Annual Report 2013

SCANIA

With the aim to be a leader in sustainable transport, Scania creates value for shareholders, customers, employees and society. Delivering customised heavy trucks and buses, engines and services, our focus is on efficient, low-carbon solutions to enhance customer profitability. We leverage the competencies and experience of our dedicated workforce to deliver on this promise to our customers. On the journey to a more sustainable future, we are guided by our core values and a strong focus on continuous improvement.

This is the English language version of Scania's Annual Report. The Swedish language Annual Report is the binding version that shall prevail in case of discrepancies. Translation and copy-editing: David Murphy, Word of Mouth and Victor Kayfetz, Scan Edit. The Financial Reports encompass pages 62–129, and were prepared in compliance with International Financial Reporting Standards (IFRSs). The Report of the Directors encompasses pages 34–61 and 130–131. The Report of the Directors and accompanying Financial Reports also fullfil the requirements of the Swedish Annual Accounts Act and have been audited by Scania's auditors. Scania Swedish corporate identity number: Scania AB (publ) 556184-8564. Unless otherwise stated, all comparisons in Annual Report refer to the same period of the preceding year.

ABOUT THIS REPORT

This annual report summarises the financial year 2013 and provides an overview of Scania's business and operations. All of Scania's business units, subsidiaries and production units worldwide are included in its scope.

The annual report also reflects an assessment of our strategy, performance and long-term prospects in relation to the financial and non-financial issues important to our business.

Inspired by the emerging international framework for integrated reporting, we carried out a materiality process, drawing on knowledge gained from targeted stakeholder groups and internal experts on business strategy and sustainability to identify priority areas. Other inputs included research, mega-trends, industry impacts and competitor priorities. More information is available in our sustainability report, published on our website, www.scania.com.

The annual report is available on our website and printed copies may be obtained from Investor Relations. Contact details are available on page 143.

CONTENTS

AN INCREASED GLOBAL PRESENCE

With 41,000 employees in 100 countries, Scania's global reach enables us to better support our customers worldwide. In 2013 a stronger regional presence and increased focus on services further boosted our offering. With 17,600 people in our sales and service network, we are strategically placed where our customers need us – wherever they operate.

We take a coordinated approach to our **supply chain** with an emphasis on high quality and an increased focus on sustainability. Central purchasing is based in Södertälje, with local offices in Latin America, the United States, India, Russia and China.

Scania's **head office**, where 5,400 people work, is located in Södertälje, Sweden. Our three core values anchor our way of working globally. Our working methods are defined by continuous improvement and the close involvement of employees in their daily work.

Sales and deliveries by region, 2013

AMERICA

Trucks*:	23,756	units
Buses* and coaches:	2,778	units
Engines:	2,925	units
Services:	SEK 2,584	m.

EUROPE

Trucks:	32,625	units
Buses and coaches:	1,000	units
Engines:	2,719	units
Services:	SEK 11,802	m.

AFRICA AND OCEANIA

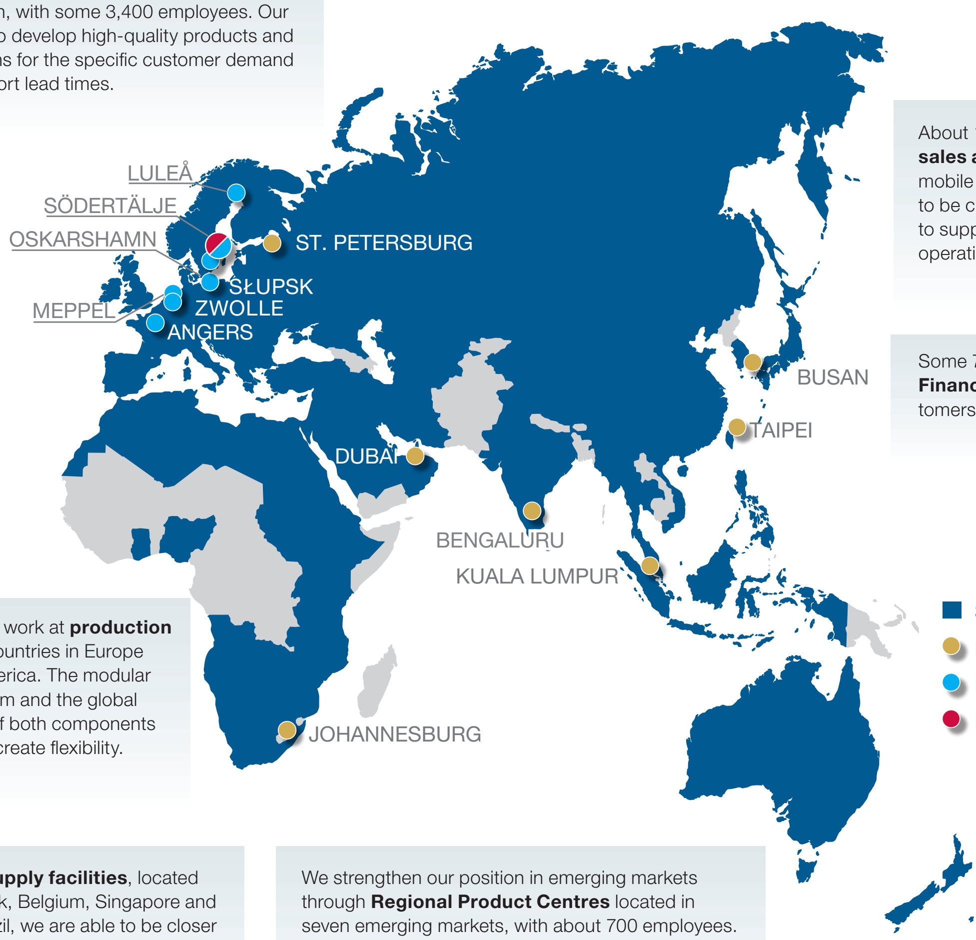
Trucks:	3,570	units
Buses and coaches:	837	units
Engines:	220	units
Services:	SEK 1,134	m.

*Refers to Latin America.

R&D operations are located in Södertälje, Sweden, with some 3,400 employees. Our aim is to develop high-quality products and solutions for the specific customer demand with short lead times.

About 17,600 employees work with **sales and services**. Our network and mobile service solutions enable us to be close to the customer in order to support them on location of their operations.

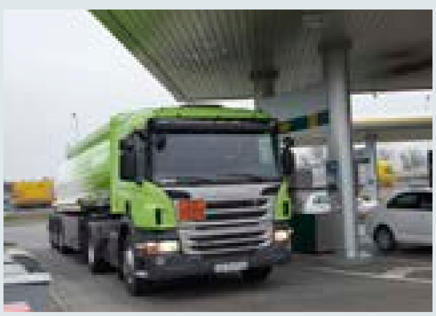
Some 740 employees work with **Financial Services**, supporting customers in many markets worldwide.



About 12,800 work at **production units** in six countries in Europe and Latin America. The modular product system and the global interchange of both components and vehicles create flexibility.

With **parts supply facilities**, located in Opglabbeek, Belgium, Singapore and Vinhedo, Brazil, we are able to be closer to our customers and thereby improve their vehicle uptime.

We strengthen our position in emerging markets through **Regional Product Centres** located in seven emerging markets, with about 700 employees. These work with assembly, bodywork, and fitting out locally adapted vehicles.



EURASIA

Trucks:	6,260 units
Buses and coaches:	850 units
Engines:	134 units
Services:	SEK 673 m.

ASIA

Trucks:	7,400 units
Buses and coaches:	1,388 units
Engines:	785 units
Services:	SEK 1,317 m.

TOTAL SALES AND DELIVERIES

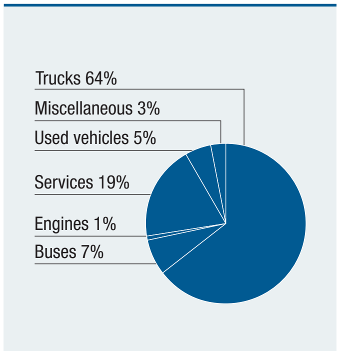
Trucks:	73,611 units
Buses and coaches:	6,853 units
Engines:	6,783 units
Services:	SEK 17,510 m.

OVERVIEW OF 2013

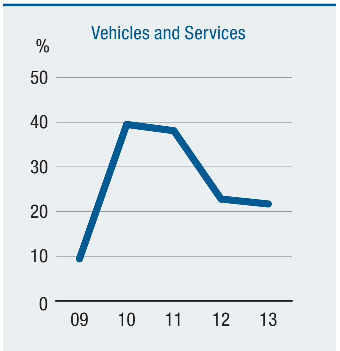
In 2013, Scania made good progress on delivering solutions that both enhance our customers' profitability and ensure our long-term growth as a sustainable transport leader. Financial performance in 2013 was positively affected by record volumes of vehicles and services, whereas currency rate effects pulled down earnings.

- **Operating income for 2013** rose to SEK 8,455 m with an operating margin of 9.7 percent (10.4).
- **Vehicle sales volume** increased by 19 percent compared to 2012. In Europe, customers investing in Euro 5 vehicles ahead of the transition to the Euro 6 emission standard boosted order bookings and deliveries. Scania also benefited from a strong position due to our broad engine range and early launch of second-generation Euro 6 engines in markets that supported investments in Euro 6 before the new legal standard entered into effect.
- **Total service revenue** rose by 6 percent in local currency during the year. Key aspects of our strategy are to increase sales and service capacity and our service offering, while expanding into emerging markets, particularly in Latin America, Asia and Eurasia.
- **Market shares were gained** in several markets, notably in Latin America where recovery from last year's relatively low market share was supported by Scania's expansion into the heavy distribution segment in Brazil. Brazil is Scania's largest market for vehicle sales and among the most significant for service revenue. In Europe markets shares were gained thanks to our strong Euro 6 position, among other factors.
- **Scania Streamline was launched.** Scania's new long-haulage truck concept featuring refined technology and new solutions combined with second generations Euro 6 engines, enables customers to reduce fuel consumption by up to 8 percent.
- **The level of activity related to R&D projects** remains high to secure and strengthen our position and ability to grow in new markets and segments.

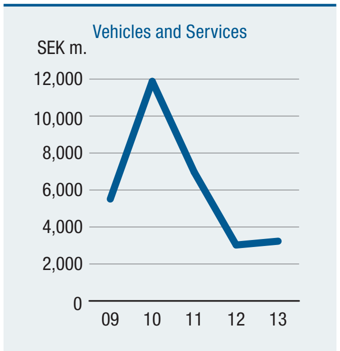
Net sales by product area



Return on capital employed (ROCE)



Cash flow



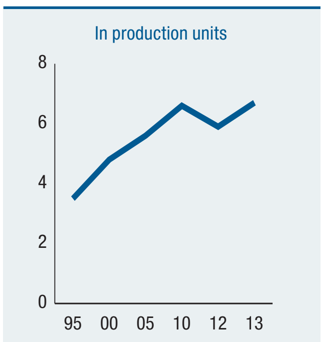
KEY FIGURES

	2013	2012	2011
Deliveries, number of vehicles	**80,464**	67,401	80,108
Net sales, SEK m.			
Vehicles and Services	**86,847**	79,603	87,686
Operating income, SEK m.	**8,455**	8,300	12,398
Operating margin, percent	**9.7**	10.4	14.1
Income before taxes, SEK m.	**8,408**	8,281	12,612
Net income, SEK m.	**6,194**	6,640	9,422
Earnings per share, SEK	**7.75**	8.31	11.78
Cash flow, SEK m.			
Vehicles and Services	**3,231**	3,025	6,970
Return, percent			
on equity	**17.5**	19.2	29.5
on capital employed, Vehicles and Services	**21.7**	22.8	38.1
Net debt/equity ratio*			
Vehicles and Services	**–0.28**	–0.31	–0.35
Equity/assets ratio, percent	**31.4**	30.9	31.6
Net capital expenditures, excluding acquisitions, SEK m.			
Vehicles and Services	**5,294**	4,480	3,776
Research and development expenditures, SEK m.	**5,854**	5,312	4,658
Number of employees, 31 December	**40,953**	38,597	37,496
Employee turnover, percent	**10**	11	9
Healthy attendance, percent	**96.6**	96.7	96.8
Energy consumption, GWh	**658**	616	649
CO_2 emissions, ktonnes			
from production	**81.7**	75.3	79.1
from goods transport services**	**178.9**	191.6	232.5

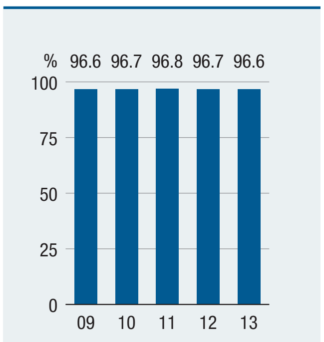
* Net debt (+), net surplus (–).

** The changes from year to year follow production volume and country of delivery. The calculation method has also been refined for distribution of parts.

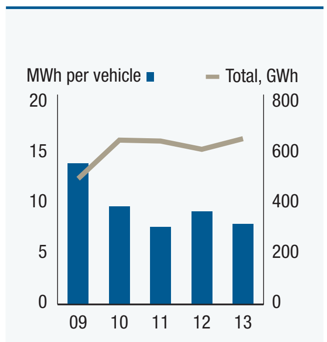
Vehicles produced per employee



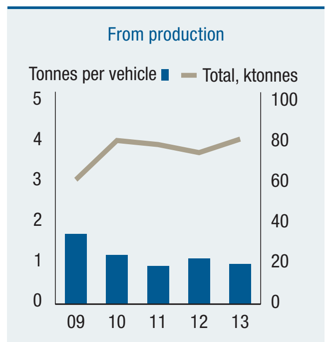
Healthy attendance



Energy



Carbon dioxide



DELIVERING VALUE THROUGH PARTNERSHIP

I am proud of the value we deliver to our customers. With the aim to be a leader in sustainable transport, we have several challenges ahead of us but with our strategy we are facing the future with confidence.

Scania is constantly evolving. From being only a manufacturer of vehicles Scania is moving towards also becoming a full solution provider – a combined supplier of vehicles and services. Quality must remain paramount. Our aim is to build relationships and earn customers' trust by understanding their challenges, market conditions and value chains. We can then harness these insights to deliver better quality and improved fuel efficiency, contributing to sharper and more sustainable logistics. I am confident that this strategy will deliver the right results for Scania as well as for our customers, shareholders and society at large.

Record volume in 2013

It was a year of record volume and higher market share in many of our truck markets. Currency rate effects and a competitive pricing environment worked against us. We also had to adjust our production rate several times during 2013 due to volatile demand, as Europe saw pre-buy activity ahead of the transition to new emission legislation. We will probably see this pre-buy activity impacting the first half of 2014 negatively, but our assessment is that economic activity in Europe has stabilised and that there is a replacement need. Flexibility will be needed as production volume in the first quarter will be adjusted to the lower order bookings from the fourth quarter of 2013. We have invested in several areas, resulting in a high level of costs.

> As Scania becomes more integrated into the logistics chain we enhance our ability to deliver high-quality solutions and increased customer profitability – that is what really counts.
>
> Martin Lundstedt,
> President and CEO

Among the new products launched in Europe during 2013 was Scania Streamline, a new long-haulage truck concept. Combined with second-generation Euro 6 engines, refined technology and our service offering, this concept enables potential fuel savings of up to 8 percent for European long-haulage operators. Our strong position in Euro 6 with a complete engine range, represents a clear business opportunity. Another success is the rapid growth in sales we have seen of Ecolution by Scania in Europe. The concept is now available in 18 markets and is one example of a solution delivering customer results through fuel savings of 10 to 15 percent, with a lower CO_2 footprint as a consequence and lower cost for our customers.

Recognising the challenges

An uncertain economic environment and an increasingly competitive landscape pose challenges to continued customer profitability and Scania's long-term growth. Working close to our customers requires the right competencies to understand and deliver innovative, integrated solutions.

With growing competition for talent, we must take full advantage of our competency pool. In 2013, Scania focused on actively recruiting more female employees. Our aim is to increase the number of women in executive positions. One aspect of increasing our value as an employer is to build greater diversity. A diverse workforce is critical to meet the needs of diverse markets too. Our supply chain must be able to meet the increased focus on local sourcing in emerging markets.

The demand for efficient and sustainable transports solutions will continue to grow. Environmental impacts, and carbon emissions in particular, are also becoming increasingly important to our customers. This trend is also driven by their customers – the buyers of transport services. This is part of a wider consumer-led trend towards increased transparency in the supply chain, including how products are transported and the social and environmental impact. I personally welcome this trend.

Being a true partner in the logistics flow means that we must be a partner in sustainable transport. Through an extended partnership with the customer we can offer better solutions. Looking ahead, I am convinced that this will be the key driver of a truly sustainable transport development.

Sustainable transport: part of our heritage

Effective resource utilisation is an area where Scania has made great progress and this is illustrated by our modular product

system and life cycle perspective. Based on our strong Scania Production System (SPS) knowledge and experience, we help our customers become more efficient, and thus more sustainable in their logistics flows. We are selling value over the entire vehicle life cycle. That, to me, is sustainability.

Our view is that transport growth can be decoupled from growth in emissions. Greater use of renewable fuels, new technologies such as connected vehicles, and improved driver training are among the solutions Scania offers to reduce the climate impact of heavy goods transport.

Partnerships are needed with universities, research institutions and other organisations to develop new technology. We have benefited from our relationship with our majority owner Volkswagen over the past five years. From Volkswagen, we can take advantage of significant R&D resources and other competencies in many areas.

Emerging markets on the rise

We see significant potential for growth in emerging market countries such as China, where Scania plays a leading role in helping to boost efficiency in logistics systems. These are countries grappling with rapid economic growth and the challenges of urbanisation. Many of the world's mega-cities are in emerging markets and in several of them Scania has participated in developing Bus Rapid Transit (BRT) solutions for example in Mexico City, Bogotá and Johannesburg.

The potential in emerging market, combined with an improved situation in Europe, will provide the foundation for our growth. Scania's ambition is to achieve annual sales of 120,000 trucks by 2020 and increase service revenue to between 25 and 30 percent of total revenue. These are ambitious plans, but we have a track record of growth in combination with profitability.

Our modular system, efficient and flexible production system and a growing service business are some of the success factors. The result includes dividends to our shareholders and an operating margin that has been on a high level relative the industry. Capital efficient growth will continue also in the future of Scania.

Core values form our backbone

Strong ethical behaviour wherever we operate helps safeguard our brand. Our core values, guidelines and corporate governance systems provide the framework for a responsible corporate culture. Scania is a signatory of the United Nations Global Compact, and we are committed to its ten principles in the areas of human rights, labour, environment and anti-corruption. To ensure high standards in these complex issues it is important for us to work closely with our local partners in the value chain. We aim to be open, transparent and accountable to our stakeholders.

Dedicated employees

In my first full year as CEO, I am proud of what we have accomplished and, especially, of the value we have delivered to customers. I wish to express my gratitude to each of our dedicated employees for their meaningful contributions. Respect for the individual is integral to the way we run our company and together we are building our global leadership in sustainable transport. With your support, I look forward to building an even stronger, more sustainable Scania in 2014.

Martin Lundstedt
President and CEO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SETTING OUR STRATEGIC DIRECTION

Ensuring profitability for our customers is the primary objective of Scania's strategy. By succeeding in this aim, we strengthen our own competitiveness, profitability and future success. This strategy requires us to focus on the right competencies and to work in close dialogue with our customers in order to meet their needs in a rapidly changing world.

Driving forces such as economic cycles, urbanisation, resource scarcity and climate change are impacting the business environment. Scania sees sustainable transport as a key solution to address these global challenges.

By taking a holistic view of Scania's role in the logistics flow, we create greater value for our customers, our shareholders, our company and society.

Our strategy is also highly dependent on our core values and working methods, particularly our dedication to quality and commitment to continuous improvement. Together, these qualities make Scania resilient and give us a strong leadership position in a world increasingly dependent on safe, sustainable and efficient transport systems.

OUR CORE VALUES

Scania's core values – customer first, respect for the individual and quality – defines our company culture. They are strongly interrelated and applied as a unified concept. These core values are the basis for all business development. The customer is at the centre of every aspect of our business. Respect for the individual means that our employees are involved in continuously improving the business. With that confidence we can deliver customised solutions combining products and services of high quality.

Customer first

Understanding our customers' business leads to solutions that enhance customer profitability by means of high earning capacity and low operating cost, while promoting sustainability. The customer´s operations and resource efficiency are at the centre of the entire value chain: from research and development, sourcing and production to delivery and financing of vehicles, engines and services.

Respect for the individual

From drivers of vehicles to our employees on the production line, the individual stands at the centre in all that we do. We seek to capture the knowledge, experience and ambition of each individual to continuously improve and develop our working methods. Inspiration and new ideas emerging from our daily work lead to higher quality, efficiency and job satisfaction.

Quality

High-quality solutions are essential for our customers' profitability. Knowledge of customer needs and requirements ensures that our products and services meet the highest demands. Deviations from targets and standards are used as a valuable source of continuous improvement. We seize every opportunity to eliminate waste and inefficiencies.

SHIFTING LANDSCAPE RESHAPES TRANSPORT

A number of strong driving forces and trends are reshaping society and business. Globalisation continues to move forward, linking economies worldwide. As the world changes, Scania is evolving too – strengthening our resilience to meet challenges and leverage opportunities.

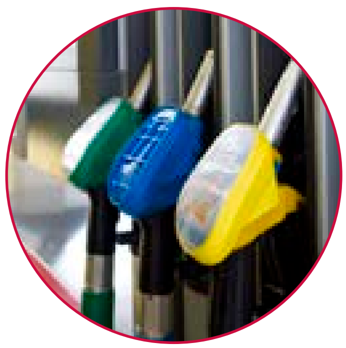
Flexibility will be the key in adapting quickly to change and in ensuring profitability over the next few decades. Factors such as resource scarcity, economic and trade development, the pace of innovation, and societal values are important driving forces. Scania takes advantage of these when planning for the longer term: for example, in exploring different scenarios of the future of our customer's business and industry.

While it is impossible to know how the future will evolve, the trends described here underscore that sustainable transport will be vital to address global challenges and transform them into opportunities.

Global drivers and trends

ECONOMIC CYCLES AND GROWTH

Economic growth is the strongest driving force for Scania's business, spurred by greater trade between countries and regions. Economic cycles cause shifts in demand, prices, currencies, creating market volatility. Scania can mitigate short-term fluctuations in demand and ensure long-term growth by increased flexibility and efficiency while building greater capacity.



RESOURCE SCARCITY

The transport sector is expected to account for the largest share (63 percent) of the total growth in global oil consumption between 2010 and 2040. Most of the growth in transportation energy use occurs in non-OECD countries, given the high projected economic and population growth in these nations. Our customers are increasingly focused on fuel efficiency, due to the higher fuel prices of recent years. Resource scarcity could also hamper growth in emerging markets. Scania is committed to reducing consumption of energy, water and waste, in both our own operations and when our products are being used.

URBANISATION

In 2013, about 5 billion people – more than 60 percent of the world's population – live in urbanised areas, the majority in emerging markets. Urban land covers 1.2 million km^2; nearly triple the area in 2000. Megacities (over 10 million people) are expected to increase from 23 today to 37 by 2023. To meet the needs of growing cities, the number of cars and trucks is expected to reach two billion by 2030. Innovative and resource-efficient mobility solutions for many aspects of urban life are in high demand by governments facing the challenge of congested, urban centres. Scania is focused on providing cities with efficient, high-capacity transport solutions with low environmental impact.

GROWTH OF EMERGING MARKETS

A majority of the almost 5 billion people who will belong to the global middle class by 2030 (nearly two-thirds of the global population) will come from emerging markets. The demands for efficient and sustainable transport solutions will continuously grow in the BRIC countries, as in other emerging markets. Major investments in manufacturing are being made in line with economic development, but logistics has not kept pace. The logistics network in China for instance, is much less developed than in Europe and the US. Much of the global increase in CO_2 emissions will occur in emerging markets. This demands more efficient transport solutions with a lower carbon footprint.

CLIMATE CHANGE

Leading climate scientists from the Intergovernmental Panel on Climate Change (IPCC) forecast a global temperature rise of between 0.5° and 1.0°C between 2000 and 2030. This could lead to more heat waves, droughts, storms and floods, with a risk of damaging critical infrastructure and the agricultural sector. Road transport today is mostly oil-dependent. Without any decoupling from GDP growth, global road freight transport can be expected to increase by almost 40 percent by 2020. Scania's solutions and research and development activities focus on fuel efficiency, use of alternative fuels, and sustainable mobility solutions. These are all key elements in reducing the carbon footprint of transport.

LEGISLATION

The policy and regulatory environment increasingly focuses on tackling climate change, air and water quality and other issues directly impacting the transport industry, such as noise, congestion and road safety. Many countries and regions are adopting stricter standards for emissions, for example through the Euro 6 emission standard in Europe, which took effect on 31 December 2013. Many countries in Latin America and Asia are following Europe. Scania aims to introduce state-of-the-art technology ahead of legislation to meet the strictest emissions standards for engines and vehicles. Scania's customers benefit from reduced environmental impact, greater fuel efficiency and lower costs.

TRANSPARENCY AND ACCOUNTABILITY

About 40 percent of the world's population has Internet access. The Internet empowers people and contributes to a sense of belonging to the global community. In the wake of the financial crisis of 2008, demonstrating good governance is more important than ever. Companies are expected to earn their societal licence to operate through a focus on conducting their business ethically, with openness, honesty and responsibility – throughout their global operations and entire supply chain. For a public company with a variety of stakeholders, the demands are high on transparency and accountability.

Sources include: Brookings Institute, 2010; World Bank, 2012; Homi Kharas and Geoffrey Gertz of the Wolfensohn Center for Development at Brookings Institute, 2010; *International Energy Outlook,* US Energy Information Administration, 2013; ITU, 2013; *The World in 2013,* The Population Institute; *2030 – The Perfect Storm; Urbanisation Trends in 2020: Mega Cities and Smart Cities Built on a Vision of Sustainability,* Frost & Sullivan; *World Agriculture: Towards 2015/2030 – An FAO perspective; World Energy Outlook 2012; World Energy Outlook 2013.*

GROWTH WITH PROFITABILITY

Scania's growth strategy rests on five pillars, with a focus on increasing our customers' profitability. The modular system, efficient and flexible production and a stronger service business will safeguard Scania's profitability and the ability to meet short-term volatility in demand.

Scania has the potential to continue to increase the volume of vehicles and services. Improved economic activity in Europe and increasing demand for efficient logistics in emerging markets are two important prerequisites. For trucks, Scania's aim is to reach 120,000 units annually by 2020. The potential for buses is 15,000 units and 20,000 units for industrial and marine engines. Growing vehicle and engine deliveries will mean a larger base for Scania's service offering. Scania also has the objective to increase its market share of the current service offering and will extend this offering to include selling new types of services, for example, servicing of superstructures. The ambition is to grow service revenue so that it will amount to some 25-30 percent of Scania´s total revenue by 2020.

Efficient operations

Scania's focus on the heavy vehicle segment, where customers have high equipment utilisation, enables us to build on the modular system to ensure efficient research and development operations. The modular system, which results in a relatively low number of parts and components, also enables Scania to achieve economies of scale in production and in service operations. Local presence is secured through traditional workshops, complemented with mobile solutions such as Scania Assistance and field workshops to support our customers' operations.

Consistent performance

Over our history, Scania has been able to generate substantial cash flows to finance investments in higher technical production capacity, more service capacity and research and development spending as well as to pay dividends to shareholders. Earnings per share have shown a growth trend in the past ten years and return on capital employed for the Vehicles and Services segment has reached 40 percent during several years in this period. For Financial Services, return on equity has averaged 11 percent the last 10 years.

1. Increase sales of services per vehicle

There are several drivers behind the increasing demand for services. Transport companies are focusing more on logistics services, which means a growing need to outsource servicing of vehicles. Fuel efficiency and uptime can be increased by tailored packages. Vehicle technology is becoming even more sophisticated, which makes it complex to service efficiently. Growing the service business is not only profitable, but also contributes to the stability of Scania's earnings, since service sales are less sensitive to economic cycles than vehicle sales.

> Scania has high ambitions for the future, since we have great potential in many markets. The current level of investments is high and is aimed at supporting future growth. One key factor will be to increase the share of service revenue, since that will reduce volatility.
>
> Jan Ytterberg, Executive Vice President, CFO

2. Grow with the market

Scania's ability to grow with the market and maintain market share is entirely dependent on knowing what our customers require, and on supporting their growth and profitability with efficient solutions. This differs from region to region, requiring Scania to be flexible and resilient in light of changing market and economic conditions. Scania has a proven track record in providing products and services that meet customer expectations.

3. Increase market share

In some markets and segments, Scania sees potential to increase market share. Short lead times are important in bringing new products to market that improve customer efficiency and uptime. Thanks to our flexible production system we can raise or lower production volume, according to demand. This is another way to increase market share when the opportunity arises. It also serves as a cushion against economic volatility.

4. Enter new markets

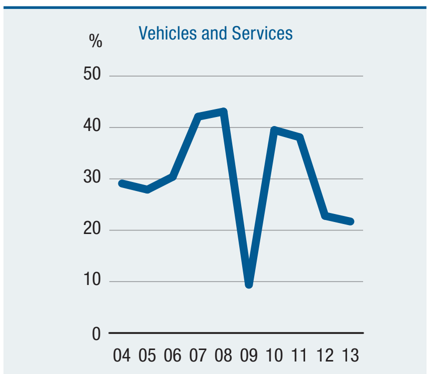
Scania has established a strong presence in many emerging markets with ambitions to further strengthen its presence on new markets. There is a growing need for transport solutions that are cost- and fuel-efficient. Our Regional Product Centres and service network plays a central role in improving our understanding of local conditions and facilitates local sourcing. Long-standing relationships with our suppliers are an advantage as we build a presence in new markets. By cooperating along the value chain, Scania also seeks to raise standards and reduce impacts wherever we operate. All our suppliers are required to adopt the same high standards in the areas of quality, health, safety and the environment.

> We make decisions on existing and potential suppliers based on competiveness, quality, technology, logistical aspects and not least how they live up to United Nations Global Compact Principles.
>
> Andrea Fuder, Executive Vice President, Head of Purchasing

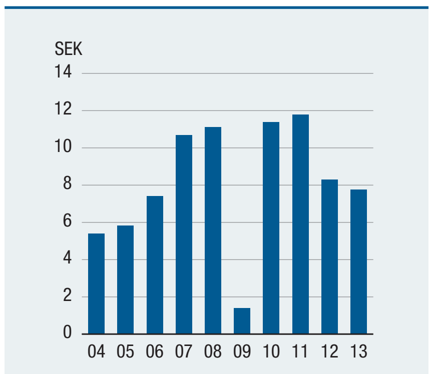
5. Enter new customer segments

Scania's growth strategy is designed to meet increasing demand for sustainable transport solutions for a range of industries and industrial segments, such as raw material transports and retail distribution as well as urban mobility solutions such as Bus Rapid Transit (BRT) systems. Scania has a systematic approach to judging the potential in each segment, while seeing if the modular system can be applied to suit that segment´s specific demands. This ensures that Scania´s revenue potential in each segment will compensate for the cost of adapting products and services.

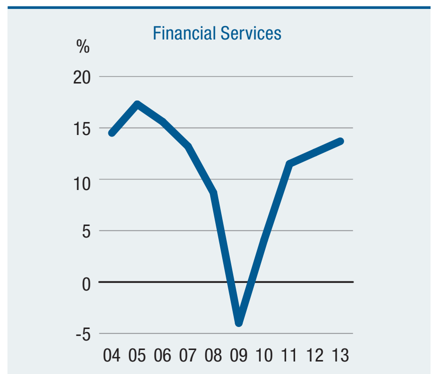
Return on capital employed (ROCE)



Earnings per share



Return on equity*



* Before tax.

CUSTOMER FIRST

The Scania business model is all about how we can improve our customer's profitability. Through close dialogue, Scania builds relationships with transport companies and buyers of transport services – the entire logistics flow.

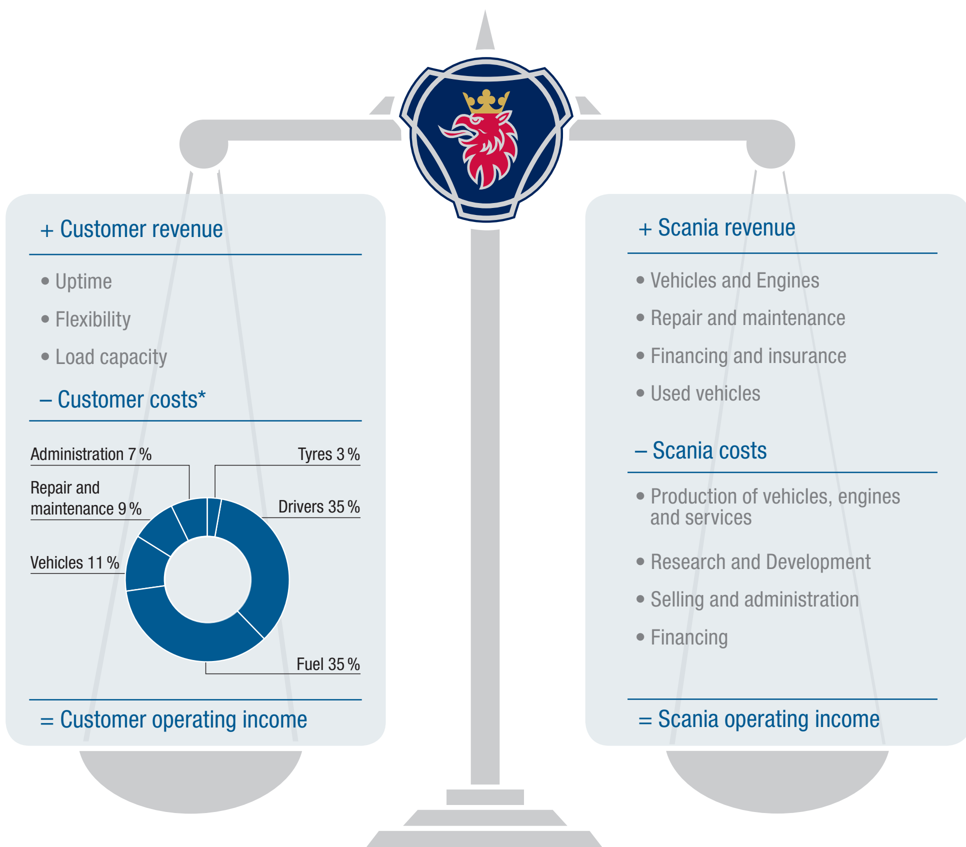
Scania's profitability is entirely dependent on our core value of "customer first". This balance can only be achieved when the customer is profitable (see illustration).

The Scania business model takes into account our customers' revenue potential and total operating cost. It identifies ways to help optimise transport over the entire product life cycle while providing customer with the right high-quality vehicle and service, thereby maximising their profit and uptime. Delivering on this business model defines the Scania brand.

Close dialogue with the customer

Scania is moving from only being a supplier of vehicles and engines to also becoming a full solutions provider. Closer dialogue and involvement with the customer means that we can work in partnership on continuous improvements in order to deliver even better profitability. Scania is creating various modules in service-related products in the same way as our modular product system. A basic package of services can then be further tailored to fit a specific customer need.

One example is Ecolution by Scania, which takes a holistic view of transport, combining products with service and continuous customer dialogue, with the shared goal of improved fuel efficiency. Ecolution by Scania is a blueprint for how Scania's business model can develop through an extended customer contact, based on a new way of thinking and working through continuous dialogue and cooperation.



Scania can affect several of the factors driving our customers' revenue and cost. By delivering the right products and the right services at the right time, we support our customers in improving their operating income. Long-term relationships with profitable customers form the basis for a profitable Scania.

* European long haulage.

The Triangle: an extended partnership

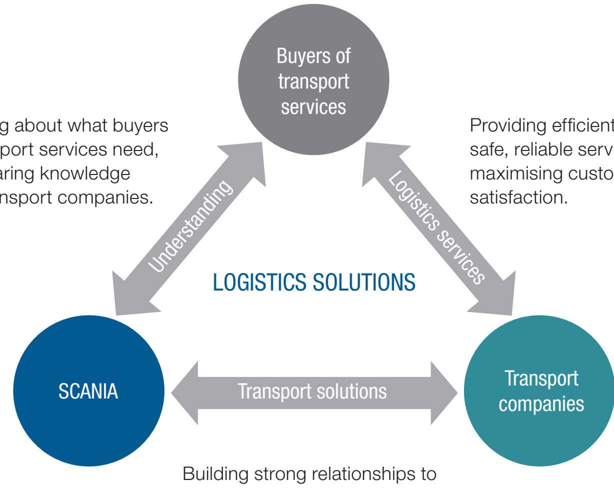
The Triangle shows how Scania builds relationships with transport companies and buyers of transport services; the entire logistics flow. Understanding the challenges and issues confronting our customers' customers yields valuable insights for optimising the logistics chain and our customers' profitability.

Greater dialogue leads to more transparency. This is important for many retailers and other industries that buy transport services. The trend is that consumers are increasingly interested in knowing that a product was made and transported in a sustainable way. Through an increased partnership Scania is building long-term relationships that benefit the entire logistics chain. Our experience from working with continuous improvements benefits our customers. Our sales and service network and Financial Services operations are fundamental to this holistic approach.

Scania is increasingly connected to our customers' business. For instance, in the mining segment Scania is present at the mines and is able to contribute to operational improvements in the logistics flow.

Learning about what buyers of transport services need, and sharing knowledge with transport companies.

Providing efficient, safe, reliable services, maximising customer satisfaction.



Building strong relationships to gain insights into customer needs, and developing transport solutions to meet them.

> When all three parties in the logistics flow work together, you can influence customer profitability to a greater degree and optimise the chain. We gain valuable insights from this type of dialogue and collaboration.

Christian Levin, Executive Vice President, Head of Commercial Operations

Streamlining logistics

Scania teamed up with Stora Enso Skog and timber truck haulier Skogsåkarna to review the overall logistics flow, from timber felling to production plants in Sweden. The partnership has resulted in significant opportunities to boost efficiencies, according to Jörgen Olofsson, Transport Manager at Stora Enso. "Scania's outside-in perspective has been very useful. Now we see new opportunities, and a partnership like this is really beneficial for everyone." Skogsåkarna's CEO Anders Thelin adds: "Since we are Stora Enso's largest haulier, I see it as our responsibility to support and improve their profitability. Reducing fuel consumption has a significant effect. We work with personnel training and driver training to make sure we get the most out of our vehicles."

TAILORED CONCEPT TACKLES FUEL COSTS

Ecolution by Scania showcases how working in close partnership with our customers results in lower fuel consumption. It is a fully integrated solution that combines our most tailored products with services and continuous customer dialogue. It represents a powerful way to boost customers' bottom lines, and strengthens sustainable transport.

Fuel often represents the largest part of our customers' costs. Through Ecolution by Scania fuel expenses are typically reduced by 10 to 15 percent or more, with corresponding reductions in the carbon footprint. In fact, more than half of Ecolution by Scania operators reach their fuel reduction targets within three months.

A comprehensive solution

To understand the customer's operations and challenges, Scania 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 an analysis of the customer's operation, Scania defines the potential reductions for fuel consumption. A fuel consumption target is jointly agreed by Scania and the customer.

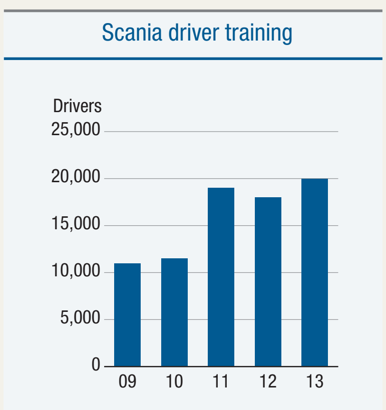
Systematic improvements are subsequently implemented in the following three areas.

Optimised vehicle. Influenced by the type of operation and transport routes, Scania specifies the vehicle to perform in a way that optimises fuel efficiency. The process covers areas such as choice of engine, air deflectors, gearing and possible use of alternative fuels such as biogas, ethanol or biodiesel.

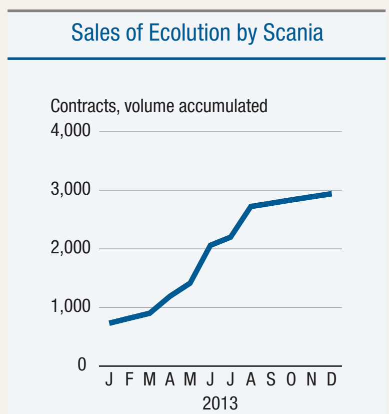
Optimised driving. Driver behaviour has a critical impact on fuel consumption. Initial driver training, followed by monthly coaching sessions are essential for performance improvements.

Optimised service. A tailored maintenance programme ensures that the vehicle remains in the best possible condition to maintain low air drag and rolling resistance. This includes monitoring and adjusting tyres, axle alignment and air deflectors.

These three areas are inter-related and if one is not done properly, the gains from the others may be lost. Scania takes the lead to find ways to continuously improve performance and supplies regular progress reports, working in tandem with the customer on identified deviations.

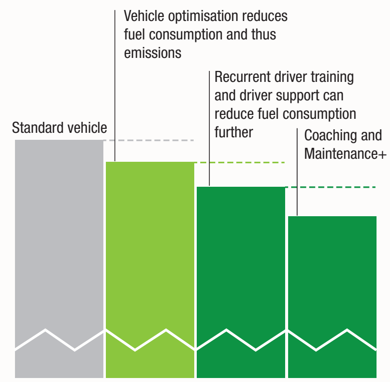


During 2013, some 20,000 drivers in various markets underwent driver training.



In 2013, 2,317 Ecolution by Scania packages were sold compared to 624 in 2012.

Ecolution by Scania



Delivering customer results

For a long-haulage customer with a ten-truck fleet and mileage per vehicle of 150,000 km/year, Ecolution by Scania has been shown to achieve the following benefits:

- Reducing fuel consumption from 32.5 litres/100km to 27.3, or by 16 percent
- Cutting annual CO_2 footprint by 230 tonnes
- Saving EUR 85,000 in fuel costs annually

A win-win-win proposition

Ecolution by Scania reduces customers costs and carbon footprint, while improving road safety. Additionally, it offers customers cost-effective and environmentally sustainable transport solutions. Since Ecolution by Scania requires continuous close dialogue, it confirms Scania's role as an active partner in creating customer profitability and long-term success.

For Scania, the concept strengthens relationships with customers, builds loyalty and represents a potential for Scania to increase market shares in terms of service sales. To ensure commitment and quality of delivery, every market selling Ecolution by Scania undergoes a certification process. By the end of 2013, 18 markets had been certified and the process will continue. At the end of 2013, some 3,000 Ecolution by Scania vehicles were on European roads. On average these vehicles have achieved a reduction in fuel consumption of 10 percent.

We are confident that Ecolution by Scania will achieve even greater penetration in the coming years, emerging from a general demand for more efficient and sustainable transport solutions.

CUSTOMISED SOLUTIONS

Enhancing customer profitability is the aim of both the Scania modular product system and our extensive service concept. Our modular product system in combination with our ability to tailor service packages enables Scania to move into new markets and segments, while maintaining flexibility to adapt to changing customer requirements.

Tailor made: the modular system

Scania's unique modular product range, developed over several decades, is one of our most important success factors. It is integral to our approach to flexibility and lies at the heart of our business model.

The modular product system enables Scania to provide individual specifications for each customer with a limited number of components in its product range. Customers benefit through a tailor made vehicle with high uptime, reduced fuel consumption and optimised load capacity. The modular system, which results in a relatively low number of parts and components, enables Scania to achieve economies of scale in research and development, production and service operations.

Standardised interfaces

Standard interfaces are the foundation of modularisation. They 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 the need to change the surrounding components.

Same need, identical solution

Several components are often the same despite different applications. 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 traction power in a demanding operation or for maintaining a uniform speed during long highway journeys. The same needs should always result in identical solutions.

Well balanced performance steps

Components are matched to specific customer needs, such as differences in cab sizes, engine output, frame strengths and number of axles. Scania Research and Development continuously evaluates how to further refine the modular system in order for Scania to have the smallest possible number of parts and the largest possible selection of variants in its product portfolio to give each customer an optimised product.

In service to our customers

To be successful, customers need service support close to their operations. Scania has an extensive workshop network of some 1,600 workshops that is complemented with 24-hour assistance, field workshops, connectivity and other solutions. Service workshops are strategically located along transport routes and near logistics centres to enable high uptime for the customer.

Our customers depend not only on a high-performing, tailored vehicle, but also high-quality service to boost uptime and reduce operating cost. Quick access to parts, speedy repairs, driver training and preventive maintenance are among the services that Scania offers to enhance vehicle performance and customer profitability.

Connected vehicles

Many Scania vehicles are connected to an office, the Internet or other vehicles via a communicator. This facilitates, among other things, follow up regarding fuel consumption. The data can be used as input in driver coaching and to further optimise the vehicle specification. This also facilitates identification of preventive maintenance actions via remote diagnostics and performance of quick repairs.

Scania Assistance

Scania Assistance offers maintenance and repair service 24 hours a day, every day of the year, throughout 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, in order to summon help to start or repair a vehicle on the road, to contact a workshop or to have a vehicle towed.

Financial Services and Scania Insurance

Another important element of Scania's comprehensive customer solutions is the ability to effectively finance vehicles on good terms. Scania conducts its own financing operations in 52 countries. In both mature and emerging markets, being able to assist with financing builds trust and loyalty in the Scania brand. We expect that this part of the offering will become increasingly attractive to customers, especially in new markets.

Scania also offers customers comprehensive insurance coverage, an efficient claims management service and rapid repairs, with access to Scania's service network.

Component modularisation

The wide range of choices available to customers is achieved through the design of the interfaces between different components. Each interface is precisely defined to allow the greatest possible flexibility when components are combined into the correct performance steps in the vehicle. A large percentage of the chassis components in a bus are shared with a truck.

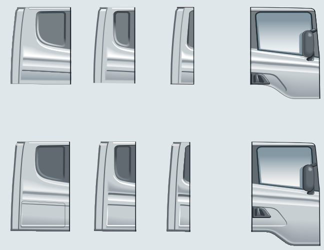
CABS

Scania's cabs are strongly modularised, with a common body 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.

P-series G-series R-series

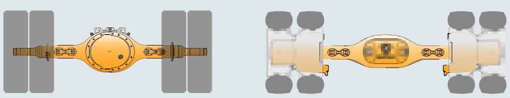
DOORS AND SIDEWALLS

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



AXLES

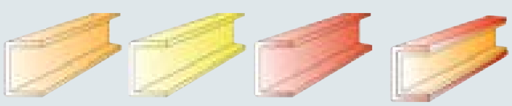
Driven, steered and tag axles are part of Scania's modularised range, which is used in various combinations in 2-, 3-, 4- and 5-axle vehicles, tandem bogies and can also be utilised as driven front axles. Some driven axles are available with hub reduction.



Single-reduction axle Axle with hub reduction

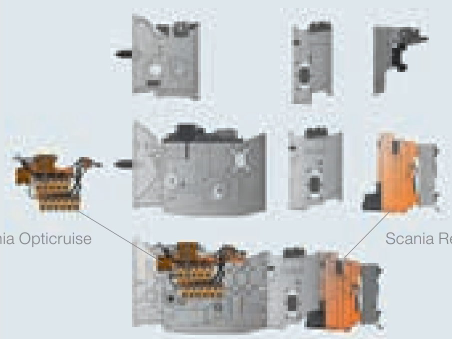
FRAMES

Frames are manufactured in several strength classes. The most rugged features an inner frame to handle extra heavy loads.



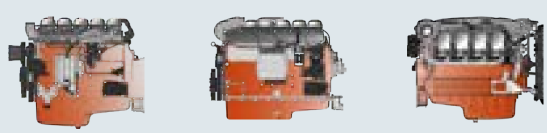
GEARBOXES

With two main gearboxes in combination with range and splitter units, Scania covers haulage needs 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.



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

In Poland, investing in efficiency for future growth

Over the past five years, Poland has developed into an important transport centre in Europe. It has attracted many international transport companies, due to its low cost of doing business, well-educated population and favourable economic and legal climate. The country is developing a road toll system for heavy traffic on motorways and main national roads in which hauliers will be charged according to the vehicle's emission category, not just the number of kilometres driven.

For Krzysztof Sliwa, owner of Tc-S Transport, reliable and efficient trucks are essential to the success of his business. The company transports furniture, machines and machine parts as well as hazardous materials in several European markets. Sliwa has a fleet of 13 Scania trucks, including vehicles optimised according to the Ecolution by Scania concept.

"After just six months, fuel consumption has gone down by 5 percent," Sliwa says. "Our drivers often attend courses organised by Scania, and even professional drivers with years of experience can learn something new", he adds. "Their new knowledge helps them to reduce fuel consumption and enhance road safety."

"In the present economic climate, keeping costs down and raising the efficiency of the vehicle fleet is very important", Sliwa says. "I believe in investing carefully in the fleet and driver training so that we will be prepared when the economy picks up again."

Jet-fuel saver

The airline industry, like other transport sectors, is seeking to reduce its environmental footprint. Israel Aerospace Industries (IAI) and French ground support equipment manufacturer TLD Group in partnership with Airbus Industries have found an innovative approach with TaxiBot. This is a pilot-controlled tractor that pulls the aircraft from the gate to the runway without using aircraft engine power. The solution reduces CO_2 emissions, noise, fuel consumption and wear and tear on an aircraft.

Scania engines were chosen to power the TaxiBot, with twin 9-litre Scania industrial engines powering the narrow-body version and twin 16-litre V8 industrial engines powering the wide-body version. Scania has agreed to supply up to 3,000 engines for TaxiBots.

Normally aircraft are powered by their main engines when they taxi from an airport's passenger gate to the runway, and this uses a lot of fuel. However, the TaxiBot, operated by a driver, lifts the aircraft's nose wheels for pushback, letting the wheels rest on a rotating platform. The vehicle is physically connected to the aircraft's nose landing gear. For taxing, the driver switches to "pilot control mode" and the plane's pilot then steers the tractor using the normal cockpit steering systems.

Three narrow-body TaxiBots are currently being deployed for Lufthansa's Boeing 737s at Frankfurt Airport. The advantages are clear. The TaxiBot doesn't use the aircraft's engines or create any nose landing gear fatigue. Air and noise pollution are also reduced. According to IAI, TaxiBot provides an 85 percent reduction in CO_2 emissions during taxiing; if introduced in all major airports around the world, up to 20 million tonnes in CO_2 emissions could be saved each year.

In Mexico, a flair for service

In Mexico, taking over and running customer workshops is a key factor for Scania's bus and coach operations. This service mindset has been successful and turned the country into an important bus and coach market for Scania. Buses and coaches often travel 30,000 km per month and a new business vision was needed in order to maximise vehicle uptime.

Primera Plus, a high-end carrier in the Flecha Amarilla Group, has a fleet of 1,000 luxury coaches, almost one third of which are from Scania. They were among the first transport companies to have Scania carry out maintenance in their own workshop. Today, Scania has its own offices, workshops and technical staff inside the Primera Plus premises, taking care of all service and maintenance. This allows Primera Plus to focus on improving service to its clients.

Scania and Primera Plus work in close partnership to find more ways to improve the fuel performance of the fleet. This includes coaching the bus drivers so that they can achieve higher performance and fuel efficiency gains.

"We always thought that we, the carriers, were the experts. We did things best," says Dr. Fernando Alonzo Lozano, General Manager of Primera Plus. "But we let Scania look at ways to reduce our costs and make improvements and we saw good results right from the first and second workshop that we opened. The important thing for us is that it will reduce our costs and improve our business generally."

STEADY IMPROVEMENTS THROUGH INVOLVEMENT

Scania employees are encouraged to identify areas for improvement and to innovate together to achieve common goals. This systematic approach started at Scania's production units. Today it is applied throughout the entire organisation.

Scania's leadership philosophy encourages involvement and commitment among employees to take ownership of their work. Every employee is responsible for seeking out opportunities to improve processes and eliminate waste. This constant focus on efficiency cuts lead times and boosts flexibility, eliminating waste of time and resources. It also leads to greater innovation.

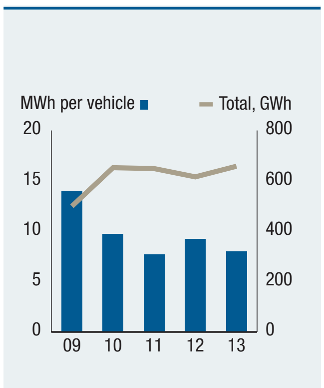
Cross-functional (interdepartmental) teamwork fosters organisation-wide learning and knowledge sharing, while contributing to employee satisfaction, as well as attraction and retention of talent. With flexibility built into the system, Scania can adapt to the changing environment.

Inspired by Toyota, Scania adopted a production philosophy in its European production units in the early 1990s. The system was named the Scania Production System (SPS) and was developed in-house by the company's own employees. It is one of the most efficient and employee-inclusive management systems in the world.

> Involving our people in the production process encourages ownership and commitment. When you extend that trust, you get fantastic results in return.
>
> Per Hallberg, Executive Vice President, Head of Production and Logistics

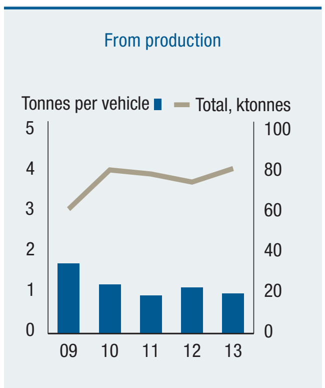
Since 2007, this philosophy has also been applied to other parts of the company; in the sales and services organisation as the Scania Retail System (SRS) and at research and development units as the R&D Factory. The heart of this approach is delivering high quality in all areas through continuous improvement. Since 2011, this philosophy has also been used within the Scania Financial Services organisation and more recently, within administration.

Energy



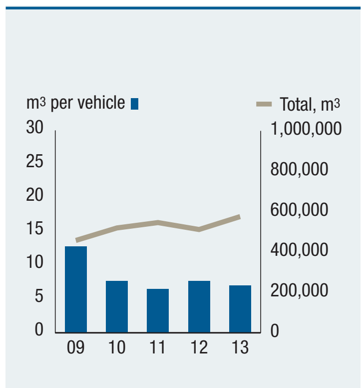
Total energy increased to 658,000 MWh due to increased production volume. Energy use per vehicle produced was reduced to 8.0 MWh.

Carbon dioxide



Total carbon dioxide emissions increased to 81.7 kton due to increased production volume. Emissions per vehicle produced was reduced to 0.99 tonnes.

Water



Total water use increased to 576,000 m^3 due to increased production volume. Water use per vehicle produced was reduced to 7.0 m^3.

The Scania Production System

The Scania Production System (SPS) focuses on eliminating waste and on improving efficiency so that issues can be identified and addressed early on enabling a stable production flow. Sustainability is a key focus area. This includes reducing the use of energy, water and chemicals, cutting air emissions and discharges into waterways in all production processes as well as sharpening the focus on health and safety.

All production units set targets and action plans for energy efficiency to help reduce costs and greenhouse gas emissions. Key elements include clear process targets, the involvement of all departments and measurements to identify areas for further improvement.

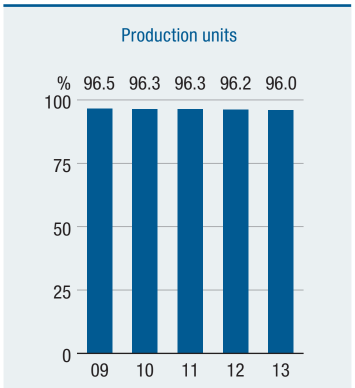
SPS applies to all employees working at all production units and Regional Product Centres. All production units function in a globally compatible way, allowing for maximum flexibility. Small teams work to solve problems together and managers serve mainly as coaches, offering feedback and recognition. Over the long term, this approach, been shown to boost efficiency in global production as well as employee well-being.

Number of employees*

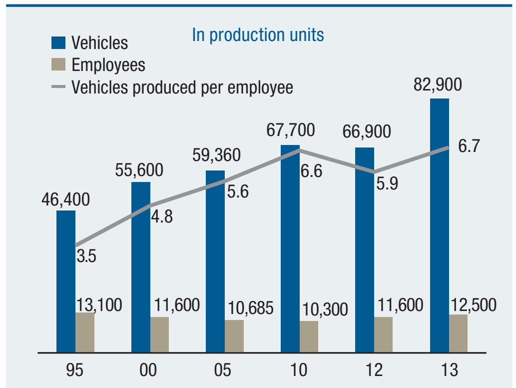
Södertälje	12,766
São Paulo	3,918
Oskarshamn	1,727
Zwolle	1,598
Angers	653
Luleå	589
Słupsk	540
Tucumán	532

* Refers to the total number of employees at each respective location.

Healthy attendance



Vehicles produced per employee

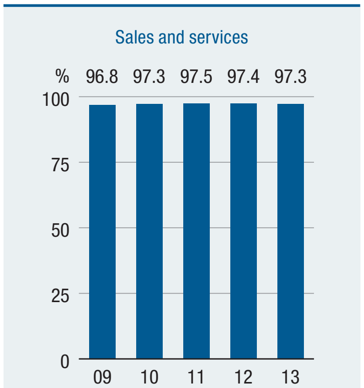


The Scania Retail System

The Scania Retail System (SRS) focuses on how we can improve efficiency and services to our customers. The main approach involves looking at the business from a customer perspective and streamlining the workflow in order to become more efficient in meeting customer needs.

Some 17,600 people work with sales and services in Scania's subsidiaries worldwide. Within the sales and service network, SRS is geared towards decreasing lead times in service workshops so customers can get their vehicles back on the road more quickly.

Health attendance



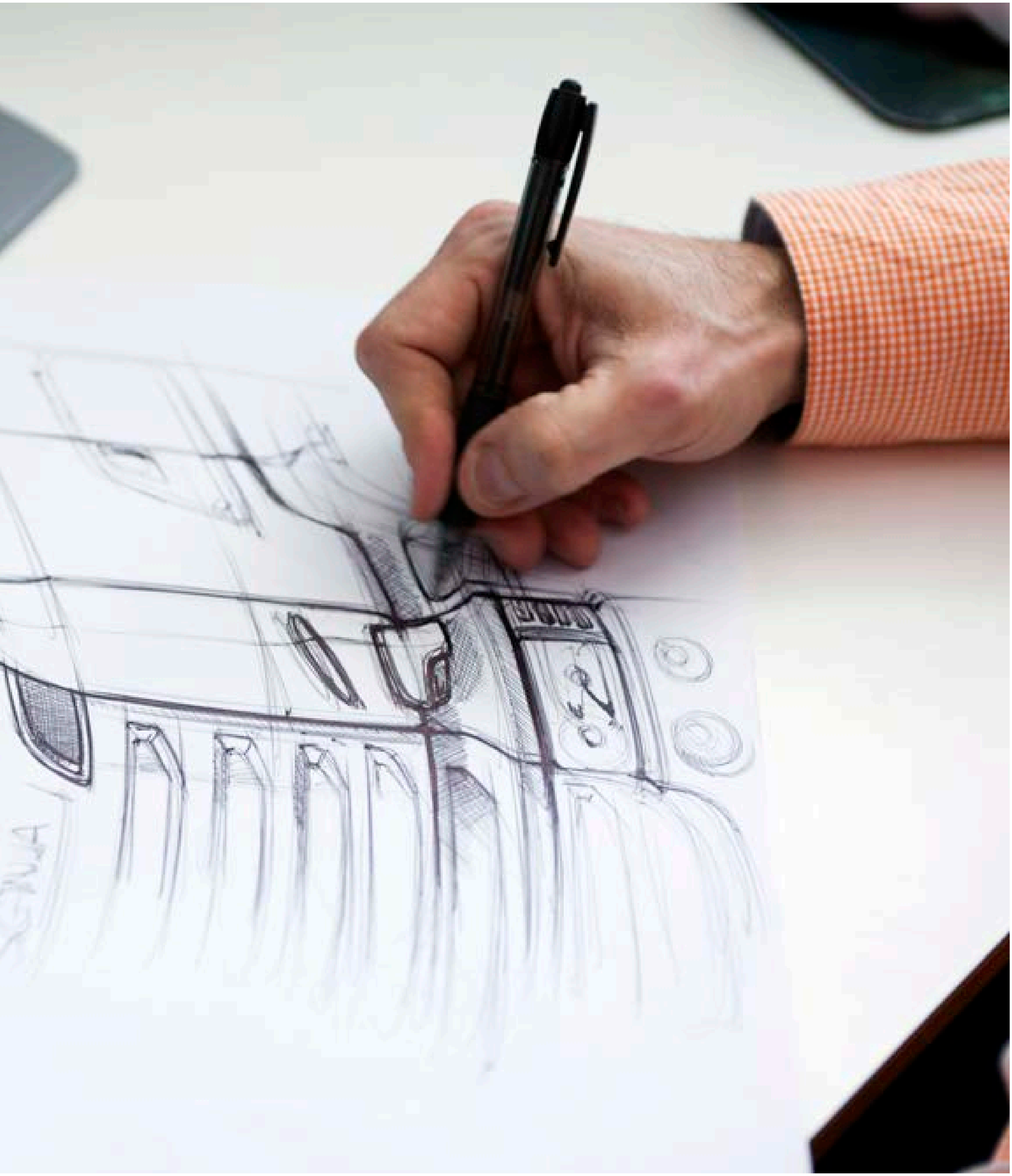
Service workshops are continuously evaluated to identify areas for improvement and best practice that can be disseminated across the organisation. Across Scania's service network, including independent dealerships, a number of role model facilities in Europe and Latin America. They spread their SRS-experience to our entire service network. Substantially shorter time for standard maintenance and reduced lead time from order to vehicle delivery are among the benefits. Another benefit is the increased amount of billable hours per service technician.

The R&D Factory

The R&D Factory at Scania's Research and Development units follows the same approach of continuous improvements in the development of vehicles, engines and services.

The principle is to deliver customer value faster. Research and Development units focus their efforts on ensuring short lead times from development project to market launch. Well-balanced flows, which are clearly defined from a demand perspective, ensure that we can increase our ability to meet customer demand by providing the right deliveries at the right time.

The result is reduced waste and improved quality. With a shared set of fundamental values, we can continuously deepen our knowledge, establish effective teamwork, develop better methods and thereby improve quality and shorten time to market.



INNOVATION AT THE CORE

Scania's research and development organisation is focused on developing solutions, including products and services, that deliver the best quality, efficiency and customer profitability. Innovation ensures efficient solutions for sustainable transport.

Scania invests significantly in world-leading research and development. Our customers demand reliable, innovative solutions that boost vehicle uptime. The modular system enables customer-oriented solutions and requires a deep knowledge of the entire logistics flow for optimum use.

Understanding the customers' daily operations is crucial. As a global player, we have to adapt solutions to specific market needs. In new markets and segments with varying operating conditions, the focus may be on adapting existing products to different requirements, such as differences in driving distances or capacity utilisation, or on developing new products.

Ahead of the curve on Euro 6

The Euro 6 standard became effective on 31 December 2013. Scania was one of the earliest suppliers of Euro 6 engines, introducing state-of-the-art technology well in advance of new European Union emissions standards. This enabled Scania to offer customers a solution that complies with legislation without compromising on fuel efficiency. The new Scania Streamline truck concept was launched during 2013, equipped with such features as a new range of second-generation Euro 6 engines offering potential fuel savings in long-haulage of up to 8 percent. As we move into 2014, we are making continuous improvements to a complete range of Euro 6 engines suited for diesel and alternative fuels, such as 100 percent biodiesel or gas.

Low-carbon transportation

Profitability and sustainability go hand in hand, which is why lowering the carbon footprint is both an opportunity and a challenge for the transport industry. Scania believes it is possible to halve the carbon footprint of transport per tonne/km by 2020 compared to 2000. The Scania Transport Lab, our own haulage company that shuttles goods between Scania's production units in Södertälje, Sweden and Zwolle, the Netherlands, tests and evaluates vehicle performance. This operation has achieved a 50 percent reduction in CO_2 emissions between 2008 and 2012 due to increased efficiency, better driver training, smarter maintenance and use of alternative fuels.

> Quality is not only about product development. Quality is something which every employee must live up to every day.
>
> Harald Ludanek, Executive Vice President, Head of Research and Development

Strategic partnerships

Scania collaborates with universities, research institutions, suppliers, other partners and customers to promote development of innovative research. In this way, we foster an innovative culture, ensure competencies for future growth and development, and promote new ideas for better sustainable transport solutions. Scania collaborates with Sweden's Royal Institute of Technology (KTH), Chalmers University and universities in Luleå and Linköping, among others. Another important asset is Scania's access to Volkswagen's global development network.

Looking to the future

Energy resources and energy policies vary in different countries, requiring Scania to have a high degree of flexibility and offer a wide range of solutions. This makes it even more important to continuously develop our modular system and work with partners to explore cutting-edge technology.

By working with a Technology Road Map, Scania has examined future scenarios to identify areas of focus in the years ahead. Some of these solutions were presented at the first Scania Innovation Day in October 2013, where the climatic wind tunnel was inaugurated. Among the future transport technologies being explored is platooning. Scania is also investigating alternative powertrain concepts like hybrid or electrified trucks and buses. A feasibility study from an electric road project shows that electrification of heavy road traffic in Sweden could reduce carbon dioxide emissions by 4.2 million tonnes annually. Equally important factors are optimisation of the engine and the complete powertrain, better fuel efficiency, use of alternative fuels, efficient fleet management and driver coaching.

Europe's largest climatic wind tunnel

The climatic wind tunnel at the Scania Technical Centre in Södertälje, Sweden, enables truck and bus operation in simulated climate conditions. This facility for full-size trucks and buses is the largest of its kind in Europe. It was inaugurated in 2013 and represents an investment of SEK 400 m. The air channel system can produce various types and intensity of snow or rain, and a fan can simulate everything from a -35°C arctic wind to a 50°C desert storm. The facility will help optimise future vehicles for better performance and fuel efficiency, reduced emissions and lower noise. For Scania, investigations under controlled conditions result in shorter lead times for product development as well as tailored solutions for new markets and new segments with extremely varied conditions. The result for our customers: higher-quality products and services.

Platooning: automated driving for fuel savings

Scania is developing a system called platooning. Using inter-vehicle communication, this system allows heavy vehicles to form fuel-efficient, aerodynamic formations on motorways. Trucks within the convoy automatically follow a lead truck, cutting fuel use by as much as 15 percent. Together with the Swedish National Road and Transport Research Institute, KTH and Volkswagen Research and other partners, tests of platooning have begun on a 520-kilometre route between the Swedish cities of Södertälje and Helsingborg.

Using gravity to save fuel

Launched in 2013, Scania Eco-roll is an advanced system that promises to reduce fuel consumption by up to 2 percent in hilly conditions. Once a truck has crested a hill, Scania Active Prediction automatically calculates whether the vehicle will save more fuel by rolling down in neutral with the engine idling, or by using the engine brake with the fuel supply switched off, without any intervention from the driver. It is available in Europe in trucks fitted with Scania Opticruise and Scania Active Prediction (standard on most long-haulage trucks in Europe).

BUILDING COMPETENCIES FOR THE FUTURE

A motivated workforce with the right blend of competencies is key to Scania's success as a global provider of sustainable transport solutions. Our leadership principles form an important base to better support our customers and ensure long-term growth with profitability.

Attracting, retaining, and developing qualified and dedicated employees in a systematic way is important to delivering long-term growth with profitability. Scania is approaching these challenges to ensure the right competencies for the future.

Scania builds lasting relationship with employees and works closely with unions. As we globalise, Scania encourages communication between employee representatives and management.

Encouraging global mobility

It is important that Scania's core values, methods and leadership principles are well anchored throughout the organisation. This occurs in a number of ways. For example, some 250 people took the opportunity in 2013 to gain international experience through expatriate contracts. The number of employees taking advantage of global mobility is increasing every year.

A diverse workforce is critical to meet the needs of diverse markets. Due to attrition, we estimate a need to recruit about 10,000 people by 2020. Scania is focused on strengthening the competency pool by ensuring that our employees represent a wide range of nationalities and cultural backgrounds, as well as gender and other aspects of diversity. Scania's aim is to be the preferred employer in sustainable transport solutions, for people of every age and background.

As an important means to attract and retain a highly skilled workforce, the Scania Academy provides competence development for all employees. This covers a wide range of development opportunities, from introductory training to leadership training at different levels of the organisation.

Safety, health and environment

Well-being and working ability are at the core of the Scania way of working. The Scania Safety, Health and Environment (SHE) standard is in the process of being fully integrated into key management systems to align with Scania's increasing global presence. This standard comprises four parts: strategic focus areas, performance indicators, training module and communications programme. The focus is on continuous improvement of environmental performance and development of health, which leads to high levels of attendance and productivity over time.

Safety, Health and Environment are the first priorities in the Scania Production System (SPS) and in all Scania management systems. This investment has been shown to raise quality, productivity, and employee satisfaction.

> The key challenge and opportunity is to nurture our talent pool; to retain people and attract new talent. We need to create the right prerequisites to secure a motivated workforce. We want to attract the top employees in each of our markets.
>
> Kent Conradson, Executive Vice President,
> Head of Human Resources

Supporting a greater knowledge base

Collaborating with academia is a long-standing tradition at Scania and creates value for both Scania and society at large. A prime example is the partnership we have with the Royal Institute of Technology (KTH) to develop a technology road map for the future (page 28). Scania works with a number of partners regarding Mälardalen Tekniska Gymnasium, a technical high school in Sweden. Scania is offering students internships at Scania to gain practical experience.

In some emerging markets, Scania has established schools for service technicians to support business growth in these new markets. The training centres also contribute to the social and economic development of the countries in which they are located – primarily by improving labour skills in markets with too few institutions to support the demand for education and training.

Improving through diversity

During 2013, Scania put particular focus on the area of gender diversity. In 2014, Scania's global management teams will identify and initiate actions to increase the share of women in executive positions, setting clear targets for change. These changes will be undertaken at operational levels in a systematic and pragmatic way, largely in the same way as with the Scania Production System.

This decision was one of the outcomes of the Battle of the Numbers, in which Scania was one of 10 Swedish companies committed to increasing the number of women in executive positions. Each company selected 10 female employees to advise on the obstacles and opportunities for women in executive positions and to make concrete proposals for action based on their personal experiences.

The female executives representing Scania in Sweden's Battle of the Numbers.

Securing skilled technicians

To ensure a supply of critical competencies, Scania has established schools for service technicians in various countries.

A vocational school was set up in Guangdong, China in 2011 in response to an absence of training programmes in China for service technicians for the heavy-vehicle industry. Scania China teamed up with the Guangzhou Institute of Technology (GIT) in a three-year programme for heavy-vehicle service technicians called the Dragon School. The first entering class had 20 students, and an expansion to 30 places per year is planned. Scania has provided both knowledge and equipment to the programme.

Scania has also opened a school for service technicians in Erbil, Iraq. This is the only school of its kind in the region and is the result of collaboration between private companies, relief organisations and regional authorities. The objective is to gradually make the school into a technological centre to supply highly skilled labour such as service technicians, parts managers, accounting staff and marketing personnel. In 2013, 371 students graduated from the school in Iraq.

The training centre also offers education in sales and administration, language courses and driver training, and it has achieved its target of having 30 percent female students. In addition, 10 percent of the students in the service technician programme are women, higher than the average for many Western countries.

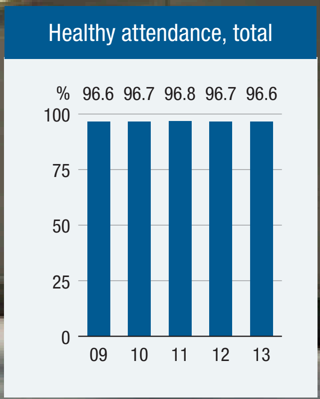
The Dragon School in Guandong, China, trains service technicians to meet the needs of China's growing heavy vehicle industry.

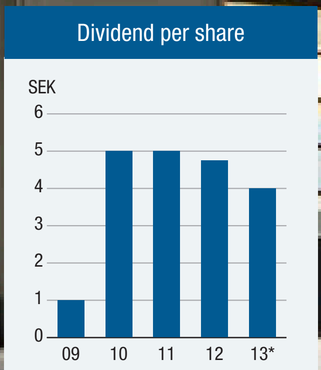
Scania's school for service technicians in Erbil, Iraq.

CREATING STAKEHOLDER VALUE

With customers at the centre, value accrues to Scania and all our key stakeholders, creating a profitable and sustainable transport industry for the future. Value creation is dynamic: investments in machinery and in the health and training of employees leads to higher productivity. Collaborating with universities and schools as well as contributing to local communities increase the talent pool and support Scania´s business environment. The value that this approach creates for Scania, is, in turn, reinvested in our business, creating the right conditions for continued growth with profitability.

> We think customers. We think solutions. We think about customers not only in the front line but throughout the entire value chain. Our ultimate goal is to make our customers more profitable. When they grow, we will grow with them, and this will bring value to our shareholders, to our employees and to society at large.
>
> Henrik Henriksson, Executive Vice President,
> Head of Sales and Marketing





*Proposed dividend per share 2013.

Scania

Our business model has generated a strong, resilient and profitable business. A portion of these profits is reinvested in the company, creating the right conditions for continued growth.

Customers

With our focus on customer profitability, Scania has a strong brand in the industry; recognised especially for fuel efficiency, performance and the quality of our products and services. In terms of customer loyalty, Scania typically scores among the best in the industry.

Shareholders

Earnings per share have trended upward during the past 10 years. Scania has distributed a yearly average of 51 percent of net income to the shareholders in regular dividends since 2003. In total SEK 41.8 billion have been distributed in regular and extra dividends during the period. Scania aims to continue on the path of growth with profitability, generating good cash flow.

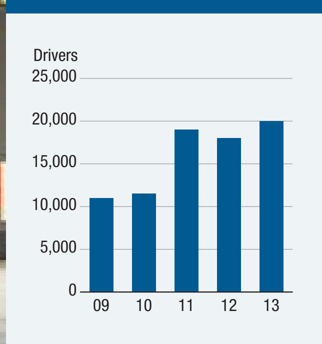
Employees

Employees have a stake in our success. There is a great value in a healthy, inspiring and productive workplace where good performance is well rewarded. Every year, a significant share of the employees enhance their competencies and skills through tailored training programmes.

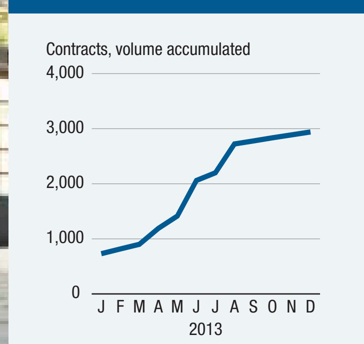
Society

Employment, training and education of employees, use of local suppliers and taxes paid are some examples of how Scania generates value for society at large. Contributions to society benefit the economies of local communities, strengthen skills and experience in the labour force, and reduce negative environmental impacts through low-carbon transport solutions.

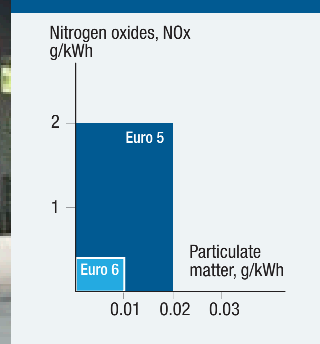
Scania driver training



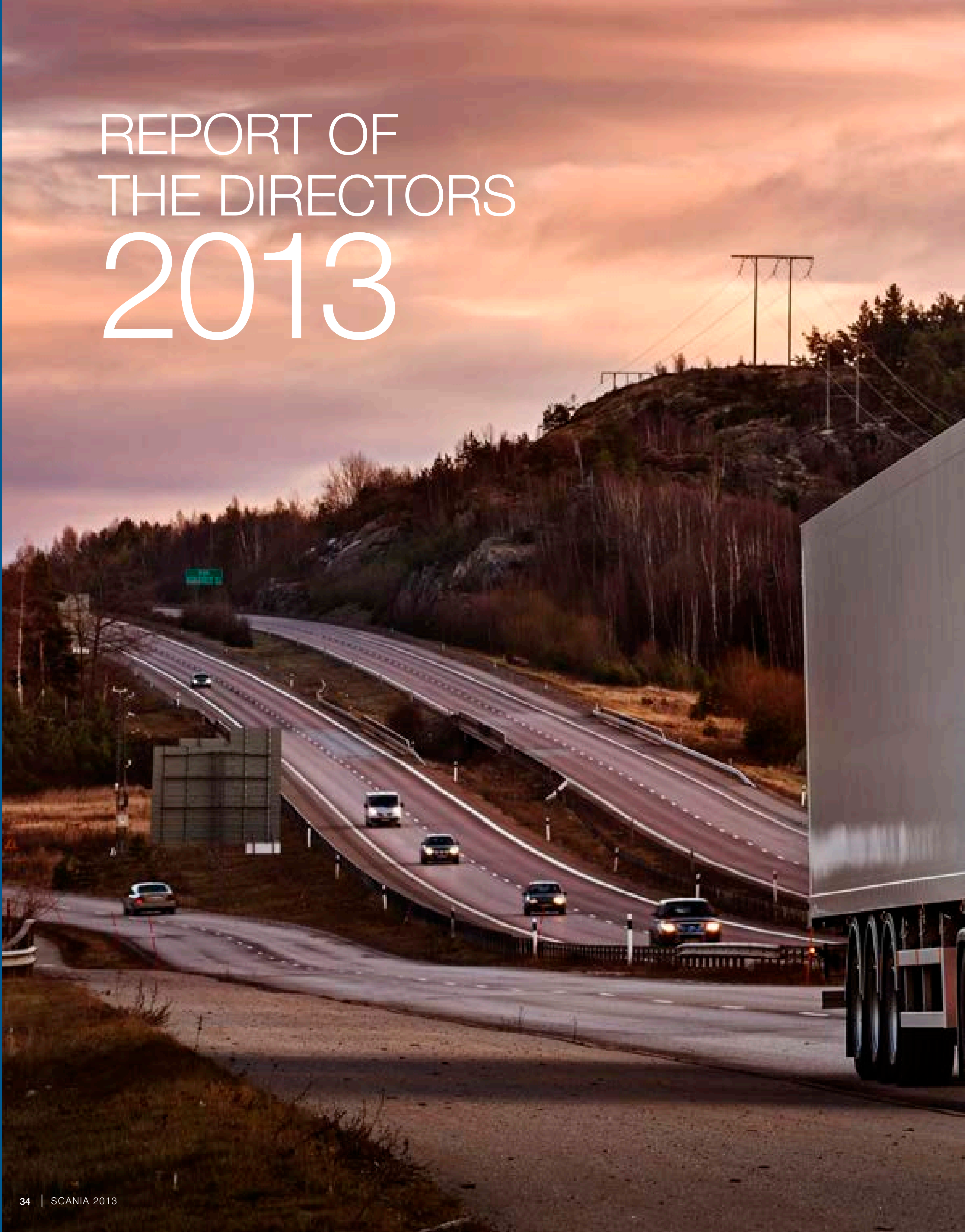
Sales of Ecolution by Scania



Lower emissions with Euro 6



REPORT OF THE DIRECTORS 2013




STREAMLINE
SCANIA
R 730
RFH 691

SCANIA'S OPERATIONS IN 2013

Although the global economy improved somewhat during 2013, it was an uneven and hesitant road to recovery and uncertainty remains going into 2014. Global GDP growth was in low gear during 2013. Countries with more developed economies grew again but faced fiscal problems and unemployment, while emerging markets faced challenges of lower growth rates and tighter financial conditions. US economic policy issues continued to restrain global growth and many emerging economies lost momentum as a consequence.

A somewhat improved situation in industrial production and construction had a positive impact on transport activity during 2013.

VEHICLES AND SERVICES

Scania's vehicle deliveries rose by 19 percent during 2013 compared to 2012. Truck deliveries rose by 21 percent to a total of 73,611 units and bus and coach deliveries increased by 8 percent to 6,853 units. Engine deliveries decreased by 4 percent to 6,783 units and service sales increased by 6 percent in local currencies.

Pre-buys ahead of the Euro 6 transition in Europe

European demand was supported by customers investing in Euro 5 trucks before 31 December 2013, when the transition to Euro 6 occurred. Most EU countries allowed production of Euro 5 trucks to continue until year-end only and allowed registrations after that date, subject to a restriction on volume. This meant that order bookings in the fourth quarter were corrected downwards from the high levels in the third quarter, while deliveries were still at a high level. Some European countries introduced incentives to encourage purchases of Euro 6 trucks ahead of the transition. In the Netherlands for instance, support was provided for Euro 6 truck investments and in Switzerland Euro 6 trucks were granted discounts in the road toll system.

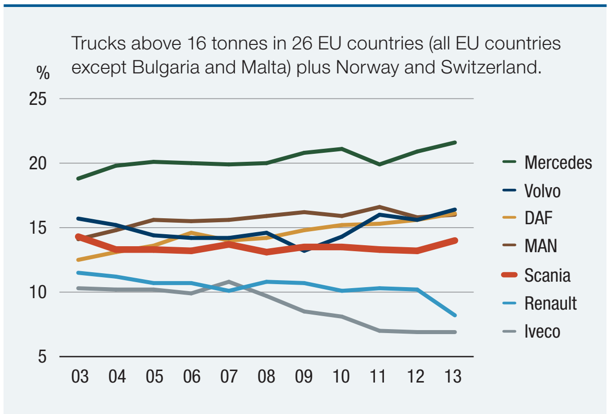
Owing to high European truck deliveries during 2005–2008, followed by a lower level in recent years, the average age of the truck population has increased, which provided some support to demand in Europe.

The total market for heavy trucks in 26 of the European Union member countries (all EU countries except Bulgaria and Malta) plus Norway and Switzerland increased by 8 percent to about 238,200 units during 2013. Scania truck registrations amounted to some 33,100 units, equivalent to a market share of about 13.9 (13.2) percent.

Latin American truck subsidies continued into 2013

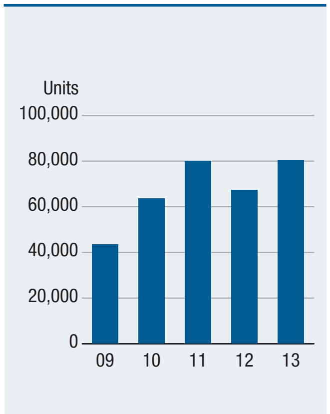
GDP growth in Brazil remained at around 2 percent in 2013. Several measures have been introduced to increase economic activity. The Brazilian state development bank BNDES provided very favourable subsidised financing in the second half of 2012, which generated a high level of deliveries going into 2013. Subsidies were available during the first three quarters of 2013, which was also reflected in Scania's order bookings during this period. The fourth quarter of 2013 was partly dominated by uncertainty regarding the subsidised financing. This caused uncertainty among customers, but in late December the Brazilian government announced that subsidised financing

Market shares

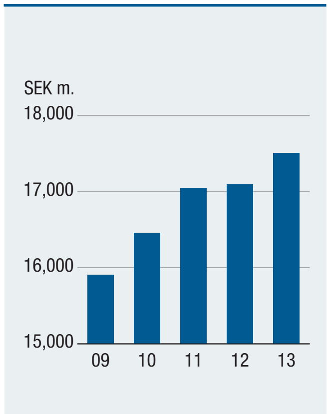


Scania's main competitors are other Western manufacturers. In the truck segment,Scania competes with DAF, Iveco, MAN, Mercedes, Renault and Volvo.

Vehicle deliveries



Service revenue



would continue into 2014. In Argentina subsidised financing programmes for truck investments were available throughout 2013, continuing into 2014. Scania truck registrations in Brazil amounted to some 19,700 units, equivalent to a market share of about 19.0 (12.7) percent.

Opportunities in emerging markets

Growth continued in major emerging Asian economies during 2013, but demand for vehicles of western standard is relatively low in several of these markets. Since Scania is still building its presence in emerging Asian markets, the impact from economic fluctuations is normally limited. However as logistics systems become more efficient in emerging markets, there is often a shift towards higher standards of vehicle reliability. This will lead to greater demand for the vehicles and services that Scania sells. Therefore it is strategically important for Scania to have an existing foothold in the market as logistics systems improve. Scania has opened its first manufacturing facility in India, near Bengaluru.

In Eurasia, deliveries decreased somewhat during 2013. This was also the case in Russia, the dominant market in the region. There is still good potential for western brands in Russia and Scania managed to increase its market share to 8.2 (6.7) percent.

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

The bus and coach market

Underlying demand of buses and coaches during 2013 was still weak as budgetary problems continued to challenge governments in Europe. Since investments in buses and coaches, especially city buses, are often publicly financed this factor adversely affected demand. However, compared to the low levels of 2012, Scania's deliveries increased somewhat in most regions during 2013. In Germany, Scania secured two major orders.

Scania entered the Indian bus and coach market with a new range of buses and coaches for intercity and tourist services. During the year Scania broadened its range of Euro 6 engines.

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

The market for industrial and marine engines

Demand increased during 2013 and order bookings rose by 10 percent, supported by customers investing in industrial engines before year-end when the new Stage IV/Tier 4 Final emission standards went into effect. Deliveries of engines decreased by 4 percent to 6,783 units.

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

Growing service demand

Service demand increased in most markets, both in Europe and elsewhere. In recent years, Scania has increased its vehicle deliveries in many emerging markets and has also expanded its service capacity and offering in these markets. This has had a positive impact on service demand. Service revenue rose by 2 percent to SEK 17,510 m. In local currencies the upturn was 6 percent.

Demand for services and repairs is more stable over economic cycles than demand for new vehicles, since a haulier can choose to defer new investments but cannot avoid repairs and maintenance to the same extent.

FINANCIAL SERVICES

The customer financing portfolio increased by SEK 3.8 billion to SEK 48.9 billion during the year. Scania financed 27,395 vehicles during 2013 (25,778). Because of changes in market mix, the share of financed new vehicles decreased from 38 percent to 33 percent. Operating income increased to SEK 719 m. A larger portfolio and higher interest margins contributed to this increase, as did slightly lower bad debt expenses.

Most Financial Services customers are based 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 applying a conservative credit policy and a refinancing profile that matches borrowing with 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.

During 2013 Scania has further expanded its Financial Services operations into new markets. Operations have been set up in Taiwan and Hong Kong. At the end of 2013 Financial Services had a presence in 52 markets.

Access to credit is important for 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 and vehicle resale values enables Scania to make better assessments than banks, opening the way to higher financing volume.

During the downturn in 2009–2010 Scania was able to provide financing to many customers, which has created strong brand loyalty. This loyalty, combined with continued lower interest by banks in financing transport related investments, explains the level of market penetration of Financial Services.

An increasing number of customers are also seeing the benefits of Scania Insurance. Around one third of the vehicles financed by Scania also have the company's casualty and collision (casco) insurance. Since 2012 Scania also actively promotes insurance cover for vehicles that are not financed through Scania. The aim is to give access to genuine claims management services and improved vehicle uptime to all Scania customers. Increased brand loyalty and workshop sales are the aim of this undertaking.

Highlights, 2013

31 JANUARY

Scania to start bus and coach sales in India.

21 MARCH

Scania Streamline is launched.

JANUARY | FEBRUARY | MARCH

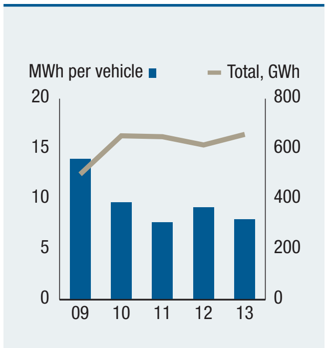
4 FEBRUARY

Scania to deliver 709 buses in Russia.

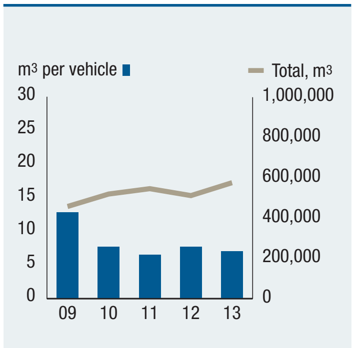
11 MARCH

Scania and Siemens to collaborate on electrically powered vehicles.

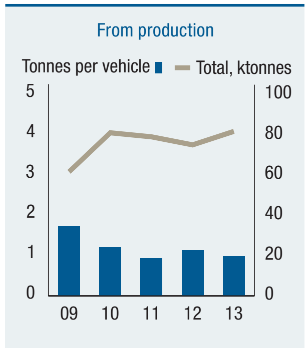
Energy



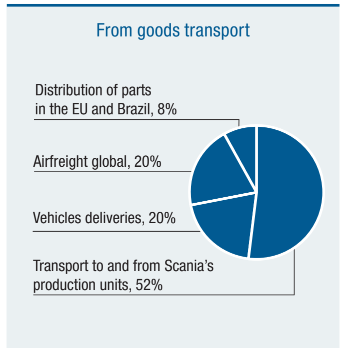
Water



Carbon dioxide



Carbon dioxide



PRODUCTION

The volatile demand put Scania's flexibility to the test during the year. Several adjustments were made to the daily production rate to meet sharp swings in demand, which impacted production costs negatively. Due to increasing demand in the second and third quarter, Scania boosted the daily production rate at its European production units, running production levels close to its capacity ceiling in the fourth quarter. The production rate in Latin America remained at a high level throughout most of 2013 but temporary uncertainty regarding subsidised financing in Brazil meant that production in the fourth quarter was stopped for one week longer than planned.

The need for flexibility was met, among other measures, by using a greater share of employees from staffing companies and by adjusting working hours within the framework of time banks. Scania has initiated the expansion of annual technical capacity to 120,000 vehicles from 100,000 today. As its technical capacity is expanded, Scania is undertaking efforts to ensure flexibility.

During 2013, Scania produced 82,854 vehicles (66,930).

ENVIRONMENT

Scania continuously strengthens the environmental performance of its production units. The Scania Production System (SPS) is central to the task of reducing the use of energy, water and chemicals. Scania has incerased focus on the environmental impact of its own shipments, both inbound components and other items from suppliers and outbound parts and vehicles. There is a significant potential for improvements in this area.

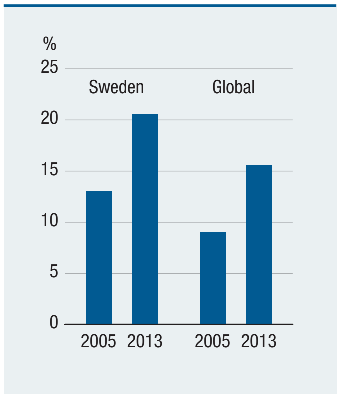
27 MAY
Scania to deliver 360 city buses to Malaysia.

7 JUNE
Scania engineer honoured by Porsche.

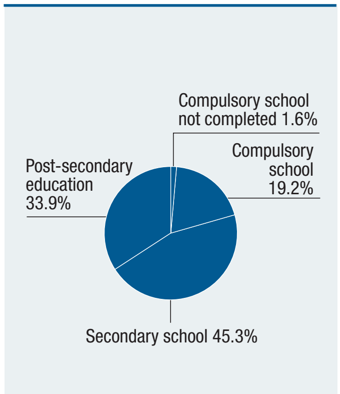
APRIL | MAY | JUNE

20 JUNE
Scania delivers world's first Euro 6 gas powered truck.

Share of female managers



Educational level



EMPLOYEES

Ensuring that all employees, regardless of their form of employment, feel committed to and interested in their work is an important task for managers at all levels of the organisation. Regardless of what work they do, or where they are in the world.

Scania employees should be able to feel job satisfaction and a sense of well-being. When job openings occur, employees of staffing companies are the first to be offered permanent employment. Production employees who have a different employer than Scania receive the same training opportunities as Scania's own employees.

RESEARCH AND DEVELOPMENT

The aim of Scania's research and development organisation is to develop solutions to improve productivity and profitability in customer operations. Low fuel consumption, high uptime and low service cost combined with high quality and good performance provide the basis. Scania invests extensive resources in research and development which is concentrated at the Scania Technical Centre in Södertälje, Sweden, where some 3,400 employees work, most of them qualified engineers. Investments in research and development have steadily increased over the past five years in order to strengthen the product portfolio to meet customer demand and stricter legislation. During 2013, research and development expenses amounted to SEK 5,024 m. (4,681), which corresponded to 6 percent of net sales.

Thanks to world-leading R&D capabilities based on the Scania modular system, a number of new products and services were launched during 2013.

Introducing second generation Euro 6 engines

The Euro 6 emission standard went into effect in the European Union at the end of 2013. In 2011, Scania was one of the first suppliers in the market to introduce engines meeting this

24 OCTOBER
Scania now offers a complete Euro 6 range.

JULY | AUGUST | SEPTEMBER | OCTOBER

2 OCTOBER
Scania Eco-roll utilises gravity to save fuel.

standard, which drastically reduces emission levels. Early in 2012, Scania started deliveries to customers, which means that Scania's Euro 6 engines already have a lot of mileage in customer operations, providing extensive evidence of their fuel efficiency and reliability.

With the launch of Scania Streamline, Scania also expanded its engine range, adding second generation Euro 6 engines, which have lower fuel consumption than the Euro 5 predecessors. Overall, Scania has a strong position ahead of the transition to Euro 6 and this was one reason behind the increase in market shares during 2013. All 15 performance steps were available in January 2014.

Scania Streamline

In March 2013 Scania unveiled Scania Streamline, a new long-haulage truck concept featuring refined technology and new solutions that, combined with second generation Euro 6 engines, enable customers to reduce fuel consumption by up to 8 percent. The trucks have an aerodynamic design and feature a new version of the Scania Opticruise automated gearchanging system.

New features and services increasing efficiency

A number of new features and services, all focusing on improving customers' total operating economy and safety, were introduced during the second half of 2013. Scania Eco-roll saves up to 2 percent fuel by automatically assessing the most fuel-efficient options in hilly conditions. Advanced Emergency Braking (AEB) can help to deploy emergency braking, while Lane Departure Warning (LDW) alerts drivers if a truck makes an unintentional sideward movement. New rational functions in Scania Fleet Management give drivers access to more effective tools to operate their vehicles efficiently, sustainably and cost-effectively. The Scania Communicator is now standard in all Scania trucks across most markets, making Scania Fleet Management more accessible.

25 NOVEMBER
Australia wins Scania Top Team 2013.

27 NOVEMBER
Scania secures Australia's first Euro 6 bus fleet order.

11 NOVEMBER
Scania opens advanced climate test facility at its Technical Centre in Sweden.

9 DECEMBER
Scania and Bär Cargolift in global service cooperation.

NOVEMBER | DECEMBER

18 NOVEMBER
Scania to deliver 156 city buses to Berlin.

11 DECEMBER
Scania leads European research project on vehicle platooning.

SCANIA SHARE DATA

The stock market year began strongly in 2013 and markets continued to rise during the first quarter. Some volatility followed in the second quarter, after which the stock market recovered in the third and fourth, ending the year some 20 percent higher than at the start. Although worries of a sluggish recovery in the euro zone, US economic policy issues and slow growth momentum in some emerging markets continued 2013, overall stock market performance showed its best upsurge since 2009.

After a weak stock market year in 2011, two consecutive years of strong growth have followed. The stock market largely ignored macroeconomic and political worries and rose on expectations of a brighter economy ahead, combined with low interest rates. Some sectors performed better than others, especially the financial sector. Industrials underperformed the stock market as a whole, and the performance of truck shares was adversely affected among other things by worries about future demand due to pre-buys of Euro 5 trucks ahead of the transition to Euro 6 legislation.

While the NASDAQ OMX Stockholm Stock exchange rose by 23.2 percent Scania's Series B shares fell by 6.3 percent. The Scania B share provided a total return of -3.0 percent (36.8), compared to the exchange's broad SIXRX index, which provided a return of 28.0 percent (16.5). In the past five years, Scania's B share has provided an annual return averaging 18.6 percent. The corresponding SIXRX figure is 22.0 percent.

Share trading volume

Scania B share trading volume averaged about 1,283,000 shares per day in 2013 (1,473,000). Including the largest alternative marketplaces, volume averaged 2,011,000 shares (2,371,000). The turnover rate was 80 (93) percent, compared to 64 (69) percent for the NASDAQ OMX Nordic exchanges as a whole.

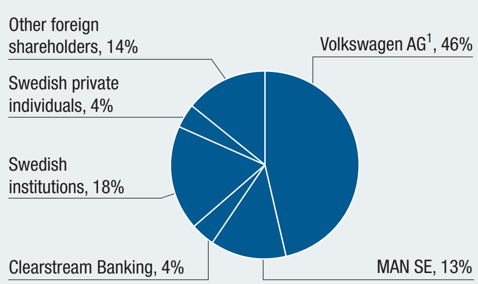
Dividend and financial targets

The proposed dividend of SEK 4.00 per share for 2013 is equivalent to 52 percent of net income for the year. In the past five years, an average of 53 percent of net income has been distributed to the shareholders.

Scania's leadership philosophy is to take advantage of knowledge and experience gained from the company's continuous 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.

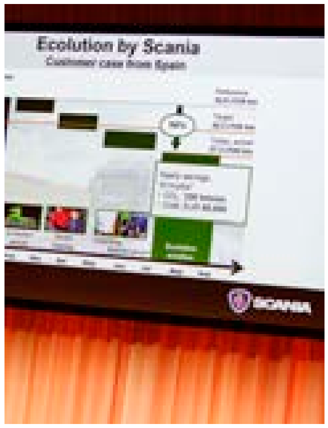
Shareholder structure, 30 December 2013

Owner	Capital %	Votes %
Volkswagen AG [1]	45.66	70.94
MAN SE	13.35	17.37
Clearstream Banking	4.35	1.02
Swedbank Robur Fonder	2.26	0.41
Scania Resultatbonusstiftelse [2]	0.63	0.39
Alecta Pensionsförsäkring	2.04	0.37
Skandia Liv	0.75	0.34
AMF Försäkring och Fonder	0.68	0.26
Handelsbanken Fonder	0.80	0.23
Nordea Investment Funds	0.75	0.14
Total	**71.25**	**91.47**



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 0.63 percent of share capital on 30 December 2013. The foundation may own a maximum of 10 percent of the share capital of Scania.



About Scania shares

Scania has been quoted on the NASDAQ OMX Stockholm exchange 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 carries one vote and each B carries one tenth of a vote. Otherwise there are no differences between these types of shares. The nominal value per share is SEK 2.50.

Some of Scania CV AB´s long-term loan agreements, guaranteed by Scania AB, contain certain conditions stipulating the right of a lender to request repayment in advance and/or terminate the agreement following a change in the control of company. In the view of Scania CV AB it has been necessary to accept those conditions in order to receive financing on otherwise acceptable terms.

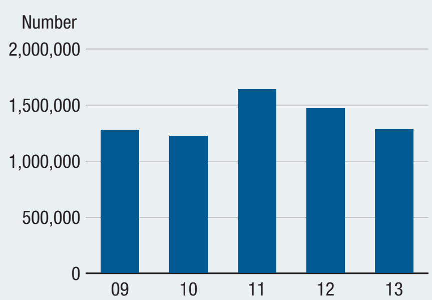
Further information about Scania shares is available on www.scania.com, Investor Relations. Questions may be e-mailed to ir@scania.com.

PER SHARE DATA

SEK (unless otherwise stated)	**2013**	2012	2011	2010	2009
Year-end market price, B share	**125.90**	134.30	102.00	154.70	92.30
Highest market price, B share	**150.00**	142.20	164.80	160.00	103.00
Lowest market price, B share	**119.70**	101.5	89.35	88.40	57.75
Change in market price, %, B share	**–6.25**	31.7	–34.1	67.6	18.7
Total return, %, B share	**–3.00**	36.8	–32.0	69.1	22.0
Market capitalisation, SEK m	**99,160**	106,720	80,180	122,440	73,640
Earnings	**7.75**	8.31	11.78	11.38	1.41
Price/earnings ratio, B share	**16**	16	9	14	65
Dividend*	**4.00**	4.75	5.00	5.00	1.00
Redemption	**–**	–	–	–	–
Dividend yield, %**	**3.2**	3.5	4.9	3.2	1.1
Dividend payout ratio, %	**51.7**	57.2	42.4	43.9	70.9
Equity	**46.3**	43.7	43.1	37.5	29.1
Cash flow, Vehicles and Services	**4.04**	3.78	8.71	14.85	6.89
Number of shareholders***	**107,186**	108,918	116,243	121,038	119,973

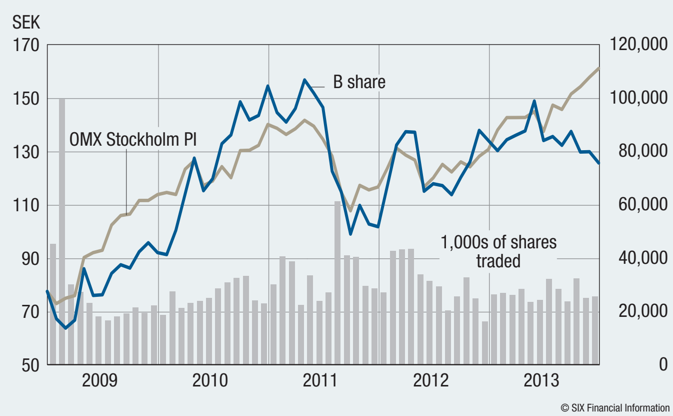
* For 2013: Proposed by the Board of Directors.
** Dividend divided by the market price of a B share at year end.
*** On 30 December 2013.

Average daily trading, B shares



The chart refers to shares traded on the NASDAQ OMX Stockholm exchange. Scania shares are also traded in alternative marketplaces such as Chi-x, Bats Europe, Burgundy and Turquoise. In 2013, trading averaged about 728,000 B shares per day in the largest such marketplaces.

Share price performance



RISKS AND RISK MANAGEMEMENT

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 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 ways through regular reviews, performed both internally and by third parties. For a more detailed description of Scania's management structure, see "The management of the company" section in the Corporate Governance Report on page 49.

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 fluctuations 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 commercial 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.

Well-diversified sales in more than 100 countries limit 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 to 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 the 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 in managing 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 to 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 Blue Rating – Safety, Health and Environment is a method Scania uses to evaluate and develop the safety, health and environmental work at its industrial units. See also under Sustainability risks.

Supplier risks

Scania continually checks that suppliers meet the company's stringent quality, financial, logistic, environmental and ethical requirements. Such checks are also made during nomination of new agreements. This work is regularly reported to Scania Purchasing management.

Scania's suppliers shall undertake to comply with the United Nations Global Compact with respect to sustainability in the areas of human rights, labour, environment and anti-corruption.

In order to minimise the impact of production interruptions or financial problems among suppliers, Scania's ambition is to work with more than one supplier for critical items.

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.

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, the natural disaster risk is given special attention in both the 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. Since 2012, the school has 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 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 2013, 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.

Scania has adopted a safety, health and environment standard, which covers 16 prioritised areas. Scania Blue Rating – Safety, Health & Environment is a method used in Scania's production and research and development operations to evaluate safety, health and environment work. Follow-up occurs based on Scania's environment and work environment policy and on the targets and legal requirements of the ISO 14001 environmental management standard. Based on the result of this audit, Scania can identify areas for improvement and promote good working methods in order to gradually improve operational working environments and reduce environmental impacts. This method is also one of the tools for improving efforts to avoid and reduce work environment and environmental risks.

Climate change constitutes a global risk and Scania works continually to reduce the impact of its products and other operations.

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 apply within the EU starting in 2014.

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 the work done by the business intelligence group 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 78.

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 49–54). 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 78. 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 "Group Financial review" on page 60 and Note 30 on page 111.

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

Scania maintains a high international standard of corporate governance through the clarity and simplicity of its management systems and governing documents. Corporate governance at Scania is based on Swedish legislation, in particular 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 48)
- The Rules of Procedure of the Board of Directors, including the Board's instruction to the President and CEO and guidelines for essential reporting processes at Scania
- The Rules of Procedure of the Audit / Remuneration Committees
- How Scania is Managed
- 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 2013: The Code states that companies applying the Code are to have a Nomination Committee, which is to submit proposals to the Annual General Meeting (AGM) regarding election of the Chairman and other members of the Board and their remuneration. The Nomination Committee is also to submit proposals to the AGM regarding auditors and their remuneration. At the AGM in 2013, Scania resolved to no longer have any Nomination Committee, in accordance with a proposal from the then Nomination Committee. The proposal was explained as being on account of the company's ownership structure, in which the main owner, directly or indirectly, controls almost 90 percent of the votes in the company. Other listed Swedish companies with a similar ownership structure have resolved not to establish a Nomination Committee.

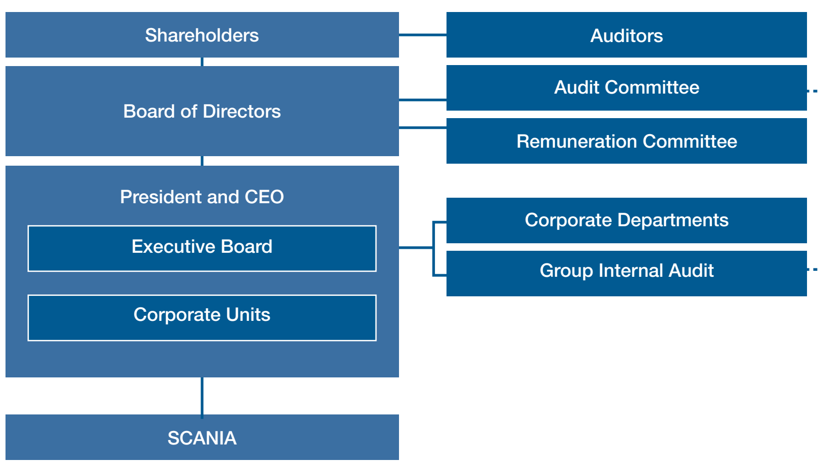
THE SHAREHOLDERS

At the end of 2013, Scania had about 107,000 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 2011, MAN SE has been a subsidiary of Volkswagen AG. As a result of this, MAN's holding in Scania shall be included in Volkswagen's ownership in Scania.

GOVERNING DOCUMENTS

- Scania's Articles of Association
- The Rules of Procedure of the Board of Directors, including the Board's instruction to the President and CEO
- The Rules of Procedure of the Audit / Remuneration Committees
- How Scania is Managed
- Corporate Governance Manual
- Scania Financial Manual
- Communications Policy

ORGANISATION



Volkswagen's ownership in Scania totalled the equivalent of 89.18 percent of voting power and 62.64 percent of share capital. After that, the eight largest shareholders were Clearstream Banking, Swedbank Robur funds, Scania Resultatbonusstiftelse, Alecta Pensionsförsäkring, Skandia Liv, AMF Insurance and Funds, Handelsbanken Funds and Nordea Investment 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

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 12 meetings** in all
Martin Winterkorn, Chairman	2007		Chairman	YES	NO	12
Leif Östling, Vice Chairman	1994			NO	NO	12
Peter Abele	2012	Chairman	Member	YES	YES	12
Helmut Aurenz	2008			YES	YES	12
Francisco J. Garcia Sanz	2007		Member	YES	NO	10
Jochem Heizmann [1]	2010			YES	NO	2
Martin Lundstedt [1]	2013			NO	YES	7
Ferdinand K. Piëch	2012			YES	NO	12
Hans Dieter Pötsch	2007	Member		YES	NO	12
Åsa Thunman	2010	Member		YES	YES	12
Peter Wallenberg Jr	2005			YES	YES	12

1 Jochem Heizmann resigned from the Board at the 2013 AGM, which elected Martin Lundstedt as a new Board member.

* The Nomination Committee's assessment before it was dissolved at the AGM 2013 of elected Board members' independence according to the Swedish Code of Corporate Governance.

** During 2013, the Board held twelve meetings: five Board meetings before the 2013 AGM and seven meetings after the 2013 AGM.

list by a certain date before the AGM and to notify the company according to certain procedures.

In accordance with the Swedish Companies Act and Scania's Articles of Association, the composition of the Board is decided by election. Decisions at the AGM are usually made by simple majority. In some cases 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 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 3 May 2013, 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

Martin Lundstedt

Ferdinand K. Piëch

Hans Dieter Pötsch

Åsa Thunman

Peter Wallenberg Jr

The AGM elected Martin Winterkorn as Chairman and Leif Östling was elected Vice Chairman of the Board of Directors. 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 56–57.

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 2013, the Board held 12 meetings.

The committees report their work to the Board on a continuous basis. The Board also regularly discusses various aspects of the company's operations, for example 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 50.

According to the Swedish Companies Act, the President may be elected as a member of the Board. The company's President and CEO Martin Lundstedt, was elected as a member of the Board at the AGM in 2013.

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

The current Audit Committee was elected for the first time at the AGM in 2012 and has since then consisted of Peter Abele (Chairman), Hans Dieter Pötsch and Åsa Thunman. During 2013, the Audit Committee met a total of nine times. All members participated in all the meetings except for Åsa Thunman, who 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 is presented to the Board as a whole. The decision of the Board forms the basis for a proposal to the AGM.

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 current remuneration committee was elected for the first time at the AGM in 2012 and has since then consisted of Martin Winterkorn (Chairman), Peter Abele and Francisco J. Garcia Sanz. During 2013, the Remuneration Committee met twice. All members participated in both meetings.

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.

Cooperation projects, transactions with, and information disclosure to the Volkswagen Group

The Board has approved a policy document for cooperation projects and transactions in order to ensure that all such cooperation and transactions between the company and other companies in the Volkswagen Group including information disclosure are handled according to the arm's length principle between independent parties, that requirements under Swedish company law, Swedish stock market rules including NASDAQ OMX Stockholm's rules are complied with. The policy shall ensure that all shareholders are treated equally and that good corporate governance is otherwise upheld by the company.

The Board's policy document has resulted in a decision-making process, which in brief means that after being prepared, all initiatives relating to cooperation projects or transactions with companies in the Volkswagen Group, where there is a risk of some form of transfer of value from the company, shall be first approved by the Executive Board for subsequent submission to the Board of Directors for a final decision. The Executive Board only submits proposals for such cooperation projects or transactions, where there is a clear business benefit for the company and all its shareholders. Areas or knowledge that the company defines as strategic or of importance to the company's unique position in its markets are completely excluded from this cooperation. All initiatives are documented in a logbook and in cases where the company has decided not to participate in a cooperation project or a transaction, this is reported to the Board.

The financial information that Volkswagen AG requires for its external reporting is communicated to Volkswagen AG in accordance with NASDAQ OMX Stockholm's rules and Swedish stock market rules.

The company's auditors will examine the company's processes for participation in cooperation projects or transactions with companies in the Volkswagen Group. The auditors will give an oral presentation at the AGM.

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. At the annual Top Management Meeting, the Executive Board communicates the Scania Group's strategic direction. This is also compiled in summary documents (known as "one-pagers"), which are available to employees. The strategic direction serves as the foundation for the Scania Group's 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".

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 2013 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 AND EXECUTIVE BOARD

BOARD OF DIRECTORS

Martin Winterkorn

Chairman of the Board of Directors since 2007. Chairman, Remuneration Committee.

Born: 1947.
Education: Prof. Dr. Dr. h. c. mult.
Shares in Scania: 0.

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 Supervisory Board of FC Bayern München 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.

Leif Östling

Vice Chairman since 13 December 2012. Member of the Board of Directors since 1994.

Born: 1945.
Education: MBA and MSc.
Shares in Scania: 140,000 A shares, 260,100 B shares plus 160,000 B shares via related companies.

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. Member of the Supervisory Board of EQT Holdings AB.

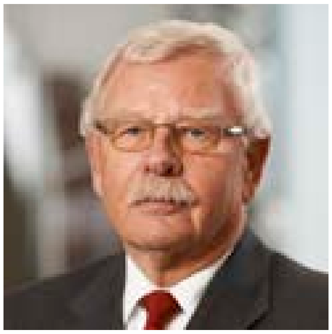
Relevant work experience:
Member of the Board of Management, Volkswagen AG, responsible for Group Commercial Vehicles from 1 September 2012. Various management positions at Scania AB since 1972, President and CEO of Scania AB between 1994 and 2012.

Peter Abele

Member of the Board of Directors since 2012. Chairman, Audit Committee. Member, Remuneration Committee.

Born: 1941.
Education: Degree in Engineering (Graduate Engineer and Graduate Industrial Engineer).
Shares in Scania: 0.

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.



Helmut Aurenz

Member of the Board of Directors since 2008.

Born: 1937.
Education: Apprenticeship in Horticulture, Entrepreneur.
Shares in Scania: 0.

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 Germany.

Francisco J. Garcia Sanz

Member of the Board of Directors since 2007. Member, Remuneration Committee.

Born: 1957.
Education: Dr. rer. pol. h. c.
Shares in Scania: 0.

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.

Martin Lundstedt

Member of the Board of Directors since 2013.

Born: 1967.
Education: MSc.
Shares in Scania: 31,530 B-shares

Other directorships:
Chairman of Permobil AB and Partex Marking Systems AB. Board member of Concentric AB and of Laxå Special Vehicles AB.

Relevant work experience:
Various managerial positions at Scania since 1992, President and CEO for Scania since 2012.

Ferdinand K. Piëch

Member of the Board of Directors since 2012.

Born: 1937.
Education: Degree in Engineering Dipl.-Ing.
Shares in Scania: 0.

Other directorships:
Chairman of the Supervisory Board of Volkswagen AG and MAN SE. Member of the Supervisory Board of AUDI AG, Porsche Automobil Holding SE, Porsche AG, Porsche Holding GmbH and Director of Ducati Motor Holding spa. Chairman of the Board of Directors of Scania between 2000 and 2002. 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.

Hans Dieter Pötsch

Member of the Board of Directors since 2007. Member, Audit Committee.

Born: 1951.
Education: MSc.
Shares in Scania: 0.

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.

Åsa Thunman

Member of the Board of Directors since 2010. Member, Audit Committee.

Born: 1969.
Education: Law degree (LL.M.).
Shares in Scania: 0.

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.

Peter Wallenberg Jr

Member of the Board of Directors since 2005.

Born: 1959.
Education: MBA.
Shares in Scania: 6,000 B shares.

Other directorships:
Chairman of Foundation Administration Management Sweden AB, the Grand Group AB, the Royal Swedish Automobile Club. Vice Chairman of the Knut and Alice Wallenberg Foundation. Board member of Investor AB, Aleris Holding AB, Atlas Copco AB and Foundation Asset Management Sweden AB.

Relevant work experience:
Various positions at Grand Hôtel.

Håkan Thurfjell

Representative of the Federation of Salaried Employees in Industry and Services (PTK) at Scania. Member of the Board of Directors since 2008.

Born: 1951.
Shares in Scania: 0.

Relevant work experience:
Various managerial positions at Scania.

Lisa Lorentzon

Representative of the Federation of Salaried Employees in Industry and Services at Scania (PTK). Deputy member of the Board of Directors since 2012.

Born: 1982.
Shares in Scania: 20 B shares.

Relevant work experience:
Various positions at Scania since 2007, current position Manager Scania IT.

Johan Järvklo

Representative of the Swedish Metal Workers' Union at Scania. Member of the Board of Directors since 2008. Previously deputy member since 2006.

Born: 1973.
Shares in Scania: 0.

Relevant work experience:
Various positions at Scania.

Mikael Johansson

Representative of the Swedish Metal Workers' Union at Scania. Deputy member of the Board of Directors since 2008.

Born: 1963.
Shares in Scania: 0.

Relevant work experience:
Various positions at Scania.

EXECUTIVE BOARD

Martin Lundstedt
President and CEO.

Born: 1967.
Education: MSc.
Joined Scania in 1992.

Shares in Scania: 31,530 B shares.

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

Born: 1961.
Education: BSc.
Joined Scania in 1987.

Shares in Scania: 17,762 B shares.

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

Born: 1958.
Education: BSc.
Joined Scania in 1979.

Shares in Scania: 2,360 B shares.

Andrea Fuder
Member of Executive Board. Executive Vice President, Head of Purchasing.

Born: 1967.
Education: MBA and MSc.
Joined Scania in 2012.

Shares in Scania: 156 B shares.

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

Born: 1952.
Education: MSc.
Joined Scania in 1977.

Shares in Scania: 13,867 B shares.

Henrik Henriksson
Member of Executive Board. Executive Vice President, Head of Sales and Marketing.

Born: 1970.
Education: BSc.
Joined Scania in 1997.

Shares in Scania: 4,278 B shares.

Christian Levin
Member of Executive Board. Executive Vice President, Head of Commercial Operations.

Born: 1967.
Education: MBA and MSc.
Joined Scania in 1994.

Shares in Scania: 1,032 B shares.

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

Born: 1958.
Education: Dr.-Ing.
Joined Scania in 2012.
Shares in Scania: 204 B shares.

GROUP FINANCIAL REVIEW

NET SALES

The net sales of the Scania Group, in the Vehicles and Services segment, increased by 9 percent to SEK 86,847 m. (79,603). Currency rate effects had a negative impact on sales of 5 percent.

New vehicle sales revenue increased by 13 percent. Sales were influenced by the increased number of vehicles delivered. Engine sales revenue decreased by 8 percent. Service revenue was stable overall, amounting to SEK 17,510 m. (17,092). Higher volume of workshop hours and parts as well as somewhat higher prices had a positive impact, while currency rate effects had a negative impact.

Interest and lease income in the Financial Services segment decreased by 2 percent, mainly due to lower interest rates and a stronger Swedish krona partly offset by higher financing volume.

Net sales by product, SEK m.	**2013**	2012
Trucks	**57,502**	49,580
Buses	**6,610**	7,196
Engines	**1,140**	1,245
Services	**17,510**	17,092
Used vehicles	**4,912**	4,492
Miscellaneous	**2,319**	1,892
Delivery sales value	**89,993**	81,497
Adjustment for lease income [1]	**–3,146**	–1,894
Total Vehicles and Services	**86,847**	79,603
Financial Services	**4,494**	4,576
Elimination [2]	**–1,812**	–1,728
Scania Group total	**89,529**	82,451

1 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.

2 Elimination refers to rental income from operating leases.

DELIVERIES

During 2013 Scania delivered 73,611 (61,051) trucks, an increase of 21 percent. Bus deliveries increased by 8 percent to 6,853 (6,350) units. Engine deliveries decreased by 4 percent to 6,783 (7,063) units.

Vehicles delivered	**2013**	2012
Vehicles and Services		
Trucks	**73,611**	61,051
Buses	**6,853**	6,350
Total new vehicles	**80,464**	67,401
Used vehicles	**15,555**	13,756
Engines	**6,783**	7,063

Financial Services

Number financed (new during the year)	**2013**	2012
Trucks	**21,110**	19,533
Buses	**569**	914
Total new vehicles	**21,679**	20,447
Used vehicles	**5,716**	5,331
New financing, SEK m.	**23,615**	23,992
Portfolio, SEK m.	**48,863**	45,037

EARNINGS

Scania's operating income amounted to SEK 8,455 m. (8,300) during 2013. Operating margin amounted to 9.7 (10.4) percent.

Operating income in Vehicles and Services totalled SEK 7,736 m. (7,694) during 2013. Higher vehicle deliveries and higher service volume were offset by negative currency rate effects and a competitive pricing environment.

Scania's research and development expenditures amounted to SEK 5,854 m. (5,312). After adjusting for SEK 1,123 m. (860) in capitalised expenditures and SEK 293 m. (229) in depreciation of previously capitalised expenditures, recognised expenses increased to SEK 5,024 m. (4,681).

Compared to the full year 2012, the total currency rate effect was negative and amounted to SEK 1,735 m.

Operating income in Financial Services rose to SEK 719 m. (606). This was equivalent to 1.5 (1.4) percent of the average portfolio during the year. The improved earnings were mainly due to a larger portfolio and higher margins. Bad debt expenses decreased somewhat during the year.

At year-end 2013, the size of the customer finance portfolio amounted to SEK 48.9 billion, which represented an increase of SEK 3.8 billion since the end of 2012. In local currencies, the portfolio increased by SEK 4.2 billion, equivalent to 9.2 percent.

Operating income per segment, SEK m.	**2013**	2012
Vehicles and Services		
Operating income	**7,736**	7,694
Operating margin, %	***8.9***	*9.7*
Financial Services		
Operating income	**719**	606
Operating margin, % [1]	***1.5***	*1.4*
Operating income, Scania Group	**8,455**	8,300
Operating margin, %	***9.7***	*10.4*
Income before tax	**8,408**	8,281
Taxes	**–2,214**	–1,641
Net income	**6,194**	6,640
Earnings per share, SEK	**7.75**	8.31
Return on equity, %	**17.5**	19.2

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

GROUP FINANCIAL REVIEW, CONTINUED

Scania's net financial items amounted to SEK –47 m. (–19). Net interest items amounted to SEK –63 m. (133). Net interest items were negatively affected by a lower interest margin and a lower average net cash position in Vehicles and Services compared to the previous year. Other financial income and expenses amounted to SEK 16 m. (–152). These included SEK 72 m. (–90) in valuation effects related to financial instruments where hedge accounting was not applied.

Income before taxes amounted to SEK 8,408 m. (8,281). The Scania Group's tax expense for 2013 was equivalent to 26.3 (19.8) percent of income before taxes. The tax rate was negatively affected primarily by the reduction in Swedish corporation tax in the fourth quarter of 2012.

Net income for the year totalled SEK 6,194 m. (6,640), corresponding to a net margin of 7.1 (8.3) percent. Earnings per share amounted to SEK 7.75 (8.31).

CASH FLOW

Cash flow in Vehicles and Services amounted to SEK 3,231 m. (3,025). Tied-up working capital decreased by SEK 102 m., despite a negative impact from a redemption of about SEK 800 m. related to the PRI Swedish pension system debt.

Net investments amounted to SEK 5,320 m. (4,455), including SEK 1,123 m. (860) in capitalisation of development expenses. At the end of 2013, the net cash position in Vehicles and Services amounted to SEK 8,843 m. (SEK 9,361 m.).

Cash flow in Financial Services amounted to SEK –3,336 m. (–4,089), due to a growing customer finance portfolio.

NET DEBT

Net debt, SEK m.	**2013**	2012
Cash and cash equivalents and current investments	**–9,609**	–12,047
Current borrowings	**14,483**	16,305
Non-current borrowings	**29,350**	26,146
Net market value of derivatives for hedging of borrowings	**–352**	–148
Total [1]	33,872	30,256
of which, attributable to Vehicles and Services [1]	**–8,843**	–9,361
of which, attributable to Financial Services [1]	**42,715**	39,617

1 Net cash (–)/Net debt (+).

Cash flow for the year in Vehicles and Services of SEK 3,231 m., after subtracting the dividend and taking into account currency rate effects, meant that the net cash position decreased by SEK 518 m. to SEK 8,843 m.

FINANCIAL POSITION

Financial ratios related to the balance sheet	**2013**	2012
Equity/assets (E/A) ratio, %	**31.4**	30.9
E/A ratio, Vehicles and Services, %	**45.8**	44.1
E/A ratio, Financial Services, %	**10.4**	10.3
Equity per share, SEK	**46.3**	43.7
Return on capital employed, Vehicles and Services, % [2]	**21.6**	22.5
Net debt/equity ratio, Vehicles and Services [3]	**–0.28**	–0.31

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

During 2013, the equity of the Scania Group increased by SEK 2,108 m. and totalled SEK 37,112 m. (35,004) at year-end. Net income added SEK 6,194 m. (6,640), while the dividend to shareholders decreased equity by SEK 3,800 m. (4,000). Equity decreased by SEK 907 m. (1,178) because of exchange rate differences that arose when translating net assets outside Sweden. In addition, equity increased by SEK 803 m. (–1,238) because of cash flow hedgings and actuarial gains on pension liabilities. Taxes attributable to items reported under "Other comprehensive income" totalled SEK 182 m. (199). The non-controlling interest was unchanged during the year (69).

The regular dividend for the 2013 financial year proposed by the Board of Directors is SEK 4.00 (4.75) per share.

NUMBER OF EMPLOYEES

The number of employees in the **Scania Group** at year-end 2013 was 40,953, compared to 38,597 at the end of 2012.

In **Vehicles and Services**, the number of employees at the end of December was 40,214 (37,906).

In **Financial Services**, the number of employees at year-end 2013 was 739 (691).

FINANCIAL RISKS

Currency risk

Currency transaction exposure in operating income during 2013 totalled about SEK 31 (28) billion. The largest currency flows were in euros, Brazilian reais, British pounds and US dollars. Based on 2013 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 306 m. (281) 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 2013, no future currency flows were hedged.

At the end of 2013, Scania's net assets in foreign currencies amounted to SEK 21,350 m. (19,900). 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 2013, no foreign net assets were hedged.

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 383 m. (462), equivalent to 5.1 (6.6) percent of total receivables. The year's bad debt expenses amounted to SEK 56 m. (56).

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 280 m. (290), equivalent to 0.60 (0.66) percent of the average portfolio. The year's actual credit losses amounted to SEK 238 m. (249).

At year-end, the total reserve for bad debt expenses in Financial Services amounted to SEK 805 m. (763), equivalent to 1.6 (1.7) percent of the portfolio at the close of 2013.

The year-end credit portfolio amounted to SEK 48,863 m. (45,037), allocated among about 27,000 customers, of which 98.7 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 other borrowing mainly via the banking system. In addition, Scania secures a certain portion of its borrowing needs via five committed credit facilities: three in the international borrowing market and two in the Swedish market.

At year-end 2013, borrowings amounted to SEK 43.8 (42.4) billion. In addition to utilised borrowing, Scania had unutilised committed credit facilities equivalent to SEK 28.1 (27.2) 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 9,873 m. (8,605). Exposure rose by SEK 1,268 m., mainly due to an increased number of newly contracted obligations in Europe and somewhat due to the stronger euro. During 2013, the volume of new contracts was about 8,700 (7,800).

Service contracts

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

The number of contracts rose during 2013 by 12,000 and totalled 129,300 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 conducts no operations. Income before taxes of Scania AB during 2013 totalled SEK 7,000 m. (4,000).

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	2013	2012	2011
Vehicles and Services				
Net sales	4	**86,847**	79,603	87,686
Cost of goods sold	5	**–65,303**	–58,927	–63,163
Gross income		**21,544**	20,676	24,523
Research and development expenses [1]	5	**–5,024**	–4,681	–4,440
Selling expenses	5	**–7,740**	–7,286	–7,014
Administrative expenses	5	**–1,065**	–1,042	–1,204
Share of income in associated companies and joint ventures	13	**21**	27	16
Operating income, Vehicles and Services		**7,736**	7,694	11,881
Financial Services	6			
Interest and lease income		**4,494**	4,576	4,372
Interest and depreciation expenses		**–2,920**	–3,095	–3,023
Interest surplus		**1,574**	1,481	1,349
Other income		**160**	119	129
Other expenses		**–49**	–54	–48
Gross income		**1,685**	1,546	1,430
Selling and administrative expenses	5	**–686**	–650	–615
Bad debt expenses, realised and anticipated		**–280**	–290	–298
Operating income, Financial Services		**719**	606	517
Operating income		**8,455**	8,300	12,398
Interest income		**548**	659	749
Interest expenses		**–611**	–526	–488
Other financial income		**187**	80	116
Other financial expenses		**–171**	–232	–163
Total financial items	7	**–47**	–19	214
Income before taxes		**8,408**	8,281	12,612
Taxes	8	**–2,214**	–1,641	–3,190
Net income		**6,194**	6,640	9,422

1 Total research and development expenditures during the year amounted to SEK 5,854 m. (5,311 and 4,658, respectively).

January – December, SEK m.	Note	**2013**	2012	2011
Other comprehensive income	16			
Items that may be reclassified to net income				
Translation differences		**–907**	–1,178	–719
Cash flow hedges				
change in value for the year		**–**	2	62
reclassification to operating income		**0**	3	–12
Taxes		**–3**	–17	–18
		–910	–1,190	–687
Items that will not be reclassified to net income				
Remeasurements of defined-benefit plans	17	**803**	–1,243	–356
Taxes		**–179**	216	97
		624	–1,027	–259
Total other comprehensive income		**–286**	–2,217	–946
Total comprehensive income for the year		**5,908**	4,423	8,476
Net income attributable to:				
Scania shareholders		***6,201***	*6,646*	*9,422*
Non-controlling interest		***–7***	*–6*	*0*
Total comprehensive income attributable to:				
Scania shareholders		***5,913***	*4,431*	*8,476*
Non-controlling interest		***–5***	*–8*	*0*
Operating income includes depreciation of [2]	10	***–2,929***	*–2,698*	*–2,630*
Earnings per share, SEK [3]	9	***7.75***	*8.31*	*11.78*

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

CONSOLIDATED BALANCE SHEETS

31 December, SEK m.	Note	2013	2012	2011
ASSETS				
Non-current assets				
Intangible assets	11	**4,046**	3,150	2,544
Tangible assets	12	**21,678**	20,628	20,319
Lease assets	12	**14,610**	12,661	12,155
Holdings in associated companies and joint ventures	13	**490**	491	496
Long-term interest-bearing receivables	31	**24,082**	22,996	21,040
Other long-term receivables [1]	15, 31	**1,290**	1,342	1,529
Deferred tax assets	8	**1,495**	1,456	1,251
Tax receivables		**294**	3	15
Total non-current assets		**67,985**	62,727	59,349
Current assets				
Inventories	14	**14,552**	14,235	14,522
Current receivables				
Tax receivables		**303**	539	760
Interest-bearing receivables	31	**15,377**	14,007	13,197
Non-interest-bearing trade receivables	31	**6,737**	6,090	6,219
Other current receivables [1]	15, 31	**3,502**	3,487	3,466
Total current receivables		**25,919**	24,123	23,642
Current investments	31	**47**	129	148
Cash and cash equivalents	31			
Current investments comprising cash and cash equivalents		**7,301**	10,545	10,153
Cash and bank balances		**2,261**	1,373	1,495
Total cash and cash equivalents		**9,562**	11,918	11,648
Total current assets		**50,080**	50,405	49,960
Total assets		**118,065**	113,132	109,309

1 Including fair value of derivatives for hedging of borrowings:	2013	2012	2011
Other non-current receivables, derivatives with positive value	**542**	670	814
Other current receivables, derivatives with positive value	**345**	340	621
Other non-current liabilities, derivatives with negative value	**228**	518	563
Other current liabilities, derivatives with negative value	**307**	344	307
Net amount	**352**	148	565

31 December, SEK m.	Note	**2013**	2012	2011
EQUITY AND LIABILITIES				
Equity				
Share capital		**2,000**	2,000	2,000
Other contributed capital		**1,120**	1,120	1,120
Reserves		**–2,410**	–1,498	–310
Retained earnings		**36,345**	33,320	31,701
Equity attributable to Scania shareholders		**37,055**	34,942	34,511
Non-controlling interest		**57**	62	1
Total equity	16	**37,112**	35,004	34,512
Non-current liabilities				
Non-current interest-bearing liabilities	31	**29,350**	26,146	19,011
Provisions for pensions	17	**5,788**	7,136	5,922
Other non-current provisions	18	**2,750**	2,590	2,867
Accrued expenses and deferred income	19	**5,359**	4,242	4,012
Deferred tax liabilities	8	**432**	467	868
Other non-current liabilities [1]	31	**257**	531	617
Total non-current liabilities		**43,936**	41,112	33,297
Current liabilities				
Current interest-bearing liabilities	31	**14,483**	16,305	19,782
Current provisions	18	**1,841**	1,650	1,597
Accrued expenses and deferred income	19	**7,817**	7,473	6,902
Advance payments from customers		**708**	793	832
Trade payables	31	**8,682**	7,671	8,308
Tax liabilities		**518**	631	1,280
Other current liabilities [1]	31	**2,968**	2,493	2,799
Total current liabilities		**37,017**	37,016	41,500
Total equity and liabilities		**118,065**	113,132	109,309
Net debt, excluding provisions for pensions, SEK m. [1]		**33,872**	30,256	26,432
Net debt/equity ratio		**0.91**	0.86	0.77
Equity/assets ratio, %		**31.4**	30.9	31.6
Equity per share, SEK		**46.3**	43.7	43.1
Capital employed, SEK m.		**86,381**	84,443	78,662

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

2013	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	0	–1,498	33,320	34,942	62	35,004
Net income					6,201	6,201	–7	6,194
Other comprehensive income			0	–912	624	–288	2	–286
Total comprehensive income	–	–	–	–912	6,825	5,913	–5	5,908
Change in non-controlling interest								
Dividend to Scania AB shareholders					–3,800	–3,800		–3,800
Equity, 31 December	**2,000**	**1,120**	**–**	**–2,410**	**36,345**	**37,055**	**57**	**37,112**

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**

CONSOLIDATED CASH FLOW STATEMENTS

January – December, SEK m.	Note	2013	2012	2011
Operating activities				
Income before tax	24 a	**8,408**	8,281	12,612
Items not affecting cash flow	24 b	**3,236**	2,935	3,270
Taxes paid		**–2,394**	–2,496	–3,548
Cash flow from operating activities before change in working capital		**9,250**	8,720	12,334
Change in working capital				
Inventories		**–959**	–312	–1,919
Receivables		**–1,386**	–633	–691
Provisions for pensions		**–604**	285	153
Trade payables		**1,163**	–481	234
Other liabilities and provisions		**1,888**	583	1,266
Total change in working capital		**102**	–558	–957
Cash flow from operating activities		**9,352**	8,162	11,377
Investing activities				
Net investments through acquisitions/divestments of businesses	24 c	**–26**	25	44
Net investments in non-current assets, Vehicles and Services	24 d	**–5,294**	–4,480	–3,776
Net investments in credit portfolio etc., Financial Services	24 d	**–4,137**	–4,771	–7,477
Cash flow from investing activities		**–9,457**	–9,226	–11,209
Cash flow before financing activities	23	**–105**	–1,064	168
Financing activities				
Change in debt from financing activities	24 e	**2,016**	5,912	6,024
Dividend	23	**–3,800**	–4,000	–4,000
Cash flow from financing activities		**–1,784**	1,912	2,024
Cash flow for the year		**–1,889**	848	2,192
Cash and cash equivalents, 1 January		**11,918**	11,648	9,807
Exchange rate differences in cash and cash equivalents		**–467**	–578	–351
Cash and cash equivalents, 31 December	24 f	**9,562**	11,918	11,648

Cash flow statement, Vehicles and Services		**2013**	2012	2011
Cash flow from operating activities before change in working capital		**8,449**	8,038	11,659
Change in working capital etc.		**102**	–558	–957
Cash flow from operating activities		**8,551**	7,480	10,702
Cash flow from investing activities		**–5,320**	–4,455	–3,732
Cash flow before financing activities	23	**3,231**	3,025	6,970
Cash flow per share, Vehicles and Services excluding acquisitions/divestments		**4.07**	3.75	8.66

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 shares of the Parent company are listed on the NASDAQ OMX Stockholm.

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

The changes in accounting principles applied by the Group from 1 January 2013 are described below. Other new and revised standards and interpretations which were adopted on 1 January 2013 have not had any material impact on Scania's financial statements.

IFRS 13, "Fair Value Measurement" – The standard has been introduced to create a uniform definition of fair value and uniform valuation methods for measurement of fair value. New disclosure requirements have also been introduced. The standard has not had 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, remeasurements of defined benefit plans).

Amendment to IAS 19, "Employee Benefits" – Scania already applies the method for reporting plan assets and 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. Since the relative size of the pension assets is small, the standard has not had any material impact on Scania's financial statements, aside from special payroll tax, which is now included in "Provisions for pensions" and interest income on net pension assets and interest expense on net pension liabilities are now reported gross. The amendment means that SEK 373 m. in the annual accounts has been transferred from "Other provisions" to "Provisions for pensions" on 31 December 2013 (change in prior years: SEK 554 m. on 31 December 2012 and SEK 383 m. on 31 December 2011) and interest income and expense attributable to net pension assets and net pension liabilities have been adjusted by SEK 44 m. per 2013 (change in prior years: 2012 SEK 50 m. and 2011 SEK 72 m.).

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

NOTE 1 Accounting principles, continued

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 73.

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.

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.

NOTE 1 Accounting principles, continued

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.
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 remeasurements of defined-benefit plans, 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 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. Remeasurements of net pension liabilities, which include actuarial gains and losses, return on plan assets excluding amounts that are part of net interest income on net defined benefit liability and each change in the effect of the asset ceiling excluding amounts that are part of net interest income on net defined benefit liability, are recognised in "Other comprehensive income" and do not affect net income. Remeasurements are not reclassified to net income in subsequent periods.

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 pension funds Pensioenfonds Metaal en Techniek and Bedrijfstakpensioenfonds Metal Elektro, which are administered via MN Services, 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, the so-called asset ceiling 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".

NOTE 1 Accounting principles, continued

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.

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 2014 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 deal with classification and measurement. It has still not been determined when the standard will enter into force.

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 has opted 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 has opted 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 has opted for.

Other changes in standards and interpretations that enter into force on 1 January 2014 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 or may 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 and provided as appropriations in the income statement. This is a new accounting principle in compliance with Recommendation RFR 2 of the Swedish Financial Reporting Board, and comparative years have been correspondingly restated.

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 2013, obligations related to residual value or repurchase amounted to SEK 9,873 m. (8,605).

Credit risks

In its Financial Services operations, Scania has an exposure in the form of contractual payments. At the end of 2013, these amounted to SEK 48,863 m. (45,037). 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 2013, the reserve for doubtful receivables in Financial Services operations amounted to SEK 805 m. (763). 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 capital, 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 2013, Scania's goodwill amounted to SEK 1,086 m. (1,082). 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 2,753 m. (1,923) on 31 December 2013.

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 one is related to the discount rate on the obligations. 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 4.00 percent (3.25). 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 1,473 m. (1,480) on 31 December 2013.

Legal and tax risks

On 31 December 2013, provisions for legal and tax risks amounted to SEK 1,337 m. (1,200). 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 provisions 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, has been transferred to the European Commission.

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	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
Revenue from external customers [1]	86,847	79,603	87,686	4,494	4,576	4,372	–1,812	–1,728	–1,749	89,529	82,451	90,309
Expenses	–79,132	–71,936	–75,821	–3,775	–3,970	–3,855	1,812	1,728	1,749	–81,095	–74,178	–77,927
Share of income in associated companies and joint ventures	21	27	16	–	–	–	–	–	–	21	27	16
Operating income	7,736	7,694	11,881	719	606	517		–	–	8,455	8,300	12,398
Interest income	548	659	749	–	–	–	–	–	–	548	659	749
Interest expenses	–611	–526	–448	–	–	–	–	–	–	–611	–526	–488
Other financial income and expenses [2]	16	–152	–47	–	–	–	–	–	–	16	–152	–47
Income before tax	7,689	7,675	12,095	719	606	517	–	–	–	8,408	8,281	12,612
Taxes [2]	–2,043	–1,514	–3,063	–171	–127	–127	–	–	–	–2,214	–1,641	–3,190
Net income for the year	5,646	6,161	9,032	548	479	390	–	–	–	6,194	6,640	9,422
Depreciation/amortisation included in operating income [3]	–2,911	–2,678	–2,609	–18	–20	–21	–	–	–	–2,929	–2,698	–2,630

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	2013	2012	2011	2013	2012	2011	2013	2012	2011
Cash flow from operating activities before change in working capital	8,449	8,038	11,659	801	682	675	9,250	8,720	12,334
Change in working capital etc.	102	–558	–957	–	–	–	102	–558	–957
Cash flow from operating activities	8,551	7,480	10,702	801	682	675	9,352	8,162	11,377
Cash flow from investing activities	–5,320	–4,455	–3,732	–4,137	–4,771	–7,477	–9,457	–9,226	–11,209
Cash flow before financing activities	3,231	3,025	6,970	–3,336	–4,089	–6,802	–105	–1,064	168

Balance sheet	Vehicles and Services			Financial Services			Eliminations			Scania Group		
31 December	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Assets												
Intangible assets	**4,033**	3,138	2,529	**13**	12	15	**–**	–	–	**4,046**	3,150	2,544
Tangible assets	**21,638**	20,594	20,286	**40**	34	33	**–**	–	–	**21,678**	20,628	20,319
Lease assets [6]	**6,669**	5,992	5,406	**9,505**	8,135	8,301	**–1,564**	–1,466	–1,552	**14,610**	12,661	12,155
Holdings in associated companies and joint ventures	**490**	491	496	**–**	–	–	**–**	–	–	**490**	491	496
Interest-bearing receivables, non-current [7]	**5**	8	109	**24,077**	22,988	20,931	**–**	–	–	**24,082**	22,996	21,040
Other receivables, non-current	**2,808**	2,565	2,611	**271**	236	184	**–**	–	–	**3,079**	2,801	2,795
Inventories	**14,552**	14,235	14,522	**–**	–	–	**–**	–	–	**14,552**	14,235	14,522
Interest-bearing receivables, current [7]	**96**	93	194	**15,281**	13,914	13,003	**–**	–	–	**15,377**	14,007	13,197
Other receivables, current [8]	**10,243**	9,684	9,906	**886**	1,037	1,057	**–587**	–605	–518	**10,542**	10,116	10,445
Current investments, cash and cash equivalents	**9,004**	11,690	11,468	**605**	357	328	**–**	–	–	**9,609**	12,047	11,796
Total assets	**69,538**	68,490	67,527	**50,678**	46,713	43,852	**–2,151**	–2,071	–2,070	**118,065**	113,132	109,309
Equity and liabilities												
Equity	**31,849**	30,195	30,005	**5,263**	4,809	4,507	**–**	–	–	**37,112**	35,004	34,512
Interest-bearing liabilities [9]	**513**	2,477	1,418	**43,320**	39,974	37,375	**–**	–	–	**43,833**	42,451	38,793
Provisions for pensions	**5,748**	7,102	5,897	**40**	34	25	**–**	–	–	**5,788**	7,136	5,922
Other non-current provisions	**2,745**	2,584	2,863	**5**	6	4	**–**	–	–	**2,750**	2,590	2,867
Other liabilities, non-current	**5,436**	4,635	4,897	**612**	605	600	**–**	–	–	**6,048**	5,240	5,497
Current provisions	**1,825**	1,643	1,593	**16**	7	4	**–**	–	–	**1,841**	1,650	1,597
Other liabilities, current [6, 8]	**21,422**	19,854	20,854	**1,422**	1,278	1,337	**–2,151**	–2,071	–2,070	**20,693**	19,061	20,121
Total equity and liabilities	**69,538**	68,490	67,527	**50,678**	46,713	43,852	**–2,151**	–2,071	–2,070	**118,065**	113,132	109,309
Gross investment for the period in												
– Intangible assets	**1,226**	940	437	**7**	4	4	**–**	–	–	**1,233**	944	441
– Tangible assets	**3,851**	3,216	2,597	**20**	18	15	**–**	–	–	**3,871**	3,234	2,612
– Lease assets [8]	**2,796**	2,660	2,650	**4,452**	3,614	3,486	**–644**	–469	–558	**6,604**	5,805	5,578

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		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Vehicles and Services									
Net sales, January–December [1, 4]	**43,631**	41,714	45,167	**6,052**	5,972	6,062	**7,760**	7,843	10,174
Assets, 31 December [2]	**51,502**	50,684	50,225	**1,770**	2,259	1,667	**2,774**	2,479	2,142
Gross investments [2]	**3,988**	3,316	2,437	**44**	64	46	**170**	201	55
Non-current assets [5]	**29,962**	27,430	26,277	**557**	585	549	**661**	511	334
Financial Services									
Revenue, January–December [1, 6]	**3,367**	3,413	3,453	**308**	296	251	**143**	161	163
Assets, 31 December [2]	**37,654**	34,090	33,150	**2,380**	2,425	2,276	**1,867**	1,891	2,013
New financing to customers	**17,237**	16,882	17,933	**1,268**	1,424	1,424	**976**	893	1,294
Non-current assets [7]	**26,398**	23,811	22,996	**1,231**	1,371	1,283	**1,048**	1,088	1,164

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.
4 Of which Sweden 4,643 (5,396 and 6,115 respectively).
5 Of which Sweden 15,693 (13,417 and 12,904 respectively).
6 Of which Sweden 296 (318 and 313 respectively).
7 Of which Sweden 3,381 (3,703 and 3,291 respectively).

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	2013	2012	2011
Trucks	**57,502**	49,580	57,632
Buses	**6,610**	7,196	8,206
Engines	**1,140**	1,245	1,179
Service	**17,510**	17,092	17,048
Used vehicles	**4,912**	4,492	4,313
Other products	**2,319**	1,892	1,907
Total delivery value	**89,993**	81,497	90,285
Adjustment for lease income [1]	**–3,146**	–1,894	–2,599
Net sales, Vehicles and Services	**86,847**	79,603	87,686
Financial Services	**4,494**	4,576	4,372
Eliminations [2]	**–1,812**	–1,728	–1,749
Revenue from external customers	**89,529**	82,451	90,309

1 Refers mainly to new trucks, SEK –2,769 m. (–1,799 and –2,193, respectively) and new buses, SEK 74 m. (79 and –333, 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.

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.

America[3]			Africa and Oceania			Total		
2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
23,551	18,391	20,912	**5,853**	5,683	5,371	**86,847**	79,603	87,686
11,363	10,892	11,619	**2,129**	2,176	1,874	**69,538**	68,490	67,527
837	551	458	**38**	24	38	**5,077**	4,156	3,034
3,916	3,697	3,819	**547**	565	458	**35,643**	32,788	31,437
460	447	231	**216**	259	274	**4,494**	4,576	4,372
7,058	6,346	4,226	**1,719**	1,961	2,187	**50,678**	46,713	43,852
3,085	3,482	3,527	**1,049**	1,311	1,567	**23,615**	23,992	25,745
4,247	3,965	2,710	**982**	1,170	1,311	**33,906**	31,405	29,464

NOTE 5 Operating expenses

Vehicles and Services	2013	2012	2011
Cost of goods sold			
Cost of goods	**41,756**	37,091	40,085
Staff	**12,460**	11,658	11,426
Depreciation/amortisation	**2,070**	1,997	1,960
Other	**9,017**	8,181	9,692
Total	**65,303**	58,927	63,163
Research and development expenses			
Staff	**1,820**	1,793	1,809
Depreciation/amortisation	**559**	462	420
Other	**2,645**	2,426	2,211
Total	**5,024**	4,681	4,440
Selling expenses			
Staff	**4,097**	3,850	3,663
Depreciation/amortisation	**275**	212	223
Other	**3,368**	3,224	3,128
Total	**7,740**	7,286	7,014
Administrative expenses			
Staff	**560**	537	497
Depreciation/amortisation	**7**	7	6
Other	**498**	498	701
Total	**1,065**	1,042	1,204

Financial Services	2013	2012	2011
Selling and administrative expenses			
Staff	**467**	436	410
Depreciation/amortisation	**18**	20	21
Other	**201**	194	184
Total	**686**	650	615

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.

	2013	2012	2011
Interest income	**2,274**	2,418	2,157
Lease income	**2,220**	2,158	2,215
Depreciation	**–1,812**	–1,728	–1,749
Interest expenses	**–1,108**	–1,367	–1,274
Net interest income	**1,574**	1,481	1,349
Other income and expenses	**111**	65	81
Gross income	**1,685**	1,546	1,430
Selling and administrative expenses	**–686**	–650	–615
Bad debt expenses [1]	**–280**	–290	–298
Operating income	**719**	606	517

1 These expenses were equivalent to 0.60 (0.66 and 0.76, respectively) percent of the average credit portfolio.

Lease assets (operating leases)	**2013**	2012	2011
1 January	**8,135**	8,301	8,497
New contracts	**4,452**	3,614	3,486
Depreciation	**–1,812**	–1,728	–1,749
Terminated contracts	**–1,466**	–1,811	–1,815
Change in value adjustments	**13**	8	–15
Exchange rate differences	**183**	–249	–103
Carrying amount, 31 December [2]	**9,505**	8,135	8,301

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

Financial receivables (hire purchase contracts and financial leases)	**2013**	2012	2011
1 January	**36,902**	33,934	27,640
New receivables	**19,163**	20,378	22,259
Loan principal payments/ terminated contracts	**–16,201**	–15,908	–15,131
Change in value adjustments	**–56**	–49	72
Exchange rate differences	**–450**	–1,453	–906
Carrying amount, 31 December	**39,358**	36,902	33,934
Total receivables and lease assets [3]	**48,863**	45,037	42,235

3 The number of contracts in the portfolio on 31 December totalled about 107,000 (100,000 and 95,000, respectively).

Net investments in financial leases	**2013**	2012	2011
Receivables related to future minimum lease payments	**22,738**	24,394	23,364
Less:			
Reserve for bad debts	**–560**	–548	–546
Imputed interest	**–1,931**	–2,288	–2,447
Net investment [4]	**20,247**	21,558	20,371

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

Future minimum lease payments [5]	**Operating leases**	**Financial leases**	***Of which interest***
2014	**1,766**	**8,388**	*931*
2015	**1,400**	**6,263**	*542*
2016	**895**	**4,182**	*272*
2017	**422**	**2,374**	*111*
2018	**189**	**962**	*42*
2019 and thereafter	**63**	**569**	*33*
Total	**4,735**	**22,738**	***1,931***

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

	2013	2012	2011
Interest income			
Bank balances and financial investments	**438**	496	573
Derivatives [1]	**108**	152	168
Pension assets [4]	**2**	11	8
Total interest income	**548**	659	749
Interest expenses			
Borrowings	**–675**	–882	–1,043
Derivatives [1]	**327**	–215	–63
Total borrowings and derivatives	**–1,002**	–1,097	–1,106
Less interest expenses recognised in Financial Services [2]	**617**	826	843
Pension liability [4]	**–226**	–255	–225
Total interest expenses	**–611**	–526	–488
Total net interest	**–63**	133	261
Other financial income [3]	**187**	80	116
Other financial expenses [3]	**–171**	–232	–163
Total other financial income and expenses	**16**	–152	–47
Net financial items	**–47**	–19	214

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 72 m. (–90 and 42, respectively) in market valuation of financial instruments for which hedge accounting is not applied, as well as exchange rate differences and unrealised/realised gains of SEK 2,481 m. and unrealised/realised losses of SEK 2,478 m. attributable to foreign exchange derivatives and bank-related costs.

4 Due to amendments in IAS 19 (see Note 1 Accounting principles), the comparative figures have been adjusted.

NOTE 8 Taxes

Tax expense/income for the year	2013	2012	2011
Current tax [1]	**–2,553**	–2,074	–3,164
Deferred tax	**339**	433	–26
Total	**–2,214**	–1,641	–3,190
1 Of which, taxes paid:	**–2,394**	–2,496	–3,548

Deferred tax is attributable to the following:	2013	2012	2011
Deferred tax related to temporary differences	**12**	–40	138
Deferred tax due to changes in tax rates and tax rules [2]	**17**	288	–2
Deferred tax income due to tax value of loss carry-forwards recognised during the year	**71**	32	47
Deferred tax expense due to utilisation of previously recognised tax value of tax loss carry-forwards	**–49**	–53	–215
Deferred tax related to change in provision to tax allocation reserve	**299**	222	–12
Other deferred tax liabilities/assets	**–11**	–16	18
Total	**339**	433	–26

2 The effect of changes in tax rates mainly refers to Great Britain (during 2013), Sweden (during 2012) and Great Britain and Chile (during 2011).

NOTE 8 Taxes, continued

	2013		2012		2011	
Reconciliation of effective tax	**Amount**	**%**	Amount	%	Amount	%
Income before tax	**8,408**		8,281		12,612	
Tax calculated using Swedish tax rate	**–1,850**	**22.0**	–2,178	26.3	–3,317	26.3
Tax effect and percentage influence:						
Difference between Swedish and foreign tax rates	**–734**	**9**	–362	4	–528	4
Tax-exempt income	**50**	**–1**	69	–1	111	–1
Non-deductible expenses	**–127**	**2**	–101	1	–118	1
Utilisation of tax value of loss carry-forwards not previously recognised	**194**	**–2**	506	–6	571	–5
Valuation of tax value of loss carry-forwards not previously recognised	**3**	**0**	2	0	42	0
Adjustment for taxes pertaining to previous years	**225**	**–3**	145	–2	16	0
Changed tax rates	**14**	**0**	287	–3	1	0
Other	**11**	**0**	–9	0	32	0
Tax recognised	**–2,214**	**26**	–1,641	20	–3,190	25

Deferred tax assets and liabilities are attributable to the following:	**2013**	2012	2011
Deferred tax assets			
Provisions	**875**	860	971
Provisions for pensions	**967**	1,158	962
Non-current assets	**956**	889	656
Inventories	**514**	490	570
Unutilised tax loss carry-forwards [3]	**579**	575	597
Other current liabilities	**1,261**	1,089	920
Derivatives	**195**	222	377
Other	**337**	433	345
Offset within tax jurisdictions	**–4,189**	–4,260	–4,147
Total deferred tax assets [4]	**1,495**	1,456	1,251
Deferred tax liabilities			
Provisions	**268**	198	261
Non-current assets	**4,166**	3,955	3,868
Tax allocation reserve [5]	**22**	321	605
Derivatives	**118**	190	229
Other	**47**	63	52
Offset within tax jurisdictions	**–4,189**	–4,260	–4,147
Total deferred tax liabilities	**432**	467	868
Deferred tax assets (–) / tax liabilities (+), net amount	**–1,063**	–989	–383

3 Of the deferred tax assets attributable to unutilised tax loss carry-forwards, SEK 459 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 12 447 m. (12,623 and 13,389, 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 5 m., of which SEK 5 m. expire in 2018.

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 deferred tax assets (–)/liabilities (+), net amount	**2013**	2012	2011
Carrying value on 1 January	**–989**	–383	–357
Deferred taxes recognised in the year's income	**–339**	–433	26
Exchange rate differences	**78**	27	39
Tax assets in acquired businesses	**5**	–1	–12
Recognised in "Other comprehensive income", changes attributable to:			
remeasurements of defined-benefit plans	**179**	–216	–97
currency translation reserve	**3**	16	4
hedge reserve	**0**	1	14
Deferred tax assets (–)/ tax liabilities (+), net amount	**–1,063**	–989	–383

NOTE 9 Earnings per share

Earnings per share	**2013**	2012	2011
Net income for the year attributable to Scania shareholders, SEK m.	**6,201**	6,646	9,422
Weighted average, millions of shares outstanding during the year	**800**	800	800
Earnings per share before/ after dilution, SEK	**7.75**	8.31	11.78

There are no financial instruments that can lead to dilution.

NOTE 10 Depreciation/amortisation

Vehicles and Services	**2013**	2012	2011
Intangible non-current assets			
Development expenses	**293**	218	171
Selling expenses	**70**	34	36
Total	**363**	252	207
Tangible non-current assets			
Costs of goods sold [1]	**2,070**	1,997	1,960
Research and development expenses	**266**	244	249
Selling expenses	**205**	178	187
Administrative expenses	**7**	7	6
Total	**2,548**	2,426	2,402
Total depreciation/amortisation, Vehicles and Services	**2,911**	2,678	2,609

1 Of which, a value decrease of SEK 271 m. (206 and 230, respectively) related to short-term rentals in Vehicles and Services. In addition, there was a value decrease of SEK 869 m. (698 and 624, respectively) in capitalised repurchasing obligations.

Financial Services	**2013**	2012	2011
Operating leases (payments of principal)	**1,812**	1,728	1,749
Other non-current assets	**18**	20	21
Total depreciation/amortisation, Financial Services	**1,830**	1,748	1,770

In the Group accounts, depreciation/amortisation was adjusted downward by SEK 545 m. (555 and 477, 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 2,408 m. (2,077 and 2,126, respectively).

NOTE 11 Intangible assets

2013	Goodwill	Development	Other intangibles[1]	Total
Accumulated cost				
1 January	1,097	4,365	588	**6,050**
Acquisitions/Divestment of subsidiaries	17	–	–	**17**
Additions	–	1,123	110	**1,233**
Divestments and disposals	–	–	–10	**–10**
Reclassifications	–	–	21	**21**
Exchange rate differences	–3	–	–10	**–13**
Total	**1,111**	**5,488**	**699**	**7,298**
Accumulated amortisation				
1 January	–	2,431	430	**2,861**
Amortisation for the year				
– Vehicles and Services	–	293	60	**353**
– Financial Services	–	–	7	**7**
Divestments and disposals	–	–	–10	**–10**
Exchange rate differences	–	–	–8	**–8**
Total	**–**	**2,724**	**479**	**3,203**
Accumulated impairment losses				
1 January	15	11	13	**39**
Impairment loss for the year	10	–	–	**10**
Total	**25**	**11**	**13**	**49**
Carrying amount, 31 December	**1,086**	**2,753**	**207**	**4,046**
– of which capitalised expenditures for projects that have been placed in service		1,494		
– of which capitalised expenditures for projects under development		1,259		

Group borrowing expenditures		
Borrowing expenditures included in cost of the item “Development during the year”		7
Interest rate for determination of borrowing expenditures included in cost		1.3%

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		

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

2013	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets [1]	Total
Accumulated cost					
1 January	17,322	28,667	2,288	16,533	**64,810**
Acquisitions/divestments of subsidiaries	–	4	–	–	**4**
Additions	636	778	2,457	6,604	**10,475**
Divestments and disposals	–200	–694	–5	–3,647	**–4,546**
Reclassifications	519	1,650	–2,190	–854	**–875**
Exchange rate differences	–73	–659	–49	341	**–440**
Total	**18,204**	**29,746**	**2,501**	**18,977**	**69,428**
Accumulated depreciation					
1 January	6,944	20,695	–	3,818	**31,457**
Acquisitions/divestments of subsidiaries	–	–	–	–	**–**
Depreciation for the year					
– Vehicles and Services	409	1,859	–	1,141	**3,409**
– Financial Services	–	11	–	1,812	**1,823**
– Elimination	–	–	–	–545	**–545**
Divestments and disposals	–88	–538	–	–1,745	**–2,371**
Reclassifications	5	–6	–	–247	**–248**
Exchange rate differences	–24	–513	–	91	**–446**
Total	**7,246**	**21,508**	**–**	**4,325**	**33,079**
Accumulated impairment losses [2]					
1 January	9	1	–	54	**64**
Change in value for the year	8	–	–	–13	**–5**
Exchange rate differences	1	–	–	1	**2**
Total	**18**	**1**	**–**	**42**	**61**
Carrying amount, 31 December	**10,940**	**8,237**	**2,501**	**14,610**	**36,288**
– of which "Machinery"		5,890			
– of which "Equipment"		2,347			
– of which "Buildings"	8,095				
– of which "Land"	2,845				
– of which Financial Services		29		9,505	**9,534**

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.

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 prior to sale starting in 2012.

NOTE 12 Tangible assets, continued

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 13 Holdings in associated companies and joint ventures

	2013	2012	2011
Carrying amount, 1 January	**474**	477	465
Acquisitions, capital contributions, divestments and impairment losses during the year [1]	**–20**	–	–
Exchange rate differences	**1**	–26	7
Share in income for the year	**21**	27	16
Dividends	**–6**	–4	–11
Carrying amount, 31 December	**470**	474	477
Contingent liabilities	**–**	–	–

1 The 2013 amount was related to the divestment of ScaMadrid S.A.

Share of assets, liabilities, revenue and income	2013	2012	2011
Non-current assets	**339**	376	398
Current assets	**281**	195	220
Non-current liabilities	**2**	3	4
Current liabilities	**148**	94	137
Scania's share of net assets	**470**	474	477
Sales revenue	**799**	879	837
Income before taxes	**29**	38	23
Taxes	**–8**	–11	–7
Scania's share of net income for the year	**21**	27	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**		
			2013	2012	2011
BITS DATA i Södertälje AB, 556121-2613, Sweden	33	2	**8**	9	7
Cummins-Scania HPI L.L.C; 043650113, USA	30	0	**7**	7	7
Laxå Special Vehicles AB, 556548-4705, Sweden	30	13	**23**	20	16
ScaMadrid S.A., ES A80433519, Spain	–	–	**–**	22	22
ScaValencia S.A., ES A46332995, Spain	26	13	**24**	20	22
Holdings in associated companies		28	**62**	78	74
Cummins-Scania XPI Manufacturing L.L.C; 20-3394999, USA	50	361	**400**	389	395
Oppland Tungbilservice AS, 982787602, Norway	50	1	**4**	3	4
Tynset Diesel AS, 982787508, Norway	50	1	**4**	4	4
Holdings in joint ventures		363	**408**	396	403
Holdings in associated companies and joint ventures			**470**	474	477
Other shares and participations			**20**	17	19
Total			**490**	491	496

NOTE 14 Inventories

	2013	2012	2011
Raw materials, components and supplies	**2,315**	1,859	1,902
Work in progress	**960**	951	1,019
Finished goods [1]	**11,277**	11,425	11,601
Total	**14,552**	14,235	14,522
1 Of which, used vehicles	**1,324**	1,567	1,414
Value adjustment reserve, 31 December	**–755**	–838	–690

NOTE 15 Other receivables

	2013	2012	2011
Prepaid expenses and accrued income	**59**	52	63
Derivatives with positive market value	**542**	670	814
Advance payments	**18**	17	20
Other receivables	**671**	603	632
Total other non-current receivables	**1,290**	1,342	1,529
Prepaid expenses and accrued income	**1,063**	1,002	945
Derivatives with positive market value [1]	**345**	351	622
Value-added tax	**1,199**	1,113	864
Advance payments	**256**	240	165
Other receivables	**639**	781	870
Total other current receivables	**3,502**	3,487	3,466
Total other receivables	**4,792**	4,829	4,995

1 Current derivatives included derivatives for hedging of balance sheet items of SEK 0 m. (11 and 1, respectively) attributable to the business.

NOTE 16 Equity

The equity of the Scania Group has changed as follows:

2013	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	0	–1,498	33,320	34,942	62	35,004
Exchange differences on translation				–909		–909	2	–907
Hedge reserve								
Change in value related to cash flow hedge recognised in other comprehensive income			–			–		–
Cash flow reserve transferred to operating income			0			0		0
Remeasurements of defined-benefit plans					803	803		803
Tax attributable to items recognised in other comprehensive income			0	–3	–179	–182		–182
Total other comprehensive income	**–**	**–**	**–**	**–912**	**624**	**–288**	**2**	**–286**
Net income for the year					6,201	6,201	–7	6,194
Change in non-controlling interest								
Dividend to Scania AB shareholders					–3,800	–3,800		–3,800
Equity, 31 December	**2,000**	**1,120**	**–**	**–2,410**	**36,345**	**37,055**	**57**	**37,112**

NOTE 16 Equity, continued

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
Remeasurements of defined-benefit plans					–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**

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
Remeasurements of defined-benefit plans					–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**

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 –907 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 remeasurements of defined-benefit plans 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 2012 was SEK 3,800 m., equivalent to SEK 4.75 per share. The proposed dividend related to 2013 is SEK 3,200 m., equivalent to SEK 4.00 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 2013, the Group's equity totalled SEK 37,112 m. (35,004). 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 eleven companies that are subject to oversight by national financial inspection authorities. In some countries, Scania must comply with local capital adequacy requirements. During 2013, 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 2013 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	2013	2012	2011
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. 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 excluding redemption amounted to SEK 764 m (634 and 639, respectively) during 2013. The commitment that is recognised in the balance sheet stems from the defined-benefit plans. The plans are secured through reinsured provisions in the balance sheet, foundations and funds. Calculations are performed according to the Projected Unit Credit Method, using the assumptions presented under each country below. Scania's forecast pension payments related to defined-benefit plans, both funded and unfunded plans, is SEK 221 m. for 2014.

The largest plans are described in more detail below.

Sweden

Blue-collar workers are covered by the SAF/LO plan, which is a defined-contribution multi-employer plan based on collective agreements, covering a number of different sectors.

Salaries employees are covered by the ITP plan, which is also a multi-employer plan based on collective agreements, covering a number of different sectors. The ITP plan has two parts, firstly, ITP1, which is a defined-contribution pension plan applying to employees born in 1979 or later, and secondly, ITP2, which is a defined-benefit pension plan applying to employees born before 1979.

Most of the ITP2 plan is managed internally by Scania in the FPG/PRI system. Financing occurs through provisions to an account in the balance sheet, safeguarded by credit insurance from the mutual insurance company Försäkringsbolaget PRI Pensionsgaranti. However, a portion of the ITP2 plan is safeguarded via the retirement insurance company Alecta. These obligations are recognised under the heading "Multi-employer defined-benefit plans".

Aside from these obligations, there are defined-benefit obligations in Scania CV relating to blue-collar workers who at the age of 62 have worked for 30 years or who at the age of 63 have worked for 25 years in the company, as well as to a limited number of persons in managerial positions. Redemptions in Alecta amounted to SEK 777 m (13 and 0, respectively).

Switzerland

The Pensionskasse der Scania Schweiz AG and the Wohlfahrtsstiftung der Scania Schweiz AG are the legal carriers of the pension plans. There are three pension plans:

1. A basic pension plan for employees and management, covering retirement pension, disability pension, spouse pension, children's pension and life insurance.
2. A supplementary plan for members of the management, covering retirement pension, disability pension, spouse pension, children's pension and life insurance.
3. An early retirement plan, covering employees with at least five years of service or who retired early at the request of the company.

Contributions are split between employer and employees for the basic pension plan and in the supplementary plan for members of the management.

Switzerland recognises the net pension assets in the balance sheet and an asset ceiling is thus applied.

Brazil

Scania Latin America Ltda has three post-employment health care plans, covering medical, dental and pharmaceutical expenses. The plans are open to personnel retiring at a minimum age of 60 and with at least 5 years' of service or personnel retiring at a minimum age of 55 with at least 10 years' service.

Scania Latin America Ltda also has a post-employment life insurance plan open to all employees retiring at a minimum age of 55 with at least 10 years'service.

Great Britain

The defined-benefit plans operated by Scania Great Britain (SGB) include the following:

1. The Scania Staff Pension Plan, which is a defined-benefit plan. Members belong to the Scania Executive Pension Plan.
2. The Scania Executive Pension Plan is a defined-benefit plan.
3. The Scania Reliable Vehicles Staff Pension Plan is a defined-benefit pension plan. It was established for Scania employees who were members of Appleyard Pension Fund.

All plans are administered by managers who are responsible for ensuring that SGB has sufficient financing to fully meet all vested/earned benefits for all members.

The plans have been closed for future accruals since 31 May 2013. The normal retirement age in the schemes is 65.

MULTI-EMPLOYER DEFINED-BENEFIT PLANS

Sweden

A portion of the ITP2 plan is safeguarded by pension insurance in Alecta. These obligations are also defined-benefit but Scania does not have access to sufficient information in order to recognise these obligations as a defined-benefit plan and therefore these obligations are recognised as a defined-contribution plan. Premiums to Alecta excluding redemption amounted to SEK 224 m. (74 and 46, respectively).

A surplus or deficit at Alecta may mean a refund to the Group or lower or higher future premiums.

At year-end 2013, Alecta's surplus, in the form of a collective consolidation level, amounted to 148 percent (129 and 113, respectively).

NOTE 17 Provisions for pensions and similar commitments, continued

The insurance obligation consists of the guaranteed obligations and allocated bonus to the insured and policy holders, calculated according to Alecta's actuarial methods and assumptions. These deviate from the methods and assumptions applied in measurement of defined-benefit pensions according to IAS19.

Special payroll tax is now included in the provision for pensions.

The Netherlands

Regarding the Dutch plans Pensioenfonds Metaal en Techniek and Bedrijfstakpensioenfonds Metal Electro, which are administered by MN Services, Scania does not have access to sufficient information in order to report these obligations as a defined-benefit plan and therefore these obligations are recognised as a defined-contribution plan.

In the Dutch plans, both companies and employees contribute to the plan.

Companies' premiums to MN Services totalled SEK 69 m. (62 and 63, respectively). The consolidation level was 104 percent (92 and 89, respectively).

Information regarding the largest plans during 2013	**Sweden**	**Switzerland**	**Brazil**	**Great Britain**
Present value of defined-benefit obligations	4,805	597	500	577
Fair value of plan assets	–	–746	–61	–478
Net assets not fully valued due to curtailment rule	–	39	12	–
Recognised as pension liability (asset) in the balance sheet, SEK m.	**4,805**	**–110**	**451**	**99**
Breakdown into categories				
Present value of defined-benefit obligations for persons in active employment, SEK m.	2,530	306	91	126
Persons in active employment, number	8,722	303	3,508	143
Present value of defined-benefit obligations for paid-up policy holders, SEK m.	1,229	–	–	328
Paid-up policy holders, number	2,487	–	–	332
Present value of defined-benefit obligations for retired employees, SEK m.	1,046	291	409	123
Retired employees, number	2,064	89	1,176	142
Assumptions/conditions				
Discount rate, %	4.0	2.3	11.8	4.4
Average life expectancy, women/men, years	89	86	76	87
Average duration of obligations, years	29.4	16.6	15.6	23.0
Sensitivity analysis concerning change in present value of obligations, SEK m.				
0.5% increase in discount rate	–459	–33	–33	–55
0.5% decrease in discount rate	527	39	37	68
1 year increase in life expectancy	163	20	20	20

Information regarding the largest plans during 2012	Sweden	Switzerland	Brazil	Great Britain
Present value of defined-benefit obligations	6,118	601	604	504
Fair value of plan assets	–	–679	–68	–416
Net assets not fully valued due to curtailment rule	–	50	–	–
Recognised as pension liability (asset) in the balance sheet, SEK m.	6,118	–28	536	88
Breakdown into categories				
Present value of defined-benefit obligations for persons in active employment, SEK m.	3,114	299	140	119
Persons in active employment, number	9,076	297	3,255	150
Present value of defined-benefit obligations for paid-up policy holders, SEK m.	1,369	–	–	273
Paid-up policy holders, number	4,177	–	–	346
Present value of defined-benefit obligations for retired employees, SEK m.	1,635	302	464	112
Retired employees, number	2,671	88	1,125	123
Assumptions/conditions				
Discount rate, %	3.3	2.0	9.7	4.5
Average life expectancy, women/men, years	89	86	74	87
Average duration of obligations, years	29.5	12.5	18.3	23.0

Information regarding the largest plans during 2011	Sweden	Switzerland	Brazil	Great Britain
Present value of defined-benefit obligations	5,072	573	512	499
Fair value of plan assets	–	– 671	–72	– 387
Net assets not fully valued due to curtailment rule	–	23	–	–
Recognised as pension liability (asset) in the balance sheet, SEK m.	5,072	–75	440	112
Breakdown into categories				
Present value of defined-benefit obligations for persons in active employment, SEK m.	2,829	288	145	118
Persons in active employment, number	10,703	291	3,441	155
Present value of defined-benefit obligations for paid-up policy holders, SEK m.	821	–	–	269
Paid-up policy holders, number	3,087	–	–	351
Present value of defined-benefit obligations for retired employees, SEK m.	1,422	285	367	112
Retired employees, number	2,551	87	1,137	113
Assumptions/conditions				
Discount rate, %	4.0	2.5	11.0	4.7
Average life expectancy, women/men, years	89	84	74	87
Average duration of obligations, years	29.5	12.5	18.0	24.2

NOTE 17 Provisions for pensions and similar commitments, continued

Expenses for pensions and other defined-benefit payments recognised in the income statement	Expenses for pensions and similar commitments 2013	2012	2011
Current service expenses	**–235**	–223	–124
Interest expenses, net liabilities	**–227**	–255	–225
Interest income, net assets	**2**	11	8
Past service expenses	**0**	117	35
Net gains (+) and losses (–) due to curtailments and settlements	**–9**	1	2
Total expense for defined-benefit payments recognised in the income statement	**–469**	–349	–304

Pension expenses and other defined-benefit payments are found in the income statement under the headings “Research and development expenses”, SEK 86 m. (97 and 54, respectively), “Cost of goods sold”, SEK 85 m. (–38[1] and 44, respectively), “Selling expenses”, SEK 63 m. (29 and 35, respectively) and “Administrative expenses”, SEK 10 m. (7 and 4, respectively). The interest portion of the net liability is recognised as an interest expense and the interest portion in net assets is recognised as interest income.

1 Refers to change in health care benefits in Brazil.

Expenses for pensions and other defined-benefit payments recognised in “Other comprehensive income”	Expenses related to pensions and similar commitments 2013	2012	2011
Experience-based adjustments in net liabilities	**–59**	–247	–214
Effects of changes in demographic assumptions	**–137**	–30	–170
Effects of changes in financial assumptions	**938**	–985	43
Actual return on plan assets excluding amount included in interest income	**62**	47	–54
Changes in present value of asset ceiling not included in interest expense	**–1**	–28	39
Total expense/revenue for defined-benefit payments recognised in “Other comprehensive income”	**803**	–1,243	–356

Recognised as provision for pensions in the balance sheet	Pension commitments 2013	2012	2011
Present value of defined-benefit obligations, wholly or partly funded	**2,046**	2,064	1,862
Present value of defined-benefit obligations, unfunded	**5,156**	6,430	5,334
Present value of defined-benefit obligations	**7,202**	8,494	7,196
Fair value of plan assets	**–1,575**	–1,436	–1,372
Net assets not fully valued due to curtailment rule	**51**	50	23
Recognised in the balance sheet	**5,678**	7,108	5,847
Of which, pension liabilities recognised under the heading “Provisions for pensions”	**5,788**	7,136	5,922
Of which, pension assets recognised under the heading “Other long-term receivables”	**–110**	–28	–75

Present value of defined-benefit obligations changed during the year as follows:	Liabilities related to pensions and similar commitments 2013	2012	2011
Present value of defined-benefit obligations, 1 January	**8,494**	7,196	7,022
Present value of reclassified obligations, 1 January	**9**	–12	–262
Current service expenses	**235**	223	124
Interest expenses	**271**	305	297
Payments made by pension plan participants	**13**	12	3
Experience-based actuarial gains and losses	**59**	247	214
Adjustment effects from changes in demographic assumptions	**137**	30	170
Adjustment effects from changes in financial assumptions	**–938**	985	–58
Exchange rate differences	**–23**	–136	–33
Disbursements of pension payments	**–235**	–238	–242
Past service expenses	**0**	–117	–35
Present value of defined-benefit obligations in acquired/divested companies	**–**	–	–
Settlements	**–831**	–1	–
Gains and losses due to net settlements for the year	**11**	0	–4
Present value of defined-benefit obligations, 31 December	**7,202**	8,494	7,196

Fair value of plan assets changed as follows during the year:	Plan assets related to pensions and similar commitments 2013	2012	2011
Fair value of plan assets, 1 January	**1,436**	1,372	1,612
Fair value of plan assets related to reclassified obligations, 1 January	**–**	–1	–280
Interest income on plan assets	**46**	61	80
Actual return on plan assets excluding amount included in interest income	**62**	47	–54
Effects of changes in financial assumptions	**0**	–	–15
Exchange rate differences	**31**	–48	8
Payments to pension plan	**74**	71	90
Payments made by pension plan participants	**13**	12	9
Disbursements of pension payments	**–87**	–78	–78
Fair value of plan assets in acquired/divested companies	**–**	–	–
Settlements	**–**	0	0
Fair value of plan assets, 31 December	**1,575**	1,436	1,372

NOTE 17 Provisions for pensions and similar commitments, continued

	Asset ceiling		
Present value of asset ceiling	**2013**	2012	2011
Present value of asset ceiling, 1 January	**50**	23	73
Present value of reclassified asset ceiling, 1 January	**–**	–	–11
Interest expenses	**–**	–	–
Changes in present value of asset ceiling not included in interest expense	**1**	28	–39
Exchange rate differences	**0**	–1	0
Present value of asset ceiling, 31 December	**51**	50	23

	2013		2012		2011	
Allocation of fair value in plan assets	**Quoted price in an active market**	**Unquoted price**	Quoted price in an active market	Unquoted price	Quoted price in an active market	Unquoted price
Cash and cash equivalents	**28**	**–**	37	2	38	2
Equity instruments issued by others	**8**	**–**	6	–	6	–
Debt instruments issued by Scania	**–**	**4**	–	5	–	7
Debt instruments issued by others	**84**	**–**	–	–	–	–
Properties leased to Scania companies	**–**	**32**	–	40	–	38
Investment properties	**17**	**–**	–	–	–	70
Equity mutual funds	**618**	**–**	569	–	503	–
Fixed income mutual funds	**548**	**–**	542	–	497	–
Real estate funds	**175**	**–**	79	75	77	71
Other investment funds	**15**	**–**	20	–	15	–
Other plan assets	**46**	**–**	61	–	58	–
Total	**1,539**	**36**	1,314	122	1,194	178

NOTE 18 Other provisions

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

2013	**Product obligations**	**Legal and tax risks**	**Other provisions [1, 3]**	**Total**
1 January	1,480	1,200	1,560	**4,240**
Provisions during the year	1,423	537	894	**2,854**
Provisions used during the year	–1,310	–31	–625	**–1,966**
Provisions reversed during the year	–66	–251	–46	**–363**
Exchange rate differences	–54	–118	–2	**–174**
31 December	**1,473**	**1,337**	**1,781**	**4,591**
– of which, current provisions	1,115	113	613	1,841
– of which, non-current provisions	358	1,224	1,168	2,750

2012	Product obligations	Legal and tax risks	Other provisions [1, 3]	Total
1 January	1,462	1,650	1,352	4,464
Provisions during the year	1,555	92	814	2,461
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**	**1,560**	**4,240**
– of which, current provisions	1,142	8	500	1,650
– of which, non-current provisions	338	1,192	1,060	2,590

2011	Product obligations	Legal and tax risks [2]	Other provisions [1, 3]	Total
1 January	1,193	1,841	1,054	4,088
Provisions during the year	1,583	152	735	2,470
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, 352**	**4,464**
– of which, current provisions	1,159	5	433	1,597
– of which, non-current provisions	303	1,645	919	2,867

1 "Other provisions" include provisions for potential losses on service agreements. Total number of contracts increased during 2013 by 12,000 contracts (18,700 and 13,600, respectively) and amounted to 129,300 contracts (117,300 and 98,600, 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.

3 Due to amendments in IAS 19 (see Note 1 Accounting principles) special payroll tax has been transferred from Other provisions to Provsions for pensions.

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

	2013	2012	2011
Accrued employee-related expenses [2]	**3,410**	2,898	2,910
Deferred income related to service and repair contracts	**2,578**	2,334	1,893
Deferred income related to repurchase obligations [1]	**5,585**	5,020	4,647
Accrued financial expenses	**100**	82	85
Other customary accrued expenses and deferred income [2]	**1,503**	1,381	1,379
Total	**13,176**	11,715	10,914
– of which, current	**7,817**	7,473	6,902
– of which, non-current	**5,359**	4,242	4,012
Of the above total, the following was attributable to Financial Services operations [2]	**284**	241	225

1 Of the above deferred income related to vehicles sold with repurchase obligations, SEK 1,025 m. (778 and 637, respectively) is expected to be recognised as revenue within 12 months. SEK 383 m. (344 and 400, respectively) is expected to be recognised as revenue after more than 5 years.

2 Due to amendments in IAS 19 (see Note 1 Accounting principles) special payroll tax has been transferred from Accrued expenses and deferred income to Provsions for pensions.

NOTE 20 Assets pledged and contingent liabilities

Assets pledged	2013	2012	2011
Financial receivables [2]	**3,107**	3,066	3,469
Other	**0**	0	1
Total [1]	**3,107**	3,066	3,470

1 Of which, assets pledged for:			
Non-current borrowings	**3,107**	3,066	3,469
Liabilities of others	**0**	0	1

2 Refers mainly to pledged leases in Financial Services, SEK 3,093 m. (3,060 and 3,397, respectively).

Contingent liabilities	2013	2012	2011
Contingent liability related to FPG credit insurance	**53**	57	53
Loan guarantees	**4**	7	11
Other guarantees	**170**	216	290
Total	**227**	280	354

In addition to the above contingent liabilities, the Group has issued vehicle repurchase guarantees worth SEK 63 m. (57 and 47, 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 has been transferred to the European Commission.

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

	2013		2012		2011	
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	**514**	**237**	497	231	426	232
Between one year and five years	**1,078**	**687**	1,229	711	1,106	662
Later than five years	**349**	**331**	355	337	540	525
Total	**1,941**	**1,255**	2,081	1,279	2,072	1,419

Expensed minimum lease payments amounted to SEK 577 m. (539 and 454, respectively), of which SEK 243 m. (244 and 225, respectively) related to costs for leases on premises.

NOTE 21 Lease obligations, continued

Future payment obligations on non-cancellable financial leases

	2013			2012			2011		
Financial leases	**Future minimum lease payments**	**Interest**	**Present value of future minimum lease payments**	Future minimum lease payments	Interest	Present value of future minimum lease payments	Future minimum lease payments	Interest	Present value of future minimum lease payments
Within one year	**26**	**1**	**25**	23	1	22	53	1	52
Between one year and five years	**19**	**7**	**12**	33	5	28	49	5	44
Later than five years	**9**	**9**	**0**	0	0	0	–	–	–
Total [2]	**54**	**17**	**37**	56	6	50	102	6	96

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

Financial lease assets in balance sheet

Carrying amount	2013	2012	2011
Vehicles for leasing	**23**	39	79
Buildings	**20**	8	10
Machinery	**0**	0	0
Other	**21**	16	15
Total	**64**	63	104

NOTE 22 Government grants and assistance

During 2013, the Scania Group received government grants amounting to SEK 29 m. (53 and 65, respectively) attributable to operating expenses of SEK 152 m. (228 and 218, 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	2013	2012	2011
Total cash flow before financing activities	**–105**	–1,064	168
Exchange rate effects in interest-bearing liabilities	**584**	2,242	1,723
Businesses acquired and divested	**1**	–7	1
Exchange rate effects in short-term investments	**0**	0	0
Exchange rate effects in cash and cash equivalents	**–467**	–578	–351
Change in derivatives affecting net debt	**171**	–417	–492
Dividend	**–3,800**	–4,000	–4,000
Change in net debt according to the balance sheet	**–3,616**	–3,824	–2,951

Vehicles and Services	2013	2012	2011
Total cash flow before financing activities	**3,231**	3,025	6,970
Exchange rate effects in interest-bearing liabilities	**229**	447	223
Businesses acquired and divested	**1**	–7	1
Exchange rate effects in short-term investments	**0**	0	0
Exchange rate effects in cash and cash equivalents	**–437**	–556	–338
Change in derivatives affecting net debt	**171**	–130	155
Dividend	**–3,800**	–4,000	–4,000
Transfers between segments	**87**	–33	–96
Change in net debt according to the balance sheet	**–518**	–1,254	2,915

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.

	2013	2012	2011
a. Vehicles and Services: Interest and dividends received/paid			
Dividends received from associated companies	**6**	4	11
Interest received	**630**	675	608
Interest paid	**–438**	–219	–276

	2013	2012	2011
b.1. Vehicles and Services: Items not affecting cash flow			
Depreciation/amortisation	**2,911**	2,678	2,609
Bad debts	**56**	56	92
Associated companies	**–15**	–23	–5
Deferred profit recognition, lease assets	**90**	–71	288
Other	**–104**	–35	–29
Total	**2,938**	2,605	2,955

	2013	2012	2011
b.2. Financial Services: Items not affecting cash flow			
Depreciation/amortisation	**18**	20	21
Bad debts	**280**	290	298
Other	**0**	20	–4
Total	**298**	330	315

	2013	2012	2011
c. Net investment through acquisitions/divestments of businesses [1]			
Divestments of businesses	**–**	–	58
Acquisitions of businesses	**–26**	25	–14
Total	**–26**	25	44

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

	2013	2012	2011
d.1. Vehicles and Services: Acquisitions of non-current assets			
Investments in non-current assets [2]	**–6,098**	–5,188	–4,308
Divestments of non-current assets [3]	**804**	708	532
Total	**–5,294**	–4,480	–3,776

2 Of which, SEK 1,123 m. (860 and 387, respectively) in capitalised research and development expenditures.

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

	2013	2012	2011
d.2. Financial Services: Acquisitions of non-current assets			
New financing [4]	**–23,642**	–24,014	–25,764
Payments of principal and completed contracts	**19,505**	19,243	18,287
Total	**–4,137**	–4,771	–7,477

4 Includes other tangible and intangible assets.

	2013	2012	2011
e. Change in debt through financing activities			
Net change in current investments	**83**	18	–86
Net change in current borrowing	**–285**	–2,101	8,077
Decrease in non-current borrowings	**–9,854**	–6,831	–12,886
Increase in non-current borrowings	**12,072**	14,826	10,919
Total	**2,016**	5,912	6,024

	2013	2012	2011
f. Cash and cash equivalents			
Cash and bank balances	**2,261**	1,373	1,495
Short-term investments comprising cash and cash equivalents	**7,301**	10,545	10,153
Total	**9,562**	11,918	11,648

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 2011–2013. Business acquisitions usually consist mainly of dealerships. During 2013, two minor acquisitions were made of dealerships in Norway and Spain.

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.

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)	2013	2012	2011
Boards of Directors, Presidents and Executive (or Group) Vice Presidents [1]	**326**	356	328
– of which bonuses	**77**	88	103
Other employees	**13,388**	12,624	12,451
Subtotal [2]	**13,714**	12,980	12,779
Pension expenses and other mandatory payroll fees	**4,364**	4,070	4,227
– of which pension expenses [3]	**1,042**	922	995
Total	**18,078**	17,050	17,006

1 The number of Board members and executive officers was 550 (538 and 491, respectively).

2 Including non-monetary remuneration.

3 Of the pension expense in the Group, SEK 45 m. (39 and 40, respectively) was for Boards of Directors and executive officers in the Scania Group. At year-end, the total pension obligation was SEK 107 m. (119 and 101, respectively) for this category.

Wages, salaries and other remuneration, pension expenses and other mandatory payroll fees by region	2013			2012			2011		
	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	**5,901**	**2,633**	**(588)**	5,605	2,418	(546)	5,478	2,415	(519)
Europe (excluding Sweden)	**4,731**	**1,064**	**(369)**	4,635	983	(350)	4,478	1,083	(371)
Eurasia	**221**	**37**	**(25)**	213	36	(24)	176	24	(16)
America	**2,054**	**560**	**(12)**	1,840	565	(–50) [4]	1,917	649	(46)
Asia	**389**	**33**	**(17)**	344	27	(17)	293	19	(12)
Africa and Oceania	**418**	**37**	**(31)**	343	41	(35)	437	37	(31)
Total	**13,714**	**4,364**	**(1,042)**	12,980	4,070	(922)	12,779	4,227	(995)

4 Refers to change in health care benefits in Brazil.

Average number of employees (excluding personnel on hire)	2013		2012		2011	
	Total	Women	Total	Women	Total	Women
Sweden	**12,939**	**20%**	12,005	20%	12,165	20%
Europe (excluding Sweden)	**13,079**	**13%**	12,833	12%	12,605	13%
Eurasia	**939**	**23%**	869	24%	769	25%
America	**6,703**	**11%**	5,440	12%	5,397	12%
Asia	**1,479**	**18%**	1,298	17%	1,091	17%
Africa and Oceania	**1,389**	**15%**	1,390	15%	1,257	16%
Total	**36,528**	**16%**	33,835	16%	33,284	16%

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

Gender distribution	2013	2012	2011
Board members in subsidiaries and the Parent Company	**453**	440	396
– of whom, men	**439**	431	390
– of whom, women	**14**	9	6
Presidents/Managing Directors of subsidiaries and the Parent Company, plus the Group's Executive Board	**97**	98	95
– of whom, men	**96**	97	95
– of whom, women	**1**	1	–

Number of employees, 31 December	2013	2012	2011
Vehicles and Services			
Production and corporate units	**19,069**	17,663	17,489
Research and development	**3,596**	3,509	3,327
Sales and service companies	**17,549**	16,734	16,038
Subtotal	**40,214**	37,906	36,854
Financial Services	**739**	691	642
Total	**40,953**	38,597	37,496
– of whom, on temporary contracts and on hire	**5,221**	3,860	4,121

NOTE 27 Related party transactions

	Revenue			Expenses			Receivables			Liabilities		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Volkswagen Group	**167**	374	369	**489**	448	378	**49**	422	235	**15**	21	170
Associated companies and joint ventures												
BITS DATA i Södertälje AB	**–**	–	–	**13**	16	17	**–**	–	–	**2**	1	1
Cummins-Scania HPI L.L.C	**–**	–	–	**20**	96	168	**–**	–	–	**2**	1	17
Cummins-Scania XPI Manufacturing L.L.C	**61**	77	77	**259**	224	274	**9**	6	14	**20**	11	7
Laxå Special Vehicles AB	**18**	13	15	**178**	165	134	**6**	4	4	**40**	44	41
ScaMadrid S.A. [1]	**7**	43	70	**2**	19	25	**–**	3	8	**–**	1	1
ScaValencia S.A.	**59**	70	94	**34**	71	61	**10**	2	12	**1**	1	2
Others	**4**	11	10	**5**	5	6	**–**	–	–	**–**	–	1

1 ScaMadrid S.A. was deemed a related party until 1 July 2013. The company was subsequently acquired and consolidated.

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.

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 2013 to be paid to the external members of the Board of Directors elected by the AGM totalled SEK 2,000,000 (2,000,000), 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

The fixed salary of the President and CEO amounted to SEK 7,500,000 during 2013.

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 2013 AGM and constitute a programme with the same parameters that were in force during 2012. 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 2013, the Remuneration Committee of the Board of Directors fixed RNI on the basis of a factor of equity amounting to 7.6 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 2014.

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 1997–2013 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 1997–2013 has, on average, amounted to 77 percent of annual fixed salary with regard to Part 1 and 24 percent of annual fixed salary with regard to Part 2. The 2013 outcome for the President and CEO was 53 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 2013 financial year, Martin Lundstedt received a variable salary of SEK 3,975,750 as President and CEO.

PENSION SYSTEM FOR EXECUTIVE OFFICERS

The Executive Board is 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 30–39 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 President and CEO 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 the premium amounted to SEK 2,668,800 in 2013.

NOTE 28 Compensation to executive officers, continued

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.

2013, SEK thousand	**Fixed salary**	**Board remu-neration** [1]	**Variable salary Part 1**	**Variable salary Part 2**	**Other remu-neration**	**Total salary and remu-neration**	**Pension expenses, defined contribution system**	**Pension expenses, defined benefit system**	**Total pension expenses**	**Pension obligations**
Chairman of the Board										
President and CEO	7,500		3,976		217	**11,693**	2,669	327	**2,996**	2,030
Rest of Executive Board (7 persons)	25,060		13,196		2,098	**40,354**	5,683	2,411	**8,094**	15,842

1 Other Board members' total fees: Hans Dieter Pötsch 0; Francisco J. Garcia Sanz 0; Peter Abele 750; Helmut Aurenz 500; Peter Wallenberg Jr 500; Jochen Heizman 0; Åsa Thunman 600; Ferdinand K. Piëch 0; Leif Östling 0. Jochen Heizman resigned at the Annual General Meeting on 3 May 2013.

2012, SEK thousand	Fixed salary	Board remu-neration [1]	Variable salary Part 1	Variable salary Part 2	Other remu-neration	Total salary and remu-neration	Pension expenses, defined contribution system	Pension expenses, defined benefit system	Total pension expenses	Pension obligations
Chairman of the Board										
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

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).

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 President and CEO and the Executive Board. 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.

	2013		2012		2011	
Auditing firm	**Ernst & Young**	**Other auditors**	Ernst & Young	Other auditors	Ernst & Young	Other auditors
Auditing assignments	**45**	**1**	44	1	43	1
Auditing activities beyond auditing assignments	**0**	**0**	0	0	1	0
Tax consultancy	**2**	**0**	2	1	2	1
Other services	**1**	**0**	2	0	1	0
Total	**48**	**1**	48	2	47	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 2013, 95 (93 and 93, respectively) percent of Scania's sales occurred in countries outside Sweden. Since a large proportion of production occurs in Sweden, at costs denominated in Swedish kronor, this means that Scania has large net inflows of foreign currencies.

During 2013, total currency exposure in Scania's operating income amounted to about SEK 30,600 m. (28,100 and 32,200, respectively). The largest currencies in this flow were EUR, BRL and GBP. 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	2013	2012	2011
Brazilian real (BRL) [1]	**5,800**	4,000	4,400
US dollar (USD)	**5,700**	6,100	5,500
British pound (GBP)	**4,500**	3,300	3,000
Russian rouble (RUB)	**3,900**	3,800	4,500
Norwegian krone (NOK)	**2,100**	2,100	1,800
Australian dollar (AUD)	**1,400**	1,400	1,100
Euro (EUR)	**1,100**	1,400	6,100
Danish krone (DKK)	**1,000**	1,100	1,100
Polish zloty (PLN)	**900**	600	700
Swiss franc (CHF)	**800**	800	800
Korean won (KRW)	**600**	700	600
South African rand (ZAR)	**600**	500	600
Argentine peso (ARS)	**–1,300**	–1,000	–1,200
Other currencies	**2,600**	2,600	2,500
Total currency exposure in operating income	**29,700**	27,400	31,500

Currency exposure in operating income, Financial Services	2013	2012	2011
Euro (EUR)	**400**	300	400
Other currencies	**500**	400	300
Total currency exposure in operating income	**900**	700	700

1 Comparative figures have been adjusted.

Based on revenue and expenses in foreign currencies during 2013, a one percentage point change in the Swedish krona against other currencies, excluding currency hedges, has an impact on operating income of about SEK 306 m. (281 and 322, respectively) on an annual basis.

In Vehicles and Services, compared to 2012, the total negative currency rate effects amounted to about SEK 1,735 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 2013, 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 2013, Scania's net assets in foreign currencies amounted to SEK 21,350 m. (19,900 and 16,700, 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 2013 no foreign net assets were hedged (0 and 0, respectively).

Net assets, Vehicles and Services	2013	2012	2011
Brazilian real (BRL)	**4,000**	4,200	3,200
Euro (EUR)	**3,900**	3,700	3,300
Argentine peso (ARS)	**1,200**	900	850
Russian rouble (RUB)	**700**	600	600
British pound (GBP)	**600**	400	600
Norwegian krone (NOK)	**500**	500	500
Swiss franc (CHF)	**400**	300	350
Polish zloty (PLN)	**400**	300	350
Mexican peso (MXN)	**400**	400	300
South African rand (ZAR)	**250**	250	200
Danish krone (DKK)	**200**	150	200
Peruvian sol (PEN)	**150**	150	150
US dollar (USD)	**–150**	–150	–300
Other currencies	**1,500**	1,300	1,200
Total net assets in foreign currencies, Vehicles and Services	**14,050**	13,000	11,500

Net assets, Financial Services	2013	2012	2011
Euro (EUR)	**4,800**	4,600	3,100
Other currencies [1]	**2,500**	2,300	2,100
Total net assets in foreign currencies, Financial Services	**7,300**	6,900	5,200
Total net assets in foreign currencies, Scania Group	**21,350**	19,900	16,700

1 Comparative figures have been adjusted.

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:

	2013	2012	2011
Operating income	**–103**	–200	–116
Financial income and expenses	**3**	–22	–12
Taxes	**0**	4	–4
Effect on net income for the year	**–100**	–218	–132

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 2013, 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 8,843 m. (9,361 and 10,615, respectively) at year-end 2013. The borrowing portfolio amounted to SEK 513 m. (2,477 and 1,418, 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 9,004 m. (11,690 and 11,468, 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 352 m. (148 and 565, respectively).

Given the same loan liabilities, short-term investments, cash and cash equivalents and interest rate refixing periods as at year-end 2013, 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 5 m. (15 and 15, respectively) and interest income by about SEK 90 m. (115 and 110, 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 2013:

Interest rate refixing in Financial Services, 31 December 2013	**Interest-bearing portfolio [1]**	**Interest-bearing liabilities [2]**
2014	**26,558**	**26,217**
2015	**9,704**	**8,667**
2016	**6,943**	**5,950**
2017	**3,825**	**1,948**
2018	**1,536**	**519**
2019 and later	**297**	**19**
Total	**48,863**	**43,320**

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

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 43,833 m. (42,451 and 38,793, respectively) at year-end 2013.

Borrowings, 31 December 2013	Borrowings including currency swap agreements	Borrowings excluding currency swap agreements
EUR	13,507	18,974
SEK	7,466	14,871
BRL	5,858	5,858
GBP	4,624	–
RUB	2,050	–
ZAR	1,628	872
DKK	1,175	–
CLP	1,100	160
NOK	937	528
USD	849	819
CHF	590	–
KRW	477	125
THB	355	62
AUD	314	–
PLN	200	–
CZK	132	–
Other currencies	2,375	1,368
Total [1]	**43,637**	**43,637**
Accrued interest	196	196
Total	**43,833**	**43,833**

1 Total borrowings excluded SEK 196 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 7,193 m. (6,508 and 6,648, respectively), most of which consisted of receivables from independent dealerships and end customers. The total estimated fair value of collateral was SEK 1,796 m. Most of the collateral consisted of repossession rights and bank guarantees. During the year, collateral valued at SEK 166 m. was repossessed.

Timing analysis of portfolio assets past due but not recognised as impairment losses	Past-due payments 2013	Past-due payments 2012	Past-due payments 2011
< 30 days	**921**	912	944
30–90 days	**289**	301	284
91–180 days	**76**	69	73
> 180 days	**39**	28	59
Total	**1,325**	1,310	1,360

Provisions for bad debts amounted to SEK 383 m. (462 and 516, respectively), equivalent to 5.1 (6.6 and 7.2, respectively) percent of total receivables. The year's bad debt expense amounted to SEK 56 m. (56 and 92, respectively). Provisions for bad debts changed as follows:

Provisions for bad debts	2013	2012	2011
Provisions, 1 January	**462**	516	581
Provisions for potential losses	**8**	34	50
Withdrawals due to actual credit losses	**–75**	–62	–91
Currency rate effects	**–12**	–26	–24
Other	**0**	0	0
Provisions, 31 December	**383**	462	516

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	2013	2012	2011
Exposure	**49,668**	45,800	42,980
– of which, operating leases	**9,546**	8,189	8,365
Credit risk reserve	**805**	763	745
Carrying amount	**48,863**	45,037	42,235
– of which, operating leases	**9,505**	8,135	8,301

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 possibility of repossessing the financed assets.

Timing analysis of portfolio assets

	2013			2012			2011		
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	**86**	**3,212**	**3,083**	79	3,466	3,455	90	2,796	2,758
30–90 days	**89**	**1,269**	**1,260**	103	1,513	1,510	107	1,649	1,550
Past due and recognised as impairment losses									
91–180 days	**42**	**321**	**304**	75	621	461	77	559	501
> 180 days	**75**	**282**	**224**	126	614	502	124	480	372
Inactive contracts	**156**	**606**	**432**	115	474	339	159	593	402
Total	**448**	**5,690**	**5,303**	498	6,688	6,267	557	6,077	5,583

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. The credit risk concentration in 2013 was equivalent to that of 2012 and 2011. A description of credit risk exposure can be seen in the table below:

	31 December, 2013			31 December, 2012			31 December, 2011		
Concentration of credit risk	**Number of customers**	**Percentage of total number of customers**	**Percentage of portfolio value**	Number of customers	Percentage of total number of customers	Percentage of portfolio value	Number of customers	Percentage of total number of customers	Percentage of portfolio value
Exposure < SEK 15 m.	**26,895**	**98.7**	**69.2**	25,277	98.5	69.5	23,501	98.4	67.4
Exposure SEK 15–50 m.	**283**	**1.0**	**14.3**	306	1.2	14.1	281	1.2	15.0
Exposure > SEK 50 m.	**80**	**0.3**	**16.5**	78	0.3	16.4	97	0.4	17.6
Total	**27,258**	**100.0**	**100.0**	25,661	100.0	100.0	23,879	100.0	100.0

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 2013 and payment plans were completed. Thus the carrying amount of the financial assets whose terms had been renegotiated continued to decline, amounting to SEK 1,124 m. (1,660 and 3,768 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 2013. During the year, 2,170 (2,274 and 2,595, respectively) financed vehicles were repossessed. At year-end, the number of repossessed but not yet sold vehicles amounted to 409 (526 and 596, respectively), with a total carrying amount of SEK 116 m. (181 and 176, 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 changed as follows:

Provisions for bad debts	2013	2012	2011
Provisions, 1 January	**763**	745	817
Provisions for potential losses	**246**	267	260
Withdrawals due to actual credit losses	**–203**	–226	–317
Exchange rate differences	**–1**	–23	–15
Provisions, 31 December	**805**	763	745
Provisions as percentage of gross portfolio	**1.6**	1.7	1.7

The year's expenses for actual and potential credit losses amounted to SEK 280 m. (290 and 298, 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 348 m. (157 and 545, respectively) at the end of 2013. Estimated gross exposure to counterparty risks related to derivatives trading totalled SEK 887 m. (1,020 and 1,436, respectively). Estimated gross exposure to cash and cash equivalents and short-term investments amounted to SEK 9,609 m. (12,047 and 11,796, 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 7,348 m. (10,674 and 10,301, respectively), of which SEK 7,301 m. (10,545 and 10,153, respectively) consists of investments with a maturity of less than 90 days and SEK 47 m. (129 and 148, respectively) consisted of investments with a maturity of 91–365 days. In addition to short-term investments, Scania had bank balances worth SEK 2,261 m. (1,373 and 1,495, 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 2013, Scania's liquidity reserve, consisting of unutilised credit facilities, cash and cash equivalents and short-term investments, amounted to SEK 37,694 m. (39,281 and 39,685 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, 2013	Total borrowings	Ceiling
Medium Term Note Programme	**–**	–
European Medium Term Note Programme	**21,082**	31,301
Other bonds	**–**	–
Credit facility (EUR)	**–**	28,085
Commercial paper, Sweden	**700**	10,000
Commercial paper, Belgium	**–**	3,577
Bank loans	**21,855**	–
Total [1]	**43,637 [2]**	**72,963**

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

1 Of the total ceiling, SEK 28,085 m. (27,234 and 27,889, respectively) consisted of guaranteed revolving credit facilities.

2 Total borrowings excluded SEK 196 m. (193 and 226, 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	2013	2012	2011
2012	–	–	19,556
2013	–	16,112	6,345
2014	14,287	8,066	3,307
2015	11,674	8,784	5,479
2016	10,816	6,780	3,868
2017 and later	4,276	2,429	12
2018 and later	607	87	–
2019 and later	1,977	–	–
Total	**43,637** [1]	42,258 [1]	38,567 [1]

1 Total borrowings excluded SEK 196 m. (193 and 226, 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, 2013	Derivatives with positive value	Derivatives with negative value
2014	22	72
2015	84	–
2016	41	–
2017	5	–
2018	–	–
2019 and later	–	–
Total [1]	**152**	**72**

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

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 13, 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 1,002 m. (1,188 and 1,192, 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. Scania applies a valuation technique that consists of estimating the present value of future cash flows based on observable yield curves. The yield curve applied is derived from relevant listed yields for the respective period during which cash flows are received or paid. These items are carried under other non-current assets, other current assets, other non-current liabilities and other current liabilities and amounted to SEK 348 m. (157 and 545, 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. Fair value disclosures on all financial instruments that are not carried at fair value are attributable to Level 2.

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.

Financial assets and liabilities that have been offset against each other consist of loans receivable and payable. The gross amounts totalled SEK 1,279 m. (2,369 and 2,298, respectively) and SEK 1,118 m. (1,975 and 2,253, respectively). The amount that has been offset from each amount totals SEK 1,118 m. (1,975 and 2,253, respectively).

Financial assets and liabilities that can be offset against each other consist of derivatives covered by legally binding master netting agreements. Carrying amounts of assets and liabilities amounted to SEK 887 m. (1,010 and 1,435, respectively) and SEK 499 m. (861 and 869, respectively). The amount that was not offset from each amount was SEK 413 m. (623 and 563, respectively).

Scania Group, 2013, SEK m.	Financial assets and financial liabilities carried at fair value via the income statement (“through profit and loss”)	Held-to-maturity investments	Loan receivables and trade receivables	Other financial liabilities	Net investment hedges	Cash flow hedges	**Total carrying amount**	**Total fair value**
Non-current interest-bearing receivables			24,082				24,082	24,206
Current interest-bearing receivables			15,377				15,377	15,408
Non-interest-bearing trade receivables			6,737				6,737	6,737
Current investments and Cash and cash equivalents	1,002		8,607				9,609	9,596
Other non-current receivables [1]	542		428				970	970
Other current receivables [2]	345		11				356	356
Total assets	**1,889**	**–**	**55,242**	**–**	**–**	**–**	**57,131**	**57,273**
Non-current interest-bearing liabilities				29,350			29,350	29,570
Current interest-bearing liabilities				14,483			14,483	14,524
Trade payables				8,682			8,682	8,682
Other non-current liabilities [3]	228						228	228
Other current liabilities [4]	311						311	311
Total liabilities	**539**	**–**	**–**	**52,515**	**–**	**–**	**53,054**	**53,315**

1 Financial instruments included in the balance sheet under “Other long-term receivables”, SEK 1,290 m.
2 Financial instruments included in the balance sheet under “Other current receivables”, SEK 3,502 m.
3 Financial instruments included in the balance sheet under “Other non-current liabilities”, SEK 257 m.
4 Financial instruments included in the balance sheet under “Other current liabilities”, SEK 2,968 m.

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.

NOTE 31 Financial instruments, continued

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.

HEDGE ACCOUNTING

Scania applies hedge accounting according to IAS 39 as follows:

– To a minor extent in 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 and 2013.
– To a minor extent, cash flow hedge accounting was 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	**2013**	2012	2011
Financial assets and liabilities held for trading, carried at fair value	**445**	–646	–380
Loan and trade receivables [1]	**652**	–378	24
Other financial liabilities	**–1,209**	709	78
Total	**–112**	–315	–278

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:

	2013	2012	2011
Interest income on financial assets [1]	**2,772**	3,040	2,832
Interest expenses on financial liabilities [2, 3]	**–1,576**	–1,692	–1,527
Total	**1,196**	1,348	1,305

1 SEK 112 m. (157 and 179, 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 –329 m. (–226 and –71, 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
DynaMate AB	556070-4818	Södertälje	Sweden	100
DynaMate Industrial Services AB	556528-9286	Södertälje	Sweden	100
DynaMate IntraLog AB	556718-5409	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
Ferruform AB	556528-9120	Luleå	Sweden	100
Mälardalens Tekniska Gymnasium AB	556548-4754	Södertälje	Sweden	80
Scania Bilbyggaren AB	556905-6061	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 IT AB	556084-1206	Södertälje	Sweden	100
Scania Overseas AB	556593-2984	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 Saltskogen AB	556905-6053	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 Used Vehicles AB	556548-4713	Södertälje	Sweden	100
Scania-Bilar Sverige AB	556051-4621	Södertälje	Sweden	100
Stockholms Industriassistans AB	556662-3459	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 Vehiculos Comerciales S.A.	30-70737179-6	Mendoza	Argentina	100
Automotores Pesados S.A.	30-55137605-9	Tucumán	Argentina	100
Scania Australia Pty Ltd	537333	Melbourne	Australia	100
Scania Real Estate Österreich GmbH	FN95419y	Brunn am Gebirge	Austria	100
Scania Österreich GmbH	FN366024x	Brunn am Gebirge	Austria	100
Scania Österreich Holding GmbH	FN316321d	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 NV	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 Sales and Services (Guangzhou) Co,Ltd	440101400126397	Guangzhou	China	100
Scania Colombia S.A.	900.353.873-2	Bogotá	Colombia	100

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania Hrvatska d.o.o.	80213913	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
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 Real Estate Finland Oy	2559582-1	Helsinki	Finland	100
Scania Real Estate Holding Oy	2566377-5	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 S.A.S	78961241300011	Angers	France	100
Scania Real Estate Denmark 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 Real Estate Deutschland Holding GmbH	HRB23798	Koblenz	Germany	100
Scania Real Estate Deutschland GmbH	HRB23796	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
Scania Great Britain Ltd	831 017	Milton Keynes	Great Britain	100
Scania Real Estate UK Ltd	7648886	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
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
SFZ Kenya	P051426902Z	Nairobi	Kenya	100
Scania Incheon Ltd	120111-0639065	Incheon	Korea	100
Scania Latvia SIA	50003118401	Riga	Latvia	100
UAB Scania Lietuva	123873025	Vilnius	Lithuania	100
Scania Treasury Luxembourg S.à.r.l	19992418373	Luxembourg City	Luxembourg	100
Scania Luxembourg S.A.	B53.044	Münsbach	Luxembourg	99.90
SRE Holding Sárl	B160795	Münsbach	Luxembourg	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.	6100472	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 Slupsk S.A.	KRS0000083601	Słupsk	Poland	100
Scania Polska S.A.	KRS0000091840	Warsaw	Poland	100
Scania Real Estate Polska Sp.z.o.o	435941	Nadarzyn	Poland	100
Scania Portugal S.A.	PT 502 929 995	Santa Iria da Azóia	Portugal	100

NOTE 32 Subsidiaries, continued

Company	Corporate ID no.	Registered office	Country	% Ownership
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
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
Scan Siam Service Co. Ltd	0105545023525	Bangkok	Thailand	100
Scania Thailand Co Ltd	0105534098031	Bangkok	Thailand	99.99
Beers N.V.	27051589	Breda	The Netherlands	100
Scania Logistic Netherlands BV	NL8521.82.697.B01	Zwolle	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	The Hague	The Netherlands	100
Scania Production Meppel B.V.	5046846	Meppel	The Netherlands	100
Scania Europe Holding B.V.	5050056	Zwolle	The Netherlands	100
Scania IT Nederland B.V.	5062402	Zwolle	The Netherlands	100
Scania Production Zwolle B.V.	5020370	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.	21.4905910012	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	Sao Paolo	Brazil	100
Scania Corretora de Seguros Ltda	1151317900015	Sao Bernando do Compo	Brazil	100

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania Finance Bulgaria EOOD	BG175108126	Sofia	Bulgaria	100
Scania Finance Chile S.A.	76.574.810-0	Santiago	Chile	100
Scania Credit (Hong Kong) Ltd	1945045	Hong Kong	China	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 Versicherungsvermittlung GmbH	22/651/01229	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	3333020158	Milan	Italy	100
Scania Finance Luxembourg S.A.	B82.907	Münsbach	Luxembourg	100
Scania Credit (Malaysia) SDN BHD	1011611-H	Selangor	Malaysia	100
Scania Services del Perú S.A.	20392923277	Lima	Peru	100
Scania Finance Polska Sp.z.o.o.	36594	Nadarzyn	Poland	100
Scania Finance Polska Insurances	478529	Stara Wies	Poland	100
SCANRENT - Alguer de Viaturas sem Condutor, S.A	PT 502631910	Lisbon	Portugal	100
Scania Credit Romania IFN SA	J23/1818/2005	Ciorogarla	Romania	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 Insurance Russia	1127747003097	Moscow	Russia	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	Slovakia	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 Credit Taiwan	54330725	Tapei	Taiwan	100
Scania Siam Leasing Co. Ltd.	0105550082925	Bangkok	Thailand	99.99
Scania Finance Nederland B.V.	27004973	Breda	The Netherlands	100
Scania Insurance Nederland B.V.	27005076	Middleharnis	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	2013	2012	2011
Administrative expenses		**0**	0	0
Operating income			0	0
Financial income and expenses [1]	1	**7,041**	4,063	4,071
Income after financial items		**7,041**	4,063	4,071
Appropriations	2	**–41**	–63	–70
Income before taxes		**7,000**	4,000	4,001
Taxes	3	**–**	–	–
Net income		**7,000**	4,000	4,001

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.	2013	2012	2011
Net income	**7,000**	4,000	4,001
Other comprehensive income	**–**	–	–
Total comprehensive income	**7,000**	4,000	4,001

BALANCE SHEET

31 December, SEK m.	Note	2013	2012	2011
ASSETS				
Financial non-current assets				
Shares in subsidiaries	4	**8,435**	8,401	8,401
Current assets				
Due from subsidiaries	5	**11,167**	8,001	8,001
Total assets		**19,602**	16,402	16,402
SHAREHOLDERS' EQUITY	6			
Restricted Equity				
Share capital		**2,000**	2,000	2,000
Statutory reserve		**1,120**	1,120	1,120
Unrestricted shareholders' equity				
Retained earnings		**9,482**	9,282	9,281
Net income		**7,000**	4,000	4,001
Total shareholders' equity		**19,602**	16,402	16,402
Assets pledged		**–**	–	–
Contingent liabilities	7	**32,638**	33,229	30,991

STATEMENT OF CHANGES IN EQUITY

	Restricted equity			
2013	**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			7,000	**7,000**
Dividend			–3,800	**–3,800**
Equity, 31 December 2013	2,000	1,120	16,482	**19,602**

	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

CASH FLOW STATEMENT

January – December, SEK m.	Note	2013	2012	2011
Operating activities				
Income after financial items		**7,041**	4,063	4,071
Items not affecting cash flow	8	**–7,000**	–4,000	–4,000
Taxes paid		**–**	–	–
Cash flow from operating activities before change in working capital		**41**	63	71
Cash flow from change in working capital				
Due from subsidiaries		**3,792**	3,937	3,929
Total change in working capital		**3,792**	3,937	3,929
Cash flow from operating activities		**3,833**	4,000	4,000
Investing activities				
Shareholders' contribution paid		**–33**	–	–
Cash flow from investing activities		**–33**	–	–
Total cash flow before financing activities		**3,800**	4,000	4,000
Financing activities				
Dividend to shareholders		**–3,800**	–4,000	4,000
Cash flow from financing activities		**–3,800**	–4,000	–4,000
Cash flow for the year		**–**	–	–
Cash and cash equivalents, 1 January		**–**	–	–
Cash and cash equivalents, 31 December		**–**	–	–

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Amounts in the tables are reported in millions of Swedish kronor (SEK m.), unless otherwise stated. A presentation of the Parent Company's accounting principles is found in Note 1 to the consolidated financial statements. Taking into account that the operations of the Parent Company consists exclusively of share ownership in Group companies, aside from the notes below, the Scania Group's Report of the Directors and notes otherwise apply where appropriate.

NOTE 1 Financial income and expenses

	2013	2012	2011
Interest income from subsidiaries	**41**	63	70
Dividend from Scania CV AB	**7,000**	4,000	4,000
Other	**0**	0	1
Total	**7,041**	4,063	4,071

NOTE 2 Appropriations

	2013	2012	2011
Group contributions provided to Scania CV AB	**–41**	–63	–70
Total	**–41**	–63	–70

NOTE 3 Taxes

Tax expense/income for the year	**2013**	2012	2011
Current tax	**–**	–	–
Total	**–**	–	–

	2013		2012		2011	
Reconciliation of effective tax	**Amount**	**%**	Amount	%	Amount	%
Income before tax	**7,000**		4,000		4,001	
Tax calculated using Swedish tax rate	**–1,540**	**22.0**	–1,052	26.3	–1,052	26.3
Tax effect and percentage influence:						
Tax-exempt dividends	**1,540**	**22.0**	1,052	26.3	1,052	26.3
Tax recognised	**–**	**–**	–	–	–	–

NOTE 4 Shares in subsidiaries

			Carrying amount		
Subsidiary/Corporate ID number/ registered office	**Ownership, %**	**Thousands of shares**	**2013**	2012	2011
Scania CV AB, 556084-0976, Södertälje	**100.0**	**1,000**	**8,435**	8,401	8 401
Total			**8,435**	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.

NOTE 5 Due from subsidiaries

	2013	2012	2011
Current interest-bearing receivable from Scania CV AB	**4,167**	4,001	4,001
Current non-interest-bearing receivable from Scania CV AB[1)]	**7,000**	4,000	4,000
Total	**11,167**	8,001	8,001

1 Refers to anticipated dividend.

The receivables are in SEK, so there is no currency risk.

NOTE 6 Equity

For changes in equity, see the equity report, page 126.

Under Swedish law, **equity** shall be allocated between non-distributable (restricted) and distributable (unrestricted) funds.

Restricted equity consists of share capital plus statutory reserve. 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 7 Contingent liabilities

	2013	2012	2011
Contingent liabilities related to FPG credit insurance, mainly on behalf of subsidiaries	**2,664**	3,064	2,868
Loan guarantees on behalf of borrowings in Scania CV AB	**29,967**	30,158	28,116
Other loan guarantees on behalf of subsidiaries	**7**	7	7
Total	**32,638**	33,229	30,991

NOTE 8 Cash flow statement

Items not affecting cash flow are mainly attributable to anticipated dividends. Interest received was SEK 41 m. (63 and 70, respectively).

NOTE 9 Salaries and remuneration to executive officers and auditors

The President and CEO of Scania AB and the other executive officers hold identical positions in Scania CV AB. Wages, salaries and other remuneration are paid by Scania CV AB. The reader is therefore referred to the notes to the consolidated financial statements: Note 26, "Wages, salaries and other remuneration and number of employees" and Note 28, "Compensation to executive officers". Compensation of SEK 20,000 (20,000 and 10,000, respectively) was paid to auditors with respect to the Parent Company.

NOTE 10 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 2013 amounted to SEK 1,873 m. (1,972) to Volkswagen AG and SEK 507 m. (534) 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 2013 AGM

The guidelines for salary and other remuneration of the President and CEO as well as other executive officers that were approved by the 2013 Annual General Meeting, which are consistent with this year's proposal, plus the outcome of these guidelines related to 2013, 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	9,482
Net income for the year	7,000
Other comprehensive income for the year	–
Total	16,482
Shall be distributed as follows:	
To the shareholders, a dividend of SEK 4.00 per share	3,200
To be carried forward	13,282
Total	16,482

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	13,282
Total	16,402

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 5 February 2014. The consolidated income statement and balance sheet and the Parent Company income statement and balance sheet will be subject to adoption by the Annual General Meeting on 7 May 2014.

Södertälje, 5 February 2014

Martin Winterkorn
Chairman of the Board

Leif Östling *Vice Chairman*	Peter Abele *Board member*	Helmut Aurenz *Board member*	Francisco J. Garcia Sanz *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
Board member
President and CEO

Our Audit Report was submitted on 6 March 2014

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 2013, except the corporate governance report on pages 49–58. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 34–131.

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 2013 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 2013 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 49-58. 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 2013. We have also conducted a statutory examination of the Corporate Governance Report.

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 49–58 is prepared in accordance with the Annual Accounts Act.

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, 6 March 2014

Ernst & Young AB

Lars Träff
Authorised Public Accountant

QUARTERLY DATA, UNITS BY GEOGRAPHIC AREA

	2013					2012				
	Full year	**Q4**	**Q3**	**Q2**	**Q1**	Full year	Q4	Q3	Q2	Q1
Order bookings, trucks										
Europe	**35,179**	5,908	11,267	9,970	8,034	28,695	7,470	6,136	7,970	7,119
Eurasia	**6,107**	1,058	1,611	1,882	1,556	6,801	1,323	1,743	2,319	1,416
America [1]	**19,899**	4,226	4,131	5,757	5,785	18,833	7,308	5,003	3,730	2,792
Asia	**8,731**	2,174	2,540	1,970	2,047	8,362	1,335	1,629	3,141	2,257
Africa and Oceania	**3,762**	907	926	1,115	814	3,194	741	926	876	651
Total	**73,678**	**14,273**	**20,475**	**20,694**	**18,236**	65,885	18,177	15,437	18,036	14,235
Trucks delivered										
Europe	**32,625**	11,549	6,864	7,758	6,454	27,720	8,396	5,835	6,638	6,851
Eurasia	**6,260**	1,704	1,610	1,746	1,200	6,798	2,368	1,607	1,687	1,136
America [1]	**23,756**	6,115	5,512	6,648	5,481	15,391	5,472	3,388	2,801	3,730
Asia	**7,400**	1,908	1,541	2,262	1,689	8,089	1,750	1,460	2,479	2,400
Africa and Oceania	**3,570**	973	920	946	731	3,053	833	746	742	732
Total	**73,611**	**22,249**	**16,447**	**19,360**	**15,555**	61,051	18,819	13,036	14,347	14,849
Order bookings, buses [2]										
Europe	**1,252**	468	187	336	261	1,032	348	193	180	311
Eurasia	**825**	45	227	192	361	178	25	13	88	52
America [1]	**2,604**	507	426	679	992	3,016	677	788	939	612
Asia	**1,638**	266	268	483	621	1,250	297	306	230	417
Africa and Oceania	**938**	216	226	180	316	584	101	188	113	182
Total	**7,257**	**1,502**	**1,334**	**1,870**	**2,551**	6,060	1,448	1,488	1,550	1,574
Buses delivered [2]										
Europe	**1,000**	278	274	289	159	1,312	267	380	382	283
Eurasia	**850**	201	322	227	100	198	56	54	49	39
America [1]	**2,778**	749	616	677	736	2,738	859	874	433	572
Asia	**1,388**	480	383	319	206	1,304	277	322	362	343
Africa and Oceania	**837**	283	202	170	182	798	244	181	221	152
Total	**6,853**	**1,991**	**1,797**	**1,682**	**1,383**	6,350	1,703	1,811	1,447	1,389

1 Refers mainly to Latin America.
2 Including body-built buses and coaches.

QUARTERLY DATA, EARNINGS

	2013					2012				
SEK m. unless otherwise stated	**Full year**	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Vehicles and Services										
Net sales	**86,847**	24,983	19,725	22,798	19,341	79,603	22,342	17,923	19,211	20,127
Cost of goods sold	**–65,303**	–18,865	–14,720	–17,287	–14,431	–58,927	–17,026	–13,213	–14,012	–14,676
Gross income	**21,544**	6,118	5,005	5,511	4,910	20,676	5,316	4,710	5,199	5,451
Research and development expenses	**–5,024**	–1,394	–1,168	–1,355	–1,107	–4,681	–1,187	–958	–1,313	–1,223
Selling expenses	**–7,740**	–2,137	–1,841	–2,004	–1,758	–7,286	–1,923	–1,736	–1,897	–1,730
Administrative expenses	**–1,065**	–287	–241	–269	–268	–1,042	–225	–254	–250	–313
Share of income in associated companies and joint ventures	**21**	8	4	8	1	27	11	–4	13	7
Operating income, Vehicles and Services	**7,736**	**2,308**	**1,759**	**1,891**	**1,778**	7,694	1,992	1,758	1,752	2,192
Financial Services										
Interest and leasing income	**4,494**	1,174	1,118	1,106	1,096	4,576	1,124	1,118	1,180	1,154
Interest and depreciation expenses	**–2,920**	–755	–724	–719	–722	–3,095	–735	–760	–805	–795
Interest surplus	**1,574**	419	394	387	374	1,481	389	358	375	359
Other income	**160**	49	39	37	35	119	47	24	22	26
Other expenses	**–49**	–13	4	–30	–10	–54	–14	–19	–8	–13
Gross income	**1,685**	455	437	394	399	1,546	422	363	389	372
Selling and administrative expenses	**–686**	–180	–164	–173	–169	–650	–170	–153	–165	–162
Bad debt expenses	**–280**	–67	–64	–74	–75	–290	–79	–90	–42	–79
Operating income, Financial Services	**719**	**208**	**209**	**147**	**155**	606	173	120	182	131
Operating income	**8,455**	2,516	1,968	2,038	1,933	8,300	2,165	1,878	1,934	2,323
Interest income	**548**	192	125	117	114	659	155	127	167	210
Interest expenses	**–611**	–213	–132	–144	–122	–526	–182	–94	–130	–120
Other financial income	**187**	39	66	45	37	80	68	–1	3	10
Other financial expenses	**–171**	–51	–16	–60	–44	–232	–81	–29	–94	–28
Total financial items	**–47**	–33	43	–42	–15	–19	–40	3	–54	72
Income before taxes	**8,408**	2,483	2,011	1,996	1,918	8,281	2,125	1,881	1,880	2,395
Taxes	**–2,214**	–522	–549	–623	–520	–1,641	–235	–380	–425	–601
Net income	**6,194**	**1,961**	**1,462**	**1,373**	**1,398**	6,640	1,890	1,501	1,455	1,794
Attributable to:										
Scania shareholders	***6,201***	*1,963*	*1,462*	*1,376*	*1,400*	*6,646*	*1,893*	*1,504*	*1,455*	*1,794*
Non-controlling interest	***–7***	*–2*	*0*	*–3*	*–2*	*–6*	*–3*	*–3*	*0*	*0*
Earnings per share, SEK [1, 2]	**7.75**	2.45	1.83	1.72	1.75	8.31	2.37	1.88	1.82	2.24
Operating margin, %	**9.7**	10.1	10.0	8.9	10.0	10.4	9.7	10.5	10.1	11.5

1 Attributable to Scania shareholders' portion of earnings.

2 There are no dilution effects.

KEY FINANCIAL RATIOS AND FIGURES

	According to IFRSs									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Scania Group										
Operating margin, %	**9.7**	10.4	14.1	16.3	4.0	14.1	14.4	12.4	10.8	11.6
Earnings per share, SEK [1]	**7.75**	8.31	11.78	11.38	1.41	11.11	10.69	7.42	5.83	5.40
Equity per share, SEK [1]	**46.3**	43.7	43.1	37.5	29.1	27.4	31.0	32.7	29.7	26.8
Return on equity, %	**17.5**	19.2	29.5	34.7	5.1	38.3	35.0	24.1	20.8	21.8
Dividend, SEK per share [1, 2]	**4.00**	4.75	5.00	5.00	1.00	2.50	5.00	3.75	3.75	3.75
Dividend as percentage of net income	**51.6**	57.2	42.4	43.9	70.9	22.5	46.8	50.5	64.3	69.5
Redemption, SEK per share [1, 2]		–	–	–	–	–	7.50	8.75	–	–
Equity/assets ratio, %	**31.4**	30.9	31.6	30.5	23.7	19.9	27.1	29.7	30.3	30.3
Net debt, excluding provisions for pensions, SEK m.	**33,872**	30,256	26,432	23,481	39,767	50,112	31,534	23,297	25,476	23,115
Net debt/equity ratio	**0.91**	0.86	0.77	0.78	1.71	2.28	1.27	0.89	1.07	1.08
Vehicles and Services										
Operating margin, %	**8,9**	9.7	13.5	16.1	4.3	13.6	13.8	11.7	10.0	10.8
Capital employed, SEK m. [4]	**37,758**	39,626	36,755	33,197	34,820	34,797	26,926	33,051	27,187	23,876
Operating capital, SEK m. [4]	**28,754**	27,936	25,287	23,645	28,172	30,452	23,036	22,379	24,571	21,680
Profit margin, % [4]	**9.8**	10.6	14.5	16.7	5.2	14.2	14.4	12.7	11.5	11.6
Capital turnover rate, times [4]	**2.22**	2.12	2.60	2.34	1.77	3.01	2.82	2.35	2.48	2.48
Return on capital employed, % [4]	**21.6**	22.5	37.8	39.1	9.2	42.8	40.5	29.9	28.5	28.8
Return on operating capital, % [4]	**27.2**	29.1	47.9	49.1	9.0	47.1	51.2	35.2	27.4	29.4
Net debt, excluding provisions for pensions, SEK m. [3]	**–8,843**	–9,361	–10,615	–7,700	4,038	8,364	–1,902	–4,335	269	854
Net debt/equity ratio [3]	**–0.28**	–0.31	–0.35	–0.30	0.21	0.49	–0.09	–0.19	0.01	0.05
Interest coverage, times [4]	**10.8**	11.1	19.6	19.3	2.2	11.8	16.0	10.0	7.0	8.8
Financial Services										
Operating margin, %	**1.5**	1.4	1.3	0.5	–0.4	1.0	1.5	1.6	1.9	1.7
Equity/assets ratio, %	**10.4**	10.3	10.3	11.1	10.4	9.6	10.1	9.6	10.0	11.2

1 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.

2 Dividend proposed by the Board of Directors or adopted by the Annual General Meeting.

3 Net debt (+) and net cash position (–).

4 Due to amendments in IAS 19 (see Note 1, Accounting principles), the comparative figures have been adjusted.

DEFINITIONS

Operating margin
Operating income as a percentage of net sales.

Earnings per share
Net income for the year excluding non-controlling interests divided by average number of shares.

Equity per share
Equity excluding non-controlling 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 cash 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 cash 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, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland.

Eurasia: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Russia, Ukraine, Uzbekistan.

Asia: Bahrain, Bhutan, China, Dem. Republic of Yemen, Hong Kong, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, 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, St Lucia, Trinidad, 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

	According to IFRS									
SEK m. unless otherwise stated	**2013**	2012	2011	2010	2009	2008	2007	2006	2005	2004
Delivery value by market area										
Europe	**46,712**	43,490	47,747	41,533	37,988	60,360	59,553	53,117	47,712	43,384
Eurasia	**6,047**	5,966	6,084	2,413	1,449	5,267	5,126	2,534	1,731	1,339
America [1]	**23,552**	18,391	20,912	21,725	11,812	12,822	10,573	8,420	7,575	5,655
Asia	**7,758**	7,853	10,182	9,035	6,097	6,665	5,699	4,603	4,137	3,997
Africa and Oceania	**5,925**	5,796	5,360	5,403	5,243	4,364	4,511	3,953	3,943	3,404
Adjustment for lease income [2]	**–3,146**	–1,894	–2,599	–1,941	–515	–501	–976	–1,889	–1,770	–991
Total	**86,847**	79,603	87,686	78,168	62,074	88,977	84,486	70,738	63,328	56,788
Operating income										
Vehicles and Services	**7,736**	7,694	11,881	12,575	2,648	12,098	11,632	8,260	6,330	6,149
Financial Services	**719**	606	517	171	–175	414	532	493	529	450
Total	**8,455**	8,300	12,398	12,746	2,473	12,512	12,164	8,753	6,859	6,599
Operating margin, %										
Vehicles and Services	**8.9**	9.7	13.5	16.1	4.3	13.6	13.8	11.7	10.0	10.8
Total [3]	**9.7**	10.4	14.1	16.3	4.0	14.1	14.4	12.4	10.8	11.6
Net financial items	**–47**	–19	214	–213	–871	–534	–258	–170	–94	–323
Net income	**6,194**	6,640	9,422	9,103	1,129	8,890	8,554	5,939	4,665	4,316
Specification of research and development expenses										
Expenditures	**–5,854**	–5,312	–4,658	–3,688	–3,234	–3,955	–3,214	–2,842	–2,479	–2,219
Capitalisation	**1,123**	860	387	351	282	202	289	180	278	316
Amortisation	**–293**	–229	–169	–168	–264	–475	–418	–361	–283	–84
Research and development expenses	**–5,024**	–4,681	–4,440	–3,505	–3,216	–4,228	–3,343	–3,023	–2,484	–1,987
Net investments through acquisitions/ divestments of businesses	**26**	–25	–44	56	118	–61	268	–	205	49
Net investments in non-current assets	**5,294**	4,480	3,776	2,753	3,031	5,447	4,277	3,810	3,597	2,798
Portfolio, Financial Services operations	**48,863**	45,038	42,235	36,137	40,404	47,220	38,314	31,841	29,634	26,601
Cash flow, Vehicles and Services	**3,231**	3,025	6,970	11,880	5,512	1,774	8,229	6,942	3,865	2,685
Inventory turnover rate, times [4]	**5.8**	5.4	6.1	6.4	4.5	6.5	7.5	6.9	6.0	6.0

1 Refers mainly to Latin America.

2 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.

3 Includes Financial Services.

4 Calculated as net sales divided by average inventory (adjusted for divested car operations).

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Number of vehicles produced										
Trucks	**75,957**	60,647	75,349	60,963	29,573	72,656	71,017	60,867	53,368	53,051
Buses	**6,897**	6,283	8,708	6,700	6,236	7,709	7,314	5,870	6,141	5,621
Total	**82,854**	66,930	84,057	67,663	35,809	80,365	78,331	66,737	59,509	58,672
Number of trucks delivered by market area										
Europe	**32,625**	27,720	31,443	23,315	18,824	41,184	44,433	40,349	35,493	34,346
Eurasia	**6,260**	6,798	7,445	2,369	1,084	5,455	5,765	2,877	1,592	1,238
America [5]	**23,756**	15,391	17,632	18,056	9,566	10,775	9,790	7,957	7,776	7,604
Asia	**7,400**	8,089	12,485	10,179	4,843	6,721	6,061	5,546	5,415	5,464
Africa and Oceania	**3,570**	3,053	3,115	2,918	2,490	2,381	2,605	2,615	2,291	1,911
Total	**73,611**	61,051	72,120	56,837	36,807	66,516	68,654	59,344	52,567	50,563
Number of buses and coaches delivered by market area										
Europe	**1,000**	1,312	1,916	1,760	1,954	2,412	2,212	2,426	2,390	2,311
Eurasia	**850**	198	84	82	130	194	235	284	275	270
America [5]	**2,778**	2,738	3,272	2,104	1,421	2,009	2,344	1,679	1,727	1,472
Asia	**1,388**	1,304	2,065	2,120	1,876	1,721	1,495	879	616	947
Africa and Oceania	**837**	798	651	809	1,255	941	938	669	808	519
Total	**6,853**	6,350	7,988	6,875	6,636	7,277	7,224	5,937	5,816	5,519
Total number of vehicles delivered	**80,464**	67,401	80,108	63,712	43,443	73,793	75,878	65,281	58,383	56,082
Number of industrial and marine engines delivered by market area										
Europe	**2,719**	3,664	3,450	2,634	1,834	3,019	3,538	3,578	3,417	2,824
America	**2,925**	2,582	2,809	3,281	1,775	2,798	2,537	2,245	2,073	1,648
Other markets	**1,139**	817	701	611	626	854	1,153	723	214	542
Total	**6,783**	7,063	6,960	6,526	4,235	6,671	7,228	6,546	5,704	5,014
Total market for heavy trucks and buses, units										
Europe (EU28) [6]										
Trucks	**237,325**	221,188	241,200	178,100	161,100	316,000	326,200	299,300	277,300	256,400
Buses	**22,962**	21,813	25,200	25,400	26,500	28,700	28,100	25,900	23,800	22,500
Number of employees December 31 [7]										
Production and corporate units	**19,069**	17,663	17,489	17,006	14,672	16,264	17,291	16,517	15,174	15,260
Research and development	**3,596**	3,509	3,327	2,930	2,642	2,922	2,528	2,174	2,058	1,924
Sales and service companies	**17,549**	16,734	16,038	14,987	14,475	15,079	14,797	13,682	13,128	12,455
Total Vehicles and Services	**40,214**	37,906	36,854	34,923	31,789	34,265	34,616	32,373	30,360	29,639
Financial Services companies	**739**	691	642	591	541	512	480	447	405	354
Total	**40,953**	38,597	37,496	35,514	32,330	34,777	35,096	32,820	30,765	29,993

5 Refers to Latin America.

6 Twenty-five of the European Union member countries (all EU countries except Greece, Malta and Croatia) plus Norway and Switzerland.

7 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 7 May 2014 at Marcus Wallenberg Hall, Scania in 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 Wednesday, 30 April 2014. They must also register with the company by post at Scania AB, AGM, Box 7832, SE-103 98 Stockholm, Sweden or by telephone at +46 8 402 90 55, or via Scania's website www.scania.com no later than 16:00 CET (4 p.m.) on the same day, Wednesday, 30 April 2014.

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 Wednesday, 30 April 2014.

Dividend

The Board of Directors proposes Wednesday, 12 May 2014 as the record date for the annual dividend. The last day for trading shares that include the dividend is Wednesday, 7 May 2014. Provided that the AGM approves this proposal, the dividend can be expected to be sent on Thursday, 15 May 2014.

Calendar

Interim Report, January–March, on 25 April 2014
Interim Report, January–June, on 18 July 2014
Interim Report, January–September, on 22 October 2014.

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 information, in the format and the 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, as well as order printed versions of 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.

Financial information is available in Swedish and English and may be ordered from Scania AB, Investor Relations, SE-151 87 Södertälje, Sweden, e-mail ir@scania.com, telephone +46 8 553 810 00, or at
www.scania.com/shareholder
www.scania.com/subscribe
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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 calculate the return of their own holdings as well. The website also provides historical financial data, truck registration statistics, key financial ratios and much more.

Photo: Dan Boman, Göran Wink, Petter Magnusson, Kjell Olausson, Andrew Leung, Silvio Serber, Kasper Dudzik, Carl-Erik Andersson, Arun H.C, Johan Spinell, Leif Hansson, Lucas Holm, Peggy Bergman, Piotr Gesicki, IAI, Tedd Soost, Andreas Larendius, Christopher Crookes och Shutterstock.

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