



SCANIA

PRESS info

5 September 2007

Scania foresees continued good order bookings and raises market forecast

So far during the third quarter, Scania's order intake has remained good and in line with first-half demand growth. The full-year 2007 deliveries are expected to increase by nearly 15 percent, to about 75,000 vehicles. Scania raises its forecast for Europe, including Russia, from 385,000 to 400,000-420,000 heavy trucks by the beginning of the next decade.

This was announced by Scania at today's Capital Markets Day in Södertälje, Sweden.

The background to Scania's revised assessment of the European market is the sharply higher transport demand stemming from EU enlargement and the economic development of Russia.

Scania foresees strong transport demand in all the regions where the company operates, driven by strong economic development – as well as by increasing trade, which is growing faster than GDP in many markets. Major infrastructure and production investments in eastern Europe and Russia will also lead to increased transport demand in western Europe.

“We expect the greatest growth in eastern Europe and Russia. In Asia, we also foresee a sharp increase in transport demand, but in a longer perspective. It will be a matter of vigorous long-term growth, which will not be affected by the turmoil currently prevailing in the credit market,” Mr Östling said.

Scania is expanding its production capacity in order to meet increasing demand.

“By the end of this year, we will have increased our production to an annual rate of 84,000 vehicles, which is higher than our original plans. By the end of next year, we plan to boost capacity to 90,000 vehicles and by the end of 2009 to 100,000. But production capacity is a moving target. We are continuously finding new ways to improve production efficiency and increase capacity. In a longer perspective, we can increase capacity to 130,000 vehicles. Beyond this, we plan to establish an assembly plant in Russia with an annual capacity of 10,000 vehicles, which may be in full operation in four or five years.”

Mr Östling also described plans to increase the capacity of Scania's sales and service organisation, with a focus on fast-growing regions. The largest expansion will occur in eastern Europe and Russia. In Russia, Scania is planning to double the number of service workshops during the next several years, but there will also be expansion in such important markets as France and Germany, as well as in such fast-growing markets as China, South Korea and Taiwan.

“Service-related products are a profitable and growing business. Customers are increasing their outsourcing, and they want fewer but reliable suppliers. An ever-larger proportion of our revenue and profitability comes from service operations. Investing in new facilities yields a rapid payback, and we are thus investing about SEK 1 billion in newly established operations.”

The surge in demand for Scania's products and services during the fourth quarter of 2006 is continuing. During the first half of 2007, order bookings increased by 39 percent. Delivery of vehicles ordered today will occur in the second quarter of 2008.

“The lead times in our industry are long. Our own production capacity, as well as that of our suppliers, is now gradually increasing, while the fragmented superstructure and trailer industry is having difficulty keeping up,” Scania's Chief Financial Officer Jan Ytterberg explained.

In his presentation, Mr Ytterberg described the work that is under way to meet the company's financial targets for the period 2007-2009 and added that the company Scania is stating targets for its return on capital employed (ROCE), which is set to at least 30 percent for the period.

“We are continuing to maintain a level of research and development costs of about 4 percent of sales. This is thanks to our modular product system, our cross-functional working method and our strategic development efforts in partnership with Cummins and Hino,” Mr Ytterberg said.

In Scania's production network, the target remains a 6-8 percent annual increase in productivity.

In its sales and service organisation, Scania is building up capacity to cope with large volume increases as well as improve its service-related products – an area with great earnings potential.

“Meanwhile we are working to improve the efficiency of our sales and service organisation. Just as in our production network, this includes introducing common processes and working methods as well as re-assessing our structure.

The short-term savings will mainly occur in purchasing and real estate.

The presentations from Scania's Capital Markets Day are available on the company's website, www.scania.com.

For further information, please contact:

- Stina Thorman, Head of Investor Relations, tel. +46 8 553 837 16
- Hans-Åke Danielsson, Press Manager, tel. +46 8 553 856 62

Scania is one of the world's leading manufacturers of trucks and buses for heavy transport applications, and of industrial and marine engines. A growing proportion of the company's operations consists of products and services in the financial and service sectors, assuring Scania customers of cost-effective transport solutions and maximum uptime. Employing 32,800 people, Scania operates in about 100 countries. Research and development activities are concentrated in Sweden, while production takes place in Europe and South America, with facilities for global interchange of both components and complete vehicles. In 2006, invoiced sales totalled SEK 70.7 billion and net income amounted to SEK 5.9 billion.

Scania press releases are available on the Internet, www.scania.com

[N07051EN] Hans-Åke Danielsson