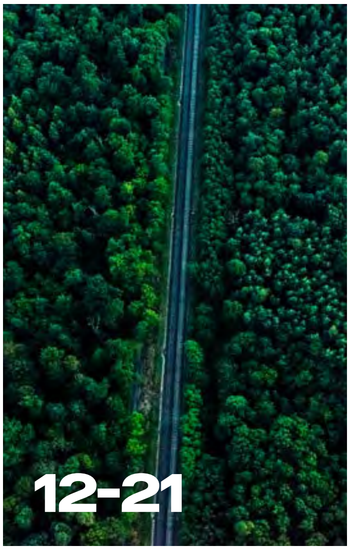
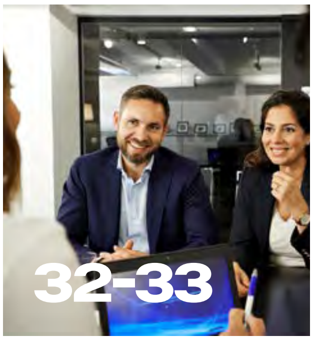
THE SCANIA REPORT 2018

Annual and Sustainability Report

SCANIA





Scania's aim is to drive the shift towards a sustainable transport system, creating a world of mobility that is better for business, society and the environment.

2018 HIGHLIGHTS

Scania reflects on another year of strong growth and a continued focus on contributing to a sustainable future in the ecosystem of transport and logistics. Major milestones range from finalising the launch of the new truck generation to taking strategic initiatives and entering new partnerships that seek to accelerate change.

Scania hosts its second Sustainable Transport Forum in May, bringing together some of the world's most influential thought leaders and decision makers to discuss the shift to a fossil-free transport system.

A comprehensive analysis undertaken by Scania – The Pathways Study – shows the viability of concurrent pathways to phase out carbon emissions by 2050. In conjunction with presenting these findings Scania announces a coalition with H&M Group, Siemens and E.ON to help further accelerate the decarbonisation of heavy transport.

Scania reaches a deal with the Japanese construction equipment manufacturer Kobelco to supply it with 13-litre low-emissions industrial engines. The Scania engines will be fitted into Kobelco's huge new mobile cranes which can lift more than 300 tonnes.

Scania will continue trials with the new generation autonomous transport systems at Rio Tinto's operations in Western Australia in 2019. The first phase of the trial involves a Scania autonomous tipper truck.

The German government announces plans to fund the 'Trucks for German eHighways' project. Scania will supply 15 hybrid electrified long-haulage trucks for three different test areas on German public roads.

Service volumes continue to increase: service revenue amounts to a record high SEK 27 bn, an increase of 12 percent.

At the 2018 IAA fair in Hanover, Germany, Scania launches a plug-in hybrid electric truck (PHEV).

The hybrid trucks can run on HVO (Hydrotreated Vegetable Oil) in parallel with electricity. At the same fair Scania launches Scania Zone, a wireless, remote-controlled position-based service for automatic vehicle adjustment to help drivers follow traffic and environmental regulations. The service enables smarter, cleaner and safer truck operation.

Scania Transport Laboratory, the company's in-house haulier, is showing the way towards emission-free logistics with its strategic decision to exclusively operate on HVO (a near-zero carbon alternative to diesel), hybrids, ethanol and biogas.

The launch of Scania's new truck generation enters its final phases, with the much-anticipated roll-out of the new vehicles in Latin America and Asia.

In its largest gas bus delivery ever, Scania will supply 741 Euro 6 gas buses – the cleanest and most silent buses on the Colombian market – for the renewal of Bogotá's TransMilenio Bus Rapid Transit system. Established in the early 1990s, the system carries 1.7 million passenger journeys every day.

Scania co-founds a consortium with the purpose to stimulate a roll-out of gas fuelled trucks.

With EUR 2.9 bn in EU funding, the consortium BioLNG EuroNet, including Shell, Grupo DISA, OSOMO and Iveco focuses on producing liquefied biogas from waste and residues and on building a network of gas filling stations covering key commercial routes in Europe.

Scania wins the 2018 Green Truck Award, a German fuel test focusing on the lowest fuel consumption.

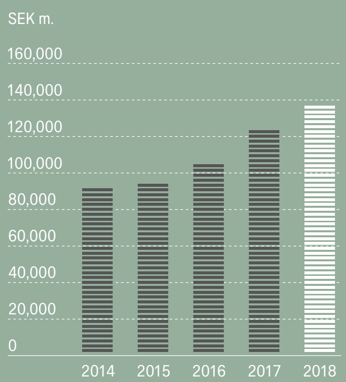
A Scania R 500 with its updated 13-litre engine ensured that Scania won the prize again. The Green Truck Award is arranged by two leading German trade magazines, VerkehrsRundschau and Trucker.

Scania premieres its new Interlink Medium Decker – the world's first gas-fuelled long-distance coach for liquefied natural gas, which has a range of up to 1,000 kilometres.

2018 IN NUMBERS

Net sales

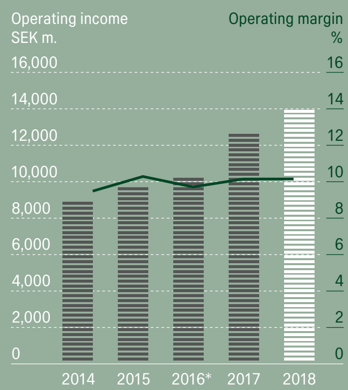
137,126



Total product deliveries and service sales reached all-time high levels and Scania's net sales rose to a record level in 2018.

Operating income

13,832

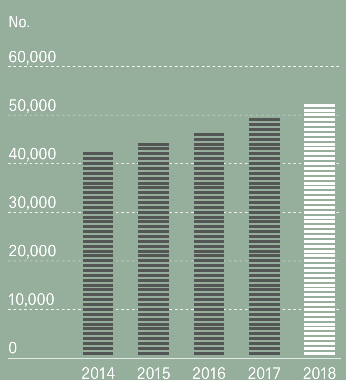


Scania's operational performance was strong during the year, despite going through the biggest industrial changeover in the company's history. The operating margin amounted to 10.1 percent in 2018.

* Operating income 2016 excluding items affecting comparability (a provision of SEK 3.8 bn related to the European Commission's competition investigation).

Number of employees

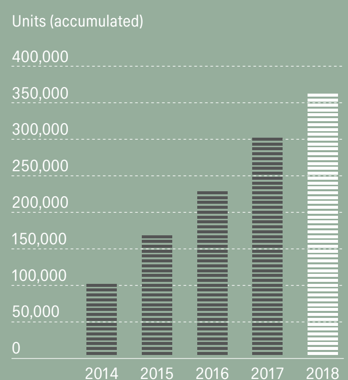
52,103



At the end of 2018 the number of employees had increased by 2,840 people compared to the end of 2017.

Connected Scania vehicles

363,676



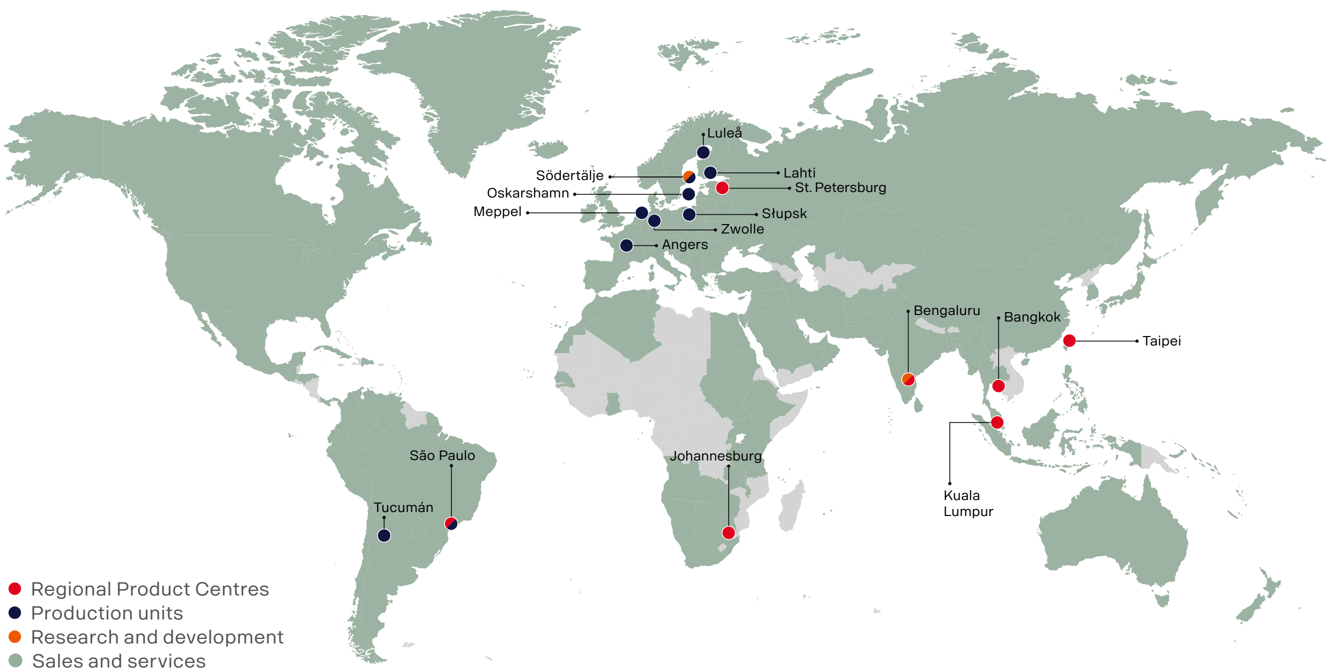
The number of connected vehicles is steadily increasing, enabling Scania to further optimise customer solutions and improve our service offering.

Contents

This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

We welcome feedback on its contents.

SCANIA AT A GLANCE 2018

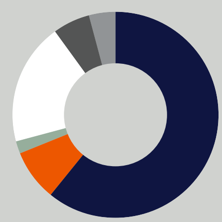


With around 52,100 employees in about 100 countries, our sales and service network is strategically placed where our customers need us, no matter where they operate. Research and development activities are mainly concentrated in Sweden, with branches in Brazil and India. Production takes place in Europe, Latin America and Asia with facilities for global interchange of both components and complete vehicles. In addition there are regional production centres in Africa, Asia and Eurasia.

Scania is part of TRATON GROUP. Under this umbrella the brands Scania, MAN and Volkswagen Caminhões e Ônibus work closely together with the aim to turn TRATON GROUP and its brands into a Global Champion.

Global net sales

Trucks	61%
Buses	8%
Engines	2%
Service-related products	19%
Used vehicles	6%
Other	4%



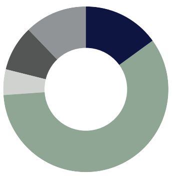
Scania is a world-leading provider of transport solutions, including trucks and buses for heavy transport applications combined with an extensive product-related service offering. Scania offers vehicle financing, insurance and rental services to enable our customers to focus on their core business. Scania is also a leading provider of industrial and marine engines.

Our solutions

Trucks

Scania supports transport companies across the world by delivering heavy trucks for each customer's need. We offer tailor-made solutions for 36 different applications including long-haulage, urban applications and construction.

Sales and deliveries 2018



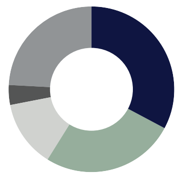
America*	15%
Europe	59%
Africa and Oceania	5%
Eurasia	9%
Asia	12%

87,995
UNITS

Buses and coaches

Scania offers a complete range of city buses and coaches for public transport operators and coach companies. As urbanisation increases, public transport is growing in importance.

Sales and deliveries 2018



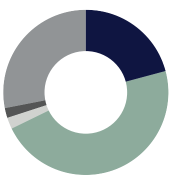
America*	33%
Europe	26%
Africa and Oceania	13%
Eurasia	4%
Asia	24%

8,482
UNITS

Engines

Scania engines can be found at the heart of machines required to be in use 24 hours a day, including wheel loaders, patrol boats and power gensets.

Sales and deliveries 2018



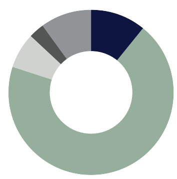
America	21%
Europe	47%
Africa and Oceania	2%
Eurasia	2%
Asia	28%

12,809
UNITS

Services

Scania's extensive service offering includes workshop services, tailor-made maintenance with flexible plans, driver training and coaching and services for support and management of our customers' operations.

Sales 2018



America*	11%
Europe	69%
Africa and Oceania	7%
Eurasia	3%
Asia	10%

SEK
26,588 M.

* Refers to Latin America.

TACKLING CLIMATE CHANGE WITH HERE AND NOW SOLUTIONS

Using the solutions that are already available, we must act now to bend the curve of CO_2 emissions to tackle climate change. In 2018, with deliveries at all-time high levels, Scania combined continued growth with taking further steps to drive the shift towards a sustainable transport system.

‘As we continue to invest in and develop electrified solutions, we also call for increased biofuel production along with the quick construction of filling stations for renewable biofuels.’

To meet the global target of the Paris agreement, the curve of CO_2 emissions must be bent within ten years. We at Scania are committed to being a driving force in the ecosystem of transport and logistics to achieve this target, since our sector is responsible for a significant share of the world’s CO_2 footprint.

The good news is that it is possible! In 2018, Scania conducted a study we call The Pathways Study. It shows that achieving net zero CO_2 emissions for heavy commercial transport by 2050 is not only possible, but is also financially attractive from a societal perspective. But we need to start now.

The study outlined several different pathways where biofuels offer the fastest way to cleaner transport since it is available here and now. It also concluded that electrification is the least costly option in the long run from a societal point of view and will play a key role in a sustainable future transport system. A key point is also the low hanging fruit in eliminating waste in the current transport system. By better planning and smarter logistics a CO_2 reduction of about 25 percent can be achieved.

At Scania, we will continue to invest in and develop electrified solutions and it will not be very long until we reach a tipping point where electrification for heavy transport will become a sound investment for our customers. However, we are not quite there yet.

The internal combustion engine is the most broadly available technology globally in heavy commercial transport and what determines whether it’s good or bad for the planet is the fuel with which you choose to power it. Fuels that replace fossil diesel have gained momentum in the past year and I find it encouraging to see more private and public initiatives that stimulate the use of renewable fuels. Scania has a unique portfolio, covering all commercially available alternative fuels – biogas, bioethanol, biodiesel, CNG and HVO – as well as hybrids.

This year at the world’s largest commercial vehicles industry fair, IAA, all the vehicles we displayed at our exhibition stand could be powered by an alternative to fossil diesel.

Unexpected alliances help move us forwards and 2018 saw us explore a number of new partnerships. One is a coalition with Siemens, H&M and E.ON where we work together to accelerate decarbonisation of heavy transport. This coalition was announced during Scania’s second Sustainable Transport Forum with keynote speakers including former US Vice President Al Gore. With several significant milestones, 2018 marks another year when Scania has continued to lead in the shift towards sustainable transport.

Another good year, but we can do even better

Our industry grew further in 2018, and Scania had another great year with records in many areas. We continued to roll out the new truck generation, reaching Asia, Eurasia and South America, and it has been received with great enthusiasm from customers. Vehicle sales and service volumes both reached an all-time high, and engines sales continued their strong upward trend rounding off the year in record sales volumes.

However, in this strong global market we know that can do even better. At the end of our biggest industrial transition ever we are intensifying our focus on normalising cost levels, as earnings are not fully reflecting the current favourable market situation. In doing this we can stay at the forefront of technological development and continue to respond to any market volatility with the flexibility that is Scania's trademark.

At times it has been tough to go through such a big industrial transformation as we have when introducing the new truck generation globally, and at the same time responding to a very strong demand situation, but we have managed another very successful year. We have leaned firmly on our core values through the whole transformation and thanks to the more than 50,000 employees in our Scania family we have continued to put the customer as our first priority, strongly supported by a product whose performance and quality has met and even exceeded our customers' already high expectations.

Equipping Scania for the future

Our approach has always been to balance spending on new technology with improving customer profitability through the products we have today. Investments in automation, connectivity and electrification are providing us with a foundation for success in the next decade. Those investments are already bearing fruit, with early customer roll-outs in all three areas. We are helped in that mission by the formation of TRATON GROUP, which gives us the extra muscle and group-thinking that we need to compete in the global marketplace. We already see short-term synergies realise and projects starting up in new areas.

In 2018, Scania has also continued to explore where our future value proposition will be. However, we do it in the way we always have, by continuing to eagerly learn everything we can about our customers' businesses as well as their customers. At Scania we work very closely with our customers through the whole value chain, strongly supported by our integrated services offering. The data provided to us by the connectivity layer in the vehicles helps us in this and is now profoundly affecting the way we engage with our customers in both sales and services. It is bringing us closer to our customers than ever and provides new opportunities for boosting their efficiency as well as our profitability.

We will also continue to build on our modular system; it is a success factor that has set us apart. It makes us flexible in our approach to meeting any customer request that comes, making sure we can adapt and tailor to each and every need. At the same time, it also enables economies of scale and maximises resource efficiency across our product portfolio. Modularisation will continue to be at the core of Scania's business model, also, when the driveline is fully electrified.

We're committed

For Scania the UN's Sustainable Development Goals are a shared agenda requiring collaboration across government, business and the wider civil society, which is what makes us so committed to driving the change in the transport sector.

Internally, with the ten principles of UN Global Compact and our core values as inspiration, we have continued to clarify what responsible and sustainable business practices mean for Scania. Maybe we didn't realise before just how strong a connection we have through our commitment to continuous improvement, elimination of waste and customer first. But the fact that our people recognise themselves in our journey proves that these values were always part of our DNA. These values do not only apply in our workplace but, as Scania gets ready for the next decade, will enable us to play our part in making our transport ecosystem one that enhances our company, our customers, their customers and our world.

Sustainability is no longer a choice for companies to opt in or out of. It is something we must deliver on to stay relevant. At Scania we have transformed our company's entire purpose, to becoming a leader in the shift towards a sustainable transport system. Our customers require it of us, and their customers ask it of them. It is crucial in attracting future talent as no one will want to work for a company that is not committed to sustainability. These positive and increasing demands keep us on our toes and push us to develop even better sustainable solutions.

Our new purpose suits us well and aligns perfectly with our DNA. One of our core values is elimination of waste which, by extension, translates into sustainability. We now continue taking this purpose to new levels and we are willing to work with anyone who shares our vision and desire to deliver meaningful and lasting impact.

Henrik Henriksson
President and CEO, Scania

RESPONDING TO A FAST-CHANGING WORLD

The world is facing radical changes. Global trends such as urbanisation, environmental concerns and technological development are coming together to act as a ‘shift’, which is reshaping societies and industries in a profound way.

In many cities and nations all over the world, this shift has already started. Here is a snapshot of some of the important global initiatives being undertaken – and examples of how Scania is driving the shift.

The global drivers for the shift include **sustainability** – the urge to create a more resilient plan for the earth as set out in the United Nations’ 2030 Agenda for Sustainable Development, and in particular a fossil-free future to limit global warming and climate change; **urbanisation** – balancing the strong demographic changes with the creation of liveable cities and clear air for all inhabitants; and **digitalisation** – the disruptive force already transforming business models and companies across the world.

At the same time, there is an intensive technological development that has the potential for positive change. The technology shift is changing the reality for industries in general, and for the transport industry in particular. Industry trends here include **automation** – where artificial intelligence and robotics are transforming companies, industry flows and vehicles; **connectivity** – where more and more devices and machines are connected to cloud services fed by enormous amounts of real-time data; and **electrification** – where technology development will make it possible to produce sustainable batteries that will contribute to a zero carbon footprint, quieter vehicles, good drivability and no exhaust emissions.

An effect of these global trends is that the interest in sustainable transport solutions is rapidly increasing; corporations, companies, governments and local authorities are adopting ambitious policies and committing to cleaner, low-carbon operations. After a tipping point, decarbonised transport will take off and become the ‘new normal’ and current, non-viable solutions will be phased out. The future of transport will be clean, electrified, automated and digitalised. For Scania, this change is happening now, through our technology roadmaps, research and development plans, and through partnerships.

Norway

Norway has the world’s largest share of electric cars per capita, and the country has targeted carbon neutrality by 2050. Scania has partnered with ASKO, Norway’s largest wholesaler of groceries, to whom we will deliver four 26-tonne distribution trucks powered electrically by hydrogen fuel cells. The hydrogen is locally produced in a sustainable way using solar power. The trucks are delivered in early 2019.

Germany

With increasing CO_2 emissions from the transport sector, Germany has decided that gas-fuelled and electric vehicles will be exempt from all highway road toll charges during 2019 and 2020. Additionally, some truck buyers can benefit from a subsidy of up to EUR 12,000 for liquefied natural gas (LNG) trucks and up to EUR 8,000 for compressed natural gas (CNG) trucks. Interest in trucks running on gas is growing steadily, and Scania has launched a new 410 hp six-cylinder gas engine for sustainable long-distance and regional transport operations.

Scania will also supply electric long-haulage trucks for the state-financed project “Trucks for German eHighways,” with power supplied from overhead electric lines. During 2019 and 2020 electrically-powered trucks will be tested on three new German eHighways.

Colombia

In response to its air pollution problem, Bogotá established the TransMilenio Bus Rapid Transit system in the early 1990s. The city now transports 1.7 million passengers every day. Bogotá is taking the next step with the renewal of the system and the introduction of 741 Scania Euro 6 gas buses – the cleanest and quietest ones on the Colombian market. The articulated and bi-articulated buses will go into operation during the first half of 2019. Carbon emissions will be up to 20 percent lower, particulate matter emissions up to 90 percent lower, and nitrogen oxide emissions four to five times lower than with Euro 5.

Spain

Madrid is one of the global cities that are planning to introduce restrictions on diesel vehicles in their city centres by 2025. Here, transport company and Scania customer Transgesa carry out daily deliveries throughout the Madrid region and city centre. Transgesa operates Scania's liquefied natural gas (LNG) truck which gives access to areas that are off-limits to conventional diesel trucks.

Bus operators are also required to gradually switch to greener technology and the largest Scania hybrid bus fleet is in operation in the Spanish capital.

Finland

Finland has allowed far-reaching autonomous transport tests in order to improve transport efficiency, reduce fuel consumption and carbon emissions. The country also aims to be a leader in intelligent transport automation. Scania and Finnish company Ahola Transport have agreed to implement semi-autonomous transport on public roads. The partnership will also focus on developing other new transport technologies related to driver assistance.

Sweden

By 2018, the entire bus fleet of Sweden's capital city Stockholm, a total of c.2,200 city, suburban and intercity buses, had switched to renewable fuels, making the Stockholm region the first in the world with a completely fossil-free bus fleet. Scania has provided the city with almost half of these buses.

Singapore

Scania is working in cooperation with Singapore's Ministry of Transport on the world's first full-scale autonomous truck-platooning operations, in a bid to achieve major fuel savings and improve road safety. The platoon will traffic public roads while transporting containers between port terminals in Singapore. The aim is to organise convoys of four trucks – with the following three trucks behind the lead truck autonomously driven, as well as to fully automate the processes for the precise docking and undocking of cargo.

Italy

A six-kilometre stretch of the A35 Brebemi autostrada in northern Italy is set to become the latest location for the implementation of road electrification technology. The ultimate goal of this public-private partnership project is to create the first "zero impact" eHighway in Europe, with solar panels installed along the route generating the electrical power required. The project is rapidly developing momentum in Italy and national and local politicians, plus representatives from Scania, Siemens and local partners A35 Brebemi and Concessioni Autostradali Lombarde (CAL), are all involved. Scania trucks fitted with Siemens pantographs and power connections are due to be used in the initial trial.

Thailand, Mexico, Australia, Ghana...

Scania has joined the Global Industry Partnership on Soot-Free Clean Bus Fleets, with its commitment to provide modern buses to 20 major cities in Africa, Asia, Latin America and Australia, including Bangkok, Bogotá, Buenos Aires, Dar es Salaam, Jakarta, Johannesburg, Mexico City, Sydney and more. The cities will, in turn, provide fuel for engines that meet the Euro 6 or US 2010 emission standards and other low-carbon alternative fuels such as biodiesel, gas and ethanol. Scania can provide buses for all these technologies.

Sources: Norwegian Electric Vehicle Association, Climate Action Tracker, C40 Cities, TRIMIS (Transport Research and Innovation Monitoring and Information System, a body under the European Commission), Concessioni Autostradali Lombarde, German Federal Ministry of Transport and Digital Infrastructure, The Climate and Clean Air Coalition (CCAC), Ekberg Advisers.

HOW SCANIA CREATES STAKEHOLDER VALUE

Scania's value creation is built on the ability to provide our customers with profitable and sustainable transport solutions that contribute to the success of their businesses. Our business model, principles, working methods and our three-pillar approach to sustainable transport solutions form the platform for delivering lasting value for our customers and stakeholders.

A holistic view with customer focus

For Scania it is evident that already today, and increasingly so in the future, sustainability and profitability go together. In most markets, our efficiency-enhancing services, fuel-efficient products and uniquely broad range of sustainable solutions are already increasing our customers' profitability. These services will only develop further as legislation for limiting the use of fossil fuel continues to be implemented.

Our business model is about understanding and improving the revenue and cost aspects of our customers' applications or industries. This allows us to tailor solutions, based on our three-pillar approach to sustainable transport (see more on pages 9 and 12). The solutions include vehicles and services, optimised for our customers' operations to improve fuel efficiency and maximise the vehicles' time in operation. It requires a close dialogue with our customers, built on trust and often based on long-term relationships.

This partnership-driven approach does not end with the customer. We must understand our customers' needs (transport companies) but also their customers' demands (buyers of transport services). Combining this with our established flow thinking, Scania tailors solutions that eliminate waste and improve efficiencies in the entire transport flow. We are also part of an ecosystem where we cooperate with stakeholders such as biofuel producers and energy suppliers, governments and city planners, to accelerate change towards a sustainable transport system.

Delivering on our business model defines our brand and ensures that Scania can keep making a profit. The success of our own business is directly linked to the quality we deliver to our customers and how well their businesses perform. Driving customer profitability through sustainable transport solutions and pursuing responsible business are complementary, long-term perspectives to continue being a profitable company.

Creating greater value for all stakeholders

Transport is the lifeblood of our societies. It allows people access to jobs, markets and goods, social interaction and education, thus contributing to economic growth. This value creation is the essential aim of our business. Read more about our value creation for customers, employees, suppliers, society and owners and lenders at:

scania.com/value-creation

The Scania Way – the way we work

With more than a century at the forefront of the transport industry, Scania has developed key competitive advantages that will help us deal with future challenges. With a corporate culture that stands solidly on our core values, flow thinking firmly rooted in our way of working and employees who continually challenge and improve our processes, Scania is well equipped to drive the transformation of the transport system.

The basis of all we do at Scania is our six core values:

- Customer first
- Respect for the individual
- Elimination of waste
- Determination
- Team spirit
- Integrity

Read more about our corporate culture, "The Scania Way" at:

scania.com/the-scania-way

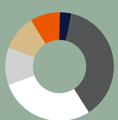
Business model components

+ Customer revenue

- Uptime
- Flexibility
- Load carrying capacity

– Customer cost*

* European long-haulage



- Tyres
- Drivers
- Fuel
- Vehicle
- Repair and maintenance
- Administration

= Customer operating income

Scania's high-quality, optimised vehicles and services, supported by vehicle data gathered from connected vehicles, ensure maximum time in operation and thereby boost customer revenue. On the customer cost side, Scania influences factors like fuel, repair and maintenance costs, the residual value of the vehicle and the cost and availability of financing.

+ Scania revenue

- Vehicles and engines
- Repair and maintenance
- Financing and insurance
- Used vehicles

– Scania cost

- Production of vehicles, engines and services
- Research and development
- Selling and administration
- Financing

= Scania operating income

Our approach to sustainable transport rests on three pillars:

Energy efficiency
Offering the most efficient technology for our products combined with services is core to Scania's work. We focus on three aspects to provide customers with energy-efficient products and solutions: powertrain performance, vehicle optimisation and fuel consumption.

Alternative fuels and electrification
Alternative fuels and electrification are solutions that can be applied separately or in combination. Scania provides the largest variety of engines on the market that can run on alternatives to fossil fuels and has developed this portfolio for over 25 years. We also focus our efforts on electrification technologies for both vehicles and infrastructure.

Smart and safe transport
Connectivity is a key enabler, allowing more efficient logistical flows and greater filling rates. Safety aspects can also be significantly enhanced by digitalisation and automation, for instance when applied in driver assistance technologies.

A STRATEGY TO TAKE ON THE FUTURE

Major global trends have a radical impact on the ecosystem of transport and logistics of which Scania is part. To translate these forces into opportunities, Scania's focus is to combine continued excellence in the core business with developing our organisation, our products, services and new business models to become the leader in the shift towards a sustainable transport system.

New technology, new business models and new competitors: combined with global trends such as digitalisation, urbanisation and sustainability, these indicate that the transport ecosystem will be fundamentally transformed in the next few years.

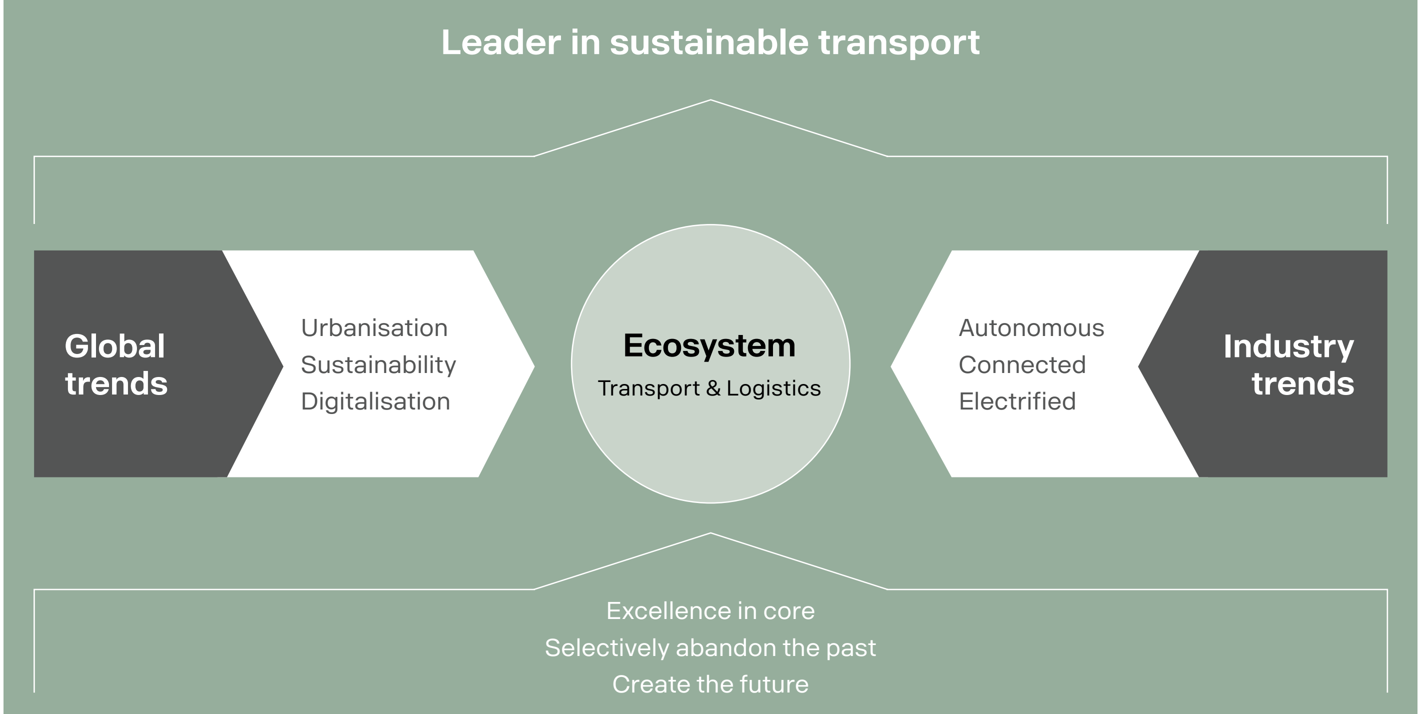
Furthermore, there are clear signals that this shift will be more profound and happen quicker than the industry previously thought.

To address these rapid changes, and to translate them into possibilities, Scania needs to balance our core business with new business.

While we focus on being excellent at what we are good at — our core — we must at the same time leave behind methods and projects that aren't for the transport solutions provider of the future.

It means we have to selectively abandon the past. By taking this approach we can invest in creating the future, concentrating on the new technologies and business models that will become our new core, which itself will eventually give way to even newer technologies.

Scania's vision of the future is structured in the illustration below.



Scania's strategy to reach the leadership position in the shift towards a sustainable transport system takes into account the trends and forces that impact the full ecosystem of transport and logistics in which we operate. It also recognises the need to make structural changes and to create investment space for technologies and future ways to create value.

Strategic priorities

To achieve our goal of leading the way to a viable future transport system, we assess our progress against the following key priorities:

Leading in customer satisfaction

Scania's business model is about putting the customer first. Optimised solutions, high-quality vehicles and services maximise vehicle usage and customer profit. Our sustainability focus starts with our customers and informs tomorrow's products and services.

Top employees

Having the right employees with the right skills is crucial to support Scania's business transformation. Our competence supply has a clear business-driven focus. We encourage our employees' innovative and entrepreneurial spirit, let them develop skills in new areas and recruit new talent to be agile enough for tomorrow's transport industry.

Expanding our sales volume

Scania aims to expand its truck, bus and engine sales volumes year-on-year, and boost the proportion of service sales to overall sales. Our growth strategy rests on five pillars: increasing sales of services per vehicle; growing with the market; increasing market share; entering new markets; and, reaching new customer segments.

Excellent profitability

Maintaining outstanding profitability is in Scania's DNA. It gives us the platform we need to keep innovating and to take a leadership role in the transport industry.

Accelerating our progress

We recognise we are part of an ecosystem within transport and logistics where global driving forces are impacting our industry profoundly. But Scania can't achieve a sustainable transport system alone, and we can't leverage emerging opportunities without working closely with others. Partnerships with people who share our vision – industry players, tech firms, academia and above all Scania's customers and their customers, are crucial and a core part of our strategic approach.

Read more on how we accelerate change and evolve the transport ecosystem on pages 26–31.

SECURING OUR CUSTOMERS' FUTURE

Scania's customers do not have to wait to adapt their businesses to the new transport system – commercially viable solutions for our customers are available here and now. Scania already offers a broad range of products to support our customers' operations, combining sustainability with profitability.

Cities and nations worldwide are driving the development towards sustainable transport, turning to legislation to address poor air quality, noise pollution, traffic jams and the emission of greenhouse gases. In 2018, the European Commission presented a legislative proposal for reduction of CO_2 emission from heavy-duty vehicles in the EU. The proposal was adopted in February 2019. It points to the urgent need to start developing a sustainable strategy for all players in the ecosystem of transport and logistics, in order to future proof their business.

A three-pillar approach

Scania's approach to sustainable transport rests on three pillars – energy efficiency, alternative fuels and electrification, and smart and safe transport. Individually or together, and when combined with our unique flow thinking, these three pillars can help make our transport systems cleaner, safer and more efficient, by reducing CO_2 emissions, traffic congestion and accidents. This seamless integration between vehicle technology and enhanced transport flows is the basis of our solutions. In doing so, we are able deliver enhanced customer profitability while driving the shift towards a more viable transport system.

Many companies face increasing demand from their customers to deliver their services in a responsible manner, taking account of emissions, for example. There are still legal and incentive structures to consider but, in pure economic terms where there are favourable cost supplies fuel, our customers can be sustainable and profitable now. Despite this, for some the thought of switching to sustainable technologies brings a fear of the new, mixed with worries about the cost to their total operating economy. Scania's understanding of how our customers operate means we can demystify the process and guide them towards tailored, profitable solutions.

While there is no single technology that can make a company carbon-free overnight – at least not today – there are many small steps businesses of all shapes and sizes can take to improve both profitability and sustainability, using the regular combustion engine running on biofuels and hybrids.

Through our holistic approach, Scania works with our customers, customers' customers and stakeholders such as local authorities, applying our flexible range of solutions to meet their specific demands, suited for each specific local market conditions. Depending on the flow: in and between cities, in industries or in long-distance logistics, our solutions differ in functionality and optimisation. No matter what the situation, Scania can present customers with the vehicles and service solution that makes sense to them here and now.

One such service supporting our customers' shift towards sustainability without harming profitability, is Scania's Fleet Composer. It analyses the mass of data obtained from connected vehicles and offers our customers the best solution to make their daily operations more efficient and sustainable. Another is Scania Flexible Maintenance, providing vehicle servicing based on real-time operational data and actual vehicle usage. Each truck receives exactly the maintenance it needs, when it needs it, sparing resources to only be used when they are required. In most cases, it spends more time on the road, thus maximising profitability.

Energy efficiency

Scania's product and service ranges can significantly lower CO_2 emissions. We focus on powertrain performance, vehicle optimisation and fuel consumption to provide customers with energy-efficient products and solutions for their total operating economy.

Scania was the first manufacturer in Europe to deliver Euro 6, using powertrains that greatly reduce harmful emissions. The new truck generation has our most energy-efficient engine range to date. Through improved powertrains and better aerodynamics they reduce our customers' fuel consumption by an average of five percent.

With a wide range of application-focused products our trucks are more efficient and perform with lower environmental impact, and this extends beyond the vehicles. Providing driver support through driver training and regular follow-up, such as Scania Ecolution, results in an average of 10 percent less fuel consumption and CO_2 emissions. A saving in both fuel cost and on the environment – a true win-win situation.

Alternative fuels and electrification

Scania has been manufacturing vehicles that can run on renewable fuels with combustion engines for many years, starting with ethanol-fuelled buses in the 1990's. So far, a minority of our customers have chosen these solutions, but with a more advantageous pricing and better supply of alternative fuels these numbers could easily increase. But with the broadest range of alternative fuel-enabled vehicles on the market, ranging from ethanol trucks and buses to vehicles using liquefied or compressed biogas, we are well-placed to address what is a growing demand. All our Euro 5 and 6 engines can run on biodiesel-HVO, while nearly all our vehicles can run on biodiesel-FAME.

Whether fuelled with biogas or natural gas, the same technical solution is used in Scania's gas engines. From a sustainability perspective biogas is clearly the preferred choice, reducing CO_2 emissions by up to 90 percent (with natural gas the corresponding figure is 20 percent). However the lack of supply is hampering the use of biogas. Scania is therefore actively working in partnership to secure production of biogas to enable the roll-out of the more sustainable gas solutions on a larger scale (see more on page 25). Once volumes of biogas increase, our customers will be able to switch from natural gas to biogas and take a large leap towards minimising their CO_2 footprint in doing so.

Electrification is a fast-developing technology and Scania has hybrid buses and trucks, as well as battery-powered electric buses. Scania is developing several applications for electrified vehicles, including continuous charging along electric roads, fuel cell trucks and wirelessly-charged buses.

Smart and safe transport

Digitalisation heralds the efficient and safe transport of both goods and people, through coordination and control of transport movements. Connected and autonomous vehicles are becoming crucial for increasing efficiency in transport and value chains. Using real-time data from over 360,000 connected vehicles, Scania has developed services that lower fuel consumption and maximise vehicle uptime, with contracts customised for each truck based on real-time user data. The result is fewer, usually shorter stops, less waste from unnecessary oil changes and up to two days' less standstill time per vehicle a year. More uptime boosts profitability too.

p14–p15

p16–p17

p18–p19

AT THE FRONTIER OF SUSTAINABLE TRANSPORT

Cities are the great innovators in sustainable transport – because they have to be. The relentless pace of urbanisation brings environmental, social and economic problems that need urgent solutions. Scania is a partner to many cities worldwide, developing cleaner, safer, more efficient public transport and other urban applications.

The urban population of the world has grown rapidly, jumping from 751 million in 1950 to 4.2 billion in 2018 (UN Department of Economic and Social Affairs). Cities and suburbs are suffering from the effects of badly-planned transportation systems: air and noise pollution, traffic congestion and road safety issues are affecting people's health and hindering economic growth.

But global environmental awareness is growing; more and more cities are introducing rules and regulations to address these issues. The municipal authorities of Madrid, London, Oslo, Rome, Copenhagen and Shanghai are among those planning restrictions or even outright bans on diesel. The stage is set for alternative transport solutions that are cleaner, smarter, safer and energy efficient, to help cities work better here and now.

Sustainable urban transport

Scania has a long history of manufacturing vehicles for public transport. When combined with our commitment to driving the shift towards sustainable transport and our experience of flow thinking, we are an ideal partner for city planners.

Years of investment have given Scania the market's widest range of alternative-fuelled buses and coaches for city and suburban applications. They run on HVO, biodiesel-FAME, natural gas, biogas, ethanol and hybrid drivetrains.

These cleaner vehicles are finding their way into public transport systems in cities such as Madrid, Bogota, Paris, Stockholm, Mexico City and Nottingham. Using our understanding of logistical flows, we are helping city transport planners in Accra and Jakarta and a number of other cities run their bus rapid transit systems (BRTs), transporting up to 50,000 passengers an hour.

BRTs help to solve urban mobility challenges by making public transport more efficient, reduce traffic congestion and cut harmful emissions.

Scania's city solutions extend to private transport business. The new truck generation's urban range features hybrid electric distribution trucks that reduce carbon emissions, fuel consumption and noise. They are ideal for night-time and early morning deliveries, when there is less traffic and fewer people. Scania's new gas engine is well suited for use in heavily populated areas that are sensitive to noise and emissions. The trucks powered by the new 7-litre engine provide urban transporters with fuel savings of up to 10 percent.

Engines are often overlooked when tackling city pollution. Replacing old non-road machinery and engines with cleaner, energy-efficient technology such as Scania's Euro 6 range can cut emissions, improving air quality and public health.

Our solutions extend to services that enable smart and safe transport. Scania Zone is an optional extra feature in our Scania Fleet Management solution that allows a transport firm's driver to programme the truck to automatically adjust when entering areas with traffic restrictions such as speed limits and emissions regulations. City bus operators and retail distributors can choose Scania Fleet Care services, including Uptime Guarantee, to keep their vehicles running to meet the near 24/7 demands of city transport.

Scania is leading the way to cleaner, better cities by providing urban transport solutions that are accessible, efficient, attractive—and available now. But the only way to solve the challenges of urbanisation is for politicians, city planners, operators and suppliers to work in partnerships. Scania stands ready to help with our knowledge and solutions.

Greater access with liquefied gas

In Madrid, transport providers are racing to keep up with tightening emissions and diesel restrictions, plus dealing with the daily challenge of competing with more than 4.4 million vehicles on the city's roads. For transport company Transgesa, which delivers throughout the Madrid region and city centre, operating Scania's liquefied gas (LNG) truck gives it access to areas that are off-limits to conventional diesel trucks, securing deliveries.

Automatic vehicle adjustment with Scania Zone

Improved road safety and air quality are global public health challenges, especially in urban areas all over the world. Scania Zone, a position-based service for automatic vehicle adjustment was introduced in 2018. Scania Zone helps drivers follow traffic and environmental regulations, enabling a sustainable operation of the truck especially in urban areas. Each customer can link a policy (such as "max speed 30 km/h") to a pre-defined geo-fence zone so that when the vehicle enters the zone, it automatically complies with the rule. A policy can be either informative, alerting the driver, or voluntary, which changes the vehicle's behaviour. Scania Zone can be used in vehicles with a hybrid drivetrain and makes the vehicle automatically switch into electrical mode when it enters an environmental zone. Thereby the service provides excellent support for meeting the rising demand for local considerations such as environmental zones and speed limits when trucks are operating in sensitive areas.

BRT powered by biofuel is city's goal

Scania and France's state-owned operator RATP Group have signed a memorandum of understanding with Burkina Faso's government to establish a modern and efficient bus rapid transport system in the capital Ouagadougou. The project includes supplying buses and coaches, establishing a bus depot, building bus stops and bus lanes, and training drivers and service technicians. With RATP, Scania will ensure efficient fleet management. Scania will also work on the introduction of alternative fuels to ultimately operate the entire fleet on biodiesel and biogas. There will be a total of 460 buses and 90 coaches, and the system will start rolling in 2019 with the delivery of the first 225 vehicles.

Key achievements 2018

- At the IAA trade fair in September, Scania launches Scania Interlink world's first gas-fuelled long-distance coach for LNG, and a plug-in hybrid electric truck.
- Almost 25 percent of Scania's bus sales were clean and low-carbon buses in 2018.
- Scania signs deal to deliver 48 gas-powered Citywide buses to Semitag for operation in the French city of Grenoble.

SOLUTIONS FOR LEANER, GREENER VALUE CHAINS

Transportation is central to industries' value chains: a smooth logistical process is key to greater profitability. Yet for many businesses there remains huge potential for cutting waste, achieving cost savings, and reducing environmental impact. Scania's vehicles, services and flow thinking provide our customers with solutions for leaner and more climate-smart value chains.

Scania takes a holistic approach to industry flows. With customers from forestry, mining, factories, ports and construction sites, we analyse the production journey from raw material to finished product. We identify hidden waste. Then we suggest actions to make processes leaner and devise a complete solution for the overall logistical flow.

Vehicle as part of value chain

The core of Scania's approach is seeing our vehicles as part of the production value chain. For example, by positioning raw material correctly, a forester can load timber more quickly and safely onto trucks for transport. Through Scania Driver Training and Coaching, a construction company driver can cut on-site idling time to reduce fuel consumption.

Another example of Scania's lean solutions for industry value chains is Scania Site Optimisation, a framework of tools for the mining industry. This takes a holistic view of mining transport operations to find and target bottlenecks in those flows using information relayed from communication units in each vehicle.

The vehicle is fundamental. Scania's new XT range has been designed for many different customer applications. The Scania Heavy Tipper's 40-tonne payload is suited to working in mines, while the gas-powered XT truck's 13-litre gas engine makes it ideal for the rigours of construction transport assignments, with significantly reduced carbon emissions.

Services anticipate customers' needs

It's crucial to avoid disruptions, and our broad specifications are complemented by services to ensure uptime, reliability and profitability. Using the data Scania collects from over 360,000 connected vehicles, our services include targeted repair and maintenance contracts, finance and insurance, the Scania Fleet Management system (including Trailer Control) and application-based Driver Training and Coaching that can be adapted to drivers' specific industries.

As well as allowing Scania to create smarter services, connectivity enables the use of smart and safe autonomous or semi-autonomous technology in closed areas such as mines or container terminals.

Singapore tests semi-autonomous driving

Scania is cooperating with Singapore's Ministry of Transport and the Port of Singapore Authority in work to design the world's first full-scale semi-autonomous truck platooning operations. Singapore has increasing travel and land constraints with nearly one million vehicles on the road and 12 percent of total land used for transport infrastructure. There's also a driver shortage. The aim is to organise four truck-convoys, with the following three trucks being autonomously driven, and to fully automate docking and undocking of cargo. Preparations are advanced, and the test platoons will transport containers on public roads between port terminals during 2019.

Clean energy from cow dung

In Germany, the state provides strong incentives for farmers to turn the waste from their cattle into biogas. AgriKomp is one of the country's leading developers of biogas power plants, with 550 sites in Germany and a total of 850 worldwide. The company processes gas extracted from waste and uses it to run a 13-litre Scania engine, which in turn powers a generator to provide electricity that is fed into the national grid, producing district heating for homes or power for farms and industrial applications. AgriKomp expanded its Scania engine portfolio with the addition of a 9-litre engine to its product range in 2018 and will add a 16-litre engine in 2019.

XT gas truck boosts emissions fight

The first gas-powered truck in Scania's new XT range for construction applications has been delivered to the Belgian city of Hasselt. The Scania P 340 4×2 hooklift truck for compressed natural gas (CNG) was selected by the municipal council for its lower carbon emissions. "But what is even more important in urban environments is that this truck emits 95 percent fewer particles, unlike its diesel counterparts," says Joost Venken, Councillor for Environment and Sustainability. "In addition to the health benefits, CNG is also considerably cheaper to operate. Scania's gas engines can also run equally well on biogas in the future, so we can continue to significantly reduce CO_2 emissions."

Key achievements 2018

- Launch of compressed gas-powered XT trucks – 410 hp, 13-litre engine.
- Connectivity extended to all engines, including industrial segment, allowing customers to access smart maintenance services to maximise their power sources' uptime.
- Scania Site Optimisation tests in Brazil (a framework of tools, methods, and information to improve mining transport operations).

PROFITABLE AND SUSTAINABLE LONG-DISTANCE SOLUTIONS

Long-distance transport is a world of demanding customers, urgent deadlines and thin profit margins. Being on schedule is even more crucial in this era of e-commerce and just-in-time delivery supply chains. Scania's long-haulage trucks combine cutting-edge technology, reliability and customised solutions to help customers meet both their business and climate targets.

With our holistic overview of the industry and knowledge of logistical flows, Scania truly understands haulage customers' business requirements and need for predictable costs. We analyse issues such as fuel consumption, driver performance, fleet management, supply chain waste and CO_2 emissions. Then we develop solutions that help hauliers to meet their business targets as well as climate targets.

Profitability and sustainability go hand-in-hand

Scania's new truck generation has outstanding total operating economy, with an average fuel consumption saving of more than five percent on our previous vehicles.

Here, Scania's commitment to reducing CO_2 emissions and improving energy efficiency leads to not only cleaner transport, but more profitable operations too. Saving on fuel consumption is both energy-efficient and a cost saving, meaning a win-win situation for our customers.

Many of today's hauliers have to respond not only to the tight margins driven by intensified e-commerce demands for timely deliveries, but also to expectations that these deliveries will be as sustainable as possible. These demands may come from big transport buyers such as retail chains or from individual consumers. Both trends are increasing the need for solutions where profitability and sustainability go hand-in-hand.

Scania has the market's widest range of trucks running on alternative fuels such as liquid natural gas, compressed natural gas and biogas as natural 'stepping stones' to the emission-free technology promised by battery-electric vehicles in the near future. In fact, with biogas in the tanks, CO_2 reduction can be as much as 90 percent compared to a similar diesel engine.

Connectivity boosts operating economy

Using big data from more than 360,000 connected vehicles, we can tailor trucks to each customer.

Staying on the road is fundamental when time is what makes business tick, and connectivity has transformed long-distance transport, with new time-efficient services and functions. We have introduced diagnostic software such as Scania Flexible Maintenance, enabling vehicle servicing based on real-time operational data and actual usage, with maintenance only when needed. Since launching the service two years ago, Scania has now signed more than 70,000 Flexible Maintenance contracts.

Other areas where real-time data from connected vehicles are extremely useful are services and functionality focusing on the drivers, as driver behaviour is vital for operating economy, road safety and environmental impact. Here Scania offers driver training and personal coaching, as well as on-board driver-focused systems. These include Scania Fleet Management, with its insights into driving styles, productivity and economy which can improve vehicle performance and enhance safety.

Scania's connectivity tools can also help address one of the biggest challenges for the haulage industry: payload optimisation. The average truck fill rate in Europe is around 60 percent, meaning wasteful extra journeys for the environment and customers' bottom lines.

Argentina's 'virtual pipeline'

In September 2018, Scania Argentina and ENARGAS, Argentina's natural gas regulator, presented the country's first-ever liquid natural gas trucks to Transportes Andreu, a haulier from Mendoza. The pioneering deal is partnership in action: Scania and ENARGAS have worked for some time to import gas-powered vehicles to Argentina. In a neat twist that amounts to a 'virtual pipeline', Transportes Andreu will use the fleet of six LNG-powered trucks to transport liquid natural gas.

Longer vehicle combinations to cut emissions and costs

Spanish car manufacturer SEAT and its logistics partner Grupo Sesé are testing 31.7-metre-long tractor and trailer combinations between Zaragoza and SEAT's factory near Barcelona. A Scania R 580 tractor unit pulling two 13.6-metre trailers increases the payload to 70 tonnes. The two will evaluate the benefits in reducing emissions, increasing efficiency and enhancing road safety. SEAT hopes the tractor-trailer combination can reduce carbon emissions by 20 percent and logistics costs by 25 percent.

The Scania Transport Laboratory uses the same long vehicle combinations for long-haulage transport in Sweden. Vehicle combinations of 25.25 metres and total weight on 74 respectively 76 tonnes is used on a permanent basis in Sweden and Finland. Scania sees high capacity vehicles as a cost efficient method to improve transport efficiency and reduce emissions.

Rolling back fuel consumption

Scania launched its Pulse & Glide system in 2017, adding new functionality to Scania Cruise Control with Active Prediction (CCAP). Now, eco-roll can be used by trucks on gradients that are usually not steep enough to maintain speed. Scania engineer Fredrik Roos developed the technology with fellow engineer Mikael Ögren, and says, "By being able to increase speed – Pulse – and then freewheel – Glide – the collective time that the vehicle uses eco-roll can be considerably increased. On suitable stretches of road, the new function alone can contribute to substantial fuel savings."

Key achievements 2018

- Scania's first new 13-litre bioethanol engine goes into operation in a truck owned by Sweden's Lantmännen Agroetanol.
- British haulier Maritime Transport buys 200 Scania R-series trucks, mainly because of fuel economy.
- Leading Spanish truck website Encamion names Scania R 450 Highline "Most Efficient Truck 2018."

TAILORED FOR EVERY NEED

Scania's unique modular system is one of our most important success factors. Developed over several decades, it is integral to our flexible approach in addressing customers' needs and lies at the heart of our business model.

The modular system enables Scania to provide individual specifications and thus offer our customers an extremely wide product range. Combined with our ability to tailor services, this strategic approach enables Scania to offer solutions for different transport needs and to accommodate various regional market demands.

With relatively few components and parts, the modular system enables Scania to achieve economies of scale and maximise resource efficiency in research and development and production. For example, only one size of windshield is used in all cabs. In service operations, it ensures high availability of spare parts and continuity for the service technicians.

Customers benefit through a tailor-made vehicle with high uptime, reduced fuel consumption and optimised load carrying capacity.

Scania's modular product system applies to our entire product portfolio – trucks, buses, coaches and engines. A great deal of the chassis components in a bus are shared with those in a truck. Scania's industrial and marine engines are developed from the base engines for vehicles, making full use of the modular concept.

Whatever technical solution we require in the future, Scania is prepared, due to our tried and tested modular system. For example an electric truck still has the same transport mission as a diesel one – the only change is to adapt it to meet the individual performance need. Modularisation is our 'recipe' for customer profitability and whatever comes, we can adapt accordingly.

Application-focused products and solutions

Scania offers specific solutions for a wide range of different applications, allowing us to meet the demands of various industries, from mining, forestry and bus systems to retail distribution and waste handling. By using real-time data from our connected vehicles, the possibilities to provide optimised solutions for all types of driving assignments have never been greater.

Scania takes an 'outside in' perspective to develop new solutions. In close cooperation with different industries and selected customers, Scania analyses relevant data for each application including driving activity, monitors typical routes and transport patterns, to develop application-focused products and solutions that offer improved efficiency, high performance and lower environmental impact.

The three principles of Scania's modular system

1. Standardised interfaces – make it possible to install new components, that improve product performance, without the need to change the surrounding components and structure.

2. Same need, identical solution – using the same components for different applications, for example using the shortest truck cab variant to maximise cargo capacity for light distribution service, as well as for a heavy tipper truck operating in a mine.

3. Well-balanced performance steps – making it possible to match the specific customer needs, with differences in cab sizes, engine output, frame strengths and number of axles.

Connectivity – the data goldmine

Scania's early introduction of connectivity is paying off enormously – benefiting both customers' uptime and efficiency, as well as our innovation and product development.

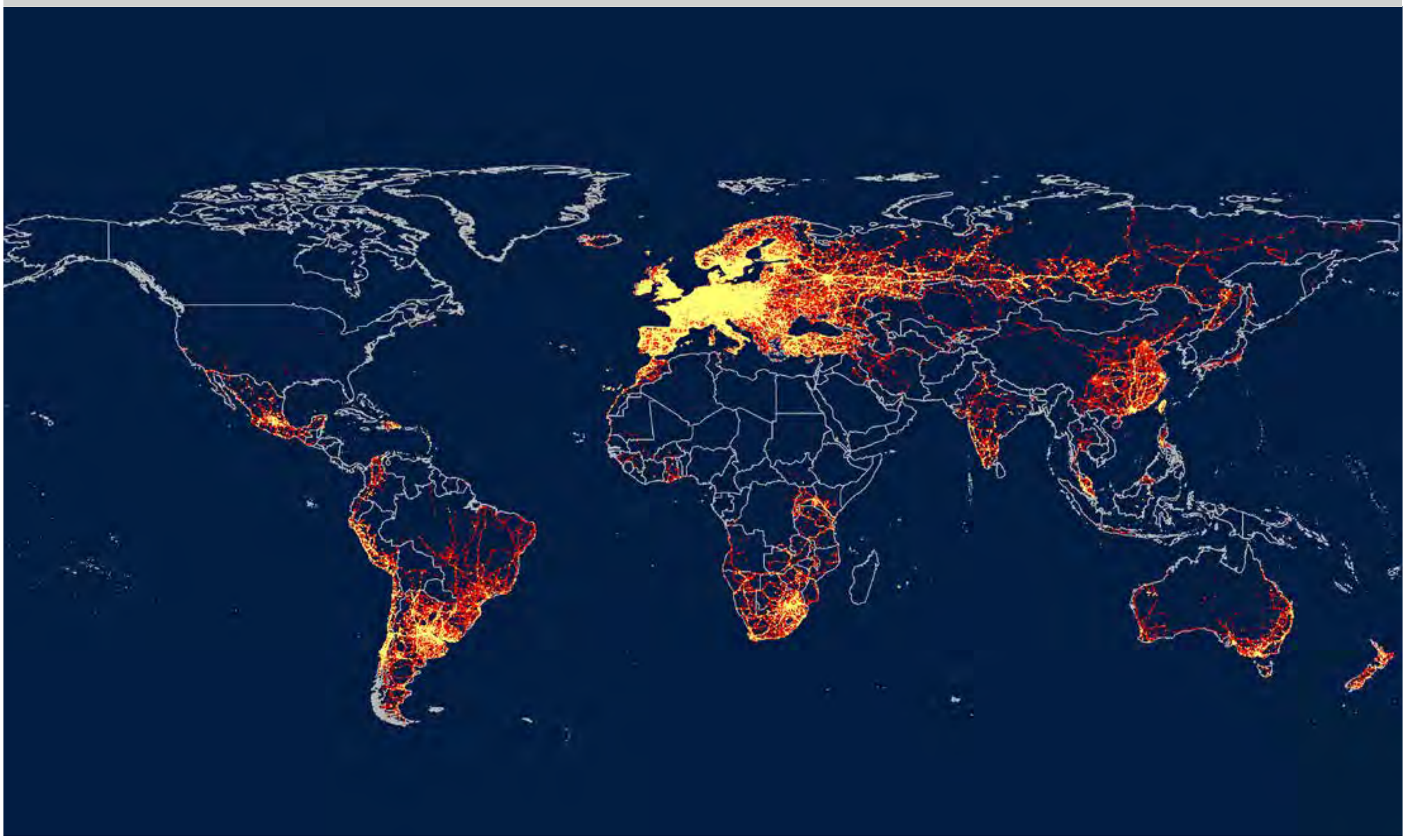
Through our early exploration of connectivity, we saw the potential of connectivity to be a major force for increasing our customers' efficiency and profitability and to help enable the shift towards a sustainable transport system. Today, Scania has more than 360,000 connected vehicles. This number is rapidly increasing as the communicator is now standard in our vehicles.

This forward-looking decision means Scania now has a critical mass of data to help us transform our customer offering. Connectivity enables us to study relevant data for each industry and type of customer, information that feeds into our offering of a number of specific application-focused and efficiency-enhancing products and solutions. As new technology and the shift develop, data is a vital part of knowing what the customer is carrying, how they are operating, what terrain they drive on, how the vehicle is being used and how it is performing. Scania has all this already.

Building on these insights, Scania has also launched an online tool – Scania Configurator. Using it, customers can explore the boundless opportunities for tailoring the truck to precisely match their desired specification while at the same time get specification recommendations for a number of applications.

But the high-quality real-time data has also accelerated Scania's innovation and product development, as an invaluable resource for the company's research into tomorrow's technology, such as future powertrains.

Real-time data is also extremely useful for the development of our sales tools and intelligent services. Using real-time data from the vehicles, Scania has developed services to lower fuel consumption and maximise vehicle uptime such as Scania Flexible Maintenance – contracts customised for each truck based on real-time user data. The result is fewer and usually shorter stops, less waste from unnecessary oil changes and up to two days' less standstill time per vehicle annually. Since the launch of this service, more than 70,000 contracts have been signed with customers around the globe.



SECURING A SMOOTH FLOW

The transport industry is under constant pressure with increasing demands for efficiency, productivity and reduction of carbon footprint. Scania believes the key to success lies in taking a holistic perspective to optimise the flows in entire value chains.

Seen from above, a large construction project may look like a disorganised chaos. But for the contractor it is fundamentally a production flow – if very complex.

Existing buildings might need to be demolished, the plot needs preparation, and foundation materials and building elements brought in. Furthermore, there are a number of actors involved: sub-contractors and transport companies responsible for their individual phase in the process, such as providers of equipment like cranes and excavators, transporters of gravel, concrete and building elements, and companies specialised in recycling and waste handling.

Scania is convinced that one of the key opportunities for taking big steps in improving cost efficiency, profitability and a low carbon footprint lies in zooming out and taking a holistic approach when looking at industry flows such as these. This flow thinking is embedded in our work across cities, industries and logistics. We don't just analyse our customers' – the transport companies' – logistical flows, but involve their customers – the transport buyers in different industries – to get the full picture. We are taking this further all the time and investing in new capabilities to leverage the opportunities that are presented.

Here, we bring all the expertise and deep experience we have gained working with lean flow thinking and removing waste from our own production processes and take it to another level. Together with our customers, we analyse the logistic flows of their specific industry, from raw material to finished product. Hidden waste and inefficiency is identified and we suggest actions to improve those processes and devise a complete solution for the overall logistical flow.

Improving efficiency for forestry

Scania's wholly-owned subsidiary LOTS Group, Lean Optimised Transport Systems, is a strategic investment that is an example of how we are taking further steps that involve optimising flows throughout industry value chains. Having worked with the forestry industry in Sweden and China, LOTS Group is now also expanding into other parts of Asia and Latin America and into industries such as mining and agriculture.

In close cooperation with a Chinese transport company and its customer, a paper mill, LOTS Group uses data from connected trucks, information from fuel partners, and other key data to improve the day-to-day flow of the fleet. The system is managed from a "control tower" with screens that display the data and show exactly what is happening to the fleet at any given time. The statistics are fed into software which allows the customer to drill down further into the numbers and see what is happening year-to-year, month-to-month and day-to-day. Working with the customer, targets can be established and, from a starting point of transparency, LOTS Group can help to reveal where there is waste and inefficiency in the extended logistics chain.

Remarkable journey in CO_2 reduction

Thanks to a consistent focus on improving efficiency and filling rates, driver training and removing waste in transport flows, Scania Transport Laboratory has managed to reduce fuel consumption radically and its CO_2 emissions with 60 percent in ten years.

Scania's Transport Laboratory is a good example of how we practice our ideas and methods when it comes to eliminating waste across transport flows. It also illustrates our approach "what we support our customers with, we do too."

Founded in 2008 as an extension of Scania's research and development department, the laboratory's goal is to gather insights for Scania about its customers' challenges and how profitability can be improved. It is also a tool for testing and developing the sustainable, efficient transport services of tomorrow. As such, the lab has tried and tested platooning for reducing air drag, longer truck and trailer combinations as well as driver assisting technology. During 2019, the lab will start testing semi-autonomous technology on ordinary roads in Sweden.

Consisting of 45 trucks and coaches, Scania's Transport Laboratory is used for some of Scania's own internal transport. Every day, it operates 14 truck and trailer combinations between the manufacturing plants in Södertälje, Sweden, and Zwolle in the Netherlands. This means the lab offers a uniquely quick opportunity for Scania to test and assess vehicle quality and performance.

Equally important is to test theories about flow analysis, planning and how to improve filling rates as means to remove waste from the transport system. Furthermore, since its start the laboratory has had a consistent focus on driver training and follow-up of driver behaviour in order to decrease fuel consumption and increase efficiency and safety.

In ten years the lab has made a remarkable journey in reducing its environmental footprint. The average fuel consumption has been reduced from 35 to 23 litres per 100 km, and the CO_2 emissions per transported tonne from 70 g to 28 g.

As of 2018, the fleet runs only on HVO (a near fossil-free alternative to diesel), compressed biogas, ethanol and hybrid drive, altogether reducing carbon emissions by more than 95 percent.

PARTNERSHIPS TO FUEL THE SHIFT

Scania has the broadest range of alternative fuel-enabled vehicles in the market. But in order to drive change we need partners that supply the transport ecosystem with an infrastructure both for renewable fuels and for electrification. Scania is working on various levels towards this aim, from regional initiatives to specific local solutions.

Scania is entering into strategic partnerships with fuel producers, infrastructure providers and stakeholders such as authorities, governments and cities.

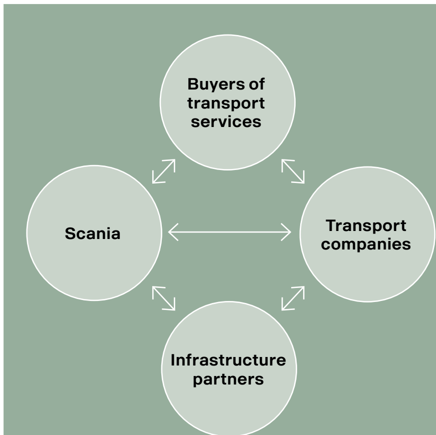
Through this ecosystem – together with our customers and customers' customers – we can push the transport business to increase the use of much-needed alternatives to diesel. Access to renewable fuels and electricity for vehicles should be as easy as conventional diesel is today. Fossil-free transport should no longer be considered as the "alternative," but the normal way of doing things.

Our method for working in a holistic way across boundaries, taking the whole transport system into consideration, can be illustrated as a 'diamond', which includes Scania, transport companies, buyers of transport services and infrastructure partners. Incorporating stakeholders outside our traditional customer base is essential for Scania to be able to drive the shift. In our approach to partnerships, a thorough analysis of customers' fleet and operations is also part of the equation, as well as a relationship built on mutual trust and transparency.

Working with infrastructure partners

Infrastructure partners have become increasingly important in speeding up progress towards a sustainable transport system. Powertrains cannot do the work alone when biofuels are scarce in many markets, and there is a lack of initiatives to encourage infrastructure for electrified heavy vehicles.

Therefore, and to help create conditions that enable customers to take steps to decarbonise their fleets, Scania has made partnerships with a broad range of infrastructure stakeholders. These include existing oil and gas companies that include alternative fuels in their portfolios and who are willing to expand the distribution network; manufacturers of synthetic fuels replacing fossil fuels; and power generation companies that embrace the increase in electrified vehicles, with a particular focus on renewable electricity generation.



Our method for working in a holistic way across boundaries, taking the whole transport system into consideration, includes Scania, transport companies, buyers of transport services and infrastructure partners.

Recycling waste products for biofuel

At the same time, Scania has entered into several strategic partnerships with customers that have an existing or potential access to biofuels through their operations.

One example is recycling giant SUEZ (see separate article), another is the French transport operator Citram Aquitaine, which is running a Scania Interlink bus on bioethanol that comes from locally produced wine residue from the Bordeaux region. A third example is our cooperation with a large agricultural company, with which we are exploring the possibility of using the company's waste products to produce synthetic biodiesel – HVO – making it possible to shift the company's transport to alternative fuels.

In Östersund, Sweden, Scania is working with stakeholders including The Swedish Transport Administration, local authorities and the local energy utility Jämtkraft in a project that combines ecological, economic and social aspects. Here, Scania provides the town's public transport system with battery electric buses, powered by local renewable hydro-energy from surrounding rivers.

Scaling up demand

To increase supply and to boost such infrastructure initiatives, Scania is working with major transport buyers who have global reach and influence to specify alternative fuels.

Examples of Scania partnerships with large transport buyers include IKEA, Unilever and the Volkswagen Group – three of the many companies that are responding to pressure from consumers, investors and other stakeholders to mitigate their effects on the environment. Scania's discussions with these companies are focusing on supporting them in transport tenders to make the shift to sustainable transport using alternative fuels here and now, as well as long-term considerations on future technologies such as electrification and automation.

A fuel that doesn't go to waste

Scania is working with SUEZ, a global leader in recycling, to develop new business models and to increase the availability of biofuels.

Active on five continents, SUEZ, is one of the biggest global players in waste and resource management, for local authorities and industries. Scania will supply trucks to convert SUEZ's present fleet of 11,000 vehicles to a larger share of sustainable ones. The two companies will also work long-term on several strategic development projects, such as innovation and the development of new business models that SUEZ can take to market.

An example here is when Scania assisted SUEZ with its preparations for a tender to provide its services to a city. Together we analysed a specific flow and at the same time evaluated the possibilities for the city to switch to alternatives to diesel. This resulted in SUEZ winning the tender.

Another area that the companies are looking into is producing biogas from recycled waste from SUEZ's processes. A third area looks into new business models and structures for ownership of SUEZ's vehicles.

Scania co-founds consortium for gas-powered trucks

With EUR 2.9 bn in EU funding, a consortium is now set to build a network of gas filling stations covering key commercial routes in Europe. The programme will also provide significant incentives for customers who choose to purchase a gas-powered truck instead of a conventional diesel truck.

The BioLNG EuroNet consortium consists of Shell, Grupo DISA, OSOMO, Scania and Iveco. The programme focuses on producing LBG (Liquefied Biogas) from waste and residues. Biogas, which reduces CO_2 emissions by more than 90 percent, can be blended with the natural gas and the share increased over time through raising production of biogas.

The programme aims to make a substantial contribution towards decarbonised heavy transport. It covers the three necessary elements for progressive customers to invest in low-carbon trucks, with filling stations, biofuel production and subsidies, despite the additional start-up cost.

The consortium will establish 39 new filling stations across Europe, covering key European transport routes from southern Spain to eastern Poland and most areas in between, making it possible for long-haulage gas trucks to make deliveries throughout Europe without compromising on logistics or transport efficiency.

WORKING WITH PARTNERS WHO SHARE OUR VISION

The urgency and scale of the need for decarbonised transport calls for fundamental shifts across many aspects of the system. Scania is working with a range of public and private sector stakeholders who share our determination to make changes that will have a lasting impact on not just the transport system, but society as a whole.

Decarbonising the heavy transport sector is possible, but to succeed we need to see technological and systemic change on a scale and at a speed that society has never experienced before. This is not something that can be done by a single actor. To make this happen, politicians, private enterprises and public bodies all have to work together.

Smart, strategic partnerships offer a wider level of expertise, shared insights, diverse ideas and approaches to problem solving and increased resources for achieving solutions. They provide a 360-degree perspective for the complex issues that have to be faced.

Scania recognises this and, to take a leading role in the shift towards a sustainable transport system, has initiated several strategic cooperations with universities, customers and other technology companies. Many of those partners come from outside traditional industry boundaries. In general our partnerships take two broad forms: those that seek to test, pilot or accelerate commercialisation of new technological or business model based solutions, and those that seek to address larger scale global transport system challenges.

Research partnerships

Scania has long worked with academia on research projects. The Integrated Transport Research Lab (ITRL) is a joint initiative between Scania, Ericsson and Stockholm's Royal Institute of Technology (KTH). The ITRL brings together research and demonstrations with a system approach to new transport infrastructure, vehicle concepts, business models and policies. It acts as a bridge between academic research, the transport and telecom industry and the needs of society.

In 2018, we made an agreement to contribute to a new research centre at the Stockholm School of Economics (SSE) over the next ten years. The collaboration will focus on business models for the future transport ecosystem. The Scania Center of Innovation and Operational Excellence will be run by Associate Professor Martin Sköld, renowned for his knowledge of the automotive industry. Scania's Head of Research Tony Sandberg describes this as a "win-win situation" for SSE and Scania: SSE gets to follow a big industry transformation, while Scania gets access to crucial knowledge and access to new talent.

Scania is supporting the Swedish higher education institutions in Örebro and Södertorn in developing master's degrees in sustainability, and our strong partnership with Stockholm-based KTH Royal Institute of Technology ensures a continuing supply of skilled new recruits to help us progress.

Ecosystem partnerships

Since March 2018, Scania has been trialling battery-electric vehicle (BEV) buses in the Swedish city of Östersund. It is a partnership with regional and national authorities, hydropower supplier Jämtkraft and bus operator Nettbuss that combines ecological, economic and social benefits. Three BEV buses have been running on a new 14-kilometre-long bus route from north to south via the city centre. With 10-minute

The Integrated Transport Lab (ITRL) is a partnership with academia and the telecom industry in Sweden.

Trial of battery-electric buses in partnership with regional and national authorities in Sweden.


Test of semi-autonomous trucks on public road in partnership with a Finnish haulier.

charging, the buses run every 15 minutes for a total of 100 journeys each day. After 120,000 emission-free kilometres and 300,000 travellers, the successful trial is being extended in 2019, with an additional three BEV buses on the route. Östersund is an example of an ecosystem of different stakeholders that has developed a solution that benefits transport, energy production and nature. Scania provides the town's public transport system with battery electric buses, powered by local hydroelectricity from surrounding rivers.

Technological partnerships

Scania is investing EUR 10 m. into its partnership with battery cell manufacturer Northvolt to develop and commercialise battery cell technology for heavy commercial vehicles. Scania is supporting Northvolt in its establishment of a demonstration line and research facility. For heavy trucks and buses, the continuing development of charging infrastructure and battery cell technology is crucial to a widespread market breakthrough in commercially viable electrification. Battery cells must be more sustainable, more robust and offered at a more competitive cost than presently available. As technology leaders in both fields, the two companies have established expert teams to work together at Northvolt's development facilities in Sweden. Like Scania, the company is taking a holistic and sustainable approach; in this case, one that is dedicated to creating a circular (recycling) system. This covers the whole process from mining the battery materials to waste disposal from the production process. Northvolt aims to channel the heat from its battery production at its planned factory in northern Sweden to the nearby city of Skellefteå, for use in the district heating system.

Scania is working with Haylion Technologies, focusing on solutions for the Chinese transport industry in the areas of autonomous driving, electrification and connectivity. The two companies will join forces in the field of non-fossil fuel powered, mainly electrified, vehicles, autonomous driving and urban bus transport. The common aim is to expedite the commercialisation of autonomous driving applications and sustainable transport.

Industry and public-sector partnerships

Early in 2018, Scania and Finnish haulier Ahola agreed to jointly develop semi-autonomous truck platooning with three or more connected trucks on public roads in Finland, with the agreement of the Finnish Transport Agency (Liikennevirasto). The tests see a driver in the first truck and the following vehicles autonomously driven with drivers in resting mode (saving their driving hours). The partnership is also focusing on developing other new transport technologies relating to driver assistance.

Along with Shell, Disa, Scania, Osomo and Iveco, Scania has established a BioLNG consortium to expand the use of liquid natural gas as a fuel in European road transport. Under the terms of the initiative, the consortium has committed to providing 2,000 more LNG trucks on the road, 39 LNG fuelling stations and the construction of a BioLNG production plant in the Netherlands.

Scania and Siemens are also involved in the "Trucks for German eHighways" project, co-financed by the German Government through BMUB, the Federal Ministry of the Environment, Nature Conservation and Nuclear Safety. A similar project is getting underway on a six-kilometre stretch of the A35 Brebemi highway in northern Italy, involving the regional road authority Concessioni Autostradali Lombarde (CAL). In the world's first electric road project, which has been running since 2016, electrically-powered Scania trucks are running on the E16 highway near the Swedish city of Gävle, using powerline technology from Siemens, with the backing of Gävleborg regional authority, the Swedish Transport Administration (Trafikverket) and the Swedish Energy Agency (Energimyndigheten). Electrification has huge potential to cut carbon emissions. If just a few percent of the main road network in Europe is electrified it would significantly reduce CO_2 emissions from heavy road transport.

Tests with electrically powered trucks in Germany. A partnership with industry and public sector.

SCANIA'S ROLE IN DRIVING CHANGE

The task of achieving a decarbonised transport system is urgent and challenging, but Scania is not waiting for others to act. In 2018, we took several initiatives that seek to accelerate change and create a roadmap to a viable future.

Johan Rockström, Professor of Environmental Science at Stockholm University and former US Vice-President, Al Gore.

On stage Johan Rockström, Christian Levin, Scania, Anna Gedda, H&M, Ulf Troedsson, Siemens and Marc Hoffman, E.ON.

The Sustainable Transport Forum

In May 2018, Scania gathered some of the world's key decision-makers in politics and industry to our second Sustainable Transport Forum near Stockholm. Professor of Environmental Science at Stockholm University, Johan Rockström, helped lead the forum with several experts from various walks of life. The high-level speakers including former US Vice-President Al Gore and Christiana Figueres, Executive Secretary of the United Nations Framework Convention on Climate Change from 2010 to 2016, charted the pathway to achieving carbon-free heavy transport by 2050, which is needed in keeping with the global targets set by the Paris Agreement.

If there was one unifying message above all else that came from the conference, it was that we cannot wait for others to make the changes for us. In his keynote speech, Al Gore emphasised the sense of urgency attached to climate action and encouraged corporations like Scania to continue taking a leading role.

"We are in the early stages of a sustainability revolution," he said.

"Climate change is the most serious challenge that mankind has ever faced. Scientists are making the point that things are getting even worse than we predicted earlier. Although we are at a turning point there is more to do, and we are still falling short. Yet the rate of change is pretty impressive."

Christiana Figueres, whose passion and perseverance orchestrated the Paris Agreement in 2015, welcomed Scania's Pathways Study for achieving a fossil-free commercial transport system, though she added that authorities should still be at the forefront of actions on climate change:

"We should not fall into the trap that business needs to take on the role of government. Having said that, we do need purpose-driven corporations such as Scania, with emphasis on a triple bottom line comprising social, environmental and financial goals."

For Scania, it is clear that the call to action cannot be ignored, because our customers and their customers are increasingly asking for sustainable transport solutions. In turn, that demand is spurring the company on to find and provide those solutions.

Scania's Pathways Study in short

- A fossil-free commercial transport system in the timeframe of the Paris Agreement target is not only possible, but also financially attractive from a societal perspective.
- Smarter logistics can cut CO_2 emissions by more than 20 percent by optimising systems, for example improving routing and load management.
- The pathways are relatively similar over time and across the varying markets; Sweden, Germany, the US and China.
- Electrification is the most efficient and long-term cost-effective pathway in reducing the carbon footprint.
- Biofuels is the pathway that will reduce CO_2 emissions fastest initially, taking advantage of the traditional combustion engine technology.
- Fuel cell vehicles will be more expensive, and substantial growth for this pathway is expected to be later than for battery electric vehicles.

Download the full report on scania.com/pathways

Pathways to fossil-free transport

The Pathways Report is a Scania white paper that looks at ways of 'Achieving fossil-free commercial transport by 2050.' Scania published the study, which focuses on Sweden, the US, Germany and China, at the Sustainable Transport Forum in May 2018.

By taking a "back-cast" modelling approach to work back to the present day from 2050, Scania initially built a detailed model integrating "well-to-wheel" carbon emissions with logistics systems, powertrain efficiency, technology costs and penetration, and transport demand.

The report looks into four different scenarios for achieving the required emissions saving: full electrification, maximising the use of biofuels, a growth in the use of hydrogen fuel cells, or a mix of all these different technologies. While a quick introduction of electrification is the cheapest scenario for society on an overall level, biofuels provide the fastest way to achieve the reduction because the technology is available here and now.

Overall, the results also show that it is possible for the industry to reduce its CO_2 emissions by more than 20 percent, purely through optimising systems. This can be achieved with non-powertrain-related improvements such as improved routing and better load management.

The remainder of the emission savings can be reached with alternative drivetrains and fuels.

Åsa Pettersson, Head of Public Affairs & Sustainability at Scania and one of the initiators of the Pathways Report says, "This study does not have all the answers, but it is really meant to start a discussion with external stakeholders and experts, to see what choices we can make and how we can influence the development of the transport system. It creates a roadmap for Scania and gives us a better information foundation for taking decisions."

Through our three-pillar approach and the various ongoing strategic alliances that we have been establishing, Scania is already active in these areas, but the study has only served to sharpen our focus even further.

Forming a coalition

Reaching the Paris climate target requires fully decarbonising heavy commercial transport. Getting there no later than 2050 is not only possible but also financially attractive from a societal perspective.

But the Pathways Study shows that we need to act now and scale up new technology quickly because the implications are far-reaching for the whole value chain of commercial transport – not just transport solutions. And given the fact that the technology shift is quicker and more extensive than we have ever seen, Scania knows that we need partnerships to achieve the fossil-free target date. That is why we have entered into a 'Pathways Coalition' with H&M, Siemens and E.ON, three major names in global business.

The composition of the coalition, which was launched at the Sustainable Transport Forum, is strategic – H&M, Siemens and E.ON are a large transport buyer, a technology supplier and an energy supplier, respectively.

In partnership with Scania, a transport solutions provider, the coalition thus takes a holistic, systems approach to the issue.

Together and individually, the four companies are building knowledge of how to create more viable future business models, and identifying high impact innovation and partnerships within their operations and respective ecosystems.

While the shift to sustainable methods of commercial transport is gathering momentum, it is clear to Scania that partnerships are vital as the task is not something that can be accomplished by an individual company or actor, and the coalition should be viewed as an encouraging example by others.

Both the research and the establishment of the coalition are further signs that Scania is taking a leading role in driving the shift towards sustainable transport.

Pathways Coalition: three questions to Anna Gedda, Head of Sustainability, H&M Group

Why has H&M joined the Pathways Coalition and how does it fit with your group sustainability agenda?
In our high ambition to become climate positive by 2040 we aim to reduce our transport's CO_2 emissions. We are aware that collaboration with other players in the industry will be key in that journey, since it is only when we join forces that we can accomplish the speed of change required and achieve ambitious goals, such as being climate positive. The Pathway Coalition will offer a unique opportunity for transport buyers, truck manufacturers, fuel providers and technology to join forces towards a fossil-free commercial transport sector.

What role can the coalition play in the path to fossil-free transport?
The coalition will enable stakeholders without a direct business relationship between them to come together and act as one voice towards possible roadmaps to decarbonise commercial transport. All the influential industry players behind the coalition share the will to drive and accelerate the change needed. The Coalition will help us to showcase best practices, share learnings, new ways of working or pilot new ideas, to mention a few.

What is your message to other businesses when it comes to working towards sustainability?
It will be hard for us to tell others what to do, but I can tell you that for us it is very clear: living in a planet with limited resources, having a sustainable business model is the only solution. We have been working on that for many years, with the vision to lead the way towards a circular and renewable fashion future while being a fair and equal company. To get there, collaboration and innovation will be key, and joining forces with others both within and beyond industry borders is the only way to go.

Download the full report on scania.com/pathways

ACCELERATING NEW TECHNOLOGY AND BUSINESS IDEAS

Innovation at Scania is guided by the technological shift that is changing our customers' needs, and by the need to decarbonise the transport system. Scania is investing significantly in R&D, putting our employees' talent to good use, leveraging group synergies and establishing strategic alliances to quickly develop ideas that are good for our customers' businesses and for society.

In 2018, Scania continued to drive the creation of solutions that will help our customers run their operations more smoothly and efficiently, committing SEK 7.6 bn to R&D. This year, the fruits of our investment include a plug-in hybrid vehicle based on the new truck generation, a long-distance coach fuelled by liquid natural gas (LNG) and a software that allows drivers to programme their trucks to automatically follow traffic and environmental regulations as they arise.

Our partnership approach to innovation is also bearing fruit, including the successful pilot of battery-electric buses in the public transport system in Östersund, Sweden, and our work with Norwegian company Asko and Swedish waste handling company Renova to develop hydrogen fuel-cell-powered trucks.

We need to innovate quickly

With the advent of digitalisation and automation, the world is facing perhaps the greatest technological shift in industrial history and, with new entrants to the market and new breakthroughs happening all the time, it is going to happen quickly. Scania is already feeling the 'pull' of the shift, especially the urgent need for a sustainable transport system.

Scania's response is to invest significantly in here and now solutions, such as further expanding our range of vehicles that run on renewable fuels, while also making longer-term strategic decisions to focus on developing automation, connectivity and electrification technologies. We have set out a direction of travel to strike the right balance between today and tomorrow's business, and we are introducing a new, quicker way of developing and testing new business concepts and technologies. In order to progress quickly enough to compete, we need to be able to try many ideas in real operation, fail fast, learn fast and bring viable ideas to the market. We can test these on a small scale with customers, find out what works best, and then move them on to our core business to scale up for production.

Partnerships that drive innovation

Just as with many other aspects of driving the shift, innovation relies on partnership. We can't transform the transport system on our own, but by combining resources and knowledge we can accelerate change together. To that end, we are partnering with customers, academia, private and public institutions, municipalities and governments to find the right technology and business solutions to take us forward.

Scania needs to interact even earlier with our customers and partners to understand what they require. A partner is someone in the ecosystem of transport that shares our vision of a sustainable transport system, is willing to invest long-term and can share risks with us. But they may not be able to tell us exactly what they need; just what it is they want to achieve, and where their pain points are. It is down to us to translate this into solutions. In recent years, Scania's understanding of our customers' needs has been greatly assisted by our introduction of connectivity in 2011. We now have more than 360,000 connected vehicles that give us insights into how vehicles are being used, allowing us to tailor solutions. This customer insight will help us in the technological shift. To be a successful provider of electrification and autonomous solutions, Scania will have to have good user data. Using data profiles, we can modularise the technology, and continue responding to our customers' specific needs.

This customer-driven approach to innovation is far removed from the traditional model of deciding what to develop, then producing it, but as the shift comes the sheer range of possibilities emerging are too many and too costly for one company to address. Partnerships like the ones in our case studies are vital, and our core value of 'customer first' has prepared for us the challenge.

TRATON GROUP creates synergies

Scania also benefits from the synergies as part of the TRATON GROUP. The group's deep pool of technical expertise boosts innovation and drives cost efficiency, while its financial muscle means Scania can invest earlier in new innovations and bring ideas to market quicker. Scania is leading the development of the new 13-litre engine, aftertreatment system, the new gearbox and engine control system for the whole group.

Autonomous solutions in mining

In 2019, Scania will continue trials with autonomous vehicles together with Rio Tinto in Western Australia.

The first phase of the trial has involved a Scania XT 8x4 autonomous tipper truck working separately from active operations. "With their high vehicle utilisation rates, mining sites are ideal for testing new autonomous technology. The industry can reap the safety and productivity benefits of automation, and the experience gained here will be instrumental in developing fully autonomous solutions for other transport applications," says Björn Winblad, Head of Scania Mining.

Innovation factory

Innovation at Scania naturally translates into technical solutions in R&D and patents but it is also about developing our people's entrepreneurial skills to make the company better equipped for the future. The Innovation Factory is a Scania pilot programme for channelling employees' ideas, putting them in touch with senior leaders who help them gain hands-on experience of establishing a new revenue stream or releasing a new product or service to the market.

"We are trying to identify small 'start-up' teams and give them the creative room to test new business ideas in a corporate setting. By broadening the sense of innovation, we aim to deliver new value for our customers and grow our business," says Helena Malmberg, who leads the project.

One such idea ('The Game') has gone on to attract several customers (see p 33).

An investment in e-mobility

Scania is part of a Swedish government-led consortium that has invested in a project to accelerate the development of electric-powered vehicles.

A total of SEK 1 bn is to be invested in the initiative, of which SEK 200 m. will be invested in a test laboratory in Nykvarn, near Södertälje.

Hydrogen fuel cell trucks

Scania is developing a fuel cell refuse truck together with Renova, a waste handling company in western Sweden. The truck will feature a fully electrified powertrain as well an electrified compactor.

"Electrification using fuel cells fuelled by hydrogen is a highly appealing alternative for heavy commercial vehicles such as refuse trucks," says Hans Zackrisson, Head of Development at Renova. "The trucks benefit from all the advantages of electrification while maintaining some of the best aspects of fossil-fuel operations, namely range, hours in service and payload." Scania has also been working with Asko, Norway's largest grocery wholesaler, and in 2019 will start testing trucks using hydrogen fuel-cell technology. Asko's ongoing investment in the project makes it another true partner with us on the journey to zero emissions.

OUR PEOPLE ARE THE KEY TO OUR FUTURE

Scania's people have made us the successful company we are today. As the technology shift begins, we must encourage and support our employees' entrepreneurial spirit, develop and add new talent if we want to be agile enough for tomorrow's transport industry.

The competence shift

The technology shift that is about to disrupt the transport industry is transforming Scania from a heavy commercial vehicle manufacturer into a provider of transport and logistics solutions. That brings with it a competence shift, because it also creates a need for new development and manufacturing skills, either in an existing job or a brand new one.

The solutions to acquiring the right skills and flexibility lie with developing the people we already have, allied to a recruitment process that targets the skills we will need in the years ahead. Scania aims to reflect the societies in which we operate. When we work with people from different backgrounds, genders and cultures, we gain fresh perspectives: these could be the key to success in complex, international projects in this fast-changing business landscape.

Identifying and maximising talent

Change starts from within, and Scania's approach to Human Resources is also shifting. The transformative nature of the competence shift means we must reorganise the HR function to address our need for a business-driven competence supply. Thus, we are increasing our focus on strategic resource planning along with the traditional HR focus on personnel administration and labour relations issues.

First of all, we have to get the best out of the people we already have. We introduced the Skill Capture programme in 2015, a series of lab workshops rolled out to the whole organisation where we talk about diversity and inclusion and identify how to tap the huge reservoir of talent at Scania.

The Skill Capture labs have encouraged people to be more inclusive and they are changing our organisation from top to bottom, breaking down unconscious prejudices and helping us to discover skills that have been hidden or underused. We are establishing an inclusive corporate culture, so everyone feels that they can contribute to Scania's progress.

Competence development goes hand-in-hand with Skill Capture. Scania Academy provides tailor-made programmes for our employees and those working in our dealership network, through digital and physical classrooms.

Our cab factory at Oskarshamn is a blueprint for how Scania can successfully deal with the technology shift and strategic competence shift needed. When it came to update the assembly line to add in 280 robots to do the repetitive processes, Scania's core value respect for the individual meant we took a methodical approach to the changes, including providing a tailor-made programme that consisted of both theory and practical re-training for employees on the traditional assembly line. With the right competence development, the employees changed roles to jobs such as robot management or maintenance, and the transformation was successful.

We have also developed our organisational design to create a dynamic, flexible company, where employees are not restricted to a single career path in one particular area. The opportunity to grow and use different skills by changing jobs, combining roles, starting a new project or switching location is attractive to many of our workers. It's only by encouraging flexibility and an entrepreneurial spirit that Scania will be agile and successful in the transport industry of tomorrow.

Attracting new talent is crucial too. We work closely with the education sector to secure innovative talent, through initiatives such as the Scania Engineer Programme, the Scania Global Champion Trainee Programme and our Industrial Doctorate Programme. Through strategic partnerships with leading academic organisations, we cultivate the people and skills we will need for the future.

Keeping people safe, healthy and engaged

All of our efforts mean nothing if we don't look after our people. A safe and healthy workplace, with a proper work-life balance, is a corporate priority. Our Safety, Health and Environment (SHE) standard takes its cue from our core value respect for the individual. Scania's global healthy attendance level of 96 percent reflects the importance placed on well-being. We recognise that when our employees feel included and secure they feel motivated to share their knowledge and engage fully. To measure our progress, we use our Employee Satisfaction Barometer, an annual survey that is rolled out across the global organisation.

Entrepreneurship is the name of the game

Scania's commitment to fostering employee innovation finds expression in ideas such as 'The Game', a driver development tool inspired by the gaming industry.

The Game was created and developed by four Scania employees who took part in the Scania Innovation Challenge, which is run by Scania's Innovation Factory and won the chance to establish a 'start-up' to develop their concept. The Game takes inspiration and insights from previous gamification initiatives within Scania, such as the Smart Truck Project developed by Scania in the Netherlands.

The team uses 'gamification' principles to inspire drivers to improve their performance through daily challenges, grading their driving style, sending them new targets for the day ahead, and giving them rewards for completing challenges. Results and targets are delivered to the drivers via SMS. More profitable, sustainable performance is a pleasing by-product to this driver-focused event, as well as healthy competition, be it with other drivers or through self-improvement.

Inspired by the Lean Start-Up and agile development movements, the team wanted to develop something as quickly as possible for a driver to use. This mindset drove them to go from concept ideas to paying customers in just two months, gathering user insights and metrics at a very early stage.

"Our vision is that drivers are the most valuable asset for the transport of goods and people," says Kristofer Enelund, one of The Game's team members. "The transport industry has a driver shortage. In the future we will have autonomous vehicles, beginning with a semi-autonomous stage, where vehicles will be able to drive themselves on the highway but will still need help with parking, plus loading and unloading. So, on the highway, what will drivers do then? Will they lose value or adapt and learn new skills such as transport planning and customer support? The profession will change, so we're building a platform to help them evolve their skills."

Thus far, the idea has been sold to eight customers with about 50 drivers involved. Development of 'The Game' continues, with investment and personnel from various parts of the company. This and other innovations from our people are key to Scania's future, where a flexible, entrepreneurial spirit is at the core of our work.

Big ideas driving Scania forward

Scania's ability to stay ahead of the competition relies on employee innovation by talented R&D engineers who have had their ideas patented.

Every inventor's first patent is special. Christoffer Norén's first one was approved for his ground-breaking research into strategies for fuel-efficient ways to allow trucks to leave vehicle platoons. In a convoy of ten trucks, his strategy will determine the best vehicle sequence for exiting the platoon.

The system considers the terrain, traffic, weather, type of road and the individual route that each vehicle takes. This might lead to a decision to re-arrange the platoon before entering a single-lane road and positioning the vehicle that is due to leave first at the rear. That minimises the disturbance while leaving the convoy and saves fuel.

Karl Redbrandt and Martin Ewaldsson were responsible for just two of the record 295 Scania patents approved in 2018.

But the pair's two ideas stood out, because they combine to introduce a new way of controlling the torque during the gear-changing process, which in turn makes for a smoother, more comfortable experience for the driver. "The big win we have here is that we have removed a large part of the calibration requirement we previously had in the gearbox and at the same time this has created greater comfort and better performance. As a driver, you will immediately feel a difference; It's something of a 'wow factor'," says Redbrandt.

SUSTAINABLE EVERY STEP OF THE WAY

Every day we at Scania make choices based on our core values and a desire to always do better. In our own operations, and in the work we do with partners, suppliers and customers, we aim for the highest social, environmental and ethical standards.

Driving the adoption of sustainable solutions and pursuing responsible business are complementary long-term perspectives for continuing being a successful company. Conducting our business in a responsible manner, guided by our core values and internationally agreed targets and guidelines, will increase our ability to be leaders in the shift towards a sustainable transport system.

Scania is a global company, with more than 50,000 employees working on five continents and customers in more than 100 countries. Every day, our operations and products directly and indirectly have an impact on millions of people. For Scania, being a responsible business means understanding our social and environmental impact and pursuing ambitious standards at every step; from our supply chain to our production system, through to the sales process, our customer relationships and the end-of-life phase of the product.

Scania is a signatory to the United Nations Global Compact, which encourages businesses worldwide to adopt sustainable and socially responsible practices. Since 2015, the Global Compact has been complemented by the UN's Agenda 2030 and its goals for sustainable development (SDGs). At Scania we view Agenda 2030 as a shared agenda requiring collaboration across government, business and the civil society. We strongly support the 17 goals and believe they have the potential to deliver transformative change for both societies and business. Advances in transport will play an integral role in achieving all of the SDGs.

Read more on the SDG's and their relation to the transport industry on scania.com/sdg

R&D

Scania invests around SEK 7.6 bn in R&D, and much of that investment increasingly focuses on technology that can mitigate the effect on the environment and make the transport system safer for society as a whole. In 2018, Scania created value for our customers by meeting their demands for higher uptime and greater efficiency. Taking responsibility for the full value chain also means knowing the impact of the materials that our products are made of. Scania is continuing its efforts to map and understand the environmental and social impact of the materials in our products to be able to make informed decisions and minimise the negative impact for the full lifecycle.

Sourcing

Scania suppliers must meets the same standards that we set for ourselves. With more than 1,000 direct and 10,000 indirect suppliers, this requires a structured approach. Our suppliers must combine the required quality and cost efficiency with maintaining fair working conditions for their employees, while striving to minimise the impact on the environment from their production and supply processes. Scania Supplier Code of Conduct outlines our supplier expectations and requirements. Read more on Scania's work with suppliers on page 36 and on scania.com/responsible-sourcing

Logistics

The scale of Scania's global logistics network is extensive with more than 1,500 suppliers in Europe, Asia and Latin-America. With a huge number of drivers being involved in the logistics value chain Scania sees fair transport as a cornerstone for building its credibility as a leader in sustainability. Starting in 2018 Scania introduced a new demand specification for fair transport, based on consultations with main contractors, Volkswagen AG, TRATON SE, the Swedish traffic authority, and internal stakeholders such as HR, legal and compliance departments and Scania Transport Lab. Our Fair Transport audit covers drivers' working conditions, collective agreements, salaries and allowances, as well as security and environmental aspects. Decisions within Scania logistics are based on achieving the best balance between sustainability, quality and cost and on several cases we see that we can reduce emissions levels while still reducing or maintaining the same cost.

Production

Scania produces hundreds of vehicles every day and have approximately 19,000 people working in our production facilities worldwide. We operate according to the Scania Production System, which drives us to eliminate waste, improve our resource efficiency and optimise production flow. The impact production processes have on energy efficiency can be significant, such as the decision at the transmission factory in Sweden, Södertälje, to use high pressure fans for drying in the washing machines instead of compressed air, which saves around 1,800 MWh/year. That is roughly equivalent to the energy consumption of 120 Swedish houses. Our focus on safety, health and environment (SHE) helps us keep track and gives clear guidance to those working in our production facilities worldwide.

Sustainable solutions globally

The appointment of sustainability managers globally continues and most Scania markets now have an appointed person who ensures Scania's ambition to lead the shift towards a sustainable transport system.

They make sure that Scania take a holistic perspective in the transport sector and at the same time ensure relationship building, business development as well as knowledge sharing internally and with important stakeholders.

An example of a market working holistically with several stakeholders is France. In 2016, the usage of ethanol fuel ED95 became an approved fuel with a competitive taxation after trials with customers and fuel providers. In 2018 also pure biodiesel-FAME (B100) was approved and given a favourable taxation. This creates opportunities for a circular economy using local resources to produce fuels that can drastically lower the CO_2 emissions.

Women moving the city

For Scania it is important to create a positive impact where we are present. In Accra, Ghana, Scania West Africa participates in the initiatives "Women moving the city" and "Women moving trucks" with the aim to reduce the gender gap in the country's transport industry. Nearly 100 women have trained to become bus or truck drivers in the city. Scania West Africa is playing a leading role in inspiring this change, working together with the Greater Accra Transport Executive (GAPTE) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to boost the number of woman drivers in the city's public transport system through the provision of Scania bus and truck driver training. The women who enrol can earn their bus driving licence free of charge and can choose to work in the Bus Rapid Transit system that Scania runs on behalf of the city.

"Scania's goal is to offer equal career opportunities to men and women. "We believe in a balanced workforce, and more women driving buses in Accra will have a positive impact on traffic safety and customer service," says Fredrik Morsing, Managing Director, Scania West Africa.

Angers LEDs by example

In mid-2018, Scania Production in Angers, France, switched its entire lighting system to LED lights. The results of the new installation were immediately striking. The factory has reduced its electricity usage by 60 percent and the electricity bill by 40 percent. Additionally, the greater luminosity of the LEDs has contributed to improved working conditions.

Sales

With a global sales presence and hundreds of sales per day, our sales staff work with our customers to ensure that their vehicles are optimised for their specific transport assignment and to address the products' environmental impact. We base our work on the three pillars of sustainable transport and on the lean principles that underpin modularisation. In Sweden a sustainable alternative has been offered in 40 percent of the quotations since the start during autumn 2018. In 2019, we will continue to work with our promise to offer a non-diesel product option in every quotation.

Service

The starting point of our service offering is customer first. With more than 20,000 employees working in our service network and many customer meetings every day, there is great potential to influence the customers' way of working. Through services such as Scania Flexible Maintenance and Fleet Composer, we are helping tens of thousands of customers to maximise their uptime and to be as efficient as possible in their operations. In a combination of efficiency and road safety, Scania Zone gives drivers the ability to automatically pre-programme their vehicle to follow local traffic regulations such as speed restrictions.

In use

The main environmental impact from the lifecycle of Scania's products comes from their use, in terms of the emissions. Scania's new generation of trucks reduce fuel consumption by on average at least five percent. With the help of driver training and coaching plus other efficiency-enhancing services, even more fuel savings are possible, along with improved road safety. The past year has seen us continue to expand our range of trucks, buses and engines that run on renewable fuels, as well as further advances in cleaner technologies using electric power.

End of life

Scania aims to continuously minimise the environmental and social impact of our products and to increasingly promote circularity in our processes. We provide guidelines for end-of-life treatment and dismantling and work in partnership with others to improve the complete chain. Made mainly out of high recovery value materials like cast iron and steel, our trucks are 95 percent commercially recyclable. Remanufacturing, the collection of faulty or worn parts which are remade and sold again, is a vital part of the circular economy. In 2018, Scania's Service Exchange initiative collected around 6.4 tonnes of faulty or worn parts that get a second life and go back into the sales process.

Sustainable procurement – At every step

A proactive approach in relationships with suppliers and collaboration in sector-wide initiatives are tools that drive positive development across the whole value chain and minimise and mitigate environmental and human rights risks.

The Scania Supplier Code of Conduct outlines the minimum requirements that apply for all business relationships between Scania and its suppliers. Suppliers are further responsible for ensuring compliance with the Scania Supplier Code of Conduct in its supply chain. During 2018, Scania clarified and sharpened the requirements in the areas of human and labour rights, health and safety, environment, and business ethics and management. Among other things, the requirements are based on the principles of the United Nations Global Compact and relevant conventions of the International Labour Organization.

To make sure Scania only does business with responsible companies Scania conducts risk assessments of suppliers through the Self-Assessment Questionnaire on Sustainability, developed by the members of the industry initiative DRIVE Sustainability. Scania also conducts sustainability audits when more in-depth checks of a supplier's performance is needed. The audits are performed by an external service provider or by Scania's own certified personnel.

During 2018, Scania implemented a new sustainability risk rating as a mandatory part of sourcing decisions. Even if a supplier offers the best price and quality, Scania will not choose to work with them if they have a low sustainability rating – meaning that we are choosing the right suppliers from the beginning while also awarding current suppliers who performs well in terms of sustainability.

Raw materials are the basis of Scania's industrial processes and we are committed to build products responsibly. Scania believes transparency and cooperation are the key words for positive changes throughout our supply chain and we expect our business partners to take responsibility together with us. We seek to work closely with all our suppliers including those further up the chain.

Scania is convinced that growing a sustainable approach throughout the supply chain demands of us that we join forces with others to drive change. Through initiatives such as DRIVE Sustainability we are taking the lead in doing so.

Increasing awareness

A full-day sustainability education is mandatory for everyone working at Scania Purchasing. During this education, the employees learn more about sustainability in general and specifically about supplier sustainability.

Since beginning of 2017, the Purchasing organisation has been supported by Sustainability ambassadors throughout all purchasing departments and regions, whose job is to support purchasers and suppliers. These ambassadors are regular purchasers and supplier quality assessors who have an outstanding commitment to sustainability.

We are not only building capacity internally; focus is also put on providing sustainability training for our suppliers. During 2018 we conducted Scania Specific Supplier trainings in Spain, Thailand and Malaysia. We also conducted training together with DRIVE Sustainability in Hungary, Spain and Thailand.

Doing things right

To integrate sustainability fully into Scania's normal processes every manager must ensure that the sustainability agenda is understood and acted upon in their respective unit. In 2018, Scania's new Code of Conduct came into force together with a new e-learning platform to ensure easy access to information and learning material on sustainability for Scania employees worldwide. Scania has identified the following six responsible business areas complementing our three pillars of sustainable transport.

Related KPIs and targets are on page 136–139

Environmental footprint

Proactively reducing our environmental footprint by being resource and energy-efficient is central to Scania's daily operations. Our efforts are based on the precautionary principle and the lifecycle perspective aiming to contribute to a circular economy. Our core value 'elimination of waste' guides us in our work to continuously improve our processes in areas such as CO_2 emissions, energy, waste and water. We have set two strong CO_2 reduction targets that apply to the whole company, both of which are in line with what science tells us is necessary to curb global warming. By 2025, Scania aims to achieve a 50 percent CO_2 reduction in both our industrial and commercial operations compared to 2015, and a 50 percent reduction in CO_2 emissions from our land transport with 2016 as a baseline. We are certified according to ISO 14001 and continuously improve the environmental performance of our products, processes and services.

Environmental indicators can be found on: scania.com/environmental-measures

Diversity and inclusion

At Scania, we strive to have a diverse organisation in terms of gender, age, background and experience. An inclusive culture, giving everyone the same opportunities, is essential to our success. Our Skill Capture programme is designed to broaden the scope of diversity to address all the ways that we are diverse, gender and cultural diversity as well as personality and experience. The right mix of skills, in combination with a working environment enabling everyone to fully participate, will be a prerequisite for Scania to continue taking the lead in sustainable transport. Diversity and inclusion at Scania is about continuously developing our corporate culture, forming our strategy in the area by using the collective intelligence of the Scania organisation.

Health and safety

One of Scania's six core values is "Respect for the individual," which means that the individual is at the centre of everything we do. Ensuring a safe and healthy workforce is our highest priority. Scania strives to achieve a sustainable workplace and a good working environment from both psychosocial and physical aspects. Our appointed Safety and Health Lead-Team is responsible for Scania's continued high priority of safety and health by defining a future desired state and by following up on management of the work environment. The standard Scania Safety, Health and Environment (SHE-standard) contains guidelines, structure and follow-up for managing workplace challenges such as safety equipment, chemical handling, mental and social well-being, crisis support and road safety. Parallel to the SHE standard, global methods in the field of work environment are implemented such as the Work Balance Dialogue, Safety and Behaviour and Safety Rules for Material Handling.

Community engagement

As a global company, Scania take great responsibility for surrounding communities wherever we do business in the world. Our Sponsorship and Community Engagement initiative is based on the firm belief that we can contribute to building a better society for all by contributing where we have the right skills and capabilities. All engagements are seen as partnerships and are long-term commitments. To support us in the right direction and deliver on our desired brand position we have selected four focus areas of engagement: Transport Solutions (partnering with equal-minded partners to provide them with sustainable transport solutions); Education & Skills (securing our long-term competence supply of skilled people, through cooperations with schools and colleges); a sustainable society (showing our commitment to society on a global basis, outside of transport); and, The Great Local Player (creating value for our local community and employees).

Human and labour rights

Pursuing high standards in the area of human and labour rights is central at Scania. Scania's European Committee is our highest labour relations forum, where we continuously inform and consult with our employee representatives globally. Scania has participated in the creation and launch of the Global Deal, a high-level partnership with countries, organisations and businesses, working towards the achievement of the Agenda 2030 with a focus on decent work and reduced inequalities. Further on, we have also published a slavery and human trafficking statement that applies to our global operation. We work along our value chain to further improve our work in the area. We insist that our suppliers meet the highest standards and act in full accordance with our policies and guidelines concerning social responsibility, labour standards and human rights. By conducting sustainability trainings for our suppliers we also make sure that they continuously improve in the area.

Business ethics

Scania has zero tolerance for corruption, bribery and all types of harassment, and our first priority is to ensure the company is in compliance with all relevant laws and regulations wherever we do business. As a signatory to the UN Global Compact, Scania adheres to its ten principles, including anti-corruption. Scania's new Code of Conduct came into force in 2018 and encompasses a broad array of ethical issues. Scania works with a range of strategies to ensure integration into all parts of the operation. To educate and engage employees around potential ethical dilemmas, Scania provides a tailor-made-e-learning around possible business scenarios. In 2018 the e-learning was complemented by a classroom training, called the "Dilemma game," to raise risk awareness and maintain open speak-up culture. Further compliance awareness trainings within the area of business ethics were also conducted on several levels of the organisation. Key topics of the Compliance Program are Anti-corruption, Anti-trust and Anti-Money-Laundering.


SCANIA
R 450
CRM 407

CORPORATE GOVERNANCE

Scania AB and its direct wholly-owned subsidiary Scania CV AB (together “Scania”) maintain 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 the Articles of Association, Swedish legislation, in particular the Swedish Companies Act, the Annual Accounts Act and internal governing documents. The Volkswagen Group’s governing documents are also being implemented.

Governing documents at Scania

The most important governing documents at Scania are:

- The Rules of Procedure of the Board of Directors, including the Board’s instruction to the President and CEO and guidelines for essential reporting processes at Scania
- The Rules of Procedure of the Audit Committee
- How Scania is Managed
- Scania Code of Conduct
- Scania Group Policies (now also including the content of the previous Scania Financial Manual)

Application

This Corporate Governance Report has been prepared in compliance with Chapter 6, Section 7 of the Annual Accounts Act.

The shareholders

Shareholders of Scania that hold more than 10 percent of the voting rights on 31 December 2018 are TRATON SE (former named Volkswagen Truck & Bus GmbH) and MAN SE, both subsidiaries of Volkswagen AG. TRATON SE holds 86.65 percent of the shares in Scania AB and MAN SE holds 13.35 percent of the shares in Scania AB. The Volkswagen Group thus directly or indirectly owns 100 percent of the shares in Scania and therefore, directly or indirectly, controls all of the voting rights in Scania.

The Annual General Meeting

The right of shareholders to make decisions on Scania’s affairs is ultimately exercised at the Annual General Meeting (AGM). 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. 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. During 2018, the AGM did not authorise the Board to resolve on the issue or repurchase or shares.

The Board of Directors

Scania's Board of Directors, which is identical for Scania AB and Scania CV AB, 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 respective 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. Scania's Board has composed of seven elected Board members and no deputy members. On 31 December 2018, they were:

Henrik Henriksson
Nina Macpherson
Markus S Piëch
Stephanie Porsche-Schröder
Andreas Renschler
Christian Schulz
Peter Wallenberg Jr

Andreas Renschler is the 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 were for 2018:

Lisa Lorentzon
Michael Lyngsie
Mikael Johansson, deputy member
Mari Carlquist, deputy member

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.

The Audit Committee

The Board appoints the members of the Audit Committee from among its own members. The Audit Committee discusses and monitors issues related to administrative processes, refinancing and treasury operations. 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. The Audit Committee receives regularly reports from the Internal Audit function regarding the state of the Internal Controls and Risk Management Systems.

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

The Audit Committee is identical and common to Scania AB and Scania CV AB.

Auditors

At Scania, the independent auditors are elected annually by the shareholders at the AGM, for a period until the end of the next financial year's AGM. 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.

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.

Further guiding principles and binding rules for Scania and its employees are set out in Scania Code of Conduct, Scania Group Descriptions, Policies, Standards and Regulations.

Scania Group Policy No. 1, Group Regulations Management, describe the structure of the governing documents of the Scania Group.

The Scania Code of Conduct contains a set of binding rules and guidance regarding responsible behaviours for all Scania Group employees.

The Group Descriptions contain the Scania Group's binding workflow-, strategic- or organisational governing structures.

Scania Group Policies contain fundamental and binding rules for the topics of the respective Group Policies, in some case further described in Standards or other Regulations.

Financial, commercial, legal and tax risks are reported regularly to the Audit Committee.

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 as well as laws and regulations 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, which 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 Executive Board meet each week. When necessary, considering amongst others market developments, the strategies are summarised from a global perspective and updated at such meetings.

Internal control of financial reporting

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 frequently updated 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.

Scania's Executive Board decided in November 2016 to create a Governance, Risk and Compliance (GRC) function at Scania. The GRC function shall ensure that international GRC standards and owner requirements are fulfilled considering Scania specific risk environment and culture. The function shall also support in reducing compliance and business risks by providing knowledge in terms of policies, guidelines, trainings and advice and by setting up respective structures and processes.

As part of the governing of Volkswagen and its brands a code of conduct, policies and other guiding documents are established. As a fully owned subsidiary Scania is constantly working to adopt accordingly. The GRC function secures gradual alignment with the Volkswagen Group regulations through the policy management function.

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 2018 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.

Scania Group's Internal Audit, whose main task is to independently monitor and review the internal control, risk management and governance of Scania, prepares a report at least twice a year, which is reported directly to the Audit Committee. Group Internal Audit functionally reports to the CEO.

The Board receives monthly financial reports. This financial information increases in terms of content in the run-up to each interim report. The full year-end and half year reports are approved by the Board.

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

MARKET TRENDS AND PERFORMANCE IN 2018

The global economy continued to expand in 2018 and so did demand for transport. Scania enjoyed an impressive volume growth with deliveries on all-time high levels for trucks, buses and coaches and engines in the year. Service sales also reached a new record level. Demand for, and the reception of, Scania's new truck generation is continuing to be very successful. With the launch in Asia and Latin America the roll-out was finalised during 2018.

16.4 %

Scania's market share in Europe based on heavy truck registrations 2018

52,700

Number of registered Scania trucks in Europe 2018

SEK 26,588 M.

Service revenue in 2018

Vehicles and services

Scania's vehicle deliveries increased in 2018 compared to 2017 by 6 percent. Truck deliveries increased by 7 percent to a total of 87,995 units and bus and coach deliveries increased by 2 percent to 8,482 units, both reaching all-time high levels. Engine deliveries increased by 50 percent also to an all-time high of 12,809 units. It was partly a pre-buy effect related to new engine emission standards (Stage V) coming into effect in Europe 2019. Service sales increased by 12 percent to SEK 26,588 m., the highest level ever.

The European truck market

The positive economic situation in Europe continued in 2018 and demand for transport, and thus trucks, continued to grow, driven by basic industries such as forestry, agriculture and industrial goods, supported by attractive financing levels. A shortage of drivers somewhat hampered an even stronger growth in Europe.

The total market for heavy trucks in 27 of the European Union member countries (all EU countries except Malta) plus Norway, Switzerland, Iceland and Bosnia Herzegovina increased by 4 percent to about 322,100 units in 2018, compared to about 309,100 trucks in 2017.

Scania's deliveries in Europe increased by 7 percent in 2018 from the level in 2017, and totalled 52,016 (48,436) trucks. Demand increased in Great Britain, France, Italy, The Netherlands and Denmark, partly offset by decreases in Germany and Romania.

The new truck generation continued to receive industry recognition in 2018. The R 500 won Germany's "Green Truck Award" by a healthy margin, as the truck with the lowest fuel consumption.

Scania has the full range of all commercially available alternative fuel solutions in the market to meet all customer demand – even the most ambitious. At IAA, the biggest commercial vehicle trade fair in the industry, Scania displayed the full new generation truck range, including trucks for long-haulage, construction and urban applications – all alternatively fuelled.

To Scania's already wide range of alternative fuel trucks and buses, the plug-in hybrid distribution truck was added as well as a battery electric bus, manifesting the increasing opportunities for decarbonisation.

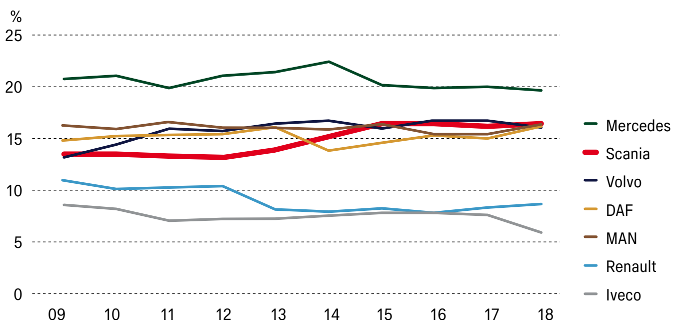
Scania's new Euro 6 gas engines continued to generate strong interest among existing and potential customers. Offering the same performance as a similar size diesel engine, it is suitable for both heavy long-distance transport and construction haulage and delivers a CO_2 reduction of up to 90 percent when powered with biogas. Nitrogen oxide emissions and noise levels are also reduced by using gas, which makes the trucks very well suited to urban traffic.

Stable market share in Europe

Scania truck registrations in Europe amounted to some 52,700 units. Thus, the company's European market share increased from 2017, at about 16.4 (16.1) percent. Scania's market share in Europe 2018 was at a stable level, reflecting continuing strong demand for the new truck generation.

Market share

Trucks above 16 tonnes, 27 EU countries plus Norway, Switzerland, Iceland and Bosnia Herzegovina (all EU countries except Malta).



Continuing recovery in Latin America

In Latin America, the continued recovery in Brazil affected demand in 2018 in a positive way but there is still a long way to get back to the previous high levels that were seen before Brazil's recession. Scania truck registrations in Brazil amounted to some 8,600 units, equivalent to a market share of about 16.4 (17.8) percent.

Scania's truck deliveries in Latin America increased by 31 percent in 2018, and amounted to 12,725 (9,701) trucks, mainly explained by an increase in Brazil which was partly offset by Argentina.

Eurasia, Asia and Africa and Oceania

In Eurasia, and Russia in particular, the level of the market has been high overall and there is a modernisation need that impacted demand for trucks positively also in 2018. However the political uncertainty in the region remains. In Eurasia Scania's truck deliveries increased by 19 percent to 8,006 (6,748) mainly related to Russia.

In the region Asia, more specifically in the Middle East, truck demand fell drastically in 2018. In China the European truck segment is growing in line with the development of the logistics systems, along with stricter emission legislation levels. In Asia Scania's truck deliveries decreased by 21 percent to 10,464 (13,175) mainly explained by Iran, South Korea, China, Turkey and Israel, partly offset by Indonesia, Taiwan and Malaysia.

In the Africa and Oceania region, deliveries increased by 8 percent to 4,784 compared to 4,412 in 2017, mainly related to increases in South Africa and Nigeria, partly offset by Australia.

Scania's launch of the new truck generation reached its final stages in 2018 with the roll-out of the new vehicles on the Asian and Latin American market.

Buses and coaches

Scania's deliveries of buses and coaches in 2018 rose by 2 percent and amounted to 8,482 units, compared to 8,305 units in 2017. In Europe deliveries were up related to Norway, Italy and Finland, partly offset by Spain and Sweden. Deliveries to Eurasia decreased explained by a drop in Russia. In Latin America deliveries increased thanks to Brazil, Colombia, Ecuador, Chile and Peru, partly offset by a decrease in Argentina. Deliveries in Asia were down related to decreases in Iran, India and Indonesia, partly offset by Hong Kong. Deliveries in Africa and Oceania increased mainly due to Nigeria, partly offset by South Africa.

In Europe Scania's market share for buses and coaches amounted to 7.5 percent in 2018, compared to a 7.1 percent share in 2017.

In 2018, Scania continued to broaden its range of buses and coaches that can run on fossil-free fuels, to extend the range of decarbonised transport options. In 2018 Scania launched the battery electric Scania Citywide bus and the Scania Interlink Medium Decker, the world's first gas-fuelled long-distance coach, with a liquefied natural gas (LNG) powertrain and a range of 1,000 kilometres.

Pre-buy powers demand for Engines

The underlying strong demand for Scania engines has been boosted by the noticeable pre-buy trend in advance of the new engine emission standards (Stage V) in Europe. Deliveries were up by 50 percent compared to last year at 12,809 units (8,521), mainly explained by Brazil, South Korea, Germany, Great Britain and Norway, partly offset by Poland.

As the year came to a close, Scania began its programme of rolling out connectivity to all engines, including those already sold and used by customers worldwide. Connectivity in trucks has been noticeably beneficial in strengthening the link between vehicles and services, and Scania Engines will look to gain further market share in services through this initiative.

Services continues to grow

Services continued to perform strongly in 2018. Overall revenue rose by 12 percent to SEK 26,588 m., with strong increases in Europe (up 14 percent to SEK 18,315 m.), Asia (up 12 percent to SEK 2,625 m.), and Africa and Oceania (up 11 percent to SEK 1,800 m.). Eurasia also increased, to SEK 797 m. (688) while Latin America was stable at SEK 3,051 m. (3,024).

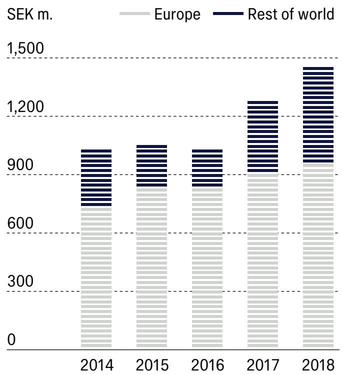
Service demand is boosted by the data from more than 360,000 connected vehicles, which allows Scania to keep tailoring service packages to customers, based on how they use their vehicles. The development of smart maintenance services in the form of Scania Flexible Maintenance continues, which now has more than 70,000 vehicles subscribed. Last year saw the launch of Scania Zone, an optional add-on to the Scania Fleet Maintenance programme, which before the journey allows the driver to pre-define how and when their truck should operate according to certain considerations regarding speed, noise and CO_2 emissions.

Financial services

At the end of 2018, Scania's customer finance portfolio amounted to SEK 89.2 bn, which was SEK 12.1 bn higher than the end of 2017 (SEK 77.1 bn). In local currencies, the portfolio increased by SEK 10.7 bn, equivalent to 14 percent. The penetration rate was 43 (46) percent in those markets where Scania has its own financing operations. Operating income in Financial Services increased to the record level of SEK 1,440 m. (SEK 1,274 m.) in 2018, compared to the same period in 2017. A larger portfolio and currency effects had a positive impact on earnings, while smaller margins and increased operating cost had a negative effect. Bad debt expenses were 0.22 (0.14) percent in relation to portfolio.

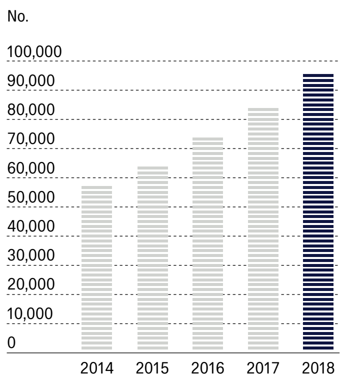
Operating income Financial Services

Operating income in Financial Services for 2018 increased to SEK 1,440 m. (1,274). A larger portfolio and currency effects had a positive impact on earnings, while lower margins and increased operating costs had a negative impact.



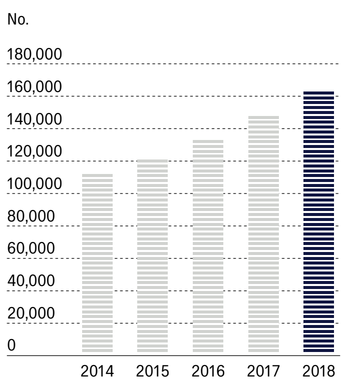
Insurance contracts

There was an increasing demand for Scania's insurance solutions during 2018. Efficient claims management and fast repairs in Scania's service network are the core of the offer.



Finance contracts

Customers are increasingly choosing Scania as their long-term partner in vehicle financing.



Most of Scania's portfolio consists of customers in European markets. The financing portfolio is well diversified in terms of customer geography and type, as well as their size, economic sector and vehicle applications. Scania reduces its risk by pursuing a conservative credit policy and a refinancing profile that matches borrowing to lending. Close collaboration between Financial Services and Scania's sales organisation is a major explanation for Scania's expanding financing portfolio. This collaboration allows both operations to mutually benefit from insights concerning customers and their businesses. Experience shows that brand loyalty is higher among customers that select financing, insurance and maintenance contracts with Scania.

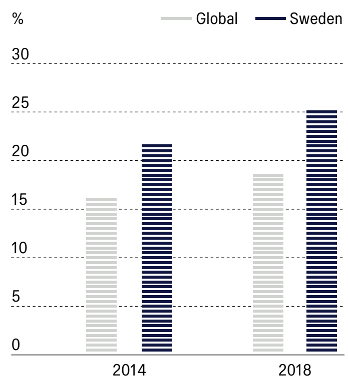
Our employees

Ensuring that, regardless of their job and location, all employees feel valued and dedicated, have job satisfaction and have a sense of well-being at work is an important task for managers at all levels of the organisation. Scania's systematic efforts to monitor job satisfaction also include a single common survey – the Employee Satisfaction Barometer – that includes three specific questions on employees' views of Scania as a diverse and inclusive company. Scania is convinced that diverse work groups, reflecting diversity in gender, ethnicity and background, are key to success and therefore aims to work for a more diversified workforce in all of its operations.

Issues relating to well-being, working environment, safety and health have high priority. All managers and employees at production units are involved in improving working methods. In this way, Scania has been able to maintain low levels of the employee turnover and keep healthy attendance at a high stable level over the years, amounting to 96.3 percent in 2018, while increasing production capacity. The working principles, developed over many years at Scania's production units, have been adapted and implemented in the other parts of the company. The number of employees at Scania in 2018 increased to 52,103 compared with 49,263 at the end of 2017.

Share of female managers

Diversity is important for Scania and a number of projects have been initiated to increase the share of women among executive officers.



Production and environment

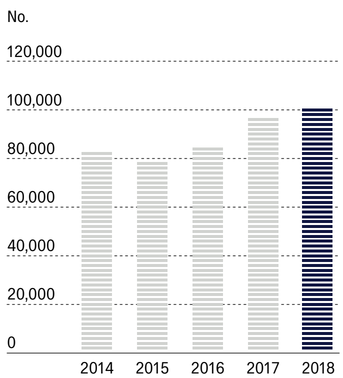
Scania production has continued to run at full capacity to fulfil the high demand situation, while at the same time going through the largest ever industrial changeover in Scania's history. By the end of 2018 Scania had done most of the industrial changeover from the old to the new truck programme with only the Latin American production facilities remaining.

Scania's global production system allows us to spread capacity between our production sites around the globe. Scania's technical capacity is 120,000 vehicles, and the work on ensuring flexibility to meet short-term fluctuations in demand is continuing. Scania's production units are continuously working to improve their environmental performance. The Scania Production System (SPS) is central to the work with energy efficiency and reduction of waste and chemicals. Scania places a special focus on the environmental impact from transport, both in-bound in the form of components and articles from suppliers and also from outbound delivery of parts and vehicles.

At the end of 2017, Scania committed to investing SEK 1.5 bn in a new foundry in Södertälje, Sweden, in order to triple production capacity and achieve a 50 percent reduction in energy consumption compared to the technology and methods used in the current foundry. The foundry will be operated using electricity produced from renewable energy sources and the energy usage per tonne produced in the new foundry is expected to be 50 percent lower than in the existing facility. It is one of Scania's largest single investments in an entirely new industrial plant. Construction of the new foundry started in January 2019.

Vehicles produced

During 2018, Scania produced 101,375 vehicles (95,781).

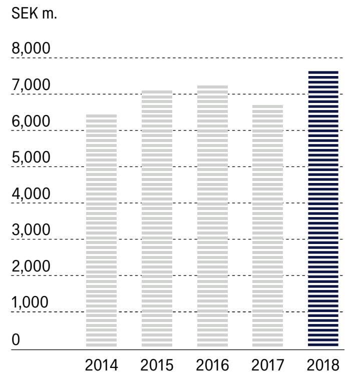


Research and development

The aim of Scania's research and development organisation is to develop sustainable solutions that improve productivity and profitability in customer operations based on low fuel consumption, high vehicle uptime and low service costs, combined with good performance. Scania puts significant investment and resources into research and development, which is concentrated at the Scania Technical Centre in Södertälje. In 2018, Scania invested SEK 7.6 bn in research and development (6.7), which corresponded to 6 percent of net sales.

R&D Investments

Scania maintains a high level of investment to strengthen the product portfolio in the coming years.



SUSTAINABILITY REPORT STATEMENT

In accordance with the Swedish Annual Accounts Act 6 Chapter 11§, Scania AB has chosen to draw up the sustainability report as a report separated from the Annual Report. The extent of the Sustainability Report can be found on page 140 of this document.

RISK AND RISK MANAGEMENT

Risks are a natural feature of business operations and entrepreneurship, but they may have a negative impact on Scania, affecting business operations and the company's reputation. Therefore, part of the day-to-day work of Scania is to manage risks, to prevent them from harming the company or to limit any damage that may arise.

Scania is one of the leading companies in the heavy vehicle industry. This leads to high expectations from all stakeholders, especially customers, about how Scania should behave as a company and about the quality of its products and services. Scania's brand and reputation are crucial to its success, so it is important to monitor events and behaviour that might have a negative effect on the company's image. Scania has a strong corporate culture that is based on established values, principles and methods, and this corporate culture is the foundation of the company's risk management. It is Scania's Board of Directors that is responsible to the company's owners for Scania's risk management. The company continuously reports on risk-related matters to the Board and the Audit Committee of the Board as well as to our owner. As part of Volkswagen Scania has adopted processes accordingly to fulfil requirements regarding urgent risks notifications, Quarterly risk reports and Regular GRC process.

Strategic risks

Corporate governance and policy-related risks

The Executive Board has overall 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 this system is well documented. The rapid communication of appropriate information is safeguarded by following the company's management structures and processes. Management systems are continuously being improved, through day-to-day work and through regular review internally and by third parties. A central support function Governance, Risk and Compliance is in place to support both executive board and line mangers in reducing compliance and business risks by providing knowledge in terms of policies, guidelines, trainings and advice and by setting up respective structures and processes. The team also ensures that international standards, best practices and requirements are fulfilled concerning Scania's specific risk environment and culture.

Business development risks

Risks associated with business development and long-term planning are mainly managed through Scania's cross-functional meeting structure, which brings together various departments for decision-making of a strategic and tactical nature, and also through the annual process established by Scania for strategic planning. Such planning is not a static process, and in fact is discussed and challenged throughout the company, based on external and internal considerations. 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 all the time. This process of continuous evaluation and adaptation minimises the risks of the company overlooking threats and opportunities and making wrong decisions that may lead to its operations not meeting the required standard. It also means that the risk of uncertainty and lack of clarity concerning the company's strategy and business development can be managed in a precise and efficient way. In addition to this Scania in a structured way continuously investigates new areas that may be of interest connected to the future development of the ecosystem of transport and logistics.

Research and development projects are also revised continuously, on the basis of each project's technological and commercial relevance.

Operational risks

Market risks

The demand for Scania's products is mainly driven by transport needs and also by a certain replacement need for vehicles to maintain high availability and low lifecycle cost of the vehicles.

Variations in world financial markets can have a large or small impact on real economic cycles and, in turn, for Scania, an impact on the demand for its products. Since commercial vehicles are capital investments, demand is not only affected by need but also by the availability and cost of the capital that must be invested.

Markets may temporarily slow down or stand still, and local currencies may lose some of their value as a result. The state of public finances and the extent of fiscal austerity programmes in different countries may have a negative impact on demand for our products. Demand for service-related products is less affected by variations in the economic cycle than demand for vehicles.

Scania's well-diversified sales in more than 100 countries help to limit the effect of a downturn in any given market. In individual markets, substantial changes can occur in the business environment, such as the introduction of or increase in customs duties and taxes, the introduction or ending of stimulus measures, and a change in the requirements for vehicle specifications. The imposition of economic sanctions against certain countries can also reduce the potential for marketing Scania's products. In addition, different countries' legal systems may have features that affect Scania's ability to carry out operations and sales. Scania monitors all of its markets continuously for early warning signs, which means the company can make the necessary changes to its marketing strategy.

Risks in the sales and services network

In the major markets, distributors are mainly owned by Scania. Apart from the risks to sales volumes that are linked to the market risks described above, there are commercial risks in the sales and services network for various types of contracted services, as well as in relation to repurchase obligations and used vehicle prices. Repair and maintenance contracts are one important element of the sales and services business, and help to ensure that customers can get maximum use out of their vehicle ('uptime') and that workshops' resources are used efficiently; they also help to strengthen customer loyalty. These contracts are often tied to prices that have been worked out in advance, so there are risks relating to price and handling.

As a result of repurchase obligations and trade-ins, the sales and services organisation handles a large volume of used trucks and buses, and prices and sales figures can vary over economic cycles. Scania has extensive knowledge of handling these price and sales variations because its sales and services network are highly integrated.

Sales and services units assume a credit risk in relation to their customers, mainly for workshop services performed and parts sold. However, the company's customer base is widespread, which limits the risk in relation to each individual customer. Operational risks in the sales and services network are detected and minimised by using the Scania Retail System (SRS), which is an adaptation for the commercial operations of the Scania Production System (SPS).

Independent dealers sometimes suffer problems that may have an adverse effect on Scania's operations. There could be shortcomings in management or limitations on how much can be invested, or problems relating to generational changes in family businesses. If the problems prove to be more than short-term ones, Scania may replace dealers or take over the business. Scania continuously maintains close contact with its independent dealers in order to spot warning signs at an early stage, allowing it to take action where necessary.

Regulatory risks in the Financial Services operations

Scania's operations include the provision of financing and insurance services, which have to comply with the rules set out by financial services authorities (FSAs). Non-compliance with these rules can lead to penalties or even the revocation of operating licences. The company has specialised staff in the parts of the business that are affected, so it can monitor and control these risks. Those working in this area include Risk Managers, Anti Money Laundering Officers, Compliance Manager and Internal Audit.

Production risks

Scania's integrated component manufacturing network has two bases: Europe and South America. The concentration of the network in two locations carries some risk, but that is offset by the fact that the company's uniform global production system allows it to source components from either area.

According to the Business Continuity Concept at Scania, the company must always be prepared so it can maintain its level of operation, including delivery of products and services, without unacceptable impact to customer or other stakeholders.

Scania has a Business Continuity model which is defined in the steering and supporting structure of how Scania is managed. The concept focus on responsibility by local management to assure that Business Continuity is owned, operated and embedded with local needs, resources and competence.

At corporate level the responsibility rest for support to line management. The concept includes Business Impact Analyses, Business Continuity Plan as well as training and exercise with the relevant employees and service providers at Scania's production units. The concept includes areas such as suppliers' or third parties' effect on Scania's capability to deliver products and services.

Yearly reports are submitted to Scania Top Management.

Production and quality risks in the workshop network's services are managed through the Scania Retail System, the Scania Dealer Operating Standard (DOS) certification and the Scania Code of Practice.

Supplier risks

Scania continuously checks that suppliers meet the company's requirements regarding Technology (T), Quality (Q), Delivery (D), Cost (C) and Sustainability (S). Such checks are also made during the nomination of new agreements. This work is regularly reported to Scania Purchasing management.

Scania's suppliers are required to comply with the Scania Supplier Code of Conduct covering the areas of human and labour rights, health and safety, environment, ethics and management. The requirements of the Scania Supplier Code of Conduct are based on the principles of United Nations Global Compact, relevant conventions of the International Labour Organization, Volkswagen Group requirements, and international standards and values.

With a more global supply chain, the sustainability risks along the chain are growing. Scania uses external risk indices for keeping track of risks in specific regions. To meet the different risk profiles measures are taken to support and follow up on – for example – human rights performance in some regions, by performing audits and trainings.

To minimise the impact of production interruptions or financial problems among suppliers, Scania tries wherever possible to work with more than one supplier for critical items.

Scania continuously safeguards the sustainability performance of our suppliers and the quality and delivery precision of purchased items. It carries out day-to-day monitoring, and prioritises and categorises anything that does not meet the required standard. If there are repeated instances of not meeting the standard, an escalation model to focus on the problem to ensure normal service is resumed.

Variations in the world's financial markets also risk affecting Scania's suppliers to a greater or lesser degree. Therefore, the financial status of suppliers is monitored continuously.

Natural hazards

It is hard to predict the occurrence of natural disasters as well as their frequency and impact. For Scania's own business processes 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 Business Impact Analysis as well as the Business Continuity Planning process. Natural hazards are important part of dealing with risks in existing business as well as in deciding new locations for business and suppliers.

People and competence

The technology shift will also require a shift in competence and Scania must act proactively and identify future needs before they occur.

For its future success, Scania is dependent on its ability to attract and recruit employees with the right expertise, and retain, engage and shift the competencies of the workforce to ensure that the company's operations can deliver the required product and service quality. Some of the important risks from a People Management perspective that may affect deliveries are:

- Not enough of the right expertise
- Lack of business critical expertise
- Recruitment errors

Scania has structured, well-established working methods for close cooperation with a number of universities and institutes of technology to create and recruit cutting-edge expertise. Scania runs an upper secondary school in Södertälje, Mälardalens Tekniska Gymnasium MTG, offering high-quality technical upper secondary school education aimed at vocational or university preparation.

The opportunities for professional development and career paths within the company, along with individual development plans, attract new employees and will reduce the risk of losing expertise due to external employee turnover.

Uniform structures, common and coordinated recruitment methods and tools as well as clearly described job requirements all help minimise the risk of recruitment errors.

In closely alignment with business operation Scania's Corporate HR department continue to develop the area of People Management to secure business-driven competence supply.

By collating and analysing key employee figures for health attendance, employee satisfaction, Diversity & Inclusion Index, employee turnover, age structure and professional job satisfaction, as well as using development dialogues, the company is able to monitor trends and carry out targeted actions as and when needed.

Data privacy

One of Scania's core values is "Respect for the individual." This is the foundation when interacting with our customer, a driver of our vehicles, a co-worker in our global organisation or with a business partner/supplier contributing to our delivery of sustainable transport solutions. Scania has a Data Protection Office to support and ensure that personal data is handled with integrity, respecting privacy and fulfilling legislation.

Information risks

For Scania, it is crucial to handle information in a way that enables operations to share and process it efficiently and reliably, within the company and also when working together with customers, suppliers and other business partners. The main risks that can affect information management are:

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

Scania has a central unit for information security, which is responsible for the introduction and follow-up of Scania's information security policy. As part of their normal responsibilities, managers monitor and approve the risk level in their respective area of responsibility and ensure that all employees are aware of their responsibilities. Scania and third parties follow up with monitoring of the system to ensure that the policy is being followed properly.

Sustainability risks

The term 'sustainability risks' refers to risks associated with adverse effects on the environment, health and safety, human rights and business ethics in Scania's business operations.

Risk assessment and business continuity management are part of every manager's responsibilities, and include analysis, planning and implementation, which has been adapted to each operating unit.

Training and drills occur with all the relevant employees and service providers at Scania's production units. There is a follow-up process of monitoring systems, reporting and response procedures.

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

Additional investigations and required actions have been carried out whenever and wherever needed. This work takes place in close cooperation with local or regional authorities.

All production units have permits that comply with their specific national legislation. In addition to legal requirements and the conditions included in these permits, operations may also be subject to local requirements and rules.

Whenever it seeks to increase production levels, Scania applies for new permits covering the affected operations, although for certain Scania operations, regular 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.

Scania's work with sustainability, the Scania Way and the Scania Code of Practice creates a natural basis for an ethical and responsible approach among management and employees in relation to Scania's role in society. During 2017 Scania implemented a new code of conduct, that is aligned with Volkswagen AG, reflecting Scania's responsibility as a member of society, a business partner and employer.

Scania's requirements are the same no matter where in the world we operate. Our responsibilities entail ensuring the observance of human and labour rights, also extending through our value chain. Further guidance and support is given to employees through manuals and training. Special emphasis is placed on ethical and human rights issues in complex geographical locations and business segments.

Climate change constitutes a global risk as it is contributing to more unpredictable and more extreme weather conditions, and Scania works continually to reduce the impact of its products and in its operating activities.

Research and development risks

Research and product development occur in close contact with the production network, purchase to assure involvement from the supplier base, and the sales and service organisation to effectively safeguard high quality. Scania is in a process to align the development process with TRATON. The outcome of this cooperation is of importance to assure access to new future technologies and improve the cost efficiency.

Due to continually increasing complexity and competition in new technologies there is a technology risk. This is managed by utilising the full competence and knowledge both at Scania and in the Volkswagen Group.

New legislation

The ability to meet upcoming environmental and safety standards in various markets is of great importance for Scania's future. In particular, this relates to legal requirements for reduced levels of pass-by noise and carbon dioxide declaration legislation for heavy vehicles in the EU.

Other important future environmental regulations are upgraded national emissions standards in several of Scania's markets.

On safety standards, the revision of the general safety regulation will introduce several advance driver assistance systems as mandatory in a few years' time.

Furthermore, the revised European framework directive introduces new and stricter surveillance and certification processes in the coming years. 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

Introducing a new product to the market can include a liability risk; this risk is managed by the development, verification and validation processes at Scania. 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. Where applicable, Scania has a fair risk-sharing with our suppliers regarding product liability, which minimises the financial risk for Scania.

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 a number of 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 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.

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

Administration of contracts, essential rights and legal risks occur in the normal course of operations. 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.

Export control

All Scania entities within the Scania Group conduct our business in accordance with national and international laws and regulations, as well as Export Control legislations of all relevant jurisdictions and regimes in which we operate.

Tax risks

Scania and its subsidiaries are the object of a number of tax cases, as a consequence of the company's operating activities. For further information, see Note 2. 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. Especially in Scania's Financial Services, access to competitive funding is critical and to a large extent dependent on Scania's credit rating on the financial markets. As a consequence of Scania being a wholly owned subsidiary of the Volkswagen Group, Scania is also affected by changes in credit ratings for Volkswagen. The rating institute Standard & Poor's considers Volkswagen's ownership of Scania to be 'Highly Strategic' rather than 'Core' and their ratings methodology therefore dictates that Scania's issuer credit rating shall be limited to the higher of (i) its stand-alone credit rating and (ii) a rating corresponding to one notch lower than Volkswagen's. Scania's issuer credit rating can never be higher than Volkswagen's. Any downgrade by Standard & Poor's of Volkswagen's credit rating therefore may result in a downgrade by Standard & Poor's of Scania's issuer credit rating. Financial risks are managed in accordance with the Financial Policy adopted annually by Scania's Board of Directors. See also Note 27.

BOARD OF DIRECTORS

Andreas Renschler

Chairman of the Board of Directors since 2015

Born: 1958.

Education: Degrees in business engineering and business administration.

Other directorships: Member of the Board of Management, Volkswagen AG. Member of Board of Directors for Porsche AG and Porsche Holding Stuttgart GmbH. Chairman of the Board of Directors, MAN SE, the Board of Directors, MAN Truck & Bus AG and the Board of Directors, MAN Latin America Indústria e Comércio de Veículos Ltda. Member of the Board of Directors, Deutsche Messe AG, the Board of Directors, Sinotruk (Hong Kong) Limited, and the Board of Directors, Navistar Int. Corp. Chairman of the Commercial Vehicles Board Group of the VDA.

Relevant work experience: Member of the Board of Management, Volkswagen AG, responsible for Commercial Vehicles. CEO, TRATON SE. Various management positions at Daimler AG, responsible for Purchasing and Production for Mercedes-Benz Cars and Mercedes-Benz Vans. Member of the Board of Management at Daimler AG, responsible for Daimler Trucks and Daimler Buses. President of Smart GmbH. Head of Executive Management Development at Daimler AG. Various managerial positions at Daimler AG.

Henrik Henriksson

Member of the Board of Directors since 2016.

Born: 1970.

Education: BSc Bachelor of Science in Business Administration.

Relevant work experience: Various managerial positions at Scania since 1999. President and CEO of Scania since 2016. Member of Executive Board at TRATON SE.

Nina Macpherson

Member of the Board of Directors since 2018. Member, Audit Committee.

Born: 1958.

Education: Master of Laws, LL.M.

Other directorships: Member of the Supervisory Board of TRATON SE and its Audit Committee, Member of the Board of the Arbitration Institute of the Stockholm Chamber of Commerce (until 31 December 2018) and Member of the Swedish Securities Council.

Relevant work experience: Chief Legal Officer and secretary to the Board of Directors and Head of Group Function Legal Affairs at Ericsson. Previous positions also include private practice in corporate and commercial law at Rydin & Carlsten law firm and in-house attorney at Salén Shipping Companies.

Markus S. Piëch

Member of the Board of Directors since 2015.

Born: 1985.

Education: Mag. rer. soc. oec., Bakk.

Other directorships: Member of the Supervisory Board of MAN Truck & Bus AG.

Relevant work experience: Member of the Executive Board of Salzach Privatstiftung.

Stephanie Porsche-Schröder

Member of the Board of Directors since 2017. Member, Audit Committee.

Born: 1978.

Education: Diplom Designer.

Other directorships: Member of the Board of MAN SE and MAN Truck & Bus AG and Italdesign-Giugiaro S.p.A.

Relevant work experience: Designer at Bosch Siemens Haushaltsgeräte GmbH, Munich.

Christian Schulz

Member of the Board of Directors since 2018. Chairman, Audit Committee.

Born: 1977.

Education: Business & Administration.

Other directorships: Member of Executive Board at TRATON SE and Navistar Inc. Corp.

Relevant work experience: Member of Executive Board at TRATON SE, CFO responsible for Finance and Business Development. Various managerial positions at Daimler AG, Mitsubishi Fuso Truck & Bus and Mercedes-Benz Cars.

Peter Wallenberg Jr

Member of the Board of Directors since 2005.

Born: 1959.

Education: MBA.

Other directorships: Chairman of the Board of Knut and Alice Wallenberg Foundation, Wallenberg Foundations AB, The Grand Group AB. Board member of Atlas Copco AB and EQT AB.

Relevant work experience: Within The Grand Hôtel Group since 1985. Several board positions in The Wallenberg Foundations.

Lisa Lorentzon

Representative of PTK at Scania. Member of the Board of Directors since 2015. Previously deputy member since 2012.

Born: 1982.

Other directorships: Employee representative, Supervisory Board of TRATON SE.

Relevant work experience: Various positions at Scania since 2007.

Mari Carlquist

Representative of PTK at Scania. Deputy member of the Board of Directors since 2015.

Born: 1969.

Other directorships: Employee representative, Supervisory Board of TRATON SE.

Relevant work experience: Various positions at Scania since 1987.

Michael Lyngsie

Representative of the Swedish Metal Workers´ Union at Scania. Member of the Board of Directors since 2018.

Born: 1977.

Other directorships: Employee representative, Supervisory Board of TRATON SE.

Relevant work experience: Various positions at Scania since 1993.

Mikael Johansson

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

Born: 1963.

Relevant work experience: Various positions at Scania.

EXECUTIVE BOARD

Henrik Henriksson
Member of the Board of Directors. President and CEO.
Born: 1970.
Education: BSc Bachelor of Science in Business Administration.
Joined Scania in 1997.

Johan Haeggman
Executive Vice President, Chief Financial Officer (CFO).
Born: 1960.
Education: BSc Bachelor of Science in Business and Economics.
Joined Scania in 1989, employed until 1999.
Rejoined Scania in 2003.

Kent Conradson
Executive Vice President, Head of Human Resources.
Born: 1958.
Education: BSc Bachelor of Science in Business Administration and Economics.
Joined Scania in 1979.

Mathias Carlbaum
Executive Vice President, Head of Commercial Operations.
Born: 1972.
Education: MBA.
Joined Scania in 1997.

Claes Erixon
Executive Vice President, Head of Research and Development.
Born: 1969.
Education: MSc Master of Science in Engineering Physics.
Joined Scania in 1994.

Karin Rådström*
Executive Vice President, Head of Sales and Marketing.
Born: 1979.
Education: MSc, Master of Engineering in Industrial Management.
Joined Scania in 2004.

* As from 1 March 2019, Karin Rådström succeeds Christian Levin, who is a member of the Executive Board of TRATON SE since 1 February 2019, responsible for Research & Development and Procurement.

Anders Williamsson
Executive Vice President, Head of Purchasing.
Born: 1969.
Education: MSc Master of Science in Industrial Engineering and Management.
Joined Scania in 1994.

Ruthger de Vries
Executive Vice President, Head of Production and Logistics.
Born: 1965.
Education: MSc Master of Science in Industrial Engineering and Management.
Joined Scania in 1990.

GROUP FINANCIAL REVIEW

Net sales

The net sales of the Scania Group, in the Vehicles and Services segment, increased by 11.2 percent to SEK 133,222 m. (119,759). Currency rate effects had a positive impact on sales of 3 percent.

New vehicle sales revenue increased by 13 percent. Sales were positively influenced by price increases and positive currency effects. This was partly offset by negative market mix.

Engine sales revenue increased with 51 percent. Service revenue increased by 12 percent and amounted to SEK 26,588 m. (23,735). The increase was mainly explained by volume, price increases in spare parts and workshop as well positive currency effects.

Interest and lease income in the Financial Services segment increased by 11.7 percent due to a higher average portfolio and positive currency effects, partly offset by lower margins.

Net sales by product, SEK m.	2018	2017
Trucks	85,231	75,226
Buses	11,658	10,480
Engines	2,769	1,830
Services	26,588	23,735
Used vehicles	7,726	7,085
Miscellaneous	4,843	3,970
Delivery sales value	**138,815**	**122,326**
Adjustment for lease income [1]	–5,593	–2,567
Total Vehicles and Services	133,222	119,759
Financial Services	7,797	6,943
Elimination [2]	–3,893	–3,336
Scania Group total	**137,126**	**123,366**

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 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 2018 Scania delivered 87,995 (82,472) trucks, an increase of 6.7 percent. Bus deliveries increased by 2 percent to 8,482 (8,305) units. Engine deliveries increased by 50.3 percent to 12,809 (8,521) units.

Vehicles delivered	2018	2017
Vehicles and Services		
Trucks	87,995	82,472
Buses	8,482	8,305
Total new vehicles	**96,477**	**90,777**
Used vehicles	18,691	18,346
Engines	12,809	8,521

Financial Services		
Number financed (new during the year)	**2018**	**2017**
Trucks	33,017	31,387
Buses	967	962
Total new vehicles	**33,984**	**32,349**
Used vehicles	7,107	5,703
New financing, SEK m.	47,636	41,499
Portfolio, SEK m.	**89,166**	**77,028**

Earnings

Scania's operating income amounted to SEK 13,832 m. (12,434) during 2018. Operating margin amounted to 10.1 (10.1) percent.

Operating income in Vehicles and Services totalled SEK 12,392 m. (11,160) during 2018. Higher vehicle deliveries and higher service volume, together with positive currency rate effects, had a positive impact on earnings. This was partly offset by higher production and product cost due to the changeover to NTG and a less favourable market mix.

Scania's research and development expenditure amounted to SEK 7,603 m. (6,681). After adjusting for SEK 1,996 m. (1,367) in capitalised expenditure and SEK 727 m. (455) in depreciation of previously capitalised expenditure, recognised expenses increased to SEK 6,334 m. (5,769).

Compared to the full year 2017, the total currency rate effect was positive and amounted to SEK 2,678 m.

Operating income in Financial Services increased to SEK 1,440 m. (1,274). This was equivalent to 1.7 (1.8) percent of the average portfolio during the year. The increased earnings were mainly due to a larger portfolio and positive currency rate effects partly offset by lower margins. Bad debt expenses increased during the year.

At year-end 2018, the size of the customer finance portfolio amounted to SEK 89 bn, which represented an increase of SEK 12.1 bn since the end of 2017. In local currencies, the portfolio increased by SEK 10.7 bn, equivalent to 13.9 percent.

Operating income per segment, SEK m.	2018	2017
Vehicles and Services		
Operating income	12,392	11,160
Operating margin, %	9.3	9.3
Financial Services		
Operating income	1,440	1,274
Operating margin, % [1]	1.7	1.8
Operating income, Scania Group	13,832	12,434
Operating margin, %	10.1	10.1
Income before taxes	13,319	12,082
Taxes	–3,585	–3,377
Net income	**9,734**	**8,705**

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

Scania's net financial items amounted to SEK –513 m. (–352) including net income from associated companies and joint ventures amounting to SEK 40 m. (44). Net interest items amounted to SEK –338 m. (–373). The net interest was positively impacted by lower cost for funding due to lower interest rates as well as less negative impact from India due to less external loans. Other financial income and expenses amounted to SEK –215 m. (–23). These included SEK –44 m. (21) in valuation effects related to financial instruments where hedge accounting was not applied.

Income before taxes amounted to SEK 13,319 m. (12,082). The Scania Group's tax expense for 2018 was equivalent to 26.9 (28.0) percent of income before taxes.

Net income for the year totalled SEK 9,734 m. (8,705), corresponding to a net margin of 7.1 (7.1) percent.

Cash flow

Cash flow in Vehicles and Services amounted to SEK 3,665 m. (5,696).

Net investments amounted to SEK 7,234 m. (5,904), including SEK 1,996 m. (1,367) in capitalisation of development expenses. At the end of 2018, the net cash position in Vehicles and Services amounted to SEK 16,420 m. (17,058).

Cash flow in Financial Services amounted to SEK –11,073 m. (–7,215), due to a growing customer finance portfolio.

Financial position

Financial ratios related to the balance sheet	2018	2017
Equity/assets (E/A) ratio, %	27.1	28.3
E/A ratio, Vehicles and Services, %	35.5	28.3
E/A ratio, Financial Services, %	8.9	9.0
Return on capital employed, Vehicles and Services, % [2]	24.1	24.4
Net debt/equity ratio, Vehicles and Services [3]	–0.26	–0.29

2 Calculation is based on average capital employed for the 13 most recent months.
3 Net cash (–) Net debt (+).

During 2018, the equity of the Scania Group increased by SEK 4,440 m. and totalled SEK 54,359 m. (49,919) at year-end. Net income added SEK 9,734 m. (8,705). Equity decreased by SEK –529 m. (–824) because of exchange rate differences that arose when translating net assets outside Sweden. In addition, equity decreased by SEK –716 m. (–337) because of actuarial gains/losses on pension liabilities and increased by SEK 44 m. due to fair value adjustment on equity instruments. Inflation adjustment in Argentina had a positive impact of SEK 421 m. Taxes attributable to items reported under "Other comprehensive income" totalled SEK –9 m. (63). The non-controlling interest decreased during the year with SEK –1 m. During 2018 dividend to Scania's shareholders decreased equity with SEK –4,352 m.

Financial risks

Currency risk

The largest currency flows were in Euros, British pounds and Norwegian krone.

According to Scania's Financial 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. At year-end 2018, no future cash flows were hedged.

The net foreign assets of subsidiaries are normally not hedged. However, to the extent a foreign subsidiary has significant net monetary assets in functional currency, they may be hedged. At the end of 2018, no foreign net assets were hedged.

Interest rate risk

Scania's Financial Policy concerning interest rate risks in Vehicles and Services is that the interest rate refixing period on its net debt should normally be within the 0–6 month range, but divergences may be allowed up to 24 months. The Board of Directors approves maturities of more than 24 months. 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 dealerships as well as end customers.

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.

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. As part of Scania's management of refinancing risk, there are five committed credit facilities: three in the international borrowing market and two in the Swedish market.

During 2018, Scania CV AB's credit rating was unchanged by Standard & Poor's (S&P) and remains at BBB+ regarding the credit risk of long-term debt, i.e. longer than one year.

For more information about management of financial risks, see also Note 27.

Other contractual risks

Residual value exposure

Scania delivers some of its vehicles 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 19,405 m. (16,502). During 2018, the volume of new contracts with repurchase obligations was about 11,700 (11,100), excluding short-term rental contracts.

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 2018 by 40,800 and totalled 248,800 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 2018 totalled SEK 13,853 m. (0). The income relates to dividend received and anticipated dividend 2018 from its wholly owned subsidiary Scania CV AB.

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

Contents

Consolidated income statements

January – December, SEK m.	Note	2018	2017
Revenue	3	137,126	123,366
Cost of goods sold and services rendered		–102,888	–92,095
Gross income		**34,238**	**31,271**
Research and development expenses[1]		–6,334	–5,769
Selling expenses		–11,996	–11,088
Administrative expenses		–2,009	–1,899
Other operating income		163	169
Other operating expenses		–230	–250
Operating income	4, 5	**13,832**	**12,434**
Interest income		419	583
Interest expenses		–757	–956
Share of income from associated companies and joint ventures	11	40	44
Other financial income		378	171
Other financial expenses		–593	–194
Total financial items	6	**–513**	**–352**
Income before taxes		**13,319**	**12,082**
Taxes	7	–3,585	–3,377
Net income		**9, 734**	**8,705**
Other comprehensive income	14		
Items that may be reclassified subsequently to profit or loss			
Translation differences		–529	–824
Taxes		27	–1
		–502	–825
Items that will not be reclassified to profit or loss			
Re-measurement defined benefit plans	15	–716	–337
Translation adjustment		421	
Fair value adjustment equity instruments		44	–
Taxes		–36	64
		–287	–273
Other comprehensive income		**–789**	**–1,098**
Total comprehensive income		**8,945**	**7,607**
Net income attributable to:			
– Scania shareholders		9,733	8,708
– Non-controlling interest		1	–3
Total comprehensive income attributable to:			
– Scania shareholders		8,943	7,612
– Non-controlling interest		2	–5
Operating income includes depreciation of	8	–8,451	–8,401

1 Total research and development expenditures during the year amounted to SEK 7,602 m. (6,682).

Consolidated balance sheets

31 December, SEK m.	Note	2018	2017
Assets			
Non-current assets			
Intangible assets	9	10,761	9,421
Tangible assets	10	31,486	29,711
Lease assets	10	28,273	25,816
Holdings in associated companies and joint ventures	11	823	587
Long-term interest-bearing receivables	28	43,251	37,218
Other long-term receivables [1]	13, 28	1,861	1,488
Deferred tax assets	7	4,826	3,901
Tax receivables		234	376
Total non-current assets		**121,515**	**108,518**
Current assets			
Inventories	12	25,804	21,589
Current receivables			
Tax receivables		716	555
Interest-bearing receivables	28	27,797	23,452
Non-interest-bearing trade receivables	28	9,071	9,024
Other current receivables [1]	13, 28	7,213	5,721
Total current receivables		44,797	38,752
Current investments	28	652	1,245
Cash and cash equivalents	28		
Current investments comprising cash and cash equivalents		4,885	3,083
Cash and bank balances		3,297	3,421
Total cash and cash equivalents		8,182	6,504
Total current assets		79,435	68,090
Total assets		**200,950**	**176,608**
1 Including fair value of derivatives for hedging of borrowings:			
– Other non-current receivables, derivatives with positive value		274	239
– Other current receivables, derivatives with positive value		564	377
– Other non-current liabilities, derivatives with negative value		372	474
– Other current liabilities, derivatives with negative value		976	781
– Net amount		–510	–639

Consolidated balance sheets, continued

31 December, SEK m.	Note	2018	2017
Equity and liabilities			
Equity			
Share capital		2,000	2,000
Other contributed capital		1,120	1,120
Reserves		–3,270	–2,767
Retained earnings		54,495	49,551
Equity attributable to Scania shareholders		54,345	49,904
Non-controlling interest		14	15
Total equity	14	**54,359**	**49,919**
Non-current liabilities			
Non-current interest-bearing liabilities	28	42,950	39,869
Provisions for pensions	15	10,439	9,346
Other non-current provisions	16	6,389	6,498
Accrued expenses and deferred income	17	7,017	6,827
Deferred tax liabilities	7	3,736	2,862
Other non-current liabilities [1]		5,066	5,014
Total non-current liabilities		**75,597**	**70,416**
Current liabilities			
Current interest-bearing liabilities	28	29,922	18,822
Current provisions	16	3,569	3,400
Accrued expenses and deferred income	17	14,032	12,115
Advance payments from customers		1,124	1,199
Trade payables	28	15,579	14,016
Tax liabilities		815	1,132
Other current liabilities [1]		5,953	5,589
Total current liabilities		70,994	56,273
Total equity and liabilities		**200,950**	**176,608**
Net debt, excluding provisions for pensions, SEK m.		64,548	51,581
Net debt/equity ratio		1.19	1.03
Equity/assets ratio, %		27.1	28.3
Capital employed, SEK m.		138,180	118,595

Consolidated statement of changes in equity

In Note 14 there is a description of the consolidated equity items and information about the company's shares.
The equity of the Scania Group has changed as follows (SEK m.):

2018	Share capital	Other contributed capital	Currency translation reserve	Retained earnings	Total, Scania shareholders	Non-controlling interest	Total equity
Equity, 1 January	2,000	1,120	–2,767	49,551	49,904	15	49,919
Adjustment transition, IFRS 9				–150	–150	–	–150
Adjusted equity, 1 January	2,000	1,120	–2,767	49,401	49,754	15	49,769
Exchange differences on translation			–530	–	–530	1	–529
Remeasurements of defined-benefit plans			–	–716	–716	–	–716
Translation adjustment				421	421	–	421
Fair value adjustment equity instruments			–	44	44	–	44
Tax attributable to items recognised in other comprehensive income			27	–36	–9		–9
Total other comprehensive income			**–503**	**–287**	**–790**	**1**	**–789**
Net income for the year			**–**	**9,733**	**9,733**	**1**	**9,734**
Change in non-controlling interest			–	–	–	–3	–3
Dividend to Scania AB Shareholders			–	–4,352	–4,352	–	–4,352
Equity, 31 December	**2,000**	**1,120**	**–3,270**	**54,495**	**54,345**	**14**	**54,359**

2017	Share capital	Other contributed capital	Currency translation reserve	Retained earnings	Total, Scania shareholders	Non-controlling interest	Total equity
Equity, 1 January	2,000	1,120	–1,944	41,116	42,292	20	42,312
Exchange differences on translation			–822	–	–822	–2	–824
Remeasurements of defined-benefit plans			–	–337	–337	–	–337
Tax attributable to items recognised in other comprehensive income			–1	64	63	–	63
Total other comprehensive income			**–823**	**–273**	**–1,096**	**–2**	**–1,098**
Net income for the year			**–**	**8,708**	**8,708**	**–3**	**8,705**
Equity, 31 December	**2,000**	**1,120**	**–2,767**	**49,551**	**49,904**	**15**	**49,919**

Consolidated cash flow statements

January – December, SEK m.	Note	2018	2017
Operating activities			
Income before tax	21 a	13,319	12,082
Items not affecting cash flow [1]	21 b	9,427	8,946
Taxes paid		–3,887	–3,343
Cash flow from operating activities before change in working capital		**18,859**	**17,685**
Change in working capital [2]			
Inventories		–4,308	–2,926
Receivables		–1,935	–1,578
Financial receivables, Financial Services	21 c	–9,909	–8,343
Vehicles with repurchase obligations and rental		–5,577	–5,057
Trade payables		1,742	1,708
Other liabilities and provisions		990	2,934
Total change in working capital		**–18,997**	**–13,262**
Cash flow from operating activities		**–138**	**4,423**
Investing activities			
Net investments through acquisitions/divestments of businesses	21 d	2	–32
Net investments in non-current assets [3]	21 e	–7,272	–5,905
Cash flow from investing activities		**–7,270**	**–5,937**
Cash flow before financing activities		**–7,408**	**–1,514**
Financing activities			
Change in debt from financing activities	21 f	13,513	705
Dividend		–4,352	–
Cash flow from financing activities		**9,161**	**705**
Cash flow for the year		**1,753**	**–809**
Cash and cash equivalents, 1 January		6,504	7,634
Exchange rate differences in cash and cash equivalents		–75	–321
Cash and cash equivalents, 31 December	21 g	**8,182**	**6,504**

Cash flow statement, Vehicles and Services	2018	2017
Cash flow from operating activities before change in working capital	17,492	16,682
Change in working capital etc.	–6,593	–5,082
Cash flow from operating activities	10,899	11,600
Cash flow from investing activities	–7,234	–5,904
Cash flow before financing activities	3,665	5,696

As from 2018 changes have been done in Cash flow statement in accordance with Volkswagen Group presentation of cash flow. Comparative figures for 2017 have been adjusted with:

1 Depreciation for vehicles with repurchase obligations included with SEK 4,368 m, previously presented net within operating activities. Provisions for pensions included with SEK 322 m, previously presented in change in working capital.

2 For Vehicles & Services, investments in vehicles with repurchase obligations included with SEK –4,368 m, previously presented net within operating activities. Net investments in rental included with SEK –689 m, previously presented within net investments. Provisions for pensions moved to items not affecting cash flow with SEK –322 m. For Financial Services, net investments in credit portfolio included, previously presented within net investments.

3 For Vehicles & Services, net investments in rental moved to working capital with SEK 689 m. For Financial Services, net investments in credit portfolio etc. moved to working capital.

Notes to the consolidated financial statements

NOTE 1 Accounting principles

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

The consolidated accounts of the Scania Group have been prepared in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as the interpretations by the IFRS Interpretations Committee (IFRS IC) 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 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 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 companies, in respect of associate companies and joint ventures, if necessary, by adjustment to the Group's principles.

Changes in accounting principles

New accounting standards

As from 1 January 2018 the Group applies IFRS 9, "Financial Instruments" and IFRS 15, "Revenue from Contracts with Customers". See Note 30.

IFRS 9 has from 1 January 2018 replaced IAS 39, "Financial Instruments: Recognition and Measurement." IFRS 9 contains different rules for classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting compared to IAS 39. For Scania the impact of the new standard refers to the impairment model and the requirement to consider expected credit losses when calculating loss allowances. Scania has chosen to apply IFRS 9 retrospectively without adjusting comparative figures. The impact of the transition 1 January 2018 refers to the impairment model and amounts to SEK 150 m. net after tax recognised in equity.

IFRS 15 has replaced IAS 18 Revenue and related interpretations. The core principle of IFRS 15 is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The transition to IFRS 15 has been done based on the modified approach, meaning that the comparative figures are not adjusted. Scania´s previously applied accounting principles regarding revenue was in line with the requirements in IFRS 15 and therefore Scania has no effect in equity on transition to IFRS 15.

Other new and revised standards and interpretations that have been applied from 1 January 2018 have not had any significant impact on Scania's financial statements.

Other changes in accounting principles

The Group has adopted the presentation of sales transactions with repurchase obligations to the Volkswagen Group's accounting principles of such transactions. The change has only resulted in reclassifications in the balance sheet. The effect on the Group is not significant while the effect regarding internal sales transactions with repurchase obligations between the segments Vehicle and Services and Financial Services in the segments is greater. The new accounting principle have been applied retrospectively which means that comparative figures have been recalculated. See Note 30.

A number of reclassifications regarding the presentation in the income statement have been done. The reclassifications have been done as a result of adaption to the presentation of different costs in the Volkswagen Group. The reclassification has been done retrospectively which mean that comparative figures have been recalculated. See Note 30.

As from 2018 the presentation of the income statement has changed due to an adoption to how the income statement is presented in the Volkswagen Group. See Note 30.

During 2018 Argentina was defined as a hyperinflationary economy and Scania's subsidiary in Argentina has therefore adjusted its non-monetary items for inflation. The inflation adjustment has been remeasured using CPI Consumer Price index with a rate of 184.13 at 31 December 2018. The cumulative effect amounting to SEK 309 m., net of tax, has been accounted for as a translation adjustment and recognised in other comprehensive income. The comparative figures in Scania consolidated financial statements has not been restated since they are presented in a stable currency.

Notes to the consolidated financial statements, continued

NOTE 1 Accounting principles, continued

As from 1 January 2019 Scania´s subsidiary in Argentina will change its functional currency to USD since its economic environment is significantly influenced by the USD. As a consequence non-monetary assets will no longer be inflation adjusted from that date.

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 control. The composition of the Group is shown in Note 29. 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, liabilities 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. 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 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.

Foreign currencies – translation

Transactions in foreign currencies are translated to the functional currency at the exchange rate on the transaction date. 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. 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.

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 12 months. This means that items relating to operations are classified as current assets and current liabilities, respectively, if these are expected to be realised/settled within 12 months, counting from the balance sheet date. Cash and cash equivalents are classified as current assets unless they are restricted. Other assets and liabilities are classified as non-current. For classification of financial instruments, see the section on financial assets and liabilities under "Financial instruments."

Classification of finance and operating leases (Scania as lessor)

Lease contracts with customers are carried as finance 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 interest income.

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 mainly a straight-line basis to the estimated residual value of the asset at the end of the leasing period.

Sales transactions that include repurchase obligations, which mean that important risks remain with Scania, are recognised as operating leases; see above.

Lease obligations (Scania as lessee)

In case of a finance 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 of lease payments 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 less accumulated depreciation and any impairment losses. A non-current asset is divided into separate components, each with a different useful life and depreciated separately. Machinery and equipment as well as lease assets have useful lives of 3–15 years. Buildings have useful lives of 20–50 years. Land is not depreciated.

Depreciation is recognised 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, residual value 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 recognised 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 annually or more often if there are an indication of impairment.

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 expensed 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 expenditure, useful life is estimated 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 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 annually to assess whether there is indication of impairment. This includes intangible assets with an indefinite 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.

Notes to the consolidated financial statements, continued

NOTE 1 Accounting principles, continued

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 instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets
All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Amortised cost: Financial asset that is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise to cash flows on specific dates that are solely payments of principal and interest on the principal amount outstanding.

Fair Value Through Profit and Loss (FVTPL): By default, all other financial assets are subsequently measured at FVTPL.

The Group's financial assets consists of trade receivables, financial lease receivables and lending and are classified and measured at amortised cost.

Cash and cash equivalents consists of cash and bank balances as well as current liquid investments with a maturity with a maximum of 90 days, which are subject to an insignificant risk of fluctuation in value. "Current investment" consists of investments with a longer maturity than 90 days.

The Group's investments in equity instruments are classified as at FVTOCI. Such investments are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in other comprehensive income. The net gain or loss includes dividends.

Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and expenses over the relevant period.

For financial instruments the effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the financial instrument to the gross carrying amount of the financial instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see impairment section). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the net financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost, lease receivables, as well as on loan commitments, operating leases and financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and lease receivables. For trade receivables lifetime ECL is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Financial instruments are assigned to one of three credit risk stages:

- Stage 1: Financial instruments at initial recognition and no changes in credit risk
- Stage 2: Significant changes in credit risk on the basis of the lifetime expectation of the underlying contract
- Stage 3: Impaired financial instruments

The assignment to the different stages is evaluated on every reporting period. A financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flow, such as a default.

The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure of at default.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 "Leases."

For undrawn loan commitments, the expected credit loss is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

Financial liabilities and equity instruments
Classification as debt or equity
Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised as the proceeds received, net of direct issue costs.

Financial liabilities
All financial liabilities in the Group are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments
The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately. The Group does not apply hedge accounting.

Notes to the consolidated financial statements, continued

NOTE 1 Accounting principles, continued

Provisions
Provisions are recognised if an obligation, legal or constructive, exists as a consequence of events that have occurred. 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 unavoidable expenses that exceed contractual future revenue. For provisions related to pensions, see the description under "Employee benefits" below and in Note 15, "Provisions for pensions and similar commitments."

For provisions related to taxes, 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 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 tax base ("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 plan 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 15, "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 9, "Intangible non-current assets."

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

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

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

Income statement – valuation principles

Revenue recognition
The Group recognises revenue from the following main sources:

- Sale of new vehicles and engines as well as used vehicles
- Sale of services

Revenue is recognised when control of a product or service is transferred to a customer and is measured based on the consideration specified in a contract with a customer taken into account any variable considerations.

Variable considerations, such as volume-based rebates, are estimated and included in the transaction price. However, it is only included with an amount that, with a high probability, will not be reversed with a significant amount.

In a transaction including both the sale of a product and a service the transaction price are allocated between the product and the service component based on the stand-alone selling price. If there are any discounts in such a transaction the discount are allocated in full to the price of the product.

Sale of goods
The Group sells new trucks, buses and engines as well as used vehicles.

In a transaction where the Group delivers a vehicle with a repurchase obligation control is not transferred to the customer and no revenue are recognised on delivery, instead such transaction is recognised as an operating lease. A transaction when the customer has an option that gives the customer the right to require that the Group to repurchase the vehicle no revenue is recognised since such a transaction is recognised as a lease.

In transactions where the Group does not have any repurchase obligations revenue is recognised when control is transferred to the customer. That is normally when the vehicles have been delivered to the customer, the customer has approved the vehicle and the Group has received payment or invoiced with short-term credit time.

Contract cost in the form of commissions for the sale of a vehicle will be recognised as incurred since the revenue from the sale of a vehicle is recognised at a point in time.

Rendering of service
Revenue from service and repairs, including spare parts used, is recognised over time when the service is performed. The transaction price allocated to service and repair contracts is recognised as a contract liability at the time of the initial sales transaction and is allocated over the life of the contracts as expenses for the fulfilment of the contract arises.

Contract costs in form of commissions for the sale of a service contract is recognised as expenses when incurred.

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.

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.

Incentive programmes
The outcome of the incentive programme for executive officers is recognised as a salary expense in the period to which it relate.

Notes to the consolidated financial statements, continued

NOTE 1 Accounting principles, continued

Changes in accounting principles during the next years

New standards, amended standards and interpretations that enter into force on 1 January 2019 and subsequently have not been applied in advance. The following new and amended standards have been issued but are not yet effective. Scania has chosen not to pre-adopt these standards.

IFRS 16, "Leases" – As from 1 January 2019 IFRS 16 "Leases" will replace IAS 17 "Leases" and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with exception for low value and short-term leases, to be recognised on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged.

The Scania Group applies the modified retrospective transition method for the first-time adoption of IFRS 16. As a result of the first-time recognition of the right-of-use assets and corresponding lease liabilities at the same amount the balance sheet total will increase by approximately 2 %. The increase in financial liabilities has a negative impact on the net liquidity of the Scania Group. No impact on equity is expected. In contrast to the previous approach to include expenses for operating leases in the operating profit, under IFRS 16 only the amortization of the right-of-use assets is included in the operating profit. Interest expenses from the compounding of the lease liability are shown in the financial result. Based on the lease contracts existing as of 1 January 2019, a minor not significant increase in operating profit is expected. The changed recognition of expenses from operating leases in the cash flow statement results in a slight improvement of the cash flow from operating activities and an equivalent decline of the cash flow from financing activities.

The application of IFRS 16 will also lead to more extensive disclosures.

Other changes in standards and interpretations that enter into force on 1 January 2019 or subsequently are not expected to have any material 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 relationship between accounting and taxation. The recommendation states what exceptions from IFRS and additions shall or may be made.

The Parent Company does not apply IFRS 9, "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.

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.

Multiple element transactions
In a transaction with a sale of a vehicle and a sale of a service Scania accounts for those as separate performance obligations since the vehicle and the service components are distinct from each other in the contract and the customer can benefit from the two on its own.

In those transactions the total transaction price are allocated to those distinct components. A service contract is in general not sold separately but only together, or nearby, the sale of a vehicle. When allocating the price to the different performance obligations Scania is using stand-alone selling prices. Any discounts are allocated to the vehicle.

Warranty costs
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. Product warranty that refers to that products sold comply with agreed-upon specifications cannot be purchased separately, covers all vehicles sold and are therefore accounted for in accordance with IAS 37 "Provision, contingent liabilities and contingent assets."

Scania's product obligations can be seen in Note 16, "Other provisions" and amounted to SEK 1,575 m. (1,747) on 31 December 2018.

Repurchase obligations
Scania delivers about 13 percent of its vehicles with 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.

In transactions when customers have the option to call for Scania to repurchase the sold vehicle it is Scania's view that such transaction should be accounted for as a lease. Based on the contract and the relationship with the customer history shown that the customer has an economic incentive to exercise such option and hence it is almost always exercised.

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, the depreciation of the vehicle is adjusted accordingly.

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 2018, repurchase obligations amounted to SEK 19,405 m. (16,502).

Credit risks
In its Financial Services operations, Scania has an exposure in the form of contractual payments. At the end of 2018, these amounted to SEK 89,166 m. (77,028). 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.

The Group recognises a loss allowance for expected credit losses (ECL) and the amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Irrespective of the outcome of the assessment whether there have been a significant increase in credit risk, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Notes to the consolidated financial statements, continued

NOTE 2 Key judgements and estimates, continued

Evidence that a financial asset is credit-impaired includes observable data about, for example, events of (i) significant financial difficulty of the borrower, (ii) a breach of contract, such as a default and (iii) it is becoming probable that the borrower will enter bankruptcy.

For internal credit risk management purposes historical experience has indicated an event of default when receivables meet either of the following criteria:

- there is a breach of financial covenants by the counterparty
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay in full'

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy
The Group writes off a financial asset when there is information that the counterparty is in default and the security for the receivable is repossessed. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

On 31 December 2018, the reserve for doubtful receivables in Financial Services operations amounted to SEK 1,199 m. (954). See also "Credit risk" under Note 27, "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 is attributable to acquisitions of previously independent importers/dealerships. All goodwill items are subject to an annual impairment test, which is mainly based on value in use 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 10 percent (10 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 2018, Scania's goodwill amounted to SEK 1,358 m. (1,341). The impairment tests that were carried out showed that there are reassuring 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 8,790 m. (7,525) on 31 December 2018.

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 average life expectancy and average duration of the obligations. A higher discount rate decreases the recognised pension liability. In calculating the Swedish pension liability, the discount rate used was 2.5 percent (2.75). Changes in the above-mentioned actuarial parameters are recognised in "Other comprehensive income," net after taxes.

Legal and tax risks
On 31 December 2018, provisions for legal and tax risks amounted to SEK 873 m. (948). See Note 16, "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.

In 2011, Scania became subject of an investigation by the European Commission (EC) in 2011 into allegedly inappropriate cooperation with other European truck manufacturers. A Statement of Objections was served on Scania by the EC in November 2014. In light of such statement and other developments in the investigation and in accordance with relevant accounting principles, Scania made a provision with an amount of SEK 3,800 m. in June 2016. Scania always cooperated fully with the EC, while all through the investigation contesting the EC's view that Scania would have participated in a pan-European cartel during 1997–2011 on pricing and delayed introductions of emissions related technology. Scania were served a final decision by the EC in October 2017, holding Scania liable for such scope of a cartel in the amount of around SEK 8.4 bn. (EUR 881 m.) in fines. Scania has appealed against this decision in its entirety, and has in January 2018 provided a guarantee as security for the fines pending the outcome of such appeal. Scania is also the subject of related civil claims by direct or indirect customers of Scania, and may face additional similar claims. However, at this stage it is not possible to give any meaningful indication as to Scania´s risk associated with private damages. Scania's appeal against the EU Commission decision before the General Court is still pending and there is also great uncertainty around the extent to which claims will be made against Scania. In addition, risk assessment around claims that have already been made is associated with significant uncertainties, and investigations are in their initial stages only.

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.

Notes to the consolidated financial statements, continued

NOTE 3 Operating segments

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.

Income statements

January – December	2018	2017
Vehicles and Services		
Revenue	133,222	119,759
Cost of goods sold	–101,782	–90,944
Gross income	**31,440**	**28,815**
Research and development expenses	–6,334	–5,769
Selling expenses	–10,705	–9,987
Administrative expenses	–2,009	–1,899
Operating income	**12,392**	**11,160**
Interest income	419	583
Interest expenses	–757	–956
Share of income in associated companies and joint ventures	40	44
Dividends in between segments	241	434
Other financial income	378	171
Other financial expenses	–593	–194
Total financial items	**–272**	**82**
Income before taxes	**12,120**	**11,242**
Taxes	–3,170	–3,084
Net income for the period	**8,950**	**8,158**
Financial Services		
Interest and lease income	7,521	6,731
Insurance commission	276	212
Interest and prepaid expenses	–4,999	–4,487
Interest surplus and insurance commission	2,798	2,456
Other income	163	169
Other expenses	–230	–250
Gross income	**2,731**	**2,375**
Selling and administration expenses	–1,110	–996
Bad debt expenses, realised and anticipated	–181	–105
Operating income	**1,440**	**1,274**
Income before tax	**1,440**	**1,274**
Taxes	–415	–293
Net income for the period	**1,025**	**981**

Reconciliation of segments to the Scania Group

	Vehicles and Services		Financial Services		Eliminations		Scania Group	
January – December	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	133,222	119,759	7,797	6,943	–3,893	–3,336	137,126	123,366
Cost of sales	–101,782	–90,944	–4,999	–4,487	3,893	3,336	–102,888	–92,095
Gross income	**31,440**	**28,815**	**2,798**	**2,456**			**34,238**	**31,271**
Research and development expenses	–6,334	–5,769	–	–	–	–	–6,334	–5,769
Selling expenses	–10,705	–9,987	–1,291	–1,101	–	–	–11,996	–11,088
Administrative expenses	–2,009	–1,899	–	–	–	–	–2,009	–1,899
Other operating income	–	–	163	169	–	–	163	169
Other operating expenses	–	–	–230	–250	–	–	–230	–250
Operating income	**12,392**	**11,160**	**1,440**	**1,274**			**13,832**	**12,434**
Interest income	419	583	–	–			419	583
Interest expenses	–757	–956	–	–			–757	–956
Share of income in associated companies and joint ventures	40	44	–	–			40	44
Dividends in between segments	241	434	–	–	–241	–434	0	0
Other financial income	378	171	–	–			378	171
Other financial expenses	–593	–194	–	–			–593	–194
Total financial items	**–272**	**82**	**–**	**–**	**–241**	**–434**	**–513**	**–352**
Income before taxes	**12,120**	**11,242**	**1,440**	**1,274**	**–241**	**–434**	**13,319**	**12,082**
Taxes	–3,170	–3,084	–415	–293			–3,585	–3,377
Net income for the period	**8,950**	**8,158**	**1,025**	**981**	**–241**	**–434**	**9,734**	**8,705**
Depreciation/amortization included in operating income	–8,411	–8,375	–40	–26	–	–	–8,451	–8,401

Cash flow statement by segment	Vehicles and Services		Financial Services		Scania Group	
	2018	2017	2018	2017	2018	2017
Cash flow from operating activities before change in working capital	17,492	16,682	1,367	1,003	18,859	17,685
Change in working capital etc.	–6,593	–5,082	–12,404	–8,180	–18,997	–13,262
Cash flow from operating activities	**10,899**	**11,600**	**–11,037**	**–7,177**	**–138**	**4,423**
Cash flow from investing activities	–7,234	–5,904	–36	–33	–7,270	–5,937
Cash flow before financing activities	**3,665**	**5,696**	**–11,073**	**–7,210**	**–7,408**	**–1,514**

Notes to the consolidated financial statements, continued

NOTE 3 Operating segments, continued

Balance sheet	Vehicles and Services		Financial Services		Eliminations		Scania Group	
31 December	2018	2017	2018	2017	2018	2017	2018	2017
Assets								
Intangible assets	10,729	9,391	32	30	–	–	10,761	9,421
Tangible assets	31,371	29,601	115	110	0	–	31,486	29,711
Lease assets	28,237	25,816	36	0	0	0	28,273	25,816
Holdings in associated companies and joint ventures	4,448	4,044	0	0	–3,625	–3,457	823	587
Interest-bearing receivables, non-current	–15	64	50,585	44,122	–7,319	–6,968	43,251	37,218
Other receivables, non-current	6,521	5,211	4,873	5,082	–4,473	–4,528	6,921	5,765
Inventories	25,804	21,589	0	0	–	–	25,804	21,589
Interest-bearing receivables, current	182	243	31,093	26,016	–3,478	–2,807	27,797	23,452
Other receivables, current	15,275	14,926	5,577	4,053	–3,852	–3,679	17,000	15,300
Current investments, cash and cash equivalents	16,930	17,697	1,513	1,100	–9,609	–11,048	8,834	7,749
Total assets	**139,482**	**128,582**	**93,824**	**80,513**	**–32,356**	**–32,487**	**200,950**	**176,608**
Equity and liabilities								
Equity	49,495	46,115	8,360	7,261	–3,496	–3,457	54,359	49,919
Interest-bearing liabilities	0	0	82,481	69,739	–9,609	–11,048	72,872	58,691
Provisions for pensions	10,359	9,275	80	71	–	–	10,439	9,346
Other non-current provisions	6,380	6,496	9	2	–	–	6,389	6,498
Other liabilities, non-current	26,960	25,402	712	797	–11,853	–11,496	15,819	14,703
Current provisions	3,476	3,336	93	64	–	–	3,569	3,400
Other liabilities, current	42,812	37,958	2,089	2,579	–7,398	–6,486	37,503	34,051
Total equity and liabilities	**139,482**	**128,582**	**93,824**	**80,513**	**–32,356**	**–32,487**	**200,950**	**176,608**
Gross investment for the period in								
– Intangible assets	2,107	1,567	11	8	–	–	2,118	1,576
– Tangible assets	5,008	4,188	26	18	–	–	5,034	4,206
– Lease assets	11,884	12,219	30	0	–	–	11,914	12,219

Products and services Vehicles and Services	2018	2017
Trucks [1]	85,231	75,226
Buses [2]	11,658	10,480
Engines	2,769	1,830
Service	26,588	23,735
Used vehicles [3]	7,726	7,085
Other products	4,843	3,970
Total delivery value	**138,815**	**122,326**
Adjustment for lease income [4]	–5,593	–2,567
Net sales, Vehicles and Services	**133,222**	**119,759**
Financial Services	7,797	6,943
Eliminations [5]	–3,893	–3,336
Revenue from external customers	**137,126**	**123,366**

1 Of which SEK 5,665 m. relates to lease income 2018.
2 Of which SEK 718 m. relates to lease income 2018.
3 Of which SEK 163 m. relates to lease income 2018.
4 Refers mainly to new trucks, SEK –4,549 m. (–1,812) and new buses, SEK –662 m. (–464). 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 repurchase obligation. Significant risks remain, therefore recognition is based on an operating lease contract. This means that recognition of revenue and earnings is allocated over the term of the obligation.
5 Elimination of the amount that corresponds to operating lease expenses 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 lease expenses.

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period and the expected timing of revenue recognition are as follows:

SEK m.	2018
Expected timing of revenue recognition	
Within a year	40,838
1–5 years	14,054

The transaction price allocated to remaining performance obligations for which revenue recognition is expected within a year primarily relates to the delivery of trucks. Expected revenue recognition in more than one year mainly stems from long-term service.

Notes to the consolidated financial statements, continued

NOTE 3 Operating segments, continued

Geographical areas

	Europe		Eurasia		Asia		America [3]		Africa & Oceania		Total	
SEK m.	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Vehicles and Services												
Net sales, January – December [1, 4]	84,113	74,362	8,393	6,637	14,759	16,552	16,511	13,596	9,446	8,612	133,222	119,759
Assets, 31 December [2]	117,950	103,538	1,165	1,112	2,704	3,227	15,280	18,568	2,383	2,137	139,482	128,582
Gross investments [2]	5,843	4,392	35	45	141	114	1,054	1,154	42	50	7,115	5,755
Non-current assets [5]	70,134	61,579	475	686	1,177	1,615	8,118	9,047	1,387	1,200	81,291	74,127
Financial Services												
Revenue, January – December [1, 6]	5,743	5,220	613	450	182	165	798	692	461	416	7,797	6,943
Assets, 31 December [2]	72,117	61,847	4,514	3,586	3,369	2,808	9,747	8,344	4,077	3,928	93,824	80,513
New financing customers	34,915	30,852	3,841	3,166	1,560	1,446	4,612	3,765	2,708	2,270	47,636	41,499
Non-current assets [7]	42,972	39,618	2,521	1,574	2,280	1,696	5,632	4,231	2,236	2,225	55,641	49,344

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 6,847 (6,591).
5 Of which Sweden 27,565 (24,873).
6 Of which Sweden 256 (217).
7 Of which Sweden 4,554 (4,062).

The geographic areas of Scania are based on where the customers are located. In the section Definitions the countries in each geographical area are listed. Sales and financing of Scania's products occur in all five geographical areas. 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, Finland, France, India, the Netherlands, Poland and Russia.

NOTE 4 Operating expenses

Scania Group	2018	2017
Cost of goods sold		
Cost of goods	65,457	58,639
Staff	20,491	18,027
Depreciation/amortisation[1]	7,095	7,310
Other	9,845	8,119
Total	**102,888**	**92,095**

1 Of which an impairment loss of SEK 145 m. (4).

Research and development expenses		
Staff	2,434	1,989
Depreciation/amortisation	964	742
Other[1]	2,936	3,038
Total	**6,334**	**5,769**

1 Of which an impairment loss of SEK 0 m. (0).

Selling expenses		
Staff	6,856	6,522
Depreciation/amortisation[1]	376	331
Other	4,764	4,235
Total	**11,996**	**11,088**

1 Of which an impairment loss of SEK 0 m. (0).

Administrative expenses		
Staff	1,283	1,238
Depreciation/amortisation	17	18
Other	709	643
Total	**2,009**	**1,899**

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 5 Financial Services

Financial Services offers various forms of financing solutions, 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.

	2018	2017
Interest income	3,371	2,924
Lease income	4,150	3,807
Lease expense	–3,638	–3,291
Interest expenses	–1,361	–1,196
Insurance commission	276	212
Net interest income and insurance commission	2,798	2,456
Other income and expenses	–67	–81
Gross income	**2,731**	**2,375**
Selling and administrative expenses	–1,110	–996
Bad debt expenses[1]	–181	–105
Operating income	**1,440**	**1,274**

1 These expenses were equivalent to 0.22 (0.14) percent of the average credit portfolio.

Repurchase obligation, including operating leases	2018	2017
1 January	16,665	16,715
New contracts	8,775	7,636
Prepaid lease expense	–3,638	–3,291
Terminated contracts	–3,967	–4,739
Change in value adjustment IFRS 9 transition	–125	–
Change in value adjustments	–43	3
Exchange rate differences	591	341
Carrying amount, 31 December[2]	**18,258**	**16,665**

2 The consolidated balance sheet also includes elimination of deferred profit of SEK 2,652 m. (2,412).

Notes to the consolidated financial statements, continued

NOTE 5 Financial Services, continued

Financial receivables (hire purchase contracts and financial leases)	2018	2017
1 January	60,363	51,220
New receivables	38,861	33,863
Loan principal payments/terminated contracts	–29,079	–24,751
Change in value adjustment IFRS 9 transition	–21	–
Change in value adjustments	–56	–44
Exchange rate differences	840	75
Carrying amount, 31 December	**70,908**	**60,363**
Total receivables and lease assets [3]	**89,166**	**77,028**

3 The number of contracts in the portfolio on 31 December totalled about 162,000 (146,000).

Net investments in financial leases	2018	2017
Receivables related to future minimum lease payments	44,526	39,214
Less:		
Reserve for bad debts	–608	–629
Imputed interest	–3,169	–2,817
Net investment [4]	**40,749**	**35,768**

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

Future minimum lease payments [5]	Operating leases	Financial leases
2019	3,596	16,257
2020–2023	5,146	27,631
2024 and later	79	638
Total	**8,821**	**44,526**

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 6 Financial income and expenses

	2018	2017
Interest income		
Bank balances and financial investments	177	325
Derivatives [1]	242	258
Total interest income	419	583
Interest expenses		
Borrowings	–441	–668
Derivatives [1]	–849	–686
Total borrowings and derivatives	–1,290	–1,354
Less interest expenses recognised in Financial Services [2]	799	660
Pension liability	–266	–262
Total interest expenses	–757	–956
Total net interest	**–338**	**–373**
Net income from associated companies and joint ventures	40	44
Other financial income [3]	378	171
Other financial expenses [3]	–593	–194
Total other financial income and expenses	–215	–23
Net financial items	**–513**	**–352**

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

2 Recognised in the operating income of Financial Services.

3 Refers to SEK –44 m. (21) 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 20,661 m. (4,993) and unrealised/realised losses of SEK 20,689 m. (4,997) attributable to foreign exchange derivatives and bank-related costs.

NOTE 7 Taxes

Tax expense/income for the year	2018	2017
Current tax [1]	–3,662	–2,979
Deferred tax	77	–398
Total	**–3,585**	**–3,377**
1 Of which, taxes paid	–3,887	–3,343

Deferred tax is attributable to the following:	2018	2017
Tax related to temporary differences	–117	–162
Tax due to changes in tax rates and tax rules [2]	154	24
Tax income due to tax value of loss carry-forwards recognised during the year	168	25
Tax expense due to utilisation/revaluation of previously recognised tax value of tax loss carry-forwards	0	–167
Tax related to change in provision to tax allocation reserve	–130	–100
Other deferred tax liabilities/assets	2	–18
Total	**77**	**–398**

2 The effect of changes in tax rates mainly refers to Sweden (during 2018) and France (during 2017).

	2018		2017	
Reconciliation of effective tax	Amount	%	Amount	%
Income before tax	13,319		12,082	–
Tax calculated using Swedish tax rate	–2,930	22	–2,658	22
Tax effect and percentage influence:				
Difference between Swedish and foreign tax rates	–450	3	–401	3
Tax-exempt income	195	–1	154	–1
Non-deductible expenses	–239	2	–166	1
Utilisation of tax value of loss carry-forwards not previously recognised	0	0	19	0
Not recognised tax loss carry-forward	–125	1	–127	1
Derecognised deferred tax assets not utilised	0	0	–152	1
Adjustment for taxes pertaining to previous years	–171	1	–91	1
Changed tax rates	172	–1	30	0
Other	–37	0	15	0
Tax recognised	**–3,585**	**27**	**–3,377**	**28**

Deferred tax assets and liabilities are attributable to the following:	2018	2017
Deferred tax assets		
Provisions and other liabilities	5,466	3,831
Provisions for pensions	1,751	1,696
Non-current assets	1,356	2,140
Inventories	924	817
Unutilised tax loss carry-forwards [3]	272	104
Other	0	4
Offset within tax jurisdictions	–4,943	–4,691
Total deferred tax assets	**4,826**	**3,901**
Deferred tax liabilities		
Provisions and other liabilities	434	293
Non-current assets	7,730	6,875
Tax allocation reserve [4]	515	385
Offset within tax jurisdictions	–4,943	–4,691
Total deferred tax liabilities	**3,736**	**2,862**
Deferred tax assets (–)/ tax liabilities (+), net amount	**–1,090**	**–1,039**

3 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 514 m. (414) were not assigned a value.

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

Reconciliation of deferred tax assets (–) / liabilities (+), net amount	2018	2017
Carrying value on 1 January	–1,039	–1,463
Deferred taxes recognised in the year's income	–77	398
Exchange rate differences	70	90
Acquired/divested businesses	–10	0
Adjustment transition IFRS 9	–70	–
Recognised in "Other comprehensive income," changes attributable to:		
– remeasurements of defined-benefit plans	–85	–64
– translation adjustment	112	–
– fair value adjustment, equity instruments	9	–
Deferred tax assets (–)/ tax liabilities (+), net amount	**–1,090**	**–1,039**

Notes to the consolidated financial statements, continued

NOTE 8 Depreciation/amortisation

Vehicles and Services	2018	2017
Intangible non-current assets		
Research and development expenses	745	482
Selling expenses	109	91
Total	**854**	**573**
Tangible non-current assets		
Costs of goods sold	7,095	7,310
Research and development expenses	219	260
Selling expenses	227	214
Administrative expenses	17	18
Total	**7,558**	**7,802**
Total depreciation/amortisation, Vehicles and Services [1]	**8,411**	**8,375**

1 Of which SEK 145 m. (4) is an impairment loss, relating to the closing of the bus operations in India.

Financial Services	2018	2017
Operating leases (payments of principal)	11	0
Other non-current assets [1]	29	26
Total depreciation/amortisation, Financial Services	**40**	**26**

1 Of which SEK 10 m. (10) are intangible assets.

NOTE 9 Intangible assets

2018	Goodwill	Development	Other intangibles[1]	Total
Accumulated cost				
1 January	1,369	11,851	1,297	14,517
Acquisitions/divestment of subsidiaries	0	–	0	0
Additions	–	1,996	122	2,118
Divestments and disposals	0	–	–27	–27
Reclassifications	–	–	29	29
Exchange rate differences	73	–4	1	70
Total	**1,442**	**13,843**	**1,422**	**16,707**
Accumulated amortisation and impairment losses				
1 January	28	4,326	742	5,096
Amortisation for the year				
– Vehicles and Services	–	728	126	854
– Financial Services	–	–	10	10
Impairment loss of the year	0	0	–	0
Divestments and disposals	0	–	–26	–26
Exchange rate differences	8	–1	5	12
Total	**36**	**5,053**	**857**	**5,946**
Carrying amount, 31 December	**1,406**	**8,790**	**565**	**10,761**
– of which capitalised expenditures for projects that have been placed in service		6,088		
– of which capitalised expenditures for projects under development		2,702		

1 Refers mainly to software, which is purchased externally in its entirety, and customer relationships capitalised upon acquisitions of subsidiaries

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

Notes to the consolidated financial statements, continued

NOTE 9 Intangible assets, continued

2017	Goodwill	Development	Other intangibles[1]	Total
Accumulated cost				
1 January	1,382	10,490	1,180	13,052
Acquisitions/divestment of subsidiaries	11	–	12	23
Additions	–	1,367	209	1,576
Divestments and disposals	–3	–	–99	–102
Reclassifications	–	–	13	13
Exchange rate differences	–21	–6	–18	–45
Total	**1,369**	**11,851**	**1,297**	**14,517**
Accumulated amortisation and impairment losses				
1 January	25	3,872	717	4,614
Amortisation for the year				
– Vehicles and Services	–	454	116	570
– Financial Services	–	–	9	9
Impairment loss of the year	3	0	–	3
Divestments and disposals	0	–	–90	–90
Exchange rate differences	0	0	–10	–10
Total	**28**	**4,326**	**742**	**5,096**
Carrying amount, 31 December	**1,341**	**7,525**	**555**	**9,421**
– of which capitalised expenditures for projects that have been placed in service		6,286		
– of which capitalised expenditures for projects under development		1,239		

1 Refers mainly to software, which is purchased externally in its entirety, and customer relationships capitalised upon acquisitions of subsidiaries

Group borrowing expenditures	
Borrowing expenditures included in cost of the item “Development” during the year	1
Interest rate for determination of borrowing expenditures included in cost	0.39%

Scania tests the value of goodwill and other intangible assets not yet available for use at least annually. Goodwill has been allocated to the cash-generating unit to which it belongs, which usually corresponds 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. Goodwill is tested for impairment on the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment. 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 10 Tangible assets

2018	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets[1]	Total
Accumulated cost					
1 January	21,895	39,413	4,527	32,964	98,799
Acquisitions/divestments of subsidiaries[2]	–10	15	33	–	38
Additions	206	863	3,965	11,914	16,948
Divestments and disposals	–81	–2,245	–36	–5,495	–7,857
Reclassifications	976	2,197	–3,221	–3,948	–3,996
Exchange rate differences	532	701	–82	1,287	2,438
Total	**23,518**	**40,944**	**5,186**	**36,722**	**106,370**
Accumulated depreciation and impairment losses[3]					
1 January	9,280	26,844	–	7,148	43,272
Acquisitions/divestments of subsidiaries	–9	9	–	–	0
Depreciation for the year					
– Vehicles and Services	559	2,593	–	4,261	7,413
– Financial Services	2	17	–	11	30
Impairment loss for the year	110	35	–	0	145
Divestments and disposals	–48	–2,148	–	–2,297	–4,493
Reclassifications	4	–5	–	–1,023	–1,024
Exchange rate differences	250	669	–	349	1,268
Total	**10,148**	**28,014**	**–**	**8,449**	**46,611**
Carrying amount, 31 December	**13,370**	**12,930**	**5,186**	**28,273**	**59,759**
– of which "Buildings"	10,033				
– of which "Land"	3,337				
– of which Financial Services	60	55	0	36	151

1 Including assets for short-term rentals and assets capitalised due to repurchase obligations.
2 Of which increase through business combinations amounts to SEK 59 m.
3 Impairment losses on lease assets refer to value adjustment for credit losses.

Notes to the consolidated financial statements, continued

NOTE 10 Tangible assets, continued

2017	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets[1]	Total
Accumulated cost					
1 January	21,410	36,390	5,545	31,727	95,072
Acquisitions/divestments of subsidiaries[2]	0	8	0	–	8
Additions	147	1,406	2,645	12,219	16,417
Divestments and disposals	–51	–800	–21	–8,633	–9,505
Reclassifications	443	2,948	–3,446	–3,070	–3,125
Exchange rate differences	–54	–539	–196	721	–68
Total	**21,895**	**39,413**	**4,527**	**32,964**	**98,799**
Accumulated depreciation and impairment losses[3]					
1 January	8,860	25,407	–	6,697	40,964
Acquisitions/divestments of subsidiaries	0	0	–	–	0
Depreciation for the year					
– Vehicles and Services	473	2,529	–	4,799	7,801
– Financial Services	2	15	–	–	17
Impairment loss for the year	1	0	–	21	22
Divestments and disposals	–44	–732	–	–3,713	–4,489
Reclassifications	–1	7	–	–837	–831
Exchange rate differences	–11	–382	–	181	–212
Total	**9,280**	**26,844**		**7,148**	**43,272**
Carrying amount, 31 December	**12,615**	**12,569**	**4,527**	**25,816**	**55,527**
– of which “Buildings”	9,424				
– of which “Land”	3,191				
– of which Financial Services	59	51	0	0	110

1 Including assets for short-term rentals and assets capitalised due to repurchase obligations.
2 Of which increase through business combinations amounts to SEK 8 m.
3 Impairment losses on lease assets refer to value adjustment for credit losses.

NOTE 11 Holdings in associated companies and joint ventures

	2018	2017
Carrying amount, 1 January	529	580
Acquisitions, capital contributions, divestments and impairment losses during the year[1]	–47	–
Exchange rate differences	43	–44
Share in income for the year	40	44
Dividend	–5	–51
Carrying amount, 31 December	**560**	**529**
Contingent liabilities	–	–

1 During 2018 Scania has acquired additional shares in Laxå Specialvehicles AB. Scania now owns 90.1% of the shares and the subsidiary is therefore consolidated in the Scania Group.

			Value of Scania's share in consolidated financial statements	
Associated companies / Corporate ID number / Country of registration	Ownership, %	Carrying amount in Parent Company financial statements	2018	2017
BITS DATA i Södertälje AB, 556121-2613, Sweden	33	2	6	5
Laxå Specialvehicles AB, 556548-4705, Sweden	–	–	–	47
ScaValencia S.A., A46332995, Spain	26	16	27	25
N.W.S S.R.L, IT1541500227, Italy	46.5	4	1	1
Holdings in associated companies		22	34	78
Share of:				
– Net income			4	11
– Total comprehensive income			4	11

			Value of Scania's share in consolidated financial statements	
Joint ventures / Corporate ID number / Country of registration	Ownership, %	Carrying amount in Parent Company financial statements	2018	2017
Cummins-Scania XPI Manufacturing LLC, 20-3394999, USA	50	464	514	440
Oppland Tungbilservice A/S, 982 787 602, Norway	50	1	7	6
Tynset Diesel A/S, 982 787 580, Norway	50	1	5	5
Holdings in joint ventures		466	526	451
Share of:				
– Net income			36	33
– Total comprehensive income			36	33
Holdings in associated companies and joint ventures			**560**	**529**
Other shares and participations	–	–	263	58
Total	**–**	**–**	**823**	**587**

Notes to the consolidated financial statements, continued

NOTE 11 Holdings in associated companies and joint ventures, continued

Summarised financial information regarding Scania's holdings in the joint venture Cummins-Scania XPI Manufacturing LLC is set out below:

Summarised income statement	2018	2017
Net sales	2,759	2,667
Operating income [1]	78	108
Interest income/expenses and Other financial expenses	18	–20
Taxes	–29	–26
Net income for the year	**67**	**62**
Other comprehensive income for the year	**–**	**–**
Total comprehensive income for the year	**67**	**62**
Scania Group's share (50%)	33	31

1 Depreciation amounting to SEK 114 m. (127) is included in Operating income.

Summarised balance sheet	2018	2017
Non-current assets	434	588
Current investments and cash and cash equivalents	295	240
Other current assets	1,171	720
Total assets	**1,900**	**1,548**
Equity	1,028	880
Other current liabilities	872	668
Total equity and liabilities	**1,900**	**1,548**
Scania Group's share of equity (50%)	514	440
Carrying amount	**514**	**440**

Scania has received dividends from Cummins-Scania XPI Manufacturing LLC amounting to SEK 0 m. (36). Cummins-Scania XPI Manufacturing LLC is a joint venture with Scania and Cummins as partners. The joint venture manufactures fuel injection systems with extra-high pressure injection (XPI). Cummins-Scania XPI Manufacturing LLC is recognised using the equity method.

NOTE 12 Inventories

	2018	2017
Raw materials, components and supplies	2,781	2,643
Work in progress	1,621	1,580
Finished goods [1]	21,402	17,366
Total	**25,804**	**21,589**
1 Of which, used vehicles	2,315	2,183
Value adjustment reserve, 31 December	–896	–875

NOTE 13 Other receivables

	2018	2017
Prepaid expenses and accrued income	438	455
Derivatives with positive market value	274	239
Advance payments	38	28
Pension asset	86	109
Other receivables	1,025	657
Total other non-current receivables	**1,861**	**1,488**
Prepaid expenses and accrued income	1,687	1,212
Derivatives with positive market value	564	377
Value-added tax	2,933	2,659
Advance payments	265	213
Other receivables	1,764	1,260
Total other current receivables	**7,213**	**5,721**
Total other receivables	**9,074**	**7,209**

NOTE 14 Equity

The consolidated statements of changes in equity shows a complete reconciliation of all changes in equity.

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

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 –529 m. (–824) 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 BRL, ARS and RUB. The Swedish Krona´s decline against EUR has also contributed negatively.

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 15, "Provisions for pensions and similar commitments."

The Board of Directors proposes to the 2019 Annual General Meeting that a total amount of SEK 14,611 m., consisting of SEK 4,867 m. as ordinary dividend which represents 50 percent of the net income SEK 9,734 m. for 2018 and an extraordinary dividend of SEK 9,744 m., be distributed to the shareholders as a cash dividend. The extraordinary dividend will immediately be returned as capital injection. The extraordinary dividend and re-capitalisation should be done at the same time, meaning no actual payments will be done, and with no net effects on Scania capitalisation.

Retained earnings amounting to SEK 1,772 m. will be carried forward.

Non-controlling interests refer to the share of equity held by external owners outside of Scania in certain subsidiaries in the Group. Scania Group has a few non-wholly owned subsidiaries of which one is considered to have a substantial non-controlling interest. During 2018 the shares in Qanadeel AL Rafidain Automotive Trading Co. Ltd have been sold and additional shares in Laxå Specialvehicles have been acquired. Scania now owns 90.1 percent with a non-controlling interest of 9.9 percent. In 2018, net income attributable to non-controlling interests amounted to SEK 1 m. (–3) and accumulated non-controlling interests in the company amounted to SEK 14 m. (15) as of 31 December 2018.

Reconciliation of change in number of shares outstanding	2018	2017
Number of A shares outstanding, 1 January	400,000,000	400,000,000
Number of A shares outstanding, 31 December	**400,000,000**	**400,000,000**
Number of B shares outstanding, 1 January	400,000,000	400,000,000
Number of B shares outstanding, 31 December	**400,000,000**	**400,000,000**
Total number of shares, 31 December	**800,000,000**	**800,000,000**

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 2018, the Group's equity totalled SEK 54,359 m. (49,919). 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 a Standard & Poor's Investment Grade Stand Alone Rating.

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 12 companies that are subject to oversight by national financial inspection authorities. In some countries, Scania must comply with local capital adequacy requirements. During 2018, 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 Standard & Poor's. At the end of 2018 Scania's Credit Rating according to Standard and Poor's was:

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

Notes to the consolidated financial statements, continued

NOTE 15 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, early 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 amounted to SEK 1,274 m. (1,106) during 2018. 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 are related to defined benefit plans, both funded and unfunded plans, is SEK 289 m. for 2019.

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.

Salaried 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 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 premiums to the retirement insurance company Alecta. These obligations are recognised under the heading "Multi employer defined benefit plans."

Aside from these obligations, there are early retirement 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. Special payroll tax is included in the provision for pension provisions.

Switzerland
The Pensionskasse and the Wohlfahrtsstiftung are the legal carriers of the pension plans and they review early retirement pension. There are two 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. This plan also includes early retirement pension, which covers employees with at least five years of service or who have retired prematurely 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
Employees at Scania Latin America Ltda are covered by four post employment defined benefit plans. Three health care plans cover medical, dental and pharmaceutical expenses as well as the cost of a life insurance plan. The health care plans became unfunded in February 2018. The plans are open to personnel retiring at a minimum age of 55 with at least 10 years' service.

Great Britain
Employees at Scania Great Britain (SGB) are covered by a premium based occupational pension. Both the company and employees contribute to the plan. There are defined–benefit plans, which are closed for future accruals since 31 May 2003. The defined–benefit plans operated by SGB include the following:

1. The Scania Staff Pension Plan
2. The Scania Executive Pension Plan
3. The Scania Reliable Vehicles Staff Pension Plan

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

The normal retirement age in the schemes is 65.

Multi–employer defined–benefit plans

Sweden

A portion of the ITP2 plan is safeguarded by premiums to Alecta. These obligations are also defined benefit plans but since Alecta can not present information necessary to account for the plan as a defined benefit plan it is accounted for as a defined contribution plan.

At year-end 2018, Alecta's surplus, in the form of a collective consolidation level (assets in relation to the insurance obligation), amounted to 142 percent (154). If the consolidation level falls below or exceeds the normal range (122–155), Alecta shall take measures, for example raise agreed subscription prices and extension of existing benefits, or introduce premium reductions.

Alecta's insurance obligation is calculated according to Alecta's actuarial methods and assumptions, which deviate from the methods and assumptions applied in measurement of defined benefit pensions according to IAS 19. Premiums to Alecta amounted to SEK 103 m. (135).

The Netherlands

Employees at Scania's Dutch companies are covered by the Dutch collectively agreed pension plans, which are multi-employer defined benefit plans. The plans Pensioenfonds Metaal en Techniek (PMT) and Bedrijfstakpensioenfonds Metalelktro (PME) are administered by MN Services. PMT and PME do not have information about allocation 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 120 m. (104). The consolidation level of PMT was 99 percent (102) and for PME 98 percent (102).

Information regarding the largest plans during 2018	Sweden	Switzerland	Brazil	Great Britain
Present value of defined benefit obligations	9,164	1,034	503	849
Fair value of plan assets	–	–1,120	–66	–793
Net assets not fully valued due to curtailment rule	–	–	17	–
Recognised as pension liability/(asset) in the balance sheet, SEK m.	**9,164**	**–86**	**454**	**56**
Breakdown into categories				
Present value of defined benefit obligations for persons in active employment, SEK m.	5,956	568	–129	–
Persons in active employment, number	11,439	292	2,727	–
Present value of defined benefit obligations for paid–up policy holders, SEK m.	1,339	–	–	545
Paid–up policy holders, number	2,683	–	–	399
Present value of defined benefit obligations for retired employees, SEK m.	1,869	466	632	304
Retired employees, number	2,503	108	1,071	208
Assumptions/conditions				
Discount rate, %	2.5	0.7	9.2	2.9
Average life expectancy, women/men, years	88	87	83	88
Average duration of obligations, years	22.7	14.6	11.1	18.4
Sensitivity analysis concerning change in present value of obligations, SEK m.				
0.5% increase in discount rate	–942	–72	–15	–70
0.5% decrease in discount rate	1,084	82	26	80
1 year increase in life expectancy	368	28	55	35

Notes to the consolidated financial statements, continued

NOTE 15 Provisions for pensions and similar commitments, continued

Information regarding the largest plans during 2017	Sweden	Switzerland	Brazil	Great Britain
Present value of defined benefit obligations	8,015	942	541	953
Fair value of plan assets	–	–1,051	–72	–779
Net assets not fully valued due to curtailment rule	–	–	5	–
Recognised as pension liability/(asset) in the balance sheet, SEK m.	**8,015**	**–109**	**474**	**174**
Breakdown into categories				
Present value of defined benefit obligations for persons in active employment, SEK m.	5,452	498	–151	–
Persons in active employment, number	9,595	363	2,739	–
Present value of defined benefit obligations for paid–up policy holders, SEK m.	1,204	–	–	743
Paid–up policy holders, number	2,529	–	–	393
Present value of defined benefit obligations for retired employees, SEK m.	1,359	444	692	210
Retired employees, number	2,499	106	1,089	214
Assumptions/conditions				
Discount rate, %	2.8	0.6	10.3	2.4
Average life expectancy, women/men, years	88	88	83	88
Average duration of obligations, years	21.0	17.1	6.9	22,0
Sensitivity analysis concerning change in present value of obligations, SEK m.				
0.5% increase in discount rate	–807	–60	–18	–89
0.5% decrease in discount rate	927	69	18	101
1 year increase in life expectancy	313	9	18	37

	Expenses for pensions and similar commitments	
Expenses for pensions and other defined benefit payments recognised in the income statement	2018	2017
Current service expenses	–391	–357
Net Interest income/expenses	–266	–262
Past service expenses	7	–23
Net gains (+) and losses (–) due to curtailments and settlements	0	19
Total expense for defined benefit payments recognised in the income statement	**–650**	**–623**

Pension expenses and other defined benefit payments are found in the income statement under the headings "Research and development expenses," SEK 148 m. (133), "Cost of goods sold," SEK 119 m. (131), "Selling expenses," SEK 101 m. (82) and "Administrative expenses," SEK 16 m. (15). 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.

During 2018 an additional SEK 6 m. has been recognised as past service cost to the three combined schemes in relation to Guaranteed Minimum Pension ("GMP") equalisation in Great Britain. This represents an estimate of the cost that may be incurred in equalising the benefits paid to both male and female members a High Court case concluding on 26 October 2018. The estimate has been based on professional market experiences and represents 0.65% of liabilities as at the date of the court ruling.

Expenses for pensions and other defined benefit payments recognised in "Other comprehensive income"	Expenses related to pensions and similar commitments 2018	2017
Experience–based adjustments in net liabilities	–263	–408
Effects of changes in demographic assumptions	1	–85
Effects of changes in financial assumptions	–388	–4
Actual return on plan assets excluding amount included in interest income	–59	150
Changes in present value of asset ceiling not included in interest expense	–7	10
Total expense/revenue for defined benefit payments recognised in "Other comprehensive income"	**–716**	**–337**

Recognised as provision for pensions in the balance sheet	Pension commitments 2018	2017
Present value of defined benefit obligations, wholly or partly funded	2,492	2,989
Present value of defined benefit obligations, unfunded	10,217	8,526
Present value of defined benefit obligations	12,709	11,515
Fair value of plan assets	–2,368	–2,283
Net assets not fully valued due to curtailment rule	12	5
Recognised in the balance sheet	**10,353**	**9,237**
Of which, pension liabilities recognised under the heading "Provisions for pensions"	10,439	9,346
Of which, pension assets recognised under the heading "Other long–term receivables"	–86	–109

Present value of defined benefit obligations changed during the year as follows:	Liabilities related to pensions and similar commitments 2018	2017
Present value of defined benefit obligations, 1 January	11,515	10,745
Present value of reclassified obligations, 1 January	19	4
Current service expenses	391	357
Interest expenses	305	298
Payments made by pension plan participants	18	13
Experience–based actuarial gains and losses	263	408
Adjustment effects from changes in demographic assumptions	–1	85
Adjustment effects from changes in financial assumptions	388	4
Exchange rate differences	118	–105
Disbursements of pension payments	–300	–298
Past service expenses	–7	23
Present value of defined benefit obligations in acquired/divested companies	–	–
Settlements	0	0
Gains and losses due to net settlements for the year	0	–19
Present value of defined benefit obligations, 31 December	**12,709**	**11,515**

Notes to the consolidated financial statements, continued

NOTE 15 Provisions for pensions and similar commitments, continued

	Plan assets related to pensions and similar commitments	
Fair value of plan assets changed as follows during the year:	2018	2017
Fair value of plan assets, 1 January	2,283	2,142
Fair value of plan assets related to reclassified obligations, 1 January	–9	–
Interest income on plan assets	39	38
Actual return on plan assets excluding amount included in interest income	–59	150
Effects of changes in financial assumptions	0	0
Exchange rate differences	122	–62
Payments to pension plan	68	99
Payments made by pension plan participants	18	16
Disbursements of pension payments	–94	–100
Settlements	–	0
Fair value of plan assets, 31 December	**2,368**	**2,283**

	Asset ceiling	
Present value of asset ceiling	2018	2017
Present value of asset ceiling, 1 January	5	14
Interest expenses	0	2
Changes in present value of asset ceiling not included in interest expense	7	–10
Exchange rate differences	0	–1
Present value of asset ceiling, 31 December	**12**	**5**

	2018		2017	
Allocation of fair value in plan assets	Quoted price in an active market [1]	Unquoted price	Quoted price in an active market	Unquoted price
Cash and cash equivalents	14	23	6	51
Equity instruments issued by others	418	–	6	–
Debt instruments issued by Scania	–	38	–	3
Debt instruments issued by others	245	–	114	–
Properties leased to Scania companies	–	38	–	36
Investment properties	117	–	24	–
Equity mutual funds	496	–	917	–
Fixed income mutual funds	202	–	649	–
Real estate funds	232	–	327	–
Other investment funds	242	3	19	20
Other plan assets	220	80	52	59
Total	**2,186**	**182**	**2,114**	**169**

1 Reclassification of plan assets has been made in 2018 compared to 2017.

NOTE 16 Other provisions

2018	Product obligations	EU investigation [2]	Legal and tax risks	Other provisions [1]	Total
1 January	1,747	3,800	948	3,403	9,898
Provisions during the year	1,092	–	94	1,631	2,817
Provisions used during the year	–1,004	–	–114	–1,331	–2,449
Provisions reversed during the year	–259	–	–51	–88	–398
Exchange rate differences	0	–	–4	–28	–32
31 December	**1,575**	**3,800**	**873**	**3,587**	**9,836**
– of which, current provisions	1,256	–	273	1,917	3,446
– of which, non-current provisions	319	3,800	600	1,670	6,389

2017	Product obligations	EU investigation [2]	Legal and tax risks	Other provisions [1]	Total
1 January	1,683	3,800	1,017	3,160	9,660
Provisions during the year	1,438	–	126	1,319	2,883
Provisions used during the year	–999	–	–91	–1,047	–2,137
Provisions reversed during the year	–368	–	–104	–25	–497
Exchange rate differences	–7	–	–	–4	–11
31 December	**1,747**	**3,800**	**948**	**3,403**	**9,898**
– of which, current provisions	1,329	–	225	1,846	3,400
– of which, non-current provisions	418	3,800	723	1,557	6,498

1 "Other provisions" include provisions for potential losses on service agreements. Total number of contracts increased during 2018 by 40,800 contracts (32,500) and amounted to 248,800 contracts (208,000) at year-end.

2 "EU investigation" consists of provision recognised in June 2016 for the investigation conducted by the European Commission concerning inappropriate cooperation.

Uncertainty about the expected outflow dates is greatest for legal and tax disputes as well as the EU claim regarding inappropriate cooperation. 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 17 Accrued expenses and deferred income

	2018	2017
Accrued employee-related expenses	6,130	5,426
Deferred income related to service and repair contracts	6,237	5,724
Deferred income related to repurchase obligations [1]	5,596	5,217
Other accrued expenses and deferred income	3,086	2,575
Total	**21,049**	**18,942**
– of which, current	14,032	12,115
– of which, non-current	7,017	6,827
Of the above total, the following was attributable to Financial Services operations	609	486

1 Of the above deferred income related to vehicles sold with repurchase obligations, SEK 1,845 m. (1,648) is expected to be recognised as revenue within 12 months. SEK 352 m. (866) is expected to be recognised as revenue after more than five years.

Notes to the consolidated financial statements, continued

NOTE 17 Accrued expenses and deferred income, continued

SEK m.	2018
Contract liabilities as of 1 January	5,654
Additions and disposals	479
Changes in the scope of consolidation	–
Changes in measurements and estimates as well as contract modifications	–
Currency translation adjustments	–
Contract liabilities as of 31 December	**6,133**

Sales revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period totalled 2,427 SEK m.

NOTE 18 Assets pledged and contingent liabilities

Assets pledged	2018	2017
Financial receivables [2]	37	111
Other	0	0
Total [1]	**37**	**111**
[1] Of which, assets pledged for:		
– Borrowings	37	111
– Liabilities of others	0	0

2 Refers mainly to pledged leases in Financial Services, SEK 37 m. (111).

Contingent liabilities	2018	2017
Contingent liability related to FPG credit insurance	79	78
Loan guarantees	0	0
Other guarantees	278	278
Total	**357**	**356**

In addition to the above contingent liabilities, the Group has issued vehicle repurchase guarantees worth SEK 31 m. (54) to customers' creditors.

NOTE 19 Lease obligations

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

Future payment obligations on non-cancellable operating leases

	2018		2017	
Operating leases	Future minimum lease payments	Of which, related to premises	Future minimum lease payments	Of which, related to premises
Within one year	1,085	589	604	282
Between one year and five years	2,596	1,637	1,449	758
Later than five years	787	592	418	384
Total	**4,468**	**2,818**	**2,471**	**1,424**

Expensed minimum lease payments amounted to SEK 1,379 m. (694), of which SEK 722 m. (282) related to costs for leases on premises.

Future payment obligations on non-cancellable finance leases

	2018			2017		
Finance 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
Within one year	6	3	3	6	1	5
Between one year and five years	12	4	8	14	8	6
Later than five years	0	0	0	0	0	0
Total	**18**	**7**	**11**	**20**	**9**	**11**

NOTE 19 Lease obligations, continued

Finance lease assets in balance sheet

Carrying amount	2018	2017
Buildings	14	28
Machinery	10	15
Other	7	6
Total	**31**	**49**

NOTE 20 Government grants and assistance

During 2018, the Scania Group received government grants amounting to SEK 121 m. (21) attributable to operating expenses of SEK 600 m. (105).

NOTE 21 Cash flow statement

In those cases a breakdown in segment is not done the cash flow specification below refers to the Scania Group.

	2018	2017
a. Interest and dividends received/paid		
Dividends received from associated companies	5	51
Interest received	3,749	3,474
Interest paid	–1,629	–1,727
b.1. Vehicles and Services: Items not affecting cash flow		
Depreciation/amortisation	8,411	8,375
Bad debts	63	54
Associated companies	–35	7
Provision for pensions	404	322
Other	326	–6
Total	**9,169**	**8,752**
b.2. Financial Services: Items not affecting cash flow		
Depreciation/amortisation	40	26
Bad debts	181	105
Other	37	63
Total	**258**	**194**
c. Financial Services: Net investments in credit portfolio etc.		
New financing [1]	–47,636	–41,499
Payments of principal and completed contracts	37,727	33,156
Total	**–9,909**	**–8,343**

1 Refers mainly to financing of customer purchases of Scania vehicles.

	2018	2017
e. Net investment through acquisitions/divestments of businesses [2]		
Divestments of businesses	–5	–
Acquisitions of businesses	7	–32
Total	**2**	**–32**

2 See Note 22, "Business acquired/divested."

	2018	2017
d. Vehicles and Services: Acquisitions of non-current assets		
Investments in non-current assets [3]	–7,358	–5,947
Divestments of non-current assets	122	75
Total	**–7,236**	**–5,872**

3 Of which, SEK 1,996 m. (1,367) in capitalised research and development expenditure.

f. Change in debt through financing activities	2018	2017
Net change in current investments	597	–249
Net change in current borrowings	–10,053	–17,031
Decrease in non-current borrowings	–964	–481
Increase in non-current borrowings	23,933	18,466
Total	**13,513**	**705**

g. Cash and cash equivalents	2018	2017
Cash and bank balances	3,297	3,421
Short-term investments comprising cash and cash equivalents	4,885	3,083
Total	**8,182**	**6,504**

Notes to the consolidated financial statements, continued

NOTE 21 Cash flow statement, continued

Reconciliation of liabilities arising from financing activities

	2017	Cash flow	Non-cash changes		2018
			Foreign exchange movements	Re-classification	
Non-current interest-bearing liabilities	39,869	22,970	544	–17,432	45,951
Current interest-bearing liabilities	18,447	–10,376	1,249	17,432	26,752
Finance lease liabilities	11		–11		0
Accrued interest	375	323	–13		685
	58,702	**12,917**	**1,769**	**0**	**73,388**
Cash and cash equivalents	6,504	1,753	–75		8,182
	65,206	**14,670**	**1,694**	**0**	**81,570**

NOTE 22 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 2017–2018.

NOTE 23 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)	2018	2017
Boards of Directors, Presidents and Executive (or Group) Vice Presidents [1]	462	526
– of which bonuses	176	227
Other employees	18,951	17,463
Subtotal	**19,413**	**17,989**
Pension expenses and other mandatory payroll fees	6,859	6,208
– of which pension expenses [2]	1,735	1,568
Total	**26,272**	**24,197**

1 The number of Board members and executive officers was 541 (564).

2 Of the pension expense in the Group, SEK 24 m. (35) was for Boards of Directors and executive officers in the Scania Group. At year-end, the total pension obligation was SEK 122 m. (119) for this category.

	2018		2017	
Average number of employees (excluding personnel on hire)	Total	Women	Total	Women
Sweden	16,958	22%	15,652	21%
Europe (excluding Sweden)	15,822	15%	15,129	14%
Eurasia	788	27%	740	26%
America	7,694	12%	6,871	13%
Asia	2,157	20%	2,269	18%
Africa and Oceania	1,816	19%	1,708	18%
Total	**45,235**	**18%**	**42,369**	**17%**

Gender distribution	2018	2017
Board members in subsidiaries and the Parent Company	427	452
– of whom, men	400	417
– of whom, women	27	35
Presidents/Managing Directors of subsidiaries and the Parent Company, plus the Group's Executive Board	114	112
– of whom, men	109	108
– of whom, women	5	4

Number of employees, 31 December	2018	2017
Vehicles and Services		
Production and corporate units	25,941	24,298
Research and development	4,203	3,908
Sales and service companies	20,966	20,166
	51,110	48,372
Financial Services	993	891
Total	**52,103**	**49,263**
– of whom, on temporary contracts and on hire	6,802	7,140

NOTE 24 Related party transactions

	Revenue		Expenses		Receivables		Liabilities	
	2018	2017	2018	2017	2018	2017	2018	2017
Volkswagen Group	1,427	1,292	704	542	2,931	2,506	4,226	4,473
Associated companies and joint ventures								
BITS DATA i Södertälje AB	0	0	13	13	0	0	1	2
Cummins-Scania XPI Manufacturing L.L.C.	163	123	839	843	23	20	0	0
ScaValencia S.A.	161	156	79	88	6	5	1	0
Others	11	7	9	7	1	1	0	1

Disclosures of relationships with related parties that include a controlling influence are provided in the list of subsidiaries. See also the presentation of Scania's Board of Directors and Executive Board as well as Note 25, "Compensation to executive officers." Disclosures of dividends from, and capital contributions to, associated companies and joint ventures etc. are provided in Note 11, "Holdings in associated companies and joint ventures." Disclosures of pension plans are provided in Note 15, "Provisions for pensions and similar commitments" and Note 23, "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.

Notes to the consolidated financial statements, continued

NOTE 25 Compensation to executive officers

Principles for compensation to executive officers

The principles for compensation to Scania executive officers are adopted by Scania's Board of Directors. 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 Group´s operating income, TRATON SEs return of sales and a Volkswagen long-term incentive index. The pension comprises a premium-based pension system that applies in addition to the public pension and the ITP occupational pension.

Termination conditions for the executive board

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 Scania's Board of Directors. 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.

If the company terminates their employment, the other members of the Executive Board are entitled to severance pay equivalent to a maximum of 18 months of 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.

2018, SEK thousand	Fixed salary	Board remuneration[1]	Variable salary	Other remuneration	Total salary and remuneration	Pension expenses, defined contribution system	Pension expenses, defined benefit system	Total pension expenses	Pension obligations
Chairman of the Board	–	–	–	–	0		–	0	–
President and CEO	7,547	–	14,293	271	22,111	2,826	436	3,262	2,907
Rest of Executive Board (7 persons)	25,068	–	47,478	1,721	74,267	8,673	3,674	12,346	21,329

1 Other Board members' total fees: Andreas Renschler 0; Helmut Aurenz 250; Peter Wallenberg Jr. 525; Christian Porsche 0; Matthias Gründler 0; Markus S. Piëch 0; Stephanie Porsche-Schröder 0; Nina Macpherson 275; Christian Schulz 0; Johan Järvklo 0; Lisa Lorentzon 0; Michael Lyngsie 0.
Helmut Aurenz resigned on 8 February 2018 and Matthias Gründler resigned on 15 May 2018. Nina Macpherson was appointed on 25 April 2018 and Christian Schulz was appointed on 28 June 2018. Johan Järvklo resigned on 25 June 2018 and was replaced by Michael Lyngsie on 28 June 2018.

2017, SEK thousand	Fixed salary	Board remuneration[1]	Variable salary	Other remuneration	Total salary and remuneration	Pension expenses, defined contribution system	Pension expenses, defined benefit system	Total pension expenses	Pension obligations
Chairman of the Board	–	–	–	–	0	–	–	0	–
President and CEO	7,300	–	13,359	264	20,923	2,708	374	3,082	2,539
Rest of Executive Board (7 persons)	23,949	–	43,827	1,509	69,285	8,329	3,512	11,841	18,132

1 Other Board members' total fees: Andreas Renschler 0; Helmut Aurenz 500; Peter Wallenberg Jr. 500; Christian Porsche 0; Annika Falkengren 325; Matthias Gründler 0; Markus S. Piëch 0; Stephanie Porsche-Schröder 0; Johan Järvklo 0; Lisa Lorentzon 0.
Annika Falkengren resigned on 14 July 2017. Christian Porsche resigned on 13 November 2017 and was replaced by Stephanie Porsche-Schröder on 28 November 2017.

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 26 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 re-invoiced.

	2018		2017	
Auditing firm	PwC	Other auditors	PwC	Other auditors
Auditing assignments	42	1	40	1
Auditing activities beyond auditing assignments	1	0	2	0
Tax consultancy	2	0	3	0
Other services	1	0	2	0
Total	**46**	**1**	**47**	**1**

NOTE 27 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.

Liquidity risk

Liquidity risk describes the risk that the Scania Group will have difficulty in meeting its obligations associated with financial liabilities or that it can only procure liquidity at a higher price.

To counter this risk, cash inflows and outflows and due dates are continuously monitored and managed. Cash requirements are primarily met by our operating business and by external financing arrangements. As a result, there are no material concentrations of risk.

The solvency and liquidity of Scania are ensured at all times by rolling liquidity planning, a liquidity reserve in the form of cash, confirmed credit lines and the issuance of securities on the international money and capital markets. For Scania Financial Services, there shall be dedicated funding to cover the estimated funding demands during the next six months. There shall also always be borrowings that safeguard the existing portfolio.

Local cash funds in certain countries (e.g. Brazil, China, India, Russia and South Korea) are only available to the Group for cross-border transactions subject to exchange controls. There are no significant restrictions over and above these.

Currency risk

Currency risk is the risk of negative effects on earnings and balance sheet items denominated in foreign currency, due to currency movements. 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).

Notes to the consolidated financial statements, continued

NOTE 27 Financial risk management, continued

- 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 2018, 95 (95) 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 2018, total currency exposure in Scania's operating income amounted to about SEK 49,000 m. (46,500). The largest currencies in this flow were EUR, GBP and BRL. The table on the next page shows currency exposure in Scania's operating income in the most commonly occurring currencies.

Currency exposure in operating income, Vehicles and Services	2018	2017
British pound (GBP)	7,600	6,000
Euro (EUR)	4,900	4,800
Russian rouble (RUB)	5,300	4,500
Polish zloty (PLN)	4,600	3,600
United Arab Emirates dirham (AED)	1,700	2,900
US dollar (USD)	1,800	2,800
Norwegian krone (NOK)	3,300	2,800
Korean won (KRW)	2,100	2,600
Australian dollar (AUD)	2,200	2,200
Chinese Yuan remnimbi (CNY)	1,800	2,000
South African rand (ZAR)	2,000	1,900
Swiss franc (CHF)	1,600	1,500
Brazilian real (BRL)	–3,700	–3,000
Other currencies	12,300	10,600
Total currency exposure in operating income	**47,500**	**45,200**

Currency exposure in operating income, Financial Services	2018	2017
Euro (EUR)	600	500
Other currencies	900	800
Total currency exposure in operating income	**1,500**	**1,300**

Based on revenue and expenses in foreign currencies during 2018, a one percentage point change in the Swedish krona against other currencies, excluding currency hedges, has an impact on operating income of about SEK 490 m. (465) on an annual basis. In Vehicles and Services, compared to 2017, the total positive currency rate effects amounted to about SEK 2,678 m. (425).

According to Scania's Financial 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. At year-end 2018, 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 2018, Scania's net assets in foreign currencies amounted to SEK 32,900 m. (29,500). 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 2018 no foreign net assets were hedged (–).

Net assets, Vehicles and Services	2018	2017
Euro (EUR)	7,400	5,600
Brazilian real (BRL)	6,400	5,000
British pound (GBP)	1,500	1,100
Argentine peso (ARS)	1,000	1,100
Polish zloty (PLN)	800	800
Norwegian krone (NOK)	800	700
Russian ruble (RUB)	1,100	600
Swiss franc (CHF)	600	600
Chinese Yuan Remnimbi (CNY)	400	500
Danish krone (DKK)	500	400
Australian dollar (AUD)	500	400
Korean won (KRW)	300	400
US dollar (USD)	–100	–100
Other currencies	2,400	2,300
Total net assets in foreign currencies, Vehicles and Services	**23,600**	**19,400**

Net assets, Financial Services	2018	2017
Euro (EUR)	5,300	5,600
Other currencies	4,000	4,500
Total net assets in foreign currencies, Financial Services	**9,300**	**10,100**
Total net assets in foreign currencies, Scania Group	**32,600**	**29,500**

Effect on exchange rate differences on net income

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

	2018	2017
Operating income	335	–35
Financial income and expenses	–28	–5
Taxes	0	0
Effect on net income for the year	**307**	**–40**

Interest rate risk

Interest Rate Risk is the risk of negative effects on interest income and expenses due to movements in interest rates. 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 affected instead. To manage interest rate risks, Scania primarily uses interest rate derivatives in the form of interest rate swap agreements.

At year-end 2018, 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 within 0–6 month range, but that divergences are allowed up to 24 months. The Board of Directors approves maturities of more than 24 months.

Net cash in Vehicles and Services was SEK 16,419 m. (17,058) at year-end 2018. The borrowing portfolio amounted to SEK 0 m. (0). Short-term investments and cash and cash equivalents amounted to SEK 7,338 m. (17,716) and the average interest rate refixing period on these assets was less than 1 (1) month. The net cash also includes derivatives that hedge borrowings with a net value of SEK –510 m. (–639).

Given the same loan liabilities, short-term investments, cash and cash equivalents and interest rate refixing periods as at year-end 2018, a change in market interest rates of 100 basis points (1 percentage point) would change the interest income in Vehicles and Services by about SEK 75 m. (175) on an annual basis.

Notes to the consolidated financial statements, continued

NOTE 27 Financial risk management, continued

Interest rate risk in Financial Services

Scania's Financial Policy regarding interest rate risks in the Financial Services segment is that assets and liabilities 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 2018:

Interest rate refixing in Financial Services, 31 December 2018	Interestbearing portfolio[1]	Interestbearing liabilities[2]
2019	45,250	46,336
2020	18,323	18,785
2021	13,778	11,714
2022	7,766	4,839
2023	3,184	685
2024 and later	865	121
Total	**89,166**	**82,480**

Interest rate refixing in Financial Services, 31 December 2017	Interestbearing portfolio[1]	Interestbearing liabilities[2]
2018	38,617	37,424
2019	16,260	15,332
2020	11,978	11,533
2021	6,607	4,226
2022	2,844	750
2023 and later	722	118
Total	**77,028**	**69,383**

1 Including operating leases.

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

Given the same lending and borrowing structure as at year-end 2018, a change in market interest rate of 50 basis points (0.5 percent point) would change the interest in Financial Services by about SEK 15.6 m. (3.2) on an annual basis.

Scania's total borrowing portfolio amounted to SEK 72,873 m. (58,691) at year-end 2018.

Borrowings, 31 December 2018	Borrowings incl. currency swap agreements	Borrowings excl. currency swap agreements
EUR	48,818	32,171
BRL	4,872	4,065
GBP	4,799	2,848
ZAR	3,334	1,107
CLP	2,204	157
DKK	1,789	0
PEN	1,254	722
NOK	1,464	0
USD	3,226	1,257
THB	950	1,201
CHF	939	83
AUD	670	47
OTH	396	47
HKD	257	0
SEK	–7,733	26,990
Other currencies	4,949	1,493
Total[1]	**72,188**	**72,188**
Accrued interest	685	685
Total	**72,873**	**72,873**

1 Total borrowings excluded SEK 685 m. (375) 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.

Reconciliation of loss allowance for financial assets at amortized cost, including lease receivables

	General approach				
SEK m.	12 month expected credit loss (Stage 1)	Life time expected credit loss – not impaired (Stage 2)	Life time expected credit loss – impaired (Stage 3)	Simplified approach	Total
Loss allowance as at 1 January 2018	64	96	173	1,127	1,460
Changes due to financial instruments recognised as at 1 January					
Transfer to level 1	1	–16	–6		–21
Transfer to level 2	–23	33	–4		6
Transfer to level 3	–17	–47	182		118
Write-offs (Utilization)			–11	–53	–64
New originated or purchased financial assets	64	0	0	353	417
Changes in models/risk parameters	–	–	–	–	–
Reversals	–34	–24	–58	–444	–560
Foreign exchange movements	1	5	2	1	9
Other changes within a stage	1	1	27	184	213
Loss allowance as at 31 December 2018	**57**	**48**	**305**	**1,168**	**1,578**

Reconciliation of gross carrying amount for financial assets at amortized cost, including lease receivables

	General approach				
SEK m.	12 month expected credit loss (Stage 1)	Life time expected credit loss – not impaired (Stage 2)	Life time expected credit loss – impaired (Stage 3)	Simplified approach	Total
Gross carrying amount as at 1 January 2018	32,412	1,364	480	46,526	80,782
Transfer to level 1	250	–230	–20		0
Transfer to level 2	–444	458	–14		0
Transfer to level 3	–456	–339	795		0
Changes in gross carrying amount (non significant changes)	0	0	0	0	0
Changes in gross carrying amount (additions and disposals, significant modifications)	6,165	–136	–88	5,544	11,485
Foreign exchange movements	–49	73	2	–50	–24
Gross carrying amount as at 31 December 2018	**37,878**	**1,190**	**1,155**	**52,020**	**92,243**

Gross carrying amount of Scania's irrevocable credit commitments at 31 December 2018 amounts to SEK 5,985 m. (7,326 at 1/1/2018) with a loss allowance of SEK 2 m. (8 at 1/1/2018).

Notes to the consolidated financial statements, continued

NOTE 27 Financial risk management, continued

Gross carrying amounts of other financial assets by rating category

SEK m.	12 month expected credit loss (Stage 1)	Life time expected credit loss – not impaired (Stage 2)	Life time expected credit loss – impaired (Stage 3)	Financial assets – simplified approach	Total
Rating Grade 2018					
Credit Risk Rating Grade 1	37,878	–	–	45,742	83,620
Credit Risk Rating Grade 2	–	1,190	–	4,948	6,138
Credit Risk Rating Grade 3	–	–	1,155	1,330	2,485
Total	**37,878**	**1,190**	**1,155**	**52,020**	**92,243**

Credit risk in Vehicles and Services

In the Vehicles and Services segment, carried receivables before provisions for bad debts from customers totalled SEK 9,362 m. (9,265), most of which consisted of receivables from independent dealerships and end customers. The total estimated fair value of collateral was SEK 1,282 m. Most of the collateral consisted of repossession rights and bank guarantees. During the year, collateral valued at SEK 229 m. was repossessed.

Timing analysis of portfolio assets past due but not recognised as impairment losses	Past-due payments 2018	Past-due payments 2017
< 30 days	572	1,159
30–90 days	269	313
91–180 days	25	82
> 180 days	303	112
Total	**1,169**	**1,666**

Provisions for bad debts amounted to SEK 362 m. (292), equivalent to 4.0 (3.1) percent of total receivables. The year's bad debt expense amounted to SEK 63 m. (54).

Provisions for bad debts changed as follows:

Provisions for bad debts	2018	2017
Provisions, 1 January	292	332
Adjustment transition IFRS 9	64	–
Adjusted provision, 1 January	356	332
Provisions for potential losses	63	41
Withdrawals due to actual credit losses	–69	–85
Currency rate effects	6	2
Other	6	2
Provisions, 31 December	**362**	**292**

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	2018	2017
Exposure	90,365	77,982
– of which, operating leases	18,440	16,679
Credit risk reserve	1,199	954
Carrying amount	**89,166**	**77,028**
– of which, operating leases	18,258	16,665

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.

The portfolio mainly consists of financing of trucks, buses and trailers for small and medium-sized companies. The credit risk concentration in 2018 was equal to that of 2017.

Timing analysis of portfolio assets

	2018			2017		
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
< 30 days	102	4,711	4,636	86	4,195	4,096
30–90 days	294	2,379	2,106	167	2,316	2,212
Past due and recognised as impairment losses						
91–180 days	68	613	528	36	294	266
> 180 days	130	357	343	43	160	145
Inactive contracts	225	1,213	812	138	609	421
Total	**819**	**9,273**	**8,425**	**470**	**7,574**	**7,140**

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

A description of credit risk exposure can be seen in the table below:

	31 December 2018			31 December 2017		
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
Exposure < SEK 15 m.	36,753	97.9	66.1	34,284	98.1	68.2
Exposure SEK 15–50 m.	649	1.7	18.0	545	1.6	17.2
Exposure > SEK 50 m.	137	0.4	15.9	110	0.3	14.6
Total	**37,539**	**100.0**	**100.0**	**34,939**	**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 at the same level during 2018 as in 2017. The carrying amount of the financial assets, whose terms had been renegotiated, amounted to SEK 2,001 m. (2,236) 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 2018. During the year, 1,490 (1,360) financed vehicles were repossessed. At year-end, the number of repossessed but not yet sold vehicles amounted to 425 (270), with a total carrying amount of SEK 195 m. (102). Repossessed vehicles are sold off by means of a new financing contract with another customer, direct sale to an end customer or sale via Scania's dealership network.

Provisions for bad debts changed as follows:

Provisions for bad debts	2018	2017
Provisions, 1 January	954	973
Adjustment transition, IFRS 9	146	–
Adjusted provision, 1 January	1,100	973
Provisions for potential losses	173	95
Withdrawals due to actual credit losses	–79	–97
Exchange rate differences	5	–17
Provisions, 31 December	**1,199**	**954**
Provisions as percentage of gross portfolio	1.3	1.2

The year's expenses for actual and potential credit losses amounted to SEK 181 m. (105).

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. 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 all of its counterparties.

Notes to the consolidated financial statements, continued

NOTE 27 Financial risk management, continued

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 –515 m. (–651) at the end of 2018. Estimated gross exposure to counterparty risks related to derivatives trading totalled SEK 838 m. (616). Estimated gross exposure to cash and cash equivalents and short-term investments amounted to SEK 8,834 m. (7,749). Short-term investments are deposited with various banks.

Scania had short-term investments worth SEK 5,537 m. (4,328), of which SEK 4,884 m. (3,083) consists of investments with a maturity of less than 90 days and SEK 652 m. (1,245) consisted of investments with a maturity of 91–365 days. In addition to short-term investments, Scania had bank balances worth SEK 3,297 m. (3,421).

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 over a two-year period.

For Financial Services, there shall be dedicated funding that covers the estimated demand for funding during the next six months. There shall also always be borrowings that safeguard the refinancing of the existing portfolio.

At the end of 2018, Scania's liquidity reserve, consisting of guaranteed credit facilities, cash and cash equivalents and short-term investments, amounted to SEK 41,136 m. (38,877). Scania's credit facilities include customary Change of 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, 2018	Total borrowings	Ceiling
European Medium Term Note Programme	49,393	71,755
Credit facility (EUR, SEK)	–	32,302
Commercial paper, Sweden	50	10,000
Commercial paper, Belgium	3,188	10,251
Bank loans and Other loans	19,557	–
Total [1]	**72,188**	**124,308**

Borrowings, 2017	Total borrowings	Ceiling
European Medium Term Note Programme	33,872	49,157
Credit facility (EUR, SEK)	–	31,128
Commercial paper, Sweden	500	10,000
Commercial paper, Belgium	4,178	9,831
Bank loans and Other loans	19,766	–
Total [1]	**58,316**	**100,116**

1 Of the total ceiling, SEK 32,302 m. (31,128) consisted of guaranteed revolving credit facilities.

2 Total borrowings excluded SEK 685 m. (375) related to accrued interest and fair value adjustments on bonds where hedge accounting was previously applied.

Controlling Scania's refinancing risk includes safeguarding access to credit facilities and ensuring that the maturity structure of borrowings is diversified. At year-end, Scania's total borrowings had the following maturity structure:

Maturity structure of Scania's borrowings	2018	2017
2018	–	18,447
2019	29,237	21,777
2020	21,315	9,650
2021	13,250	5,122
2022	7,090	3,303
2023	494	17
2024 and later	802	–
Total [1]	**72,188**	**58,316**

1 Total borrowings excluded SEK 685 m. (375) related to accrued interest and fair value adjustments on bonds for which hedge accounting was previously applied.

Maturity structure of derivatives attributable to borrowings, 2018	Derivatives with positive value	Derivatives with negative value
2019	1	–8
2020	28	–2
2021	0	–83
2022	10	–2
2023 and later	0	0
Total [1]	**39**	**–95**

Maturity structure of derivatives attributable to borrowings, 2017	Derivatives with positive value	Derivatives with negative value
2018	6	0
2019	9	–3
2020	25	0
2021	0	–42
2022 and later	0	–5
Total [1]	**40**	**–50**

1 Does not include accrued interest.

NOTE 28 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, current investments and equity instruments. For derivatives for which hedge accounting is not applied, fair value adjustment is carried via the income statement. 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 1,005 m. (738). 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. The derivatives are recognised under other non-current assets, other current assets, other non-current liabilities and other current liabilities and amounted to SEK –515 m. (–651) net.

For financial instruments that are carried at amortized cost, fair value disclosures are provided in the table below. The carrying amounts of interest-bearing assets and liabilities in the balance sheet may diverge from their fair value, among other things as a consequence of changes in market interest rates. To establish the fair value of financial assets and liabilities, official market quotations have been used for those assets and liabilities that are traded in an active market.

In those cases where assets and liabilities are not traded in an active market, fair value has been established by discounting future payment flows at current market interest rates and then converting to SEK at the current exchange rate.

Fair value of financial instruments such as trade receivables, trade payables and other non-interest-bearing financial assets and liabilities that are recognised at accrued cost minus any impairment losses, is regarded as coinciding with the carrying amount.

Impairment losses on assets occur only when there is reason to believe that the counterparty will not fulfil its contractual obligations, not as a consequence of changes in market interest rates.

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 836 m. (608) and SEK 1,260 m. (1,253). The amount that was not offset from each amount was SEK 662 m. (540).

Notes to the consolidated financial statements, continued

NOTE 28 Financial instruments, continued

Scania Group, 2018, SEK m.	Measured at fair value	Measured at amortized cost	Financial liabilities measured at amortized cost	Total carrying amount	Total fair value
Equity instruments	256	–	–	256	256
Non-current interest-bearing receivables	–	43,251	–	43,251	42,902
Current interest-bearing receivables	–	27,797	–	27,797	27,758
Non-interest-bearing trade receivables	–	9,071	–	9,071	9,071
Current investments and Cash and cash equivalents	1,005	7,828	–	8,834	8,834
Other non-current receivables [1]	274	25	–	299	299
Other current receivables [2]	564	8	–	572	572
Total assets	**2,099**	**87,980**	**–**	**90,080**	**89,692**
Non-current interest-bearing liabilities	–	–	42,950	42,950	43,016
Current interest-bearing liabilities	–	–	29,922	29,922	29,734
Trade payables	–	–	15,579	15,579	15,579
Other non-current liabilities [3]	372	–	–	372	372
Other current liabilities [4]	981	–	–	981	981
Total liabilities	**1,353**	**–**	**88,451**	**89,804**	**89,682**

1 Financial instruments included in the balance sheet under "Other long-term receivables," SEK 1,861 m.
2 Financial instruments included in the balance sheet under "Other current receivables," SEK 16,284 m.
3 Financial instruments included in the balance sheet under "Other non-current liabilities," SEK 5,066 m.
4 Financial instruments included in the balance sheet under "Other current liabilities," SEK 5,953 m.

Scania Group, 2017, SEK m.	Measured at fair value	Measured at amortized cost	Financial liabilities measured at amortized cost	Total carrying amount	Total fair value
Non-current interest-bearing receivables	–	37,218	–	37,218	37,463
Current interest-bearing receivables	–	23,452	–	23,452	23,267
Non-interest-bearing trade receivables	–	9,024	–	9,024	9,024
Current investments and Cash and cash equivalents	738	7,011	–	7,749	7,750
Other non-current receivables [1]	239	101	–	340	313
Other current receivables [2]	377	1	–	378	378
Total assets	**1,354**	**76,807**	**–**	**78,161**	**78,195**
Non-current interest-bearing liabilities	–	–	39,869	39,869	39,951
Current interest-bearing liabilities	–	–	18,822	18,822	18,733
Trade payables	–	–	14,016	14,016	14,016
Other non-current liabilities [3]	474	–	–	474	474
Other current liabilities [4]	793	–	–	793	793
Total liabilities	**1,267**	**–**	**72,707**	**73,974**	**73,967**

1 Financial instruments included in the balance sheet under "Other long-term receivables," SEK 1,488 m.
2 Financial instruments included in the balance sheet under "Other current receivables," SEK 5,721 m.
3 Financial instruments included in the balance sheet under "Other non-current liabilities," SEK 744 m.
4 Financial instruments included in the balance sheet under "Other current liabilities," SEK 4,494 m.

Hedge accounting

During 2018 Scania have not applied hedge accounting according to IFRS 9:

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.

Net gains/losses	2018	2017
Financial assets and liabilities held for trading, carried at fair value	–324	–129
Financial assets measured at amortized cost[1]	1,444	196
Financial liabilities measured at amortized cost	–1,192	–236
Total	**–72**	**–169**

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:

	2018	2017
Interest income on financial assets[1]	3,641	3,380
Interest expenses on financial liabilities[2,3]	–1,826	–1,851
Total	**1,815**	**1,529**

1 SEK 241 m. (252) 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 –843 m. (–681) 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.

Notes to the consolidated financial statements, continued

NOTE 29 Shares and participations in subsidiaries

The following listing shows shareholdings owned directly and indirectly by the Parent Company as of 31 December 2018:

Company	Corporate ID no.	Registered office	Country	% Ownership
Vehicles and services				
DynaMate Industrial Services AB	556528-9286	Södertälje	Sweden	100
Fastighetsaktiebolaget Flygmotorn	556528-9112	Södertälje	Sweden	100
Fastighetsaktiebolaget Hjulnavet	556084-1198	Södertälje	Sweden	100
Fastighetsaktiebolaget Vindbron	556040-0938	Södertälje	Sweden	100
Kai Tak Holding AB	556548-4739	Södertälje	Sweden	100
LOTS Group AB	556593-3057	Södertälje	Sweden	100
MW-Hallen Restaurang AB	556616-7747	Södertälje	Sweden	100
Mälardalens Tekniska Gymnasium AB	556548-4754	Södertälje	Sweden	80.00
Scania Bus Financing AB	556728-9433	Södertälje	Sweden	100
Scania CV AB	556084-0976	Södertälje	Sweden	100
Scania Delivery Center AB	556593-2976	Södertälje	Sweden	100
Scania Growth Capital AB	559090-6524	Södertälje	Sweden	90.10
Scania Industrial Maintenance AB	556070-4818	Södertälje	Sweden	100
Scania IT AB	556084-1206	Södertälje	Sweden	100
Scania Overseas AB	556593-2984	Södertälje	Sweden	100
Scania Real Estate Lund AB	556791-9823	Södertälje	Sweden	100
Scania Real Estate Services AB	556593-3024	Södertälje	Sweden	100
Scania Sales and Services AB	556593-3073	Södertälje	Sweden	100
Scania Sverige AB	556051-4621	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 Trucks & Buses AB	556267-1585	Södertälje	Sweden	100
Scania Used Vehicles AB	556548-4713	Södertälje	Sweden	100
Sågverket 6 AB	556528-9062	Södertälje	Sweden	100
Vabis Försäkringsaktiebolag	516401-7856	Södertälje	Sweden	100
Vindbron Arendal AB	556822-2367	Södertälje	Sweden	100
Volkswagen Truck & Bus AB	556528-9104	Södertälje	Sweden	100
Laxå Special Vehicles AB	556548-4705	Laxå	Sweden	90,10
Ferruform AB	556528-9120	Luleå	Sweden	100
CNC Factory AB	556387-4659	Värnamo	Sweden	100
TimmerLogistikVäst AB	556636-2959	Åmål	Sweden	100
Scania Argentina S.A.	30-51742430-3	Buenos Aires	Argentina	100
Scania Australia Pty Ltd.	000537333	Melbourne	Australia	100
Scania Real Estate Österreich GmbH	FN95419y	Brunn am Gebirge	Austria	100
Scania Österreich GmbH	FN366024x	Brunn am Gebirge	Austria	100
Scania Belgium N.V.	BE0402.607.507	Neder-Over-Heembeek	Belgium	100
Scania Real Estate Belgium N.V.	BE0423.251.481	Neder-Over-Heembeek	Belgium	100
Scania BH d.o.o., Sarajevo	4200363460007	Sarajevo	Bosnia-Herzegovina	100
Scania Botswana (Pty) Ltd.	CO.2000/6045	Gaborone	Botswana	100
Santa Catarina Veiculos e Serviços Ltda.	22.416.982/0001-30	Biguaçu	Brazil	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 Comercial e Importadora Ltda.	60.849.197/0001-60	Guarulhos	Brazil	99.98
LOTS Latin América Logística de Transportes Ltda.	29.094.173/0001-06	São Bernardo do Campo	Brazil	100
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	BG201589120	Sofia	Bulgaria	100
Scania Chile S.A.	96.538.460-K	Santiago de Chile	Chile	100
Lots Logistics (Guangxi) Co.Ltd.	32956526-9	Beihai, Guangxi Province	China	100
Scania Sales (China) Co., Ltd.	110000450001661	Beijing	China	100
Scania Sales and Service (Guangzhou) Co., Ltd.	440101400126397	Guangzhou	China	100
Scania (Hong Kong) Ltd.	1205987	Hongkong	China	100
Scania Colombia S.A.S.	900.353.873-2	Bogotá	Colombia	100
Scania Hrvatska d.o.o.	080213913	Zagreb	Croatia	100
Scania Czech Republic s.r.o.	CZ61251186	Praha	Czech Republic	100
Scania Real Estate Czech Republic s.r.o.	24196746	Praha	Czech Republic	100
Scania Danmark A/S	DK17045210	Ishøj	Denmark	100
Scania Danmark Ejendom Aps	33156332	Ishøj	Denmark	100
Scania Eesti AS	10238872	Tallinn	Estonia	100
Scania Real Estate Finland Oy	2559582-1	Helsinki	Finland	100
Scania Real Estate Holding Oy	2566377-5	Helsinki	Finland	100
Scania Suomi Oy	0202014-4	Helsinki	Finland	100
SOE Busproduction Finland Oy	26121679	Lahti	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
B. + V. Grundstücksverwertungs-GmbH & Co. KG	HRA 3377	Koblenz	Germany	100
B. + V. Grundstücks- Verwaltungs- und Verwertungs-GmbH	HRB 2277	Koblenz	Germany	100
Scania CV Deutschland Holding GmbH	HRB 6077	Koblenz	Germany	100
SCANIA DEUTSCHLAND GmbH	HRB 532	Koblenz	Germany	100
SCANIA Real Estate Deutschland GmbH	HRB 23796	Koblenz	Germany	100
SCANIA Real Estate Deutschland Holding GmbH	HRB 23798	Koblenz	Germany	100

Company	Corporate ID no.	Registered office	Country	% Ownership
SCANIA Vertrieb und Service GmbH	HRB 20490	Koblenz	Germany	100
Scania West Africa Ltd.	CS450862014	Accra	Ghana	100
Scania Great Britain Ltd.	831017	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.	10415577	Biatorbágy	Hungary	100
Scania Real Estate Hungaria Kft.	13-09-159119	Biatorbágy	Hungary	100
Scania Commercial Vehicles India Pvt. Ltd.	U35999KA2011FTC05698	Bangalore	India	100
SST Sustainable Transport Solutions India Private Ltd	U74999MH2017PTC29098	Nagpur	India	99.99
PT Scania Parts Indonesia	AHU-09655.40.10.2014	Balikpapan	Indonesia	100
Italscania S.p.A.	11749110158	Trento	Italy	100
Scania Commerciale S.p.A.	IT 01184460226	Trento	Italy	100
Scania Milano S.p.A.	IT 02170120220	Trento	Italy	100
Scania Japan Ltd.	0104-01-083452	Tokyo	Japan	100
Scania Central Asia LLP	84931-1910-TOO	Almaty	Kazakhstan	100
Scania East Africa Ltd.	PO51426902Z	Nairobi	Kenya	100
Scania Real Estate Kenya Ltd.	PVT-XYUME96	Nairobi	Kenya	100
Scania Latvia SIA	50003118401	Riga	Latvia	100
UAB Scania Lietuva	123873025	Vilnius	Lithuania	100
Scania Luxembourg S.A.	B53.044	Münsbach	Luxembourg	100
Scania Real Estate Holding Luxembourg S.àr.l	B160795	Münsbach	Luxembourg	100
Scania Makedonija d.o.o.e.l	7027532	Ilinden	Macedonia	100
Scania (Malaysia) Sdn. Bhd.	518606-D	Shah Alam	Malaysia	100
Scania Comercial, S.A. de C.V.	SCO031124MF5	Queretaro	Mexico	100
Scania Servicios, S.A. de C.V.	SSE031124MF5	Queretaro	Mexico	100
Scania Maroc S.A.	06100472	Casablanca	Morocco	100
Scania Moçambique, S.A.	100453150	Beira	Mozambique	100
Scania Namibia (Pty) Ltd.	2004/438	Windhoek	Namibia	100
Norsk Scania A/S	879263662	Oslo	Norway	100
Norsk Scania Eiendom A/S	996036545	Oslo	Norway	100
Scania del Perú S.A.	20101363008	Lima	Peru	100
Scania Polska S.A.	KRS0000091840	Nadarzyn	Poland	100
Scania Real Estate Polska Sp.z o.o.	435941	Nadarzyn	Poland	100
Scania Production Slupsk S.A.	KRS0000083601	Slupsk	Poland	100
Scania Power Polska Sp. z o.o.	517301	Warszawa	Poland	100
Scania Portugal S.A.	PT502929995	Santa Iria de Azóia	Portugal	100
Scania Investimentos Imobiliários S.A.	PT508948118	Vialonga	Portugal	100
Scania Real Estate Romania S.R.L.	J23/2019/29.07.2011	Ciorogârla	Romania	100
Scania Romania S.R.L.	J23/588/27.04.2004	Ciorogârla	Romania	100
OOO Scania Service	1035006456044	Golitsino	Russia	100
OOO Scania-Rus	1025004070079	Golitsino	Russia	100
OOO Scania Peter	1027804908372	St. Petersburg	Russia	100
Scania Senegal SUARL	SN.DKR.2018.B.25840	Dakar	Senegal	100
Scania Real Estate d.o.o. Beograd	20659874	Beograd	Serbia	100
Scania Srbija d.o.o.	17333321	Krnjesevci	Serbia	100
Scania Singapore Pte. Ltd.	200309593R	Singapore	Singapore	100
Scania Real Estate Slovakia s.r.o.	44767668	Senec	Slovakia	100
Scania Slovakia s.r.o.	35826649	Senec	Slovakia	100
Scania Slovenija d.o.o.	1124773	Ljubljana	Slovenia	100
Scania South Africa Pty Ltd.	1995/001275/07	Aeroton	South Africa	100
Scania Korea Group Ltd.	110111-5304681	Seoul	South Korea	100
Scania Hispania Holding S.L.	B82853938	San Fernando de Henares	Spain	100
Scania Hispania S.A.	A59596734	San Fernando de Henares	Spain	100
Scania Real Estate Hispania, S.L.U.	B36682003	San Fernando de Henares	Spain	100
Scania Schweiz AG	CH-020.3.926.624-8	Kloten	Switzerland	100
Scania Real Estate Schweiz AG	CH-020.3.035.714-4	Kloten	Switzerland	100
Scania Tanzania Ltd.	39320	Dar es Salaam	Tanzania	100
Power Vehicle Co. Ltd.	01055547132895	Bangkok	Thailand	100
Scan Siam Service Co. Ltd.	0105545023525	Bangkok	Thailand	100
Scania Siam Co Ltd.	0105543060121	Bangkok	Thailand	100
Scania Thailand Co Ltd.	0105534098031	Bangkok	Thailand	100
Scania Group (Thailand) Co., Ltd.	0115560001383	Smutprakarn	Thailand	100
Scania Manufacturing (Thailand) Co., Ltd.	0115560001375	Smutprakarn	Thailand	100
Scania Nederland B.V.	27136821	Breda	The Netherlands	100
Scania Real Estate The Netherlands B.V.	50687921	Breda	The Netherlands	100
Scania Production Meppel B.V.	05046846	Meppel	The Netherlands	100
Scania IT Nederland B.V.	05062402	Zwolle	The Netherlands	100
Scania Logistics Netherlands B.V.	56552793	Zwolle	The Netherlands	100
Scania Production Zwolle B.V.	05020370	Zwolle	The Netherlands	100
Scania Middle East FZE	150175	Dubai	The United Arab Emirates	100
TOV Kyiv-Scan	35706433	Kyiv	Ukraine	100
TOV Scania Ukraine	30107866	Kyiv	Ukraine	100
TOV Scania-Lviv	37497108	Lviv	Ukraine	100
TOV Donbas-Scan-Service	34516735	Makijivka	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.	21.490591.0012	Montevideo	Uruguay	100
Scania de Venezuela S.A.	J-30532829-3	Valencia	Venezuela	100

Notes to the consolidated financial statements, continued

NOTE 29 Shares and participations in subsidiaries, continued

Company	Corporate ID no.	Registered office	Country	% Ownership
Financial Services				
Scania Credit AB	556062-7373	Södertälje	Sweden	100
Scania Finance Holding AB	556548-4697	Södertälje	Sweden	100
Scania Finans AB	556049-2570	Södertälje	Sweden	100
Scania Finance Australia Pty Ltd.	609637596	Melbourne	Australia	100
Scania Leasing Österreich GmbH	FN246699v	Brunn am Gebirge	Austria	100
Scania Österreich Holding GmbH	FN 316321 d	Brunn am Gebirge	Austria	100
Scania Finance Belgium N.V.	BE0413.545.048	Neder-Over-Heembeek	Belgium	100
Scania Banco S.A.	CNPJ11.417.016/00011	São Bernardo do Campo	Brazil	100
Scania Corretora de Seguros Ltda.	CNPJ11.513.179/00105	São Bernardo do Campo	Brazil	100
Scania Finance Bulgaria EOOD	BG175108126	Sofia	Bulgaria	100
Scania Rent Bulgaria EOOD	175108126	Sofia	Bulgaria	100
Scania Finance Chile S.A.	76.574.810-0	Santiago de Chile	Chile	100
Scania Credit (Hong Kong) Ltd.	1945045	Hongkong	China	100
Scania Finance Colombia S.A.S.	901197448	Bogotá	Colombia	100
Scania Credit Hrvatska d.o.o.	80516047	Lucko	Croatia	100
Scania Finance Czech Republic spol. s r.o.	CZ25657496	Praha	Czech Republic	100
Scania Finance France S.A.S.	350890661	Angers	France	100
Scania Location S.A.S.	402496442	Angers	France	100
Scania Finance Deutschland GmbH	HRB 3917	Koblenz	Germany	100
Scania Versicherungsvermittlung GmbH	HRB 22831	Koblenz	Germany	100
Scania Finance Great Britain Ltd.	2173954	London	Great Britain	100
Scania Finance Magyarország Zrt.	13-10-040959	Biatorbágy	Hungary	100
Scania Lízing Kft.	13-09-107823	Biatorbágy	Hungary	100
Scania Finance Ireland Ltd.	482137	Dublin	Ireland	100
Scania Finance Italy S.p.A.	03333020158	Milano	Italy	100
Scania Finance Luxembourg S.A.	B0082907	Münsbach	Luxembourg	100
Scania Credit (Malaysia) Sdn. Bhd.	1011611-H	Shah Alam	Malaysia	100
Scania Services del Perú S.A.	20392923277	Lima	Peru	100
Scania Finance Polska Sp.z.o.o.	0000036594	Stara Wies	Poland	100
Scania Insurance Polska Sp.z o.o.	0000478529	Stara Wies	Poland	100
Scanrent – Alguer de Viaturas sem Condutor, S.A.	502631910	Santa Iria de Azóia	Portugal	100
Scania Credit Romania IFN S.A.	J23/1818/2005	Ciorogârla	Romania	100
Scania Regional Agent de Asigurare S.R.L.	J23/534/2011	Ciorogârla	Romania	100
Scania Rent Romania S.R.L.	J23/1669/2008	Ciorogârla	Romania	100
OOO Scania Finance	1045005504774	Moskva	Russia	100
OOO Scania Leasing	1027700203970	Moskva	Russia	100
OOO Scania Strachovanie	1127747003097	Moskva	Russia	100
Scania Leasing RS d.o.o.	21401625	Krnjesevci	Serbia	100
Scania Credit Singapore Pte. Ltd.	201816765C	Singapore	Singapore	100
Scania Finance Slovak Republic s.r.o.	43874746	Senec	Slovakia	100
Scania Leasing d.o.o.	356417700	Ljubljana	Slovenia	100
Scania Credit Solutions Pty Ltd.	2009/016998/07	Aeroton, Gauteng	South Africa	100
Scania Finance Southern Africa (Pty) Ltd.	2000/025215/07	Aeroton, Guateng	South Africa	100
Scania Finance Korea Ltd.	195411-0007994	Kyungam	South Korea	100
Scania Commercial Vehicles Renting S.A.	A82853995	San Fernando de Henares	Spain	100
Scania Finance Hispania EFC S.A.	A82853987	San Fernando de Henares	Spain	100
Scania Finance Schweiz AG	CH-020.3.029.627-6	Kloten	Switzerland	100
Scania Credit Taiwan Ltd.	54330725	Taipeh	Taiwan	100
Scania Siam Leasing Co. Ltd.	0105550082925	Bangkok	Thailand	100
Scania Finance Nederland B.V.	3446773	Breda	The Netherlands	100
Scania Insurance Nederland B.V.	1745773	Middelharnis	The Netherlands	100
TOV Scania Credit Ukraine	33052443	Kyiv	Ukraine	100

Dormant companies are not included.

Note 30 Changes in financial statements 2018

New accounting principles from 2018

As from 1 January 2018 the Group applies IFRS 9, “Financial Instruments” and IFRS 15, “Revenue from Contracts with Customers.

IFRS 9 has from 1 January 2018 replaced IAS 39, “Financial Instruments: Recognition and Measurement.” IFRS 9 contains different rules for classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting compared to IAS 39. For Scania the impact of the new standard refers to the impairment model and the requirement to consider expected credit losses when calculating loss allowances. Scania has chosen to apply IFRS 9 retrospectively without adjusting comparative figures. The impact of the transition on 1 January 2018 refers to the impairment model and amounts to SEK 150 m. net after tax recognised in equity.

IFRS 15 has replaced IAS 18 Revenue and related interpretations. The core principle of IFRS 15 is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The transition to IFRS 15 has been done based on the modified approach meaning that the comparative figures are not adjusted. Scania’s previously applied accounting principles regarding revenue, as described in the Annual Report, was in line with the requirements in IFRS 15 and therefore Scania has no effect in equity on transition to IFRS 15.

Sales with repurchase obligations

Other changes

As from 2018 the Group has adopted the presentation of sales transactions with repurchase obligations to the Volkswagen Group’s accounting principles of such transactions. The change has only resulted in reclassifications in the balance sheet. The effect on the Group is not significant while the effect regarding internal sales transactions with repurchase obligations between the segments Vehicle and Services and Financial Services in the segments is greater. The new accounting principle have been applied retrospectively which means that comparative figures have been recalculated.

Reclassifications 2018

As from 2018 some reclassifications regarding the presentation in the income statement have been done. The reclassifications have been done as a result of adoption to the presentation of different costs in the Volkswagen Group. The reclassification has been done retrospectively which mean that comparative figures have been recalculated.

Presentation of the income statement

As from 2018 the presentation of the income statement has changed due to an adoption to how the income statement is presented in the Volkswagen Group.

Notes to the consolidated financial statements, continued

Note 30 Changes in financial statements 2018, continued

Reclassification and presentation of the income statement

2017	Notes	Previous presentation income statement	Adjust to new presentation income statement	Reclassifications	Eliminations	Total
Vehicles and Services						
Revenue		119,713	6,943		–3,290	123,366
Cost of sales	a), b), d)	–90,238	–4,487	–660	3,290	–92,095
Gross income		29,475	2,456	–660	0	31,271
Research and development expenses	a), d)	–6,587	–	818		–5,769
Selling expenses	a), c), d)	–9,934	–1,101	–53		–11,088
Administrative expenses	a), b), c), d)	–1,794	–	–105		–1,899
Other operating income		–	169	–		169
Other operating expenses		–	–250	–		–250
Operating income		**11,160**	**1,274**	**0**	**0**	**12,434**
Financial Services						
Interest and lease income		6,731	–6,731			–
Insurance commission		212	–212			–
Interest and depreciation expenses		–4,487	4,487			–
Interest surplus and insurance commission		2,456	–2,456			–
Other income		169	–169			–
Other expenses		–250	250			–
Gross income		2,375	–2,375			–
Selling and administration expenses		–996	996			–
Bad debt expenses, realised and anticipated		–105	105			–
Operating income		**1,274**	**–1,274**			**–**
Operating income		**12,434**	**–**			**12,434**
Interest income		583	–			583
Interest expenses		–956	–			–956
Share of income in associated companies and joint ventures		44	–			44
Other financial income		171	–			171
Other financial expenses		–194	–			–194
Total financial items		–352	–			–352
Income before taxes		**12,082**	**–**			**12,082**
Taxes		–3,377	–			–3,377
Net income		**8,705**	**–**			**8,705**

a) IT cost previously presented as administration-, R&D- and selling expenses (SEK 134 m., 15 m., 1 m. respectively) now presented as cost of goods sold (SEK –150 m.)

b) Administration costs in Treasury SLA of SEK 23 m. now presented as cost of goods sold.

c) Reclassification of costs for controlling function previously presented as selling expenses (SEK 44 m.), now presented as administration expenses.

d) Alignment with the Volkswagen Group regarding presentation of different types of costs resulting in costs previously presented as R&D (SEK 803 m.) is now allocated to cost of goods sold (SEK –489 m.), Selling expenses (SEK –98 m.), Administration expenses (SEK –218 m.).

Sale with repurchase obligation

As from 2018 Scania applies the Volkswagen Group accounting concept for an internal buyback transaction between the Vehicle and Service segment and the Financial Services segment. Comparative figures or year-end have been reclassified according to the table below.

The changed concept for internal transactions with repurchase obligations only have effects on the balance sheet. Under previous accounting principles an internal buyback transaction resulted in a presentation of a net liability in the Vehicle and Service segment. However, in the income statement the deferred revenue and cost was presented gross on the same line items (Revenue and Cost of gods sold) as it will be under the concept applied as from January 2018. In Vehicle and Service segment the depreciation of the restated asset is presented as cost of goods sold which is the same presentation as how the cost of the sold vehicle was presented previously.

Scania Group – Balance Sheet

Amounts in SEK m.	Notes	Dec '17 before reclassification	Reclassifications	Dec '17 after reclassification
Non-current assets				
Intangible non-current assets		9,421		**9,421**
Tangible non-current assets		29,711		**29,711**
Lease assets	a)	26,547	–731	**25,816**
Shares and participations		587		**587**
Interest-bearing receivables		37,218		**37,218**
Other receivables		5,765		**5,765**
Current assets				
Inventories		21,589		**21,589**
Interest-bearing receivables		23,452		**23,452**
Other receivables		15,300		**15,300**
Current investments		1,245		**1,245**
Cash and cash equivalents		6,504		**6,504**
Total assets		177,339	–731	**176,608**
Equity and liabilities				
Scania shareholders		49,904		**49,904**
Non-controlling interest		15		**15**
Total equity		49,919	0	**49,919**
Non-current liabilities				
Interest-bearing liabilities		39,869		**39,869**
Provisions for pensions		9,346		**9,346**
Other provisions		6,498		**6,498**
Financial liabilities, buyback external	b)		4,270	**4,270**
Other liabilities	b)	15,792	–8,934	**6,858**
Other liabilities, buyback external	b)		3,575	**3,575**
Current liabilities				
Interest-bearing liabilities		18,822		**18,822**
Provisions	a)	3,523	–123	**3,400**
Financial liabilities, buyback external	c)		1,095	**1,095**
Other liabilities	a), c)	33,570	–2,256	**31,314**
Other liabilities, buyback external	c)		1,642	**1,642**
Total equity and liabilities		177,339	–731	**176,608**

Notes to the consolidated financial statements, continued

Note 30 Changes in financial statements 2018, continued

Vehicles and Services segment – Balance Sheet

Amounts in SEK m.	Notes	Dec '17 before reclassification	Reclassifications	Dec '17 after reclassification
Non-current assets				
Intangible non-current assets		9,391		**9,391**
Tangible non-current assets		29,601		**29,601**
Lease assets, buyback external and Rental	d)	12,294	–284	**12,010**
Lease assets, Buy back internal	e)		13,806	**13,806**
Shares and participations	f)	587	3,457	**4,044**
Interest-bearing receivables		64		**64**
Other receivables		5,211		**5,211**
Current assets				
Inventories		21,589		**21,589**
Interest-bearing receivables		243		**243**
Other receivables		14,926		**14,926**
Current investments		12,266		**12,266**
Cash and cash equivalents		5,431		**5,431**
Total assets		111,603	16,979	**128,582**
Equity and liabilities				
Scania shareholders	f)	42,643	3,457	**46,100**
Non-controlling interest		15		**15**
Total equity		42,658	3,457	**46,115**
Non-current liabilities				
Provisions for pensions		9,275		**9,275**
Other provisions		6,496		**6,496**
Financial liabilities, buyback internal	g)		6,968	**6,968**
Financial liabilities, buyback external	g)		4,270	**4,270**
Other liabilities	g)	14,995	–8,934	**6,061**
Other liabilities, buyback internal	g)		4,528	**4,528**
Other liabilities, buyback external	g)		3,575	**3,575**
Current liabilities				
Provisions	d), e)	3,459	–123	**3,336**
Financial liabilities, buyback internal	g)		2,807	**2,807**
Financial liabilities, buyback external	g)		1,095	**1,095**
Other liabilities	e), g)	34,720	–4,668	**30,052**
Other liabilities, buyback internal	g)		2,362	**2,362**
Other liabilities, buyback external	g)		1,642	**1,642**
Total equity and liabilities		111,603	16,979	**128,582**

Financial Services segment – Balance Sheet

Amounts in SEK m.	Notes	Dec '17 before reclassification	Reclassifications	Dec '17 after reclassification
Non-current assets				
Intangible non-current assets		30		**30**
Tangible non-current assets		110		**110**
Lease assets	h)	16,665	–16,665	**0**
Financial receivables		37,154		**37,154**
Financial receivables, buyback internal	h)		6,968	**6,968**
Other receivables		554		**554**
Other receivables, buyback internal	h)		4,528	**4,528**
Current assets				
Financial receivables		23,209		**23,209**
Financial receivables, buyback internal	h)		2,807	**2,807**
Other receivables		1,691		**1,691**
Other receivables, buyback internal	h)		2,362	**2,362**
Current investments		27		**27**
Cash and cash equivalents		1,073		**1,073**
Total assets		80,513	0	**80,513**
Equity and liabilities				
Scania shareholders		7,261		**7,261**
Total equity		7,261	0	**7,261**
Interest-bearing liabilities		69,739		**69,739**
Non-current liabilities				
Provisions for pensions		71		**71**
Other provisions		2		**2**
Other liabilities		797		**797**
Current liabilities				
Provisions		64		**64**
Other liabilities		2,579		**2,579**
Total equity and liabilities		80,513	0	**80,513**
Financing portfolio	d), e)	77,028		**77,028**

a) Reclassification of provision relating to previous accounting where provisions were made for differences of market value and repurchase price. Also includes reclassification of Artificial price commitments previously accounted for as other liabilities. The reclassification is reducing provisions and other liabilities as well as reducing leased assets.

b) Reclassification of previous recognised non-current liability into two parts, one part that is the prepayment (deferred revenue) and one part that is the commitment value (repurchase price).

c) Reclassification of previous recognised current liability to one part that is the prepayment (deferred revenue) and one part that is the commitment value (repurchase price) regarding external sold vehicles with repurchase commitment (i.e no internal transaction with the Financial Serviced segment).

d) Adjustment for provision regarding differences between market value and agreed repurchase price and other liabilities regarding artificial price commitments.

e) In accordance with the Volkswagen Group buyback concept the vehicles is accounted for in Vehicle and Service, hence the vehicles have been moved from the Financial Services segment and added in the Vehicle and Services segment. Compared to the accounted value in the Financial Services segment the value has been adjusted for regarding internal profit, provision for differences between market value and agreed repurchase price and other liabilities regarding artificial price commitments.

f) Restate regarding shares in owned entities in Vehicle and Service segment regarding subsidiaries in Financial Services segment.

g) Splitting current and non-current other liabilities into one part that is the prepaid revenue and one part that is the commitment value and further divided prepaid revenue and commitment value into current and non-current. Other liabilities also contained one part corresponding to internal profit which has been adjusted against leased asset, see comment e) above.

h) Under previous accounting policy Financial Services segment recognised the vehicle in a buyback transaction. After applying the Volkswagen Group buyback concept Financial Services no longer recognises the vehicle. Instead the amount paid initially for the vehicle is recognised as a receivable and are allocated to one part that is the prepayment and one part that is the repurchase commitment which is the amount that Vehicle and Service segment will repurchase the car for in subsequent period. Those are further divided into a current and non-current part.

Notes to the consolidated financial statements, continued

Note 30 Changes in financial statements 2018, continued

IFRS 9 – Transition

Effects on receivables as per 1 January 2018

	Presented under IAS 39 as per 31 December 2017		Effect of transition to IFRS 9	IFRS 9 remeasured as of 1 January 2018	
Category	Financial assets carried at fair value through profit and loss	Loan and trade receivables		Hold to collect	Hold to collect and Sell
Measurement	Fair value through profit and loss	Amortized cost		Amortized cost	Fair value through profit and loss
Assets					
Interest-bearing receivables		60,670	–154	60,516	
Non-interest bearing trade receivables		9,024	–66	8,958	
Current investments and Cash and Cash equivalents	738	7,011		7,011	738
Other receivables	616	102		102	616
Total	**1,354**	**76,807**	**–220**	**76,587**	**1,354**

Parent Company financial statements, Scania AB

Income statement

January – December, SEK m.	Note	2018	2017
Administrative expenses		0	0
Operating income		0	0
Financial income and expenses		13,853	0
Income after financial items		13,853	0
Income before taxes		13,853	0
Taxes		–	–
Net income		**13,853**	**0**

Statement of other comprehensive income

January – December, SEK m.	2018	2017
Net income	13,853	0
Other comprehensive income	–	–
Total comprehensive income	**13,853**	**0**

Balance sheet

31 December, SEK m.	Note	2018	2017
ASSETS			
Financial non-current assets			
Shares in subsidiaries	1	8,435	8,435
Current assets			
Due from subsidiaries	2	11,068	1,567
Total assets		**19,503**	**10,002**
SHAREHOLDERS' EQUITY	3		
Restricted equity			
Share capital		2,000	2,000
Statutory reserve		1,120	1,120
Unrestricted shareholders' equity			
Retained earnings		2,530	6,882
Net income		13,853	0
Total shareholders' equity		**19,503**	**10,002**
Current liabilities			
Interest-bearing liabilities		0	0
Total equity and liabilities		**10,003**	**10,002**

Statement of changes in equity

	Restricted equity			
2018 (SEK m.)	Share capital	Statutory reserve	Unrestricted shareholders' equity	Total
Equity, 1 January	2,000	1,120	6,882	10,002
Total comprehensive income for the year			13,853	13,853
Dividend			–4,352	–4,352
Equity, 31 December 2018	**2,000**	**1,120**	**16,383**	**19,503**

	Restricted equity			
2017 (SEK m.)	Share capital	Statutory reserve	Unrestricted shareholders' equity	Total
Equity, 1 January	2,000	1,120	6,882	10,002
Total comprehensive income for the year			0	0
Equity, 31 December 2017	**2,000**	**1,120**	**6,882**	**10,002**

Cash flow statement

January – December, SEK m.	Note	2018	2017
Operating activities			
Income after financial items	4	13,853	0
Items not affecting cash flow		–	–
Taxes paid		–	–
Cash flow from operating activities before change in working capital		**13,853**	**0**
Cash flow from change in working capital			
Receivable subsidiaries		–9,501	–
Total change in working capital		–9,501	**–**
Cash flow from operating activities		**4,352**	**0**
Investing activities			
Shareholders' contribution paid		–	–
Cash flow from investing activities		–	**–**
Total cash flow before financing activities		**4,352**	**–**
Financing activities			
Dividend paid		–4,352	–
Cash flow from financing activities		**–4,352**	**–**
Cash flow for the year		**0**	**0**
Cash and cash equivalents, 1 January		**0**	**0**
Cash and cash equivalents, 31 December		**0**	**0**

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 Shares in subsidiaries

			Carrying amount	
Subsidiary / Corporate ID number / registered office	Ownership, %	Thousands of shares	2018	2017
Scania CV AB, 556084-0976, Södertälje	100.0	1,000	8,435	8,435
Total			**8,435**	**8,435**

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 2 Due from subsidiaries

	2018	2017
Current interest-bearing receivable from Scania CV AB	11,068	1,567
Total	**11,068**	**1,567**

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

NOTE 3 Equity

For changes in equity, see the equity report.

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 4 Cash flow statement

Interest received was SEK 0 m. (0).

NOTE 5 Contingent liabilities

	2018	2017
Loan guarantees on behalf of borrowings in Scania CV AB	61,013	45,974
Total	**61,013**	**45,974**

NOTE 6 Salaries and remuneration to Board of Directors, executive officers and auditors

The Board of Directors, 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 23, "Wages, salaries and other remuneration and number of employees" and Note 25, "Compensation to executive officers." Compensation of SEK 10,000 (15,000) was paid to auditors with respect to the Parent Company.

NOTE 7 Transactions with related parties

Scania AB is a subsidiary of TRATON SE, corporate ID number HRB 241814 registered office in Munich and MAN SE RE SHB RE NTGS, corporate ID number HRB 179426 registered office in Munich.

The consolidated Annual Report of Scania's foreign parent company is available on the website www.volkswagen.com.

Transactions with related parties consist of dividends paid to TRATON SE and MAN SE. Dividends decided in 2018 amounted to SEK 3,771 m. (0) to TRATON SE and SEK 581 m. (0) to MAN SE.

Proposed distribution of earnings

The Board of Directors proposes to the 2019 Annual General Meeting that a total amount of SEK 14,611 m., consisting of SEK 4,867 m. as ordinary dividend which represents 50 percent of the net income SEK 9,734 m. for 2018 and an extraordinary dividend of SEK 9,744 m., be distributed to the shareholders as a cash dividend. The extraordinary dividend will immediately be returned as capital injection.

Amounts in SEK m.	
Retained earnings	2,530
Net income for the year	13,853
Other comprehensive income for the year	–
Total	**16,383**

Shall be distributed as follows:	
To the shareholders, a dividend of SEK m.	14,611
To be carried forward	1,772
Total	**16,383**

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	1,772
Total	**4,892**

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 14 March 2019. 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 14 March 2019.

Södertälje, 14 March 2019

Andreas Renschler
Chairman of the Board

Henrik Henriksson
Board member
President and CEO

Nina Macpherson
Board member

Markus S. Piëch
Board member

Stephanie Porsche-Schröder
Board member

Christian Schulz
Board member

Peter Wallenberg Jr
Board member

Lisa Lorentzon
Board member
Employee representative

Michael Lyngsie
Board member
Employee representative

Our Audit Report was submitted on 14 March 2019

PricewaterhouseCoopers AB

Bo Karlsson
Authorised Public Accountant

Björn Irle
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Scania AB, corporate identity number 556184-8564

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Scania AB for the 2018. The annual accounts and consolidated accounts of the company are included on pages 42–126 in this document.

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 parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. 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 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

In the parent company, Scania AB, no operating activities are carried out. The operating entities in the group can be classified into manufacturing units, sales units, finance companies and intragroup support functions. Manufacturing and development is performed in few entities. The individually largest entity is Scania CV AB where a major part of the group's research and development is carried out, and is audited by the group team. For remaining manufacturing units audit procedures are performed by local auditors according to instructions issued by us. As part of this year's audit procedures we have visited the subsidiaries in Germany and Belgium. Sales and finance companies represent a significant part of the number of units in the group spread over a number of countries. In our audit, we have focused on those reporting units that have the largest impact on the financial reporting. For these units, the local audit is performed according to our instructions. All these entities together with the parent company represent some seventy percent of the external sales. Remaining units are manly smaller sales units and support functions.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Auditor's report, continued

Key audit matter	How our audit addressed the Key audit matter
Provision for obligations regarding alleged breaches of competition law in form of a cartel on price coordination and a vast information exchange according to investigations by the EU Commission As described in note 2 the Scania Group is involved in an alleged breaches of competition law in form of a cartel on price coordination and a vast information exchange according to investigation by the EU Commission. The Commission's investigation has proceeded for several years. A provision of SEK 3,8 billion has been recognized for the risk for future penalties. In September 2017, the Commission finally passed a decision holding Scaniagroup liable for the alleged breaches of the competition law. The fines imposed total 880 m EUR. Scania did not agree to the decision and in December 2017, Scania appealed the decision. Scania has provided a cash collateral bank guarantee for the period before relevant court has come to a conclusion. No significant development has occurred in 2018. The investigation itself is complex and the valuation of the commitment is highly affected by management's judgment and estimates of final decisions.	Scania's management and board of directors have been highly involved in the handling of the ongoing investigation. In our audit, we assess how these matters are treated on management and board level through reading through supporting documentation and calculations. To asses this kind of legal disputes is complicated and require us to involve experts within relevant areas to assist us in our assessment of the financial application aspects of the matters. In our audit we have requested and received written representations from Scania's legal advisors about the development of the investigation by the EU Commission. These representations have been received each quarter. Since Scania is a subsidiary in the VW-group we have also reported and discussed the matter with the parent company's auditors. As described in the annual report, Scania has recognized a significant provision. During our audit, we have reassessed the accuracy in the assumptions used in the valuation of the provision. We note that, although the ongoing investigation by the EU Commission has been treated reasonably in the accounting records there is a remaining inherent uncertainty that the final outcome can deviate significantly for management's judgment. Further, as stated in note 2, it is not possible to quantify any related private enforcement claims raised towards Scaniagroup.
Revenue recognition for vehicles delivered with residual value commitment and allocation or revenue for service contracts The accounting principles for revenue is described in note 1 to the annual report. For vehicles delivered with residual value commitments, revenue is recognized over the contracted time for the commitment since the residual value risk rests within Scania. For service and repair contrast, revenue is recognized in line with the costs involved to fulfil the commitment occur. In both cases there is a risk that revenue is recognised in the incorrect period over the contracted period.	Recognition of revenue in the right period for vehicles with residual value commitment and for service and repair contracts is accounted for in the sales entities. In their accounting manual Scania has developed instructions and models for how to recognise revenue over time for these transactions with customers. From the Group audit team we have assessed whether the accounting models are in line with applicable IFRS. In our instructions to the component auditors, we have disclosed the accounting principles and models used by Scania and instructed them to confirm that the local components adhere to the accounting principles selected by Scania and that this has been covered in their audit. Although the accounting model is commonly used throughout the group, estimates used in the calculation are based on local circumstances in different markets. These estimates are assessed by the local audit teams. In connection with the reporting from the local auditors we have discussions with them in order to understand audit procedures performed on the matter. From our audit procedures we have had no significant to report to the audit committee.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–41. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Scania AB for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Auditor's report, continued

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Göteborg 14 March 2019

PricewaterhouseCoopers AB

Bo Karlsson Authorized public accountant	Björn Irle Authorized public accountant

Key financial ratios and figures

Scania presents certain performance measures that are used to explain relevant trends and performance of the Group, of which not all are defined under IFRS. As these performance measures are not uniformly defined by all companies, these are not always comparable with the measures used by other companies. These performance measures should therefore not be viewed as substitutes for IFRS-defined measures. The following are the performance measures used by Scania that are not defined under IFRS, unless otherwise stated.

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Scania Group										
Operating margin, % [3]	10.1	10.1	6.1	10.2	9.5	9.7	10.4	14.1	16.3	4.0
– excl. items affecting comparability [2, 3]	10.1	10.1	9.7	10.2	9.5	9.7	10.4	14.1	16.3	4.0
Equity/assets ratio, %	27.1	28.3	26.0	26.8	31.4	31.2	30.6	31.1	30.2	23.7
Net debt, excl. provisions for pensions, SEK m. [1]	64,548	51,581	49,788	42,183	35,780	34,696	31,591	28,213	24,606	39,767
Net debt/equity ratio [1]	1.19	1.03	1.18	1.11	0.86	0.93	0.90	0.82	0.82	1.71
Vehicles and Services										
Operating margin, % [3]	9.3	9.3	5.2	9.1	8.4	8.9	9.7	13.5	16.1	4.3
– excl. items affecting comparability [2, 3]	9.3	9.3	8.8	9.1	8.4	8.9	9.7	13.5	16.1	4.3
Capital turnover rate, times	2.44	2.45	2.31	1.99	2.18	2.15	2.02	2.47	2.35	1.77
– excl. items affecting comparability [2]	2.28	2.28	2.21	1.99	2.18	2.15	2.02	2.47	2.35	1.77
Return on capital employed, % [3]	24.1	24.4	14.0	19.3	19.9	20.9	21.4	35.9	39.1	9.2
– excl. items affecting comparability [2, 3]	22.6	22.7	21.4	19.3	19.9	20.9	21.4	35.9	39.1	9.2
Return on operating capital, % [3]	31.3	32.5	15.6	25.6	24.5	26.0	27.1	44.3	48.7	9.0
– excl. items affecting comparability [2, 3]	28.6	29.3	25.2	25.6	24.5	26.0	27.1	44.3	48.7	9.0
Net debt, excl. provisions for pensions, SEK m. [1]	–16,420	–17,058	–10,954	–7,579	–12,139	–8,019	–8,026	–8,834	–6,575	4,038
Net debt/equity ratio [1]	–0.25	–0.29	–0.31	–0.24	–0.35	–0.25	–0.27	–0.29	–0.25	0.21
Financial Services										
Operating margin, %	1.7	1.8	1.6	1.9	1.9	1.5	1.4	1.3	0.5	–0.4
Equity/assets ratio, %	8.9	9.0	9.0	9.8	11.5	10.4	10.3	10.3	11.1	10.4

1 Net debt (+) and net cash position (–).
2 Adjusted for the provision of SEK 3,800 m. recognised in 2016 relating to the EU investigation, see Note 2.
3 2017 years figures has been adjusted as a result of the changes in income statement made in 2018, see Note 30.

Key financial ratios and figures, continued

Scania Group

Net debt, excluding provision for pensions	2018	2017
ASSETS		
Current investments	652	1,245
Cash and cash equivalents	8,182	6,504
Derivatives, non-current	274	239
Derivatives, current	564	377
	9,672	**8,365**
LIABILITIES		
Interest-bearing liabilities, non-current	42,950	39,869
Interest-bearing liabilities, current	29,922	18,822
Derivatives, non-current	372	474
Derivatives, current	976	781
	74,220	**59,946**
Net debt	**64,548**	**51,581**

Vehicles and Services

Net debt, excluding provision for pensions	2018	2017
ASSETS		
Current investments	10,244	12,266
Cash and cash equivalents	6,686	5,431
Derivatives, non-current	274	239
Derivatives, current	564	377
	17,768	18,313
LIABILITIES		
Interest-bearing liabilities,	0	0
Derivatives, non-current	372	474
Derivatives, current	976	781
	1,348	1,255
Net debt	**–16,420**	**–17,058**

Capital Employed [2]	2018	2017
Total assets	130,592	119,533
– Other non-current provisions + current provisions [2]	6200	5,913
– Other liabilities	67,112	61,384
– Net derivatives	–1,176	–359
Capital Employed	**58,456**	**52,595**

Operating Capital [2]	2018	2017
Total assets	130,592	119,533
Cash and Cash equivalents	15,102	14,447
Operating liabilities		
– Other non-current provisions + current provisions [2]	6,200	5,913
– Other liabilities	67,112	61,384
– Net derivatives	–1,176	–359
Operating Capital [2]	**43,354**	**38,148**

Return on Capital Employed [2]	2018	2017
Operating income [2]	12,392	11,160
Financial income	797	754
Capital employed [2]	58,456	52,595
Return on Capital Employed [2]	**22.6**	**22.7**

Capital turnover	2018	2017
Net sales	133,222	119,713
Capital employed [2]	58,456	52,595
Capital turnover	**2.28**	**2.28**

Return on operating capital [2]	2018	2017
Operating income [2]	12,392	11,160
Operating capital [2]	43,354	38,148
Return on operating capital [2]	**28,6**	**29.3**

Financial Services

Operating margin	2018	2017
Operating income	1,440	1,274
Average portfolio	83,097	72,482
Operating margin	**1.7%**	**1.8%**

Equity/asset ratio %	2018	2017
Equity	8,360	7,261
Assets	93,824	80,513
Equity/asset ratio %	**8.9%**	**9.0%**

Definitions

Operating margin
Operating income as a percentage of net sales.

Net margin
Net profit for the year as a percentage of net sales

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, current investments 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.[1]

Operating capital
Total assets minus cash, cash equivalents and operating liabilities.[1]

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]

Operating margin, Financial Services
Operating income as a percentage of average portfolio.

1 Calculations are based on average capital employed and operating capital for the 13 most recent months.

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.

Asia: Bahrain, Bangladesh, Bhutan, Brunei, China, Hong Kong, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, Lebanon, Malaysia, Mongolia, Myanmar, Oman, Pakistan, Philippines, Qatar, Saudi Arabia, Singapore, South Korea, Sri Lanka, Syria, Taiwan, Thailand, Turkey, the United Arab Emirates, Vietnam, Yemen.

America: Argentina, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Mexico, Netherlands Antilles, Panama, Paraguay, Peru, Trinidad, the United States, Uruguay, Venezuela.

Africa and Oceania: Algeria, Angola, Australia, Botswana, Egypt, Ethiopia, Ghana, Kenya, Liberia, Morocco, Mozambique, Namibia, New Caledonia, New Zealand, Nigeria, Rwanda, Senegal, South Africa, Sudan, Tanzania, Tunisia, Uganda, Zambia.

Multi-year statistical review

SEK m. unless otherwise stated	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Delivery value by market area										
Europe	91,583	78,869	73,363	65,100	53,211	46,712	43,490	47,747	41,533	37,988
Eurasia	9,003	7,081	3,291	2,623	5,319	6,047	5,966	6,084	2,413	1,449
America [1]	17,357	14,348	10,746	11,799	17,648	23,552	18,391	20,912	21,725	11,812
Asia	14,922	16,708	13,187	13,044	12,155	7,758	7,853	10,182	9,035	6,097
Africa and Oceania	9,854	8,927	8,358	7,991	6,952	5,925	5,796	5,360	5,403	5,243
Adjustment for lease income [2]	–5,593	–2,567	–5,018	–5,660	–3,234	–3,146	–1,894	–2,599	–1,941	–515
Total	**137,126**	**123,366**	**103,927**	**94,897**	**92,051**	**86,847**	**79,603**	**87,686**	**78,168**	**62,074**
Operating income										
Vehicles and Services	12,392	11,160	5,309	8,601	7,705	7,736	7,694	11,881	12,575	2,648
– adjusted for items affecting comparability [5]	12,392	11,160	9,109	8,601	7,705	7,736	7,694	11,881	12,575	2,648
Financial Services	1,440	1,274	1,015	1,040	1,016	719	606	517	171	–175
Total	**13,832**	**12,434**	**6,324**	**9,641**	**8,721**	**8,455**	**8,300**	**12,398**	**12,746**	**2,473**
Operating margin, %										
Vehicles and Services	9.3	9.3	5.2	9.1	8.4	8.9	9.7	13.5	16.1	4.3
– adjusted for items affecting comparability [5]	9.3	9.3	8.8	9.1	8.4	8.9	9.7	13.5	16.1	4.3
Total [3]	**10.1**	**10.1**	**6.1**	**10.2**	**9.5**	**9.7**	**10.4**	**14.1**	**16.3**	**4.0**
Net financial items	–513	–352	–361	–532	–399	–47	–19	214	–213	–871
Net income	9,734	8,705	3,243	6,753	6,009	6,194	6,640	9,422	9,103	1,129
– adjusted for items affecting comparability [5]	9,734	8,705	7,043	6,753	6,009	6,194	6,640	9,422	9,103	1,129
Specification of research and development expenses										
Expenditures	–,602	–6,682	–7,199	–7,043	–6,401	–5,854	–5,312	–4,658	–3,688	–3,234
Capitalisation	1,996	1,367	1,682	1,863	1,454	1,123	860	387	351	282
Amortisation	–728	–454	–387	–393	–357	–293	–229	–169	–168	–264
Research and development expenses	**–6,334**	**–5,769**	**–5,904**	**–5,573**	**–5,304**	**–5,024**	**–4,681**	**–4,440**	**–3,505**	**–3,216**
Net investments through acquisitions/divestments of businesses	–2	32	0	125	154	26	–25	–44	56	118
Net investments in non-current assets	7,272	5,905	7,864	7,612	5,561	5,294	4,480	3,776	2,753	3,031
Portfolio, Financial Services operations	89,166	77,028	67,935	56,486	55,556	48,863	45,038	42,235	36,137	40,404
Cash flow, Vehicles and Services	3,665	5,969	3,427	4,376	4,690	3,231	3,025	6,970	11,880	5,512
Inventory turnover rate, times [4]	5,2	5.4	5.4	5.3	5.4	5.8	5.4	6.1	6.4	4.5

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 3.

3 Includes Financial Services.

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

5 Adjusted for the provision of SEK 3,800 m. recognised in 2016 relating to the EU investigation, see Note 2.

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of vehicles produced										
Trucks	92,679	87,454	75,452	72,382	75,287	75,957	60,647	75,349	60,963	29,573
Buses	8,696	8,327	8,488	6,964	6,921	6,897	6,283	8,708	6,700	6,236
Total	**101,375**	**95,781**	**83,940**	**79,346**	**82,208**	**82,854**	**66,930**	**84,057**	**67,663**	**35,809**
Number of trucks delivered by market area										
Europe	52,016	48,436	49,102	43,082	34,008	32,625	27,720	31,443	23,315	18,824
Eurasia	8,006	6,748	3,233	2,583	5,964	6,260	6,798	7,445	2,369	1,084
America	12,725	9,701	7,022	8,118	16,150	23,756	15,391	17,632	18,056	9,566
Asia	10,464	13,175	9,287	11,514	12,889	7,400	8,089	12,485	10,179	4,843
Africa and Oceania	4,784	4,412	4,449	4,465	4,004	3,570	3,053	3,115	2,918	2,490
Total	**87,995**	**82,472**	**73,093**	**69,762**	**73,015**	**73,611**	**61,051**	**72,120**	**56,837**	**36,807**
Number of buses and coaches delivered by market area										
Europe	2,212	2,009	2,094	1,917	1,361	1,000	1,312	1,916	1,760	1,954
Eurasia	344	365	62	94	105	850	198	84	82	130
America [6]	2,805	2,302	2,350	2,123	2,542	2,778	2,738	3,272	2,104	1,421
Asia	2,058	2,821	2,568	1,806	1,620	1,388	1,304	2,065	2,120	1,876
Africa and Oceania	1,063	808	1,179	859	1,139	837	798	651	809	1,255
Total	**8,482**	**8,305**	**8,253**	**6,799**	**6,767**	**6,853**	**6,350**	**7,988**	**6,875**	**6,636**
Total number of vehicles delivered	**96,477**	**90,777**	**81,346**	**76,561**	**79,782**	**80,464**	**67,401**	**80,108**	**63,712**	**43,443**
Number of industrial and marine engines delivered by market area										
Europe	5,968	3,938	3,272	2,664	2,823	2,719	3,664	3,450	2,634	1,834
America	2,667	1,368	1,727	3,180	3,176	2,925	2,582	2,809	3,281	1,775
Other markets	4,174	3,215	2,801	2,641	2,288	1,139	817	701	611	626
Total	**12,809**	**8,521**	**7,800**	**8,485**	**8,287**	**6,783**	**7,063**	**6,960**	**6,526**	**4,235**
Total market for heavy trucks and buses, units										
Europe (EU28) [7]										
Trucks	322,276	303,909	302,527	265,769	223,187	237,325	221,188	241,200	178,100	161,100
Buses	30,632	29,728	29,141	27,928	24,815	22,962	21,813	25,200	25,400	26,500
Number of employees December 31 [8]										
Production and corporate units	25,941	24,298	21,736	20,453	19,304	19,069	17,663	17,489	17,006	14,672
Research and development	4,203	3,908	3,900	3,801	3,671	3,596	3,509	3,327	2,930	2,642
Sales and service companies	20,966	20,166	19,718	19,331	18,395	17,549	16,734	16,038	14,987	14,475
Total Vehicles and Services	**51,110**	**48,372**	**45,354**	**43,585**	**41,370**	**40,214**	**37,906**	**36,854**	**34,923**	**31,789**
Financial Services companies	**993**	**891**	**889**	**824**	**759**	**739**	**691**	**642**	**591**	**541**
Total	**52,103**	**49,263**	**46,243**	**44,409**	**42,129**	**40,953**	**38,597**	**37,496**	**35,514**	**32,330**

6 Refers to Latin America.
7 Twenty-seven of the European Union member countries (all EU countries except Malta plus Norway and Switzerland).
8 Including employees with temporary contracts and employees on hire.

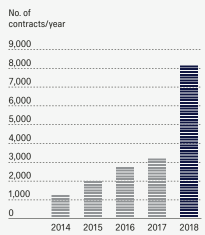
SUSTAINABILITY KPIs

To be able to continuously improve, Scania measure and follow up on our performance. To facilitate tracking 18 sustainability KPI's have been developed, all aligned with our sustainability focus areas.

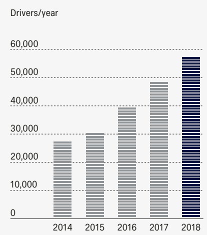
Sustainable transport

Energy efficiency

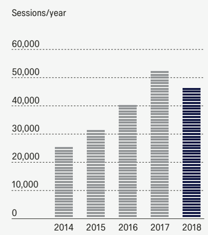
Energy efficiency is at the core of our business. Fuel consumption is the number one factor for buying a truck or a bus today. Hence, we work relentlessly on improving the efficiency of our vehicles, the sales of our Ecolution programme, the number of drivers who take part in our coaching and trainings, resulting in emission reduction and safer driving, and the amount of Scania Flexible Maintenance contracts.



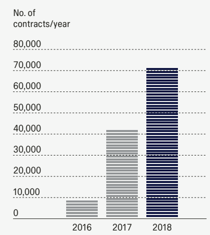
Scania Ecolution
In 2018, Scania Ecolution contracts have increased dramatically, reaching above 8,000 new contracts, more than doubling the total portfolio. The more goal-oriented approach of Scania Ecolution 3.0 has been very well received by the customers.



Driver Training
In 2018, the growth continued in line with previous years and clearly shows the great benefit of and appreciation for Scania Driver Training.



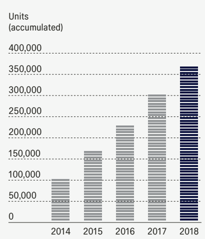
Driver Coaching
The strategic direction to coach drivers based more on individual deviation analysis than on a regular, predefined pattern, led to a certain decrease in the actual number of coaching sessions. However the number of drivers being coached increased by 14 percent.



Scania Flexible Maintenance
In 2018, Scania's service Flexible Maintenance increased by 68 percent to 70,622 active contracts. We are reading operational data from all vehicles continuously and optimise the maintenance need accordingly to ensure maximum uptime for our customers.

Smart and safe transport

Smart and safe transport is dependent on digitalisation technologies to achieve the most efficient transport solutions for cities, industries or logistics. Since 2011, all Scania vehicles are equipped with the Scania Communicator computer as standard. The Communicator collects and analyses data in order for us to provide our customers, and in turn their customers, with ideas and solutions on how to improve efficiency in the transport value chain. Bus Rapid Transit systems (BRT) is an example of a transport system that positively contributes to economic and social development while being an environmentally smart solution to issues such as congestion or pollution in cities.

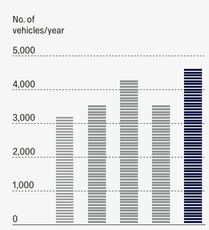


Connectivity
The growth rate of the overall number of connected vehicles were somewhat slowed down due to adjustment to the new GDPR regulations that came into force in 2018.

BRT bus registrations[1]
In 2018, 297 new Scania buses are running in BRT systems. The target for 2020, is to register 750 new buses.

Alternative fuels and electrification

In order to phase out the use of fossil fuels, alternative fuels can play a much bigger role than we see today, and we don't need to wait: the technology is already here. Scania has produced solutions for commercial biofuels for more than 15 years, and we are proud to provide the largest variety of vehicles for alternative fuels on the market; additionally all Scania vehicles can run on HVO. Electrification is growing fast, as of today Scania offers hybrid buses and trucks as well as battery-powered electric buses.



Sales of alternative fuels and electrification[2]
In 2018, Scania increased the number of vehicles sold with alternative fuels and hybrids to 4,540, which amounts to 4.5 percent of total vehicle sales.

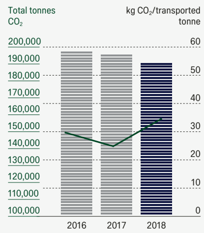
1 Number of registered Scania buses in BRT systems globally. The bus is part of a complete connected public transport system with regularity, average speed and total passenger capacity in focus. Since buses for BRT operations usually are sold in big business deals involving public procurement and city authorities, the numbers can fluctuate from year to year.

2 Number of invoiced products (trucks and buses) with gas, ethanol (ED95), FAME preparation and hybrids. The follow up on usage of HVO is incomplete and is not included in this KPI.

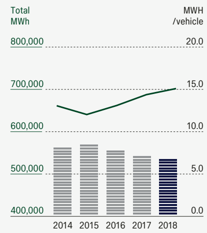
Responsible business

Environmental footprint

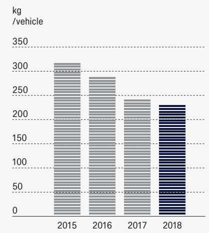
Reducing our environmental footprint by being resource and energy efficient sits deep in our culture at Scania. Our core value elimination of waste guides us in our work to continuously improve our processes in areas such as CO_2 emissions, energy, amount of waste and purchased fossil-free electricity.



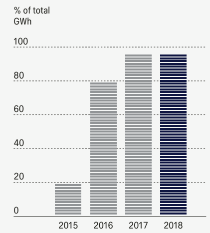
CO_2 emissions from land transport[3]
The emission level per transported tonne went down in 2018 due to active work with efficiency improving measures. Total emissions went up due to increased transport demand from production. Total emissions including non-land transport is reported online.



Energy consumption from our industrial facilities[4]
Energy consumption has decreased per produced vehicle due to higher volumes and active work to reduce waste. Amounts to 6,9 MWh per vehicle.



Waste material that is not recycled[5]
The quantity of waste sent for energy recovery and waste sent for disposal has reduced by 26 percent 2015–2018 thanks to structured work on eliminating waste.



Fossil-free electricity purchased and internally generated[6]
In 2018 Scania continued to purchase fossil-free electricity, with more than 95 percent coming from fossil-free sources.

Target
50 %
reduction in CO_2 emissions from land transport per transported tonne between 2016 and 2025.

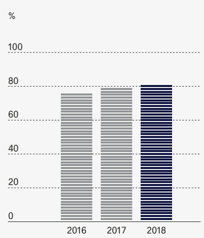
Target
33 %
less energy per produced vehicle in industrial operations between 2010 and 2020.

Target
25 %
reduction of waste, in our industrial operations, that is not recycled between 2015–2020.

Target
100 %
of our operations run on fossil-free electricity by 2020 where the necessary prerequisites are in place [5].

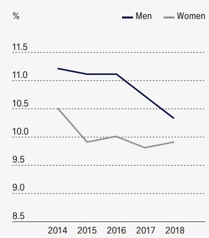
Diversity and inclusion

At Scania, we strive to have a diverse organisation in terms of gender, age, background and experience. An inclusive culture, giving everyone the same opportunities, is essential to our success.



Target
>85 %
on the related questions in the Employee Satisfaction Barometer.

Diversity and inclusion index[7]
The work that has been done in for example the Skill Capture programme has resulted in an increase on the index from 76 percent 2016 to 79 percent 2018.



Target
EQUAL
opportunities to become managers for men and women.

Gender equal opportunities[8]
In 2018 the difference between men and women was further reduced and is well below 1 percent.

3 Total emissions of CO_2 equivalents in kg from Scania's land transport/transported tonne. Included transport are transport of production material to our factories, transport of vehicles to our customers and transport of spare parts to our workshops.

4 This section covers the use of various energy sources in all Scania premises, including leased or rented within production and logistics excluding Regional production centres, including fuel consumed for engine testing.

5 This KPI covers sum of waste sent for energy recovery and waste sent for landfill divided by the total number of units produced. The scope includes the units within production and logistics excluding Regional production centres.

6 Fossil-free electricity purchased and internally generated. Share of GWh for Scania CV's industrial operations in Scania Europe and Scania Latin America, without commercial operations, and without India. Target concerns markets where there is a deregulated electricity market and availability of non-fossil alternatives in the grid.

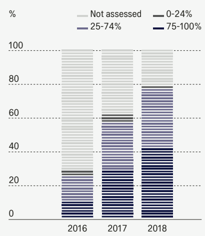
7 Perception of Scania's diversity and inclusion climate from Barometer-survey: The KPI is a weighed result of three questions from Scania's annual barometer survey concerning the employees' perception of the diversity and inclusion climate at their workplace. The result is covering Sweden, Great Britain, France (Production in Angers) and Brazil.

8 Percentage of female managers in relation to percentage of female employees compared to the same number for men.

Responsible business, continued

Human and labour rights

Pursuing high standards in the area of human and labour rights is central at Scania, as is good relations and cooperation with our employee representatives. We continuously work to ensure our employees' right to form collective bargaining agreements and to improve the performance in our supply chain.

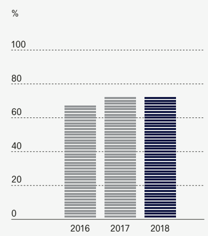


Target

100 %

of our suppliers are in the highest score category.

Sustainability risk assessed suppliers[9]
In 2018 Scania managed to increase the number of suppliers in the highest score category significantly (42 percent) while decreasing the number of suppliers that is not assessed (22 percent) or has the lowest score (1 percent). Suppliers are assessed in the areas of: social sustainability, business conduct and compliance, environmental sustainability, supplier management and conflict minerals.



Target

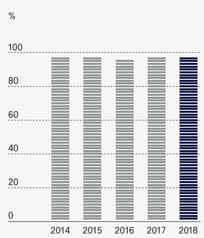
100 %

Our vision is that 100% of our employees should have the possibility to form collective bargaining agreements or in other ways engage in constructive dialogue, by themselves or through representatives.

Collective bargaining agreement
The number of employees covered by central or collective bargaining agreements is stable on 71 percent.

Health and safety

To ensure that Scania employees are safe and healthy, we work hard on improving safety levels and the work environment in the work place.

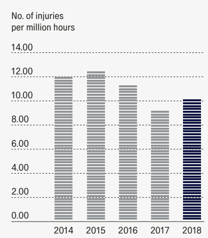


Target

97 %

healthy attendance.

Healthy attendance[10]
The global health attendance is continuously stable at 96 percent.



Target

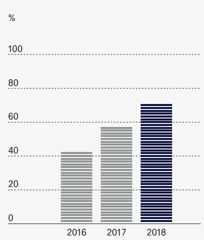
5

accidents per million worked hours.

Occupational accidents with sick leave[11]
Occupational accidents had a slight increase to 10 in 2018, compared to just above 9 in 2017.

Business ethics

Scania has zero tolerance for corruption and adheres to high ethical standards wherever we operate in the world. The Scania Code of Conduct sets the standard and supports employees in how to act. To give further support Scania offers both classroom training and online training on business ethics.



Target

100 %

of our employees are trained in business ethics.

Business ethics training[12]
Since 2015, 26,652 participants have received online training and during 2018 a further 6,231 was educated in classroom training. In total 69 percent of our workforce has been trained.

9 Risk assessment of direct material suppliers globally from self-assessment questionnaire (SAQ).
Possible score: 75–100%, 25–74% and 0–24%.

10 Hours of attendance relative to defined total working hours for Scania's global industrial operations.

11 Occupational accident with sick leave: Total number of work-related accidents with sick-leave relative to 1 million working hours for Scania's global industrial operations.

12 Business ethics training covers both online and classroom training covering the area of business ethics and Scania's code of conduct.

SUSTAINABILITY REPORT INDEX

Sustainability is an integrated part of Scania's work. We are committed to transparent sustainability reporting. Our aim is to provide our stakeholders with regular and relevant information about our sustainability efforts.

GRI
The Global Reporting Initiative (GRI) is a voluntary framework that sets out principles and indicators for measuring and reporting economic, environmental and social performance. This report has been prepared in accordance with the GRI Standards: Core option. A comprehensive GRI index is published on Scania's sustainability web page.

scania.com/gri-index

Materiality assessment
Scania's materiality analysis is part of the company's commitment to continuous improvement. Understanding our stakeholder's view on our industry and us as a company allows Scania to focus on the areas that matter and improve our cooperation. It also helps us to tailor our responses and supports us in getting our priorities right, as well as informing us on our reporting. The results of this year's exercise show that our focus areas are in line with our stakeholders' expectations. For a description of our materiality analysis see: scania.com/materiality

Sustainability report in accordance with the Swedish Annual Accounts Act

All of Scania's business units, subsidiaries and production units worldwide are included in the report.

See below for an index on where to find the different compulsory parts for the sustainability report in accordance with the Annual Accounts Act.

Sustainability is an integrated part of Scania's work. Read more on how we integrate it into our business model, how we work with risks and how we measure our progress in the different areas through KPI's:

Scania's business model	8-9
Sustainability risks	34-37, 48-53
Sustainability KPI's	136-139

Read more on our way of working, also covering management and policies, in the following different areas:

Environment	34-37, 12-13
Employees	32-33, 34-37
Social responsibility	34-37
Human rights	34-37
Anti-corruption	34-37

The auditor's report on the statutory sustainability report

To the general meeting of the shareholders of Scania AB (publ), corporate identity number 556184-8564.

Assignment and responsibilities

The Board of Directors is responsible that the statutory sustainability report on page 140 has been prepared in accordance with the Annual Accounts Act.

The focus and scope of the review

Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12, the auditor's report on the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinion

A statutory sustainability report has been prepared.

Göteborg 14 March 2019
PricewaterhouseCoopers AB

Bo Karlsson
Authorized public accountant
Partner in charge

Björn Irle
Authorized public accountant

FINANCIAL INFORMATION

Financial information

On Scania Group's website, www.scania.com, it is easy to follow the company's performance during the year. The website provides truck registration statistics, key financial ratios and more.

You may subscribe to financial reports and press releases via e-mail and it is also possible to order printed reports in single copies.

scania.com/order-printed-reports

scania.com/subscribe-financial-reports

Contact

You are welcome to contact us:

Scania Group, Head Office
Telephone: +46 8 553 810 00
Fax: +46 8 553 810 37

Postal address:
Scania AB
SE-151 87 Södertälje
Sweden

Visiting address:
Scania AB
Vagnmakarvägen 1
SE-15187 Södertälje
Sweden

ABOUT THIS REPORT

This report summarises the financial year 2018 as well as provides an overview of Scania's business and operations and is prepared in accordance to the Global Reporting Initiative (GRI) guidelines for sustainability reporting. All of Scania's business units, subsidiaries and production units worldwide are included in its scope.

This report is combining financial and non-financial (social and environmental) information and is inspired by the International Framework for Integrated Reporting (IR).

This is the English language version of Scania's integrated Annual and Sustainability Report. The Swedish language Report is the binding version that shall prevail in case of discrepancies. The Financial Reports encompass pages 58–125 and were prepared in compliance with International Financial Reporting Standards (IFRSs). The Report of the Directors encompasses pages 42–54 and 126.

The Report of the Directors and accompanying Financial Reports also fulfil the requirements of the Swedish Annual Accounts Act and have been audited by Scania's auditors. Scania Swedish corporate identity number: Scania AB (publ) 556184-8564. Unless otherwise stated, all comparisons in the Annual and Sustainability Report refer to the same period of the preceding year.

Scania AB, SE-151 87 Södertälje, Sweden
Telephone: +46 8 55 38 10 00
Fax: +46 8 55 38 10 37
www.scania.com