SCANIA PRESS info

18 March 2014

Recommendation from the Independent Committee of the Scania Board of Directors

Based on the long-term prospects of Scania, its growth outlook, technological excellence and the synergy potential, the Committee believes the Offer does not reflect the long-term fundamental value of Scania and a fair share of the expected synergy potential and recommends to Scania's shareholders not to tender their shares.

The Independent Committee of the Scania Board of Directors has today announced its recommendation, following the public offer from Volkswagen Group announced on 21 February 2014 and the publication of the Offer Document on 14 March 2014. This is a summary of the full recommendation that follows.

- Having reviewed Scania's growth strategy in the current shareholding structure, as initially set out at the Capital Markets Day in September 2013, and benchmarked it against reputable third party truck volume forecasts, the Committee is of the view that the assumptions underlying the long-term company business plan represent the best possible view of Scania's fundamental value.

- Based on the long-term prospects of Scania, its growth outlook, technological excellence and the synergy potential, the Committee believes the Offer does not reflect the long-term fundamental value of Scania and a fair share of the expected synergy potential and recommends to Scania's shareholders not to tender their shares.

- Committee member Peter Abele has in a special statement put emphasis on the considerations that needs to be made by short and long term investors respectively.

- In arriving at its recommendation the Committee has taken into account the underlying valuations and the Opinions rendered by Deutsche Bank AG (London) and Morgan Stanley & Co. International plc.

"Scania is a world-leader in its industry and the Committee has strong faith in the business plan set out by the company. Our assessment is that the current offer does not reflect the long-term value of the company and a fair share of the synergies", says Åsa Thunman, Chairman of the Independent Committee.

The Committee consists of Åsa Thunman (Chairman of the Committee), Peter Wallenberg Jr, Peter Abele, Johan Järvklo and Håkan Thurfjell.

A press conference with the Committee will be held at Moderna Museet, Skeppsholmen, Stockholm on 18 March at 10 am CET. The press conference can also be followed through a webcast and on telephone. Use the following address for the webcast: http://scania-pressconference140318.creo.tv

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Åsa Thunman (Chairman of the Committee), Peter Wallenberg Jr, Johan Järvklo and Håkan Thurfjell will be present. Peter Abele is not able to travel for health reasons but can be contacted through the Committee's media contact.

For further information, please contact the Committee's media contact at +46-729 299 450

The information set out in this press release is announced in accordance with the Swedish Securities Market Act. The information was submitted for publication on March 18, 2014, 07.00 CET.

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This announcement contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Such forward-looking statements involve risks and uncertainties that could significantly alter potential results. These statements are based on certain assumptions, including assumptions related to general economic and financial conditions in the company's markets and the level of demand for the company's products. This announcement does not imply that the company has undertaken to revise these forward-looking statements, beyond what is required under the company's registration contract with the Stockholm Stock Exchange, if and when circumstances arise that will lead to changes compared to the date when these statements were issued.

Scania is one of the world's leading manufacturers of trucks and buses for heavy transport applications, and of industrial and marine engines. Service-related products account for a growing proportion of the company's operations, assuring Scania customers of cost-effective transport solutions and maximum uptime Scania also offers financial services. Employing some 41,000 people, the company 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 2013, net sales totalled SEK 86.8 billion and net income amounted to SEK 6.2 billion. Scania press releases are available on www.scania.com (http://www.scania.com/se)

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1/ Background

This statement is issued by the Independent Committee of the Board of Directors (the “Committee”) of Scania AB (“Scania” or the “Company”) pursuant to item II.19 of the NASDAQ OMX Stockholm’s Rules concerning Takeover bids on the Stock Market (the “Takeover Rules”).

Volkswagen AG (“Volkswagen”), which owns in aggregate 62.6% of the capital and 89.2% of the votes in Scania, has on 21 February 2014 announced a public offer to the shareholders of Scania to acquire all outstanding shares in Scania (the "Offer") not owned by Volkswagen.

As set forth more fully in Volkswagen's Offer document published 14 March, 2014 (the “Offer Document“), Scania's shareholders are being offered to tender their shares to Volkswagen for a cash consideration of SEK 200 per Scania A and B share (the "Offer Consideration"). This corresponds to a premium of 36% per Scania B share and 38% per Scania A share to the respective closing prices on the day of the announcement of the Offer on 21 February 2014.

According to the Offer Document, the acceptance period will run from 17 March to 25 April 2014 subject to any extension.

The completion of the Offer is conditional upon, among other things, being accepted to such an extent that Volkswagen becomes the owner of more than 90% of the total number of shares in Scania. It is noted that this condition is expressly stated as being non-waivable. Volkswagen will commence compulsory redemption proceedings under the Swedish Companies Act and seek a delisting of Scania’s shares once the 90% threshold has been exceeded.

As set out in the Scania press release dated 23 February 2014, an Independent Committee of the Board was appointed by the Board at an extraordinary board meeting to assess the Offer and provide its opinion regarding the Offer. The Committee consists of Åsa Thunman (Chairman of the Committee), Peter Wallenberg Jr, Peter Abele, Johan Järvklo and Håkan Thurfjell. The Board members Martin Winterkorn, Hans Dieter Pötsch, Francisco J. Garcia Sanz, Martin Lundstedt, Leif Östling, Ferdinand K. Piëch and Helmut Aurenz have not participated in the Committee’s evaluation of or decisions in relation to the Offer due to conflicts of interest. Senior management, including Martin Lundstedt and Jan Ytterberg, have, at the request of the Committee, provided the Committee with information relevant to the Committee’s evaluation of the Offer.

As was further announced on 25 February 2014, that Deutsche Bank and Morgan Stanley have been retained as financial advisors, Mannheimer Swartling as legal advisor and JKL as communication advisor to assist the Committee. Hammarskiöld & Co is legal advisor to Scania.

2/ Market trends and position of Scania

A/ Supportive industry trends

Economic growth and GDP development are the fundamental drivers of demand for commercial vehicles. Additional drivers are trade and increasing urbanisation. As countries develop, the demand for heavy trucks increases, while urbanisation drives the growth of bus usage. Sustainable, environmentally friendly transport and in particular heavy, premium commercial vehicles can be seen as a key solution to address these global challenges.

- *Increased focus on life-cycle profitability*
  Commercial vehicle operators are increasingly focused on life-cycle profitability and cost management, including fuel economy, thereby adopting a holistic view of the operations of a vehicle and its utilisation. New, innovative services, such as remote access, and more advanced service planning and network connectivity of entire fleets, among others, open new opportunities to optimise total vehicle utilisation.
- *Increased demand for sophisticated logistics solutions*
  Demand for heavy commercial vehicles increases at the expense of medium and light vehicles when markets and infrastructure develop and demand for advanced logistical solutions becomes pronounced. Heavy commercial vehicles are ideal to deliver efficient, high-capacity transport solutions and thus are a benefactor of the systemic market development towards more complex and demanding logistics solutions.
- *Significant growth potential in emerging markets*
  Major investments in manufacturing and urbanisation are being made in line with economic development and increasing GDP. Logistics networks, however, have not always kept pace, as one can observe e.g. in China and India. As the maturity of markets shifts and the need for more efficient logistics increases, this not only creates demand for more efficient transport solutions with a lower carbon footprint, but increasingly also provides opportunities for premium and sophisticated logistics offerings.
- *Replacement cycle in developed markets*
  Demand in mature markets is, among others, driven by the replacement cycle of the rolling fleet which generally is about 10 years. The average age of the truck fleet in Europe is currently running at historically high levels with 2013 being the fifth year of weaker than average deliveries in Western Europe over the last cycle, suggesting a pick-up of demand. During each replacement cycle, the emphasis on service arrangements and environmental performance increases, e.g. the Euro 6.
- *Climate change spurs environmental legislation*
  Environmental issues and changes in regulation drive an overall trend to reduce fuel consumption and CO_2 emissions with an objective to target low or even zero emissions. As a result, research and development focuses on superior fuel efficiency, hybrid power trains, and sustainable mobility solutions, all key elements in reducing the carbon footprint of transport and the CO_2 emissions per ton transported.

B/ Scania is well-positioned for long-term growth

Scania has consistently been and continues to be a very successful and profitable company in the global heavy commercial vehicle industry. It is underpinned by an attractive growth potential, premium products, technological excellence, efficiency and flexibility as well as a leading services platform.

- *Attractive growth potential based on a strong presence in selected key markets*
  Scania has a strong presence across Europe, Eurasia and Latin America and is well positioned to target premium growth segments in emerging markets, particularly in Asia. Building on its existing presence, Scania has the ambition of reaching an annual delivery rate of 120,000 trucks and 15,000 buses by 2020 combined with increasing the share of service revenues to 25-30% of total sales.

  This growth strategy is based on five key pillars that together form the basis for its sustainable long-term growth: (i) increasing sales of services per vehicle as the customers' need to outsource services increases and vehicle technology becomes more complex; (ii) growth with the market by leveraging existing long-standing customer relationships; (iii) increasing market share by selectively targeting specific markets and segments; (iv) expanding into new geographic markets and finally (v) targeting new customer segments that demand sophisticated, sustainable transport solutions.

- *Premium products, technological excellence and innovation*
  Scania's premium position is underpinned by its focus on technological expertise, innovation and continuous investments in R&D. In 2013, Scania unveiled Streamline, a new long-haul truck concept featuring refined technology and new solutions that enable customers to reduce fuel consumption by up to 8%. In 2014, Scania is complementing its already extensive range of Euro 6 engines suited for diesel to also include alternative fuels, such as 100% biodiesel or gas.

  Scania has also been investing heavily into a new truck cab to be introduced in the market within the coming years. The new cab will provide an enhanced customer value, further fuel consumption savings as well as notable expected cost savings per cab manufactured compared to the current product range. Investments of this magnitude in a new cab are a rare enough occurrence to be noted. The last time Scania undertook the launch of a new cab was in 1995.

- *Customisation, efficiency and flexibility*
  The modular system pioneered by Scania combined with its flexible global product and production structure forms the basis for an efficient cost structure. The modular system provides the opportunity for customers to get a tailored product solution to their specific segment demand and at the same time gives Scania efficient scale in R&D, sourcing, production and services. Scania's modular approach allows the Company to selectively develop prime customer segments while at the same time achieving economies of scale.

  In addition, Scania's highly skilled and dedicated employees are encouraged to take ownership and identify areas for improvement on a daily basis. This culture of continuous improvements among the employees is unique and critical to Scania's past and future success.

- *Leading services offering*
  Scania is pursuing an active growth strategy in services by expanding its offering and increasing its market share within the services segment. This strategy captures the increased trend of outsourcing as vehicle technology becomes increasingly complex combined with an increasing customer focus on tailored solutions that optimise vehicle uptime, fuel efficiency and delivery of a one-stop services offering. Nowadays, Scania vehicles are often connected via an on-board

communicator, which allows for new segment-specific service concepts to be rolled out, such as individualised condition based maintenance. Scania is a leading player within vehicle connectivity with more than 60,000 vehicles connected, which is expected to almost double by the end of 2014. This provides a strong base for increased service revenue per vehicle.

C/ Encouraging 2014 outlook as demonstrated by current demand trend

In spite of the recession in Europe in 2013, Scania achieved strong volumes in vehicle deliveries and services sales. The year-to-date trend in order bookings indicates that 2014 could mark another year of similarly high vehicle and services volumes.

Total truck orders for the first two months of 2014 are at a comparable level to the same period in 2013 and show a sequential improvement compared to the fourth quarter of 2013. In Europe, stabilised economic activity, positive performance indicators in the Financial Services segment combined with higher prices for used trucks as well as the overall need for replacement indicate a positive outlook for Scania in 2014. However, at the same time, the SEK has strengthened, primarily against several of the emerging market currencies, which adversely impacts Scania's financial performance.

In the first two months of 2014, Scania increased its European market share to 14.9% compared to 14.7% in the corresponding period of 2013.

Order bookings in Latin America remain at the same levels as of the fourth quarter of 2013, while stronger orders compared to the previous year have been recorded in Eurasia, Africa and Oceania.

First quarter 2014 results for Scania will be announced on 11 April 2014.

3/ Assessing the Offer by Volkswagen

The Committee believes that to form a view as to the adequacy of Volkswagen's Offer, the Offer needs to be assessed in the context of the following:

A/ The fundamental value of Scania based on its long-term growth prospects in the current shareholding structure

B/ The timing of the Offer in relation to the truck cycle and investor sentiment

C/ Sharing the synergy potential related to the potential transaction between Scania and Volkswagen

D/ The effects on Scania

A/ The fundamental value of Scania based on its long-term growth prospects in the current shareholding structure

In assessing the fundamental value of Scania based on its long-term growth prospects, the Committee has taken into account, among others, the following items:

- Scania has a well-defined growth plan to address the long-term market potential identified by the Company:
    - Scania has laid out a detailed plan to reach an annual delivery rate of 120,000 trucks and 15,000 buses per year by 2020, including specific targeted geographies and market segments.
    - Scania is developing innovative new services with the ambition that revenues derived from services will represent 25-30% of total sales by 2020.

    - The Company is currently investing heavily in expanding existing production facilities, a new cab and other new products as well as the development of services and an expansion of its service network to be in a position to reach these objectives.
    - Management forecasts for deliveries of trucks and buses in Scania's growth plan have been benchmarked against reputable third party estimates.

- Scania has historically had superior operating margins relative to its peers and attractive Return on Capital Employed and the Committee believes this track record to be relevant in assessing future earnings potential:
    - 2013 operating margin of 9.7% is significantly below the long-term operating margin average of 11.5% over 1987-2013 particularly due to the position in the truck cycle, the negative effects of the stronger SEK and the significant investment and research and development program currently under way.
    - In 4 out of the last 8 years, Scania has achieved an operating margin above 14%.
    - Scania expects operating margins to improve over the coming years supported by GDP growth, the current investment programme and the development of Scania's services offering which has a substantially higher gross margin compared to new vehicle sales.
    - The Company has communicated a Return on Capital Employed objective of 40% relating to Vehicles and Services and a Return on Equity objective in excess of 10% relating to Financial Services.
- Scania believes that significant synergies are achievable under the current shareholding structure:
    - Scania and MAN SE ("MAN") currently have over 100 initiatives based on clear corporate benefit and arm's length principles. The initiatives span across axles, gearboxes, hybrid, etc. and will unlock synergies under the Volkswagen umbrella.
    - These initiatives could be implemented under the current shareholding structure assuming relevant approval by the respective corporate bodies.[1]

Consequently, the Committee believes the Offer shows insufficient appreciation of Scania's long-term growth potential.

B/ The timing of the Offer in relation to the truck cycle and investor sentiment

In assessing the Offer, the Committee has also taken into account the current position in the truck cycle and the fact that, as discussed above, the recent company performance and consequently its share price is not reflecting the long-term potential of Scania, nor its normalised operating metrics:

- Investor sentiment has been affected by the uncertainty around the pre-buying impact before the new Euro 6 emission legislation came into force in Europe as well as the uncertainty regarding the short-term outlook for the Brazilian market.
- The average age of the truck fleet in Europe is running at historically high levels, suggesting a pick-up of demand.

[1] The policy on group cooperation adopted by the Board of Directors was further described on the Scania Capital Markets Day in September 2013

- The Company's financial performance has been negatively affected by the strengthening of the SEK and the foreign exchange variation of emerging markets currencies.
- Scania is currently investing heavily into expanding its existing production facilities, a new cab and other new products and expanding the service network into new markets, putting pressure on short-term profitability metrics.

The relevance of certain valuation metrics, such as the premium of the Offer on the Scania share price before 21 February, as well as the implied valuation multiples of the Offer is limited by the factors mentioned above. Based on normalised profitability levels, the multiples implied by the Offer are less attractive compared to Scania's long-term average historical trading multiples as well as the multiples paid or agreed by different strategic bidders or acquirers for shares of Scania (e.g. Volvo in 1999, Volkswagen in 2000 and 2008).[2]

In summary, in the view of the Committee, the timing of the Offer occurs as the current truck cycle is bottoming out while Scania has been investing into new products and growth markets as well as higher production and services capacity. At the same time, pre-offer trading and operating levels are not yet adequately reflecting the upside from a rebounding cycle and the benefits of these investments.

C/ Sharing the synergy potential related to the potential transaction between Scania and Volkswagen

Scania and the Committee are of the view that there is a strong strategic fit with significant synergy potential in the cooperation between the Company, Volkswagen and MAN.

In the Offer Document, Volkswagen has communicated that €200 million of synergies can be achieved by the end of 2014 under the existing shareholding structure primarily by focusing on purchasing. Volkswagen has also announced expected additional synergies of €650 million per year long-term average after 10-15 years with a gradual phase-in if the Offer is successful.

- The Committee believes that the majority of the €200 million synergies to be achieved from purchasing in the existing shareholding structure in the financial year 2014 will be realised outside of Scania.
- The Committee believes the indicated time horizon of 10-15 years to achieve the long-term synergies run-rate of €650 million, related to the integration of power train and chassis components, as a result of the Offer appears conservative.
- The Committee is convinced that a clear majority of the €650 million expected synergies will be realised by leveraging Scania's expertise in modularisation of its product range, its technology platform, and its flexible global product and production structure. This is evidenced, among others, by Scania consistently outperforming MAN in terms of operating margins, demonstrating the upside potential for MAN once the full synergies can be realised.

Given Scania's long-term growth potential and its long-term fundamental value under the current shareholding structure, the Committee is of the opinion that the Offer does not attribute a fair share of the synergies to Scania's minority shareholders.

[2] Volvo/ Scania in August 1999 at 12.5x LTM EBITDA, Volkswagen/ Scania in March 2000 at 10.8x LTM EBITDA, Volkswagen/ Investor AB (Scania) in March 2008 at 10.6x LTM EBITDA.

D/ The effects on Scania

Volkswagen has stated in its Offer Document that "Volkswagen does not foresee any material changes with regard to Scania's operational sites and its management and employees, including their terms of employment. Scania's headquarters and its development centres will remain where they are today". While the Committee expects that this statement reflects Volkswagen's intentions, the Committee would like to highlight the following:

Scania has a number of unique characteristics compared to its competitors. First of all, the Company stands out by having an integrated value chain in key locations - from research and development to sourcing and production to sales - with all functions located in an integrated structure, enabling Scania to take a holistic cross-functional view. Secondly, its modular, global product and services range and lean manufacturing setup are key contributors to its best-in-class cost structure and productivity. This structure allows for an efficient pooling of research and development initiatives for all markets and is a key factor behind Scania's excellent product quality. Finally, the strong corporate culture at Scania is characterised by employee empowerment and dedication, a key factor to the Company's success.

Volkswagen's subsidiary, MAN, has entered into long-term job protection agreements with its German labour unions. Although the Committee understands that discussions between Volkswagen and the Scania labour unions are currently ongoing, the Committee is not aware of any agreement having been entered into at this time. Consequently and absent agreements corresponding to those of the German labour unions, there is a risk that potential future headcount reduction in the Volkswagen group of companies following completion of the Offer may have to be taken out of the Scania operations.

Much of Scania´s future expansion in production capacity is depending on increased efficiency through continuous improvements by employees who are dedicated to Scania's philosophy of putting the customer first, with respect for the individual and focus on quality. Scania's structure, that facilitates cross-functional work, has been and will be important to maintain high quality in product and services as well as short lead times from the research and development phase to market launch. Any relocation of any area of operation in Scania's structure, or expectations of structural changes, could impact these success factors negatively and thereby limit Scania's potential for profitable growth.

The labour unions have at the date hereof not yet made any statement on their own regarding the Offer.

4/ Recommendation by the Committee

The Committee has based its recommendation on an assessment of factors that the Committee has deemed relevant in relation to the Offer, including, but not limited to, assumptions regarding Scania's business and financials.

Having reviewed Scania's growth strategy in the current shareholding structure, as initially set out at the Capital Markets Day in September 2013 and benchmarked it against reputable third party truck volume forecasts, the Committee is of the view that the assumptions underlying the long-term company business plan represent the best possible view of Scania's fundamental value.

Based on the long-term prospects of Scania, its growth outlook, technological excellence and the synergy potential, the Committee believes the Offer does not reflect the long-term fundamental value of Scania and a fair share of the expected synergy potential and recommends to Scania shareholders not to tender their shares.

However, the Committee would also highlight that a rejection of the Offer entails a risk of the shares trading down in the short-term with no guarantee of the timing and extent to which the long-term valuation potential can be realised. When making their decision, investors should consider this risk.

In arriving at its recommendation, the Committee has also considered the Opinions (the "Opinions") rendered by Deutsche Bank AG (London) and Morgan Stanley & Co. International plc pursuant to item III.3 of the Takeover Rules. The Opinions, which are subject to the assumptions set out therein, are attached to this press release.

4.1/ Dissenting statement from Mr Peter Abele

Mr Peter Abele would like to note that although he agrees with the other parts of this Statement, he has a dissenting opinion regarding this item 4 and how it should be worded and would like to express his opinion as follows:

"The Offer is adequate or even profitable to those investors with a short-term investment horizon.

Based on the long-term prospects of Scania – as mentioned before – its growth outlook, its technology and synergies potential I believe – based on the valuation analyses of the Banks - the Offer undervalues in a long-term view the value of Scania, reachable in several years. For those long-term acting shareholders, I believe it is attractive to hold on to their shares.

However I would also highlight that a rejection of the Offer entails a risk of Scania's shares trading down with no guarantee of timing and extent to which the mentioned potential can be realised in the share price, particularly as share prices in general on the stock exchanges are rather high presently."

Södertälje, 18 March 2014

Scania AB (publ)

The Independent Committee of the Board of Directors

For further information, please call the Committee's press contact,
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