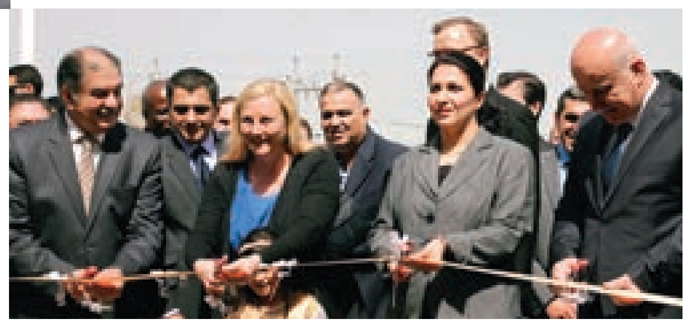
Annual Report 2012

SCANIA

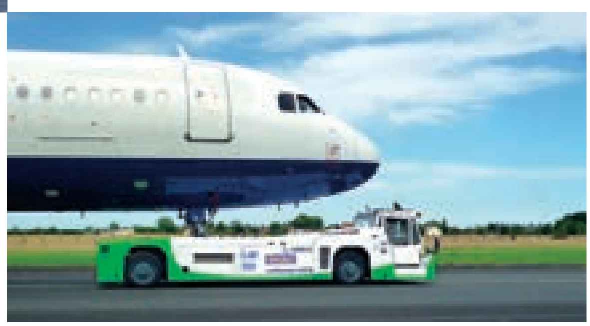
Scania's objective is to provide the best profitability for its customers throughout the product life cycle by delivering optimised heavy trucks and buses, engines and services – thereby becoming the leading company in its industry. Scania's operations are based on the company's core values, its focus on working methods and dedicated employees.

2 March. Scania switched to fossil-free fuel in its internal transport services. Using renewable bioethanol as a fuel instead of fossil-based diesel will reduce the climate impact of carbon dioxide emissions from Scania's internal goods transport services in Södertälje, Sweden, by about 70 percent.



17 April. The Swedish Transport Academy in Erbil, northern Iraq was inaugurated by Sweden's Minister for Trade, Ewa Björling, and other officials. The training is targeted at young unemployed Iraqis with a secondary school background and offers occupational skills demanded in the transport sector. The establishment of the school is a result of close collaboration between Scania, local government, the Swedish business community, international organisations and development agencies.

24 April. Scania introduced the powerful 1,000 hp V8 marine engine with a "test and ride" in the Stockholm archipelago for selected customers and media. In late 2012, the engine was also launched in the North American market at the International Work Boat Show in New Orleans, USA.



16 November. Scania signed an agreement to deliver up to 3,000 Tier 4i emission-compliant engines for aircraft dispatch towing and pushback vehicles.

This English 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: David Murphy, Word of Mouth and Victor Kayfetz, Scan Edit. The Financial Reports encompass pages 72–133 and were prepared in compliance with International Financial Reporting Standards (IFRSs). The Report of the Directors encompasses pages 26–70 and 134–135. 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.

1 September. Martin Lundstedt took over as President and CEO. On the same date, changes were also implemented in Scania's Executive Board.

8 September. Gabriel Warde from Ireland won the Young European Truck Driver (YETD) 2012 competition, part of a global initiative promoting responsible and safe driving started by Scania in 2003. More than 17,000 young truck drivers under the age of 35 from 24 European countries participated.

Dr Melinda Crane, Deutsche Welle-TV; Siim Kallas, EU Commissioner for Transport; and Martin Lundstedt with Gabriel Warde.

12 November. Scania organised a conference in Brussels on sustainable transport development. This regularly recurrent meeting brings together the transport industry with representatives of public authorities and the European Union to discuss what can be done and what is required to reduce the environmental impact of the transport sector.

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Scania in figures

Operating income fell to SEK 8,300 m. (12,398) and earnings per share fell to SEK 8.31 (11.78).

Net sales decreased by 9 percent to SEK 79,603 m. (87,686).

Cash flow amounted to SEK 3,025 m (6,970) in Vehicles and Services.

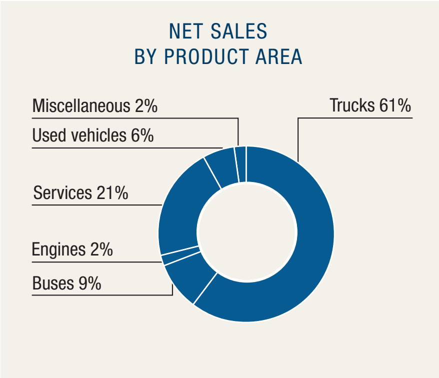
The Board of Directors proposes a dividend of SEK 4.75 (5.00) per share.

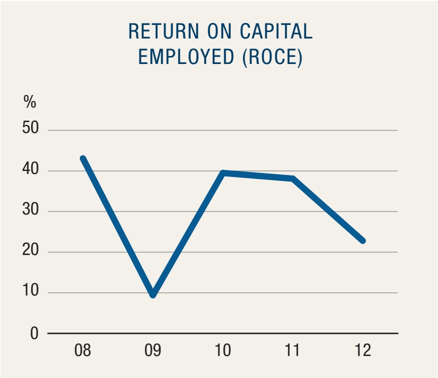
Vehicles and Services

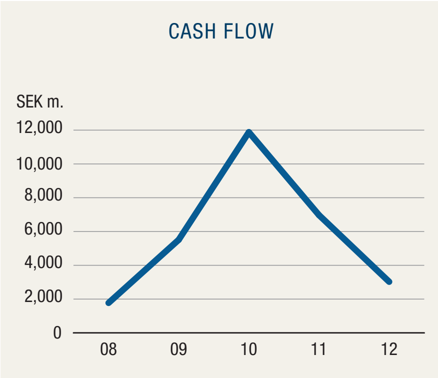
Operating income in Vehicles and Services totalled SEK 7,694 m. (11,881) during the full year 2012. Lower vehicle deliveries and lower capacity utilisation pulled down earnings, as did higher costs for future-related projects. Pressure on truck prices, mainly in the European and Brazilian markets, also adversely impacted margins.

Financial Services

Operating income in Financial Services rose to SEK 606 m. (517) during the full year 2012, compared to the corresponding period in 2011. The improved earnings were due to a larger portfolio. Bad debt expenses decreased to SEK 290 m. (298) during the year.





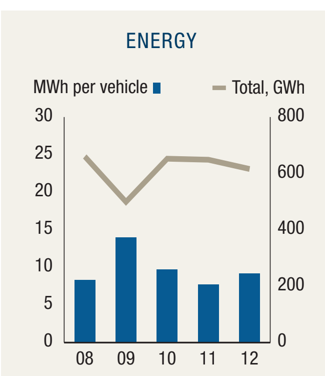


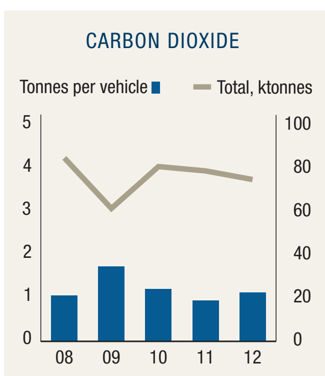
KEY FIGURES

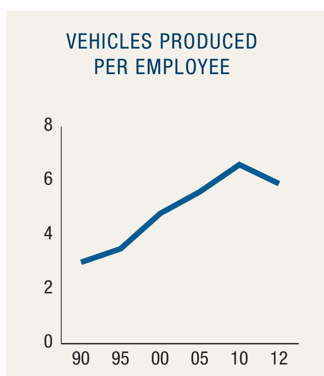
	2012	2011	2010
Deliveries, number of vehicles	**67,401**	80,108	63,712
Net sales, SEK m.			
Vehicles and Services	**79,603**	87,686	78,168
Operating income, SEK m.	**8,300**	12,398	12,746
Operating margin, percent	**10.4**	14,1	16,3
Income before taxes, SEK m.	**8,281**	12,612	12,533
Net income for the year, SEK m.	**6,640**	9,422	9,103
Earnings per share, SEK	**8.31**	11.78	11.38
Cash flow, SEK m.			
Vehicles and Services	**3,025**	6,970	11,880
Return, percent			
on equity	**19.2**	29.5	34.7
on capital employed, Vehicles and Services	**22.8**	38.1	39.5
Net debt/equity ratio*			
Vehicles and Services	**–0.31**	–0.35	–0.30
Equity/assets ratio, percent	**30.9**	31.6	30.5
Net capital expenditures, excluding acquisitions, SEK m.			
Vehicles and Services	**4,480**	3,776	2,753
Research and development expenditures, SEK m.	**5,312**	4,658	3,688
Number of employees, 31 December	**38,597**	37,496	35,514
Employee turnover, percent	**11**	9	8
Healthy attendance, percent	**96.7**	96.8	96.7
Energy consumption, GWh	**616**	649	652
CO_2 emissions, ktonnes			
from production	**75.3**	79.1	81.4
from goods transport services**	**191.6**	232.5	164.7

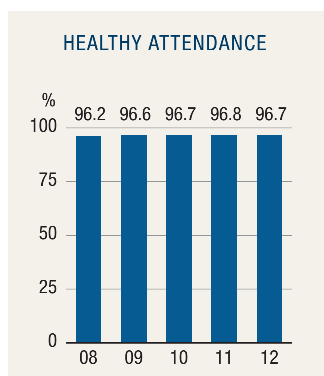
* Net debt (+), net surplus (–).

** The changes from year to year follow production volume and country of delivery. The scope of data gathered has also expanded.









Scania, 2012

Scania is one of the world's leading manufacturers of trucks and buses for heavy transport applications, and of industrial and marine engines, with a sales and service organisation in more than 100 countries. In addition to sales and services, Scania offers financial services in many markets. Scania's production units are located in Europe and Latin America.

Scania has approximately 38,600 employees. Of these, some 17,400 work with sales and services as well as Financial Services in Scania's own subsidiaries worldwide. About 12,600 people work at production units in six countries and regional product centres in six emerging markets.

Scania's Head Office is located in Södertälje, Sweden, where a total of 5,200 people work with sales as well as administrative and other tasks. Also in Södertälje are Scania's research and development operations, with about 3,400 employees.

Scania's central purchasing department in Södertälje is supplemented by local procurement offices in Poland, the United States, China and Russia.

Scania has a global production network into which all units around the world are integrated. This provides high flexibility and cost-effective production. Working methods, quality standards and environmental standards are the same at all production units. To strengthen its position in key emerging markets, Scania is establishing regional product centres for assembling, bodyworking and fitting out locally adapted vehicles.

SALES AND DELIVERIES BY REGION, 2012

America

Trucks*	15,391	units
Buses and Coaches*	2,738	units
Engines	2,582	units
Services	SEK 2,475	m.

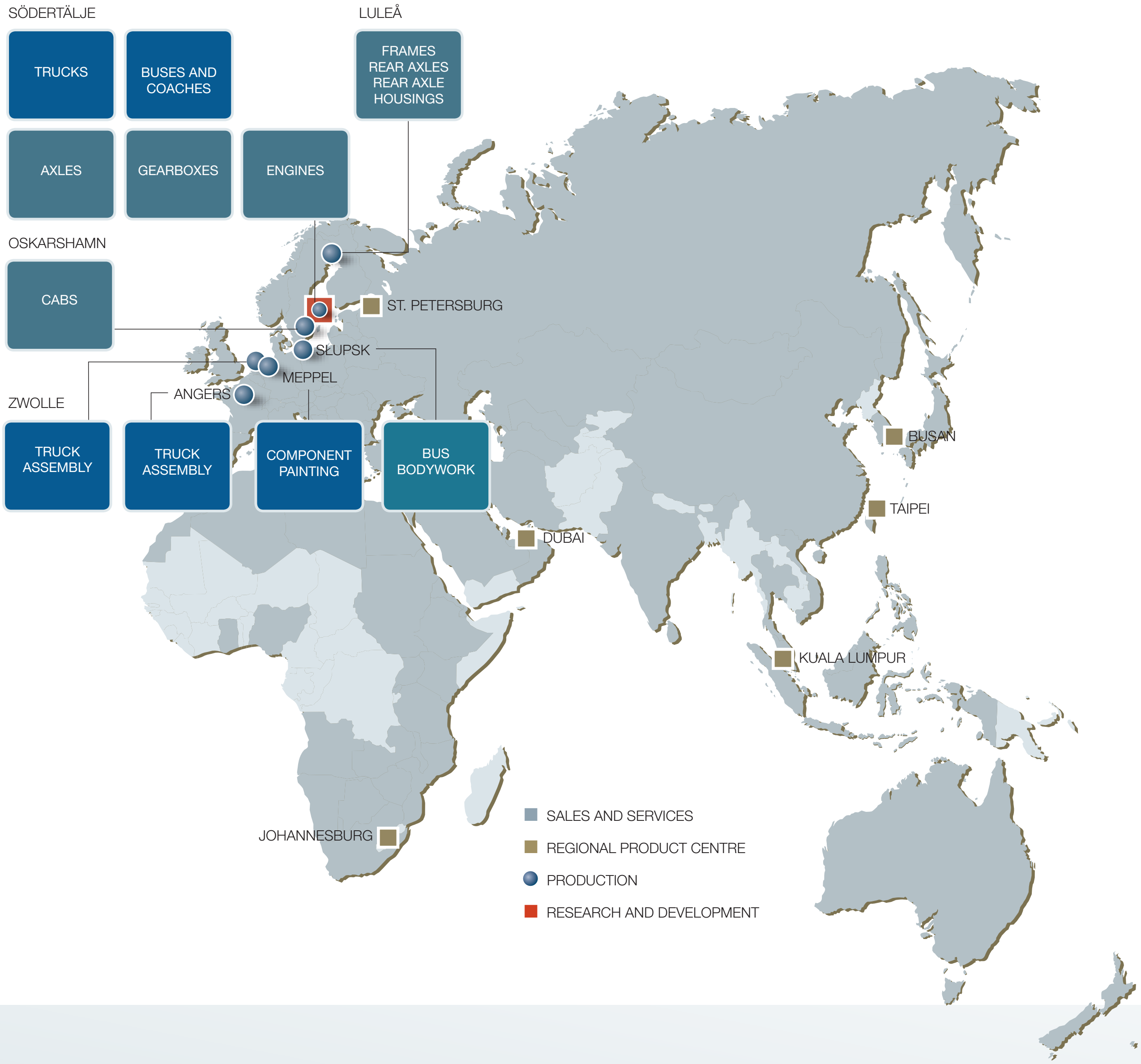
Europe

Trucks	27,720	units
Buses and Coaches	1,312	units
Engines	3,664	units
Services	SEK 11,601	m.

Africa and Oceania

Trucks	3,053	units
Buses and Coaches	798	units
Engines	194	units
Services	SEK 1,168	m.

* Refers to Latin America



Eurasia

Trucks	6,798	units
Buses and Coaches	198	units
Engines	96	units
Services	SEK 597	m.

Asia

Trucks	8,089	units
Buses and Coaches	1,304	units
Engines	527	units
Services	SEK 1,251	m.

Good opportunities in uncertain market conditions

In the uncertain economic situation facing us, it is important that we concentrate our resources and set the right priorities. Meanwhile, we know that demand for vehicles and services will increase once economic activity recovers. We will strengthen our presence in emerging markets and continue to develop new high quality products that boost customer profitability – this is our focus for 2013.

Economic growth is the main force driving the demand for Scania's products and services. Last year, 2012, was dominated by low economic activity in many regions. In a number of markets, customers were hesitant about placing orders for new vehicles. This was particularly true in our largest region – Europe. During the first half, deliveries in Latin America were affected by an economic slowdown and by the transition to engines with higher environmental standards, while political unrest dominated many markets in the Middle East. The number of units sold is the single most important factor for Scania's earnings trend. During 2012, deliveries declined by 16 percent, and operating income fell by 33 percent to SEK 8,3 billion.

Our service sales were stable, with growth in many regions outside Europe. This stable trend is a direct result of the growth of our vehicle populations, due to increased sales in emerging markets in recent years.

> "We are convinced that carefully conceived sustainability work is essential for generating profitability and achieving long-term success."

The lower demand for new vehicles resulted in price pressure which also affected Scania. Scania is good at adapting to demand, which is illustrated by our high profitability compared to the rest of our industry. The stronger Swedish krona contributed to pressure on profitability, especially during the second half of 2012. Scania has a large proportion of its cost base in Sweden.

This year has started in the same way that 2012 ended, with great uncertainty about the economic situation, a continued strong Swedish krona and continued price pressure on vehicles. This is why we will continue to adjust the cost level in all parts of the company. But we will not compromise on our first core value: Customer first. We will prioritise development projects that lead to new products and services that give our customers the potential to boost their revenue and reduce costs. We are continuing to strengthen the quality of our products and services. This will enable us to strengthen our competitiveness. In the coming years, a large proportion of Scania's growth potential will be outside Europe. In addition to prioritised development projects, we will continue to devote major resources to strengthening our presence in emerging markets.

These efforts have been very successful in recent years, with rising sales in many markets, including Latin America and Southeast Asia. Nowadays Brazil is not only our largest market for vehicles and engines, but also one of our largest markets in terms of service revenue. Scania has enjoyed a strong position in the Russian truck market for many years, and service sales are also growing strongly there.

This growth does not come without challenges, but we have worked purposefully over the years. We have built six regional product centres for assembly, bodyworking and fitting out of locally-adapted vehicles, thereby enabling us to cut lead times for vehicles and parts. More facilities of this type are in the pipeline. We are collaborating with partners to increase the number of service points, and we have established some 20 modularised field workshops in order to get closer to our customers' operations. Scania Assistance mobile service units represent another opportunity to boost our local presence with a competitive level of service.

Developments in Asia and in other parts of the world are moving quickly, implying great opportunities for Scania. In China, large investments have been made in various types of production equipment, while logistics systems have not kept pace with developments. There will also be greater focus on the environmental impact of logistics systems. Overall, these trends point towards increasing demand for the solutions that Scania sells.

In our home market, Europe, fuel consumption is a central issue for our customers, more than ever. About

one third of a haulier's operating cost consists of fuel. A large proportion of our Research and Development resources are concentrated in this field. There is also a strong connection between fuel consumption and sustainable transport services. We must decouple increased transport volume from increased emissions if we are to meet the future demands imposed on us by customers, legislators and society in general.

It is important to emphasise that there is no conflict between our business model and reduced emissions. In fact, the pursuit of sustainability and reduced emissions gives us the potential to expand our presence in European markets, both in vehicle and service sales. Today we see the positive effects that our Ecolution by Scania concept generates for our customers: fuel savings of 10–15 percent, sometimes even more. Carbon dioxide emissions are correspondingly reduced. Ecolution by Scania involves a systematic approach to optimising vehicles and services, based on a good understanding of the customer's operations and industry. Ecolution by Scania brings us closer to the customer, enabling us to work with continuous improvements based on a holistic perspective. These services include maintenance programmes as well as driver coaching and training. Using the on-board digital Scania Communicator, which is fitted in many vehicles, we can measure and follow up fuel consumption in each individual rig.

Besides contributing to our customers' sustainability efforts, we raised our own profile in the sustainability field in 2012. During the year, Scania embraced the United Nations Global Compact, an initiative for companies committed to sustainability and responsible business practices, based on ten principles concerning human rights, labour standards, environment and corruption. We also climbed nine places to No. 27 in Corporate Knights' list of "Global 100 Most Sustainable Corporations in the World". We are convinced that carefully conceived sustainability work is essential for generating profitability and achieving long-term success.

Despite economic uncertainty, there is no doubt that we have many opportunities. Our modular product system, a strong focus on service business and flexibility at production units are some of our success factors. Our dedicated employees, who continually find new ways to improve the company's operations, constitute our most important resource.

My predecessor, Leif Östling, who led Scania for 23 years with volume growth from 30,000 to 80,000 vehicles, introduced a leadership philosophy of continuous improvements. Today that philosophy permeates Scania's corporate culture. This means that the competency of the individual employee is utilised and developed, so that each person can assume major responsibility for raising productivity. Initially, this philosophy was about continuous improvements, first and foremost in the production network. Today it applies to the entire company. This corporate culture provides the basis for Scania to grow profitably.

When I took over as President and CEO in September 2012, Scania renewed its Executive Board, which is continuing to develop Scania's unique strengths based on new perspectives. Last year was dominated by some headwinds. Thanks to the dedication of our employees and their fine efforts during 2012, Scania will be well-positioned when demand recovers. I would like to express my deep gratitude to everyone who has contributed to this.

Martin Lundstedt
President and CEO

Scania Executive Board

Market demands and customer expectations are constantly evolving. For Scania, it is a matter of continually reviewing its strategies and developing a business model based on a global perspective. The quality of Scania products and services is crucial to the company's leading position. The task of the Executive Board is to promote further collaboration between departments and a holistic view of our operations. Since September 2012 the Executive Board has consisted of eight members.

Martin Lundstedt

"Our brand evolves in response to new customer demands. Scania should stand for more than just a good vehicle. Scania should deliver the best profitability by offering transport solutions that support customers in their day-to-day business."

One of Scania's strengths is that at all levels, we work to maintain a high level of transparency between different parts of the company. On the Executive Board, we have monthly meetings where all members participate and weekly pulse meetings to follow up. We enjoy a good dynamic and all angles are explored, for example when it comes to market strategies, capacity expansion, leadership issues and development projects. This is further strengthened by the fact that the Executive Board sits together in an open-plan office in order to ensure a process-oriented approach and cross-functional collaboration.

Scania will continue to act as an efficient small company that works close to the customer and that has quick internal decision-making processes. With our new Executive Board, we have strengthened our potential to make further progress along this path.


Martin Lundstedt, President and CEO.


Henrik Henriksson, Executive Vice President, Head of Franchise and Factory Sales.

Henrik Henriksson

"The most important aspect of my job as Head of Franchise and Factory Sales is to listen to customers and ensure that their needs determine how we set our priorities."

Scania shall always be quicker than the competition in offering customers the combinations of products and services that improve their operating economy. Our unique modular product system makes this possible, since we can add new components featuring improved performance without needing to change the surrounding components.

Markets outside Europe represent a great potential for Scania and we prioritise investments so we can follow our customers into new markets and segments. We work more and more with comprehensive solutions, and we have strengthened the organisation to handle more complex business transactions, for instance in the mining and forest product industries.

Another trend, of course, is the increasing focus on fuel prices, not only in Europe as earlier but all over the world. One of our ways of setting a new fuel-efficiency standard is Ecolution by Scania. Together with the customer, Scania sets fuel consumption targets, specifies vehicles and services to suit a given transport task, trains drivers and continually follows up their driving style. To date, the results have been gratifying. This also represents a great opportunity to strengthen Scania's sales of service-related products.

Andrea Fuder, Executive Vice President, Head of Purchasing.

Andrea Fuder

"A premium brand requires the best suppliers. Scania's promise to customers means we need partners that can maintain the highest quality, delivery precision, flexibility and competitiveness."

Today Scania has a strong supplier base, and we ensure delivery precision and cost-effectiveness by working as far as possible with at least two suppliers for each component.

We are constantly working to improve ourselves and our suppliers. The highest quality is a must if Scania is to meet the demands of its customers for reliability and uptime.

Close collaboration with our suppliers enables us to develop new solutions together. As a global company, we must also find solutions to various legal requirements, for example local content requirements for our products. In emerging markets, principles related to human rights and corruption are also important, and Scania supports the United Nations Global Compact initiative on these issues.

Scania's own production network and those of our suppliers must be highly flexible. Our suppliers need to respond rapidly to upturns and downturns in demand, while maintaining quality and delivery precision. Quality and flexibility lead to higher productivity, which safeguards our long-term competitiveness.

Kent Conradson

"Only with the best employees can Scania deliver the best solutions. This requires Scania to be an attractive employer."

The primary task of Scania's HR organisation is to supply our operations with the competencies and expertise they need. Today two thirds of our 38,600 employees work outside of Sweden, and this proportion will increase. Attracting new competencies in new markets is one of our main challenges.

Kent Conradson, Executive Vice President, Head of Human Resources.

Our core values and leadership philosophy, combined with the large responsibility assumed by individual employees in pursuing improvement efforts, are a very strong base on which to build further. Health and environment, along with safety, are of highest priority. We also use these strengths when we market and position Scania as the best employer.

To strengthen follow-up and ensure that we are measuring the right things, we are imposing stricter demands on our reporting of sustainability-based key figures.

Our employees should feel that Scania is a safe workplace, and here we should work preventively and strengthen training programmes for younger managers.

Harald Ludanek

"The ambition of Scania's research and development operations is to develop products and services that meet customers' high expectations for productivity and profitability. This includes low fuel consumption, high uptime and low service costs combined with high performance."

Delivering quality is more than just a promise to our customer. It is something that is embodied in the day-to-day work of Scania's engineers. Quality is also the key to safeguarding Scania's leading position.

Scania constantly strives to increase its knowledge of its customers' operating conditions and working methods in order to offer the right products and services for each customer and each application.

Harald Ludanek, Executive Vice President, Head of Research and Development.

Per Hallberg, Executive Vice President, Head of Production and Logistics.

Our company's development engineers work increasingly in the field, in close contact with the customer, to further increase our knowledge of operations. Scania is pursuing several projects in which a wireless connection to the Internet is opening the way to new solutions. These projects include remote diagnostics and "convoy driving" with extremely short distances between vehicles in order to save fuel. Future assistance systems and new technology are being developed in cooperation with universities, research institutions and suppliers.

Per Hallberg

"When demand fluctuates in response to changes in the economic cycle, we must be able to swiftly adjust our vehicle production rate. Flexibility is crucial in order to ensure Scania's long-term competitiveness."

Scania's production flexibility consists of a number of elements: a high proportion of purchased components, flexible forms of employment, a common global production system and not least, continuous improvement efforts that have enabled us to boost production volume without increasing the number of employees to the same extent.

The latter imposes strict demands on both managers and employees. Employees who possess the right competency and the right tools, and who are involved in improvement efforts, enable Scania to achieve the necessary increase in productivity. Questions related to well-being, work environment, health and safety are thus high priorities. Regardless of what work they do, or in what part of the world Scania products are made, our goal is that employees feel job satisfaction and a sense of well-being, involvement and motivation. We are continuing to invest in our existing production units in Europe and in Latin America. In emerging markets, including Asia, we are building Regional Product Centres in order to get closer to customers and be able to make local product adaptations. During 2012, construction of such a new industrial facility began near Bengaluru (Bangalore), India.

Christian Levin

"In Scania's dealership network we deliver Scania's products and services to customers. We have to keep each customer's vehicle fleet rolling. Services are becoming increasingly important for our brand, since customers need fast access to parts and repairs as well as support services to lower fuel consumption."

Customers' vehicles need service where they are located and not just where Scania happens to have a service workshop. This is why an expansion of mobile workshops is currently under way in a number of markets, so that Scania can perform repairs and maintenance on site where the customer is. Everything that can help the customer to increase uptime increases Scania's competitiveness, too.

Increased vehicle uptime is also a vital element of our internal improvement effort, which we call the Scania Retail System. We have seen how a systematic approach can shorten lead times in service and maintenance, and we know that every hour that customers can boost their productivity makes a big difference.

This is important for future growth as well, since we will serve a substantially larger Scania vehicle population as well as an increased proportion of bodywork in the future.

Jan Ytterberg

"To secure the confidence of all our target groups, it is important for us to be transparent about the results of our work, not only finances."

The market situation is very uncertain and demand is at a low level in many regions, which means that we have to prioritise the right things and adjust our level of ambition in the short term. Meanwhile, "customer first" applies. By streamlining processes in central support functions and other administration, we can provide quicker support to customers.

This may include making it easier for our customers to take advantage of subsidised financing in Latin American markets. An effective customer credit check is facilitated by the fact that we have a local presence and that at Group level we also have quick decision-making processes and the right back-up for our local finance companies. We are also introducing a more structured, systematic model for evaluating our customers from a credit risk standpoint.

Our stakeholders expect high quality in our reporting. It is not just a question of providing the traditional financial key figures. It is also important that we systematically follow up our policies when it comes to human rights and corruption.

Christian Levin, Executive Vice President, Head of Sales and Services.

Jan Ytterberg, Executive Vice President, Chief Financial Officer (CFO).

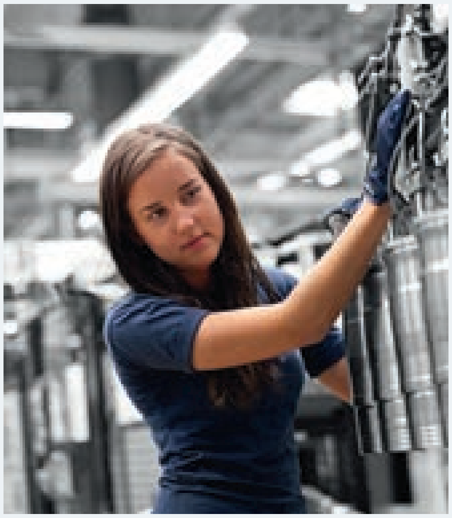

SCANIA

Scania's strategic platform

Scania's objective is to provide the best profitability for its customers throughout the product life cycle by delivering optimised heavy trucks and buses, engines and services – thereby becoming the leading company in its industry. Scania's operations are based on the company's core values, its focus on working methods and dedicated employees.

Core values

Scania's core values permeate its entire corporate culture and influence its day-to-day work. Customer first, respect for the individual and quality are closely linked and are applied as a unified concept. These core values are the point of departure for all business development.



Customer first

Through good knowledge of its customers' business operations and conditions, Scania delivers solutions that contribute to customer profitability by means of high earning capacity and low operating costs, while promoting a sustainable environment. The customer's operations are at the centre of the entire value chain: from research and development via procurement and production, to sales of vehicles, engines, services and financing.

Respect for the individual

Respect for the individual means recognising and utilising each employee's knowledge, experience and ambition in order to continuously improve and develop working methods. Inspiration and new ideas are born out of day-to-day operations. This helps ensure higher quality, efficiency and job satisfaction.

Quality

High profitability for the customer throughout the product life cycle depends on delivery of high-quality solutions from Scania. Through good knowledge of customers' needs, Scania can continuously improve the quality of its products and services. Elimination of all forms of waste is the way Scania can ensure that all deliveries meet the expectations of demanding customers. Deviations from targets and standards are used as a valuable source of continuous improvement in Scania's processes.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Driving forces for demand

What drives the demand for Scania's products and services is economic growth. Meanwhile, there is mounting pressure to reduce emissions and achieve more efficient use of energy. Demand is also increasing for solutions, based on a holistic perspective, that can streamline logistics systems and thereby reduce transport costs.

Economic growth is the main driver of demand for transport services. Greater trade between countries and regions, demographic changes and urbanisation are leading to improved living standards, creating a greater need for infrastructure, construction and consumption, thereby also boosting the demand for transport services. In rapidly growing cities in developing countries and in emerging economies around the world, there is a considerable need for well-developed passenger transport systems within and between cities. As societies evolve, they also increasingly depend on reliable goods transport and on more efficient distribution of goods and waste management. New, innovative and sustainable transport systems must be developed in order to solve problems related to congestion, emissions and noise.

Greater demand for improved efficiency

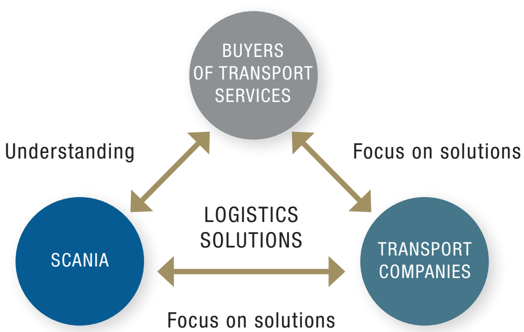
Growing societies are increasing the pressure on, and boosting the prices of, already limited resources. Even today in many markets, fuel costs represent a significant proportion of the total operating cost for a haulier. In the future, the transport sector will use alternative, renewable fuels to an ever greater extent to reduce carbon dioxide emissions.

Transport companies, transport service buyers, legislators and society as a whole are driving this trend. Various rules and regulations related to the environment and emissions have recently become more important in determining what type of vehicles and services are in demand. Emission standards, noise restrictions, motorway charges and driver training requirements are influencing the need for investments to replace vehicles and the demand for various kinds of services.

DRIVING FORCES OF DEMAND

Holistic perspective creates opportunities

Different conditions prevail in various industries that utilise transport services. However, one common feature is that lower transport costs can have a significant impact on profitability. Examples of such industries are mining, forestry and retailing. Logistics systems also vary in complexity but usually encompass a number of players, which to varying degrees influence how efficiently goods and passengers are transported.



Vehicle manufacturers have traditionally concentrated on delivering vehicles to a transport company. The potential to optimise the vehicle to its transport task increases through a systematic working method that includes close collaboration with and greater understanding of transport companies and buyers of transport services. The vehicle manufacturer can also influence transport costs through various services, for example maintenance that is tailored to the transport task and driving conditions. A holistic view of the logistics flow thus yields major advantages. The vehicle manufacturer can support the customer on the basis of its knowledge about the transport task and boost its contribution to the value chain, enabling the vehicle to be utilised optimally to increase profitability and reduce environmental impact.

Profitable business through customised solutions

As a leading player in its industry, Scania plays an important role by delivering profitable, sustainable solutions to the challenges and changes facing the transport industry. Scania aims to build long-term relationships with its customers and is dedicated to the customer's business all the way – from specifying the best adapted vehicles to providing service and support in day-to-day transport work.

Scania's long-term competitiveness is entirely dependent on its ability to deliver solutions to new conditions and customer needs that enable the transport industry to grow without increasing its carbon dioxide emissions and that make transport services cleaner, safer and more flexible. Competition is tough and will continue to be so. Quality will be a key factor in Scania's competitiveness. Quality is also one of Scania's core values and is crucial to product reliability and customer profitability.

Optimised transport solutions are profitable

Scania's overall strategy is to strengthen customer profitability by delivering optimised transport solutions. Scania works in close proximity to its customers so that they can perform their transport tasks optimally, both in economic and environmental terms.

Scania becomes an active partner, thereby helping eliminate waste in the value chain.

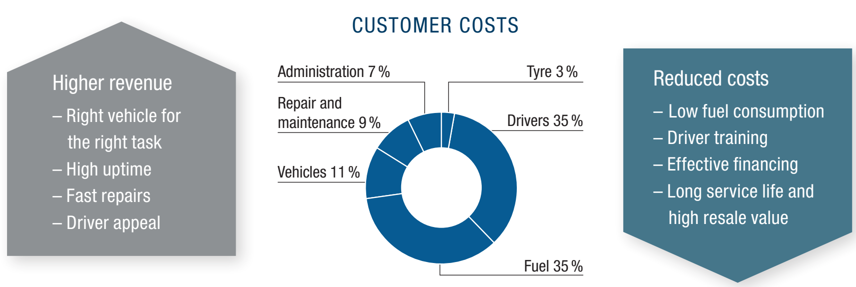
Modular system ensures the right product

Defining exactly the right product, combined with the right services for the customer's transport task, is fundamental to Scania's operations and essential to customer profitability. By means of Scania's modular product system, customers' vehicles can be swiftly and effectively optimised as desired in order to suit the transport task and live up to new environmental standards. This lowers Scania's research, development, production and service costs. It leads to high quality and longer production runs, which is cost-effective both for customers and for Scania.

Service offering more important

Demands for lower transport costs and the need for high delivery precision by transport companies mean that Scania's service offering will become an increasingly important competitive advantage.

Having a long-term relationship with a customer creates the conditions to work together on continuous improvements. Examples of this are development of new performance steps in the modular system and coaching of drivers so that they can continually improve their driving style.



For a European haulier, about 70 percent of costs are related to drivers' salaries and fuel. A company's profitability thus largely depends on the driver, whose driving style affects fuel consumption.

Demands for high uptime and reliability make Scania engines well suited in construction machinery such as stone crushers, wheel loaders and dumpers. Customers that use both trucks and construction machinery containing Scania engines can improve the efficiency of their maintenance and repairs significantly.

Mining transport services often involve moving large volumes of heavy material under demanding conditions at the lowest possible cost. This requires strong, robust, reliable vehicles with high uptime and high payload capacity.

Low fuel consumption, high reliability and minimal maintenance requirements are crucial to the profitability of bus and coach operators. Scania offers comprehensive solutions with customised service and repair agreements, including financing solutions in many cases.

In timber haulage, a holistic view is important in order to obtain the best overall economy throughout the transport chain. Vehicle utilisation, operating costs and access to servicing are important for the profitability of the haulier as well as the timber company.

Uptime and fuel consumption are the most important factors for long-haul transport services. Scania's extensive workshop network ensures high uptime. Drivers are very important to operating economy, road safety and environmental impact. Aside from driver training and personal coaching, Scania offers a number of onboard vehicle systems that help drivers do a good job.

In the case of fire engines, reliability and performance are absolutely crucial. These vehicles should always be ready for a quick response when needed. Scania's crash-tested crew cab accommodates up to 6–8 people.

Scania's modular system

Scania's modular product system has been built up over several decades. It enables Scania to provide individual specifications for each customer with a limited number of components in its product range. The modular product system means that new customer needs can quickly be met without expanding the total number of parts used to build its vehicles proportionately.

Standardisation of interfaces

Modularisation is based on standardisation of the interfaces – connection points – between component series to ensure that they fit together in different combinations.

These interfaces are designed in such a way that they do not change over time. This makes it possible to install new components that improve product performance without any need to change the surrounding components.

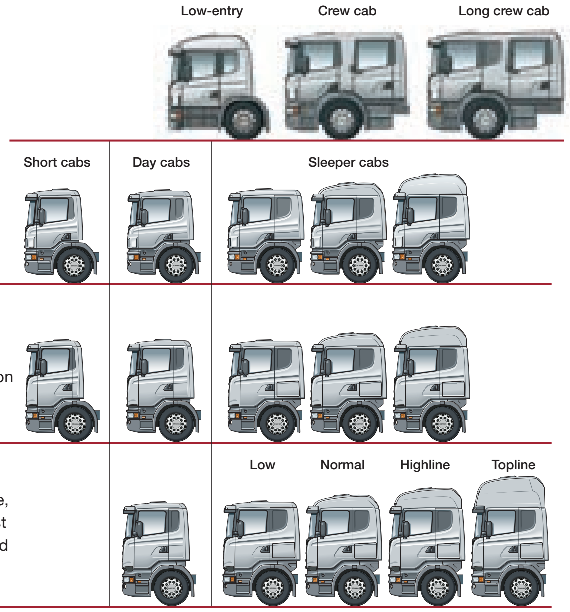
Same need, identical solution

Customer needs may be the same as regards specific components despite different applications, in which case Scania uses the principle "same need, identical solution". A large percentage of the chassis components in a bus are shared with a truck. The shortest truck cab variant may be needed in order to maximise cargo capacity both in light distribution service and in a heavy tipper truck operating in a mine. A powerful, high-torque engine may satisfy the need for maximum tractive power in a demanding operation or for maintaining a uniform speed during long highway journeys.

Components based on performance needs

Together with the customer, the Scania sales person specifies components with the well-balanced performance steps. Examples of performance steps are different cab sizes, engine output steps, frame strengths and number of axles. The truck and bus variants built are continuously evaluated, enabling Scania to have the smallest possible number of parts and the largest possible selection of variants in its product portfolio.

Trucks



P-SERIES

Scania's P-series featuring a low-mounted cab is mainly used for distribution and construction haulage. The P-series is also the base for Scania's low-entry and crew cabs.

G-SERIES

Scania's G-series is a versatile model featuring a spacious cab for long-haulage and construction haulage and with more powerful engines than the P-series.

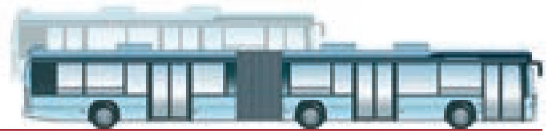
R-SERIES

When equipped with a V8 engine, the R-series provides the highest performance in long-haulage and other transport segments.

Buses and Coaches

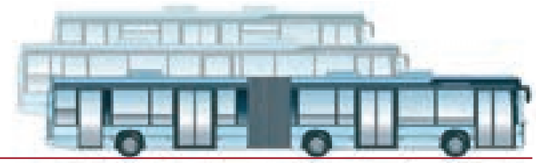
SCANIA CITYWIDE LF

All Scania Citywide models are based on the same range of body modules. The low-floor LF version is available with two axles or articulated.



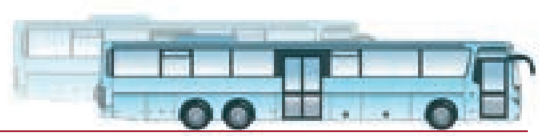
SCANIA CITYWIDE LE

The low-entry LE version has a low floor in the front section and can be specified in several lengths with two or three axles or articulated.



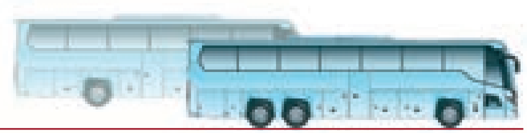
SCANIA OMNIEXPRESS

A highly flexible modular design offered with two or three axles and lengths in 10 cm steps from 11 to 15 metres, as well as in three optional heights.



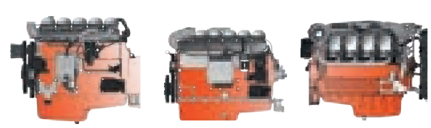
SCANIA TOURING

The modularised Scania Touring high-decker coach is available with two or three axles.



Scania Engines

Scania's industrial and marine engines are based entirely on the corresponding vehicle engines. All business areas benefit from common development work, which also includes auxiliary equipment such as engine management, cooling systems, fuel injection and exhaust aftertreatment.



9-litre
5 cylinders

13-litre
6 cylinders

16-litre
V8

Component modularisation

The wide range of choices available to customers is achieved through the design of the interfaces between different components. Each interface is very precisely defined to allow the greatest possible flexibility when components are combined into the correct performance steps in the vehicle.

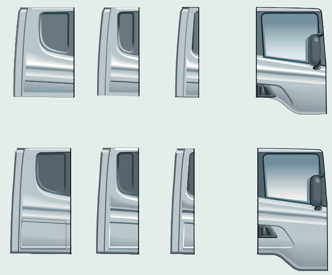
Cabs

Scania's cabs are strongly modularised, with a common frame and common outer panels. Cabs are fitted at different heights to suit different applications.

With three roof heights for the P- and G-series and four for the R-series, customers have ample opportunities to optimise space and comfort in the cab.

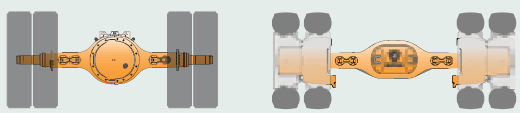
Doors and sidewalls

Between the front and rear wall, which are the same in all cab series, is the same door structure (different heights) and modularised side panels (different heights and lengths). The windscreen is the same on all cabs. A few door and sidewall variants cover the entire cab range.



Axles

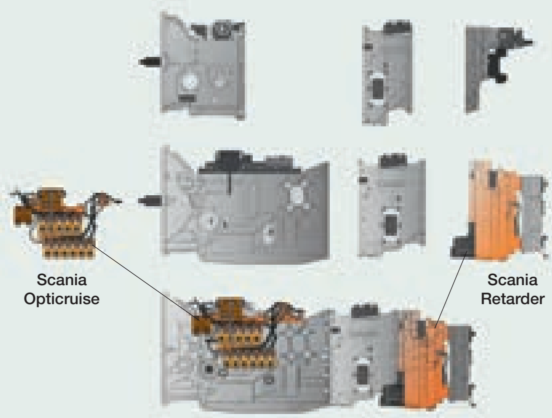
Driven, steered and live axles are part of Scania's modularised range, which is used in various combinations in 2- and 3-axle trucks and buses, as well as in 4- and 5-axle trucks, tandem bogies etc. Some driven axles are available with hub reduction and can also be utilised as driven front axles.



Single-reduction axle   Axle with hub reduction

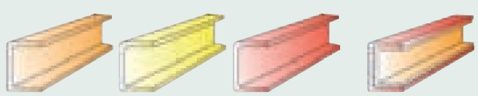
Gearboxes

With two main gearboxes in combination with range and splitter units, Scania covers the need for haulage ranging from 16 tonnes to 200 tonnes gross train weight. Gearboxes are available with manual or automated gearchanging (Scania Opticruise) and can be ordered with an integrated Scania Retarder.



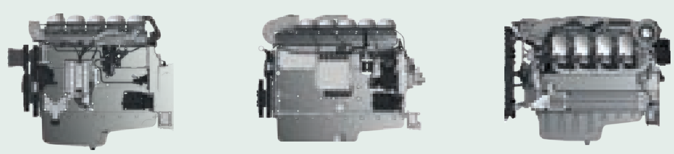
Frames

Frames are manufactured in several strength classes, the most rugged with an inner frame to handle extra heavy loads.



Engines

Scania's engine range is based on three engine series featuring five, six or eight cylinders, with the cylinder and related components sharing a common design. This means that engine development work can focus on optimising the combustion in one cylinder, which is used in all engines. The basic design of these engines is very similar and they share many parts and components, radically reducing the number of unique parts that are included.



9-litre 5 cylinders   13-litre 6 cylinders   16-litre V8

Many engine components are common to the entire engine range, regardless of the number of cylinders.

Services support the customer's business

Through its extensive workshop network and customised service-related products, Scania can provide support to the customer and perform servicing at the right time and in the right place. Service operations also contribute to the stability of Scania's profitability, since service sales are much less sensitive to economic cycles than vehicle sales.

Uptime most important to the customer

Every minute of unplanned vehicle downtime means lower productivity for the customer. High uptime is also important for industrial and marine engines. Shorter repair times and a greater ability to quickly service the customer's entire rig, not just the parts of the truck manufactured by Scania, has great importance in allowing the customer to achieve maximum operating time and low costs.

Scania's service workshops are one of the most important points of contact with customers. Proximity to customers is vital. Scania's service network consists of more than 1,600 service workshops, of which some 1,000 are in Europe. One third of the network is owned by Scania. The service workshops are strategically located along transport routes and near logistics centres with the aim of ensuring high uptime. Through continual advice as well as regular and professional service from Scania, customers can optimise vehicle uptime. Maintenance and repairs are offered round-the-clock in many places around the world.

Scania also offers mobile workshops to meet servicing needs at the customer site and also field workshops which are integrated in the customer's operations, for instance at mines or bus depots.

Scania Assistance offers maintenance and repairs 24 hours a day, every day of the year, throughout Europe and in many other markets.

Focus on quality and continuous improvements

The strengths of Scania workshops include their highly trained service technicians and immediate access to parts. To ensure that all customers receive the same high degree of service, Scania certifies the quality of its service network by means of the Scania Dealer Operating Standard. This is based on a number of customer pledges that must be met in order for a service point to be authorised by Scania. A vehicle that has been continuously serviced by a Scania workshop also has a higher resale value. A fixed-price service contract from the day a vehicle goes into operation makes it easier for customers to set the prices of transport assignments.

Working methods and ways of thinking borrowed from the well-known Scania Production System are applied in the sales and service operations in order to add customer value and boost efficiency. Through continuous improvements in the service organisation, servicing and repairs are carried out more efficiently.

Financing and insurance a key element

One important element of Scania's comprehensive customer solutions is the possibility to finance vehicles effectively on good terms. Scania conducts its own financing operations in 50 countries.

Scania Insurance offers the customer a package price that includes comprehensive insurance coverage, an efficient claims management service and rapid repairs, with access to Scania's service network.

Connected vehicles provide high uptime

Many Scania vehicles have an on-board communicator. This facilitates, among other things, follow-up in fuel consumption. The data can be used as input in driver coaching and to further optimise the specification of the vehicle. It also facilitates identification of preventive actions and performance of quick repairs.

Scania has an extensive workshop network and can therefore provide support to the customer and perform servicing at the right time and in the right place. Service workshops are strategically located along transport routes and near logistics centres with the aim of ensuring high uptime. Connected vehicles enable more flexible, efficient planning of servicing.

Scania Assistance offers roadside maintenance and repair service 24 hours a day, every day of the year all over Europe and in many other markets. Scania Assistance allows customers in some 50 countries to maintain continuous contact with Scania in their own language via 17 assistance centres, summon help to start or repair a vehicle on the road, contact a workshop or have a vehicle towed.

The world's tallest concrete pump

Zoomlion, a Chinese-based construction machinery manufacturer, has been a Scania customer since 2008. Zoomlion's concrete pumps are mainly used in construction of high-rise buildings and bridges. Scania chassis are customised to facilitate and streamline the mounting of Zoomlion's superstructures.

Chassis from Södertälje, Sweden

In recent years, the giants of the world concrete pump industry have outdone each other time and time again, by building taller and taller pumps. Scania was commissioned by Zoomlion to provide a truck for a pump that would be the first to exceed 100 metres in height. The solution was a 7-axle chassis from Scania in Södertälje, Sweden, supplemented by the Swedish company Laxå Special Vehicles. The engine is a 620 hp Scania V8. The complicated superstructure was developed by Zoomlion and its Italian subsidiary Cifa.

New world record

This very special vehicle has been recognised by the Guinness Book of Records. The mounted pump is the world's tallest concrete pump, with a reach of 101 metres. The 15.5-metre chassis is probably the longest ever built by Scania. The total length of the vehicle is 18.5 metres.

Scania was chosen due to its modular product system, which can customise standard components in order to build a chassis that is not part of the regular product range. The vehicle complies with the maximum dimensions and weight requirements for road transport. Thus it was quicker and much cheaper for the customer to use Scania than to produce a specially built chassis.

New city buses to Santiago, Chile

Launched in 2007, the Transantiago integrated public transport system connects the entire city bus fleet of the Chilean capital and more than 100 kilometres of the metro network.

The system has now been supplemented with 231 city buses from Scania. The buses went into service during the autumn of 2012 and are operated by Alsacia Express, which has extensive experience from similar transport systems in several Latin American countries.

Comprehensive package of services

To ensure high uptime for the customer, Scania will deliver a comprehensive package of services including driver training, repairs and maintenance. The vehicles were financed by Scania's Chilean customer financing company. Scania's two-axle buses are equipped with 230 hp engines that meet the EU's Euro 5 emission standard and the even stricter EEV standard. The bodywork was supplied by Brazilian bus bodybuilder Marcopolo.

Ethanol project reduces emissions in Paris

Carrefour is Europe's largest retailer and has more than 10,000 stores, supermarkets and hypermarkets worldwide.

Carrefour sees a clear trend in its stores towards customers demanding products with a lower environmental footprint. Using sustainable transport services is thus an important factor in the company's environmental work. Carrefour in France, in collaboration with the haulier STAF, is consequently participating in an ethanol truck project initiated by Scania. This collaboration illustrates the benefits of having customers' customers, in this case Carrefour, involved in development projects.

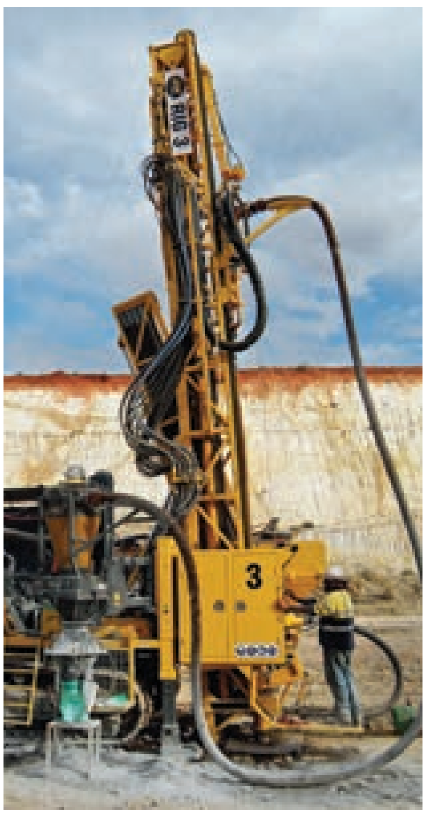
Positive results

The project, which began in 2011, focuses on transport services in the Paris region, where the rules on emissions from truck engines are strict. STAF is using three Scania trucks with 9-litre ethanol engines for deliveries to Carrefour stores.

The tests have shown very positive results so far. The transition to ethanol has reduced net carbon dioxide emissions by at least 70 percent. Another advantage has been a reduction in particulate emissions.

Ethanol from winemaking waste

An important link in the sustainability chain is the availability of ethanol. Among other fuels, STAF uses ethanol from Raisinor France, a company that specialises in producing ethanol from the waste products of winemaking. This method means that these products are now being put to use and do not have to be thrown away.



Near-halving of fuel cost with new engine

JSW Australia specialises in drilling for all kinds of minerals and water-wells. The company serves customers in the mining, oil and gas industries, especially in the Western Australian wilderness.

The engines that power JSW's drill rigs must meet high standards in terms of weight, power output, and reliability as the drills are worked hard for up to twelve hours a day, seven days a week. They must also be environmentally acceptable.

When it was time to replace the engine in one of its mineral-sampling rigs, JSW opted for a new 700 hp Scania V8 engine in the rig.

Higher performance at less power

Scania Australia helped JSW ensure it was getting an engine with the right specifications. The previous engine was 820 hp, but according to Scania's calculations, 700 hp would be enough.

The new engine enabled JSW to cut fuel consumption from 900 litres to about 500 per day. Aside from substantial cost savings, this also means less emissions and shorter downtime for refuelling.

The engine controls the hydraulics that move the rig from one place to another and manoeuvres it via a remote control system. Because the engine operates uniformly and gently, it also lengthens the service life of the other equipment.


SCANIA

Methods for profitability

One core element of Scania's strategy is dedicated employees, who take responsibility for boosting efficiency and for making improvements. Scania encourages a holistic perspective through cross-functional (interdepartmental) groups and other methods that provide the basis for high productivity, the best possible quality and healthier employees.

Scania has systematically involved its employees at the production units in continuous improvement efforts since the early 1990s. Good experience of these efforts at production units, including higher quality, less waste of resources, higher healthy attendance and lower employee turnover, has led to the application of similar principles in administration and the sales and service organisation, as well as in research and development.

Improvement activities are driven by Scania's employees, with the support of managers and Group executives. There is a strong emphasis on working methods instead of traditional earnings targets. The focus is on cutting lead times and boosting flexibility by eliminating waste of time and resources.

Cross-functional working method

An important part of efficiency improvement work occurs in cross-functional (interdepartmental) groups. Representatives from research and development, production, purchasing, sales and services cooperate in these groups. All employees are aware of the value of their delivery to the next stage in the work flow, reducing the risk of waste, ensuring quality at an early stage and shortening lead times to customers for both new products and services.

While ensuring that the need for specialised expertise is met, Scania encourages its employees to change work duties within different areas of the company in order to gain a holistic perspective on its operations.

Everyone is responsible for improvements

Involving all employees is at the core of efforts to improve efficiency. Time to work with continuous improvements is part of normal operations. This has led to a way of thinking that is very important for the development of Scania's employees and organisation. A large proportion of improvement efforts has shifted from staff and management levels to the individual employee.

Identifying and eliminating deviations

Scania's working methods are described in "standards". Employees are encouraged to find deviations from the standard described which disrupt or prevent operations from running optimally. Deviations must not be sent onward, either internally or to the customer. By finding deviations, it is possible to test and evaluate new solutions, which later lead to a new standard. When a new solution has been introduced at a unit, it is spread methodically to other units in the global Scania organisation.

Steady productivity and quality improvements

Continuous efforts to identify deviations and improve methods and processes occur according to various concepts adapted to the different branches of operations. These are the Scania Production System (SPS) at production units, the Scania Retail System (SRS) in the sales and service organisation and R&D Factory at research and development units.

Continuous improvements are crucial in order for Scania to grow in a capital-efficient manner. With limited investments, it is possible to sell more products and services, build more vehicles, serve a larger number of customers more quickly and develop more products, without equally large growth in the workforce, resources or need for premises.

Scania's way of working with continuous improvements is of crucial importance to its ability to improve productivity and quality and thereby grow within its existing structure.

Market trends, 2012

The global economy was characterised by great uncertainty in 2012. The euro zone crisis and US economic policy issues restrained global economic growth. Activity was lower in the transport sector as a consequence. For Scania, this meant that vehicle deliveries fell by 16 percent, mainly driven by declining demand in Europe and the Middle East. Demand for service-related products remained stable in most markets.

GDP growth was low in many regions during 2012. Concerns about a recession similar to that of 2008–2009 caused job recruitment, capital spending and consumption to decelerate in Europe, the US and much of the rest of the world.

Low activity in industrial production and construction, among other sectors, had a negative impact on the transport sector during the year. In a situation of stable or reduced cargo volume, there is no interest in expanding vehicle fleets. Because of high European truck deliveries during 2005–2008, followed by a low level in recent years, the average age of the truck population is increasing. Despite the replacement needs of an ageing vehicle population, many transport companies were hesitant to place orders for new trucks.

Vehicles and Services

Scania's deliveries decreased during 2012 compared to 2011. Truck deliveries fell by 15 percent to a total of 61,051 units and bus and coach deliveries decreased by 21 percent to 6,350 units. Engine deliveries was essentially unchanged at 7,063 units and service sales was stable at SEK 17,092 m.

Continued caution in Europe

The low economic growth in the euro zone was noticeable for Scania. Southern European countries had an especially low level of demand.

The total market for heavy trucks in 25 of the European Union member countries (all EU countries except Bulgaria and Malta) plus Norway and Switzerland decreased by 9 percent to about 220,300 units during 2012. Scania truck registrations amounted to some 29,000 units, equivalent to a market share of about 13.2 (13.3) percent.

The next stage of European Union emission standards, Euro 6, will take effect at the end of 2013. Euro 6 involves significantly more complex technology in vehicles than Euro 5. Early in 2012, Scania delivered its first Euro 6 trucks and during the year the company delivered a total of some 1,100 Euro 6 trucks to customers.

In September, Scania broadened its range of Euro 6 engines and now offers variants with outputs ranging from 250 hp to 480 hp. The Euro 6 range also includes high performance gas-powered engines and two engine alternatives that only use Scania selective catalytic reduction (SCR) aftertreatment technology, in order to meet the Euro 6 standard.

Deceleration in some emerging markets

As a niche player in some emerging Asian markets, Scania is normally affected to a lesser extent by economic fluctuations. After a major order in China during the first half of 2012, demand decelerated somewhat during the second half. However, the underlying trend in many Asian markets is that demand is increasing for the type of transport solutions that Scania offers. Major Asian markets are still dominated by local makes and most hauliers specialise in the local market and focus mainly on vehicle price and payload capacity. Resale value, fuel economy, environmental performance and uptime play a smaller role than in Europe. However, these factors will become increasingly important, since the Chinese economy and others are experiencing rapid growth. As part of this trend, logistics systems will become more and more efficient, which will require higher standards of vehicle reliability and lead to greater demand for the vehicles and services that Scania sells.

16 January. Scania received an order of 375 trucks to Zoomlion Heavy Industry Science and Technology Co., Ltd, a leading Chinese machinery producer. The trucks will be used as platforms for mobile concrete pumps.

31 January. Scania announced plans to invest in an industrial facility near Bengaluru (Bangalore) during the coming year.

7 February. Leading British hauliers Eddie Stobart and A. W. Jenkinson Forest Products ordered 1,000 trucks from Scania.

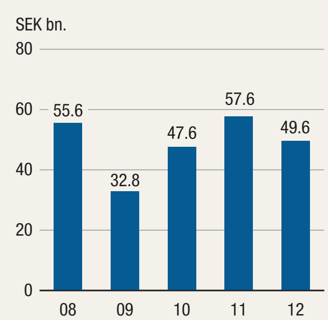
Scania is strengthening its presence in India by constructing a regional product centre near Bengaluru. Industrial operations there will consist of final assembly of truck and bus chassis as well as bodywork and fitting out of complete vehicles. This will allow manufacturing on a local basis and will cut lead times. The construction of a central parts warehouse in the country will also mean improved service to customers. The facility will become the centre of Scania's commercial operations in India. Production is expected to start during the first half of 2013.

Deliveries in Asia decreased by 35 percent. This was mainly due to lower deliveries to the Middle East, where demand was low because of political turmoil.

Deliveries in Eurasia dropped somewhat during 2012 but remain on a high level, driven by Russia, which is the dominant market in the region. Scania see opportunities in the other countries in the region as higher productivity standards are imposed in logistics systems. This in turn, means stricter demands on vehicle quality and uptime.

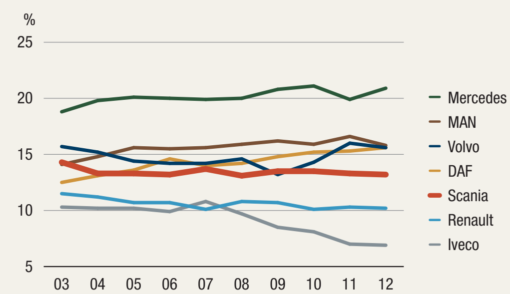
Deliveries in Africa and Oceania increased somewhat during the year, mainly due to higher sales in southern Africa.

TRUCKS, NET SALES



MARKET SHARES

Trucks above 16 tonnes in 25 EU countries (all EU countries except Bulgaria and Malta) plus Norway and Switzerland.



Scania's main competitors are other Western manufacturers. In the truck segment, Scania competes with DAF, Iveco, MAN, Mercedes, Renault and Volvo.

25 February. Scania plans to invest in more efficient parts distribution. The company will extend its central warehouse in Europe and build an entirely new parts centre in South America. A total of SEK 400 million will be invested in these facilities, which will go into service during the first quarter of 2013.

11 April. Scania and South Korean-based Doosan Infracore will expand their cooperation. From 2014, Scania will supply engines for a larger proportion of Doosan's product range than today. At present, the agreement covers articulated dump trucks and large wheel loaders.

Latin America at a somewhat lower level

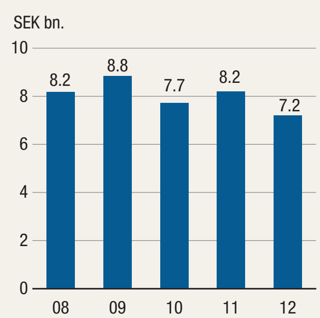
Due to the transition to Euro 5 emission standards and a weaker economy, deliveries in Brazil were lower than during the strong years 2010 and 2011. The government introduced large-scale subsidies for investments in new vehicles late in 2012. This had a significant effect on demand. The government also gave the green light for the investment programme in preparation for the FIFA football World Cup in 2014. Argentina, too, provided subsidies for investments in new vehicles, and this was noticeable in sales late in the year.

The bus and coach market

Weak GDP growth and government budget problems in Europe, adversely affected demand since investments in buses and coaches, especially city buses, are often publicly financed. Demand was weak for buses intended for use as tourist coaches and in scheduled intercity and urban traffic. Scania's deliveries fell during the year in Europe, Latin America and Asia while they increased in Eurasia, as well as Africa and Oceania. During the year, Scania introduced new bus and coach engines that meet the Euro 6 emission standard and began production of its new Scania Citywide urban and suburban bus range.

In the bus and coach segment, Scania's main competitors are Irisbus, MAN, Mercedes, Neoplan, Setra and Volvo.

BUSES AND COACHES, NET SALES



22 August. PostNord chose Scania as its supplier of all the heavy trucks in a large procurement of vehicles for distribution of letters and packages in Sweden, Denmark and Norway. Before year-end, Scania will deliver a total of 136 trucks, including 122 for PostNord's operations in Sweden.

7 November. Scania will supply V8 engines for the Finnish Navy's new, high-speed landing craft. The company received a prestigious order to supply 24 diesel engines which will be delivered during 2014–2016.

The market for industrial and marine engines

Engine deliveries rose by 1 percent during 2012. Demand weakened during the second half, and a deceleration was noted as a consequence of weak GDP growth. Demand from machinery manufactures decreased, as did demand for marine engines and power generation engines (gensets).

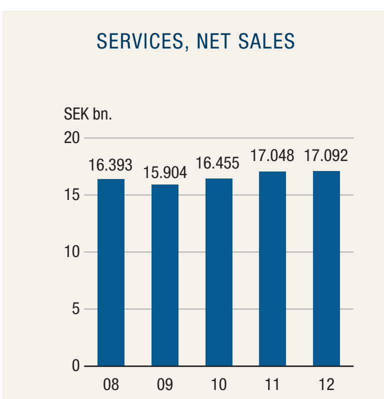
During the second quarter, 20 months before the new standard goes into effect in 2014, Scania introduced industrial engines that meet the Tier 4 final emission stage and EU Stage IV standards at the Intermat exhibition in Paris. This means that Scania's industrial engine range will meet the next upgrade in emission standards without forcing customers to make extensive changes in the machinery installation.

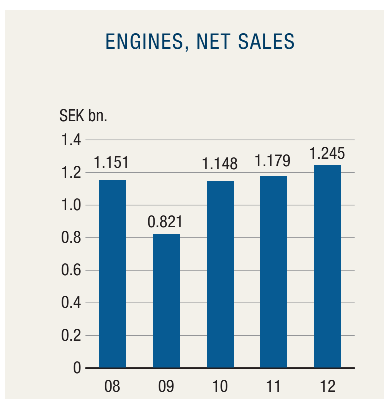
In its engine operations, Scania competes with Caterpillar, Cummins, Deutz, Fiat Powertrain Technologies, MAN, MTU and Volvo Penta in the industrial segment.

Stable service demand

Demand for servicing and repairs is driven by the size and the capacity utilisation of the vehicle population, which in turn depends on transport volume. The average age of vehicles is another important factor. A higher average age increases the demand for workshop hours and parts. Demand for services and repairs is more stable throughout the economic cycles than demand for new vehicles, since a haulier can choose to defer new investments but cannot avoid repairs and service to the same extent. Lower economic activity adversely affected service demand in Southern Europe.

Service demand was good during the year in many markets outside Europe. This growth was due to the fact that in recent years, Scania has increased its vehicle deliveries in many emerging markets in Asia and Latin America. Scania has also expanded its service capacity in these markets.





25 April. Scania will deliver 231 city buses to the Chilean capital, Santiago. This means that Scania buses will now be part of the Transantiago integrated public transport system, which connects the city's bus lines and the metro network.

29 August. Scania signed a SEK 1.5 billion contract with Peab, a long-term agreement that will ensure safe road transportation of iron ore concentrate until the end of 2021 from the ore-mining operation at Pajala in far northern Sweden. Scania will deliver a total of about 400 complete truck and trailer combinations and service-related products tailored to the mining industry's very strict demands in respect of load capacity, uptime and delivery precision.

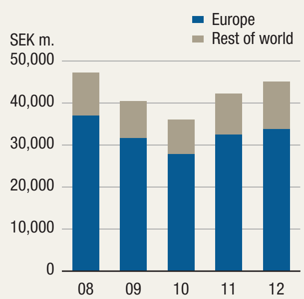
Financial Services

The customer financing portfolio increased by SEK 2.8 billion to SEK 45.0 billion during the year, and Scania's share of financed vehicles rose. Most of the portfolio consists of customers in European markets. The financing portfolio is well-diversified in terms of geography and types of customers as well as their size, economic sector and vehicle applications. Scania lowers its risk by means of a conservative credit policy and a refinancing profile that matches borrowing to lending.

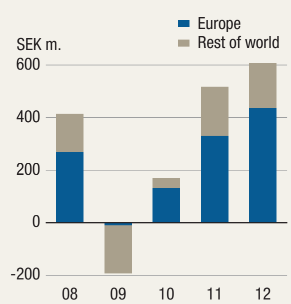
Close collaboration between Financial Services and Scania's sales organisation is one important reason behind the expansion of Scania's financing portfolio. This collaboration allows both operations to utilise each other's knowledge about customers and their businesses. Experience shows that brand loyalty is higher among customers that have financing, insurance and maintenance contracts with Scania.

Access to credit is important to demand, since customers normally finance their vehicle investment either through the manufacturer or via banks and other financial institutions. Scania's strategy of building long-term relationships with its customers leads to business opportunities during times of economic uncertainty, when banks adopt a more restrictive attitude towards vehicle financing. A good knowledge of customers' industries enables Financial Services to make better assessments than banks of a customer's economic position and earning capacity, opening the way to higher financing volume. Scania's market penetration rate thus increases when access to credit from banks and other financial institutions decreases. In the case of investments in buses and coaches, which often use public procurement, demand is affected by the scope for economic stimulus measures in a given market. Tight public finances increase the demand for an external financing solution. During 2012 bus and coach manufacturers were asked to provide financing solutions for major bus and coach procurements.

PORTFOLIO SIZE



OPERATING INCOME



DIVERSIFIED FINANCING PORTFOLIO

Customer category	Number of customers	% of total portfolio value
Exposure below SEK 15 m.	25,277	69.5
Exposure SEK 15–50 m.	306	14.1
Exposure above SEK 50 m.	78	16.4
Total	**25,661**	**100**

There are 306 customers with a credit exposure between SEK 15 to 50 m., and 78 customers have a credit exposure exceeding SEK 50 m.


SCANIA

Focus on increased flexibility

Because of the unstable global economic situation, there was hesitancy among customers about investing in vehicles, especially in Europe. As a result, Scania's production volume was 20 percent lower during 2012 than in 2011. Meanwhile Scania is carrying out investments in order to increase long-term production capacity so it can boost volume when demand rebounds.

An adjustment to lower demand was implemented during the final months of 2011. Demand trends during 2012 varied in different regions. Demand in Europe and the Middle East weakened late in 2012, while Latin America ended the year very strongly.

Large-scale public subsidies were introduced in Brazil and Argentina in September in order to stimulate demand for trucks.

Through its common global production network, Scania can allocate production to achieve optimal capacity utilisation at its production units in Europe and in Latin America. For example, orders from markets in Africa and the Middle East can be allocated either to the European or to the Latin American production units, in order to balance capacity utilisation levels. Besides a common production network, Scania has additional flexibility because of its high proportion of flexible costs. About 70 percent of a chassis' production cost consists of direct materials from suppliers.

Scania also has good flexibility to rapidly adjust its operations to changes in demand. In European production operations, flexibility is maintained by using personnel from staffing companies, for example. Late in 2012, Scania decided to adjust its European production in response to lower demand. This adjustment was handled within the framework of existing flexibility agreements.

Increase in capacity

Flexibility needs to be further strengthened in the future when Scania expands its capacity. Among other things, the proportion of personnel employed through staffing companies may be increased. During the year, the company initiated an investment programme that will increase production capacity by 20 percent. Technical production capacity will be increased from about 100,000 vehicles annually at present to 120,000 vehicles annually during the coming years. Capital spending to achieve this will be some SEK 1.5 billion. By the next peak in demand, Scania will have enough production capacity to deliver 150,000 vehicles annually. This increase in capacity can be achieved through limited investments at existing production units.

In several emerging markets, Scania is also investing in regional product centres for assembling, bodyworking and fitting out locally adapted vehicles.

The development of SPS is continuing

The Scania Production System (SPS) engages the employees in implementing continuous improvements and eliminating waste at all Scania production units around the world.

During 2012, efforts to develop SPS remained a high priority. Further steps were taken towards more efficient production, with zero deviations and accidents. To achieve this, Scania is introducing a "5+1" organisation, in which employees work in small teams and the number of assembly points or positions is limited in order to create the right conditions to work in even more standardised ways.

The new organisation creates greater potential for examining work in depth, genuinely determining the root causes of deviations and thereby minimising the risk that they will be repeated. This makes improvement efforts very efficient, thus further increasing quality.

Focusing on employees

Ensuring that all employees, regardless of their form of employment, feel dedicated and interested in their work is an important task for managers at all levels of the organisation. Questions relating to well-being, working environment, safety and health have high priority. Regardless of what work they do, or where they are in the world, people who work at Scania need to feel job satisfaction and a sense of well-being.

Production employees with an employer other than Scania, have the same training opportunities as Scania's own employees. When gaps arise, employees of staffing companies are first to be offered permanent employment.

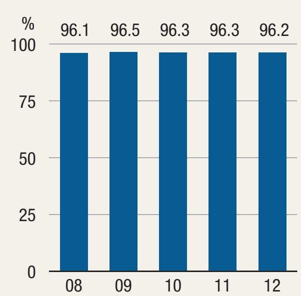
Scania changed its management philosophy in the early 1990s, taking steps to increase the dedication and sense of participation among employees. Since then, healthy attendance among production employees has improved and employee turnover has decreased from the very high levels of the past. This is an important reason why Scania has been able to substantially increase its productivity in terms of the number of vehicles produced per employee.

NUMBER OF EMPLOYEES* 2012

Södertälje	10,595
São Paulo	3,453
Oskarshamn	1,559
Zwolle	1,776
Słupsk	569
Angers	550
Tucumán	544
Luleå	506

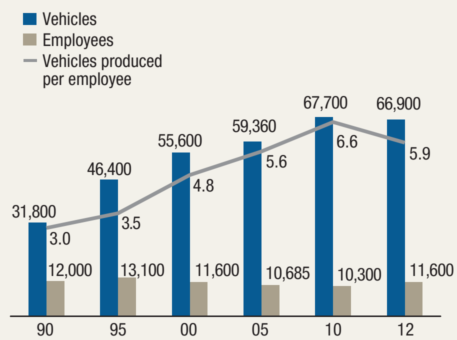
* Refers to the total number of employees at Scania's production units.

HEALTHY ATTENDANCE PRODUCTION UNITS



Global healthy attendance among employees at Scania's production units remained at the same level as in 2011.

NUMBER OF VEHICLES PRODUCED PER EMPLOYEE



Productivity remained at a good level, with 5.9 units produced per employee in 2012. Scania's day-to-day efforts to achieve continuous improvements partly offset the negative impact of a significantly lower production volume.


G 420


Scania Transportlaboratorium AB
Bio-ethanol ED95
SCANIA
P 270
DHB 058
ETHANOL · ED 95

Future technologies and development with a focus on customer benefit

The aim of Scania's research and development is to improve productivity and profitability in customer operations based on low fuel consumption, high uptime and low service costs combined with good performance. At the Scania Technical Centre in Södertälje, Sweden, engineers are working on developing new technologies and creating new concepts for future sustainable transport systems that take account of the environment and use of resources.

Scania is constantly increasing its knowledge of customers' situations and working methods in order to offer products with exactly the right properties and performance for each customer and application. Research and development is concentrated in Södertälje, Sweden, where co-location of resources for all Scania products and services generates synergies that encompass the entire product development chain.

To further improve their knowledge of customer operations, Scania's development engineers increasingly work out in the field, in close proximity to customers and products. By working closely with customers in their day-to-day operations, Scania can develop products that meet the needs of the various markets as well as individual customers logistics. This involves gathering geographical information, for instance how climate and topography affect customer working methods, but also information on applications where Scania's products and services face new demands in terms of functionality, stress, driving distances and capacity utilisation.

Increased knowledge leads to new services

Scania's own haulage company, Scania Transportlaboratorium AB (the Transport Lab), carries out commercial road haulage. Meanwhile it works to verify vehicle properties and performance in trucks and buses during actual operation, but also to test various driver support systems. The Transport Lab provides Scania with experience from all aspects of a transport company's operations, thereby gathering valuable knowledge for future customers and markets. These findings result in new services that support drivers in their day-to-day work when it comes to safety, profitability, efficiency and environment.

This ensures that only well-tested components reach the customer and helps Scania to always remain at the cutting edge in applying new technologies. Delivering quality is more that just a promise to the customer; it is something that is embodied in the day-to-day work of Scania engineers.

Leading engine technology – low fuel consumption

In the European Union, the new Euro 6 emission standard goes into effect at the end of 2013. As early as 2011, Scania was one of the first suppliers in the market to introduce engines satisfying this standard, which drastically reduces emission levels. For instance, the permitted nitrogen oxide and particulate emissions are about one fifth those of Euro 5, the previous emission standard. Particulates are also counted, which means that in practice, emissions are about one sixth those of Euro 5. During 2012, Scania launched a number of new engine variants and now offers the broadest range of Euro 6 solutions in the market.

There is demand for Euro 6 trucks even today, driven by factors such as various subsidies and reduced road tolls, as well as by an ambition among some hauliers to be at the forefront in environmental technology. By combining exhaust gas recirculation (EGR) and selective catalytic reduction (SCR) technologies, Scania's engines can meet the Euro 6 standard while maintaining fuel consumption at the same low level as equivalent Euro 5 vehicles. Scania has also launched engines that use only SCR technology, which meet the Euro 6 emission standard. By offering Euro 6 vehicles at an early stage, Scania already has extensive experience, providing the basis for developing new performance steps and for introducing the second generation of Euro 6 engines.

Scania's strategy involves offering customers powerful vehicles with lower fuel consumption and lower carbon dioxide emissions, here and now. For many years the company has offered the market's broadest range of engines that run on alternative fuels such as compressed natural gas (CNG), biogas, ethanol and biodiesel, providing an immediate reduction in greenhouse gas emissions. Scania is also developing Euro 6 solutions for these fuels, including Euro 6 engines that can be run on fuel with a high biodiesel content.

Outside Europe, Scania's customers are demanding Euro 3, Euro 4 and Euro 5 engines, due to disparities in environmental legislation. There are also special emission standards for industrial and marine engines that Scania supplies to original equipment manufacturers (OEMs).

Reducing fuel consumption always in focus

Reducing fuel consumption, and thereby lowering customer fuel costs, goes hand in hand with lower carbon dioxide emissions. Thus reduced fuel consumption is the focus of Scania's continuous improvement efforts. Besides optimising engine technology, vehicle performance is a key factor for customers when deciding to buy a Scania vehicle. Examples of optimisations:

- Reduced air resistance and better aerodynamics
- Lower friction and losses in the powertrain
- Reduced "thermodynamic" losses
- Driver support systems

In addition, Scania has developed Scania Active Prediction, an advanced support system that uses topographical data about a stretch of road to optimise vehicle cruising speed, thus achieving the best possible fuel consumption. Scania Driver Support, which was introduced in 2009, provides real-time feedback on driving style and also helps the driver maintain good vehicle operating techniques. Good driving skills can reduce overall fuel consumption by up to 10 percent.

More uptime through connected vehicles

Today's trucks are increasingly connected to the customer's office systems via the Internet, opening up possibilities for a host of new services that support the customer's operations. The Scania Fleet Management system gives the customer access to data about how the vehicle is being driven. This interface allows vehicles to communicate the status of the engine, gearbox, brakes and other important systems to the customer and to the Scania organisation. The customer and workshop can thus plan maintenance and service much more flexibly and according to need, instead of using traditional standardised service intervals.

Thanks to the connection, remote diagnostics can also be performed on a vehicle before a workshop visit or if something happens when driving. This technology evaluates oil quality and other parameters based on how the vehicle has been actually used, for example facilitating preventive maintenance. Components that are starting to wear out can consequently be serviced or replaced in order to minimise unplanned downtime.

Lowering carbon dioxide emissions

Besides the internal combustion engine, the demand for vehicles with hybrid technology, start-stop systems etc. will grow – initially in applications such as distribution trucks and city buses. This technology combines

CONTINUOUS IMPROVEMENTS

2007

A new generation of engines was introduced ahead of the transition to Euro 5. Thanks to Scania XPI, an extremely high pressure fuel-injection system, Scania's EGR technology could be employed and manufactured to meet the Euro 5 standard without exhaust gas aftertreatment. Scania XPI was developed in collaboration with Cummins. The new engine generation that was subsequently developed provided the foundation for Scania's Euro 6 engines.

2009

Launch of new G- and R-series trucks. The cab range was improved, among other things by adapting cooling capacity to meet the Euro 6 standard ahead of time. The launch also included numerous improvements in driver comfort, while the pioneering Scania Driver Support system was introduced.

2010

A new series of V8 trucks was launched. Thus all the technology was in place for the transition to Euro 6. The top-of-the-line 730 hp, 3,500 Nm version set a new standard in the heaviest and most demanding segment.

an internal combustion engine with an electric motor and a system for recycling and storing energy.

Interesting research related to electrified roads is under way in Sweden. One example is Scania's cooperation with Swerock, which will evaluate the potential for electrically powered trucks in far northern Sweden. These trucks will haul iron ore round-the-clock from Pajala to Svappavaara for reloading on to a railway that will carry it to a port on the Atlantic coast of Norway.

Scania is examining solutions where vehicles obtain their power supply from the roadway through induction or some other technique. Such a solution is more flexible than power supplied by overhead cables, since all types of vehicles can utilise the system and thus share the large investment cost to rebuild the road network. In this field, too, different solutions will be required in different markets, since the electrical infrastructure for transport services is being developed at different rates.

Scania's advanced vehicle development work is constantly generating new ideas and concepts, as illustrated by the large number of new patents granted to the company every year.

Out where the action is

A good understanding of customer operations is a guiding principle of Scania's research and development work. Thus employees are increasingly leaving their offices at the Scania Technical Centre in Södertälje to work out in the field. Scania has two main goals in relocating development personnel – first, to ensure that development work concentrates on products requested by the market and second, to strengthen employee competency.

Jörgen Andersson, development engineer.

Concentrating on new markets

Half of Scania's products are sold outside Europe. Scania thus strives for a strategic employee presence in order to gather knowledge from both mature and new markets. Today some 10 development engineers are present at locations around the world. Germany, Italy, Latin America, Singapore, Malaysia, India, Indonesia and China are examples.

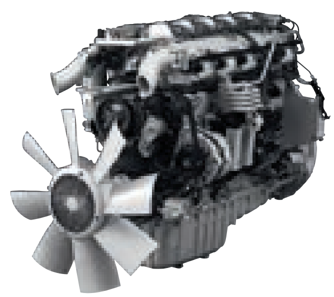
Amid the customer's operations

Jörgen Andersson was a Product Development Manager stationed in India. He spent much of his working day in dialogue with both customers and drivers. He explains: "In order to meet customer needs, we must first understand the customer's operations: What type of goods will be transported? How much will the vehicle be used? How often will maintenance be needed? By obtaining greater insight into customers' day-to-day operations, Scania can develop the right products and services."

Among other things, this involves gaining a better knowledge of geographical conditions – for example, the impact of climate and topography. Another important aspect is the needs of new customer segments, where Scania's products meet new requirements in terms of stress, driving distances and capacity utilisation.

2011

By combining EGR and SCR technologies, Scania became one of the first manufacturers to unveil trucks that met the Euro 6 emission standard. The advanced GPS-based cruise control system Scania Active Prediction was launched.



2012

Scania launched new performance steps in its Euro 6 engine range for trucks and buses. The range now also includes gas engines, an ethanol engine in the pipeline and a number of engines that meet the Euro 6 standard solely based on Scania's SCR aftertreatment technology.

2013

Scania Streamline was launched, featuring refined aerodynamics and powertrain improvements that lower fuel consumption by up to 8 percent. A large share of the saving stems from improvements to the Scania Opticruise automated gearchanging system and full integration of the advanced GPS-controlled Scania Active Prediction cruise control system.

Ecolution by Scania – a comprehensive solution that reduces costs and emissions

Ecolution by Scania is a comprehensive solution that uses a dialogue with the customer – based on the customer's needs – to optimise vehicles and services. Scania can thereby actively contribute to the customer's operating economy and sustainability work throughout the service life of a vehicle.

Ecolution by Scania is based on an active partnership between the customer and Scania, where Scania must understand the customer's operations and challenges, and the customer must understand what Scania can offer in order to achieve the intended effects.

To enable Scania to offer a customised solution, the company analyses a number of factors – for example, what transport services does the customer perform, and in what regions does the customer operate? Capacity utilisation, fuel consumption, servicing and maintenance needs and other parameters affecting fuel consumption and carbon dioxide emissions are also examined.

Based on this analysis, the customer and Scania set a target for how much fuel consumption should be reduced. Systematic improvements are subsequently implemented in four areas:

An optimised vehicle. Fuel consumption can be lowered by around ten percent, by enhancing the vehicle's aerodynamic properties with spoilers and sideskirts, optimising the vehicle's powertrain, using optimal tyres and installing driver support tools such as Scania Opticruise automated gearchanging and the Scania Active Prediction advanced cruise control system.

Maintenance. Through upgrading to the Maintenance+ servicing and maintenance programme, the customer can ensure that the reduction in fuel consumption will continue.

Driver training and coaching. By training the customers' drivers in fuel-efficient driving techniques, combined with monthly follow-ups focusing on driving style and fuel consumption, Scania can help lower fuel consumption by about ten percent. The customer receives a monthly report per vehicle showing target fulfilment.

Biofuel. By adapting vehicles to run on biofuels – such as biogas, ethanol and biodiesel – net carbon dioxide emissions can be further reduced by 90 percent or more, depending on the fuel and its origin.

A new way of thinking

Ecolution by Scania introduces a partially new concept, in which Scania is selling a result and a comprehensive solution rather than vehicles and services. The concept is based on Scania getting even closer to its customers and being dedicated all the way to their businesses – from specifying the best adapted vehicle to providing the best servicing and support in their day-to-day transport work.

Thanks to Ecolution by Scania, the company has substantially strengthened its ability to offer customers cost-effective and sustainable transport solutions. This will also enable Scania to increase its market shares in service sales and strengthen customer loyalty.



The driver's skill is crucial for optimal fuel consumption. Driver training is essential in order to ensure that a vehicle is being operated correctly. Scania's customised Maintenance+ service package ensures that the products retain their favourable fuel and environmental performance.

People and collaboration drive sustainability efforts

Scania takes environmental, social and financial responsibility throughout the organisation and all along the company's value chain. It is a matter of behaving proactively, ensuring that Scania's working methods reflect future needs and helping persuade customers, employees, suppliers and other stakeholders to make more sustainable choices. A long-term approach is required in order to create enduring value.

Scania's Sustainability Report for 2012 is available on www.scania.com/sustainability. It follows the guidelines of the Global Reporting Initiative (GRI) on sustainability reporting. The website also includes sustainability-related material not published in the Annual Report.

One of Scania's leadership principles is to think long-term and act now. Scania is continually developing working methods and products to minimise environmental impact throughout the value chain and promote sustainable transport solutions. This is why most of the company's development spending goes to sustainability-related areas: logistics optimisation, safety, driving techniques, intelligent vehicles, alternative fuels and improved engine efficiency. Scania is also playing a part in the shift towards sustainable transport systems by helping customers to make more sustainable choices. It is also a matter of developing better buses and bus traffic systems that get more people to choose riding the bus instead of driving their car.

Scania collaborates with players throughout the value chain in order to generate value for Scania, its customers and society at large.

Ability to focus

Scania focuses its sustainability work on the areas that are most relevant for its operations. The company continually monitors current trends and evaluates sustainability risks as well as the opportunities to get involved in issues related to climate change, limited natural resources, urbanisation, legislation and growing emerging markets. On the basis of these issues, Scania has chosen to focus on four key areas: customer satisfaction, sustainable transport solutions, the individual and society, as well as the environment.

Customer satisfaction

Scania focuses on the customer. The greatest environmental impact arises when customers use their vehicles. Scania works to understand customer needs and to continually develop new products and services that minimise environmental impact while increasing productivity, efficiency and safety. For example, the company has developed the Ecolution by Scania concept in order to support its customers' sustainability efforts. Ecolution by Scania enables customers to reduce their fuel consumption, costs and carbon dioxide emissions.

Sustainable transport solutions

Scania sees major business opportunities in pioneering the development of vehicles for sustainable transport services. Significantly reducing emissions and noise and helping reduce traffic congestion are major challenges and important ways to contribute to the development of society. Scania believes it is possible to halve emissions of carbon dioxide per transported tonne between the year 2000 and 2020. To make this possible, a combination of several measures is required. These include more efficient engines, better transport planning, better maintenance routines, better aerodynamic properties and smarter driving techniques.

Biofuels are also an important part of the solution for reducing emissions and Scania is working actively to promote the use of biofuels in heavy haulage services. One of the driving forces behind the increased demand for sustainable transport solutions is urbanisation. Scania can contribute to efficient urban transport, thereby reducing congestion and environmental impact, through the Bus Systems by Scania concept.

People and communities

By valuing dedication and encouraging personal responsibility among all employees, Scania shows respect for the individual. This is a cornerstone of its corporate culture and way of working. Scania has a coordinated safety, health and environment (SHE) standard and human resource policies that encourage employee involvement. All employees are responsible for ensuring that Scania's values are observed, that standards are followed and that working methods are continuously improved.

Scania needs to have highly skilled personnel in order to compete in the global marketplace. This is why the company makes a major effort to find employees with the right competencies and to offer them professional development opportunities.

Gender equality and ensuring a long-term supply of expertise are important challenges for Scania's continued development. The company is thus participating in the gender equality initiative "Battle of the Numbers". Scania's goals are to ensure that recruitment takes place from the entire available talent pool, that women will want to stay and undergo professional development in the company and that more women will choose Scania as an employer.

In 2012, Scania undertook to support the ten principles of the United Nations Global Compact with respect to human rights, labour, environment and anti-corruption. For Scania, this is a way of expressing its support for internationally recognised principles of sound business practices and of adopting clear, simple principles that can be communicated and applied throughout the company. Scania will continue to observe the OECD Guidelines for Multinational Enterprises, but the ten principles in the UN Global Compact are the instrument that will be promoted both internally and externally. As part of its sustainability work, the company makes continuous efforts to ensure good business ethics. Scania representatives shall never participate in corruption, unethical business transactions or violations of human rights. During the year, Scania produced a guide entitled "Doing things right" and a plan for further strengthening its efforts to inform managers and employees about its standards and expectations related to business ethics.

THE GLOBAL COMPACT

WE SUPPORT

The Global Compact. Scania is committed to supporting the ten universally accepted principles of the United Nations Global Compact concerning human rights, labour relations, environment and anti-corruption.

20 November. Scania is participating in the "Battle of the Numbers" (BON) initiative, in which 10 of Sweden's largest companies have joined forces to boost the share of women in operational management positions.

The environment

Scania's environmental policy document prescribes that the company shall work proactively as regards environmental impact, based on a life cycle perspective and the principle of precaution. An integrated global production network ensures that the same high standards apply throughout the world. Scania's global service network ensures that products maintain optimal environmental performance during their service life.

Remaining one step ahead in its environmental work and in relation to new environmental legislation is a key to Scania's success. Besides conducting pioneering work in combustion technology and renewable fuels, Scania ensures that it own operations are as efficient and clean as possible.

Scania's safety, health and environment standard describes the common goals, working methods, key areas and plans used by the company to manage these issues. The standard clarifies and defines working methods and targets in 16 key areas and encourages each unit to continually improve its methods.

This environmental work is integrated in day-to-day continuous improvement efforts. Together with health and safety, it is the most highly prioritised area in Scania's management system. Scania is constantly reducing its emissions into air and discharges into waterways in relation to production volume and is also working to replace environmentally hazardous substances. Production units and service workshops are continually evaluated in order to identify best practices and areas for improvement.

Moving goods and people while influencing attitudes

Industry and trade as well as increasing urbanisation are generating a growing need for goods transport services and efficient human mobility. Carbon dioxide emissions from road transport are thus increasing, despite more and more fuel-efficient engines. Heavy transport services account for about a quarter of the EU's carbon dioxide emissions from road transport and six percent of total EU emissions. Scania is deeply involved in these issues and aims to be the leading heavy vehicle manufacturer in the shift towards a sustainable transport system. Aside from environmental benefits, this process also implies significant business opportunities.

For Scania, there are major business opportunities in sustainable transport solutions. By offering its customers vehicles that are produced efficiently, are cost-effective and minimise energy consumption and emissions during operation, are safe for operators and can be largely recycled at the end of their service lives, Scania can achieve major competitive advantages.

According to economic growth forecasts, by 2030 the global population of heavy and light road transport vehicles is expected to increase by 60 percent. Over three quarters of this growth is expected to occur in countries outside the OECD. The increased demand for transport of goods and people cannot be met in the same way as it has to date.

Scania's challenge is to decouple increased road transport from higher emissions of diesel exhaust gases and carbon dioxide. From a vehicle manufacturer's perspective, this will mainly occur by reducing the environment-impacting effects of vehicles and engines and using less carbon-intensive energy sources for propulsion.

Scania is a leader when it comes to low emissions by being the first in the market to offer a broad range of Euro 6 engines that can run on renewable fuels. All commercially available biofuels can be used in vehicles from Scania.

But in itself, the best engine technology is not enough to meet the challenge. Technical safety and driver support systems as well as driver training are also crucial to safer and more economical transport.

Scania's vision for the climate challenge

The single most important challenge is to reduce carbon dioxide emissions from the transport sector. Through a combination of measures in logistics, driver training, automotive engineering and biofuels, it is fully possible by 2020 to halve emissions per unit of transport work from their level in 2000. Achieving this target will require input from players all along the transport chain, including Scania's customers and its customers' customers. Legislators and public authorities must also contribute.

Ensuring more drastic reductions in overall emissions will require extensive streamlining of the transport system, combined with sharply increased use of sustainably produced renewable energy.

Scania's contribution

Today Scania increasingly works as a partner in a larger logistics flow. By not only working with customers but also with other players, Scania gains a better understanding of how value is created throughout the chain. Scania can thereby help to optimise and streamline the entire flow. Establishing close collaboration with various players along the value chain for transport solutions is just as important as working with renewable fuels and more efficient technology.

Alternative fuels

By adapting trucks and buses to run on biofuels, net carbon dioxide emissions can be reduced considerably, provided that the fuel is sustainably produced and has low climate impact. Ethanol, biodiesel and biogas are fuels that are attracting more and more attention, both in mature markets and at the global level.

Due to political uncertainty in the European Union about the regulation of biofuels, there is a risk that biofuel use in Europe will remain at current relatively low levels for some time to come. However, Scania regards biofuel that is produced according to strict sustainability criteria as an important element of the solution for reducing carbon dioxide emissions. This was also one theme at Scania's recurrent Transport Conference on sustainable transport solutions held in Brussels in November 2012. Scania is convinced that in the long term, the shift towards more biofuels will accelerate due to the development of new production methods, diversification of the raw material base and greater insights into agricultural production conditions.

Road safety

Scania's road safety efforts focus on preventing accidents. Guidance and coaching of drivers is an effective way to improve their skills and safety awareness. Various technical support systems, such as Scania Driver Support, sophisticated brakes, automatic stability sensors and camera units help improve safety further.

Optimised traffic flows

There are major benefits from introducing comprehensive package solutions for reducing carbon dioxide emissions. One example is Bus Rapid Transit (BRT), a public transport system using dedicated bus lanes and streamlined boarding and disembarkation. BRT enables traffic flows to be optimised, and if the buses are powered by biofuels, net carbon dioxide emissions are reduced further.

For Scania, one important source of knowledge concerning transport flows is Scania Transportlaboratorium AB (the Transport Lab) – a Scania-owned haulage company that transports goods between Scania's facilities in Södertälje, Sweden and Zwolle, the Netherlands. The Transport Lab also handles internal transport of components between production facilities in Södertälje and operates a bus service between central Stockholm and Scania in Södertälje.

The Transport Lab increases Scania's understanding of customer needs and challenges. Its working methods have shown that the vision of halving carbon dioxide emissions per transported tonne between 2000 and 2020 is achievable.

Efficient vehicle combinations

Scania also supports allowing longer, more efficient vehicle combinations. In this way, it would be possible to substantially increase the cargo capacity of each vehicle, which would reduce environmental impact. Scania is also developing and testing other solutions such as platooning (convoy driving), where trucks drive closely behind each other to reduce air resistance. Trials are also under way using electric lines integrated in the roadway to supply vehicles with energy. This can drastically reduce carbon dioxide emissions, provided that electricity from renewable production is used.

Decoupling transport growth from carbon dioxide emissions

Decoupling the increase in transport services from carbon dioxide emissions requires a holistic view. Decision-makers in various markets are introducing legislation to reduce fuel consumption and carbon dioxide emissions. The European Commission is working on a strategy to reduce carbon dioxide emissions from heavy vehicles.

The challenge is to ensure that such legislation is based on relevant and effective methodology, so that emissions are related to transport work done rather than driving distances. Scania and the transport industry generally would like to see market-driven legislation, with manufacturers competing on the basis of fuel consumption rather than static limits.

Boat tail reduces fuel consumption

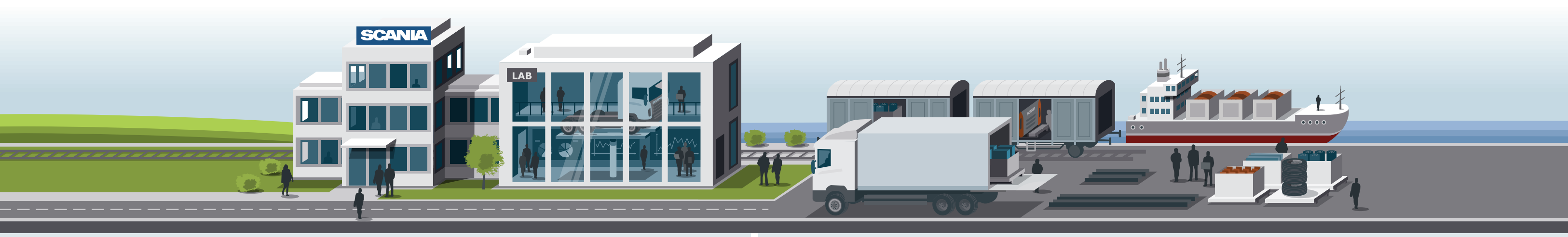
A rear air deflector, or "boat tail", can help reduce fuel consumption and thus carbon dioxide emissions from commercial vehicles. The potential saving depends on the length of the boat tail.

Scania's Transport Lab carries out haulage between Södertälje, Sweden and Zwolle, the Netherlands using trucks with a boat tail that is 30 centimetres long. This makes it possible to reduce carbon dioxide emissions by about two percent.

Using a boat tail that is one metre long, it is possible to reduce emissions of carbon dioxide by around five percent. Various countries currently require a special permit to allow operators to use a boat tail on their roads.

Collaboration throughout the value chain

Scania is a global company with an increasing proportion of its operations in countries outside of Europe. This leads to new sustainability challenges and risks that will require new solutions and approaches. In order to manage these challenges and achieve a maximum impact from its efforts, Scania needs close partnership and collaboration with other players throughout the value chain. Scania is thus developing its sustainability work together with suppliers, customers, public authorities and other players.



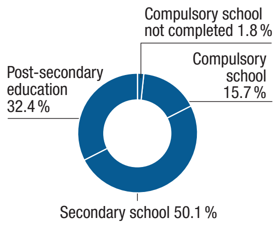
Research and development

Scania invests more than half its development budget in improving the environmental performance of its products. Scania is in the forefront when it comes to innovations ranging from use of renewable fuels to new products, support systems and services that help drivers to reduce carbon dioxide emissions and improve road safety. Research and development work improves all elements of vehicle technology – from better fuels efficiency to better aerodynamics and hybrid solutions.

During 2012:

- Scania signed a letter of intent with the Swedish Transport Administration to support a test installation for electrified ore transport trucks in Pajala, northern Sweden. The concept combines batteries, electric motor and combustion engine systems with transmission of electricity to the vehicle.
- Scania launched Euro 6 engines that run on biogas.
- Scania adopted a Technology Roadmap that connects its R&D portfolio to global transport scenarios in 2030.
- Scania and the Royal Institute of Technology (KTH) in Stockholm deepened their cooperation during 2012 and are working towards the goals set in the letter of intent they signed in 2011. One important aim of this cooperation is to ensure that there is an adequate supply of advanced expertise in order to develop the transport solutions of the future.

EDUCATIONAL LEVEL



Scania employees worldwide have a high level of education.

Suppliers

A large part of the environmental impact caused by Scania's products is carbon dioxide emissions during production of steel and iron and from transport services in the supply chain.

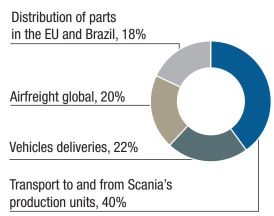
To reduce the environmental impact of transport services, Scania includes such criteria as engine type, fuel type and fuel consumption in its assessment of both current and new transport service suppliers.

When Scania procures and develops components together with its suppliers, environmental and social aspects are becoming increasingly important. Among other things, today suppliers are required to meet the ISO 14001 environmental management standard and the OECD Guidelines for Multinational Enterprises. The environment and human rights are part of the evaluation of new suppliers and are also examined during audits of current suppliers.

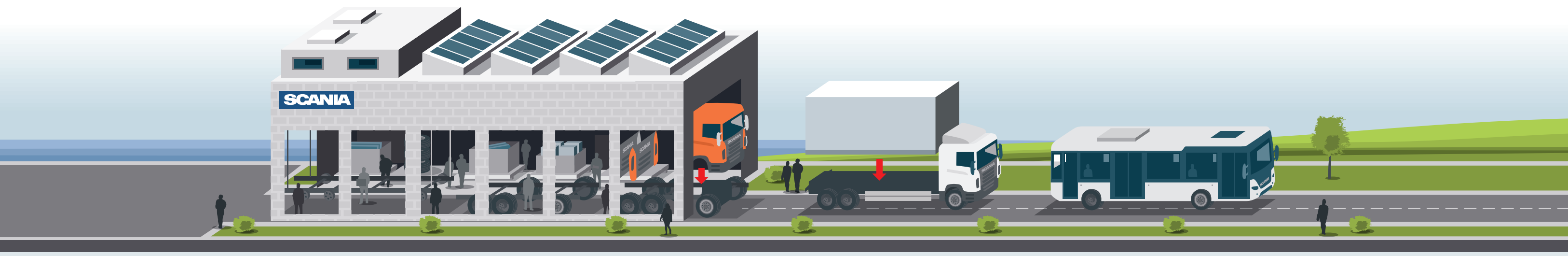
During 2012:

- In one of its major transport flows, Scania has begun to perform haulage that employs "platooning" (convoy driving), in which trucks remain close behind each other in order to reduce air resistance and thereby lower fuel consumption and emissions.
- One task in the annually recurring "Scania Business Challenge", an activity for young employees in the company, was to examine how the company can further improve its sustainability work in the supply chain.

CARBON DIOXIDE FROM GOODS TRANSPORT



In 2012, Scania's goods transport-related emissions totalled 192,000 tonnes.



Production

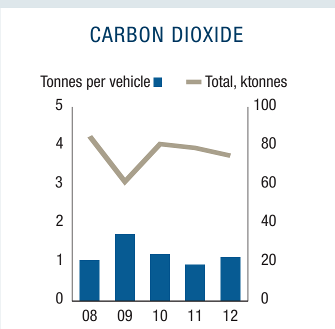
The goals of reducing environmental impact and ensuring a good working environment permeate Scania's entire production network. The Scania Production System (SPS) includes prioritised processes that support this work. Scania endeavours to continuously reduce its use of energy, water and chemicals as well as to reduce its emissions into air and discharges into waterways in all production processes.

The greatest potential to reduce greenhouse gas emissions lies with energy usage. All production units thus set targets and action plans for energy efficiency.

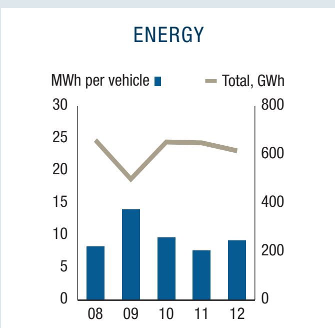
Employee commitment and health are key factors in achieving sustainability targets. All managers and employees at production units are involved in improving working methods. In this way, Scania has been able to reduce employee turnover and improve healthy attendance in the long run, while increasing its production and reducing the use of energy, water and chemicals.

During 2012:

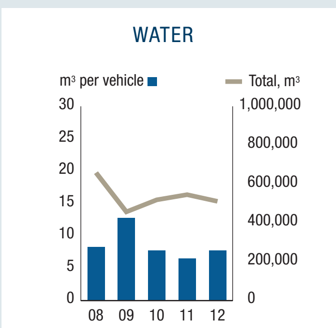
- Efforts to implement Scania's global standard for safety, health and environment (SHE) continued. The SHE standard ensures that sustainability work receives the same priority throughout the production organisation and uses the Scania Blue Rating system to follow up this standard.
- Scania established an Energy Forum, where employees from various parts of the company participate in order to discuss and develop new strategies and methods for reducing energy consumption and carbon dioxide emissions.
- Scania implemented a project to study how the company can streamline transport services to – and material supply within – its production units, thereby reducing fuel consumption and emissions. One important element was to increase the load factor and select the right type of transport.



Total carbon dioxide emissions decreased due to lower production volume. Emissions per vehicle produced increased to 1.13 tonnes.



Energy use per vehicle produced increased due to lower production volume and amounts to 9.2 MWh per vehicle produced.



The trend towards a reduction in water use per vehicle produced levelled out, due to lower production volume.

Operation

More than 90 percent of emissions from Scania's vehicles and engines occur when the products are being used. Production of a Scania truck generates more than one tonne of carbon dioxide. Component and vehicle delivery create another one tonne, and during its first year (driving 200,000 km) it emits approximately 170 tonnes.

Scania therefore prioritises developing new products and services that help customers reduce environmental impact and boost safety while at the same time reducing costs.

Great importance is also attached to driver health and safety, for example, through the Scania Driver Care programme.

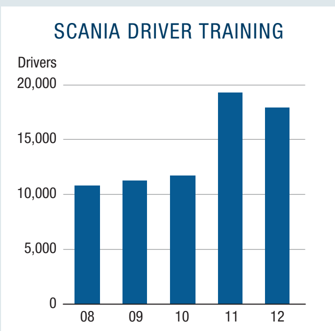
Sustainable mobility

Scania wants to give people the opportunity to leave their car at home and take the bus instead. Most carbon dioxide emissions in connection with passenger transport services by road – almost 95 percent in the EU – come from passenger cars and motorcycles. Cleaner public transport systems reduce environmental impact.

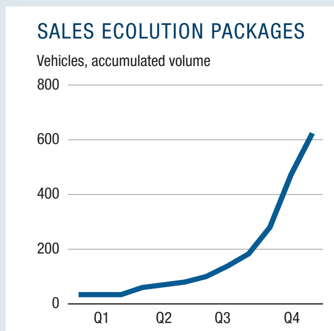
In Bus Rapid Transit (BRT) systems, buses operate in dedicated lanes on existing roads and can achieve very high frequency of service and accessibility.

During 2012:

- Through training and support tools, Scania has certified 15 markets to sell the Ecolution by Scania concept. This certification process will continue during 2013 and into the future.
- At Scania's Transport Conference 2012, sustainable transport development was discussed. More efficient transport, vehicles and skilled drivers in combination with biofuels have the greatest potential to reduce carbon dioxide emissions from heavy transport.
- The Scania Driver Competitions were organised for the sixth time. This is a global Scania initiative for highlighting the importance of responsible, safe and environmental sound driving. Scania also wants to help attract more young people to the driving profession. About 70,000 drivers participated in the year's competition.
- Scania sold buses to BRT systems in Colombia, Chile, Ecuador and Brazil, among other countries.
- Scania started a bus service between Stockholm and Scania in Södertälje for the company's Stockholm-based commuters in order to learn more about how people perceive Scania's solutions.



During 2012, some 17,900 drivers in various markets underwent driver training.



In 2012, Scania started certifying markets to sell Ecolution by Scania packages. Sales increased substanitally in the year as markets were certified. In 2012, 624 Ecolution by Scania packages were sold compared to fewer than 50 in 2011.

ILLUSTRATION: KJELL THORSSON

Service

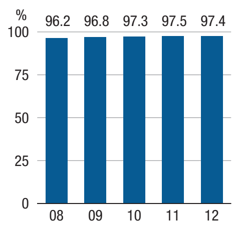
Scania's service network consists of more than 1,600 service points. In this network, the environmental and health perspective is integrated into efforts to achieve continuous improvements. All service workshops are continuously evaluated to identify areas for improvement and best practices that can be disseminated in the organisation.

To ensure high reliability and good environmental performance, it is essential that vehicles continually receive maintenance. This is why it is important that Scania can deliver service at the places and times desired by the customer. The expansion of service workshops and mobile service units is therefore very important to the company's sustainability work.

During 2012:

- A training programme in 20 languages was produced in order to train all service units in Scania's global safety, health and environment standard.
- The Swedish Transport Academy was inaugurated in Erbil, northern Iraq. The establishment of the school is a result of close collaboration between Scania, local government, the Swedish business community, international organisations and development agencies. The school serves as an important base for recruitment of the employees that Scania needs in its sales and services operations in Iraq.

HEALTHY ATTENDANCE SALES AND SERVICES



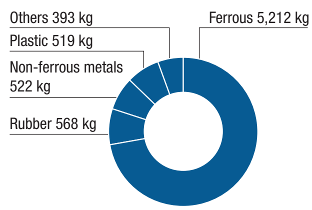
Globally, healthy attendance among employees in Scania's Sales and Services organisation remained at a high level in 2012.

End-of-life treatment

A truck is 95 percent commercially recyclable, and carbon dioxide emissions in this phase are minimal. During recycling of the vehicle, it is mostly glass panes and plastic parts that are sent to landfills.

A truck mainly consists of steel and cast iron – materials with a recovery value that are reused or recycled. Scania's development work includes continuous efforts to reduce the quantity of material that is not recyclable. Waste products are treated so that they can be reused. Scania maintains detailed dismantling manuals for end-of-life treatment.

RAW MATERIALS*



*Refers to an R 420 truck

The R 420 truck is composed of about 7,000 kg of raw materials, distributed as shown in the graph.

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. Various risks may have an adverse impact on Scania with direct effects on business operations and indirectly by having an adverse impact on the company's reputation.

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 and services. 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, performed both internally and 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 61.

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 challenged 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. In addition, truck sales undergo more temporary variations around their long-term growth trend. Demand for service products is less affected by fluctuations in the economic cycle than demand for vehicles.

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. Since vehicles are a capital investment, demand is not only affected by need but also by the availability and cost of capital. 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, introduction or cessation of stimulus measures as well as changed requirements for vehicle specifications. Impositions of sanctions against certain countries may reduce the potential for marketing 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 in the sales and services network

Repair and maintenance contracts comprise one important element of sales and services business and help to generate good capacity utilisation at workshops and greater customer loyalty. These contracts are often connected to predetermined prices. Thus both price and handling risks arise.

One advanced form of business obligation 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 the expertise and ability of its sales and services network in understanding customers' businesses as well as assessing the risks of these obligations.

As a result of repurchase guarantees and trade-ins, the sales and services organisation handles a large volume of used trucks and buses. Prices and sales figures may vary over economic cycles. Due to Scania's high degree of integration into its sales and services network, the company has extensive knowledge in handling these variations.

Sales and services units 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.

Independent dealers may suffer problems that may have an adverse effect on Scania's operations. This may include shortcomings in management and investment capacity or problems related to generational shifts in family businesses. 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. In major markets, dealerships are generally owned by Scania.

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 Continuity Planning Principles, Scania must continuously maintain its preparedness at such a level that the company's ability to maintain delivery assurance to its customers is not 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. The Business Interruption Study identifies, quantifies and manages potential interruption risks. This also includes evaluating alternatives, methods and lead times for resuming normal operations. Based on the results of this work, Scania regularly develops continuity plans adapted to each operating unit, which are part of every manager's responsibilities. Training and drills occur with affected employees and service providers at Scania's production units.

Follow-up occurs by means of monitoring systems, reporting and response procedures. Yearly reports are submitted to Production and Logistics management.

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. Correspondingly, Scania's Blue Rating Environment system is a method for evaluating and developing environmental work as well as improving the company's ability to avoid environmental risks. Recurrent inspections are conducted at all major production units. See also the Sustainability Report, page 40.

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, supplier-dependent risks that may adversely affect the continuity of Scania's production are identified and managed. Yearly reports are submitted to Purchasing management.

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. The Scania Blue Rating Fire Safety system has also been used in order to conduct risk inspections of selected suppliers.

Natural disaster risk

It is hard to predict the occurrence of natural disasters as well as their frequency and scale. For Scania's own operations or suppliers located in geographical regions that are repeatedly affected, or where the risk is deemed higher for other reasons, it is particularly important that natural disaster risk is included both in risk assessment and in the continuity planning process.

Human resource and talent recruitment

For its future success, Scania is dependent on its ability to attract and retain motivated employees with the right expertise for their assignments, in order to ensure that its operations can deliver the required product and service quality. Some of the important risks from a human resource and talent recruitment perspective that may affect deliveries are:

- Insufficient supply of the right expertise
- Inadequate expertise
- Recruitment errors

Scania has structured, well-established working methods for close cooperation with a number of universities and institutes of technology in order to create and recruit cutting-edge expertise as one element of securing good basic technical expertise for the future, Scania has had its own upper secondary school since 1941. In 2012, the school developed and broadened further, together with a new partner, and with the ambition of offering high-quality technical upper secondary school education aimed at vocational or university preparation.

Uniform structures, common and coordinated recruitment methods and tools as well as clearly described job requirements help minimise the risk of recruitment errors. Human resource and talent development occurs 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 as well as by using development dialogues. Targeted actions are implemented as needed.

Information risks

For Scania, it is crucial to handle information in a way that enables operations to share and process information in an efficient and reliable way, both within the company and in collaboration with customers, suppliers and other business partners. The main risks which may affect information management are that:

- Interruptions occur in critical information systems, regardless of cause
- Strategic or other sensitive information is revealed to unauthorised persons
- Strategic or 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 introduction 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. Follow-up occurs by means of both internal monitoring and monitoring performed by third parties.

Sustainability risks

The term "sustainability risks" refers to risks of undesirable consequences related to the environment, health and safety, human rights and business ethics in Scania's business operations. Risk identification and continuity planning are part of every manager's responsibilities and include planning adapted to each operating unit.

Training and drills occur with all affected employees and service providers at Scania's production units. Follow-up occurs by means of monitoring systems, reporting and response procedures.

At its production units around the world, Scania has carried out orientation studies and risk assessments of buildings as well as soil and groundwater contamination.

As needed, supplementary investigations and required actions have been undertaken. This work takes place in close cooperation with local or regional authorities. During 2012, no accidents occurred that caused significant environmental impact or led to major clean-up expenses. All production units have permits that comply with national legislation. In addition to legal requirements and the conditions included in these permits, operations may also be subject to local requirements and rules. In connection with increased production, Scania applies for new permits covering the affected operations. For certain Scania operations, however, recurrent permit assessments are required.

Research and development risks

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

New legislation

The ability to meet coming emission standards in various markets is of great importance for Scania's future. In particular, this relates to the Euro 6 standards which enter into force within the EU at the end of 2013.

Other very important future regulations are legal requirements for reduced passing noise, security-related systems such as the Automatic Emergency Braking System and the Lane Departure Warning System (AEBS/LDWS) and carbon dioxide legislation for heavy vehicles.

To meet new regulations, Scania is utilising its global, modularised product range and is adapting technologies in its future product portfolio.

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.

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 well-reputed 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 sales and services units/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 wide variety of intangible licensing agreements, patents and other intellectual property rights. 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, producer liability, patent infringement or infringements related to other intellectual property or alleged violations of laws and regulations in force. Even if disputes of this kind should be decided in a favourable way without adverse economic consequences, they may adversely affect Scania's reputation. For further information, see Note 2, page 86.

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 57-62). 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 RISKS

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 mainly relate to the areas of transfer pricing and indirect taxes. For further information see Note 2, page 86. None of these cases is deemed capable of resulting in a 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", page 68 and Note 30 on page 117.

Scania share data

The stock market year began strongly in 2012, weakened during the second quarter but recovered during the third quarter, ending the year higher. Although the year was dominated by worries about economic policy problems in the European Union and questions about the strength of the US economy, the stock market rose on the expectation that the economy was bottoming out. The NASDAQ OMX Stockholm (Stockholm Stock Exchange) rose by 12 percent and Scania's Series B shares by 32 percent.

After a weak stock market year in 2011, the stock market recovered on the expectation that the economy had bottomed out and growth was returning. In the investment goods sector, where demand fluctuates greatly with the economic cycle, this meant better performance than the stock exchange as a whole, despite lower demand for investment goods towards the end of 2012. Scania shares performed better than the exchange as a whole. The B share provided a total return of 36.8 percent, compared to the exchange's broad SIXRX index, which provided a return of 16.5 percent. In the past five years, Scania's B share has provided an annual return averaging 11 percent. The corresponding SIXRX figure is 8.6 percent.

Share trading volume

Scania B share trading volume averaged about 1,473,000 shares per day in 2012. Including the largest alternative marketplaces, volume averaged 2,371,000 shares. The turnover rate was 93 (101) percent, compared to 69 (89) percent for the NASDAQ OMX Nordic exchanges as a whole.

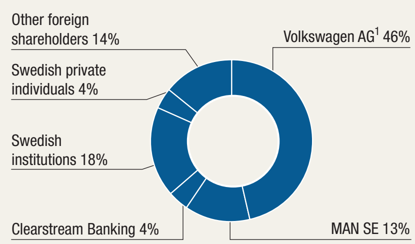
Dividend and financial targets

The proposed dividend of SEK 4.75 per share for 2012 is equivalent to 57 percent of net income for the year. In the past five years, an average of 47 percent of net income has been distributed to the shareholders.

SHAREHOLDER STRUCTURE, 28 DECEMBER 2012

Owner	Capital %	Votes %
Volkswagen AG [1]	45.66	70.94
MAN SE	13.35	17.37
Clearstream Banking	4.39	1.03
Swedbank Robur Fonder	2.65	0.48
AMF Insurance and Funds	1.74	0.45
Alecta Pensionsförsäkring	2.33	0.42
Skandia Liv	0.91	0.37
Scania Resultatbonusstiftelse [2]	0.52	0.29
JPM Chase	1.34	0.25
Handelsbanken Fonder	0.92	0.23
Total	73.81	91.83

Source: Euroclear Sweden AB



1 On 9 November 2011, Volkswagen AG completed its acquisition of the majority shareholding in MAN SE. As a result, MAN's shareholding in Scania shall be included in Volkswagen's ownership in Scania. Furthermore, shares equivalent to voting rights of 0.87 percent and an equity interest of 3.63 percent that are held in trust by a credit institution shall also be attributed to Volkswagen.

2 Via Scania Resultatbonusstiftelse, the company's performance-based bonus foundation, employees own Scania shares that amounted to the equivalent of 0.52 percent of share capital on 28 December 2012. The foundation may own a maximum of 10 percent of the share capital of Scania.

Scania's leadership philosophy is to take advantage of knowledge and experience gained from the company's improvement work. This means placing greater emphasis on methods than on traditional earnings targets. These principles, first applied at production units, have been disseminated and applied to various parts of the company. Scania thus does not set financial targets for the Group in the traditional sense. The capital needs of the Group are continuously evaluated and adapted to the investments required to safeguard Scania's growth.

About Scania shares

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

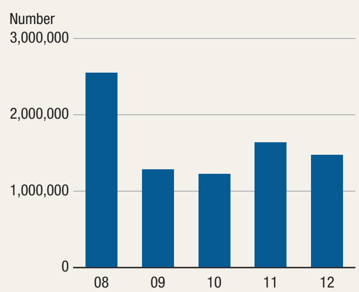
Further information about Scania shares is available on www.scania.com, Investor Relations. Questions may be e-mailed to ir@scania.com.

PER SHARE DATA

SEK (unless otherwise stated)	**2012**	2011	2010	2009	2008
Year-end market price, B share	**134.30**	102.00	154.70	92.30	77.75
Highest market price , B share	**142.20**	164.80	160.00	103.00	162.43
Lowest market price, B share	**101.5**	89.35	88.40	57.75	50.25
Change in market price, %, B share	**31.7**	–34.1	67.6	18.7	–46.4
Total return, %, B share	**36.8**	–32.0	69.1	22.0	–40.8
Market capitalisation, SEK m	**106,720**	80,180	122,440	73,640	61,900
Earnings	**8.31**	11.78	11.38	1.41	11.11
Price/earnings ratio, B share	**16**	9	14	65	7
Dividend*	**4.75**	5.00	5.00	1.00	2.50
Redemption	–	–	–	–	–
Dividend yield, %**	**3.5**	4.9	3.2	1.1	3.2
Dividend payout ratio, %	**57.2**	42.4	43.9	70.9	22.5
Equity	**43.7**	43.1	37.5	29.1	27.4
Cash flow, Vehicles and Services	**3.78**	8.71	14.85	6.89	2.22
Number of shareholders***	**108,918**	116,243	121,038	119,973	130,020

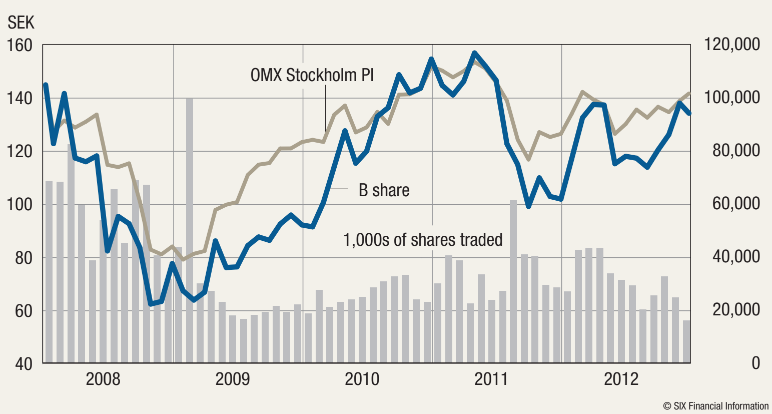
* For 2012: Proposed by the Board of Directors.
** Dividend divided by the market price of a B share at year end.
*** On 28 December 2012.

AVERAGE DAILY TRADING, B SHARES



The chart refers to shares traded on the NASDAQ OMX Nordic exchange. Scania shares are also traded in alternative marketplaces such as Chi-x, Bats Europe, Burgundy and Turquoise. In 2012, trading averaged about 898,000 B shares per day in the largest such marketplaces.

SHARE PRICE PERFORMANCE



Articles of Association

Adopted at the Annual General Meeting on 5 May 2011

§ 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 Financing 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 type in proportion to the number of existing shares of each type 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 type shall be issued in proportion to the number of shares of the same type already existing. Existing shares of a particular type 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.

The Board of Directors is authorised to appoint one or several special auditors, or a registered auditing firm, to review such statements or plans which have been prepared by the Board of Directors in accordance with the Swedish Companies Act in connection with such new issue of shares, warrants or convertibles which contain provisions on payment in kind or that subscription shall be made with a right of setoff or with other conditions, a sale of the company's own shares against non-cash consideration, a reduction of the share capital or the statutory reserve, a merger or a demerger of a limited liability company.

§ 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 three 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 as an announcement on the company's webpage. An advertisement that notice has been given shall be published 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).

Corporate governance at Scania

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

Governing documents at Scania

The most important governing documents at Scania are:

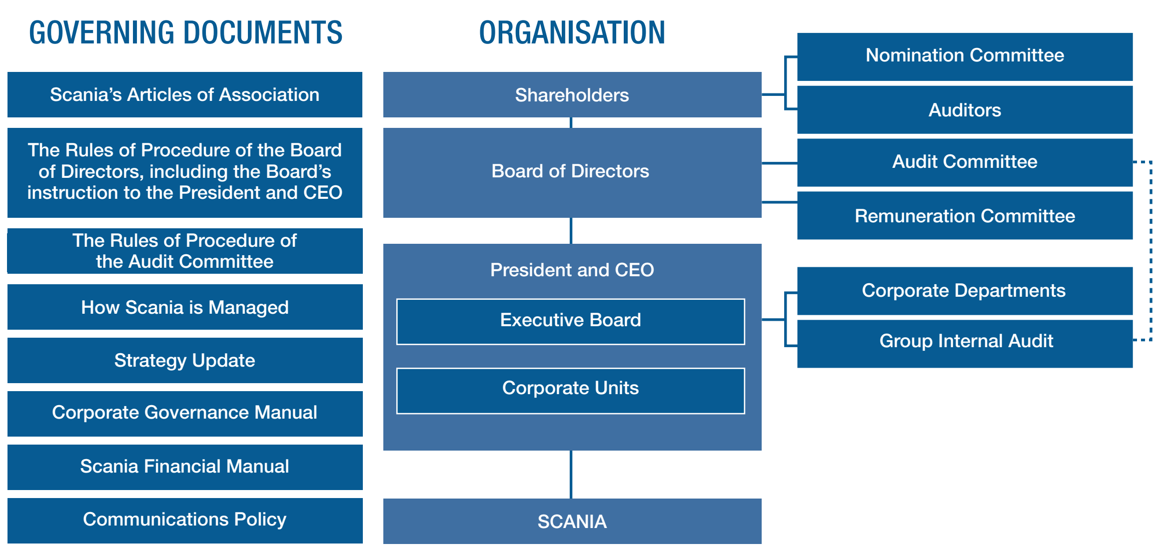
- Scania's Articles of Association (reproduced on page 56)
- The Rules of Procedure of the Board of Directors, including the Board's instruction to the President and CEO and guidelines for essential reporting processes at Scania
- The Rules of Procedure of the Audit Committee
- How Scania is Managed
- Strategy Update
- Corporate Governance Manual
- Scania Financial Manual
- Communications Policy

Application and deviations

This Corporate Governance Report has been prepared in compliance with the Annual Accounts Act and the Swedish Code of Corporate Governance. Companies applying the Code can deviate from individual rules but shall then provide an explanation reporting the reason for each deviation. Scania followed the Code with one exception in 2012: The Code recommends that the company is to announce the names of the members of the nomination committee on its website in good time, but no later than six months before the annual general meeting. However, Scania did not provide information about the new nomination committee ahead of the Annual General Meeting on 3 May 2013 until 13 December 2012, since the company was waiting for definite information regarding participation.

THE SHAREHOLDERS

At the end of 2012, Scania had about 109,000 shareholders. Volkswagen AG was the largest shareholder, with a directly registered holding of 70.94 percent of voting power and 45.66 percent of shares. In addition, Scania shares equivalent to 0.87 percent of voting power and 3.63 percent of share capital, which are managed by credit institutions, must be counted as part of Volkswagen's holding. Since 9 November 2011, MAN SE – which owned 17.4 percent of voting power and 13.4 percent of share capital in Scania – has been a subsidiary of Volkswagen AG, with Volkswagen AG



controlling 55.9 percent of voting power in MAN. As a result of this, MAN's holding in Scania shall be included in Volkswagen's ownership in Scania.

Volkswagen's ownership in Scania thus totalled the equivalent of 89.2 percent of voting power and 62.6 percent of share capital. After that, the eight largest shareholders were Clearstream Banking, Swedbank Robur funds, AMF Insurance and Funds, Alecta Pensionsförsäkring, Skandia Liv, Scania Resultat-bonusstiftelse, JPM Chase and Handelsbanken Funds.

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 three weeks before the Meeting. Notice convening an AGM and an EGM shall occur by publication in the Swedish official gazette Post- och Inrikes tidningar (www.bolagsverket.se) and on Scania's website. It shall be announced in the Swedish national newspapers *Dagens Nyheter* and *Svenska Dagbladet* that notice has been issued.

In order to have an item dealt with at the AGM, a shareholder must submit it in writing to the Board early enough so 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.

Scania Board members elected by the Annual General Meeting

Board member	First elected	Audit Committee	Remuneration Committee	Independent in relation to the company and its management*	Independent in relation to the company's major shareholders*	Attendance out of 11 meetings** in all
Martin Winterkorn, Chairman	2007		Chairman	YES	NO	9
Leif Östling, Vice Chairman [1, 2]	1994			NO	NO	11
Peter Abele	2012	Chairman	Member	YES	YES	7
Helmut Aurenz	2008			YES	YES	9
Börje Ekholm [3]	2007			YES	YES	4
Francisco J. Garcia Sanz	2007		Member	YES	NO	8
Jochem Heizmann [2]	2010			YES	NO	10
Gunnar Larsson [4]	2008			YES	YES	4
Ferdinand K. Piëch	2012			YES	NO	7
Hans Dieter Pötsch	2007	Member		YES	NO	10
Åsa Thunman	2010	Member		YES	YES	11
Peter Wallenberg Jr	2005			YES	YES	10

1 Leif Östling has been employed by the Volkswagen Group since 1 September 2012 and is a member of the Board of Management of Volkswagen AG. He is therefore no longer independent in relation to the company's major shareholders.
2 Leif Östling was elected Vice Chairman of the Board of Directors on the Board Meeting on 13 December 2012, thereby succeeding Jochem Heizmann who remains as a Board member.
3 Börje Ekholm was Chairman of the Audit Committee until the AGM on 4 May 2012, after which he resigned from the Board and was succeeded as Chairman of the Audit Committee by Peter Abele.
4 Gunnar Larsson was a member of the Audit Committee and of the Remuneration Committee until the AGM on 4 May 2012, after which he resigned from the Board and was succeeded as a member of the Audit Committee by Åsa Thunman and as a member of the Remuneration Committee by Peter Abele.
* The Nomination Committee's assessment of elected Board members' independence according to the Swedish Code of Corporate Governance and the rules of the NASDAQ OMX Stockholm that applied during 2012.
** During 2012, the Board held eleven meetings: four Board meetings before the 2012 AGM and seven meetings after the 2012 AGM.

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 such as an amendment to the Articles of Association, 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. The Articles of Association are amended through decisions by the AGM in compliance with the rules in the Swedish Companies Act.

Information about rules and practices at the annual general meetings of companies listed on the NASDAQ OMX Stockholm (Stockholm Stock Exchange) and other aspects of Swedish corporate governance is available on the Scania website at www.scania.com/corporate-governance and is labelled "Special Features of Swedish Corporate Governance".

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.

The Nomination Committee pursues continuous discussions during the year with major shareholders outside Sweden and with Swedish institutions.

In 2012 the AGM decided that Scania shall have a Nomination Committee consisting of the Vice Chairman of the Board and three to four additional members. In preparation for the AGM in 2013, the following individuals have served on the company's Nomination Committee:

Leif Östling, Vice Chairman of the Board
Gudrun Letzel, representing Volkswagen AG, Chairman of the Nomination Committee
Wolfgang Betz, representing MAN SE
Anders Oscarsson, representing AMF Insurance and 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, in addition to those Board members who are appointed pursuant to Swedish law by a party other than the AGM the Board shall comprise a minimum of three and a maximum of ten members plus a maximum of two deputy members. The members are elected each year at the AGM for the period up to the end of the next AGM.

On 4 May 2012, Scania's AGM elected ten Board members and no deputy members. They are:

Martin Winterkorn
Leif Östling
Peter Abele
Helmut Aurenz
Francisco J. Garcia Sanz
Jochem Heizmann
Ferdinand K. Piëch
Hans Dieter Pötsch
Åsa Thunman
Peter Wallenberg Jr

The AGM elected Martin Winterkorn as Chairman and Jochem Heizmann as Vice Chairman. At the Board Meeting on 13 December 2012, Leif Östling was elected Vice Chairman of the Board of Directors, thereby succeeding Jochem Heizmann who resigned from his position as Vice Chairman at his own request but remains as a Board member.

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
Lisa Lorentzon, deputy member

A presentation of the Board members can be found on pages 64–65.

The work of the Board

The statutory Board meeting, which is held directly in conjunction with 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 July/August normally deals with long-term plans and 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 2012, the Board held eleven meetings. The number of meetings has increased since Volkswagen consolidated Scania in its financial statements. This requires Scania to issue its financial reports before Volkswagen, in order to reduce insider problems.

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 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 table on page 58.

According to the Swedish Companies Act, the President may be elected as a member of the Board. Until 1 September 2012 when Martin Lundstedt took over as President and CEO, Board member Leif Östling was also President and CEO. Leif Östling was the only member of the Board who also belonged to Scania's operational management during 2012.

Instruction to the President and CEO

In the instruction of the Board to Scania's President and CEO, the Board specifies his duties and powers. This instruction includes guidelines on capital expenditures, financing, financial reporting and external communications.

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 or Volkswagen AG. 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 normally 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.

The Audit Committee

On 4 May 2012, the Audit Committee was elected and has since then consisted of Peter Abele (Chairman), Hans Dieter Pötsch and Åsa Thunman. Until 4 May 2012, the Audit Committee consisted of Börje Ekholm, Chairman, Hans Dieter Pötsch and Gunnar Larsson. During 2012, the Audit Committee met a total of ten times. All members participated in all the meetings during their term of office, except that Hans Dieter Pötsch was absent from one meeting. The Audit Committee discusses and monitors issues related to administrative processes, refinancing, treasury operations, 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 as well as prepare Board's decisions regarding possible transactions with related parties.

The Remuneration Committee

The Remuneration committee was elected on 4 May 2012 and has since then consisted of Martin Winterkorn (Chairman), Peter Abele and Francisco J. Garcia Sanz. Peter Abele replaced Gunnar Larsson after the Annual General Meeting in 2012. During 2012, the Remuneration Committee met twice. All members participated in all meetings during their term of office, except that Francisco J. Garcia Sanz was absent from 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

At Scania, the independent auditors are elected by the shareholders at the AGM, for a period of four years. The auditors 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 as well as any errors and suspected irregularities. The auditors also participate in at least one Board meeting per year and are invited, as needed, to participate in and report to the meetings of the Board.

Once a 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 the company 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

The decision-making structure and management of Scania are described in the internal governing document "How Scania is Managed". It also describes Scania's policies concerning quality, employment and employees and environment and sustainability issues, competitive methods and ethics.

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

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 ensuring that all of Scania's internal rules and principles are followed rests with the Board of Directors of each respective subsidiary.

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

The President and CEO

Under the Board of Directors, the President and CEO has overall responsibility for the Scania Group.

The Executive Board

At the side of the President and CEO is the Executive Board. The Executive Board makes joint decisions – in compliance with guidelines approved by the Board and the instruction on the division of labour between the Board of Directors and the President and CEO – 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, purchasing, overall human resource matters, 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 strategy meetings of the Executive Board take place once each month. These strategies are summarised from a global perspective and updated, taking into account market developments.

The 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. Each corporate unit reports to one of the members of the Executive Board. 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 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.

Management compensation

Compensation issues for the President and CEO and, as appropriate, Executive 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 2012 also states the compensation to the heads of corporate units.

Internal control of financial reporting

The description below has been prepared in compliance with the Swedish Code of Corporate Governance and the Annual Accounts Act. 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. Corporate Control 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 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 the affected employees 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 services companies and finance companies. During the 2012 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 main 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 also available at www.scania.com/corporate-governance.

Board of Directors, Executive Board and Corporate Units

Board of Directors

MARTIN WINTERKORN

Born 1947.
Prof. Dr. Dr. h. c. mult.
Chairman since 2007.
Chairman, Remuneration Committee.

Other directorships:
Chairman of the Board of Management, Volkswagen AG. Chairman or member of Supervisory Board of several companies within the Volkswagen Group. Chairman of the Board of Management, Porsche Automobil Holding SE. Member of the following Supervisory Boards: FC Bayern München AG and Salzgitter AG.

Relevant work experience:
Chairman and member of the Board of Management, Volkswagen AG, responsible for Group Research and Development. Chairman of the Board of Management, Volkswagen Brand.

Shares in Scania: 0.

LEIF ÖSTLING

Born 1945.
MBA and MSc.
Member since 1994.
Vice Chairman since 13 December 2012.

Other directorships:
Member of the Board of Management, Volkswagen AG. Member of Supervisory Board of several companies within the Volkswagen Group. Chairman of AB SKF. Vice Chairman of ISS A/S until 6 March 2013.

Relevant work experience:
Member of the Board of Management, Volkswagen AG, responsible for Group Commercial Vehicles from 1 September 2012. Various management positions at Scania since 1972, President and CEO of Scania between 1994 and 2012.

Shares in Scania:
140,000 A shares, 260,100 B shares plus 160,000 B shares via related companies.

PETER ABELE

Born 1941.
Degree in Engineering (Graduate Engineer and Graduate Industrial Engineer).
Member since 2012.
Chairman, Audit Committee and Member, Remuneration Committee.

Relevant work experience:
A number of high-level managerial positions since 1974, including in the car manufacturing industry. Member of the Board of Management at Audi AG, responsible for Finance and Information Technology until 2003.

Shares in Scania: 0.

HELMUT AURENZ

Born 1937.
Apprenticeship in horticulture, entrepreneur.
Member since 2008.

Other directorships:
Member of various boards and advisory bodies, among them the advisory assemblies for Baden-Württembergische Bank, Landeskreditbank Baden-Württemberg and Landesbank Baden-Württemberg. 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.

Shares in Scania: 0.

FRANCISCO J. GARCIA SANZ

Born 1957.
Dr. rer. pol. h. c.
Member since 2007.
Member, Remuneration Committee.

Other directorships:
Member of the Board of Management, Volkswagen AG. Board member of several companies within the Volkswagen Group. Board member of CaxiaHolding S.A. and HOCHTIEF Aktiengesellschaft.

Relevant work experience:
Member of the Board of Management, Volkswagen AG, with global responsibility for Procurement. Various positions at Adam Opel AG, various management positions at GM and Volkswagen AG.

Shares in Scania: 0.

JOCHEM HEIZMANN

Born 1952.
Prof. Dr.
Member since 2010. Vice Chairman between 2010 and 13 December 2012.

Other directorships:
Member of the Board of Management, Volkswagen AG. Member of the Supervisory Board, Lufthansa Technik AG.

Relevant work experience:
Member of the Board of Management, Volkswagen AG, responsible for China. Chairman or Board member of a number of subsidiaries within the Volkswagen Group. Various management positions at Karlsruhe University, Audi NSU AUTO UNION AG and Volkswagen AG.

Shares in Scania: 0.

FERDINAND K. PIËCH

Born 1937.
Degree in Engineering Dipl.-Ing.
Member since 2012.

Other directorships:
Chairman of the Supervisory Board of Volkswagen AG and MAN SE. Member of the Supervisory Board of AUDI AG, Porsche AG, Porsche Holding GmbH and Director of Ducati Motor Holding spa. Between 2000 and 2002, he served as Chairman of the Board of Directors of Scania. He was a member of the Board of Directors of Scania between 2002 and 2003.

Relevant work experience:
Began his career in 1963 at Dr.-Ing. h.c. Porsche KG. Since then he has held a number of high-level managerial positions in the car manufacturing industry.

Shares in Scania: 0.

HANS DIETER PÖTSCH

Born 1951.
MSc.
Member since 2007.
Member, Audit Committee.

Other directorships:
Member of the Board of Management, Volkswagen AG. Member of the Board of Management Porsche Automobil Holding SE. Chairman or member of several Supervisory Boards within the Volkswagen Group. Member of the Supervisory Board of Bertelsmann SE & Co. KGaA.

Relevant work experience:
Member of the Board of Management, Volkswagen AG, responsible for Finance and Controlling. Member of the Board of Management Porsche Automobil Holding SE (Chief Financial Officer). Chairman of the Board of Management, Dürr AG. General Manager for Finance and Administration at Trumpf GmbH & Co. Various positions at BMW.

Shares in Scania: 0.

ÅSA THUNMAN

Born 1969.
Law degree (LL.M.).
Member since 2010.
Member, Audit Committee.

Relevant work experience:
Senior Vice President General Counsel of Securitas AB since 2011. General counsel of Elekta AB and secretary to the Board of Directors and Nomination Committee and the Audit Committee of Elekta AB. President of Elekta Instrument AB and Vice President at the corporate office of Elekta AB.

Shares in Scania: 0.

PETER WALLENBERG JR

Born 1959.
MBA.
Member since 2005.

Other directorships:
Chairman of Foundation Asset Management Sweden AB, the Grand Group AB, the Royal Swedish Automobile Club and Kungsträdgården Park & Evenemang AB. Vice Chairman of the Knut and Alice Wallenberg Foundation. Board member of Investor AB, SEB Kort AB, Stockholm International Fairs, Aleris Holding AB and Atlas Copco AB.

Relevant work experience:
Various positions at Grand Hôtel.

Shares in Scania: 6,000 B shares.

HÅKAN THURFJELL

Born 1951.
Representative of the Federation of Salaried Employees in Industry and Services (PTK) at Scania.

Member since 2008.

Relevant work experience:
Various managerial positions at Scania.

Shares in Scania: 0.

LISA LORENTZON

Born 1982.
Representative of the Federation of Salaried Employees in Industry and Services (PTK) at Scania.

Deputy member since 2012.

Relevant work experience:
Various positions at Scania since 2007, current position Manager for Base Services Portal/BPM/IAM at Scania IT.

Shares in Scania: 20 B shares.

JOHAN JÄRVKLO

Born 1973.
Representative of the Swedish Metal Workers' Union at Scania.

Member since 2008. Previously deputy member since 2006.

Relevant work experience:
Various positions at Scania.

Shares in Scania: 0.

MIKAEL JOHANSSON

Born 1963.
Representative of the Swedish Metal Workers' Union at Scania.

Deputy member since 2008.

Relevant work experience:
Various positions at Scania.

Shares in Scania: 0.

Executive Board

MARTIN LUNDSTEDT
President and CEO.
Born 1967, MSc.
Joined Scania in 1992.
Shares in Scania: 7,298 B shares.

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

KENT CONRADSON
Executive Vice President,
Head of Human Resources.
Born 1958, BSc.
Joined Scania in 1979.
Shares in Scania: 2,360 B shares.

ANDREA FUDER
Executive Vice President,
Head of Purchasing.
Born 1967, MBA and MSc.
Joined Scania in 2012.
Shares in Scania: 0.

PER HALLBERG
Executive Vice President,
Head of Production and Logistics.
Born 1952, MSc.
Joined Scania in 1977.
Shares in Scania: 13,867 B shares.

HENRIK HENRIKSSON
Executive Vice President,
Head of Franchise and Factory Sales.
Born 1970, BSc.
Joined Scania in 1997.
Shares in Scania: 1,855 B shares.

CHRISTIAN LEVIN
Executive Vice President,
Head of Sales and Services Management.
Born 1967, MBA and MSc.
Joined Scania in 1994.
Shares in Scania: 232 B shares.

HARALD LUDANEK
Executive Vice President,
Head of Research and Development.
Born 1958, Dr.-Ing.
Joined Scania in 2012.
Shares in Scania: 0.

Corporate Units

KLAS DAHLBERG
Senior Vice President, Buses and Coaches.
Born 1964.
Joined Scania in 1986.
Shares in Scania: 3,873 B shares.

SVEN-ÅKE EDSTRÖM
Senior Vice President, Truck, Cab and Bus Chassis Development.
Born 1957.
Joined Scania in 1981.
Shares in Scania: 9,083 B shares.

ANDERS GRUNDSTRÖMER
Executive Regional Director, Western and Southern Europe (WSE).
Born 1958.
Joined Scania in 1995.
Shares in Scania: 200 B shares.

JOHAN HAEGGMAN
Senior Vice President, Corporate Control.
Born 1960.
Joined Scania in 1989, employed until 1999.
Rejoined Scania in 2003.
Shares in Scania: 32 A shares via related parties.

JONAS HOFSTEDT
Senior Vice President, Powertrain Development.
Born 1959.
Joined Scania in 1984.
Shares in Scania: 664 A shares, 8,590 B shares plus 48 A shares via related parties.

PETER HÄRNWALL
Senior Vice President, Business Support.
Born 1955.
Joined Scania in 1983.
Shares in Scania: 6,896 B shares.

CLAES JACOBSSON
Senior Vice President, Financial Services.
Born 1958.
Joined Scania in 1999.
Shares in Scania: 3,001 B shares.

MIKAEL JANSSON
Senior Vice President, Parts.
Born 1959.
Joined Scania in 1984.
Shares in Scania: 1,821 B shares plus 64 A shares via related parties.

THOMAS KARLSSON
Senior Vice President, Chassis and Cab Production.
Born 1953.
Joined Scania in 1988.
Shares in Scania: 6,839 B shares.

ERIK LJUNGBERG
Senior Vice President, Corporate Relations.
Born 1971.
Joined Scania in 1997, employed until 2006.
Rejoined Scania in 2008.
Shares in Scania: 1,477 B shares.

HANS NARFSTRÖM
Senior Vice President, Services Operations and SRS Office.
Born 1951.
Joined Scania in 1977.
Shares in Scania: 100 B shares plus 40 B shares via related parties.

STEFAN PALMGREN
Senior Vice President, Powertrain Production.
Born 1963.
Joined Scania in 1983.
Shares in Scania: 1,400 B shares.

ROBERT SOBOCKI
Senior Vice President, Scania Engines.
Born 1952.
Joined Scania in 1978, employed until 1997. Rejoined Scania in 2002.
Shares in Scania: 620 A shares plus 11,034 B shares.

LARS STENQVIST
Senior Vice President, Vehicle Definition.
Born 1967.
Joined Scania in 1992.
Shares in Scania: 4,954 B shares.

MARTIN STÅHLBERG
Executive Regional Director, Americas.
Born 1964.
Joined Scania in 1991.
Shares in Scania: 300 B shares.

MIKAEL SUNDSTRÖM
Senior Vice President, Corporate Legal Affairs and Risk Management.
Born 1957.
Joined Scania in 2004.
Shares in Scania: 1,000 B shares.

PER-OLOV SVEDLUND
President, Scania Latin America Ltda.
Born 1955.
Joined Scania in 1976.
Shares in Scania: 8,770 B shares.

BENGT THORSSON
Executive Regional Director, Central, Northern and Eastern Europe (CNE).
Born 1964.
Joined Scania in 1989.
Shares in Scania: 1,000 B shares via related parties.

Group financial review

NET SALES

The net sales of the Scania Group, in the Vehicles and Services segment, decreased by 9 percent to SEK 79,603 m. (87,686). Currency rate effects had a negative impact on sales of 3 percent.

New vehicle sales revenue decreased by 14 percent. Sales were influenced by the decreased number of vehicles delivered. Engine sales revenue increased by 6 percent. Service revenue was stable overall, amounting to SEK 17,092 m. (17,048). Somewhat higher prices and higher volume of workshop hours and parts had a positive impact, while currency rate effects had a negative impact.

Interest and lease income in the Financial Services segment increased by 5 percent, mainly due to the generally higher financing volume.

Net sales by product, SEK m.	**2012**	2011
Trucks	**49,580**	57,632
Buses	**7,196**	8,206
Engines	**1,245**	1,179
Services	**17,092**	17,048
Used vehicles	**4,492**	4,313
Miscellaneous	**1,892**	1,907
Delivery sales value	**81,497**	90,285
Adjustment for lease income [1]	**–1,894**	–2,599
Total Vehicles and Services	**79,603**	87,686
Financial Services	**4,576**	4,372
Elimination [2]	**–1,728**	–1,749
Scania Group total	**82,451**	90,309

1 The adjustment amount consists of the difference between sales value based on delivery and revenue recognised as income. This difference arises when a lease or delivery is combined with a residual value guarantee or a repurchase obligation. Significant risks remain, therefore recognition is based on an operating lease contract. This means that recognition of revenue and earnings is allocated based on the term of the obligation.

2 Elimination of the amount that corresponds to depreciation/amortisation of operating leases in the Financial Services segment. At Group level, the revenue from operating leases shall consist of accrued income in the Vehicles and Services segment and interest income in the Financial Services segment, which is achieved by elimination of depreciation/amortisation.

NUMBER OF VEHICLES

During 2012 Scania delivered 61,051 (72,120) trucks, a decrease of 15 percent. Bus deliveries decreased by 21 percent to 6,350 (7,988) units. Engine deliveries increased by 1 percent to 7,063 (6,960) units.

Vehicles delivered	**2012**	2011
Vehicles and Services		
Trucks	**61,051**	72,120
Buses	**6,350**	7,988
Total new vehicles	**67,401**	80,108
Used vehicles	**13,756**	13,485
Engines	**7,063**	6,960

Financial Services

Number financed (new during the year)	**2012**	2011
Trucks	**19,533**	20,333
Buses	**914**	786
Total new vehicles	**20,447**	21,119
Used vehicles	**5,331**	5,534
New financing, SEK m.	**23,992**	25,745
Portfolio, SEK m.	**45,037**	42,235

EARNINGS

Scania's operating income amounted to SEK 8,300 m. (12,398) during 2012. Operating margin amounted to 10.4 (14.1) percent.

Operating income in Vehicles and Services totalled SEK 7,694 m. (11,881) during 2012. Lower vehicle deliveries and lower capacity utilisation pulled down earnings, as did higher costs for future-related projects.

Scania's research and development expenditures amounted to SEK 5,312 m. (4,658). After adjusting for SEK 860 m. (387) in capitalised expenditures and SEK 229 m. (169) in depreciation of previously capitalised expenditures, recognised expenses increased to SEK 4,681 m. (4,440).

Compared to the full year 2011, the total currency rate effect was negative and amounted to about SEK 100 m.

Operating income in Financial Services rose to SEK 606 m. (517). This was equivalent to 1.39 (1.32) percent of the average portfolio during the year. The improved earnings were mainly due to a larger portfolio. Bad debt expenses decreased somewhat during the period.

At year-end 2012, the size of the customer finance portfolio amounted to SEK 45.0 billion, which represented an increase of SEK 2.8 billion since the end of 2011. In local currencies, the portfolio increased by SEK 4.6 billion, equivalent to 11 percent.

Operating income per segment, SEK m.	**2012**	2011
Vehicles and Services		
Operating income	**7,694**	11,881
Operating margin, %	***9.7***	*13.5*
Financial Services		
Operating income	**606**	517
Operating margin, % [1]	***1.39***	*1.32*
Operating income, Scania Group	**8,300**	12,398
Operating margin, %	***10.4***	*14.1*
Income before tax	**8,281**	12,612
Taxes	**–1,641**	–3,190
Net income	**6,640**	9,422
Earnings per share, SEK	**8.31**	11.78
Return on equity, %	**19.2**	29.5

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 amounted to SEK –19 m. (214). Net interest items amounted to SEK 133 m. (261). Net interest items were negatively affected by a lower interest margin, while a higher average net cash position in Vehicles and Services compared to the previous year had some positive effect. Other financial income and expenses amounted to SEK –152 m. (–47). These included SEK –90 m. (42) in valuation effects related to financial instruments where hedge accounting was not applied.

Income before taxes amounted to SEK 8,281 m. (12,612). The Scania Group's tax expense for 2012 was equivalent to 19.8 (25.3) percent of income before taxes. The tax rate was favourably affected by a non-recurring effect of close to SEK 300 m. in the fourth quarter of 2012, related to the reduced Swedish corporation tax.

Net income for the year totalled SEK 6,640 m. (9,422), corresponding to a net margin of 8.3 (10.7) percent. Earnings per share amounted to SEK 8.31 (11.78).

CASH FLOW

Cash flow in Vehicles and Services amounted to SEK 3,025 m. (6,970). Tied-up working capital increased by SEK 558 m., mainly due to increased trade receivables.

Net investments amounted to SEK 4,455 m. (3,732), including SEK 860 m. (387) in capitalisation of development expenses. At the end of 2012, the net cash position in Vehicles and Services amounted to SEK 9,361 m. (10,615).

Cash flow in Financial Services amounted to SEK –4,089 m. (–6,802), due to a growing customer finance portfolio.

NET DEBT

Net debt, SEK m.	**2012**	2011
Cash and cash equivalents and current investments	**–12,047**	–11,796
Current borrowings	**16,305**	19,782
Non-current borrowings	**26,146**	19,011
Net market value of derivatives for hedging of borrowings	**–148**	–565
Total [1]	**30,256**	26,432
of which, attributable to Vehicles and Services [1]	**–9,361**	–10,615
of which, attributable to Financial Services [1]	**39,617**	37,047

1 Net cash (–)/Net debt (+).

Cash flow for the year in Vehicles and Services of SEK 3,025 m., after subtracting the dividend and taking into account currency rate effects, meant that the net cash position decreased by SEK 1,254 m. to SEK 9,361 m.

FINANCIAL POSITION

Financial ratios related to the balance sheet	**2012**	2011
Equity/assets (E/A) ratio, %	**30.9**	31.6
E/A ratio, Financial Services, %	**10.3**	10.3
Equity per share, SEK	**43.7**	43.1
Return on capital employed, Vehicles and Services, % [2]	**22.8**	38.1
Net debt/equity ratio, Vehicles and Services [3]	**–0.31**	–0.35

2 Calculation is based on average capital employed for the five most recent quarters.
3 Net cash (–)/Net debt (+).

During 2012, the equity of the Scania Group increased by SEK 492 m. and totalled SEK 35,004 m. (34,512) at year-end. Net income added SEK 6,640 m. (9,422), while the dividend to shareholders decreased equity by SEK 4,000 m. (4,000). Equity decreased by SEK 1,178 m. (719) because of exchange rate differences that arose when translating net assets outside Sweden. In addition, equity decreased by SEK 1,238 m. (306) because of cash flow hedgings and actuarial losses on pension liabilities. Taxes attributable to items reported under "Other comprehensive income" totalled SEK 199 m. (79). The non-controlling interest's share changed during the year by SEK 69 m. (0).

The regular dividend for the 2012 financial year proposed by the Board of Directors is SEK 4.75 (5.00) per share.

NUMBER OF EMPLOYEES

The number of employees in the **Scania Group** at year-end 2012 was 38,597, compared to 37,496 at the end of 2011.

In **Vehicles and Services**, the number of employees at the end of December was 37,906 (36,854).

In **Financial Services**, the number of employees at year-end 2012 was 691 (642).

FINANCIAL RISKS

Currency risk

Currency transaction exposure in operating income during 2012 totalled about SEK 28 (32) billion. The largest currency flows were in euros, US dollars and Brazilian real. Based on 2012 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 281 m. (322) on an annual basis.

According to Scania's policy, future cash flows may be hedged during a period that is allowed to vary between 0 and 12 months. The Board of Directors approves maturities of more than 12 months. During 2012, no future currency flows were hedged.

At the end of 2012, Scania's net assets in foreign currencies amounted to SEK 18,300 m. (16,400). The net foreign assets of subsidiaries are normally not hedged. However, to the extent a foreign subsidiary has significant net monetary assets in local currency, they may be hedged. At the end of 2012, no foreign net assets were hedged.

Group financial review, continued

Interest rate risk

Scania's policy concerning interest rate risks in Vehicles and Services 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. In Financial Services the interest rate refixing period on borrowings shall be matched with the interest rate refixing period on assets. To manage interest rate risks in the Scania Group, derivative instruments are used.

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 462 m. (516), equivalent to 6.6 (7.2) percent of total receivables. The year's bad debt expenses amounted to SEK 56 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 290 m. (298), equivalent to 0.66 (0.76) percent of the average portfolio. The year's actual credit losses amounted to SEK 249 m. (354).

At year-end, the total reserve for bad debt expenses in Financial Services amounted to SEK 763 m. (745), equivalent to 1.7 (1.7) percent of the portfolio at the close of 2012.

The year-end credit portfolio amounted to SEK 45,037 m. (42,235), allocated among about 26,000 customers, of which 98.5 percent were 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.

Borrowing and refinancing risk

Scania's borrowings primarily consist of bonds issued under capital market programmes, and to some extent of other borrowing mainly via the banking system. In addition, Scania secures a certain portion of its borrowing needs via four committed credit facilities: two in the international borrowing market and two in the Swedish market.

At year-end 2012, borrowings amounted to SEK 42.4 (38.8) billion. In addition to utilised borrowing, Scania had unutilised committed credit facilities equivalent to SEK 27.2 (27.9) billion. For more information about management of financial risks, see also Note 30.

OTHER CONTRACTUAL RISKS

Residual value exposure

Scania delivers some of its vehicles with guaranteed residual value or with repurchase obligations, where Scania thus has residual value exposure. There is also residual value exposure for short-term rental vehicles with an estimated residual value. The amount for residual value exposure at year-end was SEK 8,605 m. (7,762). Exposure rose by SEK 843 m., mainly due to an increased number of newly contracted obligations in Europe. The strong Swedish krona decreased the exposure somewhat. During 2012, the volume of new contracts was about 7,800 (8,000).

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 2012 by 18,700 and totalled 117,300 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. The Parent Company runs no operations. Income before taxes of Scania AB during 2012 totalled SEK 4,000 m. (4,001).

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

FINANCIAL REPORTS

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

Consolidated income statements

January – December, SEK m.	Note	2012	2011	2010
Vehicles and Services				
Net sales	4	**79,603**	87,686	78,168
Cost of goods sold	5	**–58,927**	–63,163	–54,504
Gross income		**20,676**	24,523	23,664
Research and development expenses [1]	5	**–4,681**	–4,440	–3,505
Selling expenses	5	**–7,286**	–7,014	–6,400
Administrative expenses	5	**–1,042**	–1,204	–1,200
Share of income in associated companies and joint ventures	13	**27**	16	16
Operating income, Vehicles and Services		**7,694**	11,881	12,575
Financial Services	6			
Interest and lease income		**4,576**	4,372	4,197
Interest and depreciation expenses		**–3,095**	–3,023	–3,026
Interest surplus		**1,481**	1,349	1,171
Other income		**119**	129	306
Other expenses		**–54**	–48	–240
Gross income		**1,546**	1,430	1,237
Selling and administrative expenses	5	**–650**	–615	–573
Bad debt expenses, realised and anticipated		**–290**	–298	–493
Operating income, Financial Services		**606**	517	171
Operating income		**8,300**	12,398	12,746
Interest income		**709**	820	464
Interest expenses		**–576**	–559	–657
Other financial income		**80**	116	70
Other financial expenses		**–232**	–163	–90
Total financial items	7	**–19**	214	–213
Income before taxes		**8,281**	12,612	12,533
Taxes	8	**–1,641**	–3,190	–3,430
Net income		**6,640**	9,422	9,103

1 Total research and development expenditures during the year amounted to SEK –5,311 m. (4,658 and 3,688, respectively).

Consolidated income statements, continued

January – December, SEK m.	Note	2012	2011	2010
Other comprehensive income	16			
Translation differences		**–1,178**	–719	–1,146
Hedge of net investments in foreign operations		**–**	–	–
Cash flow hedges				
change in value for the year		**2**	62	634
reclassification to operating income		**3**	–12	–747
Actuarial gains/losses on pensions	17	**–1,243**	–356	–348
Income tax relating to components of other comprehensive income		**199**	79	37
Total other comprehensive income		**–2,217**	–946	–1,570
Total comprehensive income for the year		**4,423**	8,476	7,533
Net income attributable to:				
Scania shareholders		***6,646***	*9,422*	*9,103*
Non-controlling interest		***–6***	*0*	*0*
Total comprehensive income attributable to:				
Scania shareholders		***4,431***	*8,476*	*7,533*
Non-controlling interest		***–8***	*0*	*0*
Operating income includes depreciation of [2]	10	***–2,698***	*–2,630*	*–2,565*
Earnings per share, SEK [3]	9	**8.31**	11.78	11.38

2 Value decrease in operational leases is not included.
3 There are no potential dilution effects.

Consolidated balance sheets

31 December, SEK m.	Note	**2012**	2011	2010
ASSETS				
Non-current assets				
Intangible assets	11	**3,150**	2,544	2,343
Tangible assets	12	**20,628**	20,319	20,437
Lease assets	12	**12,661**	12,155	11,173
Holdings in associated companies and joint ventures	13	**491**	496	482
Long-term interest-bearing receivables	31	**22,996**	21,040	16,514
Other long-term receivables [1]	15, 31	**1,342**	1,529	1,454
Deferred tax assets	8	**1,456**	1,251	1,442
Tax receivables		**3**	15	77
Total non-current assets		**62,727**	59,349	53,922
Current assets				
Inventories	14	**14,235**	14,522	12,961
Current receivables				
Tax receivables		**539**	760	347
Interest-bearing receivables	31	**14,007**	13,197	11,389
Non-interest-bearing trade receivables	31	**6,090**	6,219	6,115
Other current receivables [1]	15, 31	**3,487**	3,466	3,827
Total current receivables		**24,123**	23,642	21,678
Current investments	31	**129**	148	61
Cash and cash equivalents	31			
Current investments comprising cash and cash equivalents		**10,545**	10,153	8,091
Cash and bank balances		**1,373**	1,495	1,716
Total cash and cash equivalents		**11,918**	11,648	9,807
Total current assets		**50,405**	49,960	44,507
Total assets		**113,132**	109,309	98,429

1 Including fair value of derivatives for hedging of borrowings:

	2012	2011	2010
Other non-current receivables, derivatives with positive value	**670**	814	667
Other current receivables, derivatives with positive value	**340**	621	1,181
Other non-current liabilities, derivatives with negative value	**518**	563	430
Other current liabilities, derivatives with negative value	**344**	307	361
Net amount	**148**	565	1,057

Consolidated balance sheets, continued

31 December, SEK m.	Note	**2012**	2011	2010
EQUITY AND LIABILITIES				
Equity				
Share capital		**2,000**	2,000	2,000
Other contributed capital		**1,120**	1,120	1,120
Reserves		**–1,498**	–310	377
Retained earnings		**33,320**	31,701	26,538
Equity attributable to Scania shareholders		**34,942**	34,511	30,035
Non-controlling interest		**62**	1	1
Total equity	16	**35,004**	34,512	30,036
Non-current liabilities				
Non-current interest-bearing liabilities	31	**26,146**	19,011	21,973
Provisions for pensions	17	**6,582**	5,539	5,158
Other non-current provisions	18	**3,126**	3,227	3,032
Accrued expenses and deferred income	19	**4,242**	4,012	3,115
Deferred tax liabilities	8	**467**	868	1,085
Other non-current liabilities [1]	31	**531**	617	439
Total non-current liabilities		**41,094**	33,274	34,802
Current liabilities				
Current interest-bearing liabilities	31	**16,305**	19,782	12,433
Current provisions	18	**1,650**	1,597	1,394
Accrued expenses and deferred income	19	**7,491**	6,925	6,751
Advance payments from customers		**793**	832	865
Trade payables	31	**7,671**	8,308	8,194
Tax liabilities		**631**	1,280	1,800
Other current liabilities [1]	31	**2,493**	2,799	2,154
Total current liabilities		**37,034**	41,523	33,591
Total equity and liabilities		**113,132**	109,309	98,429
Net debt, excluding provisions for pensions, SEK m. [1]		**30,256**	26,432	23,481
Net debt/equity ratio		**0.86**	0.77	0.78
Equity/assets ratio, %		**30.9**	31.6	30.5
Equity per share, SEK		**43.7**	43.1	37.5
Capital employed, SEK m.		**83,889**	78,279	68,453

Consolidated statement of changes in equity

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

2012	Share capital	Other contributed capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania shareholders	Non-controlling interest	Total equity
Equity, 1 January	2,000	1,120	–4	–306	31,701	34,511	1	34,512
Net income					6,646	6,646	–6	6,640
Other comprehensive income			4	–1,192	–1,027	–2,215	–2	–2,217
Total comprehensive income	–	–	4	1,192	5,619	4,431	–8	4,423
Change in non-controlling interest							69	69
Dividend to Scania AB shareholders					–4,000	–4,000		–4,000
Equity, 31 December	**2,000**	**1,120**	**0**	**–1,498**	**33,320**	**34,942**	**62**	**35,004**

2011	Share capital	Other contributed capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania shareholders	Non-controlling interest	Total equity
Equity, 1 January	2,000	1,120	–40	417	26,538	30,035	1	30,036
Net income					9,422	9,422	0	9,422
Other comprehensive income			36	–723	–259	–946		–946
Total comprehensive income	–	–	36	–723	9,163	8,476	0	8,476
Change in non-controlling interest							0	0
Dividend to Scania AB shareholders					–4,000	–4,000		–4,000
Equity, 31 December	**2,000**	**1,120**	**–4**	**–306**	**31,701**	**34,511**	**1**	**34,512**

2010	Share capital	Other contributed capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania shareholders	Non-controlling interest	Total equity
Equity, 1 January	2,000	1,120	43	1,651	18,488	23,302	1	23,303
Net income					9,103	9,103	0	9,103
Other comprehensive income			–83	–1,234	–253	–1,570		–1,570
Total comprehensive income	–	–	–83	–1,234	8,850	7,533	0	7,533
Change in non-controlling interest							0	0
Dividend to Scania AB shareholders					–800	–800		–800
Equity, 31 December	**2,000**	**1,120**	**–40**	**417**	**26,538**	**30,035**	**1**	**30,036**

Consolidated cash flow statements

January – December, SEK m.	Note	2012	2011	2010
Operating activities				
Income before tax	24 a	**8,281**	12,612	12,533
Items not affecting cash flow	24 b	**2,935**	3,270	3,615
Taxes paid		**–2,496**	–3,548	–2,555
Cash flow from operating activities before change in working capital		**8,720**	12,334	13,593
Change in working capital				
Inventories		**–312**	–1,919	–1,711
Receivables		**–633**	–691	–930
Provisions for pensions		**114**	130	–109
Trade payables		**–481**	234	2,909
Other liabilities and provisions		**754**	1,289	1,549
Total change in working capital		**–558**	–957	1,708
Cash flow from operating activities		**8,162**	11,377	15,301
Investing activities				
Net investments through acquisitions/divestments of businesses	24 c	**25**	44	–56
Net investments in non-current assets, Vehicles and Services	24 d	**–4,480**	–3,776	–2,753
Net investments in credit portfolio etc., Financial Services	24 d	**–4,771**	–7,477	531
Cash flow from investing activities		**–9,226**	–11,209	–2,278
Cash flow before financing activities	23	**–1,064**	168	13,023
Financing activities				
Change in debt from financing activities	24 e	**5,912**	6,024	–9,389
Dividend	23	**–4,000**	–4,000	–800
Cash flow from financing activities		**1,912**	2,024	–10,189
Cash flow for the year		**848**	2,192	2,834
Cash and cash equivalents, 1 January		**11,648**	9,807	7,100
Exchange rate differences in cash and cash equivalents		**–578**	–351	–127
Cash and cash equivalents, 31 December	24 f	**11,918**	11,648	9,807

Cash flow statement, Vehicles and Services	Note	**2012**	2011	2010
Cash flow from operating activities before change in working capital		**8,038**	11,659	12,981
Change in working capital etc.		**–558**	–957	1,708
Cash flow from operating activities		**7,480**	10,702	14,689
Cash flow from investing activities		**–4,455**	–3,732	–2,809
Cash flow before financing activities	23	**3,025**	6,970	11,880
Cash flow per share, Vehicles and Services excluding acquisitions/divestments		**3.75**	8.66	14.92

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

NOTE 1 Accounting principles

The Scania Group encompasses the Parent Company, Scania Aktiebolag (publ), Swedish corporate identity number 556184-8564 and its subsidiaries, associated companies and joint ventures. The Parent Company has its registered office in Södertälje, Sweden. The address of Scania's head office is SE-151 87 Södertälje, Sweden.

The consolidated accounts of the Scania Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as the interpretations by the IFRS Interpretations Committee (IFRIC) as adopted by the European Union. In addition, Recommendation RFR 1, "Supplementary Accounting Rules for Groups" from the Swedish Financial Reporting Board has been applied. The Parent Company applies the same accounting policies as the Group except in the instances described below in the section "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 mainly derivative instruments. Preparing the financial reports in compliance with IFRS 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. Amendments of estimates are reported in the period in which the amendment was made if the amendment only affects this period, or in the period in which the amendment was made and future periods if the amendment affects both the current period and future periods. The principles stated below have been applied consistently for all periods, unless otherwise indicated below. Furthermore, the Group's accounting principles have been consistently applied by Group's companies, in respect of associate companies and joint ventures, if necessary, by adjustment to the Group's principles.

CHANGES IN ACCOUNTING PRINCIPLES

Accounting principles and calculation methods are unchanged from those applied in the Annual Report for 2011. New and revised standards and interpretations which were adopted on 1 January 2012 have not had any material impact on Scania's financial statements.

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 acquisition method of accounting. This method means that acquisition of a subsidiary is treated as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis establishes the fair value on the acquisition date of the acquired identifiable assets, debts assumed and contingent liabilities and any non-controlling interests. The consideration transferred on acquisition of a subsidiary consists of the fair values on the transfer date of assets given, liabilities that have arisen to previous owners and equity instruments issued as payment in exchange for the acquired net assets. Transaction costs directly attributable to the acquisition are recognised directly in the income statement as they arise.

Non-controlling interests are either recognised at their proportionate share of net assets or at their fair value, which means that non-controlling interests have a share in goodwill. The choice between the various alternatives may be made for each acquisition.

In business combinations where the consideration transferred, any non-controlling interests and the fair value of previously owned shares (in step acquisitions) exceed the fair value of the acquired identifiable assets, liabilities and contingent liabilities assumed, the difference is recognised 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 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. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment loss. Non-controlling interests, that is, equity in a subsidiary not attributable to the Parent Company, are reported as an item under equity that is separate from share capital owned by the Parent Company's shareholders. A separate disclosure of the portion of the year's earnings that belongs to non-controlling interests 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. In the income statement, the item "Share of income in associated companies and joint ventures” is recognised as the Group’s share of net earnings after taxes, after adjusting for any amortisation, impairment loss and withdrawals of acquired surplus and deficit values, respectively. The Group’s share of other comprehensive income in associated companies and joint ventures is recognised on a separate line in the Group’s other comprehensive income.

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 translation differences that arise when translating the financial statements of subsidiaries outside Sweden are recognised under “Other comprehensive income” and accumulate in the currency translation reserve in equity. Subsidiaries use the local currency as their functional currency, aside from a few subsidiaries for which the euro is the functional currency.

Monetary long-term items in a business outside Sweden for which settlement is not planned or will probably not occur within the foreseeable future are, in practice, part of the company’s net investment in operations outside Sweden. Exchange rate differences on such monetary items, which comprise part of the company’s net investment (extended investment) are recognised under “Other comprehensive income” and accumulate in the currency translation reserve in equity.

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 hyperinflationary currency.

Operating segment reporting

An operating segment is a component of the company that generates revenue and incurs expenses and whose operating results are reviewed by the Board of Directors and the Executive Board.

The operations of the Scania Group are managed and reported on the basis of two operating segments, 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 operating segments. Financial expenses and taxes are reported at the segment level in order to better reflect the operating segments. The Vehicles and Services operating segment 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. In addition, the Vehicles and Services operating segment is organised under common areas of responsibility. The Financial Services operating segment encompasses financial solutions for Scania customers, such as loan financing, lease contracts and insurance solutions. The assets of this operating segment encompass the assets that are directly used in its operations. Correspondingly, the operating segment’s 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 “Recognition of financial assets and liabilities”, page 81.

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. As a result, 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.

Transactions that include repurchase obligations or residual value guarantees, which mean that important risks remain with Scania, are carried as operating leases; see above.

NOTE 1 Accounting principles, continued

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 non-current 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.

Borrowing costs are included in the cost of assets that take a substantial period of time to get ready.

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. Borrowing costs are included in the cost of assets that take a substantial period of time to get ready.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. 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 concept phase and a product development phase. Expenditures during the concept phase are charged to earnings as they arise. Expenditures during the product 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 product 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, useful life is estimated at between three and ten 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 recoverable amount of goodwill and intangible assets that have not yet gone into service is calculated annually 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. An impairment loss is recognised in the income statement. When an impairment loss has been identified for a cash-generating unit, the amount of the impairment loss is first allocated to goodwill. A proportional impairment loss is subsequently recognised for other assets included in the unit.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated by applying 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. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and of making a sale.

Financial assets and liabilities

Financial instruments are any form of contract that gives rise to a financial asset in one company and a financial liability or equity instrument in another company. These encompass cash and cash equivalents, current (short-term) investments, interest-bearing receivables, trade receivables, trade payables, borrowings and derivative instruments. Cash and cash equivalents consist of cash and bank balances as well as current liquid investments with a maturity amounting to a maximum of 90 days, which are subject to an insignificant risk of fluctuations in value. "Current 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, including 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 identified from the beginning as an item measured at fair value via profit or loss. 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. Scania has no financial instruments classified in this category.

c) Loan receivables and trade receivables
   These assets have predetermined or determinable payments and are not quoted in an active market. Scania's cash and cash equivalents, trade receivables and loan receivables belong to this category.

d) Financial assets which are 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

Non-derivative financial assets and liabilities are initially recognised at their cost, which is equivalent to their fair value at that time plus transaction costs, aside from those classified as financial assets recognised at fair value via profit or loss. The last-mentioned category is recognised at fair value, excluding transaction costs. Financial assets and liabilities in foreign currencies are translated to Swedish kronor at the closing day exchange rate.

Below are the main accounting principles that Scania applies to financial assets and financial liabilities. Exceptions from these principles apply to 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. Scania has no financial instruments classified in this category.

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. In addition to the individual assessment, provisions are made for potential bad debt losses based on a collective assessment of the assets.

d) Financial assets available for sale are carried continuously at fair value, with changes in value recognised under "Other comprehensive income" and accumulated in the fair value reserve 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 and interest rate risks, derivatives are mainly used. For accounting purposes, cash flow hedging is used for hedging of currency rate risks. 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.

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 under "Other comprehensive income" and accumulate 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 payment flows reach the income statement.

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 a fixed interest rate. The derivative is recognised in the balance sheet at fair value, and changes in value are recognised under "Other comprehensive income" and accumulated 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.

Hedging of net investments outside Sweden

Currency rate risk related to net investments in subsidiaries outside Sweden that have a functional currency different from that of the Parent Company 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. Translation differences on financial instruments used as hedging instruments are recognised including tax effects under "Other comprehensive income" and accumulate in 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 functional currency of the Parent Company.

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 profit. 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. Income taxes are recognised in the income statement except when the underlying transaction is recognised in other comprehensive income, such as changes in actuarial gains/losses or in equity, causing the related tax effect to be recognised in other comprehensive income or in equity, respectively. Deferred tax is recognised in case of a difference between the carrying amount of assets and liabilities and their fiscal value ("temporary difference"). Valuation of deferred tax is based on how the underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted on the balance sheet date. Deferred tax assets minus deferred tax liabilities are recognised only to the extent that it is likely that they can be utilised.

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-quality 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 under "Other comprehensive income" ("actuarial gains and losses") and do not affect net income.

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. For Scania, this applies to the Dutch Pensioenfonds Metaal en Techniek, which is administered via MN Services, and Bedrijfstakpensioenfonds Metalelektro, 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 PRI Pensionsgaranti, which also administers the plan. See also Note 17, "Provisions for pensions and similar commitments". Scania follows the rules in IAS 19 concerning limits in the valuation of net assets, since these are never valued 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 non-current 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

"Interest income" refers to income from financial investments and pension assets. "Other financial income" includes gains that arise from the valuation of non-hedge-accounted derivatives (see the section on financial instruments) and exchange rate gains attributable to financial items. "Interest expenses" refers to expenses attributable to loans, pension liability and changes in the value of loan hedging derivatives. "Other financial expenses" include current bank fees, losses arising from valuation of non-hedge-accounted derivatives and exchange rate losses attributable to financial items.

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.

NOTE 1 Accounting principles, continued

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. The assets are recognised as lease assets in the balance sheet.
- Residual value obligation – in case of delivery of vehicles for which substantial risks remain with Scania and 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.
- 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.

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, as expenses for the fulfilment of the contract arise.

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 2013 and subsequently have not been applied in advance. The following new and amended standards have not yet begun to be applied.

IFRS 9, "Financial Instruments" – This standard replaces the provisions of IAS 39, "Financial Instruments: Recognition and Measurement" that relate to classification and measurement. The standard is mandatory starting with the financial year 2015, but earlier adoption is permitted, provided that the EU has approved the standard. This has not yet occurred.

IFRS 10, "Consolidated Financial Statements" – The standard replaces IAS 27 and SIC-12, "Consolidation – Special Purpose Entities" and contains a model for assessing whether or not control exists. An entity or investment should be included in the consolidated statements if control exists based on a control concept. The standard entered into force on 1 January 2013 but companies in the EU can wait to adopt the standard until 1 January 2014, which Scania will opt for. The standard is not expected to have any material impact on Scania's financial statements.

IFRS 11, "Joint Arrangements" – The standard replaces IAS 31, "Interests in Joint Ventures". According to the standard, jointly controlled investments shall be divided into two categories, joint venture or joint operation. Different accounting rules shall be applied to the two categories. The standard entered into force on 1 January 2013 but companies in the EU can wait to adopt the standard until 1 January 2014, which Scania will opt for. The standard is not expected to have any material impact on Scania's financial statements.

IFRS 12, "Disclosure of Interests in Other Entities" contains new disclosure requirements for all types of interests in other entities irrespective of whether the interest is consolidated or not. The standard entered into force on 1 January 2013 but companies in the EU can wait to adopt the standard until 1 January 2014, which Scania will opt for.

IFRS 13, “Fair Value Measurement” – The standard is being introduced to create a uniform definition of fair value and uniform valuation methods for measurement of fair value. New disclosure requirements are also being introduced. The standard entered into force on 1 January 2013 and shall be applied for annual periods starting in 2013. The standard is not expected to have any material impact on Scania’s financial statements.

Amendment to IAS 1, “Presentation of Financial Statements” implies new disclosure requirements of components accounted for in other comprehensive income in respect of items that will be reclassified to net income (for example, gain/loss on hedges of currency rate risk in foreign operations, translation differences and gains/losses on cash-flow hedges) and those which will never be reclassified to net income (for example, actuarial gains and losses). The standard entered into force on 1 July 2012 and shall be applied for annual periods from 2013.

Amendment to IAS 19, “Employee Benefits” – Scania already applies the method for measurement of pension liabilities contained in the amendment to IAS 19, except that the returns on pension assets shall be measured based on the same discount rate as pension liabilities rather than on the estimated return. The standard entered into force on 1 January 2013 and shall be applied on this date. Since the relative size of the pension assets is small, the standard is not expected to have any material impact on Scania’s financial statements.

Other changes in standards and interpretations that enter into force on 1 January 2013 or subsequently are not expected to have any impact on Scania’s accounting.

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, “Accounting for Legal Entities” of the Swedish Financial Reporting Board. RFR 2 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.

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. Correspondingly, no allocation of part of the appropriations is made to deferred tax expense in the Parent Company’s income statement.

Group contributions

The Parent Company recognises Group contributions received as financial revenue in the income statement and recognises Group contributions provided as financial expenses 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.

Obligations

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 downturns in the market value of used vehicles, this increases the risk of future losses when divesting the returned vehicles. When a residual value guarantee is deemed likely to result in a future loss, a provision is recognised in those cases where the expected loss exceeds the profit on the vehicle not yet recognised as revenue.

Changes in market value may also cause an impairment loss in used vehicle inventories, since these are recognised at the lower of cost and estimated net realisable value.

At the end of 2012, obligations related to residual value or repurchase amounted to SEK 8,605 m. (7,762).

Credit risks

In its Financial Services operations, Scania has an exposure in the form of contractual payments. At the end of 2012, these amounted to SEK 45,037 m. (42,235). 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, and the customer has a problem completing its contractual payments, Scania has a risk of loss. On 31 December 2012, the reserve for doubtful receivables in Financial Services operations amounted to SEK 763 m. (745). See also "Credit risk" under Note 30, "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 2 percent (2 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 (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 2012, Scania's goodwill amounted to SEK 1,082 m. (1,144). The impairment tests that were carried out showed that there are ample margins before 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. At that time 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 1,923 m. (1,292) on 31 December 2012.

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 used was 3.25 percent (4.0). Changes in the above-mentioned actuarial parameters are recognised in "Other comprehensive income", 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 1,480 m. (1,462) on 31 December 2012.

Legal and tax risks

On 31 December 2012, provisions for legal and tax risks amounted to SEK 1,200 m. (1,650). 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.

During 2011 Scania became a subject of an investigation being carried out by the European Commission concerning alleged inappropriate cooperation. A similar investigation by the British competition authority, the Office of Fair Trading (OFT), which was initiated during 2010, was transferred to the European Commission during 2012. During 2011, an investigation of Scania was also initiated by the Korean competition authority, the Korea Fair Trade Commission (KFTC), concerning alleged inappropriate cooperation. This investigation intensified during 2012.

This type of investigation normally lasts for several years and it is still too early to judge the risk of claims against Scania.

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. The judgements that have been made may affect income both negatively and positively.

NOTE 3 Operating segment reporting

Scania's operations are divided into two different operating segments, which are based on how the Board of Directors and the Executive Board monitor operations. The results and financial position of each respective segment are monitored by the Board of Directors and the Executive Board, serving as the basis for decision making and allocation of resources.

The Vehicles and Services operating segment encompasses the following products: trucks, buses and engines, including the services associated with these products. All products are based on shared basic components, and monitoring of results thus occurs on an aggregated basis.

Vehicles and Services are, moreover, organised into shared areas of responsibility. The Financial Services operating segment 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". The revenue and expenses, as well as the assets and liabilities, of each operating segment are – in all essential respects – items directly attributable to that respective segment. Scania has a large number of customers all over the world, which means that its dependence on a single customer in each respective operating segment is very limited.

OPERATING SEGMENT

Income statement	Vehicles and Services [4]			Financial Services [5]			Eliminations			Scania Group		
January – December	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Revenue from external customers [1]	**79,603**	87,686	78,168	**4,576**	4,372	4,197	**–1,728**	–1,749	–1,797	**82,451**	90,309	80,568
Expenses	**–71,936**	–75,821	–65,609	**–3,970**	–3,855	–4,026	**1,728**	1,749	1,797	**–74,178**	–77,927	–67,838
Share of income in associated companies and joint ventures	**27**	16	16	**–**	–	–	**–**	–	–	**27**	16	16
Operating income	**7,694**	11,881	12,575	**606**	517	171	**–**	–	–	**8,300**	12,398	12,746
Interest income	**709**	820	464	**–**	–	–	**–**	–	–	**709**	820	464
Interest expenses	**–576**	–559	–657	**–**	–	–	**–**	–	–	**–576**	–559	–657
Other financial income and expenses [2]	**–152**	–47	–20	**–**	–	–	**–**	–	–	**–152**	–47	–20
Income before tax	**7,675**	12,095	12,362	**606**	517	171	**–**	–	–	**8,281**	12,612	12,533
Taxes [2]	**–1,514**	–3,063	–3,389	**–127**	–127	–41	**–**	–	–	**–1,641**	–3,190	–3,430
Net income for the year	**6,161**	9,032	8,973	**479**	390	130	**–**	–	–	**6,640**	9,422	9,103
Depreciation/ amortisation included in operating income [3]	**–2,678**	–2,609	–2,544	**–20**	–21	–21	**–**	–	–	**–2,698**	–2,630	–2,565

1 Elimination of the amount that corresponds to depreciation/amortisation of operating leases in the Financial Services segment. At Group level, the revenue from operating leases shall consist of accrued income in the Vehicles and Services segment and interest income in the Financial Services segment, which is achieved by elimination of depreciation/amortisation.

2 Financial income and expenses as well as taxes are reported at segment level to better reflect the Financial Services operating segment, 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 operating segment.

3 Value decrease in operating leases is not included.

4 Scania's revenue in the Vehicles and Services segment by product can be seen in Note 4.

5 Scania's revenue in the Financial Services segment by type can be seen in Note 6.

	Vehicles and Services			Financial Services			Scania Group		
Cash flow statement by segment	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Cash flow from operating activities before change in working capital	**8,038**	11,659	12,981	**682**	675	612	**8,720**	12,334	13,593
Change in working capital etc.	**–558**	–957	1,708	**–**	–	–	**–558**	–957	1,708
Cash flow from operating activities	**7,480**	10,702	14,689	**682**	675	612	**8,162**	11,377	15,301
Cash flow from investing activities	**–4,455**	–3,732	–2,809	**–4,771**	–7,477	531	**–9,226**	–11,209	–2,278
Cash flow before financing activities	**3,025**	6,970	11,880	**–4,089**	–6,802	1,143	**–1,064**	168	13,023

Balance sheet	Vehicles and Services			Financial Services			Eliminations			Scania Group		
31 December	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Assets												
Intangible assets	**3,138**	2,529	2,323	**12**	15	20	**–**	–	–	**3,150**	2,544	2,343
Tangible assets	**20,594**	20,286	20,401	**34**	33	36	**–**	–	–	**20,628**	20,319	20,437
Lease assets [6]	**5,992**	5,406	4,148	**8,135**	8,301	8,497	**–1,466**	–1,552	–1,472	**12,661**	12,155	11,173
Holdings in associated companies and joint ventures	**491**	496	482	**–**	–	–	**–**	–	–	**491**	496	482
Interest-bearing receivables, non-current [7]	**8**	109	120	**22,988**	20,931	16,394	**–**	–	–	**22,996**	21,040	16,514
Other receivables, non-current	**2,565**	2,611	2,840	**236**	184	133	**–**	–	–	**2,801**	2,795	2,973
Inventories	**14,235**	14,522	12,961	**–**	–	–	**–**	–	–	**14,235**	14,522	12,961
Interest-bearing receivables, current [7]	**93**	194	143	**13,914**	13,003	11,246	**–**	–	–	**14,007**	13,197	11,389
Other receivables, current [8]	**9,684**	9,906	9,918	**1,037**	1,057	988	**–605**	–518	–617	**10,116**	10,445	10,289
Current investments, cash and cash equivalents	**11,690**	11,468	9,552	**357**	328	316	**–**	–	–	**12,047**	11,796	9,868
Total assets	**68,490**	67,527	62,888	**46,713**	43,852	37,630	**–2,071**	–2,070	–2,089	**113,132**	109,309	98,429
Equity and liabilities												
Equity	**30,195**	30,005	25,850	**4,809**	4,507	4,186	**–**	–	–	**35,004**	34,512	30,036
Interest-bearing liabilities [9]	**2,477**	1,418	2,909	**39,974**	37,375	31,497	**–**	–	–	**42,451**	38,793	34,406
Provisions for pensions	**6,548**	5,514	5,134	**34**	25	24	**–**	–	–	**6,582**	5,539	5,158
Other non-current provisions	**3,120**	3,223	3,030	**6**	4	2	**–**	–	–	**3,126**	3,227	3,032
Other liabilities, non-current	**4,635**	4,897	4,029	**605**	600	610	**–**	–	–	**5,240**	5,497	4,639
Current provisions	**1,643**	1,593	1,376	**7**	4	18	**–**	–	–	**1,650**	1,597	1,394
Other liabilities, current [6, 8]	**19,872**	20,877	20,560	**1,278**	1,337	1,293	**–2,071**	–2,070	–2,089	**19,079**	20,144	19,764
Total equity and liabilities	**68,490**	67,527	62,888	**46,713**	43,852	37,630	**–2,071**	–2,070	–2,089	**113,132**	109,309	98,429
Gross investment for the period in												
– Intangible assets	**940**	437	373	**4**	4	5	**–**	–	–	**944**	441	378
– Tangible assets	**3,216**	2,597	1,663	**18**	15	22	**–**	–	–	**3,234**	2,612	1,685
– Lease assets [8]	**2,660**	2,650	2,400	**3,614**	3,486	3,913	**–469**	–558	–378	**5,805**	5,578	5,935

6 Elimination refers to deferred profit on lease assets.

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

8 Elimination refers to intra-Group receivables and liabilities between the two segments.

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

NOTE 3 Operating segment reporting, continued

GEOGRAPHIC AREAS

	Europe			Eurasia			Asia		
	2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Vehicles and Services									
Net sales, January – December [1]	**41,714**	45,167	39,611	**5,972**	6,062	2,413	**7,843**	10,174	9,035
Assets, 31 December [2]	**50,684**	50,225	46,110	**2,259**	1,667	1,609	**2,479**	2,142	1,766
Gross investments [2]	**3,316**	2,437	1,743	**64**	46	49	**201**	55	33
Non-current assets	**27,430**	26,277	25,071	**585**	549	569	**511**	334	309
Financial Services									
Revenue, January – December [1]	**3,413**	3,453	3,404	**296**	251	227	**161**	163	186
Assets, 31 December [2]	**34,090**	33,150	30,020	**2,425**	2,276	1,920	**1,891**	2,013	1,840
New financing to customers	**16,882**	17,933	13,152	**1,424**	1,424	631	**893**	1,294	778
Non-current assets	**23,811**	22,996	20,800	**1,371**	1,283	990	**1,088**	1,164	1,000

1 Revenue from external customers is allocated by location of customers.
2 Assets and gross investments, respectively (excluding lease assets), by geographic location.
3 Refers mainly to Latin America.

GEOGRAPHIC AREAS

The business is monitored based on a geographic division of countries in which Sweden is part of the European market. The geographic division of Scania is based on where the customer is located. The "Definitions" section 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 work occurs in Sweden. Manufacturing of trucks, buses and industrial and marine engines occurs in Sweden, Argentina, Brazil, France, the Netherlands, Poland and Russia.

NOTE 4 Revenue from external customers

Vehicles and Services	2012	2011	2010
Trucks	**49,580**	57,632	47,580
Buses	**7,196**	8,206	7,713
Engines	**1,245**	1,179	1,148
Service	**17,092**	17,048	16,455
Used vehicles	**4,492**	4,313	4,623
Other products [1]	**1,892**	1,907	2,590
Total delivery value	**81,497**	90,285	80,109
Adjustment for lease income [2]	**–1,894**	–2,599	–1,941
Net sales, Vehicles and Services	**79,603**	87,686	78,168
Financial Services	**4,576**	4,372	4,197
Eliminations [3]	**–1,728**	–1,749	–1,797
Revenue from external customers	**82,451**	90,309	80,568

1 During 2011 and 2012, no future currency flows were hedged. In 2010, currency hedging income of SEK 745 was included.

2 Refers mainly to new trucks, SEK –1,799 m. (–2,193 and –1,598, respectively) and new buses, SEK 79 m. (–333 and –234, respectively) The adjustment amount consists of the difference between sales value based on delivery and revenue recognised as income. This difference arises when a lease or delivery is combined with a residual value guarantee or a repurchase obligation. Significant risks remain, therefore recognition is based on an operating lease contract. This means that recognition of revenue and earnings is allocated based on the term of the obligation.

3 Elimination of the amount that corresponds to depreciation/amortisation of operating leases in the Financial Services segment. At Group level, the revenue from operating leases shall consist of accrued income in the Vehicles and Services segment and interest income in the Financial Services segment, which is achieved by elimination of depreciation/amortisation.

America[3]			Africa and Oceania			Total		
2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010
18,391	20,912	21,725	**5,683**	5,371	5,384	**79,603**	87,686	78,168
10,892	11,619	11,188	**2,176**	1,874	2,215	**68,490**	67,527	62,888
551	458	189	**24**	38	22	**4,156**	3,034	2,036
3,697	3,819	3,938	**565**	458	427	**32,788**	31,437	30,314
447	231	67	**259**	274	313	**4,576**	4,372	4,197
6,346	4,226	1,335	**1,961**	2,187	2,515	**46,713**	43,852	37,630
3,482	3,527	1,105	**1,311**	1,567	2,009	**23,992**	25,745	17,675
3,965	2,710	675	**1,170**	1,311	1,615	**31,405**	29,464	25,080

NOTE 5 Operating expenses

Vehicles and Services	2012	2011	2010
Cost of goods sold			
Cost of goods	**37,091**	40,085	34,635
Staff	**11,658**	11,426	10,115
Depreciation/amortisation	**1,997**	1,960	1,874
Other	**8,181**	9,692	7,880
Total	**58,927**	63,163	54,504
Research and development expenses			
Staff	**1,793**	1,809	1,560
Depreciation/amortisation	**462**	420	420
Other	**2,426**	2,211	1,525
Total	**4,681**	4,440	3,505
Selling expenses			
Staff	**3,850**	3,663	3,363
Depreciation/amortisation	**212**	223	244
Other	**3,224**	3,128	2,793
Total	**7,286**	7,014	6,400
Administrative expenses			
Staff	**537**	497	566
Depreciation/amortisation	**7**	6	6
Other	**498**	701	628
Total	**1,042**	1,204	1,200

Financial Services	2012	2011	2010
Selling and administrative expenses			
Staff	**436**	410	367
Depreciation/amortisation	**20**	21	21
Other	**194**	184	185
Total	**650**	615	573

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

NOTE 6 Financial Services

Financial Services offers various forms of financing solutions in which it provides loans, ordinarily with maturities of between 3–5 years, with the vehicle as underlying collateral. Market conditions as well as civil law and tax rules in each country often determine what financing solution is offered. Financing consists mainly of financial leases, in which the right of ownership of the vehicle remains with Scania during the lease term, but material risks and rewards have been transferred to the lessee. If hire purchase contracts are offered, the right of ownership is transferred to the customer on the date of sale, but Financial Services receives collateral in the form of a lien on the vehicle. If Financial Services offers a lease when delivering vehicles for which substantial risks remain with Scania, primarily attributable to guaranteed residual values, the contract is recognised as an operating lease.

	2012	2011	2010
Interest income	**2,418**	2,157	1,916
Lease income	**2,158**	2,215	2,281
Depreciation	**–1,728**	–1,749	–1,797
Interest expenses	**–1,367**	–1,274	–1,229
Net interest income	**1,481**	1,349	1,171
Other income and expenses	**65**	81	66
Gross income	**1,546**	1,430	1,237
Selling and administrative expenses	**–650**	–615	–573
Bad debt expenses [1]	**–290**	–298	–493
Operating income	**606**	517	171

1 These expenses were equivalent to 0.66 (0.76 and 1.29, respectively) percent of the average credit portfolio.

Lease assets (operating leases)	2012	2011	2010
1 January	**8,301**	8,497	8,898
New contracts	**3,614**	3,486	3,913
Depreciation	**–1,728**	–1,749	–1,797
Terminated contracts	**–1,811**	–1,815	–1,604
Change in value adjustments	**8**	–15	–17
Exchange rate differences	**–249**	–103	–896
Carrying amount, 31 December [2]	**8,135**	8,301	8,497

2 The consolidated balance sheet also includes elimination of deferred profit. See Note 3.

Financial receivables (hire purchase contracts and financial leases)	2012	2011	2010
1 January	**33,934**	27,640	31,506
New receivables	**20,378**	22,259	13,762
Loan principal payments/ terminated contracts	**–15,908**	–15,131	–14,684
Change in value adjustments	**–49**	72	25
Exchange rate differences	**–1,453**	–906	–2,969
Carrying amount, 31 December	**36,902**	33,934	27,640
Total receivables and lease assets [3]	**45,037**	42,235	36,137

3 The number of contracts in the portfolio on 31 December totalled about 100,000 (95,000 and 86,000, respectively).

Net investments in financial leases	2012	2011	2010
Receivables related to future minimum lease payments	**24,394**	23,364	22,039
Less:			
Reserve for bad debts	**–548**	–546	–756
Imputed interest	**–2,288**	–2,447	–2,039
Net investment [4]	**21,558**	20,371	19,244

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

Future minimum lease payments [5]	Operating leases	Financial leases
2013	**1,624**	**9,232**
2014	**1,233**	**6,509**
2015	**855**	**4,409**
2016	**389**	**2,425**
2017	**153**	**1,071**
2018 and thereafter	**47**	**748**
Total	**4,301**	**24,394**

5 "Minimum lease payments" refers to the future flows of incoming payments related 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

	2012	2011	2010
Interest income			
Bank balances and financial investments	**496**	572	333
Derivatives [1]	**152**	168	53
Expected return on pension assets	**61**	80	78
Total interest income	**709**	820	464
Interest expenses			
Borrowings	**–882**	–1,043	–855
Derivatives [1]	**–215**	–63	–368
Total borrowings and derivatives	**–1,097**	–1,106	–1,223
Less interest expenses recognised in Financial Services [2]	**826**	843	883
Pension liability	**–305**	–296	–317
Total interest expenses	**–576**	–559	–657
Total net interest	**133**	261	–193
Other financial income [3]	**80**	116	70
Other financial expenses [3]	**–232**	–163	–90
Total other financial income and expenses	**–152**	–47	–20
Net financial items	**–19**	214	–213

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 Recognised in the operating income of Financial Services.

3 Refers to SEK –90 m. (42 and 19, respectively) in market valuation of financial instruments for which hedge accounting is not applied, as well as exchange rate differences and unrealised gains of SEK 195 m. and unrealised losses of SEK 1,508 m. attributable to foreign exchange derivatives and bank-related costs.

NOTE 8 Taxes

Tax expense/income for the year	2012	2011	2010
Current tax [1]	**–2,074**	–3,164	–3,831
Deferred tax	**433**	–26	401
Total	**–1,641**	–3,190	–3,430
1 Of which, taxes paid:	**–2,496**	–3,548	–2,555

Deferred tax is attributable to the following:	2012	2011	2010
Deferred tax related to temporary differences	**–40**	138	239
Deferred tax due to changes in tax rates and tax rules [2]	**288**	–2	7
Deferred tax income due to tax value of loss carry-forwards recognised during the year	**32**	47	454
Deferred tax expense due to utilisation of previously recognised tax value of tax loss carry-forwards	**–53**	–215	–118
Deferred tax related to change in provision to tax allocation reserve	**222**	–12	–178
Other deferred tax liabilities/assets	**–16**	18	–3
Total	**433**	–26	401

2 The effect of changes in tax rates mainly refers to Sweden (during 2012), Great Britain and Chile (during 2011) and Chile (during 2010).

NOTE 8 Taxes, continued

	2012		2011		2010	
Reconciliation of effective tax	**Amount**	**%**	Amount	%	Amount	%
Income before tax	**8,281**		12,612		12,533	
Tax calculated using Swedish tax rate	**–2,178**	**26.3**	–3,317	26.3	–3,296	26.3
Tax effect and percentage influence:						
Difference between Swedish and foreign tax rates	**–362**	**4**	–528	4	–649	5
Tax-exempt income	**69**	**–1**	111	–1	291	–2
Non-deductible expenses	**–101**	**1**	–118	1	–148	1
Utilisation of tax value of loss carry-forwards not previously recognised	**506**	**–6**	571	–5	29	0
Valuation of tax value of loss carry-forwards not previously recognised	**2**	**0**	42	0	383	–3
Adjustment for taxes pertaining to previous years	**145**	**–2**	16	0	–38	0
Changed tax rates	**287**	**–3**	1	0	6	0
Other	**–9**	**0**	32	0	–8	0
Tax recognised	**–1,641**	**20**	–3,190	25	–3,430	27

Deferred tax assets and liabilities are attributable to the following:	**2012**	2011	2010
Deferred tax assets			
Provisions	**860**	971	861
Provisions for pensions	**1,158**	962	871
Non-current assets	**889**	656	543
Inventories	**490**	570	556
Unutilised tax loss carry-forwards [3]	**575**	597	769
Other current liabilities	**1,089**	920	708
Derivatives	**222**	377	486
Other	**433**	345	157
Offset within tax jurisdictions	**–4,260**	–4,147	–3,509
Total deferred tax assets [4]	**1,456**	1,251	1,442
Deferred tax liabilities			
Provisions	**198**	261	193
Non-current assets	**3,955**	3,868	3,526
Tax allocation reserve [5]	**321**	605	593
Derivatives	**190**	229	208
Other	**63**	52	74
Offset within tax jurisdictions	**–4,260**	–4,147	–3,509
Total deferred tax liabilities	**467**	868	1,085
Net deferred tax assets (–) / tax liabilities (+), net amount	**–989**	–383	–357

3 Of the deferred tax assets attributable to unutilised tax loss carry-forwards, SEK 471 m. may be utilised without time constraints.

4 Deferred tax assets related to tax loss carry-forwards are recognised to the extent that it is likely that the loss carry-forwards can be utilised to offset profits in future tax returns. Deferred tax assets related to unutilised tax loss carry-forwards of SEK 12,623 m. (13,389 and 13,601, respectively) were not assigned a value. Most of these were not assigned a value because these tax loss carry-forwards may only be utilised in relation to a limited portion of operations. Tax loss carry-forwards with time limits totalled SEK 27 m., of which SEK 9 m. expire in 2015, SEK 18 m. expire in 2017.

5 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 assets/liabilities	2012	2011	2010
Carrying value on 1 January	**–383**	–357	354
Deferred taxes recognised in the year's income	**–433**	26	–401
Exchange rate differences	**27**	39	–17
Tax assets in acquired businesses	**–1**	–12	–168
Recognised in "Other comprehensive income", changes attributable to:			
actuarial gains and losses on pensions	**–216**	–97	–95
currency translation reserve	**16**	4	–
hedge reserve	**1**	14	–30
Net deferred tax assets (–) / tax liabilities (+), 31 December	**–989**	–383	–357

NOTE 9 Earnings per share

Earnings per share	2012	2011	2010
Net income for the year attributable to Scania shareholders, SEK m.	**6,646**	9,422	9,103
Weighted average, millions of shares outstanding during the year	**800**	800	800
Earnings per share before/after dilution, SEK	**8.31**	11.78	11.38

There are no financial instruments that can lead to dilution.

NOTE 10 Depreciation/amortisation

Vehicles and Services	2012	2011	2010
Intangible non-current assets			
Development expenses	**218**	171	170
Selling expenses	**34**	36	37
Total	**252**	207	207
Tangible non-current assets			
Costs of goods sold [1]	**1,997**	1,960	1,874
Research and development expenses	**244**	249	250
Selling expenses	**178**	187	207
Administrative expenses	**7**	6	6
Total	**2,426**	2,402	2,337
Total depreciation/amortisation, Vehicles and Services	**2,678**	2,609	2,544

1 Of which, a value decrease of SEK 206 m. (230 and 181, respectively) related to short-term rentals in Vehicles and Services. In addition, there was a value decrease of SEK 698 m. (624 and 620, respectively) in capitalised repurchasing obligations.

Financial Services	2012	2011	2010
Operating leases (payments of principal)	**1,728**	1,749	1,797
Other non-current assets	**20**	21	21
Total depreciation/amortisation, Financial Services	**1,748**	1,770	1,818

In the Group accounts, depreciation/amortisation was adjusted downward by SEK 555 m. (477 and 461, respectively) to its consolidated value. In Note 12, depreciation/amortisation related to short-term rentals, capitalised repurchasing obligations and operating leases under the heading "Lease assets" thus amounted to SEK 2,077 m. (2,126 and 2,137, respectively).

NOTE 11 Intangible assets

2012	Goodwill	Development	Other intangibles [1]	Total
Accumulated cost				
1 January	1,159	3,505	523	**5,187**
Acquisitions/Divestment of subsidiaries	2	–	–	**2**
Additions	–	860	84	**944**
Divestments and disposals	–	–	–	**–**
Exchange rate differences	–64	–	–19	**–83**
Total	**1,097**	**4,365**	**588**	**6,050**
Accumulated amortisation				
1 January	–	2,213	402	**2,615**
Amortisation for the year				
– Vehicles and Services	–	218	34	**252**
– Financial Services	–	–	9	**9**
Divestments and disposals	–	–	–2	**–2**
Exchange rate differences	–	–	–13	**–13**
Total	**–**	**2,431**	**430**	**2,861**
Accumulated impairment losses				
1 January	15	–	13	**28**
Impairment loss for the year	–	11	–	**11**
Total	**15**	**11**	**13**	**39**
Carrying amount, 31 December	**1,082**	**1,923**	**145**	**3,150**
– of which capitalised expenditures for projects that have been placed in service		1,006		
– of which capitalised expenditures for projects under development		917		

2011	Goodwill	Development	Other intangibles [1]	Total
Accumulated cost				
1 January	1,182	3,118	498	4,798
Acquisitions/Divestment of subsidiaries	3	–	–	3
Additions	–	387	54	441
Divestments and disposals	–	–	–17	–17
Exchange rate differences	–26	–	–12	–38
Total	1,159	3,505	523	5,187
Accumulated amortisation				
1 January	–	2,044	383	2,427
Amortisation for the year				
– Vehicles and Services	–	169	37	206
– Financial Services	–	–	8	8
Divestments and disposals	–	–	–17	–17
Exchange rate differences	–	–	–9	–9
Total	–	2,213	402	2,615
Accumulated impairment losses				
1 January	15	–	13	28
Impairment loss for the year	–	–	–	–
Total	15	–	13	28
Carrying amount, 31 December	**1,144**	**1,292**	**108**	**2,544**
– of which capitalised expenditures for projects that have been placed in service		802		
– of which capitalised expenditures for projects under development		489		

2010	Goodwill	Development	Other intangibles [1]	Total
Accumulated cost				
1 January	1,311	2,768	504	4,583
Acquisitions/Divestment of subsidiaries	9	–	–	9
Additions	–	354	24	378
Divestments and disposals	–	–4	–2	–6
Exchange rate differences	–138	–	–28	–166
Total	1,182	3,118	498	4,798
Accumulated amortisation				
1 January	–	1,877	361	2,238
Amortisation for the year				
– Vehicles and Services	–	169	38	207
– Financial Services	–	–	9	9
Divestments and disposals	–	–2	–3	–5
Exchange rate differences	–	–	–22	–22
Total	–	2,044	383	2,427
Accumulated impairment losses				
1 January	15	–	13	28
Impairment loss for the year	–	–	–	–
Total	15	–	13	28
Carrying amount, 31 December	**1,167**	**1,074**	**102**	**2,343**
– of which capitalised expenditures for projects that have been placed in service		807		
– of which capitalised expenditures for projects under development		267		

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

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. The assumptions used in estimating recoverable amounts 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.

NOTE 12 Tangible assets

2012	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets [1, 3]	Total
Accumulated cost					
1 January	17,182	28,555	1,574	15,658	**62,969**
Acquisitions/divestments of subsidiaries	–	–	–	–	**–**
Additions	235	736	2,263	5,805	**9,039**
Divestments and disposals	–33	–800	–9	–3,240	**–4,082**
Reclassifications	429	1,050	–1,510	–1,109	**–1,140**
Exchange rate differences	–491	––874	–30	–581	**–1,976**
Total	**17,322**	**28,667**	**2,288**	**16,533**	**64,810**
Accumulated depreciation					
1 January	6,756	20,229	–	3,439	**30,424**
Acquisitions/divestments of subsidiaries	–	–	–	–	**–**
Depreciation for the year					
– Vehicles and Services	386	1,834	–	904	**3,124**
– Financial Services	–	11	–	1,728	**1,739**
– Elimination	–	–	–	–555	**–555**
Divestments and disposals	–13	–667	–	–1,191	**–1,871**
Reclassifications	14	–16	–	–354	**–356**
Exchange rate differences	–199	–696	–	–153	**–1,048**
Total	**6,944**	**20,695**	**–**	**3,818**	**31,457**
Accumulated impairment losses [2]					
1 January	6	1	–	64	**71**
Change in value for the year	3	–	–	–8	**–5**
Exchange rate differences	–	–	–	–2	**–2**
Total	**9**	**1**	**–**	**54**	**64**
Carrying amount, 31 December	**10,369**	**7,971**	**2,288**	**12,661**	**33,289**
– of which “Machinery”		5,868			
– of which “Equipment”		2,103			
– of which “Buildings”	7,807				
– of which “Land”	2,562				
– of which Financial Services		30		8,135	**8,165**

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 credit losses.

3 Including vehicles for short-term rentals, which were reclassified to inventory starting in 2012.

2011	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets [1]	Total
Accumulated cost					
1 January	16,941	28,349	1,305	14,317	60,912
Acquisitions/divestments of subsidiaries	–16	4	–	–	–12
Additions	346	705	1,561	5,578	8,190
Divestments and disposals	–98	–923	–2	–3,859	–4,882
Reclassifications	234	921	–1,283	–223	–351
Exchange rate differences	–225	–501	–7	–155	–888
Total	17,182	28,555	1,574	15,658	62,969
Accumulated depreciation					
1 January	6,544	19,615	–	3,089	29,248
Acquisitions/divestments of subsidiaries	–4	–1	–	–	–5
Depreciation for the year					
– Vehicles and Services	375	1,798	–	854	3,027
– Financial Services	–	13	–	1,749	1,762
– Elimination	–	–	–	–477	–477
Divestments and disposals	–43	–716	–	–1,699	–2,458
Reclassifications	–30	–76	–	–37	–143
Exchange rate differences	–86	–404	–	–40	–530
Total	6,756	20,229	–	3,439	30,424
Accumulated impairment losses [2]					
1 January	–1	–	–	55	54
Change in value for the year	7	1	–	9	17
Exchange rate differences	–	–	–	–	–
Total	6	1	–	64	71
Carrying amount, 31 December	**10,420**	**8,325**	**1,574**	**12,155**	**32,474**
– of which “Machinery”		6,234			
– of which “Equipment”		2,091			
– of which “Buildings”	7,878				
– of which “Land”	2,542				
– of which Financial Services		29		8,301	8,330

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 credit losses.

NOTE 12 Tangible assets, continued

2010	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets [1]	Total
Accumulated cost					
1 January	17,270	28,704	1,715	15,257	62,946
Acquisitions/divestments of subsidiaries	49	12	–	7	68
Additions	223	261	1,201	5,935	7,620
Divestments and disposals	–114	–938	–6	–4,705	–5,763
Reclassifications	562	953	–1,574	–64	–123
Exchange rate differences	–1,049	–643	–31	–2,113	–3,836
Total	16,941	28,349	1,305	14,317	60,912
Accumulated depreciation					
1 January	6,556	19,085	–	4,103	29,744
Acquisitions/divestments of subsidiaries	–	–	–	–	–
Depreciation for the year					
– Vehicles and Services	382	1,774	–	801	2,957
– Financial Services	–	12	–	1,797	1,809
– Elimination	–	–	–	–461	–461
Divestments and disposals	–51	–780	–	–2,454	–3,285
Reclassifications	1	–18	–	–6	–23
Exchange rate differences	–344	–458	–	–691	–1,493
Total	6,544	19,615	–	3,089	29,248
Accumulated impairment losses [2]					
1 January	–1	–	–	37	36
Change in value for the year	–	–	–	16	16
Exchange rate differences	–	–	–	2	2
Total	–1	–	–	55	54
Carrying amount, 31 December	**10,398**	**8,734**	**1,305**	**11,173**	**31,610**
– of which “Machinery”		7,726			
– of which “Equipment”		1,008			
– of which “Buildings”	7,937				
– of which “Land”	2,461				
– of which Financial Services		32		8,497	8,529

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 credit losses.

NOTE 13 Holdings in associated companies and joint ventures

	2012	2011	2010
Carrying amount, 1 January	**477**	465	469
Acquisitions, capital contributions, divestments and impairment losses during the year [1]	**–**	–	13
Exchange rate differences	**–26**	7	–31
Share in income for the year	**27**	16	16
Dividends	**–4**	–11	–2
Carrying amount, 31 December	**474**	477	465
Contingent liabilities	**–**	–	–

1 The 2010 amount was related to the acquisition of Laxå Special Vehicles AB.

Share of assets, liabilities, revenue and income	**2012**	2011	2010
Non-current assets	**376**	398	388
Current assets	**195**	220	191
Non-current liabilities	**3**	4	5
Current liabilities	**94**	137	109
Scania's share of net assets	**474**	477	465
Sales revenue	**879**	837	544
Income before taxes	**38**	23	20
Taxes	**–11**	–7	–4
Net income for the year	**27**	16	16

Associated companies and joint ventures / Corporate ID number / Country of registration	**Ownership, %**	**Carrying amount in Parent Company financial statements**	**Value of Scania's share in consolidated financial statements**		
			2012	2011	2010
BITS DATA i Södertälje AB, 556121-2613, Sweden	33	2	**9**	7	8
Cummins-Scania HPI L.L.C; 043650113, USA	30	0	**7**	7	15
Laxå Special Vehicles AB, 556548-4705, Sweden	30	13	**20**	16	15
ScaMadrid S.A., ES A80433519, Spain	49	20	**22**	22	23
ScaValencia S.A., ES A46332995, Spain	26	13	**20**	22	21
Holdings in associated companies		48	**78**	74	82
Cummins-Scania XPI Manufacturing L.L.C; 20-3394999, USA	50	361	**389**	395	376
Oppland Tungbilservice AS, 982787602, Norway	50	1	**3**	4	3
Tynset Diesel AS, 982787508, Norway	50	1	**4**	4	4
Holdings in joint ventures		363	**396**	403	383
Holdings in associated companies and joint ventures			**474**	477	465
Other shares and participations			**17**	19	17
Total			**491**	496	482

NOTE 14 Inventories

	2012	2011	2010
Raw materials, components and supplies	**1,859**	1,902	2,009
Work in progress	**951**	1,019	1,099
Finished goods [1]	**11,425**	11,601	9,853
Total	**14,235**	14,522	12,961
1 Of which, used vehicles	**1,567**	1,414	1,168
Value adjustment reserve, 31 December	**–838**	–690	–782

NOTE 15 Other receivables

	2012	2011	2010
Prepaid expenses and accrued income	**52**	63	121
Derivatives with positive market value	**670**	814	667
Advance payments	**17**	20	22
Other receivables	**603**	632	644
Total other non-current receivables	**1,342**	1,529	1,454
Prepaid expenses and accrued income	**1,002**	945	874
Derivatives with positive market value [1]	**351**	622	1,232
Value-added tax	**1,113**	864	817
Advance payments	**240**	165	322
Other receivables	**781**	870	582
Total other current receivables	**3,487**	3,466	3,827
Total other receivables	**4,829**	4,995	5,281

1 Current derivatives included derivatives for hedging of balance sheet items of SEK 11 m. (1 and 51, respectively) attributable to the business.

NOTE 16 Equity

The equity of the Scania Group has changed as follows:

2012	Share capital	Other contri-buted capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania shareholders	Non-controlling interest	Total equity
Equity, 1 January	2,000	1,120	–4	–306	31,701	34,511	1	34,512
Exchange differences on translation				–1,176		–1,176	–2	–1,178
Hedge reserve								
Change in value related to cash flow hedge recognised in other comprehensive income			2			2		2
Cash flow reserve transferred to operating income			3			3		3
Actuarial gains/losses etc. related to pensions recognised in other comprehensive income					–1,243	–1,243		–1,243
Tax attributable to items recognised in other comprehensive income			–1	–16	216	199		199
Total other comprehensive income	**–**	**–**	**4**	**–1,192**	**–1,027**	**–2,215**	**–2**	**–2,217**
Net income for the year					6,646	6,646	–6	6,640
Change in non-controlling interest							69	69
Dividend to Scania AB shareholders					–4,000	–4,000		–4,000
Equity, 31 December	**2,000**	**1,120**	**0**	**–1,498**	**33,320**	**34,942**	**62**	**35,004**

NOTE 16 Equity, continued

The equity of the Scania Group has changed as follows:

2011	Share capital	Other contri-buted capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania shareholders	Non-controlling interest	Total equity
Equity, 1 January	2,000	1,120	–40	417	26,538	30,035	1	30,036
Exchange differences on translation				–719		–719	0	–719
Hedge reserve								
Change in value related to cash flow hedge recognised in other comprehensive income			62			62		62
Cash flow reserve transferred to operating income			–12			–12		–12
Actuarial gains/losses etc. related to pensions recognised in other comprehensive income					–356	–356		–356
Tax attributable to items recognised in other comprehensive income			–14	–4	97	79		79
Total other comprehensive income	–	–	36	–723	–259	–946	0	–946
Net income for the year					9,422	9,422		9,422
Change in non-controlling interest							0	0
Dividend to Scania AB shareholders					–4,000	–4,000		–4,000
Equity, 31 December	**2,000**	**1,120**	**–4**	**–306**	**31,701**	**34,511**	**1**	**34,512**

2010	Share capital	Other contri-buted capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania shareholders	Non-controlling interest	Total equity
Equity, 1 January	2,000	1,120	43	1,651	18,488	23,302	1	23,303
Exchange differences on translation				–1,146		–1,146	0	–1,146
Hedge reserve								
Change in value related to cash flow hedge recognised in other comprehensive income			634			634		634
Cash flow reserve transferred to operating income			–747			–747		–747
Actuarial gains/losses etc. related to pensions recognised in other comprehensive income					–348	–348		–348
Tax attributable to items recognised in other comprehensive income			30	–88	95	37		37
Total other comprehensive income	–	–	–83	–1,234	–253	–1,570	0	–1,570
Net income for the year					9,103	9,103		9,103
Change in non-controlling interest							0	0
Dividend to Scania AB shareholders					–800	–800		–800
Equity, 31 December	**2,000**	**1,120**	**–40**	**417**	**26,538**	**30,035**	**1**	**30,036**

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.

Other **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".

The currency translation reserve arises when translating net assets outside Sweden according to the current method of accounting. The currency translation reserve also includes currency rate differences related to monetary items for businesses outside Sweden deemed to be a part of the company's net investment. The negative exchange rate difference of SEK –1,178 m. arose as a result of the Swedish krona's appreciation against currencies important to Scania. The exchange rate differences were mainly due to the krona's appreciation against the Brazilian real.

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 in "Total other comprehensive income". Regarding changes in actuarial assumptions, see also Note 17, "Provisions for pensions and similar commitments".

The Parent Company's dividend related to 2011 was SEK 4,000 m., equivalent to SEK 5.00 per share. The proposed dividend related to 2012 is SEK 3,800 m., equivalent to SEK 4.75 per share.

Non-controlling interest refers to the share of equity that belongs to external interests without a controlling influence in certain subsidiaries of the Scania Group.

The equity of the Scania Group consists of the sum of equity attributable to Scania's shareholders and equity attributable to non-controlling interests. At year-end 2012, the Group's equity totalled SEK 35,004 m. (34,512). 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 thirteen companies that are subject to oversight by national financial inspection authorities. In some countries, Scania must comply with local capital adequacy requirements. During 2012, 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 2012 was for:

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

Reconciliation of change in number of shares outstanding	2012	2011	2010
Number of A shares outstanding, 1 January	**400,000,000**	400,000,000	400,000,000
Number of A shares outstanding, 31 December	**400,000,000**	400,000,000	400,000,000
Number of B shares outstanding, 1 January	**400,000,000**	400,000,000	400,000,000
Number of B shares outstanding, 31 December	**400,000,000**	400,000,000	400,000,000
Total number of shares, 31 December	**800,000,000**	800,000,000	800,000,000

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 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, Brazil and Germany, among other countries. The plans are safeguarded via reinsured 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.

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 PRI Pensionsgaranti, which also administers the plan.

Premiums to Alecta amounted to SEK 74 m. (46 and 267, respectively). A surplus or deficit at Alecta may mean a refund to the Group or lower or higher future premiums. At year-end 2012, Alecta's surplus, in the form of a collective consolidation level, amounted to 129 (113 and 146, 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 33 m. (30 and 29, respectively) and to PVF Achmea SEK 29 m. (33 and 38, respectively). The consolidation level amounted to 92 percent (89 and 96, respectively) for MN Services. PVF Achmea had an A+ /Stable rating from Standard & Poors for 2012, (A+/Stable rating for 2011 and 2010). PVF Achmea did not disclose its consolidation level for 2010, 2011 and 2012.

Scania's forecasted disbursement of pensions related to defined-benefit plans, both funded and unfunded, is SEK 215 m. for 2013.

	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	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Current service expenses	**–201**	–165	–214	**–7**	–7	–7	**–4**	–3	–2
Interest expenses	**–252**	–250	–271	**–47**	–41	–39	**–6**	–6	–7
Expected return on plan assets	**53**	71	70	**1**	1	–	**7**	8	8
Past service expenses	**13**	35	6	**104** [1]	–	–	**–**	–	–
Net gains (+) and losses (–) due to curtailments and settlements	**1**	2	39	**–**	–	–	**–**	–	–
Curtailment in the valuation of net assets	**–**	–	0	**–**	–	–	**–**	–	–
Total expense for defined-benefit obligations recognised in the income statement	**–386**	–307	–370	**51**	–47	–46	**–3**	–1	–1

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 634 m. (639 and 713, respectively) during 2012.

Pension expenses and other defined-benefit payments are found in the income statement under the headings "Research and development expenses", SEK 97 m. (54 and 88, respectively), "Cost of goods sold", SEK –38 [1] m. (44 and 58, respectively), "Selling expenses", SEK 29 m. (35 and 51, respectively) and "Administrative expenses", SEK 7 m. (4 and 7, respectively). The interest portion of pension expense is recognised as an interest expense, and return on plan assets is recognised as interest income.

1 Refers to change in health care benefits in Brazil.

NOTE 17 Provisions for pensions and similar commitments, continued

Expenses for pensions and other defined-benefit obligations recognised in Other comprehensive income	Expenses related to pension obligations			Expenses related to health care benefits			Expenses related to other obligations		
	2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Experience-based adjustments in pension liability	**2**	26	–187	**–127**	–68	–30	**–19**	–4	–2
Experience-based adjustments in plan assets	**47**	–49	38	**0**	0	0	**0**	–5	2
Effects of changes in actuarial assumptions	**–841**	–221	–89	**–109**	–	–	**–7**	0	–1
Net actuarial gains (+) and losses (–) for the year	**–792**	–244	–238	**–236**	–68	–30	**–26**	–9	–1
Special payroll tax related to actuarial gains and losses	**–161**	–74	–43	**–**	–	–	**–**	–	–
Curtailment in valuation of net assets	**–28**	39	–36	**–**	–	–	**–**	–	–
Total expense/revenue for defined-benefit obligations recognised in Other comprehensive income	**–981**	–279	–317	**–236**	–68	–30	**–26**	–9	–1

The accumulated amount of actuarial losses in “Other comprehensive income” was SEK 3,858 m. (2,638 and 2,282, respectively) before taxes.

Recognised as provision for pensions in the balance sheet	Pension obligations			Obligations related to health care			Other obligations		
	2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Present value of defined-benefit obligations, wholly or partly funded	**1,460**	1,350	1,712	**541**	463	406	**63**	49	48
Present value of defined-benefit obligations, unfunded	**5,836**	4,917	4,464	**–**	–	–	**40**	34	31
Present value of defined-benefit obligations	**7,296**	6,267	6,176	**541**	463	406	**103**	83	79
Fair value of plan assets	**–1,368**	–1,300	–1,532	**–8**	–9	–9	**–60**	–63	–71
Net assets not fully valued due to curtailment rule	**50**	23	73	**–**	–	–	**–**	–	–
Recognised in the balance sheet	**5,978**	4,990	4,717	**533**	454	397	**43**	20	8
– of which, pension liability recognised under the heading “Provisions for pensions”	**6,006**	5,065	4,753	**533**	454	397	**43**	20	8
– of which, pension asset recognised under the heading “Other long-term receivables”	**–28**	–75	–36	**–**	–	–	**–**	–	–

Assumptions applied in actuarial calculation	Sweden (pension)			Brazil (health care)			Germany (pension)			Other countries (pension etc.)		
	2012 [1]	2011 [2]	2010 [2]	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Discount rate, %	**3.3**	4.0	4.0	**9.7**	11.0	10.8	**3.8**	5.0	5.3	**3.8–16.0**	2.5–11.0	3.0–10.8
Expected return on plan assets, %	**–**	–	–	**9.7**	11.7	11.7	**–**	–	–	**5.3-9.7**	3.7–11.7	3.7–11.7
Expected wage and salary increase, %	**3.0**	3.0	3.0	**–**	–	–	**2.5**	2.5	2.5	**1.5–13.0**	1.5–5.0	3.0–8.7
Change in health care costs, %	**–**	–	–	**8.2**	8.2	7.6	**–**	–	–	**–**	–	–
Employee turnover, %	**5.0**	5.0	5.0	**2.3**	2.5	2.3	**5.0**	5.0	5.0	**2.0–15.4**	4.0–13.8	4.0–11.0
Expected remaining years of service	**20.3**	19.4	19.8	**15.4**	15.6	14.0	**6.8**	7.2 [3]	7.4	**4.0–30.0**	4.0–30.0	1.3–30.0
Expected increase in pension (inflation), %	**2.0**	2.0	2.0	**–**	–	–	**1.5**	1.5	1.5	**0.0–3.3**	0.0–3.1	0.8–3.8

1 The discount rate is fixed on the basis of market yields on mortgage bonds.
2 The discount rate is fixed on the basis of yields on government bonds.
3 The comparative figure for 2011 has been adjusted.

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 each country, taking into account that no changes in investment strategies are planned. The categories of plan assets in question are “Shares and participations”, “Other interest-bearing securities”, “Properties” and “Bank deposits”.

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		
	2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Present value of defined-benefit obligations, 1 January	**6,267**	6,176	6,014	**463**	406	353	**83**	79	81
Present value of reclassified obligations [3]	**–11**	–261	0	**–**	–	–	**–**	–	–
Current service expenses	**201**	165	214	**7**	7	7	**4**	3	2
Interest expenses	**252**	250	271	**47**	41	39	**6**	6	7
Payments made by pension plan participants	**12**	3	3	**–**	–	–	**–**	–	–
Net actuarial gains and losses for the year	**839**	180	261	**236**	68	30	**26**	4	0
Exchange rate differences	**–45**	11	–118	**–81**	–40	–8	**–10**	–4	–6
Disbursements of pension payments	**–205**	–218	–230	**–27**	–19	–15	**–6**	–5	–5
Past service expenses	**–13**	–35	–6	**–104**	–	–	**–**	–	–
Settlements	**–1**	–	–200	**–**	–	–	**–**	–	–
Gains and losses due to net settlements for the year	**–**	–4	–33	**–**	–	–	**–**	–	–
Present value of defined-benefit obligations, 31 December	**7,296**	6,267	6,176	**541**	463	406	**103**	83	79

3 2011: Transition of a defined benefit plan to a defined contribution plan in Norway.

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		
	2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Fair value of plan assets, 1 January	**1,300**	1,532	1,471	**9**	9	2	**63**	71	69
Fair value of plan assets related to reclassified obligations [4]	**–1**	–280	–	**–**	–	–	**–**	–	–
Expected return on plan assets	**53**	71	70	**1**	1	0	**7**	8	8
Net actuarial gains and losses for the year	**47**	–64	23	**0**	0	0	**0**	–5	–1
Exchange rate differences	**–37**	16	–56	**–2**	–1	0	**–9**	–7	–2
Payments to pension plan	**44**	71	65	**27**	19	22	**–**	–	–
Payments made by pension plan participants	**12**	9	9	**–**	–	–	**–**	–	–
Disbursements of pension payments	**–50**	–55	–56	**–27**	–19	–15	**–1**	–4	–3
Gains and losses due to net settlements for the year	**–**	0	6	**–**	–	–	**–**	–	–
Fair value of plan assets, 31 December	**1,368**	1,300	1,532	**8**	9	9	**60**	63	71

4 2011: Transition of a defined benefit plan to a defined contribution plan in Norway.

Plan assets consist mainly of shares and interest-bearing securities with the following fair value on closing day:	**2012 SEK m.**	2011 SEK m.	2010 SEK m.	**2012 %**	2011 %	2010 %
Shares and participations, not Scania	**441**	425	434	**30.7**	31.0	26.9
Miscellaneous interest-bearing securities, not Scania	**455**	450	577	**31.7**	32.8	35.8
Properties leased to Scania companies	**89**	30	29	**6.2**	2.2	1.8
Investment properties	**158**	211	201	**11.0**	15.4	12.5
Bank deposits	**293**	256	371	**20.4**	18.6	23.0
Total	**1,436**	1,372	1,612	**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	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Actual return on plan assets	**100**	22	108	**1**	1	0	**7**	3	10

	1% decrease		1% increase	
Sensitivity analysis concerning 1% change in health care expenses on:	**2012**	2011	**2012**	2011
Sum of cost for employment in current year and interest expense	**–3**	–9	**19**	14
Sum of present value of the defined-benefit obligation	**–26**	–40	**167**	121

Multi-year summary recognised in balance sheet	**2012**	2011	2010	2009	2008
Present value of defined-benefit obligations	**7,940**	6,813	6,661	6,448	5,928
Fair value of plan assets	**–1,436**	–1,372	–1,612	–1,542	–1,412
Deficit	**6,504**	5,441	5,049	4,906	4,516
Net assets not valued in full due to curtailment rule	**50**	23	73	35	53
Recognised in balance sheet	**6,554**	5,464	5,122	4,941	4,569

Multi-year summary of expenses in other comprehensive income	**2012**	2011	2010	2009	2008
Experience-based adjustments in pension liability	**–144**	–46	–219	–141	–234
Experience-based adjustments in plan assets	**47**	–54	40	61	–149
Effects of changes in actuarial assumptions	**–957**	–221	–90	–22	–229
Net actuarial gains (+) and losses (–) for the year	**–1,054**	–321	–269	–102	–612
Special payroll tax related to actuarial gains and losses	**–161**	–74	–43	–8	–134
Curtailment in value of net assets	**–28**	39	–36	26	121
Total expense/income for defined-benefit payments recognised in other comprehensive income	**–1,243**	–356	–348	–84	–625

NOTE 18 Other provisions

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

2012	Product obligations	Legal and tax risks	Other provisions [1]	Total
1 January	1,462	1,650	1,712	**4,824**
Provisions during the year	1,555	92	990	**2,637**
Provisions used during the year	–1,452	–19	–441	**–1,912**
Provisions reversed during the year	–39	–339	–123	**–501**
Exchange rate differences	–46	–184	–42	**–272**
31 December	**1,480**	**1,200**	**2,096**	**4,776**
– of which, current provisions	1,142	8	500	**1,650**
– of which, non-current provisions	338	1,192	1,596	**3,126**

2011	Product obligations	Legal and tax risks [2]	Other provisions [1]	Total
1 January	1,193	1,841	1,392	4,426
Provisions during the year	1,583	152	757	2,492
Provisions used during the year	–1,278	–59	–314	–1,651
Provisions reversed during the year	–9	–173	–114	–296
Exchange rate differences	–27	–111	–9	–147
31 December	**1,462**	**1,650**	**1, 712**	**4,824**
– of which, current provisions	1,159	5	433	1,597
– of which, non-current provisions	303	1,645	1,279	3,227

2010	Product obligations	Legal and tax risks [2]	Other provisions [1]	Total
1 January	1,075	1,359	775	3,209
Provisions during the year	1,274	553	1,004	2,831
Provisions used during the year	–1,102	–30	–258	–1,390
Provisions reversed during the year	–31	–16	–81	–128
Exchange rate differences	–23	–25	–48	–96
31 December	**1,193**	**1,841**	**1,392**	**4,426**
– of which, current provisions	1,014	25	355	1,394
– of which, non-current provisions	179	1,816	1,037	3,032

1 "Other provisions" include provisions for potential losses on service agreements. Total number of contracts increased during 2012 by 18,700 contracts (13,600 and 2,900, respectively) and amounted to 117,300 contracts (98,600 and 85,000, respectively) at year-end.

2 Reclassification has occurred from non-current tax liabilities to provisions for legal and tax risks. Comparative figures have been adjusted accordingly.

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

	2012	2011	2010
Accrued employee-related expenses	**2,913**	2,925	2,764
Deferred income related to service and repair contracts	**2,334**	1,893	1,807
Deferred income related to repurchase obligations [1]	**5,020**	4,647	3,653
Accrued financial expenses	**82**	85	70
Other customary accrued expenses and deferred income	**1,384**	1,387	1,572
Total	**11,733**	10,937	9,866
– of which, current	**7,491**	6,925	6,751
– of which, non-current	**4,242**	4,012	3,115
Of the above total, the following was attributable to Financial Services operations	**259**	249	287

1 Of the above deferred income related to vehicles sold with repurchase obligations, SEK 778 m. (637 and 539, respectively) is expected to be recognised as revenue within 12 months. SEK 344 m. (400 and 134, respectively) is expected to be recognised as revenue after more than 5 years.

NOTE 20 Assets pledged and contingent liabilities

Assets pledged	2012	2011	2010
Financial receivables [2]	**3,066**	3,469	2,276
Other	**0**	1	2
Total [1]	**3,066**	3,470	2,278

1 Of which, assets pledged for:			
Non-current borrowings	**3,066**	3,469	2,276
Liabilities of others	**0**	1	2

2 Refers mainly to pledged leases in Financial Services, SEK 3,060 m. (3,397 and 2,276 respectively).

Contingent liabilities	2012	2011	2010
Contingent liability related to FPG credit insurance	**57**	53	47
Loan guarantees	**7**	11	14
Other guarantees	**216**	290	411
Total	**280**	354	472

In addition to the above contingent liabilities, the Group has issued vehicle repurchase guarantees worth SEK 57 m. (47 and 37, respectively) to customers' creditors.

During 2011 Scania became a subject of an investigation being carried out by the European Commission concerning alleged inappropriate cooperation. A similar investigation by the British competition authority, the Office of Fair Trading (OFT), which was initiated during 2010, was transferred to the European Commission during 2012. During 2011, an investigation of Scania was also initiated by the Korean competition authority, the Korea Fair Trade Commission (KFTC), concerning alleged inappropriate cooperation. This investigation intensified during 2012.

This type of investigation normally lasts for several years and it is still too early to judge the risk of claims against Scania.

NOTE 21 Lease obligations

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

Future payment obligations on non-cancellable operating leases

	2012		2011		2010	
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	**497**	**231**	426	232	371	197
Between one year and five years	**1,229**	**711**	1,106	662	755	587
Later than five years	**355**	**337**	540	525	521	519
Total	**2,081**	**1,279**	2,072	1,419	1,647	1,303

Expensed minimum lease payments amounted to SEK 539 m. (454 and 365, respectively), of which SEK 244 m. (225 and 196, respectively) related to costs for leases on premises.

NOTE 21 Lease obligations, continued

Future payment obligations on non-cancellable financial leases

Financial leases	2012 Future minimum lease payments	2012 Interest	2012 Present value of future minimum lease payments	2011 Future minimum lease payments	2011 Interest	2011 Present value of future minimum lease payments	2010 Future minimum lease payments	2010 Interest	2010 Present value of future minimum lease payments
Within one year	**23**	**1**	**22**	53	1	52	69	3	66
Between one year and five years	**33**	**5**	**28**	49	5	44	64	8	55
Later than five years	**0**	**0**	**0**	–	–	–	–	–	–
Total [2]	**56**	**6**	**50**	102	6	96	133	11	121

2 Refers to financial leases where the obligation exceeds one year.

Financial lease assets in balance sheet

Carrying amount	2012	2011	2010
Vehicles for leasing	**39**	79	128
Buildings	**8**	10	11
Machinery	**0**	0	0
Other	**16**	15	18
Total	**63**	104	157

NOTE 22 Government grants and assistance

During 2012, the Scania Group received government grants amounting to SEK 53 m. (65 and 65, respectively) attributable to operating expenses of SEK 228 m. (218 and 451, respectively).

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	2012	2011	2010
Total cash flow before financing activities	**–1,064**	168	13,023
Exchange rate effects in interest-bearing liabilities	**2,242**	1,723	2,656
Businesses acquired and divested	**–7**	1	–4
Exchange rate effects in short-term investments	**0**	0	–1
Exchange rate effects in cash and cash equivalents	**–578**	–351	–127
Change in derivatives affecting net debt	**–417**	–492	1,539
Dividend	**–4,000**	–4,000	–800
Change in net debt according to the balance sheet	**–3,824**	–2,951	16,286

Vehicles and Services	2012	2011	2010
Total cash flow before financing activities	**3,025**	6,970	11,880
Exchange rate effects in interest-bearing liabilities	**447**	223	742
Businesses acquired and divested	**–7**	1	–4
Exchange rate effects in short-term investments	**0**	0	–1
Exchange rate effects in cash and cash equivalents	**–556**	–338	–91
Change in derivatives affecting net debt	**–130**	155	144
Dividend	**–4,000**	–4,000	–800
Transfers between segments	**–33**	–96	–132
Change in net debt according to the balance sheet	**–1,254**	2,915	11,738

NOTE 24 Cash flow statement

In those cases where no allocation by segment is specified, the cash flow statement below refers to the Scania Group.

	2012	2011	2010
a. Vehicles and Services: Interest and dividends received/paid			
Dividends received from associated companies	**4**	11	2
Interest received	**675**	608	373
Interest paid	**–219**	–276	–552

	2012	2011	2010
b.1. Vehicles and Services: Items not affecting cash flow			
Depreciation/amortisation	**2,678**	2,609	2,544
Bad debts	**56**	92	55
Associated companies	**–23**	–5	–16
Deferred profit recognition, lease assets	**–71**	288	177
Other	**–35**	–29	298
Total	**2,605**	2,955	3,058

	2012	2011	2010
b.2. Financial Services: Items not affecting cash flow			
Depreciation/amortisation	**20**	21	21
Bad debts	**290**	298	493
Other	**20**	–4	43
Total	**330**	315	557

	2012	2011	2010
c. Net investment through acquisitions/divestments of businesses [1]			
Divestments of businesses	**–**	58	–
Acquisitions of businesses	**25**	–14	–56
Total	**25**	44	–56

1 See Note 25, "Businesses acquired/divested".

	2012	2011	2010
d.1. Vehicles and Services: Acquisitions of non-current assets			
Investments in non-current assets [2]	**–5,188**	–4,308	–3,275
Divestments of non-current assets [3]	**708**	532	522
Total	**–4,480**	–3,776	–2,753

2 Of which, SEK 860 m. (387 and 351, respectively) in capitalised research and development expenditures.

3 Also includes moving vehicles for short-term rentals to inventory.

	2012	2011	2010
d.2. Financial Services: Acquisitions of non-current assets			
New financing [4]	**–24,014**	–25,764	–17,702
Payments of principal and completed contracts	**19,243**	18,287	18,233
Total	**–4,771**	–7,477	531

4 Includes other tangible and intangible non-current assets.

	2012	2011	2010
e. Change in debt through financing activities			
Net change in current investments	**18**	–86	–15
Net change in current borrowing	**–2,101**	8,077	–5,443
Repayment of non-current borrowings	**–6,831**	–12,886	–10,234
Increase in non-current borrowings	**14,826**	10,919	6,303
Total	**5,912**	6,024	–9,389

	2012	2011	2010
f. Cash and cash equivalents			
Cash and bank balances	**1,373**	1,495	1,716
Short-term investments comprising cash and cash equivalents	**10,545**	10,153	8,091
Total	**11,918**	11,648	9,807

NOTE 25 Businesses acquired/divested

Scania is not an acquisition-intensive Group or a Group that divests businesses to a large extent and no significant acquisitions or divestments have occurred during the years 2010–2012. Business acquisitions usually consist mainly of dealerships. A minor acquisition was made during 2012 in Iraq, where a 51 percent stake in a dealership was acquired. During 2011 Scania acquired dealerships in Norway and France. During 2010 Scania acquired dealerships in France, Switzerland and Italy.

NOTE 26 Wages, salaries and other remuneration and number of employees

Wages, salaries and other remuneration, pension expenses and other mandatory payroll fees (excluding personnel on hire)	**2012**	2011	2010
Boards of Directors, Presidents and Executive (or Group) Vice Presidents [1]	**419**	405	401
– of which bonuses	**108**	135	138
Other employees	**12,561**	12,374	11,327
Subtotal [2]	**12,980**	12,779	11,728
Pension expenses and other mandatory payroll fees	**4,070**	4,227	3,933
– of which pension expenses [3]	**922**	995	1,036
Total	**17,050**	17,006	15,661

1 The number of Board members and executive officers was 525 (478 and 455, respectively).

2 Including non-monetary remuneration.

3 Of the pension expense in the Group, SEK 39 m. (40 and 33, respectively) was for Boards of Directors and executive officers in the Scania Group. At year-end, the total pension obligation was SEK 169 m. (151 and 135, respectively) for this category.

Wages, salaries and other remuneration, pension expenses and other mandatory payroll fees by region	**2012**			2011			2010		
	Wages, salaries and other remuneration	**Mandatory payroll fees (of which pensions)**		Wages, salaries and other remuneration	Mandatory payroll fees (of which pensions)		Wages, salaries and other remuneration	Mandatory payroll fees (of which pensions)	
Sweden	**5,573**	**2,408**	**(546)**	5,478	2,415	(519)	4,979	2,344	(626)
Europe (excluding Sweden)	**4,635**	**983**	**(350)**	4,478	1,083	(371)	4,395	1,020	(342)
Eurasia	**213**	**36**	**(24)**	176	24	(16)	147	17	(14)
America	**1,840**	**565**	**(–50)** [4]	1,917	649	(46)	1,555	504	(17)
Asia	**344**	**27**	**(17)**	293	19	(12)	254	14	(8)
Africa and Oceania	**343**	**41**	**(35)**	437	37	(31)	398	34	(29)
Total	**12,948**	**4,060**	**(922)**	12,779	4,227	(995)	11,728	3,933	(1,036)

4 Refers to change in health care benefits in Brazil.

Average number of employees (excluding personnel on hire)	**2012**		2011		2010	
	Total	**Women**	Total	Women	Total	Women
Sweden	**12,005**	**20%**	12,165	20%	10,727	19%
Europe (excluding Sweden)	**12,833**	**12%**	12,605	13%	12,246	12%
Eurasia	**869**	**24%**	769	25%	650	25%
America	**5,440**	**12%**	5,397	12%	4,713	11%
Asia	**1,298**	**17%**	1,091	17%	1,029	17%
Africa and Oceania	**1,390**	**15%**	1,257	16%	1,196	15%
Total	**33,835**	**16%**	33,284	16%	30,561	15%

NOTE 26 Wages, salaries and other remuneration and number of employees, continued

Gender distribution	2012	2011	2010
Board members in subsidiaries and the Parent Company	**428**	384	359
– of whom, men	**420**	379	354
– of whom, women	**8**	5	5
Presidents/Managing Directors of subsidiaries and the Parent Company, plus the Group's Executive Board	**97**	94	96
– of whom, men	**96**	94	96
– of whom, women	**1**	–	–

Number of employees, 31 December	2012	2011	2010
Vehicles and Services			
Production and corporate units	**17,663**	17,489	17,006
Research and development	**3,509**	3,327	2,930
Sales and service companies	**16,734**	16,038	14,987
Subtotal	**37,906**	36,854	34,923
Financial Services	**691**	642	591
Total	**38,597**	37,496	35,514
– of whom, on temporary contracts and on hire	**3,860**	4,121	4,502

NOTE 27 Related party transactions

	Revenue			Expenses			Receivables			Liabilities		
	2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Volkswagen Group	**374**	369	30	**448**	378	222	**422**	235	15	**21**	170	8
Associated companies and joint ventures												
BITS DATA i Södertälje AB	**–**	–	–	**16**	17	16	**–**	–	–	**1**	1	2
Cummins-Scania HPI L.L.C	**–**	–	–	**96**	168	120	**–**	–	–	**1**	17	27
Cummins-Scania XPI Manufacturing L.L.C	**77**	77	58	**224**	274	302	**6**	14	18	**11**	7	23
Laxå Special Vehicles AB	**13**	15	12	**165**	134	66	**4**	4	8	**44**	41	31
ScaMadrid S.A.	**43**	70	101	**19**	25	30	**3**	8	13	**1**	1	1
ScaValencia S.A.	**70**	94	88	**71**	61	42	**2**	12	8	**1**	2	2
Others	**11**	10	–	**5**	6	–	**–**	–	–	**–**	1	–

Disclosures of relationships with related parties that include a controlling influence are 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 etc. are provided in Note 13, "Holdings in associated companies and joint ventures". Disclosures of pension plans are provided in Note 17, "Provisions for pensions and similar commitments" and Note 26, "Wages, salaries and other remuneration and number of employees". Purchases and leases of company cars are included in the transactions with the Volkswagen Group. During 2011 Volkswagen increased its ownership of MAN, which means that the MAN Group is a related party and is included in the Volkswagen Group.

All related party transactions occur on market terms.

NOTE 28 Compensation to executive officers

REMUNERATION TO THE BOARD

According to the decision of the Annual General Meeting (AGM), remuneration during 2012 to be paid to the external members of the Board of Directors elected by the AGM totalled SEK 2,000,000 (2,500,000), with SEK 500,000 (500,000) to each Board member elected by the AGM who is not an employee of the company or of Volkswagen AG. Nor was remuneration paid to Ferdinand K. Piëch.

For work performed in the Audit Committee, the AGM approved remuneration of SEK 200,000 to the Chairman of the Audit Committee and SEK 100,000 each to the other Audit Committee members who are not employees of Volkswagen AG. For work performed in the Remuneration Committee, the AGM approved remuneration of SEK 50,000 each to the Remuneration Committee members who are not employees of Volkswagen AG. 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.

NOTE 28 Compensation to executive officers, continued

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

Leif Östling resigned from the position of President and CEO on 31 August 2012 and was replaced by Martin Lundstedt from 1 September 2012. For the 2012 financial year, Leif Östling received a fixed salary of SEK 6,667,000 for the period 1 January until 31 August 2012. In his position as President and CEO, during 2012 Martin Lundstedt received a fixed salary of SEK 2,500,000 (based on a fixed annual salary of SEK 7,500,000) for the period 1 September until 31 December 2012.

VARIABLE SALARY

Variable salary is dependent on Scania's earnings and consists of a two-part incentive programme, Part 1 and Part 2.

The principles for variable salary to executive officers – including the President and CEO – were approved by the 2012 AGM and constitute a programme with the same parameters that were in force during 2011. 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. For 2012, the Remuneration Committee of the Board of Directors fixed RNI on the basis of a factor of equity amounting to 7 percent.

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). The outcome of both these components will be disbursed during 2013.

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 variable salary programme for the period 1997–2012 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 80 percent for Part 2. The outcome for the period 1997–2012 has, on average, amounted to 79 percent of annual fixed salary with regard to Part 1 and 26 percent of annual fixed salary with regard to Part 2. The 2012 outcome for the President and CEO was 63 percent for Part 1 and 0 percent for Part 2.

When generating a payout, 50 percent of the total outcome of Part 1 and Part 2 shall be paid in cash as salary and the remaining 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 at market value through a third party designated by the company, on a day determined by the company. A purchase of Series B shares in Scania AB shall be carried out with one third of the cash amount each year over a three year period. The participants shall not have the right of disposal over the shares during a period of one year from the respective date of purchase.

Full access to the allotted amount is granted four calendar years from the commencement of the incentive year. The Board is authorised, in whole or part, to waive the requirement to use 50 percent to purchase Scania B shares, if on the payment date there is a risk that participants are regarded as possessing insider information or there is some other circumstance that makes a payment to purchase Scania B shares difficult or impossible. 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. The return on the shares is at the participants' disposal and participants shall be entitled to purchase shares for a pension according to a pension obligation, secured through endowment insurance. For the 2012 financial year, Martin Lundstedt received a variable salary of SEK 1,584,000 as President and CEO.

PENSION SYSTEM FOR EXECUTIVE OFFICERS

The 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 11–39 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 variable salary incentive programme in force for the Executive Board shall apply to the President and CEO. The annual company-paid pension premium for Leif Östling as President and CEO according to his pension agreement amounted to 35 percent of his fixed salary for as long as he remained an employee of the company, plus an extra annual pension provision of SEK 6,000,000.

NOTE 28 Compensation to executive officers, continued

The premium for the period 1 January to 31 August 2012 amounted to SEK 6,340,000.

As President and CEO, Martin Lundstedt is covered by pension benefits under collective agreements and also by a defined contribution pension scheme. The pensionable salary consists of his fixed annual salary. The premium for the defined contribution pension is 35 percent of pensionable salary and amounted to SEK 842,000 for the period 1 September to 31 December 2012. If the President and CEO resigns of his own volition, he is entitled to his salary for a six-month notice period. Any variable salary during the year in question is disbursed according to conditions adopted by the Annual General Meeting.

In case of termination by the company, a six-month notice period applies with retained benefits and severance pay equivalent to 24 months of salary is payable.

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.

2012, SEK thousand	**Fixed salary**	**Board remuneration [1]**	**Variable salary Part 1**	**Variable salary Part 2**	**Other remuneration**	**Total salary and remuneration**	**Pension expenses, defined contribution system**	**Pension expenses, defined benefit system**	**Total pension expenses**	**Pension obligations**
Chairman of the Board										
President and CEO	2,500 [2]		1,584	–	235	**4,319**	842	326	**1,168**	1,760
Former President and CEO	6,667		–	–	5,227	**11,894**	6,340	–	**6,340**	8,442
Rest of Executive Board (7 persons)	19,656		10,735	–	1,333	**31,724**	4,142	2,282	**6,424**	13,785
Heads of Corporate Units (18 persons)	39,764		20,252	–	3,404	**63,420**	9,520	9,397	**18,917**	52,395

1 Other Board members' total fees: Hans Dieter Pötsch 0; Francisco J. Garcia Sanz 0; Peter Abele 375; Helmut Aurenz 500; Peter Wallenberg Jr 500; Jochen Heizmann 0; Åsa Thunman 550; Ferdinand K. Piëch 0; Börje Ekholm 350; Gunnar Larsson 325. Börje Ekholm and Gunnar Larsson resigned at the Annual General Meeting on 4 May 2012.

2 Refers to the period 1 September to 31 December 2012 (based on a fixed annual salary of SEK 7,500,000).

2011, SEK thousand	Fixed salary	Board remuneration [3]	Variable salary Part 1	Variable salary Part 2	Other remuneration	Total salary and remuneration	Pension expenses, defined contribution system	Pension expenses, defined benefit system	Total pension expenses	Pension obligations
Chairman of the Board										
President and CEO	10,000		10,528	–	29	20,557	9,509	816	10,325	8,673
Rest of Executive Board (5 persons)	16,500		16,740	–	1,194	34,434	5,539	2,638	8,177	11,666
Heads of Corporate Units (22 persons)	41,665		31,823	–	3,437	76,925	10,137	12,268	22,405	49,613

3 Other Board members' total fees: Hans Dieter Pötsch 0; Francisco J. Garcia Sanz 0; Börje Ekholm 653; Helmut Aurenz 453; Gunnar Larsson 603; Peter Wallenberg Jr 453; Jochen Heizmann 0; Åsa Thunman 453.

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.

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 and other remuneration to auditors that were expensed during the year are reported below. Remuneration for consultations is reported in cases where the same public accountancy firm has the assignment to audit an individual company. "Auditing assignments" refers to statutory examination of the annual accounts as well as the administration of the Board of Directors and the President and CEO. "Auditing activities beyond auditing assignments" refers to examination of administration or financial information that shall be performed in accordance with laws, articles of association, statutes or agreements that is also intended for parties other than the client, and which is not included in the auditing assignment. "Tax consultancy" is consultation on matters of tax law. "Other services" refers to consultancy that cannot be attributed to any of the other categories. Auditing expenses that have arisen because Scania is a subsidiary of Volkswagen have been reinvoiced.

	2012		2011		2010	
Auditing firm	**Ernst & Young**	**Other auditors**	Ernst & Young	Other auditors	Ernst & Young	Other auditors
Auditing assignments	**44**	**1**	43	1	45	1
Auditing activities beyond auditing assignments	**0**	**0**	1	0	4	–
Tax consultancy	**2**	**1**	2	1	2	0
Other services	**2**	**0**	1	0	2	1
Total	**48**	**2**	47	2	53	2

NOTE 30 Financial risk management

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. 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 are recognised in the income statement (transaction effect).
- Revenue, expenses, assets and liabilities in a functional currency other than the reporting currency of the Parent Company (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 other comprehensive income (translation effect.)

During 2012, 93 (93 and 94, 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 2012, total currency exposure in Scania's operating income amounted to about SEK 28,100 m. (32,200 and 26,600, respectively). The largest currencies in this flow were EUR, USD and BRL. The table on the next page shows currency exposure in Scania's operating income in the most commonly occurring currencies.

NOTE 30 Financial risk management

Currency exposure in operating income, Vehicles and Services	2012	2011	2010
US dollar (USD)	**6,100**	5,500	4,200
Brazilian real (BRL) [1]	**4,000**	4,400	7,900
Russian rouble (RUB)	**3,800**	4,500	1,500
British pound (GBP)	**3,300**	3,000	2,500
Norwegian krone (NOK)	**2,100**	1,800	1,200
Euro (EUR)	**1,400**	6,100	4,700
Australian dollar (AUD)	**1,400**	1,100	1,000
Danish krone (DKK)	**1,100**	1,100	900
Swiss franc (CHF)	**800**	800	600
Korean won (KRW)	**700**	600	800
Polish zloty (PLN)	**600**	700	100
South African rand (ZAR)	**500**	600	600
Argentine peso (ARS)	**–1,000**	–1,200	–1,100
Other currencies	**2,600**	2,500	1,500
Total currency exposure in operating income	**27,400**	31,500	26,400

Currency exposure in operating income, Financial Services	2012	2011	2010
Euro (EUR)	**300**	400	100
Other currencies	**400**	300	100
Total currency exposure in operating income	**700**	700	200

1 Comparative figures have been adjusted.

Based on revenue and expenses in foreign currencies during 2012, a one percentage point change in the Swedish krona against other currencies, excluding currency hedges, has an impact on operating income of about SEK 281 m. (322 and 266, respectively) on an annual basis.

In Vehicles and Services, compared to 2011, the total negative currency rate effects amounted to about SEK 100 m.

According to Scania's policy, Scania's Management may hedge future currency flows with a hedging period varying between 0 and 12 months. Maturity over 12 months is decided by the Board of Directors. When currency risks are hedged, currencies are mainly sold by means of forward contracts, but currency options may also be used. During 2012, no future currency flows were hedged.

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 subsidiaries in the form of internal loans in their local currencies.

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 2012, Scania's net assets in foreign currencies amounted to SEK 18,300 m. (16,400 and 13,150, respectively). The net foreign assets of subsidiaries are normally not hedged. To the extent subsidiaries have significant net monetary assets in functional currencies, however, they may be hedged. At year-end 2012 no foreign net assets were hedged (0 and 0, respectively).

Net assets, Vehicles and Services	2012	2011	2010
Brazilian real (BRL)	**4,200**	3,200	1,900
Euro (EUR)	**3,700**	3,300	2,900
Argentine peso (ARS)	**900**	850	650
Russian rouble (RUB)	**600**	600	700
Norwegian krone (NOK)	**500**	500	300
British pound (GBP)	**400**	600	450
Mexican peso (MXN)	**400**	300	250
Swiss franc (CHF)	**300**	350	350
Polish zloty (PLN)	**300**	350	300
South African rand (ZAR)	**250**	200	400
Danish krone (DKK)	**150**	200	150
Peruvian sol (PEN)	**150**	150	150
US dollar (USD)	**–150**	–300	–350
Other currencies	**1,300**	1,200	1,400
Total net assets in foreign currencies, Vehicles and Services	**13,000**	11,500	9,550

Net assets, Financial Services	2012	2011	2010
Euro (EUR)	**4,600**	3,100	2,000
Other currencies	**700**	1,800	1,600
Total net assets in foreign currencies, Financial Services	**5,300**	4,900	3,600
Total net assets in foreign currencies, Scania Group	**18,300**	16,400	13,150

Effect on exchange rate differences on net income

Net income for the year was affected by carried exchange rate differences as shown in the following table:

	2012	2011	2010
Operating income	**–200**	–116	6
Financial income and expenses	**–22**	–12	–3
Taxes	**4**	–4	2
Effect on net income for the year	**–218**	–132	5

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 2012, 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 cash in Vehicles and Services was SEK 9,361 m. (10,615 and 7,700, respectively) at year-end 2012. The borrowing portfolio amounted to SEK 2,477 m. (1,418 and 2,909, 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 11,690 m. (11,468 and 9,552, respectively) and the average interest rate refixing period on these assets was less than 1 (1 and 1, respectively) month. The net cash also includes derivatives that hedge borrowings with a net value of SEK 148 m. (565 and 1,057, respectively).

Given the same loan liabilities, short-term investments, cash and cash equivalents and interest rate refixing periods as at year-end 2012, 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 15 m. (15 and 30, respectively) and interest income by about SEK 115 m. (110 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 2012:

Interest rate refixing in Financial Services, 31 December 2012	**Interest-bearing portfolio [1]**	**Interest-bearing liabilities [2]**
2013	**24,982**	**24,354**
2014	**8,406**	**7,266**
2015	**6,454**	**4,820**
2016	**3,459**	**2,533**
2017	**1,372**	**785**
2018 and later	**364**	**216**
Total	**45,037**	**39,974**

Interest rate refixing in Financial Services, 31 December 2011	Interest-bearing portfolio [1]	Interest-bearing liabilities [2]
2012	23,445	21,518
2013	7,817	7,024
2014	5,747	5,097
2015	3,425	2,436
2016	1,369	902
2017 and later	432	398
Total	42,235	37,375

Interest rate refixing in Financial Services, 31 December 2010	Interest-bearing portfolio [1]	Interest-bearing liabilities [2]
2011	21,404	20,218
2012	6,443	5,638
2013	4,708	3,593
2014	2,403	1,437
2015	965	513
2016 and later	214	98
Total	36,137	31,497

1 Including operating leases.
2 Including the effect of interest rate derivatives. Other funding consists mostly of equity.

NOTE 30 Financial risk management, continued

Scania's total borrowing portfolio amounted to SEK 42,451 m. (38,793 and 34,406, respectively) at year-end 2012.

Borrowings, 31 December 2012	Borrowings including currency swap agreements	Borrowings excluding currency swap agreements
EUR	16,990	16,467
BRL	4,813	4,813
GBP	3,844	0
SEK	3,375	17,055
RUB	2,417	1
ZAR	1,576	1,188
USD	1,356	1,131
DKK	1,270	0
CLP	1,209	59
NOK	932	0
KRW	637	57
CHF	605	5
AUD	502	0
THB	349	54
PLN	314	0
CZK	245	3
Other currencies	1,824	1,425
Total [1]	**42,258**	**42,258**
Accrued interest	193	193
Total	**42,451**	**42,451**

1 Total borrowings excluded SEK 193 m. related to accrued interest.

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 in Vehicles and Services

In the Vehicles and Services segment, carried receivables before provisions for bad debts from customers totalled SEK 6,508 m. (6,648 and 6,677, respectively), most of which consisted of receivables from independent dealerships and end customers. The total estimated fair value of collateral was SEK 1,536 m. Most of the collateral consisted of repossession rights and bank guarantees. During the year, collateral valued at SEK 217 m. was repossessed.

Timing analysis of portfolio assets past due but not recognised as impairment losses	Past-due payments 2012	Past-due payments 2011	Past-due payments 2010
< 30 days	**912**	944	839
30–90 days	**301**	284	246
91–180 days	**69**	73	52
> 180 days	**28**	59	170
Total	**1,310**	1,360	1,307

Provisions for bad debts amounted to SEK 462 m. (516 and 581, respectively), equivalent to 6.6 (7.2 and 8.0, respectively) percent of total receivables. The year's bad debt expense amounted to SEK 56 m. (92 and 55, respectively). Provisions for bad debts changed as follows:

Provisions for bad debts	2012	2011	2010
Provisions, 1 January	**516**	581	725
Provisions for potential losses	**34**	50	–7
Withdrawals due to actual credit losses	**–62**	–91	–89
Currency rate effects	**–26**	–24	–48
Other	**0**	0	0
Provisions, 31 December	**462**	516	581

Credit risk in Financial Services

The credit portfolio including operating leases in the Financial Services segment can be seen in the table below:

Credit portfolio	2012	2011	2010
Exposure	**45,800**	42,980	36,954
– of which, operating leases	**8,189**	8,365	8,545
Credit risk reserve	**763**	745	817
Carrying amount	**45,037**	42,235	36,137
– of which, operating leases	**8,135**	8,301	8,497

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 limited by active credit assessment, management of the loan portfolio and its underlying assets as well as an intensive focus and constructive dialogue with those customers who do not follow the agreed payment plan. Collateral in Financial Services operations mainly exists in the form of the products being financed.

Timing analysis of portfolio assets

	2012			2011			2010		
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	**79**	**3,466**	**3,455**	90	2,796	2,758	87	3,489	3,277
30–90 days	**103**	**1,513**	**1,510**	107	1,649	1,550	111	1,704	1,608
Past due and recognised as impairment losses									
91–180 days	**75**	**621**	**461**	77	559	501	84	751	649
> 180 days	**126**	**614**	**502**	124	480	372	245	1,029	764
Completed contracts	**115**	**474**	**339**	159	593	402	256	1,064	733
Total	**498**	**6,688**	**6,267**	557	6,077	5,583	783	8,037	7,031

1 Exposure is defined as maximum potential loss, without regard to the value of any collateral.

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 2012			
Exposure < SEK 15 m.	25,277	98.5	69.5
Exposure SEK 15–50 m.	306	1.2	14.1
Exposure > SEK 50 m.	78	0.3	16.4
Total	**25,661**	**100.0**	**100.0**

The credit risk concentration in 2012 was equivalent to that of 2011 and 2010. The table shows that most customers are in the segment with exposure < SEK 15 m. This segment included 98.5 (98.4 and 98.7, respectively) percent of the total number of customers, equivalent to 69.5 (67.4 and 70.8, respectively) percent of the portfolio. The segment with exposure of SEK 15–50 m. included 1.2 (1.2 and 1.0, respectively) percent of the total number of customers, equivalent to 14.1 (15.0 and 14.2, respectively) percent of the portfolio. The segment with exposure > SEK 50 m. included 0.3 (0.4 and 0.3, respectively) percent of the total number of customers, equivalent to 16.4 (17.6 and 15.0, respectively) percent of the portfolio.

Accounts with past-due receivables ordinarily lead to relatively quick repossession of the item being financed. Renegotiation only occurs in those cases where, after a new credit evaluation, Financial Services deems the customer's payment problems to be of a short-term, temporary nature and where renegotiation can take place without greatly worsening its risk position. For Scania's customers the renegotiation need was lower during 2012 and payment plans were completed. Thus the carrying amount of the financial assets whose terms had been renegotiated continued to decline, amounting to SEK 1,660 m. (3,768 and 5,352 respectively) at year-end. Contracts are regarded as bad debts when payment is more than 90 days past due or when there is information that causes Scania to terminate the contracts early.

The resale market for repossessed and used vehicles functioned smoothly during most of 2012. During the year, 2,274 (2,595 and 3,579, respectively) financed vehicles were repossessed. At year-end, the number of repossessed but not yet sold vehicles amounted to 526 (596 and 677, respectively), with a total carrying amount of SEK 181 m. (176 and 274, 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.

NOTE 30 Financial risk management, continued

Provisions for bad debts amounted to SEK 763 m. (745 and 817, respectively), equivalent to 1.7 (1.7 and 2.2, respectively) percent of the total Financial Services gross portfolio. Provisions for bad debts changed as follows:

Provisions for bad debts	2012	2011	2010
Provisions, 1 January	**745**	817	924
Provisions for potential losses	**267**	260	371
Withdrawals due to actual credit losses	**–226**	–317	–378
Exchange rate differences	**–23**	–15	–100
Provisions, 31 December	**763**	745	817

The year's expenses for actual and potential credit losses amounted to SEK 290 m. (298 and 493, 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. The corporate treasury unit is responsible for ensuring compliance with the rules of Scania's Financial Policy.

Net exposure to counterparty risk related to derivatives trading amounted to SEK 157 m. (545 and 1,106, respectively) at the end of 2012. Estimated gross exposure to counterparty risks related to derivatives trading totalled SEK 1,020 m. (1,436 and 1,899, respectively). Estimated gross exposure to cash and cash equivalents and short-term investments amounted to SEK 12,047 m. (11,796 and 9,868, 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 10,674 m. (10,301 and 8,152, respectively), of which SEK 10,545 m. (10,153 and 8,091, respectively) consists of investments with a maturity of less than 90 days and SEK 129 m. (148 and 61, respectively) consisted of investments with a maturity of 91–365 days. In addition to short-term investments, Scania had bank balances worth SEK 1,373 m. (1,495 and 1,716, 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 2012, Scania's liquidity reserve, consisting of unutilised credit facilities, cash and cash equivalents and short-term investments, amounted to SEK 39,281 m. (39,685 and 36,872 respectively). Scania's credit facilities include customary change in 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.

At year-end, Scania had borrowings, in some cases with related ceilings, as follows:

Borrowings, 2012	Total borrowings	Ceiling
Medium Term Note Programme	**–**	–
European Medium Term Note Programme	**18,423**	30,158
Other bonds	**–**	–
Credit facility (EUR)	**–**	27,234
Commercial paper, Sweden	**1,200**	10,000
Commercial paper, Belgium	**1,732**	3,447
Bank loans	**20,903**	–
Total [1]	**42,258** [2]	**70,839**

Borrowings, 2011	Total borrowings	Ceiling
Medium Term Note Programme	358	13,000
European Medium Term Note Programme	15,461	31,306
Other bonds [3]	–	–
Credit facility (EUR)	–	27,889
Commercial paper, Sweden	1,848	10,000
Commercial paper, Belgium	–	3,578
Bank loans [3]	20,900	–
Total [1]	38,567 [2]	85,773

Borrowings, 2010	Total borrowings	Ceiling
Medium Term Note Programme	360	13,000
European Medium Term Note Programme	13,933	31,507
Other bonds [3]	–	–
Credit facility (EUR)	–	27,004
Commercial paper, Sweden	320	10,000
Commercial paper, Belgium	–	3,601
Bank loans [3]	19,530	–
Total [1]	34,143 [2]	85,112

1 Of the total ceiling, SEK 27,234 m. (27,889 and 27,004, respectively) consisted of guaranteed revolving credit facilities.

2 Total borrowings excluded SEK 193 m. (226 and 263, respectively) related to accrued interest and fair value adjustments on bonds where hedge accounting was previously applied.

3 Comparative figures have been adjusted.

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:

Maturity structure of Scania's borrowings	**2012**	2011	2010
2011	**–**	–	12,171
2012	**–**	19,556	14,479
2013	**16,112**	6,345	639
2014	**8,066**	3,307	334
2015	**8,784**	5,479	2,922
2016 and later	**6,780**	3,868	3,598
2017 and later	**2,429**	12	–
2018 and later	**87**	–	–
Total	**42,258** [1]	38,567 [1]	34,143 [1]

1 Total borrowings excluded SEK 193 m. (226 and 263, respectively) related to accrued interest and fair value adjustments on bonds for which hedge accounting was previously applied.

Maturity structure of derivatives attributable to borrowings, 2012	**Derivatives with positive value**	**Derivatives with negative value**
2013	**134**	**33**
2014	**53**	**38**
2015	**184**	**–**
2016	**68**	**–**
2017	**29**	**–**
2018 and later	**–**	**–**
Total [1]	**468**	**71**

Maturity structure of derivatives attributable to borrowings, 2011	Derivatives with positive value	Derivatives with negative value
2012	167	1
2013	27	–
2014	117	–
2015	109	–
2016	–	–
2017 and later	–	–
Total[1]	420	1

Maturity structure of derivatives attributable to borrowings, 2010 [2]	Derivatives with positive value	Derivatives with negative value
2011	17	–
2012	158	–
2013	–	–
2014	–	–
2015	–	–
2016 and later	–	–
Total [1]	175	0

1 Does not include accrued interest.

2 Comparative figures have been adjusted.

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 future commercial payments to functional currency.
- To a lesser extent, converting surplus liquidity in foreign currencies to SEK.

FAIR VALUE OF FINANCIAL INSTRUMENTS

In Scania's balance sheet, items carried at fair value are mainly derivatives and current investments. For derivatives for which hedge accounting is not applied, fair value adjustment is carried via the income statement. Derivatives attributable to cash flow hedging are carried at fair value via "Other comprehensive income". Fair value is established according to various levels, defined in IFRS 7, that reflect the extent to which market values have been utilised. Current investments and cash and cash equivalents are carried according to Level 1, i.e. quoted prices in active markets for identical assets, and amounted to SEK 1,188 m. (1,192 and 1,047, respectively). Other assets that are carried at fair value refer to derivatives. These assets are carried according to Level 2, which is based on data other than the quoted prices that are part of Level 1 and refer to directly or indirectly observable market data. These items are carried under other non-current assets, other current assets, other non-current liabilities and other current liabilities and amounted to SEK 157 m. (545 and 1,106, respectively) net.

For financial instruments that are carried at accrued cost, fair value disclosures are provided in the table below. 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 assets and liabilities are not traded in an active market, 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.

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, 2012, 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			22,996				22,996	23,146
Current interest-bearing receivables			14,007				14,007	14,032
Non-interest-bearing trade receivables			6,090				6,090	6,090
Current investments and Cash and cash equivalents	1,188		10,859				12,047	12,041
Other non-current receivables [1]	670		449				1,119	1,119
Other current receivables [2]	351		9				360	360
Total assets	**2,209**	**–**	**54,410**	**–**	**–**	**–**	**56,619**	**56,788**
Non-current interest-bearing liabilities				26,146			26,146	26,677
Current interest-bearing liabilities				16,305			16,305	16,321
Trade payables				7,671			7,671	7,671
Other non-current liabilities [3]	518						518	518
Other current liabilities [4]	346						346	346
Total liabilities	**864**	**–**	**–**	**50,122**	**–**	**–**	**50,986**	**51,533**

1 Financial instruments included in the balance sheet under "Other long-term receivables", SEK 1,342 m.

2 Financial instruments included in the balance sheet under "Other current receivables", SEK 3,487 m.

3 Financial instruments included in the balance sheet under "Other non-current liabilities", SEK 531 m.

4 Financial instruments included in the balance sheet under "Other current liabilities", SEK 2,493 m.

Scania Group, 2011, 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			21,040				21,040	21,086
Current interest-bearing receivables			13,197				13,197	13,281
Non-interest-bearing trade receivables			6,219				6,219	6,219
Current investments and Cash and cash equivalents	1,192		10,604				11,796	11,796
Other non-current receivables [1]	814		502				1,316	1,316
Other current receivables [2]	623		11				634	634
Total assets	2,629	–	51,573	–	–	–	54,202	54,332
Non-current interest-bearing liabilities				19,011			19,011	19,045
Current interest-bearing liabilities				19,782			19,782	19,843
Trade payables				8,308			8,308	8,308
Other non-current liabilities [3]	564						564	564
Other current liabilities [4]	328						328	328
Total liabilities	892	–	–	47,101	–	–	47,993	48,088

1 Financial instruments included in the balance sheet under "Other long-term receivables", SEK 1,529 m.

2 Financial instruments included in the balance sheet under "Other current receivables", SEK 3,466 m.

3 Financial instruments included in the balance sheet under "Other non-current liabilities", SEK 617 m.

4 Financial instruments included in the balance sheet under "Other current liabilities", SEK 2,799 m.

Scania Group, 2010, 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			16,514				16,514	16,646
Current interest-bearing receivables			11,389				11,389	11,470
Non-interest-bearing trade receivables			6,115				6,115	6,115
Current investments and Cash and cash equivalents	1,047		8,821				9,868	9,868
Other non-current receivables [1]	667		493				1,160	1,160
Other current receivables [2]	1,232		15				1,247	1,247
Total assets	2,946	–	43,347	–	–	–	46,293	46,506
Non-current interest-bearing liabilities				21,973			21,973	22,202
Current interest-bearing liabilities				12,433			12,433	12,497
Trade payables				8,194			8,194	8,194
Other non-current liabilities [3]	339					91	430	430
Other current liabilities [4]	357					7	364	364
Total liabilities	696	–	–	42,600	–	98	43,394	43,687

1 Financial instruments included in the balance sheet under "Other long-term receivables", SEK 1,454 m.

2 Financial instruments included in the balance sheet under "Other current receivables", SEK 3,827 m.

3 Financial instruments included in the balance sheet under "Other non-current liabilities", SEK 439 m.

4 Financial instruments included in the balance sheet under "Other current liabilities", SEK 2,154 m.

NOTE 31 Financial instruments, continued

HEDGE ACCOUNTING

Scania applies hedge accounting according to IAS 39 as follows:

- To a minor extent in 2010 and 2011, Scania applied cash flow hedge accounting on interest rate derivatives to transform variable interest rates on loans to fixed rates. This form of hedge accounting was not applied during 2012.
- To a minor extent, cash flow hedge accounting is applied for currency rate effects on loans that are related to operating lease assets.

Scania considers that it is hedged economically, and risk management follows the financial policy approved by the Board. 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 hedge accounting is applied.

Net gains/losses	2012	2011	2010
Financial assets and liabilities held for trading, carried at fair value	**–646**	–380	660
Loan and trade receivables [1]	**–378**	24	–3,195
Other financial liabilities	**709**	78	3,336
Total	**–315**	–278	801

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. Most of the 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:

	2012	2011	2010
Interest income on financial assets [1]	**3,040**	2,832	2,253
Interest expenses on financial liabilities [2, 3]	**–1,692**	–1,527	–1,663
Total	**1,348**	1,305	590

1 SEK 157 m. (179 and 59, respectively) consists of interest income generated from financial assets carried at fair value.

2 Also includes interest expenses related to operating leases and interest expenses related to Financial Services that were recognised in the operating income.

3 SEK –226 m. (–71 and 386, 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
Ainax AB	556579-4459	Stockholm	Sweden	100
Scania Bus Financing AB	556728-9433	Stockholm	Sweden	100
Ferruform AB	556528-9120	Luleå	Sweden	100
AB Dure	556054-9429	Södertälje	Sweden	100
AB Folkvagn	556052-4208	Södertälje	Sweden	100
AB Scania-Vabis	556121-2639	Södertälje	Sweden	100
Bil-Forum AB	556185-2129	Södertälje	Sweden	100
DynaMate AB	556070-4818	Södertälje	Sweden	100
DynaMate Industrial Services AB	556528-9286	Södertälje	Sweden	100
DynaMate IntraLog AB	556718-5409	Södertälje	Sweden	100
Fastighets AB Katalysatorn	556070-4826	Södertälje	Sweden	100
Fastighetsaktiebolaget Flygmotorn	556528-9112	Södertälje	Sweden	100
Fastighetsaktiebolaget Hjulnavet	556084-1198	Södertälje	Sweden	100
Fastighetsaktiebolaget Motorblocket	556716-6698	Södertälje	Sweden	100
Fastighetsaktiebolaget Vindbron	556040-0938	Södertälje	Sweden	100
Mälardalens Teknikgymnasium AB	556548-4754	Södertälje	Sweden	80
Scania Bus Nordic AB	556593-3057	Södertälje	Sweden	100
Scania CV AB	556084-0976	Södertälje	Sweden	100
Scania Delivery Center AB	556593-2976	Södertälje	Sweden	100
Scania Finance Holding AB	556548-4697	Södertälje	Sweden	100
Scania Holding Europe AB	556017-7825	Södertälje	Sweden	100
Scania Infotronics AB	556548-4739	Södertälje	Sweden	100
Scania IT AB	556084-1206	Södertälje	Sweden	100
Scania Kringlan AB	556053-7903	Södertälje	Sweden	100
Scania Marketing Support AB	556528-9062	Södertälje	Sweden	100
Scania Omni AB	556060-5809	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	Södertälje	Sweden	100
Scania Real Estate Lund AB	556791-9823	Södertälje	Sweden	100
Scania Real Estate Services AB	556593-3024	Södertälje	Sweden	100
Scania Sales and Services AB	556593-3073	Södertälje	Sweden	100
Scania Sverige Bussar AB	556060-0586	Södertälje	Sweden	100
Scania Trade Development AB	556013-2002	Södertälje	Sweden	100
Scania Transportlaboratorium AB	556528-9294	Södertälje	Sweden	100
Scania Treasury AB	556528-9351	Södertälje	Sweden	100
Scania Truck Financing AB	556020-4231	Södertälje	Sweden	100
Scania Trucks & Buses AB	556267-1585	Södertälje	Sweden	100
Scania Used Vehicles AB	556548-4713	Södertälje	Sweden	100
Scania-Bilar Sverige AB	556051-4621	Södertälje	Sweden	100
Södertälje Bilkredit AB	556051-3102	Södertälje	Sweden	100
Stockholms Industriassistans AB	556662-3459	Södertälje	Sweden	100
Svenska Mektek AB	556616-7747	Södertälje	Sweden	100
Vabis Bilverkstad AB	556031-7181	Södertälje	Sweden	100
Vabis Försäkringsaktiebolag	516401-7856	Södertälje	Sweden	100
Vindbron Arendal AB	556822-2367	Södertälje	Sweden	100
Motorcam S.A.	33-70791031-9	Buenos Aires	Argentina	100
Scania Argentina S.A.	30-51742430-3	Buenos Aires	Argentina	100
Scania Services S.A.	33-70784693-9	Buenos Aires	Argentina	100
Automotores del Atlantico S.A.	30-70709795-3	Mar del Plata	Argentina	100
Aconcagua Vehículos Comerciales S.A.	30-70737179-6	Mendoza	Argentina	100
Automotores Pesados S.A.	30-55137605-9	Tucumán	Argentina	100
Scania Australia Pty Ltd	000537333	Melbourne	Australia	100
Scania Österreich GmbH	FN366024x	Brunn am Gebirge	Austria	100
Scania Österreich Holding Gmbh	FN316321d	Brunn am Gebirge	Austria	100
Scania Real Estate Österreich GmbH	FN95419y	Brunn am Gebirge	Austria	100
Scania Bus Belgium N.V	BE0460.870.259	Brussels	Belgium	100
Scania Belgium N.V	BE0402.607.507	Neder-Over-Heembeek	Belgium	100
Scania Group Treasury Belgium N.V	BE0809.445.796	Neder-Over-Heembeek	Belgium	100
Scania Real Estate Belgium N.V	BE0423.251.481	Neder-Over-Heembeek	Belgium	100
Scania Treasury Belgium N.V	BE0888.285.319	Neder-Over-Heembeek	Belgium	100
Scania Bosnia Hertzegovina d.o.o.	4200363460007	Sarajevo	Bosnia-Herzegovina	100
Scania Botswana (Pty) Ltd	CO.2000/6045	Gaborone	Botswana	100
Scania Administradora de Consórcios Ltda	96.479.258/0001-91	Cotia	Brazil	99.99
Suvesa Super Veics Pesados Ltda	88.301.668/0001-10	Eldorado do Sul	Brazil	99.98
Codema Coml Import Ltda	60.849.197/0001-60	Guarulhos	Brazil	99.99
Scania Latin America Ltda	59.104.901/0001-76	São Bernardo do Campo	Brazil	100
Scania Bulgaria EOOD	BG121796861	Sofia	Bulgaria	100
Scania Real Estate Bulgaria EOOD	201589120	Sofia	Bulgaria	100
Scania Chile S.A.	96.538.460-K	Santiago	Chile	100
Scania Sales (China) Co Ltd	110105717867816	Beijing	China	100
Scania (Hong Kong) Limited	1205987	Hong Kong	China	100
Scania Colombia S.A.	900.353.873-2	Bogotá	Colombia	100
Scania Hrvatska d.o.o.	080213913	Zagreb	Croatia	100
Scania Czech Republic s.r.o.	CZ61251186	Prague	Czech Republic	100
Scania Real Estate Czech Republic s.r.o	24196746	Prague	Czech Republic	100

NOTE 32 Subsidiaries, continued

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania Danmark A/S	DK17045210	Herlev	Denmark	100
Scania Biler A/S	DK21498033	Ishøj	Denmark	100
Scania Danmark Ejendom Aps	33156332	Ishøj	Denmark	100
Scania Eesti AS	10238872	Tallinn	Estonia	100
Scania Suomi Oy	FI0202014-4	Helsinki	Finland	100
Scania France S.A.S.	307166934	Angers	France	100
Scania Holding France S.A.S	403092786	Angers	France	100
Scania IT France S.A.S.	412282626	Angers	France	100
Scania Production Angers S.A.S.	378442982	Angers	France	100
Scania Real Estate France	78961241300011	Angers	France	100
Scania Danmark GmbH	DE 15 295 18862	Flensburg	Germany	100
Scania Flensburg GmbH	15 295 18587	Flensburg	Germany	100
SCANIA Vertrieb und Service GmbH Kerpen	DE178753117	Kerpen	Germany	100
B. + V. Grundstücks- und Verwertungs-GmbH & Co KG	22/201/0480/0	Koblenz	Germany	100
B. + V. Grundstücks- Verwaltungs- und Verwertungs-GmbH	22/651/1242/2	Koblenz	Germany	100
SCANIA DEUTSCHLAND GmbH	DE148787117	Koblenz	Germany	100
Scania Deutschland Holding GmbH	DE812893584	Koblenz	Germany	100
Scania Versicherungsvermittlung GmbH	22/651/01229	Koblenz	Germany	100
SCANIA Vertrieb und Service GmbH Koblenz	DE812180098	Koblenz	Germany	100
Oerstad Investments LLP	OC365735	London	Great Britain	100
Scania Finance Holding Great Britain Ltd	4031225	London	Great Britain	100
Reliable Vehicles Ltd	1092161	Milton Keynes	Great Britain	100
Scania Bus & Coach UK Ltd	1609770	Milton Keynes	Great Britain	100
Scania Great Britain Ltd	831 017	Milton Keynes	Great Britain	100
Scania Properties Ltd	895848	Milton Keynes	Great Britain	100
Scania Real Estate Ltd	7648886	Milton Keynes	Great Britain	100
Scanlink Ltd	1147878	Milton Keynes	Great Britain	100
Scantruck Ltd	2049560	Milton Keynes	Great Britain	100
Southway Scania Ltd	2434580	Milton Keynes	Great Britain	100
Union Trucks Ltd	570563	Milton Keynes	Great Britain	100
Westrucks Ltd	1977188	Milton Keynes	Great Britain	100
Griffin Automotive Ltd	27922106	Road Town	Great Britain	100
Scania Hungaria KFT	10 415 577	Biatorbágy	Hungary	100
Scania Real Estate Hungaria	13-09-159119	Biatorbágy	Hungary	100
Scania Commercial Vehicles India Pvt. Ltd	U35999KA2011FTC05698	Bengaluru	India	100
Qanadeel AL Rafidain Automotive Trading Co, Ltd	7500	Erbil	Iraq	51
Scania Leasing Ireland Ltd	482138	Dublin	Ireland	100
Italscania S.p.A	11749110158	Trento	Italy	100
Scania Commerciale S.p.A	IT 01184460226	Trento	Italy	100
Scania Milano S.p.A	IT 02170120220	Trento	Italy	100
Scania Japan Limited	0104-01-083452	Tokyo	Japan	100
Scania Central Asia LLP	84931-1910-TOO	Almaty	Kazakhstan	100
Scania Latvia SIA	50003118401	Riga	Latvia	100
UAB Scania Lietuva	123873025	Vilnius	Lithuania	100
Scania Treasury Luxembourg S.à.r.l	B72450	Luxembourg City	Luxembourg	100
Scania Luxembourg S.A.	B.53044	Münsbach	Luxembourg	99.9
SRE Holding Sárl	B160795	Münsbach	Luxembourg	100
Scania (Malaysia) SDN BHD	518606-D	Kuala Lumpur	Malaysia	100
Scania Credit (Malaysia) SDN BHD	1011611-H	Selangor	Malaysia	100
Scania Comercial, S.A. de C.V.	SCO031124MF5	Querétaro	Mexico	99.99
Scania Servicios, S.A. de C.V.	SSE031124C26	Querétaro	Mexico	99.99
Scania Maroc S.A.	06100472	Casablanca	Morocco	100
Truck Namibia (Pty) Ltd	2004/438	Windhoek	Namibia	100
Norsk Scania AS	879 263 662	Oslo	Norway	100
Norsk Scania Eiendom AS	996036545	Oslo	Norway	100
Scania del Peru S.A.	101-36300	Lima	Peru	100
Scania Production Słupsk S.A.	KRS0000083601	Słupsk	Poland	100
Scania Polska S.A.	KRS0000091840	Warsaw	Poland	100
Scania Portugal S.A.	PT 502 929 995	Santa Iria da Azóia	Portugal	100
Scania Investimentos Imobiliários S.A.	508948118	Santa Iria de Azóla	Portugal	100
Scania Real Estate Romania S.R.L.	J23/2019/29.07.2011	Bucharest	Romania	100
Scania Romania S.R.L.	J23/588/27.04.2004	Bucharest	Romania	100
Scania Driver Training S.R.L.	J23/1304/30.04.2010	Ilfov	Romania	100
OOO Scania Service	1035006456044	Golitsino, Moscow region	Russia	100
OOO Scania-Rus	1025004070079	Moscow	Russia	100
OOO Petroscan	1027808004102	St. Petersburg	Russia	100
OOO Scania Peter	1027804908372	St. Petersburg	Russia	100
Scania Real Estate Doo Beograd	20659874	Belgrade	Serbia	100
Scania Srbija d.o.o.	17333321	Belgrade	Serbia	100
Scania Singapore Pte Ltd	200309593R	Singapore 758112	Singapore	100
Scania Real Estate s.r.o.	44767668	Bratislava	Slovakia	100
Scania Slovakia s.r.o.	35826649	Bratislava	Slovakia	100
Scania Slovenija d.o.o.	1 124 773	Ljubliana	Slovenia	100
Scania South Africa Pty Ltd	1995/001275/07	Sandton	South Africa	100
Scania Korea Ltd	120111-0122515	Seoul	South Korea	100

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania Hispania Holding S.L.	ESB82853938	Madrid	Spain	100
Scania Hispania S.A.	ESA59596734	Madrid	Spain	100
Scania Real Estate Hispania S.L	ESB36682003	Pontevedra	Spain	100
GB&M Garage et Carrosserie SA	CH-660.0.046.966-0	Geneva	Switzerland	100
Scania Real Estate Schweiz AG	CH-020.3.035.714-4	Kloten	Switzerland	100
Scania Schweiz AG	CH-020.3.926.624-8	Kloten	Switzerland	100
FMF Fahrzeug Miet und Finanz AG	CH-020.3.029.174-1	Seuzach	Switzerland	100
Garage Vetterli AG	CH-020.3.909.930-2	Seuzach	Switzerland	100
Scania Tanzania Ltd	39320	Dar Es Salaam	Tanzania	100
Scania Siam Co Ltd	0105543060121	Bangkok	Thailand	99.99
Scania Thailand Co Ltd	0105534098031	Bangkok	Thailand	99.99
Beers N.V.	27051589	Breda	The Netherlands	100
Scania Nederland B.V.	27136821	Breda	The Netherlands	100
Scania Real Estate The Netherlands B.V.	506872921	Breda	The Netherlands	100
Scania Networks B.V.	27146579	Den Haag	The Netherlands	100
Scania Production Meppel B.V.	05046846	Meppel	The Netherlands	100
Scania Europe Holding B.V.	05050056	Zwolle	The Netherlands	100
Scania IT Nederland B.V.	05062402	Zwolle	The Netherlands	100
Scania Production Zwolle B.V.	05020370	Zwolle	The Netherlands	100
Scania Middle East FZE	150175	Jebel Ali Free Zone	The United Arab Emirates	100
TOV Scania-Lviv	37497108	Javurisk, Lviv region	Ukraine	100
TOV Scania Ukraine	30 107 866	Kiev	Ukraine	100
TOV Kiev-Scan	35706433	Makariv, Kiev region	Ukraine	100
TOV Donbas-Scan-Service	34516735	Makeevka, Donetsk region	Ukraine	100
Scania USA Inc.	06-1288161	San Antonio, TX	United States	100
Scania Holding Inc.	4019619	Wilmington	United States	100
Scanexpo International S.A.	214905910012	Montevideo	Uruguay	100
Scanexpo S.A.	21.173422.0012	Montevideo	Uruguay	100
Scania de Venezuela S.A.	J-30532829-3	Valencia - Estado Carabobo	Venezuela	100
Financial Services				
Scania Credit AB	556062-7373	Södertälje	Sweden	100
Scania Finans AB	556049-2570	Södertälje	Sweden	100
Scania Projektfinans AB	556593-3008	Södertälje	Sweden	100
Scania Finance Pty Ltd	52006002428	Melbourne	Australia	100
Scania Leasing Österreich Ges.m.b.H	FN246699v	Brunn am Gebirge	Austria	100
Scania Finance Belgium N.V	BE0413.545.048	Neder-Over-Heembeek	Belgium	100
Scania Insurance Belgium N.V	BE0819.368.007	Neder-Over-Heembeek	Belgium	100
Scania Banco S.A	11.417.016/0001-10	São Paolo	Brazil	100
Scania Finance Bulgaria EOOD	BG175108126	Sofia	Bulgaria	100
Scania Finance Chile S.A.	76.574.810-0	Santiago	Chile	100
Scania Credit Hrvatska d.o.o.	1923269	Rakitje, Bestovje	Croatia	100
Scania Finance Czech Republic Spol. s.r.o.	CZ25657496	Prague	Czech Republic	100
Scania Finance France S.A.S.	350890661	Angers	France	100
Scania Locations S.A.S.	402496442	Angers	France	100
Scania Finance Deutschland GmbH	DE811292425	Koblenz	Germany	100
Scania Finance Great Britain Ltd	2173954	London	Great Britain	100
Scania Lízing KFT	13-09-107823	Biatorbágy	Hungary	100
Scania Finance Magyarország zrt.	13-10-040959	Biatorbágy	Hungary	100
Scania Finance Ireland Ltd	482137	Dublin	Ireland	100
Scania Finance Italy S.p.A	03333020158	Milan	Italy	100
Scania Finance Luxembourg S.A.	B82.907	Münsbach	Luxembourg	100
Scania Services del Perú S.A.	20392923277	Lima	Peru	100
Scania Finance Polska Sp.z.o.o.	0000036594	Nadarzyn	Poland	100
SCANRENT - Alguer de Viaturas sem Condutor, S.A	PT 502631910	Lisbon	Portugal	100
Scania Regional Agent de Asigurare S.R.L.	28120880	Bucharest	Romania	100
Scania Rent Romania S.R.L.	J23/1669/2008	Bucharest	Romania	96
Scania Credit Romania IFN S.A	J23/1818/2005	Ciorogarla	Romania	100
OOO Autobusnaya Leasingovaya Compania Scania	1045005504774	Moscow	Russia	100
OOO Scania Leasing	1027700203970	Moscow	Russia	100
Scania Finance Slovak Republic s.r.o.	43874746	Senec	Slovakia	100
Scania Leasing d.o.o	356.417.700	Ljubliana	Slovenia	100
Scania Finance Southern Africa (Pty) Ltd	2000/025215/07	Aerton Gauteng	South Africa	100
Scania Finance Korea Ltd	195411-0007994	Kyoung Sang Nam-Do	South Korea	100
Scania Commercial Vehicles Renting S.A.	ESA82853995	Madrid	Spain	100
Scania Finance Hispania EFC S.A.	ESA82853987	Madrid	Spain	100
Scania Finance Schweiz AG	CH-020.3.029.627-6	Kloten	Switzerland	100
Scania Siam Leasing Co. Ltd.	0105550082925	Bangkok	Thailand	99.99
Scania Finance Nederland B.V.	27004973	Breda	The Netherlands	100
Scania Tüketici Finansmani A.S.	7 570 328 278	Istanbul	Turkey	100
TOV Scania Credit Ukraine	33052443	Ukraine, Kiev region	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	2012	2011	2010
Administrative expenses		**0**	0	0
Operating income		**0**	0	0
Financial income and expenses [1]	1	**4,000**	4,001	5,000
Income after financial items		**4,000**	4,001	5,000
Taxes	2	**–**	–	–
Net income		**4,000**	4,001	5,000

1 In accordance with the new accounting principle for Group contributions in the Swedish Financial Reporting Board's recommendation RFR 2, restatement of previous years has occurred.

STATEMENT OF OTHER COMPREHENSIVE INCOME

January – December, SEK m.	2012	2011	2010
Net income	**4,000**	4,001	5,000
Other comprehensive income	**–**	–	–
Total comprehensive income	**4,000**	4,001	5,000

BALANCE SHEET

31 December, SEK m.	Note	2012	2011	2010
ASSETS				
Financial non-current assets				
Shares in subsidiaries	3	**8,401**	8,401	8,401
Current assets				
Due from subsidiaries	4	**8,001**	8,001	8,000
Total assets		**16,402**	16,402	16,401
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity	5	**16,402**	16,402	16,401
Total shareholders' equity and liabilities		**16,402**	16,402	16,401
Assets pledged		**–**	–	–
Contingent liabilities	6	**33,229**	30,991	27,026

STATEMENT OF CHANGES IN EQUITY

	Restricted equity			
2012	**Share capital**	**Statutory reserve**	**Unrestricted shareholders' equity**	**Total**
Equity, 1 January	2,000	1,120	13,282	**16,402**
Total comprehensive income for the year			4,000	**4,000**
Dividend			–4,000	**–4,000**
Equity, 31 December 2012	2,000	1,120	13,282	**16,402**

	Restricted equity			
2011	Share capital	Statutory reserve	Unrestricted shareholders' equity	Total
Equity, 1 January	2,000	1,120	13,281	16,401
Total comprehensive income for the year			4,001	4,001
Dividend			–4,000	–4,000
Equity, 31 December 2011	2,000	1,120	13,282	16,402

	Restricted equity			
2010	Share capital	Statutory reserve	Unrestricted shareholders' equity	Total
Equity, 1 January	2,000	1,120	9,081	12,201
Total comprehensive income for the year			5,000	5,000
Dividend			–800	–800
Equity, 31 December 2010	2,000	1,120	13,281	16,401

Parent Company financial statements, Scania AB, continued

CASH FLOW STATEMENT

January – December, SEK m.	Note	2012	2011	2010
Operating activities				
Income after financial items		**4,000**	4,001	5,000
Items not affecting cash flow	7	**–4,000**	–4,000	–5,000
Taxes paid		**–**	–	–
Unsettled Group contributions to/from subsidiaries		**63**	70	16
Cash flow from operating activities before change in working capital		**63**	71	16
Cash flow from change in working capital				
Due from subsidiaries		**3,937**	3,929	784
Total change in working capital		**3,937**	3,929	784
Cash flow from operating activities		**4,000**	4,000	800
Total cash flow before financing activities		**4,000**	4,000	800
Financing activities				
Dividend to shareholders		**–4,000**	4,000	–800
Cash flow from financing activities		**–4,000**	–4,000	–800
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

	2012	2011	2010
Interest income from subsidiaries	**63**	70	16
Dividend from Scania CV AB	**4,000**	4,000	5,000
Group contributions provided to Scania CV AB	**–63**	–70	–16
Other	**0**	1	–
Total	**4,000**	4,001	5,000

NOTE 2 Taxes

Tax expense/income for the year	**2012**	2011	2010
Current tax	**–**	–	–
Total	**–**	–	–

	2012		2011		2010	
Reconciliation of effective tax	**Amount**	**%**	Amount	%	Amount	%
Income before tax	**4,000**		4,001		5,000	
Tax calculated using Swedish tax rate	**–1,052**	**26.3**	–1,052	26.3	–1,315	26.3
Tax effect and percentage influence:						
Tax-exempt dividends	**1,052**	**26**	1,052	26	1,315	26
Tax recognised	**–**	**–**	–	–	–	–

NOTE 3 Shares in subsidiaries

			Carrying amount		
Subsidiary / Corporate ID number / registered office	**Ownership, %**	**Thousands of shares**	**2012**	2011	2010
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 Stockholm.

Notes to the Parent Company financial statements, continued

NOTE 4 Due from subsidiaries

	2012	2011	2010
Current interest-bearing receivable from Scania CV AB	**4,001**	4,001	3,000
Current non-interest-bearing receivable from Scania CV AB[1]	**4,000**	4,000	5,000
Total	**8,001**	8,001	8,000

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 130.

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 Contingent liabilities

	2012	2011	2010
Contingent liabilities related to FPG credit insurance, mainly on behalf of subsidiaries	**3,064**	2,868	2,483
Loan guarantees on behalf of borrowings in Scania CV AB	**30,158**	28,116	24,541
Other loan guarantees on behalf of subsidiaries	**7**	7	2
Total	**33,229**	30,991	27,026

NOTE 7 Cash flow statement

Items not affecting cash flow are mainly attributable to anticipated dividends. Interest received was SEK 63 m. (70 and 16, respectively).

NOTE 8 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 consolidated financial statements: Note 26, "Wages, salaries and other remuneration and number of employees" and Note 28, "Compensation to executive officers". Compensation of SEK 20 thousand (10 and 10 respectively) was paid to auditors with respect to the Parent Company.

NOTE 9 Transactions with related parties

Scania AB is a subsidiary of Volkswagen AG, corporate ID number HRB 100484 and with its registered office in Wolfsburg, Germany.

The consolidated Annual Report of Scania's foreign parent company is available on the website www.volkswagenag.com. Transactions with related parties consist of dividends paid to Volkswagen AG and MAN SE. Dividends paid in 2012 amounted to SEK 1,972 m. to Volkswagen AG and SEK 534 m. to MAN SE.

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 1997. 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 (AGM) 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.

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).

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. In order to promote a personal holding of shares in the company, the programme shall be designed so that a part of the annual total outcome, after deduction of applicable tax, is used by the employee for the purchase of Scania B shares at market price.

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.

Members of the Executive Board, are entitled to severance pay equivalent to a maximum of 18 months' salary, in addition to their salary during the six-month notice period, if the company terminates their employment. If they obtain new employment within 18 months, counting from their termination date, the severance pay ceases. Otherwise there shall be no notice periods longer than six months.

The CEO and members of the Executive Board, with employment contracts entered into before 1 July 2010, are entitled to severance pay equivalent to a maximum of 24 months' salary in addition to their salary during the six months notice period if the company terminates their employment. If the CEO or a member of the Executive Board resigns of his or her own volition he/she is entitled to his/her salary for a six-month period.

The Board of Directors shall be able to diverge from these guidelines, should there be specific circumstances in an individual case.

GUIDELINES APPROVED BY THE 2012 AGM

The guidelines for salary and other remuneration of the President and CEO as well as other executive officers that were approved by the 2012 Annual General Meeting, plus the outcome of these guidelines related to 2012, are presented in Note 28.

Proposed distribution of earnings

The Board of Directors proposes that the following earnings at the disposal of the Annual General Meeting:

Amounts in SEK m.	
Retained earnings	9,282
Net income for the year	4,000
Other comprehensive income for the year	0
Total	13,282
Shall be distributed as follows:	
To the shareholders, a dividend of SEK 4.75 per share	3,800
To be carried forward	9,482
Total	13,282

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	9,482
Total	12,602

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 6 February 2013. 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 3 May 2013.

Södertälje, 6 February 2013

Martin Winterkorn
Chairman of the Board

Leif Östling
Vice Chairman

Peter Abele
Board member

Helmut Aurenz
Board member

Francisco J. Garcia Sanz
Board member

Jochem Heizmann
Board member

Ferdinand K. Piëch
Board member

Hans Dieter Pötsch
Board member

Åsa Thunman
Board member

Peter Wallenberg Jr
Board member

Johan Järvklo
Board member
Employee representative

Håkan Thurfjell
Board member
Employee representative

Martin Lundstedt
President and CEO

Our Audit Report was submitted on 12 February 2013

Ernst & Young AB

Lars Träff
Authorised Public Accountant

Audit Report

TRANSLATION FROM THE SWEDISH ORIGINAL

To the annual meeting of the shareholders of Scania AB (publ), corporate identity number 556184-8564

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Scania AB (publ) for the year 2012, except the corporate governance report on pages 57–67. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 26–135.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 57-67. The Report of the Directors is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Scania AB (publ) for the year 2012.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. The Board of Directors and the President are responsible for administration under the Companies Act, and it is also their responsibility to ensure that the corporate governance report on pages 57–67 is prepared in accordance with the Annual Accounts Act.

Audit Report, continued

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or President is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence which we have obtained as described above is sufficient and appropriate in order to provide a basis for our opinions.

Furthermore, we have read the corporate governance report and based on this reading, together with our knowledge of the company and the Group, we believe that the audit evidence we have obtained is sufficient to provide a basis for our opinion. This statutory review has another aim and direction, and is substantially less exhaustive in scope, than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated 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.

A corporate governance report has been prepared and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Stockholm, 12 February 2013

Ernst & Young AB

Lars Träff
Authorised Public Accountant

Quarterly data, units by geographic area

	2012					2011				
	Full year	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Order bookings, trucks										
Europe	**28,695**	7,470	6,136	7,970	7,119	31,226	7,497	7,219	8,925	7,585
Eurasia	**6,801**	1,323	1,743	2,319	1,416	6,692	936	1,896	2,730	1,130
America [1]	**18,833**	7,308	5,003	3,730	2,792	16,651	3,703	4,685	3,682	4,581
Asia	**8,362**	1,335	1,629	3,141	2,257	11,496	1,361	2,459	4,345	3,331
Africa and Oceania	**3,194**	741	926	876	651	3,071	713	850	781	727
Total	**65,885**	**18,177**	**15,437**	**18,036**	**14,235**	69,136	14,210	17,109	20,463	17,354
Trucks delivered										
Europe	**27,720**	8,396	5,835	6,638	6,851	31,443	8,490	6,428	8,279	8,246
Eurasia	**6,798**	2,368	1,607	1,687	1,136	7,445	2,452	1,751	1,929	1,313
America [1]	**15,391**	5,472	3,388	2,801	3,730	17,632	4,658	4,321	4,792	3,861
Asia	**8,089**	1,750	1,460	2,479	2,400	12,485	2,282	3,530	3,259	3,414
Africa and Oceania	**3,053**	833	746	742	732	3,115	858	782	747	728
Total	**61,051**	**18,819**	**13,036**	**14,347**	**14,849**	72,120	18,740	16,812	19,006	17,562
Order bookings, buses [2]										
Europe	**1,032**	348	193	180	311	1,770	492	252	497	529
Eurasia	**178**	25	13	88	52	108	53	4	47	4
America [1]	**3,016**	677	788	939	612	3,139	594	1,005	703	837
Asia	**1,250**	297	306	230	417	2,011	352	361	664	634
Africa and Oceania	**584**	101	188	113	182	679	145	163	272	99
Total	**6,060**	**1,448**	**1,488**	**1,550**	**1,574**	7,707	1,636	1,785	2,183	2,103
Buses delivered [2]										
Europe	**1,312**	267	380	382	283	1,916	752	388	477	299
Eurasia	**198**	56	54	49	39	84	36	11	21	16
America [1]	**2,738**	859	874	433	572	3,272	1,036	912	757	567
Asia	**1,304**	277	322	362	343	2,065	435	421	692	517
Africa and Oceania	**798**	244	181	221	152	651	124	141	282	104
Total	**6,350**	**1,703**	**1,811**	**1,447**	**1,389**	7,988	2,383	1,873	2,229	1,503

1 Refers mainly to Latin America.
2 Including body-built buses and coaches.

Quarterly data, earnings

SEK m. unless otherwise stated	2012					2011				
	Full year	**Q4**	**Q3**	**Q2**	**Q1**	Full year	Q4	Q3	Q2	Q1
Vehicles and Services										
Net sales	**79,603**	22,342	17,923	19,211	20,127	87,686	22,891	21,130	22,973	20,692
Cost of goods sold	**–58,927**	–17,026	–13,213	–14,012	–14,676	–63,163	–16,860	–15,258	–16,625	–14,420
Gross income	**20,676**	5,316	4,710	5,199	5,451	24,523	6,031	5,872	6,348	6,272
Research and development expenses	**–4,681**	–1,187	–958	–1,313	–1,223	–4,440	–1,251	–984	–1,126	–1,079
Selling expenses	**–7,286**	–1,923	–1,736	–1,897	–1,730	–7,014	–1,921	–1,737	–1,784	–1,572
Administrative expenses	**–1,042**	–225	–254	–250	–313	–1,204	–268	–281	–262	–393
Share of income in associated companies and joint ventures	**27**	11	–4	13	7	16	–4	10	6	4
Operating income, Vehicles and Services	**7,694**	**1,992**	**1,758**	**1,752**	**2,192**	11,881	2,587	2,880	3,182	3,232
Financial Services										
Interest and leasing income	**4,576**	1,124	1,118	1,180	1,154	4,372	1,162	1,117	1,070	1,023
Interest and depreciation expenses	**–3,095**	–735	–760	–805	–795	–3,023	–798	–764	–738	–723
Interest surplus	**1,481**	389	358	375	359	1,349	364	353	332	300
Other income	**119**	47	24	22	26	129	52	24	27	26
Other expenses	**–54**	–14	–19	–8	–13	–48	–11	–11	–11	–15
Gross income	**1,546**	422	363	389	372	1,430	405	366	348	311
Selling and administrative expenses	**–650**	–170	–153	–165	–162	–615	–169	–154	–150	–142
Bad debt expenses	**–290**	–79	–90	–42	–79	–298	–82	–87	–67	–62
Operating income, Financial Services	**606**	**173**	**120**	**182**	**131**	517	154	125	131	107
Operating income	**8,300**	2,165	1,878	1,934	2,323	12,398	2,741	3,005	3,313	3,339
Interest income	**709**	169	139	179	222	820	271	268	148	133
Interest expenses	**–576**	–196	–106	–142	–132	–559	–206	–170	–86	–97
Other financial income	**80**	68	–1	3	10	116	52	–78	–3	145
Other financial expenses	**–232**	–81	–29	–94	–28	–163	–51	–48	–26	–38
Total financial items	**–19**	–40	3	–54	72	214	66	–28	33	143
Income before taxes	**8,281**	2,125	1,881	1,880	2,395	12,612	2,807	2,977	3,346	3,482
Taxes	**–1,641**	–235	–380	–425	–601	–3,190	–675	–634	–913	–968
Net income	**6,640**	**1,890**	**1,501**	**1,455**	**1,794**	9,422	2,132	2,343	2,433	2,514
Attributable to:										
Scania shareholders	***6,646***	*1,893*	*1,504*	*1,455*	*1,794*	*9,422*	*2,132*	*2,343*	*2,433*	*2,514*
Non-controlling interest	***–6***	*–3*	*–3*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Earnings per share, SEK [1, 2]	**8.31**	2.37	1.88	1.82	2.24	11.78	2.67	2.93	3.04	3.14
Operating margin, %	**10.4**	9.7	10.5	10.1	11.5	14.1	12.0	14.2	14.4	16.1

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
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Scania Group										
Operating margin, %	**10.4**	14.1	16.3	4.0	14.1	14.4	12.4	10.8	11.6	10.1
Earnings per share, SEK[2]	**8.31**	11.78	11.38	1.41	11.11	10.69	7.42	5.83	5.40	3.79
Equity per share, SEK[2)]	**43.7**	43.1	37.5	29.1	27.4	31.0	32.7	29.7	26.8	22.8
Return on equity, %	**19.2**	29.5	34.7	5.1	38.3	35.0	24.1	20.8	21.8	17.4
Dividend, SEK per share[2, 3]	**4.75**	5.00	5.00	1.00	2.50	5.00	3.75	3.75	3.75	1.50
Dividend as percentage of net income	**57.2**	42.4	43.9	70.9	22.5	46.8	50.5	64.3	69.5	39.6
Redemption, SEK per share[2, 3]	**–**	–	–	–	–	7.50	8.75	–	–	–
Equity/assets ratio, %	**30.9**	31.6	30.5	23.7	19.9	27.1	29.7	30.3	30.3	27.7
Net debt, excluding provisions for pensions, SEK m.	**30,256**	26,432	23,481	39,767	50,112	31,534	23,297	25,476	23,115	24,291
Net debt/equity ratio	**0.86**	0.77	0.78	1.71	2.28	1.27	0.89	1.07	1.08	1.33
Vehicles and Services										
Operating margin, %	**9.7**	13.5	16.1	4.3	13.6	13.8	11.7	10.0	10.8	9.4
Capital employed, SEK m.	**39,072**	36,372	32,836	34,534	34,514	26,749	32,898	27,012	23,876	21,859
Operating capital, SEK m.	**27,382**	24,904	23,284	27,886	30,169	22,859	22,226	24,396	21,680	20,080
Profit margin, %	**10.7**	14.6	16.8	5.3	14.3	14.4	12.8	11.6	11.6	10.0
Capital turnover rate, times	**2.14**	2.61	2.35	1.77	3.02	2.92	2.38	2.43	2.50	2.21
Return on capital employed, %	**22.8**	38.1	39.5	9.4	43.1	42.1	30.4	27.9	29.1	22.0
Return on operating capital, %	**29.5**	48.2	49.4	9.0	47.3	49.9	35.2	26.8	29.0	23.1
Net debt, excluding provisions for pensions, SEK m.[4]	**–9,361**	–10,615	–7,700	4,038	8,364	–1,902	–4,335	269	854	2,647
Net debt/equity ratio[4]	**–0.31**	–0.35	–0.30	0.21	0.49	–0.09	–0.19	0.01	0.05	0.17
Interest coverage, times	**10.5**	17.8	17.5	2.2	11.3	15.0	9.6	6.8	8.6	6.2
Financial Services										
Operating margin, %	**1.4**	1.3	0.5	–0.4	1.0	1.5	1.6	1.9	1.7	1.4
Equity/assets ratio, %	**10.3**	10.3	11.1	10.4	9.6	10.1	9.6	10.0	11.2	11.5

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 non-controlling (previously minority) interests divided by average number of shares.

Equity per share
Equity excluding non-controlling (previously minority) interests 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, net surplus 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, net surplus 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.

Operating 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.

Geographic areas
Europe: Albania, Austria, Belgium, Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Macedonia, the Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland.

Eurasia: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Russia, Ukraine, Uzbekistan.

Asia: Bahrain, China, Hong Kong, India, Indonesia, Iran, Iraq, Israel, Japan, Kuwait, Lebanon, Macao, Malaysia, Mongolia, 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, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Uruguay, the United States, Venezuela.

Africa and Oceania: Algeria, Angola, Australia, Botswana, Chad, Egypt, Ethiopia, Ghana, Kenya, Liberia, Libya, Malawi, Morocco, Mozambique, Namibia, New Zealand, Nigeria, Reunion, Rwanda, Senegal, the Seychelles, South Africa, Sudan, Tanzania, Tunisia, Uganda, Zambia, Zimbabwe.

Multi-year statistical review

SEK m. unless otherwise stated	According to IFRS[1]									According to Swedish GAAP
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Delivery value by market area										
Europe	**43,490**	47,747	41,533	37,988	60,360	59,553	53,117	47,712	43,384	41,198
Eurasia	**5,966**	6,084	2,413	1,449	5,267	5,126	2,534	1,731	1,339	1,121
America[2]	**18,391**	20,912	21,725	11,812	12,822	10,573	8,420	7,575	5,655	3,836
Asia	**7,853**	10,182	9,035	6,097	6,665	5,699	4,603	4,137	3,997	3,936
Africa and Oceania	**5,796**	5,360	5,403	5,243	4,364	4,511	3,953	3,943	3,404	2,896
Adjustment for lease income[3]	**–1,894**	–2,599	–1,941	–515	–501	–976	–1,889	–1,770	–991	–2,406
Total	**79,603**	87,686	78,168	62,074	88,977	84,486	70,738	63,328	56,788	50,581
Operating income										
Vehicles and Services	**7,694**	11,881	12,575	2,648	12,098	11,632	8,260	6,330	6,149	4,759
Financial Services	**606**	517	171	–175	414	532	493	529	450	366
Total	**8,300**	12,398	12,746	2,473	12,512	12,164	8,753	6,859	6,599	5,125
Operating margin, %										
Vehicles and Services	**9.7**	13.5	16.1	4.3	13.6	13.8	11.7	10.0	10.8	9.4
Total[4]	**10.4**	14.1	16.3	4.0	14.1	14.4	12.4	10.8	11.6	10.1
Net financial items	**–19**	214	–213	–871	–534	–258	–170	–94	–323	–521
Net income	**6,640**	9,422	9,103	1,129	8,890	8,554	5,939	4,665	4,316	3,034
Specification of research and development expenses										
Expenditures	**–5,312**	–4,658	–3,688	–3,234	–3,955	–3,214	–2,842	–2,479	–2,219	–2,151
Capitalisation	**860**	387	351	282	202	289	180	278	316	660
Amortisation	**–229**	–169	–168	–264	–475	–418	–361	–283	–84	–2
Research and development expenses	**–4,681**	–4,440	–3,505	–3,216	–4,228	–3,343	–3,023	–2,484	–1,987	–1,493
Net investments through acquisitions/divestments of businesses	**–25**	–44	56	118	–61	268	–	205	49	26
Net investments in non-current assets	**4,480**	3,776	2,753	3,031	5,447	4,277	3,810	3,597	2,798	3,285
Portfolio, Financial Services operations	**45,038**	42,235	36,137	40,404	47,220	38,314	31,841	29,634	26,601	25,926
Cash flow, Vehicles and Services	**3,052**	6,970	11,880	5,512	1,774	8,229	6,942	3,865	2,685	2,450
Inventory turnover rate, times[5]	**5.4**	6.1	6.4	4.5	6.5	7.5	6.9	6.0	6.0	5.8

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 decreased accumulated depreciation, c) that decreased depreciation on tangible non-current assets has affected taxes accordingly, d) that actuarial gains/losses related to pensions are recognised directly in equity and e) that tax related to associated companies is included in operating income.

2 Refers mainly to Latin America.

3 The adjustment amount consists of the difference between sales value based on delivery and revenue recognised as income. This difference arises when a lease or delivery is combined with a residual value guarantee or a repurchase obligation. Significant risks remain, therefore recognition is based on an operating lease contract. This means that recognition of revenue and earnings is allocated based on the term of the obligation. See also Note 4.

4 Includes Financial Services.

5 Calculated as net sales divided by average inventory (adjusted for divested car operations).

Multi-year statistical review, continued

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Number of vehicles produced										
Trucks	**60,647**	75,349	60,963	29,573	72,656	71,017	60,867	53,368	53,051	45,985
Buses	**6,283**	8,708	6,700	6,236	7,709	7,314	5,870	6,141	5,621	5,291
Total	**66,930**	84,057	67,663	35,809	80,365	78,331	66,737	59,509	58,672	51,276
Number of trucks delivered by market area										
Europe	**27,720**	31,443	23,315	18,824	41,184	44,433	40,349	35,493	34,346	32,453
Eurasia	**6,798**	7,445	2,369	1,084	5,455	5,765	2,877	1,592	1,238	1,017
America [6]	**15,391**	17,632	18,056	9,566	10,775	9,790	7,957	7,776	7,604	4,739
Asia	**8,089**	12,485	10,179	4,843	6,721	6,061	5,546	5,415	5,464	5,317
Africa and Oceania	**3,053**	3,115	2,918	2,490	2,381	2,605	2,615	2,291	1,911	1,519
Total	**61,051**	72,120	56,837	36,807	66,516	68,654	59,344	52,567	50,563	45,045
Number of buses and coaches delivered by market area										
Europe	**1,312**	1,916	1,760	1,954	2,412	2,212	2,426	2,390	2,311	2,421
Eurasia	**198**	84	82	130	194	235	284	275	270	152
America [6]	**2,738**	3,272	2,104	1,421	2,009	2,344	1,679	1,727	1,472	1,072
Asia	**1,304**	2,065	2,120	1,876	1,721	1,495	879	616	947	631
Africa and Oceania	**798**	651	809	1,255	941	938	669	808	519	634
Total	**6,350**	7,988	6,875	6,636	7,277	7,224	5,937	5,816	5,519	4,910
Total number of vehicles delivered	**67,401**	80,108	63,712	43,443	73,793	75,878	65,281	58,383	56,082	49,955
Number of industrial and marine engines delivered by market area										
Europe	**3,664**	3,450	2,634	1,834	3,019	3,538	3,578	3,417	2,824	1,894
America	**2,582**	2,809	3,281	1,775	2,798	2,537	2,245	2,073	1,648	881
Other markets	**817**	701	611	626	854	1,153	723	214	542	390
Total	**7,063**	6,960	6,526	4,235	6,671	7,228	6,546	5,704	5,014	3,165
Total market for heavy trucks and buses, units										
Europe (EU27) [7]										
Trucks	**221,188**	241,200	178,100	161,100	316,000	326,200	299,300	277,300	256,400	230,700
Buses	**21,813**	25,200	25,400	26,500	28,700	28,100	25,900	23,800	22,500	21,800
Number of employees December 31 [8]										
Production and corporate units	**17,663**	17,489	17,006	14,672	16,264	17,291	16,517	15,174	15,260	15,498
Research and development	**3,509**	3,327	2,930	2,642	2,922	2,528	2,174	2,058	1,924	1,833
Sales and service companies	**16,734**	16,038	14,987	14,475	15,079	14,797	13,682	13,128	12,455	11,460
Total Vehicles and Services	**37,906**	36,854	34,923	31,789	34,265	34,616	32,373	30,360	29,639	28,791
Financial Services companies	**691**	642	591	541	512	480	447	405	354	321
Total	**38,597**	37,496	35,514	32,330	34,777	35,096	32,820	30,765	29,993	29,112

6 Refers to Latin America.

7 Twenty-five of the European Union member countries (all EU countries except Greece and Malta) plus Norway and Switzerland.

8 Including employees with temporary contracts and employees on hire.

Annual General Meeting

The Annual General Meeting of Shareholders (AGM) will be held at 14:00 CET (2 p.m.) on 3 May 2013 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 no later than Friday, 26 April 2013. 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 Friday, 26 April 2013.

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 Friday, 26 April 2013.

Dividend

The Board of Directors proposes Wednesday, 8 May 2013 as the record date for the annual dividend. The last day for trading shares that include the dividend is Friday, 3 May 2013. Provided that the AGM approves this proposal, the dividend can be expected to be sent on Tuesday, 14 May 2013.

Calendar

Interim Report, January–March, on 23 April 2013
Interim Report, January–June, on 19 July 2013
Interim Report, January–September, on 23 October 2013.

Annual Report and financial information

Scania shareholders are the main target group for the Annual Report, which is sent to those who have ordered it. All new shareholders receive a letter welcoming them to Scania's shareholder services, where they may order the information they want, in the format and quantity they wish. They may subscribe to the Interim Reports, the Annual Reports, the shareholder magazine Scania Value, invitations to the Annual General Meeting and press releases via e-mail, order printed Annual Reports, Interim Reports and Scania Value.

In addition, other stakeholders have the opportunity to subscribe to financial information via Scania's website, where it is also possible to order printed information in single copies and have them sent.

Financial information is available in Swedish and English and may be ordered from Scania AB, Investor Relations, SE-151 87 Södertälje, Sweden, telephone +46 8 553 810 00, or at
www.scania.com/shareholder
www.scania.com/subscribe
www.scania.com/printedmaterial

Website

On Scania's website, www.scania.com, it is easy to follow events at the company during the year, monitor Scania's share price and compare its performance with that of competitors, as well as see the latest transactions, share price history, dividend history and other share data. Shareholders can also calculate the return on their own holdings. The website also provides historical financial data, truck registration statistics, key financial ratios and much more.

Photos: Carl-Erik Andersson, Peggy Bergman, Dan Boman, Javier Campos, Vinayak Das, Conny Hetting, Lucas Holm, Petter Magnusson, Jonas Nordin, Kjell Olausson, Silvio Serber, Tedd Soost, Lennart Ström, Jeremy Tennant, Göran Wink, Glamour Photographics and Hung Chung Chih/Shutterstock.

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