98
Scania Siam Co Ltd	865/2543	Bangkok	Thailand	99.9
Scania Thailand Co Ltd	9802/2534	Bangkok	Thailand	99.99
Donbas-Scan-Service LLC	345167305920	Makeevka	Ukraine	99
Scania Ukraine LLC	30 107 866	Kiev	Ukraine	99
Lauken S.A.	21.150044.0016	Montevideo	Uruguay	100
Scanexpo S.A.	21.173422.0012	Montevideo	Uruguay	100
Scania USA Inc	06-1288161	San Antonio, Texas	USA	100
Scania de Venezuela S.A.	J-30532829-3	Valencia	Venezuela	100
Financial Services				
Scania Finans AB	556049-2570	Södertälje	Sweden	100
Scania Credit AB	556062-7373	Södertälje	Sweden	100
Scania Finance Pty Ltd	52006002428	Melbourne	Australia	100
Scania Leasing Ges.m.b.H	ATU 57921547	Brunn am Gebrige	Austria	100
Scania Finance Belgium N.V. S.A.	BE 413 545 048	Neder-Over Heembeek	Belgium	99.9
Scania Finance Bulgaria EOOD	BG 175108126	Sofia	Bulgaria	100
Scania Finance Chile S.A.	76.574.810-0	Santiago	Chile	100
Scania Credit Hrvatska d.o.o.	80 516 047	Rakitje	Croatia	100
Scania Finance Czech Republic spol s.r.o.	CZ 25657496	Prague	Czech Republic	100
Scania Finance France S.A.S.	350 890 661	Angers	France	100
Scania Finance Deutschland GmbH	DE811292425	Koblenz	Germany	100
Scania Finance Great Britain Ltd	581 016 364	Milton Keynes	Great Britain	100
Scania Lízing KFT	13-09-107823	Biatorbagy	Hungary	100
Scania Finance Magyarország zrt.	HU14111440	Biatorbagy	Hungary	99
Scania Finance Italy S.p.A	1204290223	Trento	Italy	100
Scania Finance Luxembourg S.A.	20 012 217 359	Luxembourg	Luxembourg	100
Scania Finance Nederland B.V.	27004973	The Hague	Netherlands	100
Scania Finance Polska Sp.z.o.o.	521 15 79 028	Warsaw	Poland	100
Scanrent S.A.	PT502631910	Lisbon	Portugal	100
Scania Credit Romania SRL	17 996 167	Ciorogarla	Romania	100
LLC Scania Bus Leasing	7705207520	Moscow	Russia	100
OOO Scania Leasing	7705392920	Moscow	Russia	100
Scania Finance Slovak Republic	SK2022522557	Bratislava	Slovakia	100
Scania Finance Southern Africa (Pty) Ltd	2000/025215/07	Johannesburg	South Africa	100
Scania Finance Korea Ltd	6 138 127 196	Seoul	South Korea	100
Scania Finance Hispania EFC S.A.	ESA82853987	Madrid	Spain	100
Scania Finance Switzerland Ltd	CH-020.3.029.627-6	Kloten	Switzerland	100
Scania Tüketici Finansmani A.S.	7570328278	Istanbul	Turkey	100
Scania Credit Ukraine Ltd	33 052 443	Kiev	Ukraine	100

Dormant companies and holding companies with operations of negligible importance are not included.

Parent Company financial statements, Scania AB

Income statement

January – December, SEK m.	Note	2008	2007	2006
Administrative expenses		0	–41	0
Operating income		0	–41	0
Financial income and expenses	1	2,944	7,695	10,110
Income after financial items		2,944	7,654	10,110
Withdrawal from tax allocation reserve		–	326	634
Income before taxes		2,944	7,980	10,744
Taxes	2	–47	–154	–224
Net income		2,897	7,826	10,520

Balance sheet

31 December, SEK m.	Note	2008	2007	2006
Assets				
Financial non-current assets				
Shares in subsidiaries	3	8,401	8,401	8,401
Current assets				
Due from subsidiaries	4	4,611	11,844	14,722
Total assets		13,012	20,245	23,123
Shareholders' equity and liabilities				
Equity	5	12,198	19,423	21,972
Untaxed reserves	6	814	814	1,140
Current liabilities				
Tax liabilities		–	8	11
Total shareholders' equity and liabilities		13,012	20,245	23,123
Assets pledged		–	–	–
Contingent liabilities	7	44,669	27,112	25,311

Statement of changes in equity

	Restricted equity		Unrestricted	
2008	**Share capital**	**Statutory reserve**	**shareholders' equity**	**Total**
Equity, 1 January	2,000	1,120	16,303	19,423
Redemption			–6,000	–6,000
Dividends			–4,000	–4,000
Group contributions			–169	–169
Tax attributable to Group contributions			47	47
Net income			2,897	2,897
Equity, 31 December 2008	**2,000**	**1,120**	**9,078**	**12,198**

	Restricted equity		Unrestricted	
2007	Share capital	Statutory reserve	shareholders' equity	Total
Equity, 1 January	2,000	1,120	18,852	21,972
Redemption			–7,000	–7,000
Dividends			–3,000	–3,000
Group contributions			–520	–520
Tax attributable to Group contributions			145	145
Net income			7,826	7,826
Equity, 31 December 2007	2,000	1,120	16,303	19,423

	Restricted equity		Unrestricted	
2006	Share capital	Statutory reserve	shareholders' equity	Total
Equity, 1 January	2,263	1,120	11,614	14,997
Reduction in share capital	–263		263	0
Dividends			–3,000	–3,000
Group contributions			–757	–757
Tax attributable to Group contributions			212	212
Net income			10,520	10,520
Equity, 31 December 2006	2,000	1,120	18,852	21,972

Parent Company financial statements, Scania AB, continued

Cash flow statement

January – December, SEK m.	Note	2008	2007	2006
Operating activities				
Income after financial items		**2,944**	7,654	10,110
Items not affecting cash flow	8	**–2,800**	–7,500	–9,987
Taxes paid		**–8**	–11	–21
Cash flow from operating activities before change in working capital		**136**	143	102
Cash flow from change in working capital				
Due from/liabilities to subsidiaries		**9,864**	9,857	2,828
Total change in working capital		**9,864**	9,857	2,828
Cash flow from operating activities		**10,000**	10,000	2,930
Investing activities				
Liquidation of subsidiaries		**–**	–	70
Cash flow from investing activities		**–**	–	70
Total cash flow before financing activities		**10,000**	10,000	3,000
Financing activities				
Dividend to shareholders		**–4,000**	–3,000	–3,000
Redemption of shares		**–6,000**	–7,000	–
Cash flow from financing activities		**–10,000**	–10,000	–3,000
Cash flow for the year		**–**	–	–
Cash and cash equivalents, 1 January		**–**	–	–
Cash and cash equivalents, 31 December		**–**	–	–

Notes to the Parent Company financial statements

Amounts in the tables are reported in millions of Swedish kronor (SEK m.), unless otherwise stated. A presentation of the Parent Company's accounting principles is found in Note 1 to the consolidated financial statements. Taking into account that the operations of the Parent Company consists exclusively of share ownership in Group companies, aside from the notes below, the Scania Group's Report of the Directors and notes otherwise apply where appropriate.

NOTE 1 Financial income and expenses

	2008	2007	2006
Interest income from subsidiaries	144	195	123
Dividend from Scania CV AB	2,800	7,500	10,000
Other	0	0	–13
Total	2,944	7,695	10,110

NOTE 2 Taxes

Tax expense for the year	2008	2007	2006
Current tax	–47	–154	–224
Total	–47	–154	–224

	2008		2007		2006	
Reconciliation of effective tax	Amount	%	Amount	%	Amount	%
Income before tax	2,944		7,980		10,744	
Tax calculated using Swedish tax rate	–824	28	–2,234	28	–3 008	28
Tax effect and percentage influence:						
Tax-exempt dividends	784	27	2,100	26	2,800	26
Non-deductive expenses	0	0	–12	0	–4	0
Tax on standard income related to tax allocation reserves	–7	0	–8	0	–12	0
Effective tax	–47	1	–154	2	–224	2

NOTE 3 Shares in subsidiaries

Subsidiary/Corporate ID number/ registered office	Ownership, %	Thousands of shares	Carrying amount 2008	2007	2006
Scania CV AB, 556084-0976, Södertälje	100.0	1,000	8,401	8,401	8,401
Total			8,401	8,401	8,401

Scania CV AB is a public company and parent company of the Scania CV Group, which includes all production, sales and service and finance companies in the Scania AB Group. The company is a subsidiary of Scania AB, whose shares are listed on the Nasdaq OMX Nordic Exchange Stockholm.

Notes to the Parent Company financial statements, continued

NOTE 4 Due from subsidiaries

	2008	2007	2006
Current interest-bearing receivable from Scania CV AB	**1,811**	4,344	4,722
Current non-interest-bearing receivable from Scania CV AB [1]	**2,800**	7,500	10,000
Total	**4,611**	11,844	14,722

1 Refers to anticipated dividend. The receivable is in SEK, so there is no currency risk.

NOTE 5 Equity

For changes in equity, see the equity report, page 125.

Under Swedish law, **equity** shall be allocated between non-distributable (restricted) and distributable (unrestricted) funds.

Restricted equity consists of share capital plus non-distributable funds. Scania AB has 400,000,000 Series A shares outstanding with voting rights of one vote per share and 400,000,000 Series B shares outstanding with voting rights of 1/10 vote per share. A and B shares carry the same right to a portion of the company's assets and profit. The nominal value of both A and B shares is SEK 2.50 per share. All shares are fully paid and no shares are reserved for transfer of ownership. No shares are held by the company itself or its subsidiaries.

NOTE 6 Untaxed reserves

Tax allocation reserve	2008	2007	2006
2002 assessment	**–**	–	326
2005 assessment	**814**	814	814
Total	**814**	814	1 140

SEK 214 m. (228 and 319, respectively) of "Untaxed reserves" consists of a deferred tax liability, which is part of the Scania Group's deferred tax liabilities.

NOTE 7 Contigent liabilities

	2008	2007	2006
Contingent liabilities related to FPG credit insurance, mainly on behalf of subsidiaries	**2,353**	2,143	2,187
Loan guarantees on behalf of borrowings in Scania CV AB	**42,314**	24,967	23,122
Other loan guarantees on behalf of subsidiaries	**2**	2	2
Total	**44,669**	27,112	25,311

NOTE 8 Cash flow statement

Items not affecting cash flow are mainly attributable to anticipated dividends. Interest received was SEK 144 m. (195 and 123, respectively).

NOTE 9 Salaries and remuneration to executive officers and auditors

The President and CEO of Scania AB and the other executive officers hold identical positions in Scania CV AB. Wages, salaries and other remuneration are paid by Scania CV AB. The reader is therefore referred to the notes to the consolidate financial statements: Notes 26, "Wages, salaries and other remuneration and number of employees", 27, "Related party transactions", 28, "Compensation to executive officers", and 29, "Fees and other remuneration to auditors". Compensation of SEK 10 thousand (69 and 0 respectively) was paid to auditors with respect to the Parent Company.

NOTE 10 Transactions with related parties

Since 22 July 2008, Scania AB has been a subsidiary of Volkswagen AG, corporate ID number HRB 100484 and with its registered office in Wolfsburg, Germany.

Transactions with related parties consist of dividends paid to Volkswagen AG and redemptions of shares.

Proposed guidelines for salary and other remuneration of the President and CEO as well as other executive officers

The Board of Directors proposes that the AGM approve the following:

BACKGROUND

The proposed principles have mainly been used since 1998. The motive for their introduction was to be able to offer employees a market-related remuneration package that will enable the company to recruit and retain executive officers.

The proposal of the Board of Directors to the Annual General Meeting stated below is, in all essential respects, consistent with the principles for the remuneration that executive officers have received in prior years and is based on existing employment agreements between Scania and each respective executive officer. Remuneration to executive officers in 2008 can be seen in Note 28.

Preparation of remuneration issues is handled as follows. With regard to the President and CEO, the Remuneration Committee of the Board of Directors proposes a fixed salary, criteria for variable remuneration and other employment conditions, which are then adopted by the Board of Directors. For other Executive Board members, the President and CEO proposes the equivalent employment conditions, which are then adopted by the Remuneration Committee of the Board of Directors and reported to the Board – all in compliance with the remuneration principles approved by the Annual General Meeting (AGM).

Share-related incentive programmes for executive officers are decided by the AGM.

PROPOSAL

Scania shall endeavour to offer competitive overall remuneration that will enable the company to recruit and retain executive officers. Remuneration to executive officers shall consist of fixed salary, variable remuneration in the form of the Scania Incentive Programme, pension and other remuneration. Total remuneration shall take into account the individual's performance, areas of responsibility and experience.

The fixed salary for the President and CEO as well as for the members of the Executive Board can be re-assessed on a yearly basis.

Variable salary shall be dependent on Scania's earnings and consist of an incentive programme that is divided into two parts. The outcome shall be calculated on the basis of operating return, defined as Scania Group net income after subtracting the cost of equity, Residual Net Income (RNI) and be adopted by the Board's Remuneration Committee.

Part 1 of the incentive programme shall be related to the actual ability to generate a return during the year in question, all provided that RNI is positive, and shall be determined as a cash amount that may vary between 0–150 percent of fixed salary. Part 2 of the incentive programme shall be related to Scania's ability to increase RNI from one year to another, and the outcome shall be determined as a cash amount that may vary between 0–80 percent of fixed salary.

The Board's proposal for the incentive programme will be stated in its entirety in a complete proposal to the AGM.

The President and CEO as well as the members of the Executive Board may be covered by a defined contribution pension system in addition to the public pension and the ITP occupational pension. In addition to the above mentioned pension principle, the President and CEO can, after decision by the Board, be covered by an extra annual pension provision. The retirement age of the President and CEO as well as other executive officers shall be no lower than age 60.

Other remuneration and benefits shall be competitive and help facilitate the executive officer's ability to fulfil his or her duties.

If the President and CEO resigns of his own volition, he is entitled to his salary for a six-month period. The applicable outcome of variable remuneration shall be proportional to the length of his period of employment during the year in question. In case of termination by the company, the President and CEO shall be entitled to his fixed salary in an unchanged amount per year during the time of his employment contract, plus annual compensation equivalent to the average of variable remuneration for the previous three years.

If the company terminates their employment, the other members of the Executive Board are entitled to severance pay equal to a maximum of two years' salary, in addition to their salary during the six-month notice period. If they obtain new employment within 18 months, counting from their termination date, the severance pay ceases. In case of a substantial change in the ownership structure of Scania, two members of the Executive Board are entitled to resign of their own volition with severance pay amounting to two years' salary. Otherwise there shall be no notice period longer than six months.

If it finds that there are special reasons in an individual case, the Board of Directors shall be able to diverge from these guidelines.

Proposed distribution of earnings

The Board of Directors [1] proposes that the following earnings at the disposal of the Annual General Meeting:

Amounts in SEK m.	
Retained earnings	6,181
Net income for the year	2,897
Total	9,078
Shall be distributed as follows:	
To the shareholders, a dividend of SEK 2.50 per share	2,000
To be carried forward	7,078
Total	9,078

1 One of the employee representatives on Scania's Board of Directors, Johan Järvklo, registered his dissent from the Board's proposed distribution of earnings on grounds that he believes that the funds may instead be needed in the company in order to avoid possible lay-off notices if the ongoing crisis becomes worse.

After implementing the proposed distribution of earnings, the equity of the Parent Company, Scania AB, is as follows:

Amounts in SEK m.	
Share capital	2,000
Statutory reserve	1,120
Retained earnings	7,078
Total	10,198

The undersigned certify that the consolidated accounts and the annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted for use in the European Union, and generally accepted accounting principles respectively, and give a true and fair view of the financial positions and results of the Group and the Parent Company, and that the Report of the Directors for the Group and the Parent Company gives a true and fair review of the development of the operations, financial positions and results of the Group and the Parent Company and describes substantial risks and uncertainties faced by the companies in the Group. The annual accounts and the consolidated financial statements were approved for issuance by the Board of Directors on 11 February 2009. The consolidated income statement and balance sheet and the Parent Company income statement and balance sheet will be subject to adoption by the Annual General Meeting on 7 May 2009.

Södertälje, 11 February 2009

Martin Winterkorn
Chairman of the Board

Staffan Bohman
Vice Chairman

Helmut Aurenz
Board member

Peggy Bruzelius
Board member

Börje Ekholm
Board member

Francisco J. Garcia Sanz
Board member

Gunnar Larsson
Board member

Hans Dieter Pötsch
Board member

Peter Wallenberg Jr
Board member

Johan Järvklo
Board member
Employee representative

Håkan Thurfjell
Board member
Employee representative

Leif Östling
Board member
President and CEO

Our auditors' report was submitted on 18 February 2009

Ernst & Young AB

Lars Träff
Authorised Public Accountant

Audit Report

To the Annual General Meeting of shareholders of Scania AB (publ)
Corporate identity number 556184-8564

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Scania AB (publ) for the year 2008. The annual accounts and the consolidated accounts are presented in the printed version of this document on pages 4–52, 59–130. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards (IFRSs) as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts and consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts.

As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The Report of the Directors is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Report of the Directors and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Södertälje, 18 February 2009

Ernst & Young AB

Lars Träff
Authorised Public Accountant

Quarterly data, units by geographic area

	2008					2007				
	Full year	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Order bookings, trucks										
Western Europe	**19,684**	1,921	3,077	6,209	8,477	48,343	12,210	9,910	12,023	14,200
Central and eastern Europe	**7,473**	–665	1,907	2,518	3,713	17,216	4,903	3,449	3,853	5,011
Latin America	**9,026**	–724	3,099	3,777	2,874	10,904	3,375	1,924	2,611	2,994
Asia	**4,835**	–341	1,046	2,098	2,032	7,387	2,355	1,307	1,547	2,178
Other markets	**2,825**	377	798	615	1,035	2,089	558	240	295	996
Total	**43,843**	**568**	**9,927**	**15,217**	**18,131**	85,939	23,401	16,830	20,329	25,379
Trucks delivered										
Western Europe	**34,065**	8,076	6,931	9,646	9,412	35,409	10,472	7,197	9,092	8,648
Central and eastern Europe	**12,574**	1,987	2,942	3,949	3,696	14,789	3,991	3,175	4,091	3,532
Latin America	**10,775**	3,194	2,412	2,903	2,266	9,790	2,780	2,292	2,772	1,946
Asia	**6,721**	1,851	1,613	1,489	1,768	6,061	1,862	1,347	1,632	1,220
Other markets	**2,381**	838	558	557	428	2,605	758	568	677	602
Total	**66,516**	**15,946**	**14,456**	**18,544**	**17,570**	68,654	19,863	14,579	18,264	15,948
Order bookings, buses [1]										
Western Europe	**1,905**	515	213	440	737	2,484	998	473	585	428
Central and eastern Europe	**373**	98	71	120	84	399	110	89	93	107
Latin America	**1,858**	230	364	618	646	2,534	534	491	589	920
Asia	**1,924**	671	491	455	307	1,686	643	226	312	505
Other markets	**1,131**	341	290	179	321	1,051	321	155	277	298
Total	**7,191**	**1,855**	**1,429**	**1,812**	**2,095**	8,154	2,606	1,434	1,856	2,258
Buses delivered [1]										
Western Europe	**2,188**	637	482	643	426	1,987	564	471	455	497
Central and eastern Europe	**418**	106	101	118	93	460	156	119	123	62
Latin America	**2,009**	493	477	534	505	2,344	695	677	575	397
Asia	**1,721**	528	458	423	312	1,495	438	211	393	453
Other markets	**941**	265	270	246	160	938	289	238	185	226
Total	**7,277**	**2,029**	**1,788**	**1,964**	**1,496**	7,224	2,142	1,716	1,731	1,635

1 Including body-built buses and coaches.

Quarterly data, earnings

SEK m. unless otherwise stated	2008 Full year	2008 Q4	2008 Q3	2008 Q2	2008 Q1	2007 Full year	2007 Q4	2007 Q3	2007 Q2	2007 Q1
Vehicles and Services										
Net sales	**88,977**	22,658	20,434	23,894	21,991	84,486	24,539	19,907	20,911	19,129
Cost of goods sold	**–64,516**	–17,300	–14,826	–16,880	–15,510	–61,810	–17,967	–14,846	–15,367	–13,630
Gross income	**24,461**	5,358	5,608	7,014	6,481	22,676	6,572	5,061	5,544	5,499
Research and development expenses	**–4,228**	–1,172	–933	–1,068	–1,055	–3,343	–967	–690	–905	–781
Selling expenses	**–7,002**	–1,960	–1,652	–1,753	–1,637	–6,438	–1,751	–1,616	–1,581	–1,490
Administrative expenses	**–1,142**	– 220	–292	–295	–335	–1,259	–315	–295	–340	–309
Share of income in associated companies and joint ventures	**9**	3	5	3	–2	–4	29	–34	2	–1
Operating income, Vehicles and Services	**12,098**	**2,009**	**2,736**	**3,901**	**3,452**	11,632	3,568	2,426	2,720	2,918
Financial Services										
Interest and leasing income	**4,772**	1,383	1,177	1,114	1,098	4,070	1,115	1,002	1,010	943
Interest and depreciation expenses	**–3,663**	–1,086	–894	–843	–840	–3,057	–833	–747	–768	–709
Interest surplus	**1,109**	297	283	271	258	1,013	282	255	242	234
Other income	**357**	58	119	86	94	283	58	98	60	67
Other expenses	**–307**	–84	–116	–42	–65	–204	–39	–74	–32	–59
Gross income	**1,159**	271	286	315	287	1,092	301	279	270	242
Selling and administrative expenses	**–518**	–133	–130	–128	–127	–470	–138	–114	–113	–105
Bad debt expenses	**–227**	–90	–72	–57	–8	–90	–9	–39	–26	–16
Operating income, Financial Services	**414**	**48**	**84**	**130**	**152**	532	154	126	131	121
Operating income	**12,512**	2,057	2,820	4,031	3,604	12,164	3,722	2,552	2,851	3,039
Interest income	**458**	130	116	124	88	479	138	100	105	136
Interest expenses	**–833**	–303	–245	–168	–117	–693	–194	–197	–133	–169
Other financial income	**135**	35	–148	221	27	74	40	–66	84	16
Other financial expenses	**–294**	–211	–36	39	–86	–118	–65	–14	–12	–27
Total financial items	**–534**	–349	–313	216	–88	–258	–81	–177	44	–44
Income before taxes	**11,978**	1,708	2,507	4,247	3,516	11,906	3,641	2,375	2,895	2,995
Taxes	**–3,088**	–187	–689	–1,209	–1,003	–3,352	–934	–621	–887	–910
Net income	**8,890**	**1,521**	**1,818**	**3,038**	**2,513**	8,554	2,707	1,754	2,008	2,085
Attributable to:										
Scania shareholders	***8,890***	*1,521*	*1,818*	*3,038*	*2,513*	*8,554*	*2,707*	*1,754*	*2,008*	*2,085*
Minority interest	***0***	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Earnings per share, SEK [1, 2]	**11.11**	1.90	2.27	3.80	3.14	10.69	3.38	2.19	2.51	2.61
Operating margin, percent	**14.1**	9.1	13.8	16.9	16.4	14.4	15.2	12.8	13.6	15.9

1 Attributable to Scania shareholders' portion of earnings.

2 There are no dilution effects.

Key financial ratios and figures

	According to IFRSs[1]					According to Swedish GAAP				
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Scania Group										
Operating margin, %	**14.1**	14.4	12.4	10.8	11.6	10.1	9.3	4.6	10.5	12
Earnings per share, SEK[2]	**11.11**	10.69	7.42	5.83	5.40	3.79	3.42	1.30	3.85	3.92
Equity per share, SEK[2]	**27.4**	31.0	32.7	29.7	26.8	22.8	21.2	20.0	19.6	16.9
Return on equity, %	**38.3**	35.0	24.1	20.8	21.8	17.4	17.2	6.5	21.6	25.1
Dividend, SEK per share[2, 3]	**2.50**	5.00	3.75	3.75	3.75	1.50	1.37	0.87	1.75	1.75
Dividend as percentage of net income	**22.5**	46.8	50.5	64.3	69.5	39.6	40.2	66.8	45.5	44.5
Redemption, SEK per share[2, 3]	**–**	7.50	8.75	–	–	–	–	–	–	–
Equity/assets ratio, %	**19.9**	27.1	29.7	30.3	30.3	27.7	25.6	23.4	25.8	25.3
Net debt, excluding provisions for pensions, SEK m.	**50,112**	31,534	23,297	25,476	23,115	24,291	25,108	29,305	23,777	21,677
Net debt/equity ratio	**2.28**	1.27	0.89	1.07	1.08	1.33	1.48	1.83	1.51	1.60
Vehicles and Services										
Operating margin, %	**13.6**	13.8	11.7	10.0	10.8	9.4	7.5	4.1	9.5	10.4
Capital employed, SEK m.	**34,514**	26,749	32,898	27,012	23,876	21,859	24,363	27,311	27,278	26,239
Operating capital, SEK m.	**30,169**	22,859	22,226	24,396	21,680	20,080	20,356	23,380	23,810	23,696
Profit margin, %	**14.3**	14.4	12.8	11.6	11.6	10.0	9.2	4.7	10.5	12.0
Capital turnover rate, times	**3.02**	2.92	2.38	2.43	2.50	2.21	1.89	1.93	1.96	1.77
Return on capital employed, %	**43.1**	42.1	30.4	27.9	29.1	22.0	17.4	9.1	20.6	21.2
Return on operating capital, %	**47.3**	49.9	35.2	26.8	29.0	23.1	16.6	9.1	21.5	22.2
Net debt, excluding provisions for pensions, SEK m.[4]	**8,364**	–1,902	–4,335	269	854	2,647	4,308	7,790	7,781	8,309
Net debt/equity ratio	**0.49**	–0.09	–0.19	0.01	0.05	0.17	0.31	0.58	0.50	0.61
Interest coverage, times	**11.3**	15.0	9.6	6.8	8.6	6.2	4.6	2.0	4.8	5.7
Financial Services										
Operating margin, %	**1.0**	1.5	1.6	1.9	1.7	1.4	1.2	1.2	1.1	1.0
Equity/assets ratio, %	**9.6**	10.1	9.6	10.0	11.2	11.5	11.9	9.5	8.2	7.6

1 Financial reporting is in compliance with International Financial Reporting Standards (IFRSs) beginning with 2004. The main differences compared to the previous Swedish Generally Accepted Accounting Principles (GAAP) are shown in the first footnote to the “Multi-year statistical review”.

2 The number of shares outstanding was 200 million until 2006. By means of a share split, the number increased to 800 million starting in 2007. For years prior to 2007, the above key financial ratios and figures have been recalculated accordingly.

3 Dividend proposed by the Board of Directors or adopted by the Annual General Meeting.

4 Net debt (+) and net surplus (–).

Definitions

Operating margin
Operating income as a percentage of net sales.

Earnings per share
Net income for the year excluding minority interest divided by average number of shares.

Equity per share
Equity excluding minority interest divided by the total number of shares.

Return on equity
Net income for the year as a percentage of total equity. [1]

Equity/assets ratio
Total equity as a percentage of total assets on each respective balance sheet date.

Net debt, excluding provision for pensions
Current and non-current borrowings (excluding pension liabilities) minus cash and cash equivalents and net fair value of derivatives for hedging borrowings.

Net debt/equity ratio
Net debt as a percentage of total equity.

Capital employed
Total assets minus operating liabilities.

Operating capital
Total assets minus cash, cash equivalents and operating liabilities.

Profit margin
Operating income plus financial income as a percentage of net sales.

Capital turnover
Net sales divided by capital employed. [1]

Return on capital employed
Operating income plus financial income as a percentage of capital employed. [1]

Return on operating capital
Operating income as a percentage of operating capital. [1]

Interest coverage
Operating income plus financial income divided by financial expenses.

Gross margin, Financial Services
Operating income as a percentage of average portfolio.

1 Calculations are based on average equity, capital employed and operating capital for the five most recent quarters.

Multi-year statistical review

	According to IFRSs[1]					According to Swedish GAAP				
SEK m. unless otherwise stated	**2008**	2007	2006	2005	2004	2003	2002	2001	2000	1999
Delivery value by market area										
Western Europe	**50,544**	50,381	47,196	43,559	39,566	38,073	36,031	36,617	36,393	33,139
Central and eastern Europe	**13,743**	14,298	8,455	5,884	5,157	4,246	3,235	2,739	1,922	1,440
Europe, total	***64,287***	*64,679*	*55,651*	*49,443*	*44,723*	*42,319*	*39,266*	*39,356*	*38,315*	*34,579*
America	**12,822**	10,573	8,420	7,575	5,655	3,836	3,542	5,576	5,529	4,247
Asia	**6,665**	5,699	4,603	4,137	3,997	3,936	3,123	2,898	2,390	1,118
Other markets	**5,704**	4,511	3,953	3,943	3,404	2,896	2,529	2,364	2,050	1,784
Adjustment for lease income[2]	**–501**	–976	–1,889	–1,770	–991	–2,406	–1,175	–1,884	–2,425	–3,066
Net sales, Scania products	**88,977**	84,486	70,738	63,328	56,788	50,581	47,285	48,310	45,859	38,662
Divested car operations[3]	**–**	–	–	–	–	–	–	4,755	5,539	5,382
Total	**88,977**	84,486	70,738	63,328	56,788	50,581	47,285	53,065	51,398	44,044
Operating income										
Vehicles and Services	**12,098**	11,632	8,260	6,330	6,149	4,759	3,548	2,089	4,623	4,655
Financial Services	**414**	532	493	529	450	366	308	278	179	140
Divested car operations[3]	**–**	–	–	–	–	–	550	100	277	250
Total	**12,512**	12,164	8,753	6,859	6,599	5,125	4,406	2,467	5,079	5,045
Operating margin, %										
Vehicles and Services	**13.6**	13.8	11.7	10.0	10.8	9.4	7.5	4.3	10.1	12.0
Divested car operations[3]	**–**	–	–	–	–	–	–	2.1	5.0	4.6
Total[4]	**14.1**	14.4	12.4	10.8	11.6	10.1	9.3	4.6	9.9	11.5
Net financial items	**–534**	–258	–170	–94	–323	–521	–684	–926	–630	–545
Net income	**8,890**	8,554	5,939	4,665	4,316	3,034	2,739	1,048	3,080	3,146
Specification of research and development expenses										
Expenditures	**–3,955**	–3,214	–2,842	–2,479	–2,219	–2,151	–2,010	–1,955	–1,621	–1,267
Capitalisation	**202**	289	180	278	316	660	573	–	–	–
Amortisation	**–475**	–418	–361	–283	–84	–2	–	–	–	–
Research and development expenses	**–4,228**	–3,343	–3,023	–2,484	–1,987	–1,493	–1,437	–1,955	–1,621	–1,267
Net investments through acquisitions/ divestments of businesses	**–61**	268	–	205	49	26	–1,165	929	457	1,121
Net investments in non-current assets	**5,447**	4,277	3,810	3,597	2,798	3,285	2,921	1,878	1,521	1,654
Portfolio, Financial Services operations	**47,220**	38,314	31,841	29,634	26,601	25,926	25,303	25,091	18,522	15,262
Cash flow, Vehicles and Services	**1,774**	8,229	6,942	3,865	2,685	2,450	3,583	2,066	2,557	476
Inventory turnover rate, times[5]	**6.5**	7.5	6.9	6.0	6.0	5.8	6.1	6.0	6.2	5.6

1 Financial reporting is in compliance with International Financial Reporting Standards (IFRSs) beginning with 2004. The main differences compared to the previous accounting principles are: a) that goodwill is no longer amortised according to a schedule, b) that depreciation periods for tangible non-current assets have changed on the basis of component depreciation, which has increased the value of the assets, c) that decreased depreciation on tangible non-current assets has affected taxes accordingly, d) that actuarial gains/losses related to pensions are not recognised directly in equity and e) that tax related to associated companies is included in operating income.

2 Refers to the difference between sales value based on delivery and revenue recognised as income. See also Note 4.

3 Swedish car operations were divested as per 1 January 2002.

4 Includes Financial Services.

5 Calculated as net sales divided by average inventory (adjusted for divested car operations).

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Number of vehicles produced										
Trucks	**72,656**	71,017	60,867	53,368	53,051	45,985	41,433	43,487	51,409	45,779
Buses	**7,709**	7,314	5,870	6,141	5,621	5,291	3,712	4,664	4,172	3,703
Total	**80,365**	78,331	66,737	59,509	58,672	51,276	45,145	48,151	55,581	49,482
Number of trucks delivered by market area										
Western Europe	**34,065**	35,409	34,396	31,392	30,312	29,322	28,229	30,272	38,347	35,942
Central and eastern Europe	**12,574**	14,789	8,830	5,693	5,272	4,148	3,205	2,723	2,416	1,715
Europe, total	***46,639***	*50,198*	*43,226*	*37,085*	*35,584*	*33,470*	*31,434*	*32,995*	*40,763*	*37,657*
Latin America	**10,775**	9,790	7,957	7,776	7,604	4,739	3,633	6,181	6,777	6,253
Asia	**6,721**	6,061	5,546	5,415	5,464	5,317	3,486	2,994	3,438	1,481
Other markets	**2,381**	2,605	2,615	2,291	1,911	1,519	1,342	1,489	1,340	1,260
Total	**66,516**	68,654	59,344	52,567	50,563	45,045	39,895	43,659	52,318	46,651
Number of buses and coaches delivered by market area										
Western Europe	**2,188**	1,987	2,282	2,271	2,157	2,224	1,612	1,696	1,617	1,935
Central and eastern Europe	**418**	460	428	394	424	349	132	132	85	67
Europe, total	***2,606***	*2,447*	*2,710*	*2,665*	*2,581*	*2,573*	*1,744*	*1,828*	*1,702*	*2,002*
Latin America	**2,009**	2,344	1,679	1,727	1,472	1,072	958	1,595	1,843	1,237
Asia	**1,721**	1,495	879	616	947	631	440	666	278	160
Other markets	**941**	938	669	808	519	634	632	583	351	364
Total	**7,277**	7,224	5,937	5,816	5,519	4,910	3,774	4,672	4,174	3,763
Total number of vehicles delivered	**73,793**	75,878	65,281	58,383	56,082	49,955	43,669	48,331	56,492	50,414
Number of industrial and marine engines delivered by market area										
Western Europe	**2,896**	3,480	3,514	3,404	2,819	1,886	1,907	1,893	1,915	2,071
Latin America	**2,798**	2,537	2,245	2,073	1,648	881	631	2,217	823	825
Other markets	**977**	1,211	787	227	547	398	653	562	565	387
Total	**6,671**	7,228	6,546	5,704	5,014	3,165	3,191	4,672	3,303	3,283
Total market for heavy trucks and buses, units										
Western Europe:										
Trucks	**265,000**	267,000	261,000	251,000	231,000	213,000	211,700	235,000	243,700	235,900
Buses	**24,500**	24,700	23,900	23,300	22,400	21,700	22,500	23,500	23,500	22,400
Number of employees [6]										
Production and corporate units [7]	**16,264**	17,291	16,517	15,174	15,260	15,498	15,067	14,987	15,984	15,818
Research and development [7]	**2,922**	2,528	2,174	2,058	1,924	1,833	1,681	1,435	1,159	944
Sales and service companies	**15,079**	14,797	13,682	13,128	12,455	11,460	11,173	11,868	10,029	9,431
Total Vehicles and Services	**34,265**	34,616	32,373	30,360	29,639	28,791	27,921	28,290	27,172	26,193
Financial Services companies	**512**	480	447	405	354	321	309	251	194	166
Total	**34,777**	35,096	32,820	30,765	29,993	29,112	28,230	28,541	27,366	26,359

6 Including employees with temporary contracts.

7 Due to an organisational shift during 2008, the number of employees in the previous year has been adjusted accordingly.

Annual General Meeting and financial information

Annual General Meeting

The Annual General Meeting of Shareholders (AGM) will be held at 14.00 CET (2 p.m.) on Thursday, 7 May 2009 in Scaniarinken, AXA Sports Center, Södertälje, Sweden.

Participation

Shareholders who wish to participate in the AGM must be recorded in the shareholder list maintained by Euroclear Sweden AB (formerly VPC AB) no later than Thursday, 30 April. They must also register with the company by post at Scania AB, AGM, Box 7832, SE-103 98 Stockholm, Sweden or by telephone at +46 8 402 90 55, or via Scania's website www.scania.com no later than 16.00 CET (4 p.m.) on the same date, Thursday, 30 April.

Nominee shares

To be entitled to participate in the AGM, shareholders whose shares have been registered in the name of a nominee through the trust department of a bank or brokerage house must temporarily reregister their shares in their own name with Euroclear Sweden AB. Shareholders who wish to reregister their shares in this way must inform their nominees accordingly in sufficient time before Thursday, 30 April 2009.

Dividend

The Board of Directors proposes Tuesday, 12 May 2009 as the record date for the annual dividend. The last day for trading shares that include the dividend is Thursday, 7 May 2009. Provided that the AGM approves this proposal, the dividend can be expected to be sent on Friday, 15 May 2009.

Financial reports from Scania

- Interim Report, January–March, on 27 April 2009.
- Interim Report, January–June, on 23 July 2009.
- Interim Report, January–September, on 26 October 2009.

Financial information

On the website www.scania.com, you may subscribe to the Annual Report, the shareholder magazine Scania Value, interim reports and press release via e-mail or SMS (mobile phone). Here you may also subscribe to or order individual printed Annual Reports, interim reports and Scania Value. Financial information may be ordered from:

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Updated information

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The Annual Report contains forward-looking statements that reflect Management's current views with respect to certain future events and potential financial performance. Such forward-looking statements in the Annual Report involve risks and uncertainties that could significantly alter potential results. The statements are based on assumptions, including assumptions related to general economic and financial conditions in the company's markets and the level of demand for the company's products. This report does not imply that the company has undertaken to revise these forward-looking statements, beyond what is required under the rule book for issuers at the NASDAQ OMX Nordic Exchange Stockholm, if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

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1597847/8/Kreab Gavin Anderson/Trosa Tryckeri, 2009