



ANNUAL REPORT 2003

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Unless otherwise stated, all comparisons in this Annual Report refer to the same period of the preceding year. The Annual Report contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Such forward-looking statements involve risks and uncertainties that could significantly alter potential results. The statements are based on certain assumptions, including assumptions related to general economic and financial conditions in the company's markets and the level of demand for the company's products.

This report does not imply that the company has undertaken to revise these forward-looking statements, beyond what is required under the company's registration contract with Stockholmsbörsen if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

## ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders (AGM) will be held at 15:00 CET on Monday, 3 May 2004, at Scania Syd (formerly Festival Park), Södertälje, Sweden.

## PARTICIPATION

Shareholders who wish to participate in the AGM must be recorded in the shareholder list maintained by VPC AB (the Swedish Central Securities Depository and Clearing Organisation) Friday, 23 April.

They must also register with the company by post at Scania AB, SE-151 87 Södertälje, Sweden, or by telephone at +46 8 55 35 11 03 no later than 16:00 CET on Monday, 26 April 2004.

## NOMINEE SHARES

To be entitled to participate in the AGM, shareholders whose shares have been registered in the name of a nominee through the trust department of a bank or brokerage house must temporarily reregister their shares in their own name with VPC. Shareholders who wish to reregister their shares in this way must request their nominees accordingly in sufficient time before Friday, 23 April 2004.

## DIVIDEND

The Board of Directors proposes Thursday, 6 May 2004 as the record date for the 2003 dividend. The last day for trading shares that include the dividend is Monday, 3 May 2004. Provided that the AGM approves this proposal, the dividend can be expected to be sent Tuesday, 11 May 2004.

## INFORMATION FROM SCANIA

Interim Report, January–March, on 3 May 2004.  
Interim Report, January–June, on 26 July 2004.  
Interim Report, January–September, on 1 November 2004.

The Annual Report is posted on the company's web site, [www.scania.com](http://www.scania.com), where Scania's Interim Reports are also found.

The material may also be ordered from:  
Scania AB, SE- 151 87 Södertälje, Sweden.  
Phone: +46 8 55 38 10 00  
Fax: +46 8 55 38 55 59

The English version of the Annual Report is a translation of the Swedish language original. Translation: Victor Kayfetz, Scan Edit.



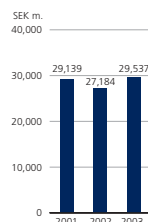
## SCANIA IN BRIEF

### TRUCKS



Scania develops, manufactures and markets trucks with a gross vehicle weight of more than 16 tonnes (Class 8), intended for long-distance, construction and distribution haulage.

#### Sales revenue

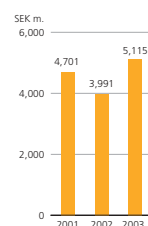


### BUSES



Scania's bus and coach operations focus on heavy buses with high passenger capacity for use as tourist coaches and in intercity and urban traffic. Most of Scania's bus production consists of chassis on which bodies are built by independent specialist bodybuilding companies.

#### Sales revenue

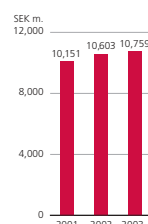


### SERVICE



By continuously increasing the range of service-related products, Scania helps its customers achieve increasingly cost-effective solutions.

#### Sales revenue



### INDUSTRIAL AND MARINE ENGINES



Scania's industrial and marine engines are used in a variety of applications at sea and on land.

### CUSTOMER FINANCE



Financial services are an important part of Scania's complete product range. For customers, financing is often one element of cost-effective total solutions for their transport business. Customers can choose between loan financing, various forms of leases and insurance solutions.

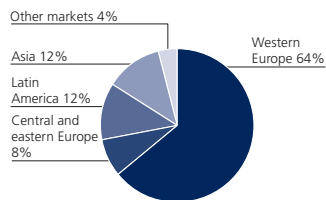
Key figures	2003	2002	2001
<b>Deliveries, units</b>			
Trucks	45,045	39,895	43,659
Buses	4,910	3,774	4,672
Total	49,955	43,669	48,331
<b>Sales revenue, SEK m.</b>			
Scania products	50,581	47,285	48,310
Divested car operations	–	–	4,755
Total	50,581	47,285	53,065
<b>Operating income, SEK m.</b>			
Scania products	5,125	3,856	2,467
Divested car operations	–	550	–
Total	5,125	4,406	2,467
<b>Operating margin, %</b>			
Scania products	10.1	8.2	5.1
<b>Income before taxes, SEK m.</b>	4,604	3,722	1,541
<b>Net income, SEK m.</b>	3,034	2,739	1,048
Earnings per share, SEK	15.17	13.70	5.24
<b>Cash flow excluding Customer Finance operations, SEK m.<sup>1</sup></b>	2,450	3,583	2,066
<b>Return, %</b>			
on shareholders' equity	17.4	17.2	6.5
on capital employed <sup>2</sup>	22.0	17.4	9.1
<b>Net debt/equity ratio<sup>2</sup></b>	0.17	0.31	0.58
<b>Equity/assets ratio, %</b>	27.7	25.6	23.4
<b>Capital expenditures for fixed assets, SEK m.</b>	3,196	3,025	1,980
<b>Research and development expenditures, SEK m.<sup>3</sup></b>	2,153	2,010	1,955
<b>Number of employees, 31 December</b>	29,112	28,230	28,541

<sup>1</sup> Including acquisitions/divestments of businesses.

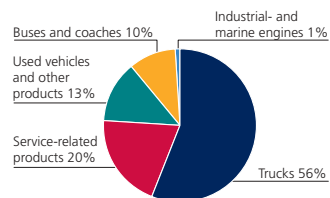
<sup>2</sup> Vehicles and Service.

<sup>3</sup> From 2002 onward, including capitalised development expenditures, amounting to SEK 669 m. in 2003 and SEK 573 m. in 2002.

### Deliveries by market area, 2003



### Sales revenue by product area, 2003



#### SCANIA'S TEN LARGEST TRUCK MARKETS

Units	2003	2002	Change in %
Great Britain	6,570	5,050	30
Brazil	4,106	3,205	28
France	3,720	3,871	-4
Spain	3,448	3,171	9
Germany	3,436	3,628	-5
Italy	2,826	3,358	-16
The Netherlands	2,102	1,958	7
South Korea	1,985	1,736	14
Sweden	1,870	1,907	-2
Turkey	1,515	226	570

#### SCANIA'S FIVE LARGEST BUS MARKETS

Units	2003	2002	Change in %
Brazil	503	327	54
Great Britain	459	188	144
Spain	458	394	16
Italy	310	347	-11
Mexico	287	424	-32

## THE WORLD OF SCANIA



### PRODUCTION UNITS

**Sweden** (number of employees)  
Södertälje (4,540)  
Production of components, engines, trucks and bus chassis.

Falun (650)  
Production of axles.

Luleå (850)  
Production of frame members and rear axle housings.

Oskarshamn (2,100)  
Production of cabs.

Sibbhult (505)  
Production of gearboxes.

**Argentina**  
Tucumán (575)  
Production of gearboxes and rear axle gears.

**Brazil**  
São Paulo (1,910)  
Production of engines, axles, cabs, trucks and bus chassis.

**Mexico**  
San Luís Potosí (50)  
Production of bus chassis.

**France**  
Angers (525)  
Assembly of trucks.

**The Netherlands**  
Zwolle (1,375)  
Assembly of trucks.

**Poland**  
Supsk (330)  
Assembly of bus bodies.

**Russia**  
St. Petersburg (130)  
Assembly of bus bodies.

### SALES AND SERVICE UNITS

Altogether, Scania is represented in about 100 countries through 1,000 local distributors and 1,500 service points.



Scania receives the Coach of the Year 2004 award.



New crash-zone concept.

## 2003

- On 15 January, Scania was de-listed from the New York Stock Exchange at its own request. The reason was the low number of shares outstanding and very limited trading volume in the US. Trading in Scania shares on Stockholmsbörsen (the Stockholm Stock Exchange) was not affected.
- In February, Scania's subsidiary Scania South Africa Pty Ltd inaugurated a new office for coordination of operations throughout the southern Africa region. At the same time, assembly of trucks and buses for these markets was moved to a new common facility.
- During the year, Scania began an alliance for common development and supply of components with Germany's MAN Nutzfahrzeuge. The alliance is related to certain types of axles and gear-boxes.
- In May, Scania inaugurated its largest facility to date in Asia. The Scania Korea Jinsa Complex in Sacheon is the hub of Scania's growing South Korean operations. Equipped with a service workshop, customer centre, parts warehouse and bodybuilding factory, the facility is prepared for various expansion alternatives as Scania's South Korean business continues to grow.
- In September, a Scania heavy truck model was the first foreign make to receive type approval for the Japanese market. Type approval means that Scania tractor units meet the same legal standards that apply to domestic manufacturers and can compete on equal terms.
- In September, Scania decided to concentrate its European city bus bodybuilding in Poland. During the spring of 2004, the wholly-owned bodybuilding company Omni will cease bodybuilding in Katrineholm, Sweden. The move is being carried out to achieve profitability and safeguard Omni's long-term competitiveness.
- In October, Scania inaugurated its expanded truck assembly plant in Zwolle, the Netherlands. After capital expenditures of about EUR 35 m., technical assembly capacity rose 50 percent. Truck assembly in Zwolle is strategically important to enable Scania to respond to a future increase in demand.



Road safety conference in Brussels.



Scania in Japan.



Young European Truck Driver final in Södertälje.

- On 8 October, for the third time since 1999, Scania organised a road safety conference in Brussels. Among the 400 participants were politicians and officials of the European Parliament and the European Commission, as well as researchers, road safety experts, representatives of the vehicle and haulage industries and journalists.

- At the same time, Scania unveiled a new crash zone-concept for trucks. The 600 mm long deformation zone is specially designed to absorb crash energy in case of a head-on collision with a car. The crash-zone has the potential to save many lives per year.

- In October, the new Scania Irizar PB tourist coach was named "Coach of the Year 2004". Good fuel consumption, excellent handling and first-rate passenger comfort and design are qualities that contributed to the prestigious award, according to the jury.

### Europe's biggest competition for young drivers

On Saturday, 20 September, 20 finalists from as many countries met at the finals of Scania's safety competition, Young European Truck Driver. The competition, implemented in partnership with the European Commission and other organisations, attracted 6,000 participants, making it Europe's largest competition for young professional drivers. The goal is to increase road safety awareness and thereby reduce the number of accidents involving heavy vehicles.

Scania has a long tradition when it comes to developing safe vehicles, the company and occupies a leading position in its industry. But a safe vehicle is not enough to prevent accidents. The most important factor is a well-trained driver, who drives safely and who instinctively acts properly in unforeseen situations. With Young European Truck Driver, Scania has reached out to young drivers and encouraged them to improve their safety and enhance their driving skills – and has also demonstrated the commitment to road safety issues that exists in the transport industry. The competition focuses on road safety and fuel economy, as well as various types of precision driving, and is a combination of theoretical and practical tests. The winner of the finals was 27-year-old Michele Sandri from Trento, Italy.

When Scania organises its next competition in 2005, Michele Sandri will already have a place in the finals, in his capacity as defending champion.









# 2004

## A new truck hits the road

On 31 March 2004, Scania's new truck range has its world premiere. The R-series, which is optimised for long-haulage, will be followed by other models during the coming year.

The R-series features many innovations that make it Scania's best truck ever, both to own and to drive. Concealed inside its shell are exciting solutions that are crucial to vehicle reliability, safety and overall performance. The most important improvements are related to availability, fuel economy, greater cargo capacity and driver environment. The new truck is designed with a focus on the driver.

### Better fuel consumption

To maximise profitability, Scania's customers want vehicles that give them the lowest possible operating cost. Given the stiff competition that today's hauliers face, even marginal improvements are of great importance to their business. With its 4-series cab, in 1995 Scania introduced a whole new truck design, featuring exceptionally low air resistance. Extensive wind tunnel tests have revealed further potential improvements, which have now been introduced. The R-series has better fuel consumption, which in turn decreases the vehicle's operating cost and environmental impact.

### More time on the road

Vehicle availability is a factor that strongly influences a customer's economic situation. An unplanned workshop visit means that a truck cannot generate any revenues. A large percentage of the new parts, components and systems introduced in the new truck provide even higher availability, and thus better total economy.

### Lower weight

Scania has greatly reduced vehicle weight in the R-series – up to 270 kg, depending on specification. Lower vehicle weight means higher cargo capacity. This makes customers with weight-sensitive shipments more competitive.

### New solutions for greater safety

Scania has always accorded top priority to safety when designing new cabs. Safety for the driver – but also for other road users. The dashboard, steering column and steering wheel of the R-series feature new systems that make driving easier and give the driver better protection in case of a collision. A new generation of electrical brakes provide better braking power and responsiveness. The Electronic Stability Program (ESP) intervenes to prevent skidding and rolling. Front underrun protection is integrated in the bumper.

### The driver's favourite cab

Driver comfort is one of Scania's main hallmarks. With the R-series, Scania is taking

a major new step to give drivers more of the comfort they need to do a really good job. More space, many new functions, greater comfort and more efficient working tools increase the chances that the driver will feel at home in his workplace and thus drive more safely.

### Euro 4

In addition to six Euro 3 engines, Scania is also offering a 420 hp Euro 4 engine in the R-series. This lowers emissions of nitrogen oxides by 30 percent and emissions of particulates by 80 percent. The flexibility of the new electrical system creates a platform for additional emission reductions in the future. A Scania customer can thus choose a truck as early as this year that offers extra good environmental performance, which in some countries qualifies for lower taxes and fees. The Euro 4 rules go into effect in the European Union late in 2005 for new engine types and one year later for new trucks.

More information about Scania's new truck range can be found at our web site.

## Prioritising better earnings paid off

Despite weak economic growth in our main markets in 2003, Scania's operating income rose by more than 30 percent and operating margin improved to 10 percent. After several years of weak economic growth in western Europe, the economic situation is expected to improve somewhat during 2004. The economies in central and eastern Europe as well as Latin America are also expected to develop favourably. Meanwhile Scania is carrying out an extensive renewal of its product range.

The American economy, which has a major impact on economies around the world, recovered during 2003. However, the outbreak of war in Iraq made customers more cautious and temporarily slowed order bookings. Meanwhile the economic outlook in several of Scania's main markets in western Europe cooled as a consequence of large government budget deficits. Towards the end of the year, the picture became brighter, and there are many signs that economic growth may be somewhat better during 2004. Economic growth is important to Scania, since the need for transport services, which generates demand for trucks, is directly connected to the GDP trend.

The somewhat lower order bookings in major western European markets were offset by rising order bookings in central and eastern Europe, as well as in Asia. Also very positive was the turnaround we saw in Latin America during 2003. The big economies of Brazil and Argentina have again begun to show good growth.

The bus business also developed well during 2003, bus and coach sales were the highest in Scania's history.

### Integrated market

The overall market in western Europe was largely unchanged compared to 2002, which means a level about 13 percent lower than in the record year 2000. In recent years, exports of 4-6 year old trucks to central and eastern Europe have risen. These exports are expected to rise further, as the large volume of trucks sold in western Europe during the late 1990s begins to be replaced in the next few years. The outflow of used trucks, togeth-



Price ceremony, Young European Truck Driver.



Meeting with Tadaaki Jagawa, President of Hino.

er with low interest rates, has contributed significantly to the fact that demand for new trucks has not fallen as sharply as during earlier economic slumps in western Europe. The greater flow of used vehicles from traditional markets in western Europe to new markets in eastern Europe means that Europe as a whole is becoming an increasingly integrated market.

In central and eastern Europe, economic growth in most countries was strong, and both order bookings and deliveries rose. The manufacturing sector is moving production at an ever faster pace from western to central and eastern Europe. This generates a rising demand for fast, flexible transport services. With a growing number of central European countries as members of the European Union, this trend will accelerate.

### Recovery in Latin America

In both Brazil and Argentina, the economic and political situation stabilised. The total

market increased, and Scania's order bookings and deliveries improved.

Scania is continuing to assign higher priority to profitability than to volume. In recent years, we have streamlined production, adjusted price levels and boosted exports of both components and whole vehicles to countries outside Latin America. Meanwhile competitors with considerably simpler products have gained market share in the lighter heavy vehicle segment.

### Strong growth in Asia

Scania had a good year in many of its markets outside Europe and Latin America. Turkey evolved into an important market and many countries in the Middle East showed strong volume growth. In east Asia, Scania's growth continued in South Korea and Taiwan.

During the year, we reinforced our presence in the Chinese market and we see that developments in China are important to economic growth in the region.



Inauguration of the expanded assembly unit in Zwolle, the Netherlands.



Presentation of the Interim Report for January–June.



Scania signs "Fome Zero", the anti-poverty programme initiated by Brazilian President Luiz Inácio Lula da Silva.



A visit to the axle production unit in Falun, Sweden.

However, there is still limited demand for the type of technologically advanced heavy trucks that Scania sells. In general the logistics and distribution structure is undeveloped, so demand for our products remains low. Naturally this will change, and Scania is increasing its focus on the Chinese market.

In the Japanese market, Scania was the first non-Japanese make to receive type approval from the authorities for a heavy truck model, which means that in partnership with Hino we can intensify our efforts in Japan.

#### Record year for buses and coaches

In 2003, sales of bus chassis were the highest in Scania's history. Even though the total market for heavy buses in Europe declined by 5.4 percent, Scania increased its sales in several of the largest markets. In Latin America, too, bus and coach deliveries rose. A gratifying trend, considering the restructuring of bus and coach opera-

tions that Scania has implemented in recent years. Since a large proportion of a bus chassis consists of truck components, today we are taking advantage of the synergies that exist with development and production of trucks.

During 2003, restructuring of bus and coach operations continued. A decision was made to move the labour-intensive bodybuilding of Scania's Omni buses from Sweden to Poland.

#### Global and expanded production

We are continuing to take advantage of our global production system. It makes no difference today where a vehicle is produced. A Scania always maintains the same high quality, regardless of where it is built.

We have invested in expanded technical capacity. The enlarged and modernised assembly unit in Zwolle, the Netherlands is located in the middle of Scania's major markets in western Europe. The expansion

of the Zwolle unit is an important step enabling us to respond to the higher volume that we believe will materialise in the next economic upturn, thereby ensuring continued profitable volume growth for Scania.

#### Steady flow of new products

Right now we are in the launch phase of a new truck range. During the coming year, we will successively replace Scania's entire current range with a new truck and bus range. The new products are based on both the experience we have gathered through the 4-series and all the opinions we have received from our customers. In addition, we have innovatively renewed other components to create the best truck Scania has ever built.

With the new truck range, from as early as this year our customers can choose engines that meet legal requirements that go into force in the autumn of 2006. Meanwhile Scania is refining its working methods with continuous improvements in product development. This means that

new and improved components can continue to be introduced when they are ready, instead of waiting, as earlier, for major changes of model. For customers, this means that every new Scania will be a better Scania.

#### An exciting year ahead

In closing, I would like to thank all our employees for great dedication, outstanding work contributions and very fine results. Ahead of us awaits a year that has the potential to be one of the most exciting in Scania's history.



Leif Östling  
President and CEO

## The Board and its committees

According to the Rules of Procedure it has adopted, the Board of Directors shall hold at least six regular meetings per year. Beyond this, the Board may meet when circumstances demands. During 2003 the Board held nine meetings.

The Board's January/February, April, July/August and October/November meetings are devoted primarily to financial reporting.

In August the Board deals with long-term plans and in December the financial plan (budget) for the following year.

At all regular meetings, the Board deals with matters of a current nature as well as capital expenditures. Reporting to the Board from its committees occurs on a continuous basis.

At its meetings, the Board also recurrently deals with various aspects of the company's operations: for example management recruitment, financing, product development and market issues. This occurs at in-depth briefings where affected managers participate.

The statutory Board meeting following the Annual General Meeting approves Rules of Procedure and a standing agenda for the Board meetings, appoints the Chairman, Vice Chairman and Board committee members, adopts instructions and decides certain compensation issues.

Nomination of Board members takes place as follows: Well before the Annual General Meeting Bernd Pischetsrieder, the Chairman, and Clas Åke Hedström, the Vice Chairman, hold discussions with rep-

resentatives of the four largest shareholders in the company (excluding AB Volvo) to reach a consensus on persons to be nominated.

The Audit Committee – consisting of Marcus Wallenberg, Chairman, Clas Åke Hedström and Lothar Sander – had three meetings during 2003. In accordance with the rules of procedure that have been adopted, the Audit Committee prepared items of business related to internal controls, financial reporting, accounting principles and external auditing.

Compensation issues for the President and certain other senior executives are handled by the Remuneration Committee, which consists of Bernd Pischetsrieder, Chairman, Peggy Bruzelius, Rolf Stomberg and Clas Åke Hedström. During 2003 the Remuneration Committee held three meetings.

A committee was also established earlier that is to consist of external Board members independent of Investor and Volkswagen. The Employee Representatives are not included. This committee is intended to prepare any possible issues for the Board concerning the ownership structure of Scania AB.

The instructions to the President specify his duties and powers. These instructions include guidelines on capital expenditures, financing, financial reporting and external communications.



## MANAGEMENT STRUCTURE

# Continuous strategic work

Scania needs long-term profitable growth in order to maintain and strengthen its position. In a world of constant change, with competition becoming tougher every day, Scania's management structure must continuously be improved and refined.

Scania today is a global, integrated organisation of about 29,000 employees. Leading a large, complex organisation requires clear strategy and governance, as well as understanding that transcends all functional and regional boundaries.

In a number of respects, Scania is the leading company in its industry. To maintain this leadership, the company's operating objectives must be integrated with its vision and mission. They should be transformed into concrete guidelines and targets, both for Scania as a whole and for its various operating units.

### The Executive Board

Below the Board of Directors, Scania's top decision-making body is the Executive Board, which decides on issues of a long-term strategic nature.

### Group Management

Group Management consists of the Executive Board and Corporate Units. The Corporate Units have operating responsibility for implementing and carrying out the established strategies.

### Decision meetings

Scania's decision-making structure is based on a fixed number of meetings in the various branches of operations. Decisions on such matters as marketing, product development, brand issues and production planning are made at cross-functional meetings in which the Executive Board participates.

### Strategic Update

All managers at Scania are responsible for communicating and working in accordance with Scania's strategies. The company's strategic direction is summarised in the Scania Strategic Update once a year. This document is an important tool when establishing business and operating plans.

### Global Management Summit

Once a year, the company's top managers meet for a strategic review, the Global Management Summit. Similar summits are also held with board members from the various Scania companies as well as the chief executives of these companies.

### Corporate governance

Scania's companies work in accordance with the principles established in Scania's Corporate Governance Manual. The local company board monitors operations and establishes a strategy and objectives. The President and CEO of Scania appoints the representatives on the local boards, among them a number of external members whose expertise, local contact net-

works and outside perspective further contributes to Scania's development.

In keeping with the established strategy, the local company management directs and develops day-to-day operations and is responsible for achieving earnings targets.

### The Scania Councils

To further improve sales and service companies, a number of regional councils have been established. Each such council is

headed by an independent chairman and consists of managing directors in a region. Their task is to improve the business by benchmarking and exchanges of experience to achieve the best solutions in the form of Best Practice. This work is often pursued in project form.



# Strategy for profitable growth

Scania's strategy can be summarised in two words: profitable growth. Historically, this profitability is based on organic growth. Scania focuses on customers, products, markets and activities with the potential to generate future profitability. This also remains Scania's strategy.

## Strategy

### *Concentration on heavy transport vehicles*

Scania's operations focus on heavy transport vehicles. In mature markets, demand for heavy trucks and buses increases at the pace of economic growth. In emerging markets, demand increases faster or at the same pace as infrastructure expands and logistic demands increase in the transport industry.

### *Modular product system*

With Scania's modular product system, the customer gets the exact vehicle specification he or she wants, regardless of the part of the world where the vehicle is manufactured. The more closely a vehicle and related services are adapted to a transport task, the better the customer's operating economy will be. The modular system is the basis for product quality. It simplifies parts management and contributes to a higher degree of service. The modular system optimises the total number of main

components that are included in Scania's product range. It thereby allows considerably longer production runs for these components than is possible in a conventional product system.

### *Integrated range of vehicles, services and financing*

Scania grows by offering customers combinations of vehicles, service and financing for the best total solutions in the market. Scania's customers increasingly use their vehicles round-the-clock. This presupposes rapid, continuous access to service and repairs. In addition, Scania is continuously improving its sales and service network. Customer financing is an important element of Scania's complete product range.

### *Focus on growth markets*

Scania's main markets – Europe, Latin America and Asia – have good potential for long-term growth. An increasingly borderless Europe, with growing economies and an expanded number of EU member



### Vision

Scania's vision is to be the leading company in its industry by creating lasting value for its customers, employees, shareholders and other stakeholders.

### Mission statement

Scania's mission is to supply its customers with high-quality heavy vehicles and services related to the transport of goods and passengers by road. By focusing on customer needs, high-quality products and services, as well as respect for the individual, Scania shall create value-added for the customer and grow with sustained profitability.

Scania's operations specialise in developing and manufacturing vehicles, which shall lead the market in terms of performance and life-cycle cost, as well as quality and environmental characteristics.

Scania's sales and service organisation shall supply customers with vehicles and services that provide maximum operating time at minimum cost over the service life of their vehicles, while preserving their environmental characteristics.

states, offers major opportunities to manufacturers with a well-developed sales and service network.

In Latin America, there is an increasing demand for vehicles, services and financing as an ever larger share of both goods and passenger traffic utilises heavy vehicles. Asia is a long-term growth market. Infrastructure improvements will open the way for a more efficient transport sector.

## BRAND

## Strong corporate culture builds the brand

Scania has a strong corporate culture that always puts the customer first. Respecting the knowledge, experience and aspiration of all individual employees to continuously improve their performance is fundamental to Scania's culture.

Historically speaking, Scania has competed on the basis of well tried and tested technical solutions. Its ambition has always been to outperform its competitors. Scania's products are the customer's tool to achieve high profitability.

This is based on long experience, high quality and cost-effectiveness – values summed up in the Scania brand name. The strength and value of the brand has helped make Scania one of the most profitable companies in its industry. Strong customer loyalty is the cornerstone of this profitability.

### Pride and trust

A customer should feel proud to own and drive a Scania, a professional tool that strengthens the respect accorded him by colleagues, competitors and his own customers. But he also feels trust, because he has made a sound investment. This trust is not only about physical products, but also about being able to rely on all the collective knowledge and experience of Scania's global service network.

### Values

Scania's identity is shaped by its internal values and working methods. Three fundamental values – core values – are shared throughout the company and form the basis of both Scania's corporate culture and its business success.

#### *Putting the customer first*

Scania focuses all its efforts on the needs and activities of its customers. It does this by optimising the value chain from research and development via production and purchasing, to sales and servicing of vehicles while they are in operation. Through knowledge of the customer's needs, and by viewing its business over a vehicle's entire life cycle, Scania also creates a close contact and a partnership with the customer.

#### *Respecting the individual*

Respect for the individual is a cornerstone of leadership at Scania. On the basis of this value, it is the task of a Scania manager to teach and apply the principles that govern the company's work.

New ideas and inspiration are born out of day-to-day operations. When given increased responsibility, Scania's employees always develop better solutions in their work. Their knowledge, experience and attitude of continuously aspiring to improve their work help ensure higher quality, efficiency and greater job satisfaction.

### Quality

All employees in the global Scania organisation know that the customer's profitability is dependent on the delivery of high quality from Scania. By immediately dealing with deviations in well-established processes, and promptly remedying them, Scania's employees can continuously improve the quality of their products and services.



## Scania grows with its employees

One of the basic values shared by everyone who works at Scania is respect for the individual – always treating others as we ourselves wish to be treated. Respect for the individual is also the basis of all leadership at Scania and is one of the company's three core values.

If Scania is to be a first-class workplace, it requires good leadership.

### Leadership

Leadership must be clear, supportive and with straightforward allocation of responsibility. This establishes a secure environment that encourages initiative and that rewards concrete, lasting results. This is fundamental to Scania's development efforts. At Scania, leadership is based on shared values, principles and attitudes. Such leadership creates the preconditions for change and learning.

Among other things, this implies an open, clear dialogue that reflects Scania's values.

### Scania's human resources policy

Scania should be a highly regarded employer with competent and dedicated employees who work in a creative and healthy environment where diversity and an ethical approach are cherished.

But above all, leadership at Scania means a talent for transforming a common way of thinking into a common way of working. Managers should be role models for their fellow employees. It is necessary to lead through other employees and to set a good example.

Good leadership means having a holistic view, while also taking into account the individual capabilities of employees.

### Workplace health and safety

A creative, healthy environment with a positive working climate is fundamental to all employees at Scania. At the same time, each employee is expected to take responsibility for his or her own situation and health, as well as live up to the company's core values and contribute to continuous improvements. Employees regularly fill in a questionnaire expressing what they think about their work situation and cooperation with their immediate supervisor and organisation.

For many years, Scania has invested in fitness programmes in order to improve the well-being of its employees. This includes taking advantage of activities that have a positive impact on job satisfaction, relationships and motivation.

To help employees who have nevertheless ended up in the risk zone for ill health, Scania also has access to other health-promotion resources, whose purpose is to enable the employee to regain a well-balanced existence. The results of the company's actions can be measured,



Scania devotes a lot of effort to fitness programmes. "Scaniamilen", a 10-km run in Södertälje, Sweden, attracts thousands of Scania employees.

among other things, in reduced absenteeism due to illness. In Sweden, absenteeism by Scania employees totalled 5 per cent during 2003.

### Human resource development

Of Scania's approximately 29,000 employees around the world, nearly 60 percent are blue-collar employees and slightly more than 40 percent are white-collar employees. About 15 percent of the overall Scania workforce consists of women. More than 60 percent of employees are 26–44 years old. Scania thus has a favourable demographic age distribution in its workforce.

Developing the skills of employees and their ability to work according to common

principles and methods on a global basis is a prerequisite for Scania's success. Once a year, each individual employee's human resource development plan is summarised in a review with his or her manager.

At Scania, human resource development is connected to the short- and long-term objectives and needs of the company's operations. Scania thus offers a broad range of specially tailored training and human resource development. One example is Scania Network Training, which gives employees in the sales and service organisation goal-oriented training based on identified needs. In the Scania Training Management System, each employee has



a human resource development plan, which is a practical tool for ensuring the requisite level of training and quality of the global marketing organisation.

### Freedom of contract and co-determination

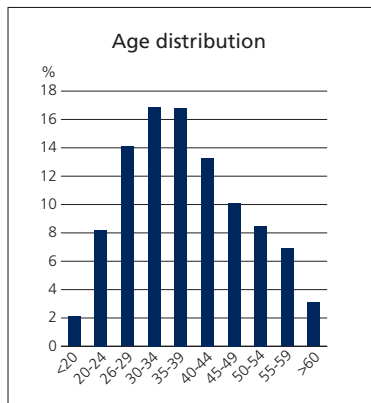
All Scania employees are entitled to participate in trade union work. A majority of employees belong to unions, but the level of union affiliation varies in response to local conditions.

In all countries where Scania does business, employees have access to company information and the right to co-determination, as provided by national legislation.

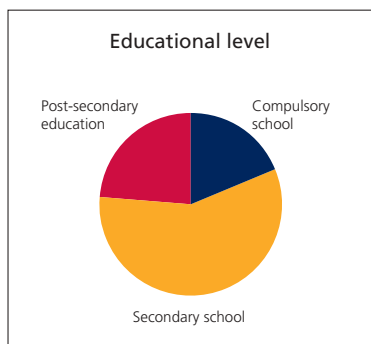
The Scania European Committee is a forum for consultation and information where employee representatives from EU countries meet.

### Performance-based bonuses

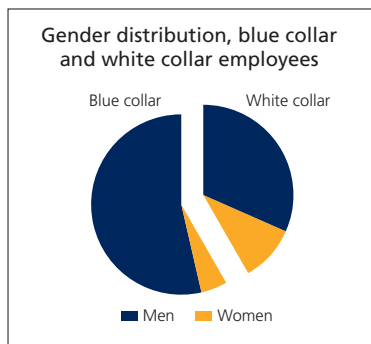
Good leadership in a healthy working environment characterised by personal responsibility and teamwork provides motivation. Combined with performance-based compensation systems, this motivation increases employee participation and dedication. In Sweden, bonuses are based on the year's delivery assurance, productivity growth and quality. Funds are transferred to a foundation in which each employee owns shares. At year-end 2003, the foundation owned 0.61 percent of Scania's shares (1,219,000 Series B shares). In France, bonuses is determined by productivity, quality and delivery precision, and in the Netherlands by productivity and low absenteeism. In Latin America, bonuses are based on production, low absenteeism, market leadership, teamwork and improvement efforts.



Scania's workforce has a favourable age distribution.



More than 80 percent of employees have an education equivalent to a secondary school diploma or higher.



Women and men have the same opportunities at Scania. Gender distribution is still uneven, however.

### The Scania Marketing Academy

The Scania Marketing Academy provides academically accredited training that develops and reinforces the business skills of Scania's marketing organisation. The Academy is run in collaboration with the Stockholm School of Economics.

"Two weeks here convey much of Scania's soul, which has been important to me as a relatively new employee," explains Natalia Tutova, Deputy Credit Risk Manager at Scania Leasing Russia. To date, about 330 managers and specialists from Scania's international organisation have earned a certificate from the programme.

"Team-building is an important element of my job. There are no heroes here," maintains Abel Gustavo Cordoba, Business Intelligence & Development.

During their weeks at Scania's Hedenlunda conference centre, programme participants are also able to gain an in-depth view of the company's vision and strategy, something that Ilmar Kukk, Sales Manager of Scania in Estonia, appreciated.

"I am basically an engineer, and to me strategic thinking and financial issues have been extremely valuable."



# Long-term community relationships

A global company like Scania both influences and is influenced by the communities where it operates. At Scania there is a tradition of establishing long-term local relationships to be able to work in a sustainable way.

Scania's operations contribute to the economic and social development of host countries. Our operations and the use of our products also affect the environment, while we endeavour to improve conservation of resources and reduce emissions.

Scania's relationships with society at large are of great importance to its brand and long-term profitability. From a global perspective the company's relationships, both internal and external, are based on a set of common values, known as Scania's core values:

- Putting the customer first
- Respect for the individual
- Quality

Scania's social responsibility efforts derive from this common base. The issues we become involved in are related to our business. Our focus is thus on road safety and on the creation of more environmentally acceptable vehicles and transport systems. Scania must be a leader in active safety and develop products in such a way

as to minimise both the number of accidents and the damage they cause. Good environmental performance and management at Scania's own facilities are an obvious goal.

### Global corporate culture

Scania has consistently aimed at long-term development work.

The three core values apply to everyone, regardless of where in the organisation a job is performed. This also means that on ethical issues, everyone has to become involved and work in accordance with Scania's existing practices. Scania supports the OECD Guidelines for Multinational Enterprises.

### Environmental standards apply throughout Scania

There is an environmental impact both at our own facilities and when our products – vehicles and engines – are being used by customers. Scania's Environmental Policy and overall environmental targets apply to all parts of the company and are posted at [www.scania.com](http://www.scania.com)

Scania's guiding principle is to reduce the environmental impact at all stages, throughout the product life cycle. The company's environmental work thus strongly emphasises doing the right thing from the beginning, conserving raw materials and energy and focusing on the needs of customers, by manufacturing vehicles and engines with better fuel consumption and low exhaust gas emissions.

### 2003 – year of the driver

Scania believes that the driver is the most important contributor to improved road safety and works to make his or her job easier. Our vision is that drivers of heavy vehicles should serve as role models for other road users.

To promote road safety, driver skills and a positive attitude in society at large towards transport professionals, during 2003 Scania organised a competition for young truck drivers. Some 6,000 drivers from 20 European countries competed in safe, environmentally oriented and economical driving techniques. Scania implemented the competition in partnership with the European Commission and with Michelin, Shell and the International Road Transport Union (IRU) as co-sponsors.

### How others rate Scania

Scania is evaluated by others on the basis of what we do and how we do it. Our ambition is to increase transparency to meet the needs of all stakeholders.

In order to improve informational work, Scania is working with the United Nations Environmental Programme as well as other vehicle manufacturers in partnership with the Global Reporting Initiative (GRI) to prepare a guide for voluntary reporting by the vehicle industry.

During 2003, Scania's shares were included in the Dow Jones STOXX Sustainability Index (DJSI Stox) and FTSE4Good. The company is also evaluated regularly by international sustainability analysts.



### The OECD Guidelines in brief

- **Generally:** Respect human rights.
- **Information:** Disclose relevant information to all stakeholders.
- **Employees:** Respect the union rights of employees and help eliminate child labour.
- **The environment:** Strive for continuous improvement.
- **Corruption:** Never offer bribes or anything else that may be perceived as bribes.
- **Interest to customer:** Disclose product information to customers and establish improvement procedures.
- **Science and technology:** Work towards transferring knowledge to host countries.
- **Competition:** Refrain from anti-competitive agreements among competitors.



Erik Dahlberg describes Scania's "crash-zone" concept.



Hasse Johansson, Scania's Head of Research and Development.



Jan Gustavsson demonstrates Scania's fleet management products.

### Scania hosts European gathering

In October, for the third time since 1999, Scania organised a road safety conference in Brussels. Among the 400 participants were politicians and officials from the European Parliament and the European Commission, as well as researchers, road safety experts, representatives of the vehicle industry and haulage business, as well as journalists.

"Human-machine interaction is an important factor if we are to improve safety on our roads, but technology must not gain the upper hand and become a mental burden for the driver," noted European Commissioner Erkki Liikanen.

Every year about 40,000 people are killed and 1.7 million are injured on the roads of the EU. During 2003 the European Commission adopted an action programme aimed at halving the number of traffic fatalities by 2010.

At the conference, the European Commission presented its guidelines and directives concerning commercial vehicles. Driver-related issues received close attention and were discussed in various workshops. Dimitrios Theologitis of the EU Directorate-General for Energy and Transport spoke on measures that will enable the EU to halve the number of fatalities on its roads.

"We must enhance the professional transport industry to the highest possible level of safety, quality and working conditions. We can do this by eliminating barriers and facilitating easier movement of people and goods across the boundaries of member countries."

One issue that received special attention was improved safety in case of collisions between cars and trucks. Scania presented a concept truck that could save many lives, thanks to a deformation structure or crash-zone at its front.

### Crash-zone will save lives

Together with front underrun protection, which has been required by EU law since August 2003, the concept boosts the survivable head-on collision speed from 56 km/h to 90 km/h. This is achieved by lengthening the front of the truck by 600 mm. What may appear like a bonnet is instead a structure that is purpose-built to absorb energy in a controlled way.

"Changing the laws to allow extra length and weight for trucks with such a deformation zone will encourage hauliers to invest in better protection for other road users," Hasse Johansson, Scania's Group Vice President for R&D, told the assembled experts.

## Customer demands shape new products

Scania's customers are found all over the world. Their operations may differ, but they all have in common that in their businesses they make heavy demands on Scania's products and services. All work at Scania is focused on understanding and meeting the demands, needs and wishes of these customers.

Scania pursues a continual dialogue with customers during the development of new products, to ensure that these products live up to all the demands that are made. In the task of developing the new truck range, this included conducting product clinics, to which drivers and other customers were invited early in the development process to test various design solutions, especially related to the cab interior. These clinics were then repeated at regular intervals until the final stage of development work. Since the needs of customers vary in many respects, depending on where they are in the world, the product clinics were conducted on several continents. In addition, a number of pre-series trucks were operated by various hauliers to find out what customers thought about them under real-life conditions.

### New customer demands

Internationalisation, structural changes and increasingly active customers and consumers have changed the transport industry in recent years. Demands for faster,

more reliable and cheaper deliveries are forcing transport companies to improve the efficiency of the flow of goods, services and information. Large hauliers are evolving into logistics companies, which assume total responsibility for their customers' transport needs. Meanwhile many smaller haulage firms are specialising or becoming subcontractors to larger transport companies. Such services as financing, insurance, short-term vehicle rentals and maintenance are in ever greater demand.

*Scania's product development work occurs in close cooperation with drivers.*

### Truck customers

Scania's truck customers are using their vehicles during more and more of the day and night. This presupposes access to routine maintenance and repairs. For Scania, it means 24-hour service workshops, comprehensive parts management, complete maintenance and many other services generated in close contact with the customer.

A large proportion of Scania's truck customers work in the long-haulage segment, where Scania's international service network is highly valued.

Drivers, who live with the products, are an important target group to Scania. They have a major influence on the purchasing and investment decisions of transport companies and are key individuals when it comes to operating cost, environmental impact and safe vehicle handling.

### Bus and coach customers

Scania's customers in city bus services today are often private operators, in many cases active in more than one country. To a growing extent, they are demanding a total transport solution. Service and repair contracts, financing and traffic planning are examples of the elements that may be included in Scania's bus business.

Customers in the tourist coach segment previously composed their own coach, by ordering the chassis from one manufacturer and the body from another. Today more and more customers, especially in Europe, want to buy whole buses

from one supplier. This means that to a greater extent, Scania is selling a complete vehicle, where the chassis comes from Scania and the body is purchased from an independent bodybuilder.

### Industrial and marine engine customers

Scania's industrial and marine engine customers are found in many different sectors. But whether it is a machinery manufacturer, a lone fisherman or a defence materiel procurement officer, their demands are similar. They all want a reliable engine with a long service life and the best possible operating economy. Since most of Scania's industrial and marine engines are operated far from service workshops, dependability is high on the customer's list of demands.

In recent years there has been increased demand for engines that meet a variety of emission standards.



### Colourful cargoes delivered in style

When Dick Misdorp transports tulips, it has to be quick and reliable. That is why Scania's most powerful truck is a self-evident element of his business.

Every day 19 million flowers and plants are sold at the Aalsmeer flower auction. A large proportion of these are transported by air from nearby Amsterdam Schiphol Airport, and only 24 hours later they may be on display in flower shops anywhere in the world.

Every day, 2,000 trucks also leave the 800 metre long, 600 metre wide building for destinations around Europe. One of these trucks belongs to Dick Misdorp.

He bought his first Scania back in 1969. Three years later he got his first V8. Today he carries tulips to other parts of Europe in his latest power pack,

a 580 hp vehicle that helps burnish his image among customers:

"It's a reliable truck that is also very economical, thanks to its optimal trade-off between engine power and overall gearing."

Even though tulips may not weigh very much – the maximum weight of a colourful cargo is about 25 tonnes – it requires fast shipment. But despite high average speeds on European motorways, Dick Misdorp's average fuel consumption is a reasonable 23.8 litres per 100 km.

"This truck also has the Scania Retarder, which I am very pleased with. It increases the service life of the brakes on both the tractor unit and trailer, which also contributes to lower kilometre costs."



## Tailor-made vehicles and engines

Scania has an integrated product concept that combines vehicles, service-related products and financing. Through its collective knowledge in these fields, Scania continuously contributes to the profitability of its customers.

The competitive, logistic and market situation of customers constantly changes. This poses new challenges for their vehicles.

### A modular product range

The better Scania vehicles and service-related products are adapted to the customer's transport tasks, the higher the

customer's profitability will be. Scania's modular system is basically a "toolbox" in which most components can be used in many different combinations. This gives customers almost unlimited possibilities to tailor their vehicles to a specific task. Scania's challenge is to supply the customer with an optimally configured vehicle.

### A global product range

The unique "toolbox" also makes it possible for Scania to meet the widely varying needs of customers with a global product range, while preserving economies of scale in development and production. Unlike many other vehicle manufacturers, Scania has a single product range for all markets in the world. Furthermore, the work at all of Scania's production units around the world is governed by common methods from the Scania Production System. The same global quality and environmental standards apply throughout Scania.

### Quality at every level

Scania has a cohesive quality monitoring system – from product development through production and servicing of the product operated by customers. This work is based on identifying deviations before they create problems for customers. Such a working method requires knowledge and foresight. For procurement units, it is a matter of choosing good, reliable suppliers. In production units, the quality of working methods is refined through the continuous

efforts of improvement teams. The challenge to the sales and service organisation is to understand the customer's business to be able to tailor vehicles for optimal transport work. For the service market, preventive maintenance is the best way to keep malfunctions from happening and help the customer avoid expensive downtime.

### Environmental adaptation of products

Most of the environmental impact of a vehicle, 95 percent, occurs during its service life. Continuous development work enables Scania to constantly improve the environmental impact of its products. Strategic areas of the products' environmental performance include emissions of exhaust components, chemical content and residual processing. Aside from Scania's internal development targets, future legal requirements on products weigh heavily in the development task.

If Scania's customers are to continue investing in the company's products both vehicles and service solutions must undergo constant development. Important objectives are lower weight, lower operating cost and longer service life.



*Scania's product system is basically a "toolbox" in which most components can be used in many different combinations.*



#### Trucks

Scania develops, manufactures and markets trucks with a gross vehicle weight of more than 16 tonnes (Class 8) for long-haulage, construction haulage and distribution of goods. During the spring of 2004, Scania is introducing a new extended range of trucks.

Scania's long-haulage trucks are characterised by high availability, excellent fuel economy and low maintenance costs. The new R-series is optimised for long-haul service, with higher capacity, better performance, fuel economy and reliability.

Scania's construction trucks are developed and built with off-road mobility and cargo capacity as their most important characteristics.

Scania's distribution trucks are developed to operate in city environments and other settings where they must meet high standards in terms of environmental performance, driver environment and manoeuvrability.

#### Buses and coaches

Scania's bus and coach operations focus on heavy buses with high passenger capacity for use as tourist coaches or in intercity or urban traffic. Most of Scania's bus production consists of chassis. In 2003, more than 90 percent of production then went to independent bodybuilding companies.

For intercity and city traffic, Scania manufactures its own bus bodies under the Scania Omni brand.

Scania's bus and coach chassis range is largely based on standardised components, most of which are shared with trucks. This yields major benefits to customers in the form of good access to service and parts.

Scania's bus chassis are modular and give the customer a good opportunity to specify a tailor-made vehicle.

#### Industrial and marine engines

Scania's engines are used in a variety of applications – not only in buses and trucks. The starting point is always Scania's basic engines, which are then adapted to fit the requirements of the customer.

Dependability, durability and efficiency are qualities that make Scania's engines highly appreciated among customers in many different fields of application. Examples of applications for Scania industrial and marine engines may be container handling equipment, pilot boats, irrigation units and construction equipment. In principle, a Scania engine can be placed in any kind of application that requires a powerful engine.

The trend is towards increasingly complex products, driven among other things by new, stricter emission rules.

## Maximum uptime requires optimal service

To many of today's transport companies, high vehicle availability is a prerequisite for profitability. The quality of the service network is as important as the quality of their vehicles.

Demands for faster, more reliable and cheaper deliveries are forcing transport companies to improve the efficiency of their operations. By updating, customising and constantly expanding its range of service-related products, Scania is offering these customers increasingly cost-effective solutions.

Many customers prefer repair and maintenance contracts, where they pay a fixed per-kilometre price so they can focus on their core business – transport and logistics. Other customers want a fixed per-repair price for both parts and labour.

With 1,500 authorised Scania workshops around the world, more than 1,000 of them in Europe, the service market is a key competitive factor for Scania. Its importance to Scania's profitability is continuously increasing. The EU's modified block exemption system for the motor vehicle sector has intensified the competition in this market. Customers now have an even broader range of choices when they want service or repairs performed.

Scania is responding to this competition with expanded availability, where speed, quality and expertise are key concepts.

### Quality

The customer pays to ensure that his vehicle will always work. An unplanned stoppage always represents a cost, and in the worst case it means lost business. Through high quality and availability in its service network, Scania helps the customer to limit these costs.

To make sure that all Scania customers will receive the same high level of service and quality wherever they are located, Scania has expanded its Dealer Operating Standards (DOS) internal certification programme. This sets standards for availability, sales and delivery, access to parts as well as maintenance and repairs, among other things. Environmental standards in the sales and service organisation have also been tightened. Compliance with the DOS standards is monitored regularly.

### Expertise

There is a steadily growing need for training in the service sector. The advanced technology built into coming vehicles will demand a high level of employee skills.

Right from the start, reference people from Scania's service workshops participated in the task of developing the new R-series. The result has been a truck with faster and easier maintenance, enabling customers to use their vehicles even more efficiently.

Instructors are trained regularly at the company's own training centres, for example in Germany, Great Britain, Sweden,

Brazil, Dubai and South Korea. These instructors, in turn, train service technicians at local centres.

During 2003 Scania Network Training organised the fourth Top Team final, in which service technicians from 17 countries participated. This recurring competition is a much-appreciated way of raising the level of expertise in the service organisation.

### Scania Assistance

Today's customers expect maximum vehicle availability, with a minimum of unplanned stoppages. Scania Assistance is there to help get the vehicle back to work again as quickly as possible in case of unplanned stoppages.

Aside from Europe, Scania Assistance is found in South Korea, Israel, Morocco, Tanzania, South Africa, Brazil, Argentina and Mexico.

The investment of recent years in the Scania Assistance organisation have helped lower the average time between a service call from the driver until the vehicle is back on the road. In four years, this time has fallen from 10 hours and 28 minutes to 4 hours and 26 minutes.

### Personal contact with the customer

Customer financing is all about building close relationships. Zuzana Tomackova, head of Scania's customer financing in the Czech Republic and Slovakia, and Katerina Svancerova, Credit Manager, conclude multi-year contracts with Scania's customers, so creating long-term trust is important.

In the Czech Republic, and perhaps even more so in Slovakia, business is often based on personal contacts. It is vital that customers feel just as important as they are, Ms Tomackova says.

She was among those who started up the company in 1998, when the Czech market was large enough for its own finance company.

The first few years were devoted to building up a customer portfolio. During 2002 a branch office opened in neighbouring Slovakia. Today Ms Tomackova has a team of 13 people who handle customer financing operations in the two countries.

As head of customer financing, Zuzana Tomackova is often on the road, meeting her customers.

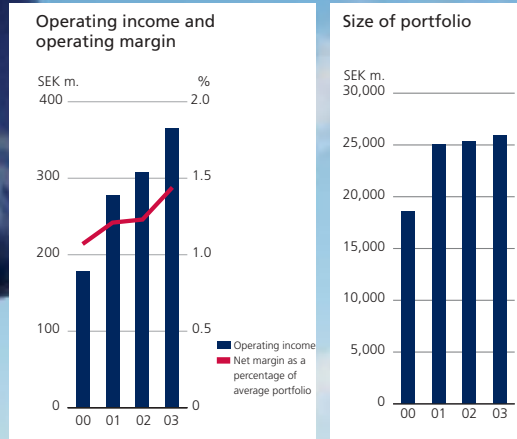
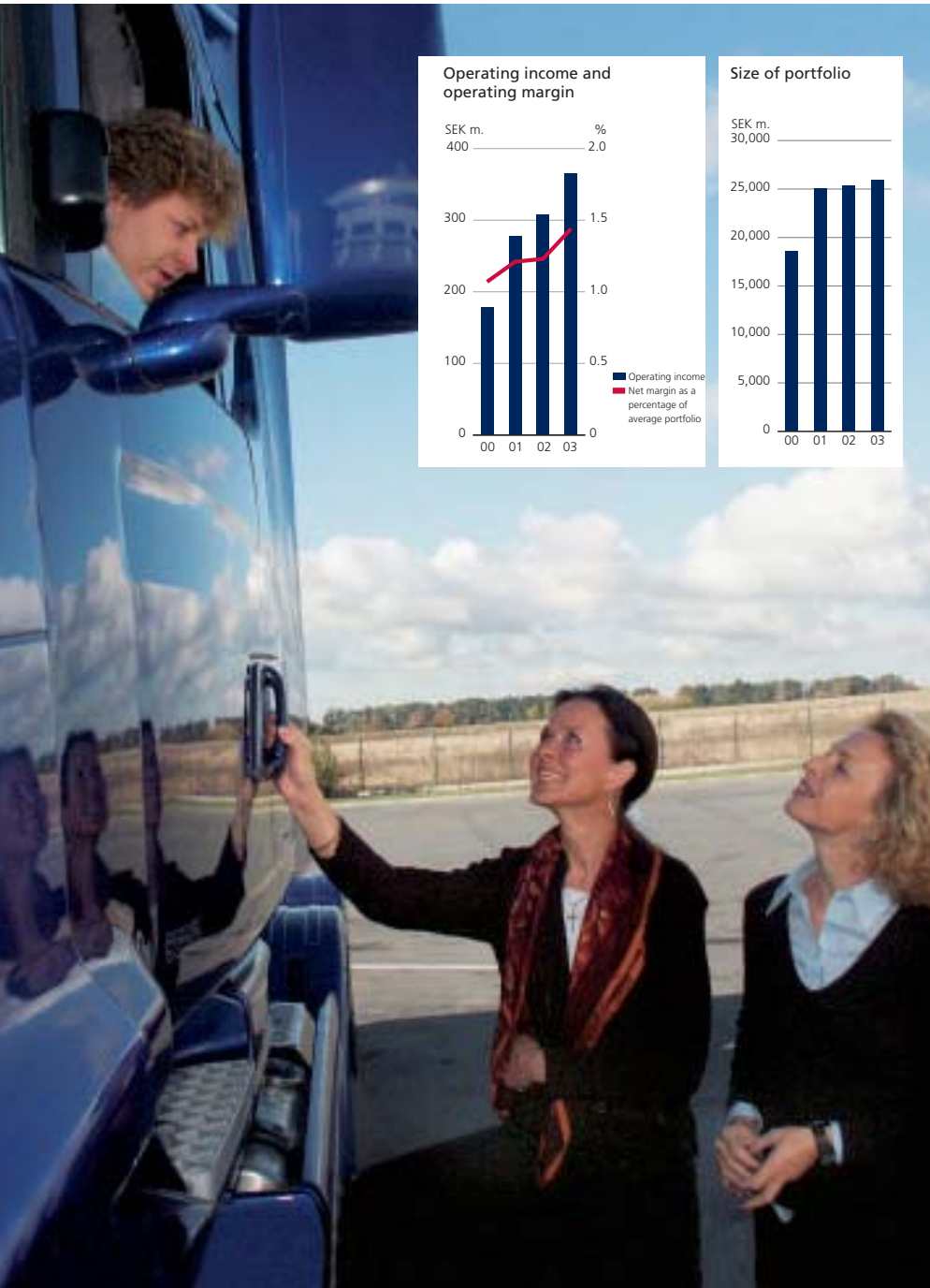
"I enjoy talking with them and learning about their everyday lives. This is part of building relationships – exactly what customer financing is about."

Today Ms Tomackova and her team finance about half of all Scania trucks sold in the Czech Republic. The market has grown sharply, and competition for customers is very tough.

"Our major advantage is that we are flexible and fast. This is often the reason why customers choose us for their financing. We work out of the same building as Scania's Czech sales company, and that proximity is important. Here customers can get everything in one place."



# Customer financing with a local touch



Financial services are an important element of Scania's product range. These activities help strengthen the competitiveness of customers by creating a sound, secure long-term financial platform for their businesses.

Scania's customer financing enable customers to tailor financial solutions to their needs. Hire purchase financing, leases and insurance solutions can be combined with service contracts, based on customer wishes.

Scania endeavours to work locally in its Customer Finance operations. Proximity to customers and local know-how makes the processing of applications efficient and improves the quality of credit evaluation.

## Europe

Scania's Customer Finance operations in Europe encompass thirteen finance companies. In most western European countries, portfolio growth stabilised, since sales volume was relatively stable. The Spanish finance company, which was established late in 2001, showed continued good growth during 2003. Operations in central and eastern Europe take place through local Scania-owned companies in Russia, Poland and the Czech Republic, while most other eastern European markets receive cross-border support with their financial solutions from the subsidiary Scania Credit.

## Asia and Africa

Since the beginning of 2003, financing operations in South Korea have taken place through a Scania-owned finance company. Volume growth remained strong during 2003.

During 2003 financing operations in South Africa developed favourably.

## Latin America

In the Latin American market, Scania offers customer financing mainly in collaboration with outside lenders.

## Future outlook

In recent years, growth in customer financing has slowed. Operations have entered a consolidation phase, with the primary focus on further refining the services that the organisation offers to Scania's customers. In the growth that occurs, Customer Finance will assign priority to retaining a balanced portfolio in terms of geographic distribution, customer size and allocation among risk categories.

## The art of peering into the future

Scania's research and development work begins and ends with the customer. But customer demand is not the only thing that drives this work. So does our ability to embrace new technology in order to meet future, probable and real needs. In order to "see around corners" and understand the businesses and the needs of customers, Scania works with selected reference customers. Technical studies and research projects are other methods for trying to peer into the future.

Scania's research and development expenditures in 2003 totalled SEK 2,200 m. (SEK 2,000 m.). R&D work is mainly concentrated at the Scania Technical Centre in Södertälje, where 1,600 engineers and workshop employees have, among other things, more than 20 engine test cells and chassis test rigs as well as a 13 km test track to help them in their work.

Product development takes place in five main areas: chassis, engine, cab and transmission development as well as complete vehicles. Truck, bus and engine development work is integrated and is run on a cross-functional basis. Scania's modular toolbox makes it possible, in principle, to build a bus chassis out of the components used in a truck chassis. This provides economies of scale that are unique among today's bus and coach manufacturers.

**The industrial research programme**  
Scania continuously participates in a number of cutting-edge technological research projects in collaboration with institutes of technology, universities and other research institutions. One example is Scania's industrial research programme, which was launched in May 1996 and by now has proven to be a highly successful investment.

The industrial research programme contributes greatly to Scania's strategic recruitment of expertise. Of the approximately 25 doctoral students who are participating in or have completed their post-graduate studies, nearly all have continued

working at Scania after having received their degree.

The industrial research programme has served as a mutual and fruitful exchange of knowledge and ideas between Scania and the academic world. Scania has already been able to apply some of the research findings from the programme, while others will have their breakthrough in the years ahead. Some of the fields in which Scania has initiated and participated in research projects are related to future combustion concepts such as Homogenous Charge Compression Ignition (HCCI), cargo and driver comfort as well as lateral stability of buses and trucks.

*Life-cycle thinking is the foundation of Scania's research and development work.*

### Environmental priorities

Life-cycle thinking is the foundation of Scania's research and development work. By weighing in the environmental aspects at an early stage of product development work, the environmental impact of the product can be reduced throughout its life cycle. Better fuel consumption and reduced exhaust emissions are always in

the spotlight. Avoiding and phasing out hazardous chemicals are other important areas. Product development work also offers opportunities to plan for environmentally acceptable dismantling and recycling of vehicles at the end of their service life.

Development of new or improved products usually leads to better environmental performance. Future legal requirements for products play a major role in development work. These legal requirements are often imposed for environmental or road safety reasons.

### Patent protection and design registration

More intensive competition has made it necessary to obtain patent protection for the knowledge that underlies the development of new products. Design registration is also important to ensure that no one can copy Scania's designs.



## The driver's new world

It has more room, better ergonomics and improved crash safety. A large proportion of the most important innovations in Scania's new truck range have to do with the driver environment.

Scania enlisted the help of numerous drivers, who use various truck makes, in order to design and test the driver's favourite cab. The result is a new, ergonomic driver environment featuring a curved dashboard where everything is located within arm's length. Sleeping comfort has also been improved. The most striking innovation, however, is the almost completely flat floor. No gear lever, no engine tunnel, but plenty of room.

In other words, the focus has been on the driver, from the first sketch to the final design solution for the R-series cab. By increasing the driver's satisfaction, dedication and ability to do as good and safe a job as possible, Scania helps improve its customers' profitability.

The placement of electrical switches, controls and other equipment on the dashboard is logical and strategically conceived on the basis of customer needs. A robust cup holder, a large drawer for an A4 binder, spaces specially intended for fuel, credit or highway toll cards, as

well as large flat work surfaces are details that add up to a more functional workplace.

"We have not only focused on the driver environment, but also on the 'mobile office' and the 'mobile café'. This is reflected in ample space as well as smart storage lockers below the dashboard," explains Mats Holmstrand, who headed the task of developing the new instruments.

The safety of the driver and any passenger has also been an important aspect throughout the development process. The steering wheel is designed to allow maximum visibility at all times and not to obscure the driver's view of the dashboard.

"The shape of the steering wheel and other components in front of the driver, such as the steering column and dashboard, work together to absorb a maximum of crash energy and minimise driver injuries in case of an accident."





## DEVELOPMENT OF TESTING METHODS

# Increasingly advanced testing methods

The development of Scania's new trucks was based on the 4-series, the Scania product that has generated the lowest customer operating costs of all time. Advanced new testing methods have helped make the R-series the best truck Scania has ever built.

To carry out new vehicle projects successfully, Scania has greatly improved its testing methods and resources in recent years. It has made large investments in analysis, simulation and physical testing of fatigue strength, vehicle dynamics, acoustics and fuel efficiency. Many tests are conducted nowadays in simulation programmes, in less time and with greater precision than before. For example, in the field of fatigue strength testing, investments in testing resources have led to a 70 percent capacity increase. Complete vehicle configurations have been analysed and tested before final verification tests by customers have begun.

### Thousands of improvements

During the testing of the R-series, new testing technology enabled Scania to identify and remedy a number of deviations before production began. These improvements will now benefit customers in the form of increased availability and lower fuel costs, as well as easier service and maintenance. Another benefit is a better environment for the driver, in the form of a new cab interior and new driver interface.

Many of these improvements were made possible by the new platform for the truck's electrical and electronic systems. In this area, new product development methods and extensive field testing have given customers greater value-added and made Scania's production system more efficient.

### Testing in heat and cold

Scania's products are used by customers all over the world. This means that testing work must take into account the whole range of driving and climatic conditions trucks may face. Having studied how trucks are used and what stresses they face, Scania's development engineers can avoid unpleasant surprises with the aid of analyses and testing. Climate testing and measurements of operating conditions play a key role in this work. Climate testing, which ranges from the extreme winter climate of Siberia to the heat and humidity of the tropics, covers the full array of conditions that the Scania "toolbox" must cope with, to ensure that the right truck is specified and sold to each customer.

## The same truck at +50 or -50 degrees C

The temperature conditions that Scania customers work in may differ by as much as 100 degrees Celsius. But in principle, they use the same vehicles. Scania's modular product range makes maximum customisation possible.

In northern Africa and the Middle East, vehicles must be able to tolerate extreme heat, desert sand and dust.

Matimex, one of Morocco's leading construction haulage firms, uses Scania trucks exclusively in its gravel hauling work. Its trucks are equipped with a unique tipper body with high cargo capacity. In temperatures of up to 50 degrees C, trucks must meet high standards of dependability.

A few thousand kilometres north, basically identical Scania vehicles ply the roads. But in the interior of Siberia, the challenge facing the Mostostroy-12

haulage firm is that its Scania trucks are exposed to extreme cold and bad roads resting on permafrost. The vehicles are driven for 20-day tours of duty, hauling gravel for the construction of new roads. One driver takes over from another, but for safety reasons, the engines of the vehicles are never shut off. At minus 50 degrees C, the reliability of a vehicle may make the difference between life and death. Then come 10 days of thawing and maintenance indoors, before it is time for the next 20-day tour of duty in the Arctic cold.

All these vehicles – used under the most extreme conditions – were delivered to Scania's customers specified entirely on the basis of the Scania modular "toolbox". Fundamentally, they are the same truck, but with a number of modules replaced by others to fit local conditions.

A vehicle's systems and components must work together under the toughest conceivable conditions.

### A steady development process

Development of Scania's products occurs through standardised methods. A well-defined product development process gathers all the product ideas that originate in marketing and development departments. These ideas are evaluated and prioritised in light of Scania's product strategy. Product development then occurs in project form, with clear objectives and end dates. One direct consequence of modularisation is that product improvements can be implemented in a steady flow, without major changes in the form of yearly models

or the like. Standardised interfaces mean that new performance steps can be introduced without extensive changes in the composition of the vehicle. This, in turn, makes it possible to introduce new, improved components immediately, instead of waiting for major model changes. For the customer, every new Scania is a better Scania.



### A shaky operation

Today Scania's Strength Testing Laboratory in Södertälje has at its disposal three shake rigs, in which complete vehicles or portions of a vehicle can be shake-tested. The testing simulates the punishment that a vehicle is subjected to when driving on Scania's test track. A test that takes about two years on the track can be completed on the rig in three months.

Each shake rig consists of four hydraulic cylinders attached to the vehicle frame that apply vertical force, two cylinders that apply lateral force and one that applies longitudinal force. All the cylinders stand on a vibration-insulated floor. The rigs can operate without manual surveillance and will automatically stop when any component breaks. When

that happens, the component undergoes a fatigue strength analysis, whose results provide the basis for redesign. Each component or system must meet Scania's internal quality standards before being approved for production.

The laboratory also has a rig for testing truck frames that are equipped with axles and axle suspensions, in other words all weight-carrying components of a truck. The test rig consists of 20 hydraulic cylinders that simulate the loads on each wheel of a three-axle vehicle in the vertical, lateral and longitudinal direction, but also simulate braking forces. In addition, the rig simulates the effect of the cab and engine on the frame while driving.

## A truck with lower operating cost and environmental impact

Scania's customers want reliable vehicles that give them the lowest possible operating cost. The tough competition that today's hauliers face means that even marginal improvements are very important to a customer's business. Scania's new truck range was developed with precisely this in mind.

Scania's first Euro 4 engines are available with the R-series. These engines deliver a 30 percent reduction in nitrogen oxide emissions and an 80 percent reduction in particulate matter. The new R-series provides fuel savings of several percent, which is important to the customer when vehicle fuel accounts for one-third of his total costs.

This saving was achieved primarily through improved aerodynamics and electronic auxiliary systems.

### Lower air resistance

In 1995 Scania introduced a radically altered cab design, offering exceptionally low air resistance. Since then, continued careful wind tunnel research has revealed further improvement potential. This applies, for example, to the shape, size and placement of parts that affect air flow around the vehicle. The front of the R-

series, with new air deflectors and a more rounded bumper that reduces turbulence under the vehicle and creates better air flow around the wheels, is one result of this research work.

### Lower weight and higher cargo capacity

Scania's new truck range also features a significant reduction in weight. Lower vehicle weight means higher cargo capacity. A new frame, rear suspension and fifth wheel plus weight reductions in the steering gear and cab increase cargo capacity by up to 270 kg.

Scania's new truck range also allows a larger number of potential specifications, which means customers can tailor their vehicles especially for weight- or volume-sensitive haulage work.

### Vehicles with increased availability

While developing the new truck, Scania accorded top priority to safety, quality, reliability and high availability. Availability is a factor that greatly affects the economic situation of customers. Many of the new parts, components and systems introduced in the new truck give drivers improved vehicle availability and lower operating cost.

### Lower emission Euro 4 engine

The engine management potential provided by the new electrical system of the R-series creates a platform for future emission reductions. But as early as during

2004, Scania can offer Euro 4 engines with 30 percent lower nitrogen oxide and 80 percent lower particulate emissions.

Engine development work at Scania has always been motivated by the desire to reduce emissions without boosting the level of fuel consumption. For the researchers who perform this work, new emission regulations for the years ahead serve as an extra challenge.

As a consequence, refinements of fuel injection systems and other advanced technology will reduce the exhaust emissions of the diesel engine within the near future.

The development of future engines using entirely new combustion concepts, such as Homogeneous Charge Compression Ignition (HCCI), is still at an early stage. Renewable fuels are still not economically feasible for running heavy trucks. However, they may be highly suitable as raw materials for a future synthetic diesel fuel.





### Answers blowing in the wind

Aerodynamics has a very large impact on fuel economy. This is why all exterior changes to Scania's trucks are tested in a wind tunnel before vehicles are put into production. Testing of various prototypes occurs early in the development process. The first wind tunnel tests during the development of the new R-series occurred a full four years ago.

The bulk of this testing occurs using 1:2 scale models, which makes configurational changes easier. For example, if various shapes on the roof are to be tested, it saves a lot of time and trouble to work with a scale model instead of a real cab.

Using scale models, it is also possible to conduct such tests in a wind tunnel designed for cars. If the item being tested is too large in relation to the cross-section of the tunnel, the air flow is blocked so much that measurements become impossible. It thus requires

very large wind tunnels to test full-scale trucks. The only wind tunnel in Europe that is large enough is DNW in the Netherlands. Final testing always occurs there to verify the findings of earlier model testing.

To minimise friction, the tractor unit and trailer are placed on air cushions. The rig is connected to a "scale" placed under the test section, which measures the forces the wind causes. While driving on real roads, a truck is usually exposed to some form of side winds, and to simulate this the vehicle is rotated in the wind tunnel. The tests are usually conducted with up to 10-15 degree side winds.

In addition to air resistance, engineers also measure the pressure at various points to be able to analyse air flow around the truck. They also frequently measure air flow through various air intakes.

## Investments for increased capacity

Scania develops and manufactures major heavy vehicle components – engines, cabs, gearboxes, axles and frames – under its own auspices. This gives Scania control of quality and cost levels in development and production.

Scania has a global production system in which all its production units in the world are integrated. As a result, customers enjoy faster, more reliable deliveries, while Scania gains flexibility and greater efficiency.

This is possible because today Scania manufactures identical parts and components at all production units. Due to Scania's global quality and environmental standards, as well as its shared production system, it is of no significance to the customer where Scania vehicles and components are manufactured. A Scania is always a Scania.

During 2003 Scania's production volume in Latin America rose, since local markets continued to recover as deliveries to other parts of the world rose. Today nearly half the company's production of vehicles and components in Brazil and Argentina is exported to markets outside Latin America.

### Capacity increase in Zwolle

At the same time, it is important to have enough assembly capacity near customers to be capable of responding quickly to increased demand. Scania's investment at its assembly in Zwolle, the Netherlands increased the technical capacity of truck assembly lines there by more than 50 percent. Together with concentration of component production to fewer locations, this will enable Scania to respond quickly to a rapid, strong growth in volume.

### Coordination of trucks and buses

The restructuring of the bus and coach operations means that Scania is using the similarities between bus and truck chassis and benefits from existing synergies. Shared components is the basis for this coordination.

To take advantage of these synergies between buses and trucks, during 2002 Scania initiated closer coordination of development, procurement, manufacturing and marketing in Södertälje. This helped cut costs and improved competitiveness of Scania's bus and coach operations. The restructuring of these operations will continue during 2004, when the wholly-owned bus bodybuilding company Omni will concentrate its bodybuilding operations in S upsk, Poland.

### Preparations for new products

During 2003 Scania prepared its production units for the new truck range. Development lines for training and assembly

verification were built in chassis assembly, where employees from Södertälje, Zwolle and Angers were trained alongside regular production. Similar development and training lines were built for engine, transmission and cab production.

### Flexibility

Since the heavy truck market varies both seasonally and over longer economic cycles, flexibility is of great importance in production. The flexibility of the Scania Production System (SPS), as well as the global production system, also makes it possible to respond more smoothly to both short- and long-term changes in volume.

### More efficient suppliers with the Scania Production System

By sharing its experience, Scania helps suppliers to become more efficient in such fields as logistics, elimination of waste and quality improvements. This collaboration, which uses the working methods of the Scania Production System as a model, improves the competitiveness of both Scania and its suppliers.

The Swedish-based company Swenox AB develops and manufactures complete exhaust and aftertreatment systems for the heavy vehicle industry in Europe. Competition is keen, and to increase its production, Swenox initiated an organised partnership with Scania in order to use Scania's working methods and tools.

Over the past year, the company has conducted training courses and formed pilot teams for improvement efforts.

"During the spring of 2003, we began the task of building up a new production line for Scania silencers. We received very valuable help from Scania in doing so," explains Sten Fredholm, Managing Director of Swenox.

To date, improvement efforts have provided a complete analysis of "losses" in the affected production segments. Changeover times in the company's pilot areas have been reduced by half, and productivity has climbed on those production lines that work on the basis of the Scania Production System.

"We are also seeing very good quality and delivery trends. In our most important product for Scania, the main silencer, we now have zero faults and 100 percent delivery precision," Mr Fredholm continues.

The target of continued improvement work at Swenox is that during 2004, all employees should belong to an improvement team.





### Procurement

Scania's procurement operations are based on long-term, open relationships with suppliers. Key suppliers join the development and production process at an early stage and participate in operations in the same way as Scania's own units.

Many of these belong to a network that supplies all of Scania's production units with components. This is possible because Scania has a global quality, environmental and production standard.

In recent years, automotive industry suppliers have increasingly evolved into large systems suppliers with a global presence. Scania primarily wishes to work with small and medium-sized suppliers who focus on their core competency and develop specialized knowledge in delivering to the heavy vehicle industry. Smaller suppliers also have the advantage of being able to react faster and more flexibly to customer wishes.

At the end of 2003, Scania had more than 600 suppliers of direct material.

The task of expanding and integrating the supplier network is continuing. New procurement offices opened in Poland, the Czech Republic and Russia to further penetrate these markets.

By also integrating Scania's sales and service organisation into the procurement system, purchases can be coordinated using common agreements, which yields additional economies of scale.

### Production in figures

During 2003 Scania produced a total of 51,276 (45,145) vehicles, of which 45,985 (41,433) were trucks and 5,291 (3,712) were buses. Productivity, measured as the number of trucks manufactured divided by the number of production employees, rose to 4.6 (4.3) units.

The percentage of employees on short-term contracts decreased during the year. The pay level rose by 4.3 percent in Sweden, compared to 4.9 percent in the Netherlands, 3.6 percent in France, 34 percent in Brazil and 12 percent in Argentina, calculated in local currency.

### Quality and business ethics

Quality and delivery assurance are fundamental factors in choosing suppliers.

During 2003 Scania trained a large number of suppliers in the QS 9000 quality programme.

Scania's procurement rules also specify standards of business ethics and social commitment. Ethical behaviour is a requirement in all relationships with Scania's suppliers. Scania must always aim at the highest quality and integrity. If business activities are not covered by specific laws and rules, fairness, honesty and respect for others must permeate Scania's behaviour.

## The same working methods everywhere

The Scania Production System (SPS) is the basis of all production improvement work. The values, principles and priorities that govern its working methods are identical, regardless of whether production occurs in Europe, Latin America or somewhere else in the world. New solutions developed by an improvement team on the assembly line in São Paulo are introduced systematically by colleagues at the production units in Zwolle, Angers and Södertälje.

The Scania Production System has been developed among the company's own employees at production units. Other Scania operating units besides pure production also apply the concepts behind SPS. Scania's research and development departments are being streamlined according to the same principles, and next in line will be the global service network. A growing number of Scania's suppliers are also applying this methodical way of working.

SPS has contributed to the sharp improvement in productivity at Scania in recent years. In 1985, the company manufactured 1.6 trucks per production employee yearly. During 2003, that figure had climbed to 4.6.

The Scania Production System is based on four main principles:

### *Standardised working method*

To ensure that Scania's products maintain high and uniform quality, work processes have been standardised and documented. Tasks are performed in a specific way, at a specific pace and with an even, balanced flow throughout the production chain. In SPS, this is called the "normal situation".

### *Doing it right the first time*

Since work takes place visually, with visible buffers and process follow-up posted on bulletin boards, what is normal and abnormal becomes obvious. Direct feedback to a person who caused a deviation allows it to be remedied directly, helping to create a quality-assured work process.

### *Consumption-controlled production*

Scania's customers decide how many trucks, buses or engines will be manufactured. It is also the customer's order that determines when production will begin.

This principle permeates the entire Scania production chain, from the customer's order to the local sales company through production and assembly through the final product that is ready for delivery.

### *Continuous improvements*

The overall objective of the Scania Production System is to create continuous improvements, where different production units around the world can learn from each other. By continuously discovering and eliminating waste, the resulting liberated resources can be applied to other productive tasks.

### *More than 1,000 improvement teams*

The most important success factor in the Scania Production System is the work of the various improvement teams. In Scania's global production system, there are now more than 1,000 teams, in which fitters and equipment operators implement continuous improvements by contributing their knowledge, professional skills and capabilities to solving problems. Challenging and improving the existing processes is part of the daily work of these teams. The goal is to find the easiest flow and the easiest method for each situation in their daily work. This has greatly increased employee motivation and job dedication.

### *SPS Office has key coordinating function*

During 2003, Scania established an SPS Office to back up and coordinate the continued introduction of the Scania Production System throughout the Group.

The SPS Office works from the Group's head office in Södertälje with the worldwide Scania organisation. The office's task is to help bring about a uniform interpretation of the system's values and principles throughout Scania. The SPS Office is also responsible for disseminating knowledge and helping continuously improve methods and tools, as well as establishing a standardised SPS working method. One important task is to transfer knowledge and best practice between different units.

Aside from Scania's production units, the office's working area includes outside suppliers and other departments at Scania.

The employees of the SPS Office have long experience and wide-ranging expertise in such areas as machining, assembly, production engineering and procurement. This enables them to deal with a variety of needs at Scania. The back-up role of the SPS Office includes everything from helping the organisation to teach production principles to supporting the introduction of these principles in concrete improvement projects.



## Economic growth fuels demand for truck transport

World production of heavy trucks rose by 10 percent to 590,000 (540,000). Scania was the world's fourth largest heavy truck make, with a market share of 7.8 (7.7) percent.

Macroeconomic expansion and transport needs go hand in hand. Economic growth leads to higher consumption, which increases the need for transport services. In most markets today, only trucks can offer the flexibility and delivery assurance necessary to manage supply chains in the complex logistics systems that form the basis of our consumer societies.

### Operating cost and reliability

In mature markets, large logistics companies compete on the basis of expertise and geographic reach. An overwhelming share of their transport services are contracted out, often to small haulage firms. To this large customer category, operating cost and reliability are decisive when choosing vehicles.

A well-developed service and roadside assistance network are also important factors when every delivery must arrive on time.

Because of the international structure of Scania's sales, long before many competitors the company expanded and integrated its international sales and service network.

About 40 percent of the world market for heavy trucks is found in Scania's main market, Europe. During the past three decades, transport services in Europe have grown by an average of 12 percent each year. In the past decade, truck transport services have accounted for all of this increase. The European Union predicts that road transport volume will rise by 50 percent between 1998 and 2010, but would like to limit this increase somewhat by stimulating rail and water transport.

A number of EU countries are also planning to introduce kilometre-based road charges for heavy vehicles. The need for trucks will thus increase in Europe, while stricter road safety and environment performance standards are being imposed on vehicles.

In emerging markets, demand for heavy trucks is determined both by GDP growth and infrastructure expansion.

During the next decade, the total world market for heavy trucks is expected to grow to between 800,000 and 850,000 vehicles.

### Intensive bus and coach competition

World production of buses in Scania's segment – city and intercity buses and tourist coaches – totalled 67,000 (63,000) units. One-third of these buses were sold in Europe. Latin America and Asia each accounted for about 20 percent of the world market.

Public transport is being deregulated in a growing number of markets around the world. This opens the way for private

operators. Competition is often very keen. The lowest possible operating cost and high bus availability often top the wish list of operators. This poses heavy demands on manufacturers' service networks.

### Industrial and marine engines

Scania's deliveries of engines totalled 3,165 (3,191) units. The trend in industrial and marine engines is towards increasingly complex products, driven among other things by new, tighter emission rules.

### Agreement paves the way for improved safety

During 2003, Scania signed an agreement with ExxonMobil making it the primary supplier of tanker trucks for the oil company's markets in Europe, the Middle East, South East Asia, the Pacific region including Australia and New Zealand and Africa. Scania's vehicles meet ExxonMobil's high safety standards and will be used by transport companies that provide services to ExxonMobil in the above-mentioned regions.

"This is an exceptionally prestigious contract. The fact that ExxonMobil has chosen Scania as a global partner demonstrates that Scania's tanker truck concept meets the strictest safety standards worldwide," comments Group Vice President Gunnar Rustad, Head of Sales and Services.

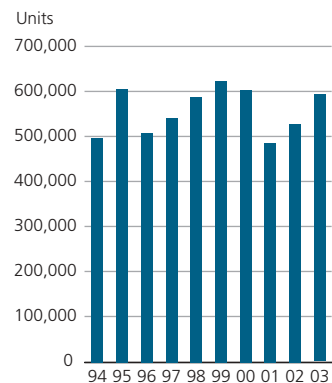
Scania has earlier experience of working with ExxonMobil in various key markets in Europe. In Africa, the two companies also successfully implemented a project to provide tanker vehicles that meet European safety standards for transporting hazardous goods. This project was implemented in some of Africa's most demanding and challenging environments in terms of terrain and road quality.

The new agreement will enable Scania to further collaborate with ExxonMobil to continually improve tanker transport safety standards around the world.

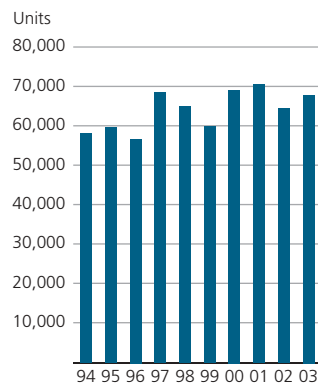


World production of heavy trucks The ten largest makes			
Make	2003	2002	2001
Volvo	75,400	68,200	63,800
Mercedes-Benz	68,900	58,600	65,000
Freightliner	57,900	62,000	39,300
Scania	46,000	41,400	43,500
MAN	42,100	40,100	42,100
Iveco	31,000	31,900	31,500
DAF	30,800	28,700	30,400
RVI	29,800	31,700	32,900
International	27,400	30,900	23,900
Kenworth	23,800	25,800	14,200

World production of trucks  
above 16 tonnes



World production of buses  
above 12 tonnes



REGISTRATIONS OF TRUCKS

above 16 tonnes	2003	2002	2001
<b>Western Europe</b>			
total	213,032	211,687	234,855
of which Scania	29,930	28,524	31,787
<b>Great Britain</b>	34,303	31,055	33,079
of which Scania	6,570	5,050	5,137
<b>France</b>	36,683	40,483	46,158
of which Scania	3,720	3,871	4,281
<b>Spain</b>	26,757	25,512	26,218
of which Scania	3,448	3,171	3,176
<b>Germany</b>	46,278	43,528	50,926
of which Scania	3,436	3,628	4,246
<b>Italy</b>	22,954	25,813	24,481
of which Scania	2,826	3,358	3,304
<b>The Netherlands</b>	10,535	11,488	13,655
of which Scania	2,102	1,958	2,410
<b>Sweden</b>	4,214	4,054	4,261
of which Scania	1,870	1,907	2,040

REGISTRATIONS OF BUSES

above 12 tonnes	2003	2002	2001
<b>Western Europe</b>			
total	21,128	22,326	23,497
of which Scania	2,038	1,626	1,670
<b>Great Britain</b>	3,268	2,600	2,826
of which Scania	459	188	178
<b>Spain</b>	2,383	2,247	2,544
of which Scania	458	394	423
<b>Italy</b>	2,558	2,969	3,843
of which Scania	310	347	293
<b>Sweden</b>	884	896	816
of which Scania	199	153	205
<b>Finland</b>	268	269	213
of which Scania	158	159	110

## Strong sales in several markets

During 2003, the demand for heavy trucks in western Europe was unchanged but maintained a higher level than during earlier economic slumps.

### Trucks in western Europe

Western Europe accounts for nearly 70 percent of Scania's sales. Here vehicle standards are very strict and the most highly specified vehicles are sold. The transport industry and distribution systems are advanced, making reliability and maintenance key competitive factors and increasing the potential for sales of service-related products.

Registrations in western Europe amounted to 213,000 heavy trucks, compared to 212,000 during 2002. Scania's share of the western European market was 14.0 (13.5) percent.

In Great Britain, more heavy trucks were sold than in any previous year. A total of 34,303 new trucks were registered, which was 10 percent higher than in 2002. Several major orders from large transport companies helped Scania boost its market share, with continued profitability. For example, Scania sold 300 tractor units to the British convenience goods chain Safeway Stores plc. Scania is the price leader in Great Britain. Due to the weakening of the pound, Scania implemented price hikes that slowed order bookings late in the year.

The German heavy truck market rose during 2003, even though economic growth was negative. Many transport companies needed to update their fleets, while many used German trucks were exported to eastern Europe. The depressed German economy and uncertainty concerning German highway tolls created uncertainty among hauliers. Tough competition among truck manufacturers, mainly domestic ones, intensified.

In Spain, the heavy truck market ended up at an all-time high, 26,757 units, and exceeded 25,000 heavy trucks for the fourth consecutive year. Behind these figures is the strong Spanish economy and Spanish transport companies that have become increasingly competitive internationally. Scania's registrations increased by 9 percent during the year.

In the Netherlands, Scania signed agreements to deliver 533 four-axle all-wheel-drive trucks to the Dutch armed forces. It is the largest-ever heavy truck order from the Dutch armed forces. The vehicles will be assembled at Scania's production unit in Zwolle in the Netherlands and will be delivered during 2004 and 2005.

### Full-coverage service network

Sales of service-related products remained good during 2003. In earlier years, acquisitions of sales and service facilities affected the growth rate. Today Scania, under its own auspices, has a service network that provides full coverage in western

Europe. Future growth in service operations will mainly depend on the population of vehicles and their degree of utilisation.

### 24-hour Scania Assistance

All roadside assistance operations in Europe are now staffed exclusively by Scania employees. The 13 assistance centres each serve their region. Employees speak all the languages needed to connect Europe's drivers with one of Scania's more than 1,000 service workshops. Round the clock, every day of the year, Scania's customers are the push of a button away from help in their own language, wherever in Europe they may be located.

### Trucks in central and eastern Europe

Central and eastern Europe witnessed positive economic growth in 2003. Scania's truck order bookings in the region were at a high level. The enlargement of the European Union, as well as the transfer of manufacturing operations to the region from elsewhere, will probably contribute to continued economic growth and thus investments in infrastructure. The need for new heavy trucks is also increasing as western European logistics concepts are taking hold in central and eastern Europe.

Transport companies in central European countries provide international haulage services to a higher degree than their counterparts in the EU. In countries like the Czech Republic, Slovakia, Slovenia and Bulgaria, more than half of cargo

deliveries are to or from other countries.

One clear trend in recent years is the sale of used heavy vehicles from western Europe to central and eastern Europe. An estimated 50,000 used heavy trucks and 20,000 new ones were sold to central and eastern Europe during 2003. In Russia, five to seven used trucks are sold for every new truck. At the same time, the market for new heavy trucks is growing. Scania is thus investing extensively in its service network in these countries.

The increased flow of used vehicles from traditional markets in western Europe to new markets in eastern Europe signifies that Europe is becoming an increasingly integrated market.

Scania strengthened its position in Russia as the leader in the imported truck segment, and volumes continue to climb. During the year, Scania expanded into the market east of the Urals, among other things by delivering 100 all-wheel-drive trucks to the Siberian oil company Surgutneftegaz.



### Full tank in 15 minutes

When Petrolot delivers fuel at Poland's airports, it has to do the job quickly. It may take 15 minutes from the moment an order is placed by radio until an aircraft's fuel tanks are full and it is taxiing towards the runway for take-off.

At one time, Petrolot exclusively used less expensive tanker vehicles for its operations at the Warsaw, Kraków, Gdansk, Katowice and Poznan airports. But like so many other transport companies in central and eastern Europe, a few years ago Petrolot began to invest in western European vehicles that provide higher quality and reliability.

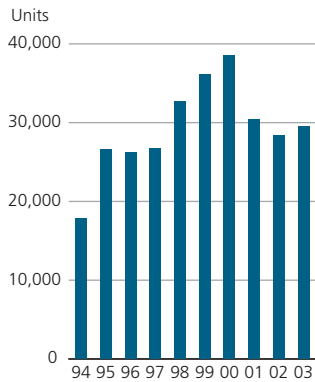
"We compared various makes, and not only the vehicle itself. We looked at service,

financing and everything else that is important to total cost. Scania was the most expensive, but also the only manufacturer that could offer a genuine comprehensive solution. So the choice was not so difficult," explains Marek Zagubieniak, aircraft fuel service manager.

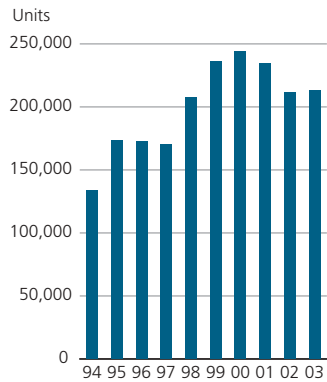
The international airport in Warsaw serves three million passengers per year. Every day, Petrolot hauls 10,000-12,000 litres of aircraft fuel there from its own depot just outside the airport area.

"We have other tanker trucks too, but always wheel out our Scania trucks in case of VIP flights, like when the emperor of Japan was here on a visit. The Scania trucks are our flagships."

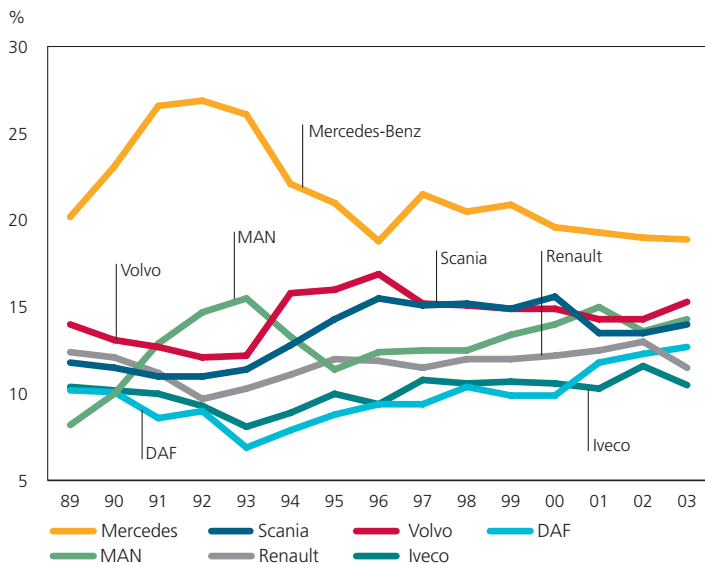
Deliveries of Scania trucks in western Europe



Total registrations of trucks above 16 tonnes in western Europe



Market shares, trucks above 16 tonnes in western Europe



REGISTRATIONS OF TRUCKS

above 16 tonnes 2003 2002 2001

Central and eastern Europe <sup>1</sup>			
total	21,403	18,202	16,763
of which Scania	3,827	2,993	2,407
Russia <sup>2</sup>	2,157	1,863	1,415
of which Scania	837	716	371
Poland	5,361	3,736	3,327
of which Scania	893	514	528
Czech Republic	3,341	3,773	3,363
of which Scania	566	588	555
Hungary	2,436	2,004	1,551
of which Scania	362	218	154

1 Estimate.

2 Imported new trucks from Europe, Japan and the US, estimate.

Buses in Europe

At the Bus World international trade fair in Belgium, Scania received the bus industry's most prestigious award, Coach of the Year 2004.

Excellent fuel consumption and handling, good passenger comfort and attractive design were characteristics that helped the Scania Irizar PB tourist coach win this award.

The total market for heavy buses in Europe declined by 5.4 percent during 2003. However, Scania's bus and coach sales showed positive growth in several important markets, and total sales were the best ever in western Europe. Scania's market share rose to 9.6 percent.

The largest single market in Europe was Great Britain, closely followed by Spain. Great Britain's sales more than doubled and Scania's market share rose to above 14 percent. The greatest successes were achieved in the city bus segment, where a new double-decker concept was unveiled during the year.

Scania's bus sales in Italy, one of Europe's largest bus markets, remained strong during the year and market share rose. Scania's marketing efforts in Italy over the past few years have resulted in higher sales.



In a slightly increasing Nordic bus market, Scania was the market leader in Finland for the third straight year.

Scania's marketing efforts in the Russian market, where there is a great need to replace older buses with new ones that have better total operating economy, turned out well and Scania's sales rose significantly during 2003.

An EU directive issued in 2002 permits non-articulated buses to be longer than 12 metres. Two-axle buses may be up to 13.5 metres and three-axle buses up to 15 metres long. These buses are now also allowed in international services in Europe.

**Industrial and marine engines in Europe**  
The market for industrial and marine engines in Europe is relatively stable. However, Scania's deliveries fell slightly to 1,900 (1,919) units.

During the year, Scania signed contracts with several large generator set builders. One prestigious delivery went to the Swedish Parliament. Given the building's special setting in the heart of Stockholm and its role as a historical monument, the installation had to meet very high standards in terms of air, cooling water and, especially, noise and emissions.



### Behind the wheel of the Coach of the Year

Not even in the Madrid morning rush hour does Juan Lozano have any problems manoeuvring the Coach of the Year. Thanks to Scania Opticruise, he only has to use the clutch when starting and stopping and can instead focus on steering his 15 metre long Scania Irizar PB between lanes.

Its panoramic windows, large rear-view mirrors, hydraulically steered tag axle and extremely precise steering make the bus easy to drive, regardless of whether Mr Lozano is picking up tourists in central Madrid or sailing along on the motorway towards Ciudad Real.

The AISA bus company's Scania Irizar PB accommodates 63 passengers and was specially built so it can be used both for tourists and for intercity traffic. Air conditioning, cooling, video and audio systems and air suspension make even the longest trip comfortable.

And Juan Lozano feels just as comfortable behind the wheel in his electrically adjustable driver's seat. Separate heating and ventilation and an ergonomically designed driver's seat make his work day both comfortable and safe.



## Record sales in several markets



Sugar cane harvesters with Scania engines in Brazil can harvest one tonne of cane per minute.

Scania's sales in markets outside Europe and Latin America broke a new record in 2003 and have climbed by 7.7 percent in the past two years. Demand is being met primarily by deliveries from Latin American production units.

### Latin America

The total market for heavy trucks rose in most countries of the region. Scania's deliveries in Latin America rose by 30 percent to 4,717 (3,566) trucks. Brazil was Scania's second-largest truck market worldwide.

In Brazil and Argentina, the markets developed favourably, influenced by the stabilisation of the economic and political situation. Scania's customers took advantage of this and ordered more trucks. Meanwhile competitors with considerably

simpler products gained market share in the lighter portion of the heavy truck segment.

In Brazil, the truck fleet is relatively old and there is a pent-up need for renewal. During 2003, the Brazilian total market showed a clear upturn. During the year, Scania received its largest-ever single order in Brazil. The Binotto transport company renewed its vehicle fleet by ordering 200 highly specified tractor units. The contract includes repair and maintenance contracts based on a fixed per-kilometre cost.

In Argentina, the total heavy truck market rose during the year from a record-low level to 3,471 (813) trucks. Vehicle manufacturers with simpler products accounted for most of this increase.

Scania's deliveries of buses in Latin America rose by 12 percent. The increase occurred mainly in Brazil and in Scania's traditional strong segment, long-distance buses. Brazil was Scania's largest bus market in the world during 2003. In Mexico, the total market and Scania's deliveries declined due to the continued weak economy.

In Argentina, demand for buses remained very weak. During the year, Scania began to deliver buses to the TransMilenio transport project in Bogotá, the capital of Colombia. The buses, with a capacity of 160 passengers, are environmentally optimised and equipped with engines that meet Euro 3 standards. Today TransMilenio is the most modern, ad-

vanced city transport system in Latin America, serving as a model for other major cities in the world.

The system is based on special bus lanes with large boarding terminals, raised platforms and automated ticket processing.

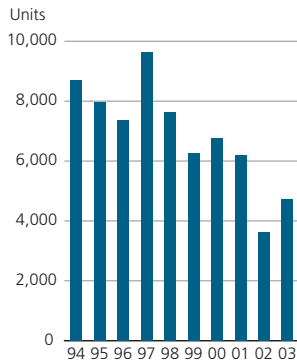
REGISTRATIONS OF TRUCKS above 16 tonnes			
	2003	2002	2001
Latin America			
total	37,343	31,049	32,079
of which Scania	4,717	3,566	5,993
Brazil			
total	17,856	13,916	14,840
of which Scania	4,106	3,205	5,230
Argentina			
total	3,471	813	1,307
of which Scania	241	48	420
Chile			
total	1,983	1,479	1,607
of which Scania	214	178	194
Mexico			
total	13,517	14,028	13,198
of which Scania	86	55	100

REGISTRATIONS OF BUSES above 12 tonnes			
	2003	2002	2001
Latin America			
total	19,566	19,985	24,044
of which Scania	945	911	1,461
Brazil			
total	9,040	9,301	10,833
of which Scania	503	327	853
Mexico			
total	9,047	9,409	12,009
of which Scania	287	424	304

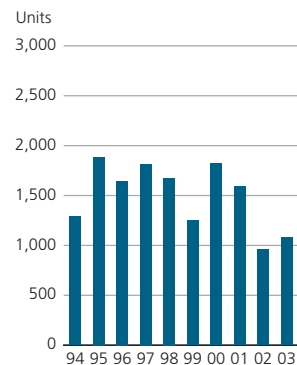
The market for industrial and marine engines grew somewhat in Brazil, while sales in Argentina rose due to the economic recovery. During the year, Scania delivered 881 (631) industrial and marine engines, mainly to builders of generator sets.

For many years, Brazil has been Scania's largest single market for industrial and marine engines.

**Deliveries of Scania trucks in Latin America**



**Deliveries of Scania buses in Latin America**



### When drivers can decide

When Binotto bought 200 Scania trucks, it was very much a matter of what the Brazilian logistics and transport company's drivers want.

"Our drivers' opinions are invaluable. They are the vehicle experts. And they are the ones who show Binotto's image to our customers," says Edison Binotto, Operational Director of the company's fleet of 380 heavy, 700 medium-sized and more than 1,000 light vehicles.

The order is Scania's largest single sale to date in Brazil.

Binotto is one of Brazil's largest logistics and transport companies, with 30 years of experience in long-distance haulage, local distribution and heavy timber transport services.

The firm's philosophy is to work in close partnership with other market leaders, both suppliers and its own customers. One example of this is the renewal and expansion of its vehicle fleet, where a long relationship with Scania contrib-

uted to its order for 200 tractor units.

"Before we decided on Scania for this large investment, we carried out a thorough comparison of vehicles in the Brazilian market. The results showed that Scania provided the best value for money. When we introduced a new fleet follow-up system, we noted that Scania trucks deliver higher productivity than the competition, due to factors like engine power and cargo capacity. Faster haulage at lower costs," Mr Binotto explains.

Scania's image and strong brand also played a part in the choice of vehicles.

"Our customers associate Scania's quality products with Binotto's superb service – an unbeatable combination."

Over the past year, Binotto has received extensive publicity in Brazilian business media, including being named Entrepreneur of the Year. Much of this interest has focused on Binotto's

efforts to improve the logistic systems in the Brazilian transport industry.

But ultimately it was the views of drivers that decided the choice of trucks.

"Driving a Scania truck provides them with comfort, safety and reliability and – as a bonus – the highest status among the country's professional drivers."

All trucks are being delivered with repair and maintenance contracts based on a fixed per-kilometre cost. Servicing and maintenance will be performed by Scania's service workshops.

"We want state-of-the-art technology when it comes to vehicle maintenance, too. With the help of Scania's service organisation, we can boost the productivity of the fleet while reducing costs," Mr Binotto concludes.

## Asia

Deliveries to Asia rose sharply during 2003. In several markets, Scania sold more heavy trucks than ever before.

In Turkey, Scania sharply increased its volume. The Turkish market is now one of Scania's ten largest truck markets.

In South Korea, during 2003 Scania inaugurated its largest facility to date in Asia, the Scania Korea Jinsa Complex in Sacheon. The new facility forms the hub of Scania's growing South Korean operations, with a parts warehouse, bodybuilding factory and service workshop.

Through its long presence, Scania has established itself as the leading European make in the expansive South Korean market. Customers have especially appreciated Scania's large-scale investments in its own sales and service network. Today Scania has the country's leading service network.

In Taiwan today, Scania is the second largest brand in the market, which is otherwise dominated by Japanese makes.

In Japan, Scania was the first non-Japanese make to receive type approval from the authorities for a heavy truck model. Scania's vehicles thus meet the same legal requirements as those of domestic manufacturers and can compete on equal terms.

The Japanese tractor unit market in Scania's segment totals about 5,000 vehicles per year and is dominated by Japanese makes. Hino, Scania's co-operation partner in Japan, markets Scania trucks in Japan in competition with both domestic and foreign makes.

Scania also co-operates with Japanese-based Yanmar when it comes to worldwide sales of engines for pleasure boats.

The demand for buses in Asia was mixed during 2003. In Hong Kong, Malaysia and Taiwan, demand shrank, partly due to the SARS threat. Toward year-end, bus sales rebounded to their earlier levels.

## Africa and other markets

Scania's sales in Africa are concentrated in the Maghreb region in the north-western portion of the continent and in the countries of southern Africa.

With its strongest year to date behind it, Scania's subsidiary in South Africa inaugurated a new office in Aeroton, just west of Johannesburg. The new office also serves as a hub around which Scania is developing its business in the neighbouring countries of Namibia, Botswana, Zimbabwe, Zambia, Malawi and Mozambique.

At the same time, Scania moved its truck and bus assembly operations to a new shared facility, which will be the centre for southern Africa. Scania's strong growth in the region is the result of increasingly integrated cooperation between Scania sales companies in the region.

Scania's bus sales in Australia remained good during 2003. Scania's buses have enjoyed a strong position in Australia for many years, and today their market share is about 25 percent. Australia is also by far the largest market for Scania's gas-powered buses.

## REGISTRATIONS OF TRUCKS

above 16 tonnes 2003 2002 2001

### Asia, Africa and Oceania<sup>1</sup>

total	107,260	73,540	64,981
of which Scania	5,377	3,691	3,191

South Korea	15,705	13,833	7,939
of which Scania	1,985	1,736	1,213

Turkey	17,748	8,430	5,107
of which Scania	1,515	226	199

Australia	8,688	6,592	5,510
of which Scania	461	408	288

South Africa	4,567	3,335	2,986
of which Scania	396	303	342

Taiwan	1,660	1,841	1,440
of which Scania	270	241	178

<sup>1</sup> Estimate.

## REGISTRATIONS OF BUSES

above 12 tonnes 2003 2002 2001

### Asia, Africa och Oceania<sup>1</sup>

total	9,240	9,113	8,038
of which Scania	745	805	766

South Africa	822	1,045	837
of which Scania	189	114	220

Australia	751	836	742
of which Scania	188	155	156

Taiwan	600	965	1035
of which Scania	171	284	172

<sup>1</sup> Estimate.



### A newcomer in Japan

Shito Hoshiyama was Scania's first customer in Japan. When he saw the new green truck being unveiled at the Tokyo Motor Show, he knew that it was just the tractor unit he wanted.

His company transports groceries in central Japan. From Nagano in the north to the holy Mount Fuji in the south, the company delivers such domestic favourites as tofu, soy beans, noodles, beer as well as vegetables and other groceries.

Shito Hoshiyama started his haulage business 30 years ago with a truck from Hino, and he has driven Hinos exclusively ever since. Scania represents something new and interesting in Japan that also fits into the philosophy and strategy of his family business.

"Scania trucks have a powerful engine, good fuel consumption and nice handling. This, together with attractive styling that's different from other brands, convinced me that it was the right truck for us."

# Integrated environmental work

## Scania's Environmental Policy

As a global manufacturer and distributor of heavy commercial vehicles, engines and related services, Scania is committed to develop products that pollute less and consume less energy, raw materials and chemicals during their life-cycle.

In order to achieve this:

- we strive to maintain a lead in commercially applicable technologies
- we work well within legal demands and promote internationally harmonised, effective environmental requirements
- we prevent and continuously reduce the environmental impact through development of products, services and production processes
- we take the environmental aspects and objectives into account in our daily work
- we have an open and regular communication with our interest groups regarding our environmental work

By this we contribute to economical and ecological advantages for our customers and society. Proactive environmental work is therefore of vital importance to Scania.

*(Issued in 1999)*

Scania has a network of employees who coordinate its environmental work. This network is found throughout the Scania value chain. Environmental work is entirely integrated into line operations, along with quality, training and economic issues. All managers have environmental responsibility for their operating area. Operational decisions are made in the line organisation.

The highest decision making body for environmental issues is the Scania Executive Board, which makes strategic decisions. Day-to-day common environmental items of business are prepared by the Scania Environmental Committee, where environmental coordinators from various operations meet under the leadership of the Quality and Environment department. Local management teams are responsible for targets and follow-up at the local level.

Scania's guiding principle is to reduce the environmental impact in all stages of a product's life cycle. The company's product concept and production system are permeated with conservation and efficiency principles. Scania's Environmental Policy and overall environmental targets apply to all units of the company and can be found at our web site ([www.scania.com](http://www.scania.com)).

## ISO 14001 environmental management system

Environmental management procedures are integrated into Scania's management system. All production units except for the recently acquired plant in St. Petersburg, Russia, are certified according to ISO 14001 international standards. Scania plans to have the plant in St. Petersburg certified during the autumn 2004. In addition, development resources and corporate staff units are certified.

## Supplier standards

Suppliers are part of Scania's process. It is thus important that their actions are consistent with Scania's environmental approach and that they meet Scania standards, regardless of where they are located.

The environmental work of suppliers is documented by requiring ISO 14001 certification and using an updated Environmental Self Assessment.

This environmental documentation and recurring follow-ups lead to continuous improvements, while strengthening Scania's cooperation with its suppliers. Scania thereby helps improve expertise and enhance environmental awareness among its suppliers.

## Environmental work in sales operations

During 2003, the updated version of the Scania Dealer Operating Standards (DOS) called for reductions in the environmental impact of the sales and service organisation. The new standard goes into effect

during 2004 and will mean, among other things, that the environmental work of the service network will be assessed regularly. The environmental standards include requiring certified Scania workshops to have a responsible person and requiring all employees to undergo environmental training. In addition, a local activity plan will be established, including environmental targets related to energy use and handling of chemicals, for example. The introduction of the updated standard will occur gradually, and internal certification of the European service network is expected to be implemented during 2006.

Within the framework of DOS, Scania recommends third-party certification according to the ISO 14001 environmental management system or the equivalent. At year-end 2003, 14 local sales distributors had taken the final step and introduced ISO-certified environmental management systems.

## Environmental permits

The operations at Scania's production facilities around the world have permits that comply with national legislation. The environmental impact from these facilities consists mainly of emissions to air, discharges to water, waste products and noise. A set of tables on environmental performance broken down by production unit can be found on Scania's web site. In addition to legal requirements and the conditions included in permits, there are also internal requirements and rules for these operations.

During 2003 Scania received a permit for expanded production and a new paint-shop at the cab factory in Oskarshamn, Sweden. The new permit, granted under the provisions of the Swedish Environmental Code, allows the production of 75,000 cabs per year. An application for expanded operations at the assembly in Falun, Sweden is being examined by the authorities. In conjunction with the capacity expansion at Zwolle, the Netherlands, Scania received a new permit in October 2003. The Scania facility in São Paulo, Brazil will renew its permit during 2004.

During 2003 there were no violations of the existing threshold limit values. No incidents occurred that caused significant environmental impact or led to major clean-up expenses.

#### Environmental risk management

Scania's risk management focuses on preventive measures to protect employees and the company's overall assets. Procedures for managing the risks of environmental hazards are integrated in the company's other risk management work.

#### Soil inventories and ongoing clean-up

Orientation studies and risk assessments of soil and groundwater contamination have been completed at most Scania facilities and have started at San Luis Potosi, Mexico. In St. Petersburg, Russia, such an inventory will be completed in conjunction with the process of obtaining ISO certification. Steps were taken to decontaminate polluted soil in Meppel, the Netherlands, where Scania ceased operations in 2002. There 2,700 tonnes of boron-polluted soil were removed and underwent decontamination. Clean-up of polluted groundwater has started and is expected to continue for at least another year.



#### Development work includes phasing out hazardous substances

The driver's needs and good ergonomics guided the task of designing and styling the new R-series cab. During the development process, each design engineer also took environmental aspects into account. With back-up from an environmental coordinator, the material and chemical contents of all cab components were checked against Scania's list of hazardous chemicals, in order to prevent the use of substances with unhealthy or environmentally hazardous properties. Scania's environmental objectives mandate phase-out plans for all listed substances, with the worst substances to be discontinued or replaced during 2004.

While developing the new driver's station, which includes the steering column, steering wheel, levers and pedals, high standards of functionality, ergonomics and road safety were observed. For example, the high- and low-beam switch, direction indicator, and wind-screen wiper and washer functions are now gathered in one component – the driver now finds all these visibility-improving functions on the same steering wheel lever. It thus also became possible to design the Scania Opticruise and Retarder controls as a single lever and

move all driving functions close to the steering wheel. "Hands on the steering wheel" improves the driver's working environment and improves road safety.

During the review of chemical substances, design engineer Sara Westermark and the supplier discovered that an electrical switch in one of the steering wheel levers contained polybrominated diphenyl ether (PBDE) flame retardant. PBDEs are on Scania's hazardous chemical list, because they are absorbed by humans and animals, do not degrade easily and move up the food chain. Since these substances have harmful effects even in small doses, PBDEs will be entirely banned in the EU countries starting in 2006.

After contacts with the supplier and thorough testing and function verification, Ms Westermark and the project's environmental managers managed to eliminate the black-listed substance. Development work thus resulted in a detail that will contribute to optimisation of ergonomics and road safety while improving the environmental characteristics of the product.

# Scania's sustainable development

Scania's operations affect the surrounding society not only economically, but also environmentally. In addition to its regular financial reporting, Scania performs yearly follow-ups of operations that affect the environment.

The aim of Scania's global production strategy is to move closer to customers, while at the same time utilising all the elements of its production system in the most efficient possible way. The company's production base is found in the European Union and Latin America. Most sales occur in Europe, but the marketing organisation operates all over the world except in North America. By having a local presence, Scania establishes long-term relationships between company and society, which benefits mutual development.

## Environment and economics

Scania performs yearly follow-ups of such data as its own raw material and chemical

The reporting in this section was inspired by recommendations from the Global Reporting Initiative (GRI). The section presents certain financial and environmental data.

use, as well as energy and water use. Follow-up and reporting of Group-wide environmental targets also occur each year. An in-depth account of activities and their results can be found on Scania's web site ([www.scania.com](http://www.scania.com)).

During 2003, Scania's costs for raw materials, chemicals, energy and water totalled about SEK 1,705 m., equivalent to 3.4 percent of Scania's sales. Transport expenses amounted to SEK 1,500 m. Costs of soil and groundwater clean-up work in Meppel amounted to SEK 2.5 m.

Emissions of carbon dioxide from Scania's production plants totalled 74 ktonnes. In relation to Scania's sales, this represented 1.5 g/SEK. Emissions per vehicle produced declined compared to the year before. This was due to reduced idling losses when production increased during the year.

Efforts to reduce climate-affecting emissions take place as provided by the guidelines adopted in 1998, which can be found at Scania's web site ([www.scania.com](http://www.scania.com)).

## Environmental investments

The conventional definition of an environmental investment is an investment carried out only for environmental reasons and aimed at reducing external environmental impact. This definition follows, among other things, the European Commission's recommendations on voluntary environmental reporting.

An investment is usually motivated by several different reasons, of which environ-

mental impact may be one. Scania prefers to take the environment into account when making investments, instead of making corrections afterward with filters and separate cleaning equipment.

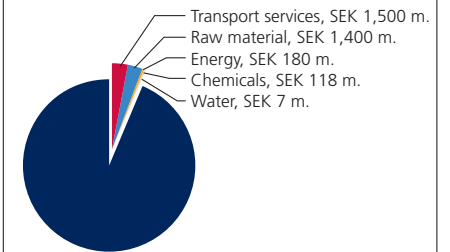
With the investment strategy that Scania has chosen, the effect in terms of environmental improvement per krona of spending is good. This means that Scania does not regard large environmental investments according to the conventional definition as goals in themselves.

During 2003, Scania's investments in property, plant and equipment totalled SEK 2,478 m. Of this, SEK 20.5 m. was classified as environmental investments.

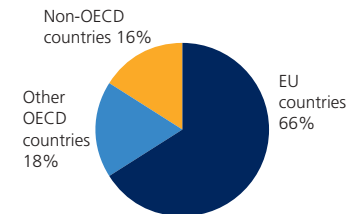
## Improvement of environmental work

Cross-functional cooperation must be continuously improved. As part of Scania's global environmental conference in 2003, environmental coordinators and representatives of the human resources staff unit gathered for a conference whose content was expanded to cover the full impact of the company on society.

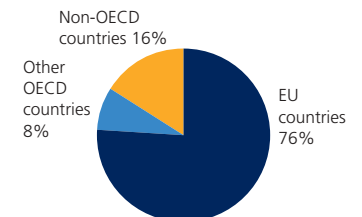
Environmentally related costs as a proportion of Scania's sales



Sales by region



Wages, salaries and payroll fees by region





## Environment and economics

Summary of environmental performance, Scania production organisation

Year	2003	2002	2001
Number of vehicles produced	51,276	45,145	48,151

### Sales, SEK m.

Scania products	50,581	47,285	48,310
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### Raw material consumption

Per vehicle, kg	3,500	3,600	3,200
Total, tonnes	179,000	164,000	156,000
Total cost, SEK m.	1,400	1,220	1,230

### Chemical consumption

Per vehicle, cubic metres	0.085	0.087	0.088
Total, cubic metres	4,400	3,900	4,200
Total cost, SEK m.	118	116	110

### Energy use

Per vehicle, MWh	12	13	12
Total, GWh	620	590	570
Total cost, SEK m.	180	157	161

### Carbon dioxide emissions

Per vehicle, kg	1,400	1,600	1,400
Total, tonnes	74,000	72,000	69,000

### Water use

Per vehicle, cubic metres	11	13	12
Total, 1,000 cubic metres	550	580	570
Total cost, SEK m.	7	7	8

### Solvent emissions\*

Per vehicle, kg	5.5	6.7	8.0
Total, tonnes	280	300	390

### Recycling of residual products and waste

Per vehicle, kg	1,050	1,050	960
Total, tonnes	54,000	47,000	46,000
Revenues, SEK m.	24	19	16

### Sent to landfills\*\* and other off-site disposal:

Per vehicle, kg	210	200	180
Total, tonnes	11,000	9,000	9,000
Total cost, SEK m.	20	14	14

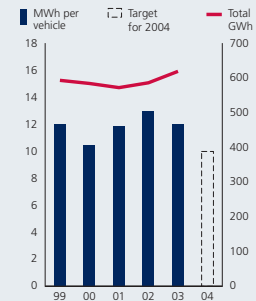
\* From painting/rust-proofing.

\*\* Excluding foundry sand, about 25,000 tonnes for landfill cover.

## Environmental performance in the production organisation

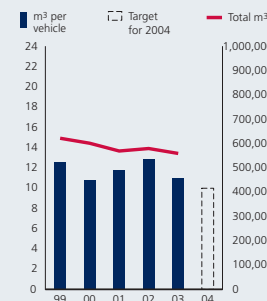
Many of Scania's environmental performance targets for its production plants have been set for 2004. In recent years, it has become increasingly difficult to reduce the use of energy and certain raw materials per unit produced. In many cases, efficient use of raw materials and energy depends on production volume. The difficulties are thus mainly related to lower vehicle production in recent years. This trend turned around during 2003.

### Energy use



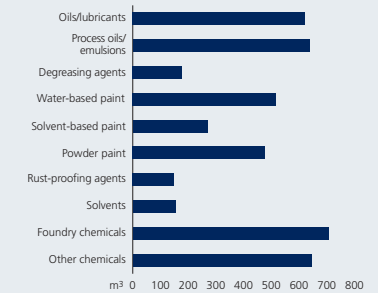
During 2003, energy consumption totalled about 620 GWh, equivalent to about 12,000 kWh per vehicle.

### Water use



During 2003, water consumption was about 550,000 cubic metres, equivalent to 11 cubic metres per vehicle.

### Chemical use



The consumption of chemicals in 2003 was about 4,400 cubic metres, equivalent to 85 litres per vehicle.

### Carbon dioxide emissions related to energy use

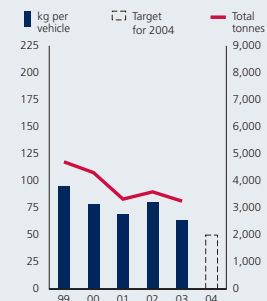
	Energy use, GWh		Carbon dioxide emissions, ktonnes	
	2003	1996	2003	1996
Electricity	370	360	21	23
District heat	60	130	4	9
Fossil fuels	190	200	49	51
<b>Total</b>	<b>620*</b>	<b>690*</b>	<b>74</b>	<b>83</b>

Per vehicle 12,000 kWh 1.4 tonnes

In 2003, carbon dioxide emissions from Scania's production amounted to about 1.4 tonnes per vehicle, or a total of 74,000 tonnes.

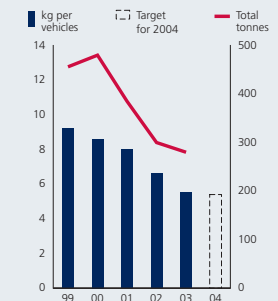
\* Subtotals and totals are rounded to multiples of ten.

### Residual products sent to landfills



The quantity of residual products sent to landfills during 2003 totalled about 3,300 tonnes, or 64 kg per vehicle, excluding foundry sand.

### Solvent emissions



During 2003, organic solvent emissions from painting/rust-proofing totalled some 280 tonnes, equivalent to 5.5 kg per vehicle.

# Continued low trading volume

The climate on world stock exchanges improved somewhat during 2003, despite continued uncertainty. Both the Stockholm All Share Index and the Industrials Index showed a positive trend during the year.

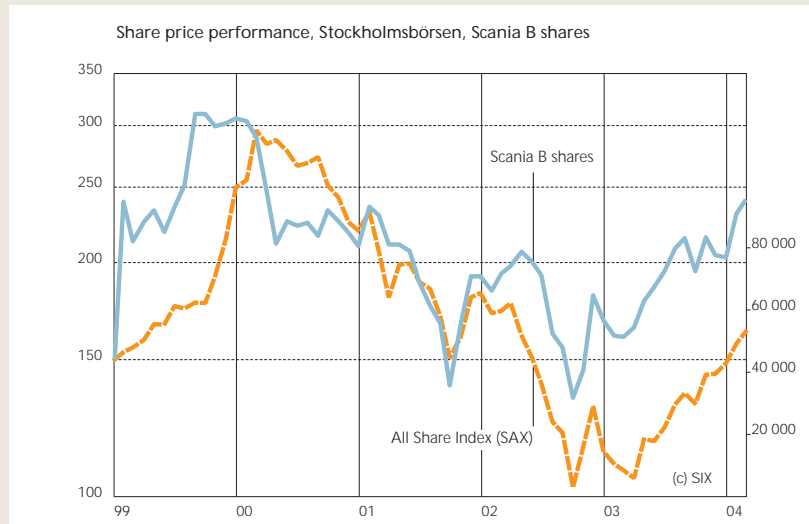
On Stockholmsbörsen, the All Share Index, which measures the overall trend on the exchange, rose by 30 percent during 2003. The Industrials Index, which measures the trend in the industrial goods and services sector and includes Scania shares, rose by 24 percent. Trading volume on Stockholmsbörsen remained high.

Scania's B shares rose by 20 percent during the year, closing at SEK 203.00 on 30 December. This was equivalent to a market capitalisation of SEK 40,500 m., which made Scania the 16th largest company on the exchange.

### Volume and trading

Scania share trading volume remained low, averaging 112,000 shares changing hands each trading day. The turnover rate for B shares was 28 (23) percent. For Stockholmsbörsen as a whole, it was 113 (118) percent.

Scania applied for de-listing from the New York Stock Exchange (NYSE) early in December 2002 and was de-listed on 15



### About Scania shares

Scania's share capital is divided into 100 million Series A shares and 100 million B shares. Each Series A share represents one vote and each B share one tenth of a vote. Otherwise there are no differences between these types of shares. The nominal value per share is SEK 10.

### Market listing

Since 1 April 1996, both types of Scania shares – Series A and B – have been quoted on the A list of Stockholmsbörsen.

January 2003. The background was that trading in Scania shares on the NYSE was very low, which meant that the costs of being listed on the NYSE were no longer reasonable. The opportunities for investors to trade globally in equities have also increased significantly in recent years.

### Ownership structure

On 30 January, the number of shareholders in Scania was 39,020. The three largest owners were Volkswagen AG, AB

Volvo and Investor AB. On 30 January, AB Volvo owned 30.6 percent of the votes in Scania and 45.5 percent of the capital. Volvo has stated that in compliance with the European Commission's decision, it must divest its holding in Scania before the end of April 2004. On 4 March, Volvo sold its stake of 63.7 million B shares to institutional investors. Volvo also holds 27.3 million Scania A-shares, which they state that they will divest. Volvo is not represented on Scania's Board of Directors.

Non-Swedish ownership, including Volkswagen AG, amounted to 35 percent of votes and 22 percent of capital in Scania.

### Dividend

The Board of Directors proposes that the Annual General Meeting approve a dividend of SEK 6.00 per share for the financial year 2003. Since Scania joined Stockholmsbörsen in 1996, the dividend has averaged 48 percent of net income.

### Beta coefficient

According to calculations by Delphi Economics, the beta coefficient of Scania's B shares was 0.86 at year-end. This means that on average, Scania shares fluctuated less than the average for the exchange. The explanatory value for Scania's B shares was 0.51. This means that 51 percent of the changes in Scania shares could be explained by overall changes on the exchange.

Ownership structure, 30 January 2004			
Number of shares		% of holdings	% of votes
1–	500	89.7	1.58
501–	2,000	7.7	0.87
2,000–	10,000	1.9	0.73
10,000–	50,000	0.5	1.01
50,000–	100,000	0.1	0.71
>	100,000	0.1	95.10
Total		100.0	100.0

The ten largest shareholders, 30 January 2004		
	% of voting power	% of voting capital
Volkswagen	34.0	18.7
Volvo	30.6	45.5
Investor	15.3	9.1
Wallenberg foundations	5.7	3.6
Alecta	3.1	1.8
Industrivärden	1.9	1.5
Nordea mutual funds	1.1	1.9
AMF Pension	0.5	0.9
Svenska Handelsbanken	0.5	0.6
Pensionsgaranti insurance company	0.4	0.3
<b>Total</b>	<b>93.1</b>	<b>83.9</b>

Per share data			
SEK (unless otherwise stated)	2003	2002	2001
Earnings	15.17	13.70	5.24
Shareholders' equity	91.26	84.66	79.98
Dividend (2003: proposed)	6.00	5.50	3.50
Market prices, B shares			
Highest for the year	227.00	215.00	243.00
Lowest for the year	148.50	125.50	132.00
Year-end (at closing)	203.00	168.50	192.00
Price/earnings ratio, B shares	13	12	37
Dividend payout ratio, %	40	40	67
Dividend yield, % <sup>1</sup>	3.0	3.3	1.8
Annual turnover rate, B shares	28	23	29
Number of shareholders	39,000 <sup>2</sup>	39,000	39,000
Average daily number of shares traded, Stockholmsbörsen Series		A	13,000
		B	112,000
		<b>Total</b>	<b>125,000</b>

<sup>1</sup> Dividend divided by the market price of a B share at year-end.  
<sup>2</sup> On 30 January 2004.



Gun Wiklander and Bengt Blomberg.

### Shareholders large and small

Scania shall grow with sustained profitability, thereby generating value for shareholders, among others. The ambition is to provide investors and other stakeholders with correct information for a valuation of Scania as a company. Scania regards it as important to hold an open and continuous dialogue with both major players in the financial market and with smaller shareholders.

Once or more per year, Scania holds Capital Market Days for analysts, major investors and financial journalists. At a meeting in November, Charlie Dove-Edwin, an analyst from Danske Equities' London office, listened to presentations that focused on markets and marketing strategies.

"I perceive Scania as a very well-managed company with good future prospects. There are few question marks. Scania has positioned itself well with regard to growth markets," Mr Dove-Edwin says.

Gun Wiklander and Bengt Blomberg from Stockholm have been Scania shareholders since the company joined Stockholmsbörsen in 1996. At an evening

meeting with the Swedish Shareholders' Association in December, they commented that information from Scania is good.

"Above all, Scania's own magazines are an important source of information. There we see how business looks out in the markets around the world; we can meet Scania's customers and see how Scania thinks commercially. Sometimes that says more than all the figures."



Charlie Dove-Edwin.

# Financial review

## REVENUE

The sales revenue of the Scania Group in the Vehicles and Service segment totalled SEK 50,581 m., compared to SEK 47,285 m. in 2002. This was equivalent to an increase of 7 percent. Revenue was favourably affected by higher volume and adversely affected by currency rate changes. Overall, negative currency rate effects totalled about SEK 2,200 m. Revenue from vehicle sales increased by 11 percent in all, amounting to SEK 34,652 m. (31,175). Sales of service-related products amounted to SEK 10,759 m. (10,603), an increase of 1 percent. In local currencies, service-related sales rose by 5 percent.

Net interest income in the Customer Finance segment rose by 11 percent, amounting to SEK 813 m. (730).

Sales revenue by product		
SEK m.	2003	2002
Trucks	29,537	27,184
Buses	5,115	3,991
Engines	453	464
Service-related products	10,759	10,603
Used vehicles etc	7,123	6,218
Revenue deferral, vehicles <sup>1</sup>	-2,406	-1,175
Total	50,581	47,285

<sup>1</sup> Refers to the difference between sales recognised as revenue and sales value based on delivery.

## NUMBER OF VEHICLES

During the year, the Scania Group's deliveries of trucks totalled 45,045 (39,895) units, which represented an increase of 13 percent. Bus and coach deliveries totalled 4,910 (3,774) units, an increase of 30 percent.

Vehicles delivered and financed		
	2003	2002
Number delivered		
Trucks	45,045	39,895
Buses	4,910	3,774
Total	49,955	43,669
Number financed (during the year)		
Trucks	13,468	11,742
Buses	326	407
Total	13,794	12,149

## EARNINGS

Operating income for Vehicles and Service amounted to SEK 4,759 m. (3,548), which represented an increase of 34 percent. Higher delivery volumes for both trucks and buses and higher general capacity utilisation in the production system contributed to higher earnings. Earnings were also positively affected by increased exports from production plants in Brazil and Argentina with a favourable cost situation. Scania's restructured bus chassis production demonstrated clearly higher productivity. During 2002, earnings were

adversely affected by production restructuring costs of about SEK 100 m. During 2003, capitalised development expenditures amounted to SEK 669 m. (573). During the latter part of the year, operating income was affected by a somewhat less favourable market mix. The operating margin rose to 9.4 percent, compared to 7.5 percent the previous year.

Currency spot rate effects were about SEK -770 m. compared to 2002. This was offset by positive currency hedging income of SEK 620 m., resulting in a negative net effect of SEK 150 m. During 2002, currency hedging had a positive influence of SEK 500 m. on earnings. Compared to 2002, the total currency rate effect was thus SEK -650 m.

Operating income in Customer Finance rose by 19 percent and amounted to SEK 366 m. (308). This was equivalent to an operating income of 1.43 (1.22) percent, expressed as a percentage of the average portfolio during the year. Overhead, expressed in relation to the average portfolio, rose from 1.05 to 1.17 percent. Actual losses written off during the year totalled SEK 100 m. (143). Actual credit losses were equivalent to 0.39 (0.55) percent of the average portfolio.

At year-end, the reserve for probable but not actual credit losses was SEK 458 m. (409), equivalent to 1.8 (1.6) percent of the portfolio. At year-end, the portfolio amounted to SEK 25,926 m. (25,303), an

increase of 6 (5) percent adjusted for currency rate effects. During 2003, SEK 13,095 m. (11,789) worth of new items was financed.

Operating income for Scania products amounted to SEK 5,125 m. (3,856), which was equivalent to an operating margin of 10.1 (8.2) percent.

Earnings		
	2003	2002
Operating income by segment, SEK m.		
Vehicles and Service	4,759	3,548
Customer Finance	366	308
Total Scania products	5,125	3,856
Car operations	-	550
Total operating income	5,125	4,406
Operating margin, %		
Vehicles and Service	9.4	7.5
Scania products	10.1	8.2
Scania Group	10.1	9.3
Customer Finance <sup>1</sup>	1.4	1.2

<sup>1</sup> The operating margin of Customer Finance is calculated as operating income as a percentage of the average portfolio.

The operating income of the Scania Group was SEK 5,125 m. (4,406), which represented an increase of 16 percent. Operating margin amounted to 10.1 (9.3) percent.

In 2002, operating income included SEK 550 m. in capital gain on the divestment of Swedish car operations.

The Scania Group's net financial items amounted to SEK –521 m. (–684). The improvement was attributable to lower net debt as well as lower borrowing in Latin American currencies.

Income after financial items amounted to SEK 4,604 m. (3,722).

Earnings, Scania Group		
SEK m.	2003	2002
Operating income	5,125	4,406
Income after financial items	4,604	3,722
Net income	3,034	2,739
Earnings per share, SEK	15.17	13.70
Return on equity	17.4%	17.2%

Tax expenses for the year amounted to SEK 1,565 m. (985), equivalent to 34.0 (26.5) percent of income after financial items. The higher tax rate compared to the previous year was mainly due the tax-exempt capital gain related to Swedish car operations reported in 2002. Excluding this capital gain, the tax rate in 2002 amounted to 31.1 percent. During 2003, tax expenses rose due to higher taxes outside Sweden.

The Swedish local tax authority has denied Scania's claim for a deduction due to a loss of SEK 2.9 billion. Scania will appeal this decision. The overall effect on

Scania's income can reach a maximum of SEK 575 m. if the deduction is not approved in its entirety. No provision has been made.

Net income for the year amounted to SEK 3,034 m. (2,739), equivalent to earnings per share of SEK 15.17 (13.70).

### CASH FLOW

The Scania Group's cash flow, excluding Customer Finance as well as divestments and acquisitions of businesses, amounted to SEK 2,476 m. (2,418). Cash flow including divestments and acquisitions totalled SEK 2,450 m. (3,583).

Tied-up working capital declined by SEK 270 m. (772). Positive cash flow from increased non-interest-bearing liabilities and provisions were partly offset by higher tied-up inventories and increased receivables.

Net investments excluding divestments and acquisitions of businesses had an adverse effect on cash flow and amounted to SEK 3,285 m. (2,921), including capitalised development expenditures totalling SEK 669 m. (573). The effects of divestments and acquisitions of businesses totalled SEK –26 m. (1,165).

### FINANCIAL POSITION

During the year, gross investments totalled SEK 3,196 m. (3,025), including capitalised development expenditures of SEK 669 m. (573).

Financial ratios related to the balance sheet		
SEK m.	2003	2002
Equity/assets ratio, %	27.7%	25.6%
Equity per share, SEK	91.26	84.66
Net debt, excluding provisions for pensions, SEK m.	24,291	25,108
Net debt, Vehicles and Service, excluding provisions for pensions, SEK m.	2,647	4,308
Return on capital employed, Vehicles and Service, %	22.0%	17.4%

During 2003, the shareholders' equity of the Scania Group increased by SEK 1,320 m. and totalled SEK 18,251 m. (16,931) at year-end. Net income for the year added SEK 3,034 m. (2,739), while the dividend to the shareholders decreased shareholders' equity by SEK 1,100 m. (700). Beyond this, shareholders' equity declined by SEK 614 m. (1,103) because of exchange rate differences that arose when translating net assets outside Sweden, due to the appreciation of the krona mainly against the American dollar and the British pound.

The dividend for the financial year 2003 proposed by the Board of Directors is SEK 6.00 (5.50).

The net debt of Vehicles and Service, excluding provisions for pensions, amounted to SEK 2,647 m. (4,308), which was equivalent to a net debt/equity ratio of 0.17 (0.31). Including Customer Finance, net debt was SEK 24,291 m. (25,108).

### NUMBER OF EMPLOYEES

The number of employees at year-end was 29,112 (28,230), an increase of 882. In the sales and service organisation, the number of employees rose by more than 350. Of these, about 180 employees were attributable to acquired businesses in western Europe and about 200 were attributable to expansion in eastern Europe, Asia and Africa. In Latin America, however, the number of employees in the sales and service organisation declined by about 140. In European industrial operations, the number of employees rose by 570, while the number fell by 60 in Latin American industrial operations.

### FINANCIAL RISKS

#### Borrowing and refinancing risk

Scania's borrowing consists of a committed credit facility in the international market, capital market programmes, private bond issues and public bonds, plus certain other borrowing.

At year-end 2003, borrowing amounted to SEK 26 billion. In addition to utilised borrowing, Scania has an unutilised committed credit facility equivalent to SEK 13 billion plus unutilised capital market programmes equivalent to SEK 18 billion.

Of utilised borrowing, about SEK 5 billion falls due during 2004, SEK 4 billion during 2005, SEK 4 billion during 2006 and SEK 13 billion during 2007 or later.

### Interest rate risk

Scania's policy concerning interest rate risks is that the interest rate refixing period of its borrowing should normally be 6 months, but that deviations may be allowed within the 0–24 month range. One exception is Scania's Customer Finance companies, in which the interest rate refixing period on borrowing is matched with the interest rate refixing period on assets. To manage interest rate risks in the Scania Group, derivative instruments are used.

### Currency

Currency transaction exposure during 2003 was about SEK 18 billion. The largest currency flows were in EUR and GBP. Based on the 2003 geographic distribution of revenue and expenses, a one percentage point change in the Swedish krona against other currencies would have affect operating income by about SEK 180 m. on an annual basis.

Scania's policy is to hedge currency flows during a period of time equivalent to the projected orderbook until the date of payment. This normally means a hedging period of 3 to 4 months. However, the hedging period is allowed to vary between 0 and 12 months.

At the end of 2003, Scania's net assets in foreign currencies amounted to SEK 10,140 m. The net assets of foreign subsidiaries are not hedged under normal

circumstances. To the extent a subsidiary has significant monetary assets in local currency, however, they may be hedged.

### Credit risk

To maintain a controlled level of credit risk in Customer Finance, the process of issuing credit is supported by a credit policy as well as credit instructions.

At year-end, the total reserve for likely but not actual credit losses in Customer Finance totalled SEK 458 m. (409), equivalent to 1.8 (1.6) percent of the portfolio.

The year-end portfolio totalled SEK 25,926 m. (25,303), divided among about 20,000 customers, of whom 97 percent were small customers with lower credit exposure per customer than SEK 15 m.

The management of the credit risks that arise in Scania's treasury operations, among other things in liquidity investment and derivatives trading, is regulated by Scania's financial policy document. Transactions occur only within established limits and with selected creditworthy counterparties.

### OTHER RISKS

#### Residual value exposure

A portion of Scania's sales occur with repurchase obligations or guaranteed residual value. During 2003, the volume of such transactions was 6,500 (4,456) vehicles. The value of all obligations at year-end was SEK 5,925 m. (6,077). Obligations outstanding declined somewhat, mainly due to the stronger krona.

# Consolidated income statement

January–December, SEK m.	Note	2003	2002	2001
<b>Vehicles and Service</b>				
Sales revenue	2	50,581	47,285	53,065
Cost of goods sold		<u>-38,272</u>	<u>-36,260</u>	<u>-42,601</u>
Gross income		12,309	11,025	10,464
Research and development expenses <sup>1</sup>		-1,484	-1,437	-1,955
Selling expenses		-5,229	-5,206	-5,594
Administrative expenses		-853	-857	-785
Share of income in associated companies	3	16	23	59
<b>Operating income, Vehicles and Service</b>		<b>4,759</b>	<b>3,548</b>	<b>2,189</b>
<b>Customer Finance</b>				
Net interest income	4	813	730	657
Other income and expenses		15	17	-16
Gross income		<u>828</u>	<u>747</u>	<u>641</u>
Credit losses		-166	-175	-137
Operating expenses		-296	-264	-226
<b>Operating income, Customer Finance</b>		<b>366</b>	<b>308</b>	<b>278</b>
Capital gain related to car operations		-	550	-
<b>Operating income</b>		<b>5,125</b>	<b>4,406</b>	<b>2,467</b>
Interest income		286	260	294
Interest expenses		-761	-857	-1,142
Other financial income and expenses		-46	-87	-78
Net financial items	5	<u>-521</u>	<u>-684</u>	<u>-926</u>
<b>Income after financial items</b>		<b>4,604</b>	<b>3,722</b>	<b>1,541</b>
Taxes	6	-1,565	-985	-496
Minority interests		-5	2	3
<b>Net income</b>		<b>3,034</b>	<b>2,739</b>	<b>1,048</b>
Depreciation/amortisation included in operating income <sup>2</sup>	7	-2,000	-2,093	-2,157
Earnings per share, SEK <sup>3</sup>		15.17	13.70	5.24
Proposed dividend per share, SEK		6.00	5.50	3.50

1 Total research and development expenditures amounted to SEK 2,153 m. (2,010), of which SEK 669 m. (573) was capitalised (capitalisation was not allowed in 2001).

2 Refers to Vehicles and Service.

3 There are no potential dilution effects.

# Consolidated balance sheet

31 December, SEK m.	Note	2003	2002	2001	31 December, SEK m.	Note	2003	2002	2001
<b>ASSETS</b>					<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Fixed assets</b>					<b>Shareholders' equity</b>				
Intangible fixed assets	8	2,395	1,938	1,364	Share capital	15	2,000	2,000	2,000
Tangible fixed assets	9	23,892	23,640	25,714	Restricted reserves		3,277	4,608	5,665
Financial fixed assets					Total restricted equity		5,277	6,608	7,665
Holdings in associated companies etc	10	122	126	795	Unrestricted reserves		9,940	7,584	7,282
Long-term receivables					Net income		3,034	2,739	1,048
Long-term interest-bearing receivables	11	11,796	11,354	10,178	Total unrestricted equity		12,974	10,323	8,330
Deferred tax assets	6	381	466	963	Total shareholders' equity		18,251	16,931	15,995
Other long-term receivables		134	224	351	Minority interests		4	58	21
Total long-term receivables		12,311	12,044	11,492	<b>Provisions</b>				
Total fixed assets		38,720	37,748	39,365	Provisions for pensions	16	2,094	2,045	2,092
					Provisions for deferred tax liabilities	6	2,180	2,060	2,391
					Other provisions	17	2,942	2,309	2,184
					Total provisions		7,216	6,414	6,667
<b>Current assets</b>					<b>Liabilities</b>				
Inventories	12	8,506	7,862	7,946	Long-term interest-bearing liabilities	18	20,827	22,514	18,908
Current receivables					Current liabilities				
Tax receivables		352	224	145	Current interest-bearing liabilities	18	5,380	6,933	14,504
Interest-bearing trade receivables	13	7,502	7,136	6,791	Advance payments from customers		570	826	764
Non-interest-bearing trade receivables	13	6,345	6,497	7,731	Trade creditors		3,253	3,297	3,253
Other current receivables	13	2,494	2,281	2,354	Tax liabilities		1,027	241	182
Total current receivables		16,693	16,138	17,021	Other current liabilities		2,059	2,103	2,003
Short-term investments	14	704	1,669	2,133	Accrued expenses and prepaid income	19	7,248	6,770	6,142
Cash and bank balances		1,212	2,670	1,974	Total current liabilities		19,537	20,170	26,848
Total current assets		27,115	28,339	29,074	Total shareholders' equity and liabilities		65,835	66,087	68,439
Total assets		65,835	66,087	68,439					
					Assets pledged	20	175	191	233
					Contingent liabilities	21	595	522	855

Net debt, excluding provisions for pensions, SEK m.	24,291	25,108	29,305
Net debt/equity ratio	1.33	1.48	1.83

For definitions of key ratios, see page 81.

Equity/assets ratio	27.7	25.6	23.4
Equity per share, SEK	91.26	84.66	79.98
Capital employed, SEK m.	46,556	48,481	51,520



## Consolidated statement of changes in shareholders' equity

January–December, SEK m.	Note	2003	2002	2001
Shareholders' equity, 1 January		16,931	15,995	15,698
Exchange rate differences		-614	-1,103	649
Net income		3,034	2,739	1,048
Dividend to shareholders		-1,100	-700	-1,400
Shareholders' equity, 31 December	15	18,251	16,931	15,995

## Consolidated cash flow statement

January–December, SEK m.	Note	2003	2002	2001
<b>Cash flow from operating activities</b>				
Net income excluding Customer Finance		2,801	2,526	854
Items not affecting cash flow	24 a	2,690	2,041	2,124
<b>Cash from operating activities</b>		5,491	4,567	2,978
<b>Change in working capital etc</b>				
Inventories		-864	-918	475
Receivables		-388	223	1,973
Provisions for pensions		54	171	153
Non-interest-bearing liabilities and provisions		1,468	1,296	-706
<b>Total change in working capital etc</b>	24 b	270	772	1,895
<b>Total cash flow from operating activities</b>		5,761	5,339	4,873
Net investments excluding acquisitions/divestments of businesses	24 c	-3,285	-2,921	-1,878
<b>Cash flow before acquisitions/divestments of businesses</b>		2,476	2,418	2,995
Net investments through acquisitions/divestments of businesses	24 d	-26	1,165	-929
<b>Cash flow excluding Customer Finance</b>		2,450	3,583	2,066
Cash flow, Customer Finance	24 e	-1,456	-552	-2,428
<b>Change in net debt including Customer Finance</b>		994	3,031	-362
Change in net debt from financing activities	24 f	-2,200	-1,813	2,119
Dividend to shareholders		-1,100	-700	-1,400
<b>Net change in liquid assets and short-term investments</b>		-2,306	518	357
Effect of exchange rate changes on liquid assets and short-term investments		-117	-286	169
Cash, bank balances and short-term investments, 1 January		4,339	4,107	3,581
<b>Cash, bank balances and short-term investments, 31 December</b>		1,916	4,339	4,107
Cash flow per share, excluding Customer Finance and acquisitions/divestments		12.38	12.09	14.98

# Parent Company financial statements

## Scania AB

### Income statement

January–December, SEK m.	Note	2003	2002	2001
Operating income		0	0	0
Financial income and expenses	1	93	182	51
Dividends received, Group contributions etc	1	1,500	1,000	650
Withdrawal from tax allocation reserve		284	250	600
Provision to tax allocation reserve		–	–	–325
Taxes	2	–105	–121	–273
<b>Net income</b>		<b>1,772</b>	<b>1,311</b>	<b>703</b>

Group contributions in 2002 and 2003 have been reported in compliance with a statement (URA 7) of the Urgent Issues Task Force of the Swedish Financial Accounting Standards Council. Figures for 2001 have not been adjusted.

### Balance sheet

31 December, SEK m.	Note	2003	2002	2001
<b>ASSETS</b>				
<b>Financial fixed assets</b>				
Shares in Group companies	3	11,035	10,971	10,971
<b>Current assets</b>				
Due from subsidiaries		2,828	2,775	3,010
Other receivables		13	13	13
Accrued income		–	2	–
<b>Total assets</b>		<b>13,876</b>	<b>13,761</b>	<b>13,994</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Shareholders' equity	4	11,574	11,174	10,873
Untaxed reserves	5	2,302	2,586	2,836
<b>Current liabilities</b>				
Accrued expenses and prepaid income		0	1	12
Tax liabilities		0	0	273
Total current liabilities		0	1	285
<b>Total shareholders' equity and liabilities</b>		<b>13,876</b>	<b>13,761</b>	<b>13,994</b>
<b>Assets pledged</b>				
Contingent liabilities	6	–	–	–
		23,639	26,685	26,872

### Statement of changes in shareholders' equity

January–December, SEK m.	2003	2002	2001
Shareholders' equity, 1 January	11,174	10,873	11,570
Net income	1,772	1,311	703
Group contributions (net after tax)	–272	–310	–
Dividends to shareholders	–1,100	–700	–1,400
<b>Shareholders' equity, 31 December</b>	<b>11,574</b>	<b>11,174</b>	<b>10,873</b>

### Cash flow statement

January–December, SEK m.	2003	2002	2001
<b>Cash flow from operating activities</b>			
Net income	1,772	1,311	703
<b>Items not affecting cash flow</b>			
Anticipated dividend	–1,500	–1,000	–
Group contributions received	–	–	–650
Taxes	105	121	–
Provision to/withdrawn from untaxed reserves	–284	–250	–275
<b>Cash from operating activities</b>	<b>93</b>	<b>182</b>	<b>–222</b>
<b>Change in working capital</b>			
Current liabilities	–1	–284	–427
Receivables	2	–2	–
<b>Total cash flow from operating activities</b>	<b>94</b>	<b>–104</b>	<b>–649</b>
<b>Investments</b>			
Acquisitions of shares	–64	–	–
<b>Change in net debt provided from financing activities</b>			
Change in due from/liabilities to subsidiaries	1,070	804	2,049
Dividend to shareholders	–1,100	–700	–1,400
<b>Net cash provided by financing activities</b>	<b>–30</b>	<b>104</b>	<b>649</b>
<b>Liquid assets and short-term investments, 31 December</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Accounting principles

The Annual Report of the Scania Group has been prepared in compliance with the Annual Accounts Act, the current recommendations of the Swedish Financial Accounting Standards Council and the statements of its Urgent Issues Task Force. The recommendations of the Council are based on the international accounting principles adopted by the International Accounting Standards Board.

## New accounting recommendations in 2003

Beginning with 2003, Scania is applying the following new recommendations issued by the Swedish Financial Accounting Standards Council: RR 2:02 Inventories, RR 22 Presentation of financial statements, RR 24 Investment property, RR 25 Segment reporting – lines of business and geographic areas, RR 26 Events after the balance sheet date, RR 27 Financial instruments: Disclosure and classification and RR 28 Government grants. The changes in Scania's accounting principles and in the presentation in the financial statements resulting from these recommendations are described below.

## RR 25 Segment reporting – lines of business and geographic areas

The operations of the Scania Group are managed and reported primarily by line of business and secondarily by geographical segments. Scania's primary segments are Vehicles and Service plus Customer Finance. These two segments have distinct products and differentiated risk situations. The tied-up capital and accompanying financing structure in Customer Finance differs substantially from Vehicles and Service.

## RR 27 Financial instruments: Disclosure and classification

Aside from business risks in its operations, Scania is also exposed to financial risks. Information about these risks as well as Scania's risk management, including information about the extent to which derivative instruments are used for hedging and information about fair value, interest rate refixing periods and maturity structures are provided in Note 33.

## Consolidated financial statements

The consolidated financial statements encompass Scania AB and all subsidiaries. "Subsidiaries" refers to companies in which Scania directly or indirectly owns more than 50 percent of the voting rights of the shares or otherwise has a controlling influence.

Acquisitions of companies are reported according to the purchase method of accounting. This means that the assets and liabilities in the acquired company are accounted at acquisition values assigned by the purchaser according to the acquisition analysis. If the acquisition value of the shares exceeds the value of the company's net assets according to the acquisition analysis, the difference is reported as goodwill on consolidation. Only earnings arising after the date of acquisition are included in the shareholders' equity of the Group. Divested companies are included in the consolidated financial statements until and including the divestment date.

Minority interests in net income and shareholders' equity are reported separately.

## Associated companies

"Associated companies" refers to companies in which Scania has a long-term ownership interest and possesses a significant influence. Associated companies are accounted for using the equity method. This means that in the consolidated financial statements, holdings in associated companies are valued at the Group's share of the shareholders' equity in the associated company after adjusting for the Group's share of surplus and deficit values, respectively. In this way, Scania's share of the earnings in an associated company is included in consolidated earnings.

## Foreign currencies

When preparing the consolidated financial statements, all items in the income statements of foreign subsidiaries are translated to Swedish kronor using the average exchange rates during the year. All balance sheet items, except net income, are translated using the exchange rates on the respective balance sheet date (closing

day rate). This method is usually called the current method. The changes in the shareholders' equity of the Group that arise due to different exchange rates on the closing day compared to the exchange rate on the preceding closing day are reported directly against shareholders' equity. Aside from industrial operations in South America and some markets in eastern Europe, the functional currency of all subsidiaries is the same as the local currency. For the above-mentioned businesses, the American dollar and the euro, respectively, have been used as the functional currency. The reasons for this have been that cost and price levels have had a high correlation to the dollar and euro, respectively. Items (transactions) in local currencies have been translated into the functional currency using the monetary/non-monetary method, after which a translation from the functional currency to Swedish kronor occurred using the current method.

Receivables and liabilities in foreign currencies are valued at the closing day rate. In applicable cases, receivables and liabilities are valued at the underlying hedging rate.

Currency forward contracts entered into in order to hedge future commercial currency flows are reported among earnings on the same date that the commercial flow was realised. Premiums received or paid for currency options that are intended for hedging of currency flows in business transactions are reported as income or expenses over the contract period. Currency forward contracts that do not meet the criteria for hedge accounting are valued according to the lower of cost or net realisable value.

When valuing financial assets and liabilities where the original type of currency was changed through a currency swap, the loan amount is translated to Swedish kronor taking into account the swap agreement.

Exchange rate differences on loans and other financial instruments in foreign currencies that are intended for hedging of foreign net assets are reported directly against shareholders' equity.

## Classification in the balance sheet

Scania's operating cycle, that is, the time that elapses from the purchase of materials until

payment for goods delivered is received, is less than twelve months. This means that a current liability is a liability that falls due for payment within in twelve months, counting from the balance sheet date. Other liabilities are classified as long-term. Current assets are assets that are expected to be realised within twelve months, counting from the balance sheet date, or that consist of liquid assets. Other assets are classified as fixed assets.

## Classification of financial and operating leases (Scania as lessor)

Leasing contracts with customers are reported as financial leases in cases where substantially all risks and rewards associated with ownership of the asset have been transferred to the lessee. Other leasing contracts are classified as operating leases and are reported among tangible fixed assets.

## Valuation principles

Assets, liabilities, provisions and derivatives have been valued at acquisition value unless otherwise stated.

## Tangible fixed assets

Tangible fixed assets are reported at acquisition value minus accumulated depreciation and any impairment losses. If a tangible fixed asset includes major components with a divergent useful life (depreciation period), these are reported as separate assets.

Depreciation is mainly carried out on a straight-line basis over the estimated useful life of an asset. In those cases where a residual value exists, the asset is depreciated down to this value. Useful life and depreciation methods are taken into consideration regularly and adjusted in case of changed circumstances. The following useful life is applied:

Machinery and equipment	5–15 years
Industrial buildings	25 years
Land assets	No depreciation

Depreciation is charged to earnings for the period. If there is any indication on the balance sheet date that a tangible asset has diminished in

value, the recoverable amount of the asset is estimated. If the recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount.

In case of a financial lease, where Scania is the lessee, the leased asset is reported as a tangible asset and the future commitment as a liability.

### Intangible fixed assets

Scania's intangible assets consist of goodwill on consolidation plus capitalised expenditures for development of new products as well as software.

Goodwill on consolidation arises when the acquisition value of shares in a subsidiary exceeds the value of that company's net assets according to the acquisition analysis. The amortisation period for goodwill on consolidation is established on the basis of individual examination. In deciding the amortisation period, the main principles used are as follows:

- Small acquisitions that are a supplement to existing operations and that are integrated with them are amortised in five years.
- Larger acquisitions that involve establishment of operations in new markets are amortised in ten years if they are established operations with a strong market position.

Scania's research and development activities are classified into a research phase and a development phase. Those expenditures that arise during the research phase are charged to earnings as they arise. Expenditures during the development phase are capitalised as an intangible fixed asset, beginning on the date when the expenditures are highly likely to lead to future economic benefits. The amortisation of capitalised development expenditures begins when the asset is placed in service and continues during its estimated useful life. For capitalised product development expenditures, the average useful life is currently estimated at five years. For capitalised software development expenditures, the useful life is estimated at between three and five years.

If there is any indication on the balance sheet date that an intangible asset has diminished in value, the recoverable amount of the asset is estimated. If the recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount.

### Inventories

Inventories are valued at the lower of acquisition value and net realisable value according to the first in, first out (FIFO) principle. An allocable portion of indirect expenses is included in the value of the inventories.

### Short-term investments

Short-term investments are valued at the lower of accrued acquisition value and fair value.

### Liquid assets

Liquid assets consist of cash and bank balances as well as short-term investments. In some cases, short-term investments consist of investments with maturities that are formally longer than 90 days, but which can easily be turned into liquid assets.

### Financial instruments

Financial assets, including interest-bearing receivables in Customer Finance, are reported at accrued acquisition value minus probable credit losses. Provisions for bad debts are made individually, based on the customer's payment capacity and the value of the collateral.

Financial liabilities are reported at accrued acquisition value. Premiums or discounts as well as transaction costs when issuing securities are allocated over the maturity of the loan.

Financial assets and liabilities in foreign currencies are valued according to the principles stated under "Foreign currencies". For a description of the reporting of derivatives, see also Note 33.

### Provisions

Provisions are recognised if an obligation (legal or informal) exists as a result of a past

event. 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 factory warranties on vehicles sold during the year are based on the applicable warranty terms and conditions and the estimated quality situation.

### Provisions for pensions

Provisions for pensions are equivalent to the actuarial value of the collectively agreed ITP occupational pension plan and all voluntary pension obligations. The item "Provisions for pensions" includes foreign subsidiaries, with pension commitments reported in compliance with the principles applicable in each respective country, provided that these signify that earned pension rights are reported as expenses.

### Revenue recognition

Revenue from the sale of goods and services is reported when substantially all risks and rewards are transferred to the buyer. Sales revenue is reduced, where applicable, by discounts provided. If the sale is combined with a repurchase obligation or a residual value guarantee the transaction is reported as, in accordance with normal industry practice, an operating lease provided that substantial risks remain with Scania. Leasing income, as well as interest income in the case of hire purchase financing, is recognised over the underlying contract period in compliance with the terms of the contract. Invoicing for both repair and maintenance agreements and for vehicles that could not yet be recognised as revenue, as provided above, is reported as pre-paid income.

### Research and development expenses

Consists of the research and development expenditures that arise during the research phase plus amortisation during the period of capitalised development expenditures (see "Intangible assets").

### Selling expenses

Selling expenses are defined as operating expenses in sales and service companies plus goodwill amortisations related to acquisitions of sales and service companies and costs of corporate-level commercial resources.

### Administrative expenses

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

### Borrowing costs

Borrowing costs in the form of interest are charged to earnings when they arise.

### Taxes

The Group's total tax consists of current and deferred tax. Deferred tax is recognised in case of a difference between the carrying amount of assets and liabilities and their fiscal value ("temporary difference"). Full provision is made for deferred tax liabilities. Deferred tax assets are recognised only to the extent that it is likely that they can be utilised.

### Related party transactions

Related party transactions occur on market terms. The Scania Group's related parties consist of the companies in which Scania can exercise a controlling or significant influence in terms of the financial and operating decisions that are made. The circle of related parties also includes those companies and physical persons that are able to exercise a controlling or significant influence over the financial and operating decisions of the Scania Group.

### Government grants

Government grants received that are attributable to operating expenses reduce these expenses. Government grants related to investments reduce the gross acquisition value of the fixed assets.

## Notes

### Changes in accounting principles in 2004

The Swedish Financial Accounting Standards Council's Recommendation RR 29, Employee benefits, comes into force in 2004 and is being applied from 1 January 2004. The biggest change compared to the previous accounting principle is that the calculation of the liability for defined-benefit pension plans is based on estimated final salary instead of current salary. However, this change in calculation method will not have any material impact on the Group's earnings and shareholders' equity. The higher liability on the few foreign-based plans will be offset by the somewhat lower liability in the dominant Swedish ITP occupational pension plan. To date, the reporting of health care benefits in Brazil has been calculated using American accounting principle which differ insignificantly from the new principles.

Beginning in 2004, for industrial operations in Brazil and Argentina, Scania will replace the previous functional currency, the American dollar (USD), with local currencies. The justification is that in recent years, there has been an increasingly large desengagement of local price and cost trends from the former functional currency.

### Changes in accounting principles in 2005

Beginning in 2005, all European listed companies will apply the International Financial Reporting Standard (IFRS) adopted in the EU. Scania is carrying out a project for implementing and safeguarding the transition to IFRS. Of the recommendations not yet implemented in Sweden, only IAS 39, which regulates the valuation of financial instruments, is deemed likely to have a material effect.

#### THE SCANIA GROUP

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## NOTE 1 Segment reporting

BUSINESS SEGMENTS (PRIMARY) REVENUE AND INCOME	Vehicles and Service			Customer Finance <sup>1</sup>			Eliminations and other			Scania Group		
	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001
January–December, SEK m.												
Revenue from external customers	50,581	47,285	53,065	813	730	657	-	-	-	51,394	48,015	53,722
Operating income	4,759	3,548	2,189	366	308	278	-	-	-	5,125	3,856	2,467
Capital gain related to car operations	-	-	-	-	-	-	-	550	-	-	550	-
Financial income and expenses	-521	-684	-926	-	-	-	-	-	-	-521	-684	-926
Income after financial items	4,238	2,864	1,263	366	308	278	-	550	-	4,604	3,722	1,541
Taxes	-1,432	-890	-412	-133	-95	-84	-	-	-	-1,565	-985	-496
Minority interests	-5	2	3	-	-	-	-	-	-	-5	2	3
Net income	2,801	1,976	854	233	213	194	-	550	-	3,034	2,739	1,048
Depreciation/amortisation included in operating income <sup>2</sup>	-2,000	-2,093	-2,157	-16	-13	-11	-	-	-	-2,016	-2,106	-2,168

1 For the Customer Finance segment, net interest income is presented as revenue. 2 Depreciation on operating leases is not included.

### BALANCE SHEET

31 December, SEK m.

ASSETS												
Intangible fixed assets	2,381	1,926	1,364	14	12	0	-	-	-	2,395	1,938	1,364
Tangible fixed assets <sup>3</sup>	17,347	16,792	17,710	7,921	8,366	9,917	-1,376	-1,518	-1,913	23,892	23,640	25,714
Shares and participations	122	126	795	-	-	-	-	-	-	122	126	795
Inventories	8,460	7,831	7,880	46	31	66	-	-	-	8,506	7,862	7,946
Interest-bearing receivables <sup>4</sup>	1,268	1,524	1,773	18,030	16,966	15,196	-	-	-	19,298	18,490	16,969
Other receivables	9,501	9,452	11,016	619	630	898	-414	-390	-370	9,706	9,692	11,544
Liquid investments	1,779	4,187	3,931	137	152	176	-	-	-	1,916	4,339	4,107
<b>Total assets</b>	<b>40,858</b>	<b>41,838</b>	<b>44,469</b>	<b>26,767</b>	<b>26,157</b>	<b>26,253</b>	<b>-1,790</b>	<b>-1,908</b>	<b>-2,283</b>	<b>65,835</b>	<b>66,087</b>	<b>68,439</b>
SHAREHOLDERS' EQUITY AND LIABILITIES												
Shareholders' equity	15,164	13,828	13,503	3,087	3,103	2,492	-	-	-	18,251	16,931	15,995
Provisions for pensions	2,088	2,040	2,087	6	5	5	-	-	-	2,094	2,045	2,092
Other provisions	4,361	3,495	3,670	761	874	905	-	-	-	5,122	4,369	4,575
Interest-bearing liabilities	4,426	8,495	11,721	21,781	20,952	21,691	-	-	-	26,207	29,447	33,412
Other liabilities	14,819	13,980	13,488	1,132	1,223	1,160	-1,790	-1,908	-2,283	14,161	13,295	12,365
<b>Total shareholders' equity and liabilities</b>	<b>40,858</b>	<b>41,838</b>	<b>44,469</b>	<b>26,767</b>	<b>26,157</b>	<b>26,253</b>	<b>-1,790</b>	<b>-1,908</b>	<b>-2,283</b>	<b>65,835</b>	<b>66,087</b>	<b>68,439</b>

3 Tangible assets in the Customer Finance segment mainly consist of leasing assets (operating leases). 4 Interest-bearing receivables in the Customer Finance segment mainly consist of financial leases and hire purchase contracts.

Investments in intangible fixed assets during the period	710	619	-	8	10	-	-	-	-	718	629	-
Investments in tangible fixed assets during the period	2,466	2,377	1,962	12	19	18	-	-	-	2,478	2,396	1,980

**NOTE 1 Segment reporting, continued**
**GEOGRAPHIC SEGMENTS  
(SECONDARY)**

SEK m.	Western Europe			Central and eastern Europe			Asia			America			Other markets			Eliminations			2003	2002	2001
	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001			
<b>Vehicles and Service</b>																					
Revenue, January–December <sup>1</sup>	35,970	34,992	39,603	4,016	3,113	2,624	3,932	3,122	2,898	3,836	3,542	5,576	2,827	2,516	2,364	–	–	–	50,581	47,285	53,065
Assets, 31 December <sup>2</sup>	31,674	31,931	31,602	2,127	1,788	1,369	1,036	800	561	5,143	7,324	11,059	2,427	1,519	1,148	–1,549	–1,524	–1,270	40,858	41,838	44,469
Investments, 31 December <sup>2</sup>	2,736	2,700	1,539	191	107	149	84	58	37	120	85	208	45	46	29	–	–	–	3,176	2,996	1,962
<b>Customer Finance</b>																					
Revenue, January–December <sup>1</sup>	559	521	491	185	154	134	60	49	31	–	–	–	9	6	1	–	–	–	813	730	657
Assets, 31 December <sup>2</sup>	21,508	21,961	22,795	3,451	3,125	2,632	1,446	776	632	–	–	–	362	295	194	–	–	–	26,767	26,157	26,253
Investments, 31 December <sup>2</sup>	14	16	14	4	5	4	1	8	0	–	–	–	1	0	0	–	–	–	20	29	18

1 Revenue from external customers by location of customers.

2 Assets and investments in fixed assets are reported by the geographic location of the assets.

**The composition of the geographic segments**

**Western Europe** refers to Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Great Britain, Greece, Iceland, Ireland, Italy, Liechtenstein, the Netherlands, Norway, Portugal, Spain, Sweden and Switzerland.

**Central and eastern Europe** refers to Albania, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Kazakhstan, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine, Turkmenistan and Yugoslavia.

**Asia** refers to Afghanistan, Bahrain, Bangladesh, Brunei, China, Hong Kong, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, Kuwait, Laos, Lebanon, Macao, the Maldives, Malaysia, Mongolia, Myanmar, Nepal, North Korea, Oman, Pakistan, the Philippines, Qatar, Saudi Arabia, Singapore, South Korea, Sri Lanka, Syria, Taiwan, Thailand, Turkey, the United Arab Emirates, Vietnam and Yemen.

**America** refers to Argentina, Barbados, Bermuda, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Martinique, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Trinidad, the United States, Uruguay, Venezuela and the Virgin Islands.

**Other markets** refers to Algeria, Angola, Australia, Benin, Botswana, Burundi, Cameroon, the Canary Islands, Chad, Congo, Egypt, Eritrea, Ethiopia, French Polynesia, Gabon, Gambia, Guadeloupe, Guinea-Bissau, Guinea Conakry, Ivory Coast, Kenya, Libya, Madagascar, Mali, Malawi, Mauritania, Mauritius, Micronesia, Morocco, Mozambique, New Caledonia, New Guinea, New Zealand, Niger, Reunion, Rwanda, São Tomé, Senegal, the Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe.

**NOTE 2 Sales revenue**

	2003	2002	2001
Trucks	29,537	27,184	29,139
Buses	5,115	3,991	4,701
Engines	453	464	608
Service-related products	10,759	10,603	10,151
Used vehicles etc	7,123	6,218	5,595
Revenue deferral, vehicles <sup>1</sup>	–2,406	–1,175	–1,884
<b>Total Scania products</b>	<b>50,581</b>	<b>47,285</b>	<b>48,310</b>
Car operations <sup>2</sup>	–	–	4,755
<b>Total</b>	<b>50,581</b>	<b>47,285</b>	<b>53,065</b>

1 This difference arises when a lease or sale, combined with a residual value guarantee or a repurchase obligation, is reported as an operating lease, provided that significant risks remain.

2 During 2001, sales included sales revenue of SEK 4,755 m. from Swedish car operations. Swedish car operations were divested as per 1 January 2002.

**NOTE 3 Share of income in associated companies**

The Scania Group's share of the income before taxes of associated companies consists of the following:

	2003	2002	2001
Scania products	16	23	29
Car operations <sup>1</sup>	–	–	30
<b>Total</b>	<b>16</b>	<b>23</b>	<b>59</b>

1 In 2001, share of income in associated companies under car operations referred to Scania's share of the income of Svenska Volkswagen AB. Svenska Volkswagen AB was divested as per 1 January 2002.

**NOTE 4 Customer Finance**

<b>Income statement</b>	2003	2002	2001
Interest income	1,183	1,151	1,041
Lease income	2,296	2,612	2,656
Depreciation	–1,776	–1,977	–1,939
Interest expenses	–890	–1,056	–1,101
Net interest income	813	730	657
Other income and expenses	15	17	–16
Net operating income	828	747	641
Credit losses <sup>1</sup>	–166	–175	–137
Operating expenses	–296	–264	–226
Operating income	366	308	278

1 This was equivalent to 0.66 (0.69 and 0.63 respectively) percent of the average credit portfolio.

<b>Lease assets (operating leases)</b>	2003	2002	2001
1 January	8,341	9,894	7,208
New contracts	3,239	2,972	5,248
Depreciation	–1,776	–1,977	–1,939
Redemptions	–1,582	–2,105	–1,478
Change in value adjustment	–14	2	–19
Exchange rate differences	–308	–445	874
Carrying amount, 31 December <sup>2</sup>	<b>7,900</b>	<b>8,341</b>	<b>9,894</b>

2 Included in the consolidated financial statements under "Machinery and equipment" after subtracting deferred profit recognition.

Note 4, continued

Financial receivables (Hire purchase contracts and financial leases)	2003	2002
1 January	16,962	15,197
New receivables	9,916	10,318
Loan principal payments/redemptions etc	-8,307	-8,079
Change in value adjustment	-93	-9
Exchange rate differences	-452	-465
Carrying amount, 31 December	18,026	16,962
<b>Total receivables and lease assets<sup>3</sup></b>	<b>25,926</b>	<b>25,303</b>

3 The number of contracts on 31 December totalled about 64,000 (59,000).

Net investments in financial leases	2003	2002	2001
Receivables related to future minimum lease payments	14,696	13,244	10,988
Less:			
Executory costs and reserve for bad debts	-227	-294	-342
Imputed interest	-1,143	-1,145	-1,093
Net investment <sup>4</sup>	13,326	11,805	9,553

4 Included in the consolidated financial statements under "Interest-bearing trade receivables" and "Long-term interest-bearing receivables".

Future minimum lease payments <sup>5</sup>	Operating leases	Financial leases
2004	2,015	5,782
2005	1,342	4,100
2006	1,018	2,732
2007	652	1,478
2008	337	538
2009 and thereafter	175	66
Total	5,539	14,696

5 Minimum lease payments refer to future flow of incoming payments of the contract portfolio, including interest. For operating leases, the residual value is not included since this is not a minimum payment for these contracts.

## NOTE 5 Financial income and expenses

	2003	2002	2001
<b>Interest income</b>			
Bank balances and short-term investments	184	181	89
Interest-bearing receivables	55	48	157
Other	47	31	48
Total interest income	286	260	294
<b>Interest expenses</b>			
Borrowings	-676	-760	-1,086
Pension liability (PRI)	-85	-97	-56
Total interest expenses	-761	-857	-1,142
Other financial income and expenses	-46	-87	-78
Net financial items	-521	-684	-926

## NOTE 6 Taxes

Tax expense/income for the year	2003	2002	2001
Current tax	-1,351	-990	-642
Deferred tax	-209	14	163
Share of tax of associated companies	-5	-9	-17
Total	-1,565	-985	-496
<b>Deferred tax is attributable to the following</b>	<b>2003</b>	<b>2002</b>	
Deferred tax related to temporary differences	-136	-83	
Deferred tax related to changes in tax rates <sup>1</sup>	9	0	
Deferred tax due to tax value of loss carry-forwards capitalised during the year	114	350	
Deferred tax due to utilisation of previously capitalised tax value of loss carry-forwards	-146	-253	
Other changes in deferred tax liabilities/assets	-50	-	
Total	-209	14	

1 During 2003, the tax rate changed in the following countries: Belgium, Chile, the Czech Republic, Italy and Poland.

Reconciliation of effective tax	2003		2002		2001	
	Amount	%	Amount	%	Amount	%
Income after financial items	4,604		3,722		1,541	
Swedish statutory tax	-1,289	-28	-1,042	-28	-431	-28
Tax effect and percentage influence:						
Difference between Swedish and foreign tax rates	26	1	32	1	71	5
Tax-exempt income	12	0	31	1	32	2
Non-deductible expenses including goodwill amortisation	-158	-3	-112	-3	-143	-9
Valuation of tax loss carry-forwards	-25	-1	35	1	-106	-7
Adjustment for taxes pertaining to previous years	-59	-1	-1	0	30	2
Capital gain on divestment of businesses <sup>2</sup>	-		154	4	-	
Other	-72	-2	-82	-2	51	3
Effective tax	-1,565	-34	-985	-26	-496	-32

2 During 2002, Swedish car operations were divested. The capital gain of SEK 550 m. was tax-exempt.

## Deferred tax assets and tax liabilities are attributable to the following

	2003	2002	2001
<b>Deferred tax assets</b>			
Provisions	423	293	212
Fixed assets	261	213	171
Inventories	346	367	363
Unutilised tax loss carry-forwards <sup>3</sup>	661	801	801
Other	412	518	349
Offset within tax units	-1,722	-1,726	-933
Total	381	466	963
<b>Deferred tax liabilities</b>			
Fixed assets	2,729	2,766	2,190
Tax allocation reserve <sup>4</sup>	838	749	807
Other	335	271	327
Offset within tax units	-1,722	-1,726	-933
Total	2,180	2,060	2,391
<b>Net deferred tax liabilities</b>	<b>1,799</b>	<b>1,594</b>	<b>1,428</b>

3 Unutilised tax loss carry-forwards stem mainly from Latin America, Sweden, France and Germany. Of the deferred tax assets attributable to unutilised loss carry-forwards, SEK 566 m. may be utilised without time constraints.

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 net deferred tax liabilities	2003	2002
1 January	1,594	1,428
Deferred taxes reported in the year's income	209	-14
Tax assets/tax liabilities in acquired businesses	12	24
Tax assets/tax liabilities in divested businesses	-	-26
Exchange rate differences etc	-16	182
Net deferred tax liabilities, 31 December	1,799	1,594

Deferred tax assets related to subsidiaries that reported a loss during the year were valued on the basis of an assessment that the future earnings capacity makes a valuation possible. In the Scania Group, deferred tax assets related to tax loss carry-forwards of SEK 255 m. were not included after assessment of the potential for utilising the tax loss carry-forwards.

#### Expiration structure of deferred tax assets related to tax loss carry-forwards not recognised:

2004	29
2005	14
2006	1
2007	1
2008	13
2009 and thereafter	79
No expiration date	118
	255

#### NOTE 7 Depreciation/amortisation

Distribution of depreciation or amortisation by function, excluding depreciation in Customer Finance, which is found in Note 4.

	2003	2002	2001
<b>Intangible fixed assets</b>			
Research and development expenses	-2	-	-
Selling expenses <sup>1</sup>	-214	-237	-188
Total	-216	-237	-188
<b>Tangible fixed assets</b>			
Costs of goods sold	-1,419	-1,469	-1,504
Research and development expenses	-95	-91	-106
Selling expenses	-238	-255	-314
Administrative expenses	-32	-41	-45
Total	-1,784	-1,856	-1,969
<b>Total depreciation/amortisation</b>	<b>-2,000</b>	<b>-2,093</b>	<b>-2,157</b>

In addition, reduction in value related to operating leases, including short-term rentals in Vehicles and Service, was charged to "Cost of goods sold" in the amount of SEK -725 m. (-549 and -583).

<sup>1</sup> Goodwill amortisation related to acquisitions of sales and service companies is recognised as a selling expense.

#### NOTE 8 Intangible fixed assets

	Goodwill	Product development	Software
Carrying amount, 1 January 2001	545		
Change in accumulated acquisition value, 2001	1,022		
Change in accumulated amortisation, 2001	-203		
Carrying amount, 31 December 2001	1,364		
Change in accumulated acquisition value, 2002	78	573	165
Change in accumulated amortisation, 2002	-194	-	-48
Carrying amount, 31 December 2002	1,248	573	117
<b>2003</b>			
<b>Accumulated acquisition value</b>			
1 January	1,860	573	165
Acquisitions/divestments of businesses	-5	-	-
New acquisitions	-	669	49
Divestments and disposals	-	-9	-1
Reclassifications	-2	-	55
Exchange rate differences	-107	-	-13
Total	1,746	1,233	255
<b>Accumulated amortisation</b>			
1 January	612	-	48
Divestments of businesses	-8	-	-
Amortisation for the year			
- Vehicles and Service	169	2	45
- Customer Finance	-	-	7
Reclassifications	-1	-	3
Exchange rate differences	-32	-	-6
Total	740	2	97
<b>Carrying amount, 31 December</b>	<b>1,006</b>	<b>1,231</b>	<b>158</b>

The portion of the Scania Group's research and development expenditures that arises during the development phase is capitalised on a continuous basis. Research and development expenditures during the year amounted to SEK 2,153 m. (2,010). Of this, SEK 1,484 m. (1,437) was expensed during the year and SEK 669 m. (573) was capitalised. Amortisation occurs only when the asset is placed in service.

The carrying amount related to software includes no software developed in-house.

## NOTE 9 Tangible fixed assets

	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Assets in operating lease <sup>1</sup>
Carrying amount, 1 January 2001	6,262	6,951	732	8,022
Change in accumulated acquisition value, 2001	1,715	1,238	362	4,870
Change in accumulated depreciation, 2001	-614	-1,611	-	-2,213
Carrying amount, 31 December 2001	7,363	6,578	1,094	10,679
Change in accumulated acquisition value, 2002	-511	-276	264	-1,243
Change in accumulated depreciation, 2002	8	-351	-	35
Carrying amount, 31 December 2002	6,860	5,951	1,358	9,471
<b>2003</b>				
<b>Accumulated acquisition value</b>				
1 January	10,442	19,263	1,358	14,323
Acquisitions/divestments of businesses	86	15	-	16
New acquisitions	406	1,148	924	5,342
Divestments and disposals	-136	-669	-	-4,664
Reclassifications	245	530	-830	33
Exchange rate differences for the year	-253	-955	-24	-598
Total	10,790	19,332	1,428	14,452
<b>Accumulated depreciation</b>				
1 January	3,613	13,312	-	4,705
Depreciation for the year	-	-	-	-
- Vehicles and Service	361	1,423	-	725
- Customer Finance	0	9	-	1,776
Divestments and disposals	-35	-554	-	-2,473
Reclassifications	7	-9	-	28
Exchange rate differences for the year	-81	-646	-	-178
Total	3,865	13,535	-	4,583
<b>Accumulated revaluations</b>				
1 January	31	-	-	-
Total	31	-	-	-
<b>Accumulated write-downs <sup>2</sup></b>				
1 January	-	-	-	147
Write-downs for the year	-	-	-	25
Reversals of write-downs	-	-	-	-14
Total	-	-	-	158
<b>Carrying amount, 31 December</b>	<b>6,956</b>	<b>5,797</b>	<b>1,428</b>	<b>9,711</b>
- of which "Machinery"		4,882	(5,951)	
- of which "Equipment"		915	(952)	
- of which "Buildings"	5,290	(5,143)		
- of which "Land"	1,666	(1,717)		
<b>Tax assessment value buildings, in Sweden</b>	<b>996</b>	<b>(920)</b>		
equivalent carrying amount	2,356	(2,243)		
<b>Tax assessment value land, in Sweden</b>	<b>314</b>	<b>(305)</b>		
equivalent carrying amount	426	(401)		

<sup>1</sup> Including assets for short-term leasing.

<sup>2</sup> Write-downs of assets in operating leases refer to value adjustment for possible credit losses.

## NOTE 10 Holdings in associated companies

Holdings in associated companies		2003	2002	2001	
Accumulated acquisition value		28	29	332	
Accumulated share of income		38	38	387	
Write-down		-	-2	-	
Carrying amount		66	65	719	
<b>Specification of the Group's holdings of shares and participations in associated companies etc.</b>					
Associated company/corporate ID number/country of registration	Ownership %	Carrying amount in Parent Company fin. statem.	Value of Scania's share in consolidated financial statements		
			2003	2002	2001
Svenska Volkswagen AB, 556084-0968, Sweden <sup>1</sup>			-	-	624
WM-Data Scania AB, 556084-1206, Sweden <sup>2</sup>			-	-	45
Cummins-Scania high pressure injection L.L.C., 043650113, USA	30	25	33	39	48
Swed Bus Pakistan Pvt Ltd, K-07897, Pakistan	10	0	0	0	2
ScaMadrid S.A., ES A80433519, Spain	49	1	16	13	-
ScaValencia S.A., ES A46332995, Spain	50	0	17	13	-
Holdings in associated companies			66	65	719
Other shares and participations			56	61	76
Total			122	126	795

<sup>1</sup> During 2002, Scania sold its 50 percent shareholding in Svenska Volkswagen AB.

<sup>2</sup> By agreement, in 2002 Scania gained a controlling influence in WM-Data Scania AB, which was then consolidated as a subsidiary.

The value of Scania's share in the consolidated financial statements calculated using the equity method of accounting and its ownership stake in the shareholders' equity of associated companies totalled the same amount, SEK 66 m. (65 and 719 respectively).

The Group's share of undistributed accumulated profit in associated companies comprised part of restricted reserves in the consolidated financial statements. It amounted to SEK 38 m. (38 and 387, respectively).

### NOTE 11 Long-term interest-bearing receivables

	2003	2002	2001
Receivables, Customer Finance <sup>1</sup>	11,120	10,646	9,394
Receivables, Vehicles and Service	676	708	784
<b>Total</b>	<b>11,796</b>	<b>11,354</b>	<b>10,178</b>

<sup>1</sup> Note 4 shows how the financial receivables of Customer Finance (including the short-term portion) changed during 2003.

### NOTE 12 Inventories

	2003	2002	2001
Raw materials	847	822	858
Work in progress	1,028	925	880
Finished goods	6,631	6,115	6,208
<b>Total</b>	<b>8,506</b>	<b>7,862</b>	<b>7,946</b>

Of the total value of inventories in 2003, SEK 278 m. is expected to be consumed after more than twelve months, which is mainly attributable to parts. In 2003, SEK 541 m. worth of inventories was valued at net realisable value; this was mainly related to used vehicles.

### NOTE 13 Current receivables

	2003	2002	2001
Interest-bearing trade receivables, Vehicles and Service	592	816	988
Interest-bearing trade receivables, Customer Finance	6,910	6,320	5,803
<b>Total interest-bearing trade receivables</b>	<b>7,502</b>	<b>7,136</b>	<b>6,791</b>
Non-interest-bearing trade receivables	6,345	6,497	7,731
Prepaid expenses and accrued income	864	752	675
Other receivables	1,630	1,529	1,679
<b>Total</b>	<b>16,341</b>	<b>15,914</b>	<b>16,876</b>

### NOTE 14 Short-term investments

	2003	2002	2001
Liquid investments (maturities of less than 90 days)	451	583	895
Investments (maturities 91–365 days)	253	1,086	1,238
<b>Total</b>	<b>704</b>	<b>1,669</b>	<b>2,133</b>

Investments totalling SEK 167 m. (613 and 692, respectively) in value were restricted by agreement with third parties.

### NOTE 15 Shareholders' equity

The shareholders' equity of the Scania Group has changed as follows:

	Share capital	Restricted reserves	Unrestricted shareholders' equity	Accumulated exchange rate differences	Total
<b>2002</b>					
1 January	2,000	5,665	6,759	1,571	15,995
Dividend to shareholders	–	–	–700	–	–700
Net income for 2002	–	–	2,739	–	2,739
Exchange rate differences for the year	–	–	–	–1,103	–1,103
Transfer between restricted and unrestricted equity	–	–1,057	1,057	–	0
<b>Balance, 31 December 2002</b>	<b>2,000</b>	<b>4,608</b>	<b>9,855</b>	<b>468</b>	<b>16,931</b>
<b>2003</b>					
1 January	2,000	4,608	9,855	468	16,931
Dividend to shareholders	–	–	–1,100	–	–1,100
Net income for 2003	–	–	3,034	–	3,034
Exchange rate differences for the year	–	–	–	–614	–614
Transfer between restricted and unrestricted equity	–	–1,331	1,331	–	0
<b>Balance, 31 December 2003</b>	<b>2,000</b>	<b>3,277</b>	<b>13,120</b>	<b>–146</b>	<b>18,251</b>

Under Swedish law, **shareholders' equity** shall be allocated between non-distributable (restricted) and distributable (unrestricted) funds. In a Group, only the lower of Parent Company or consolidated unrestricted equity may be distributed.

**Restricted equity** consists of share capital plus non-distributable funds. Scania AB has 100,000,000 A shares outstanding with voting rights of one vote per share and 100,000,000 B shares outstanding with voting rights of 1/10 vote per share. The shares have a nominal value of SEK 10 apiece. 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.

**Unrestricted equity** consists of distributable funds and includes net income for the year. In the consolidated financial statements, consolidated unrestricted equity includes only the portion of unrestricted equity in the financial statements of a subsidiary that can be distributed to the Parent Company without having to write down the shares in the subsidiary. The proposed, not yet approved dividend to the shareholders for the financial year 2003 amounts to SEK 6.00 per share, equivalent to SEK 1,200 m. The income statements and balance sheets are adopted at the Annual Meeting.

**Accumulated exchange rate differences** arise when translating net assets outside Sweden according to the current method of accounting. The negative exchange rate difference of SEK 614 m. during 2003 arose as a consequence of the appreciation of the Swedish krona against currencies important to Scania. Of the exchange rate differences, about SEK –400 m. is related to the effect of appreciation

against USD and about SEK –200 m. from appreciation against European currencies, mainly GBP and EUR.

The year's transfer between restricted and unrestricted equity was mainly explained by exchange rate differences, since portions of the restricted equity of the Group include amounts denominated in currencies that weakened against the Swedish krona during 2003.

### NOTE 16 Provisions for pensions and similar commitments

	2003	2002	2001
Provisions for FPG/PRI guaranteed pensions	1,557	1,447	1,427
Provisions to other pensions	375	454	446
Provisions for health care benefits	162	144	219
<b>Total</b>	<b>2,094</b>	<b>2,045</b>	<b>2,092</b>

The amount under "Provisions for pensions" corresponds to the actuarial projection of the value of the collectively agreed ITP occupational pension plan and all voluntary pension obligations.

The Swedish plan for salaried employees is administered by a Swedish multi-employer institution, the Pension Registration Institute (PRI). The actuarial assumptions are established by PRI. Scania's pension liability consists of the sum of the discounted present value of the company's estimated future pension payments, based on current salaries. Pensions are guaranteed through credit insurance from the mutual insurance company Försäkringsbolaget Pensionsgaranti (FPG).

"Provisions for pensions" include foreign subsidiaries, whose pension commitments are reported in accordance with the principles that apply in each country, provided that they permit earned pension benefits to be reported as an expense.

For obligations related to health care benefits, which are attributable to its operations in Brazil, Scania applies SFAS 106, "Employers' Accounting for Postretirement Benefits". This means that health care benefits etc. that are earned by the employees but not utilised until after retirement are expensed as they arise.

In 2004, Recommendation RR 29, Employee benefits, of the Swedish Financial Accounting Standards Council comes into force. The introduction of this recommendation is not expected to have any material impact on the shareholders' equity and earnings of the Scania Group.

## NOTE 17 Other provisions

During 2003, the Scania Group's provisions changed as follows:

	Product obligations	Restructuring	Legal and tax disputes	Miscellaneous provisions	Total
1 January	1,317	60	234	698	2,309
Provisions during the year	1,053	118	89	561	1,821
Provisions used during the year	-534	-80	-59	-335	-1,008
Provisions reversed during the year	-54	-2	-9	-21	-86
Exchange rate differences	-70	-2	-6	-16	-94
<b>31 December</b>	<b>1,712</b>	<b>94</b>	<b>249</b>	<b>887</b>	<b>2,942</b>

Provisions for factory warranties on vehicles sold during the year are based on the terms of factory warranties and the projected quality situation. For other product obligations, the provisions reflected the net amount of funds set aside and provisions used.

Provisions for restructuring were largely related to the reorganisation of production at Ferruform AB, Sweden.

"Miscellaneous provisions" include provisions for asset appraisal in South America. They also include provisions for possible losses on service agreements and residual value obligations.

Of the above provisions, about SEK 1,700 m. are expected to be utilised within twelve months.

## NOTE 18 Interest-bearing liabilities

Borrowings for Customer Finance are effectively matched against contracted payment flows with regard to currencies and interest rate refixing periods. Other borrowings mainly occur in each respective local currency.

### Short- and long-term borrowing, distributed by currency<sup>1</sup>

	2003	2002	2001
SEK	9,012	9,159	12,593
EUR	14,859	17,268	14,549
GBP	549	670	1,698
USD	308	609	1,806
Other currencies	1,479	1,741	2,766
<b>Total</b>	<b>26,207</b>	<b>29,447</b>	<b>33,412</b>
Of which, attributable to Customer Finance	21,781	20,952	21,691
Borrowings excluding Customer Finance	4,427	8,495	11,721

<sup>1</sup> Does not take into account currency hedging, which has been used to match borrowings by currency to funding requirements by currency.

## The above loans fall due for repayment as follows

	2003
2004	5,380
2005	3,605
2006	4,015
2007	6,759
2008	5,608
2009 and thereafter	840
<b>Total</b>	<b>26,207</b>

For further information on Scania's borrowing programme and financial risk management, see Note 33.

Net debt	2003	2002	2001
Cash, bank balances and short-term investments	1,916	4,339	4,107
Short-term borrowings	-5,380	-6,933	-14,504
Long-term borrowings	-20,827	-22,514	-18,908
<b>Total</b>	<b>-24,291</b>	<b>-25,108</b>	<b>-29,305</b>
Of which, attributable to Customer Finance	-21,644	-20,800	-21,515
Net debt Vehicles and Service	-2,647	-4,308	-7,790

## NOTE 19 Accrued expenses and prepaid income

	2003	2002	2001
Customary accrued expenses and prepaid income <sup>1</sup>	4,045	3,897	3,440
Prepaid income in operating leases	2,893	2,306	2,271
Accrued financial items	310	567	431
<b>Total</b>	<b>7,248</b>	<b>6,770</b>	<b>6,142</b>

Of the above prepaid income in operating leases, approximately SEK 900 m. is expected to be recognised as revenue within twelve months and approximately SEK 50 m. later than after five years.

<sup>1</sup> In 2003, SEK 1,798 m. was attributable to employee-related accrued expenses. SEK 965 m. to prepaid income for repair and service agreements and SEK 1,282 m. to miscellaneous accrued expenses and prepaid income.

## NOTE 20 Assets pledged

	2003	2002	2001
Real estate mortgages	142	191	231
Other	33	-	2
<b>Total</b>	<b>175</b>	<b>191</b>	<b>233</b>

In 2003, all collateral was pledged to credit institutions and was divided between SEK 30 m. (10) in short-term borrowings, SEK 133 m. (181) in long-term borrowings and SEK 12 m. (0) as collateral for the liabilities of others.

## NOTE 21 Contingent liabilities

	2003	2002	2001
Contingent liability related to FPG credit insurance	29	27	27
Contingent liability related to FPG credit insurance (associated companies)	-	-	159
Loan guarantees	97	43	92
Discounted bills and contracts	42	72	140
Other guarantees	427	380	437
<b>Total</b>	<b>595</b>	<b>522</b>	<b>855</b>

In addition to the above contingent liabilities, the Group has issued vehicle repurchase guarantees worth SEK 418 m. (493 and 804, respectively) to customers' creditors.

Repurchase obligations related to guaranteed residual values in operating leases amounted to SEK 5,925 m. (6,077 and 7,413, respectively).

### Legal and tax disputes

The Swedish local tax authority has denied a request for deduction of a loss of SEK 2.9 billion. This decision will be appealed. The total effect on earnings may total a maximum of SEK 575 m. if the deduction is disallowed in its entirety. No provision has been made.

The Group is party to legal proceedings and related claims that are normal in its operations. However, Scania management has made the assessment that the ultimate resolution of these proceedings will not have any material impact on the financial position of the Group.

## NOTE 22 Lease obligations

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

Operating leases	Future minimum lease payment	Of which, related to leases on premises <sup>1</sup>
2004	178	108
2005	136	103
2006	116	99
2007	106	94
2008	89	85
2009 and thereafter	539	539
<b>Total<sup>2</sup></b>	<b>1,164</b>	<b>1,028</b>

<sup>1</sup> Firm obligations related to leases on premises were expensed in the amount of SEK 109 m. during 2003.

<sup>2</sup> Refers to operating leases where the commitment exceeds one year.

The Scania Group's operating lease obligations mainly include premises and real properties.

Financial leases	Future minimum lease payment	Present value of future lease payments
2004	45	42
2005	51	46
2006	16	13
2007	13	11
2008	6	5
2009 and thereafter	59	45
Total	190	162

On 31 December 2003, the carrying amount related to financial leasing in the balance sheet totalled SEK 162 m.

### NOTE 23 Government grants

During 2003, the Scania Group received government grants amounting to SEK 24 m. attributable to operating expenses of SEK 100 m. It also received government grants amounting to SEK 34 m. attributable to investments with a gross acquisition value of SEK 535 m.

### NOTE 24 Consolidated cash flow statement

	2003	2002	2001
<b>a. Items not affecting cash flow</b>			
Depreciation/amortisation	2,000	2,093	2,157
Value adjustment, short-term leasing	161	152	161
Unrealised exchange rate differences	21	53	-58
Bad debts	258	207	263
Associated companies	-8	11	28
Taxes	286	423	-306
Deferred profit recognition, operating leases	-56	-364	-120
Reported capital gain/loss on divestment of businesses	0	-534	5
Other	28	0	-6
Total	2,690	2,041	2,124

### b. Change in working capital

Long-term interest-bearing receivables	-91	-58	97
Other receivables	-297	281	1,876
Inventories	-864	-918	475
Provisions for pensions	54	171	153
Advance payments from customers	-182	152	185
Trade creditors	97	162	-519
Other liabilities and provisions	1,553	982	-372
Total	270	772	1,895

### c. Net investments excluding acquisitions/divestments of businesses

Investments in fixed assets <sup>1</sup>	-3,735	-3,363	-2,405
Divestments of fixed assets	450	442	527
Total	-3,285	-2,921	-1,878

1 Of which, SEK 669 m. (573) for development expenditures capitalised in 2003.

### d. Net investment through acquisitions/divestments of businesses<sup>2</sup>

Proceeds from sale of shares (after subtracting liquid assets in divested businesses)	-	1,350	-42
Acquisitions of businesses	-26	-185	-887
Total	-26	1,165	-929

2 See Note 25, "Companies acquired/divested".

### e. Cash flow, Customer Finance

Net income	233	213	194
Items not affecting cash flow	141	207	312
Cash from operating activities	374	420	506
Change in lease assets	115	1,118	-143
Increase in financial receivables	-1,856	-2,481	-2,435
Change in other assets and liabilities	-90	391	-79
Acquisitions of businesses <sup>2</sup>	1	-	-277
Total	-1,456	-552	-2,428

### f. Change in net debt through financing activities

Net change in short-term borrowings	-408	-5,814	-782
Repayment of long-term borrowings	-6,504	-4,983	-1,248
Increase in long-term borrowings	4,712	8,984	4,032
Net change in restricted deposits	0	0	117
Total	-2,200	-1,813	2,119

### Interest, taxes and dividends received/paid

Interest received	425	260	294
Interest paid	-1,024	-721	-1,035
Taxes paid	-845	-573	-1,049
Dividends received from associated companies	3	25	70

### Relationship between cash flow statement and change in net debt in the balance sheet

Change in net debt, including Customer Finance	994	3,031	-362
Change in interest-bearing liabilities:			
Exchange rate effects	1,120	1,819	-1,897
Businesses acquired	-81	49	-2,211
Businesses divested	-	284	56
Change in restricted funds	-	-	117
Change in liquid assets	-117	-286	169
Dividend to shareholders	-1,100	-700	-1,400
Change in net debt according to the balance sheet	816	4,197	-5,528

### NOTE 25 Companies acquired/divested

As per 30 September 2003, Scania acquired Topsted A/S, a dealership operating in Århus, Denmark, in its entirety. As per 31 December 2003, Scania acquired 51 percent of the shares in Scania Multi Service S A S, which means that the company is now a wholly-owned subsidiary. Scania Multi Service is a service company operating in Angers, France. The purchase price for these acquisitions was paid in cash.

### Assets and liabilities acquired:

Tangible and intangible fixed assets	123
Inventories	33
Receivables	-6
Liquid assets	4
Borrowings	-81
Other liabilities and provisions	-41
Holdings in associated companies and other companies	-2
Carrying amount of previously owned holdings in new Group company	-1
Purchase price paid	29
Liquid assets in acquired businesses	-4
Impact on consolidated liquid assets and short-term investments	25

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

Wages, salaries and other remuneration	2003	2002	2001
<b>Operations in Sweden:</b>			
Boards of Directors, Presidents and Executive Vice Presidents	35	44	41
– Of which bonuses	11	11	14
Other employees	3,588	3,229	3,139
<b>Operations outside Sweden:</b>			
Boards of Directors, Presidents and Executive Vice Presidents	140	144	164
– Of which bonuses	13	12	20
Other employees	3,927	3,816	3,949
<b>Total</b>	<b>7,690</b>	<b>7,233</b>	<b>7,293</b>
Pension costs and other mandatory payroll fees	2,632	2,514	2,866
– Of which pension costs <sup>1</sup>	593	643	717

Total wages, salaries and other remuneration, pension costs and other mandatory payroll fees **10,322** 9,747 10,159

<sup>1</sup> Of the pension cost in the Group, SEK 25 m. (35 and 25, respectively) was for Boards of Directors and Presidents in the Scania group. At year-end, the total pension commitment was SEK 74 m. (82 and 81, respectively) for this category.

Gender distribution	2003		
Board members in subsidiaries and the Parent Company	443		
– Of whom men	435		
– Of whom women	8		
Presidents of subsidiaries and the Parent Company, plus management teams of subsidiaries	124		
– Of whom men	122		
– Of whom women	2		

Number of employees, 31 December	2003	2002	2001
Production and corporate units	17,400	16,891	16,422
Sales and service companies	11,391	11,030	11,868
<b>Total Vehicles and Service</b>	<b>28,791</b>	<b>27,921</b>	<b>28,290</b>
Customer Finance	321	309	251
<b>Total</b>	<b>29,112</b>	<b>28,230</b>	<b>28,541</b>
– Of whom, employees on temporary contracts	651	672	766

Wages, salaries and other remuneration, pension costs and other mandatory payroll fees by country	2003			2002			2001		
	Wages, salaries and other remuneration	Mandatory payroll fees	(of which pensions)	Wages, salaries and other remuneration	Mandatory payroll fees	(of which pensions)	Wages, salaries and other remuneration	Mandatory payroll fees	(of which pensions)
<b>Operations in Sweden:</b>	<b>3,623</b>	<b>1,705</b>	<b>(368)</b>	<b>3,273</b>	<b>1,659</b>	<b>(440)</b>	<b>3,180</b>	<b>1,878</b>	<b>(538)</b>
<b>Operations outside Sweden:</b>									
The Netherlands	695	143	(60)	721	138	(52)	689	138	(36)
Great Britain	566	96	(30)	613	89	(31)	578	92	(33)
Brazil	387	151	(0)	316	106	(0)	441	171	(0)
Norway	325	55	(0)	326	55	(0)	303	49	(0)
Germany	305	68	(5)	308	67	(11)	309	66	(7)
France	257	149	(44)	260	139	(41)	242	140	(41)
Finland	205	70	(38)	193	64	(35)	186	62	(33)
Austria	158	1	(1)	156	1	(1)	156	1	(1)
Belgium	144	49	(0)	145	47	(0)	142	53	(0)
Switzerland	123	21	(1)	122	27	(0)	122	26	(0)
Denmark	118	10	(8)	91	7	(6)	27	2	(2)
40 countries with < SEK 100 m <sup>2</sup>	784	114	(38)	709	115	(26)	918	188	(26)
<b>Total operations outside Sweden</b>	<b>4,067</b>	<b>927</b>	<b>(225)</b>	<b>3,960</b>	<b>855</b>	<b>(203)</b>	<b>4,113</b>	<b>988</b>	<b>(179)</b>
<b>Total</b>	<b>7,690</b>	<b>2,632</b>	<b>(593)</b>	<b>7,233</b>	<b>2,514</b>	<b>(643)</b>	<b>7,293</b>	<b>2,866</b>	<b>(717)</b>

<sup>2</sup> In 2002, 40 countries had less than SEK 100 m. in wages, salaries and other remuneration. In 2001, the figure was 37 countries.

Average number of employees (excluding employees on temporary contracts)	2003			2002			2001		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Operations in Sweden:</b>	<b>9,785</b>	<b>1,946</b>	<b>11,731</b>	<b>9,054</b>	<b>1,744</b>	<b>10,798</b>	<b>10,182</b>	<b>1,742</b>	<b>11,924</b>
<b>Operations outside Sweden:</b>									
Brazil	2,248	277	2,525	1,882	189	2,071	1,905	145	2,050
The Netherlands	1,962	145	2,107	2,112	160	2,272	2,236	148	2,384
Great Britain	1,418	259	1,677	1,413	272	1,685	1,379	253	1,632
France	820	144	964	800	145	945	769	138	907
Germany	798	130	928	823	126	949	812	115	927
Norway	748	69	817	738	72	810	753	86	839
Argentina	730	57	787	703	44	747	708	52	760
Finland	610	83	693	601	82	683	612	82	694
Belgium	490	132	622	491	123	614	497	117	614
Poland	463	50	513	387	47	434	374	42	416
Austria	367	51	418	379	51	430	374	54	428
Russia	337	61	398	234	41	275	132	28	160
South Africa	289	55	344	235	37	272	221	40	261
Switzerland	275	28	303	271	25	296	246	29	275
Denmark	255	36	291	183	34	217	432	54	486
South Korea	248	37	285	219	34	253	142	21	163
Australia	237	34	271	244	33	277	256	34	290
Czech Republic	170	32	202	148	32	180	104	23	127
Mexico	166	24	190	265	31	296	284	25	309
Italy	157	30	187	153	30	183	157	24	181
Spain	114	32	146	107	27	134	104	26	130
Hungary	99	26	125	81	18	99	84	11	95
Malaysia	89	15	104	90	17	107	82	16	98
Estonia	93	7	100	84	7	91	72	7	79
26 countries with < 100 employees <sup>3</sup>	752	187	939	689	161	850	597	155	752
<b>Total outside Sweden</b>	<b>13,935</b>	<b>2,001</b>	<b>15,936</b>	<b>13,332</b>	<b>1,838</b>	<b>15,170</b>	<b>13,332</b>	<b>1,725</b>	<b>15,057</b>
<b>Total, average number of employees</b>	<b>23,720</b>	<b>3,947</b>	<b>27,667</b>	<b>22,386</b>	<b>3,582</b>	<b>25,968</b>	<b>23,514</b>	<b>3,467</b>	<b>26,981</b>

<sup>3</sup> In 2002 and 2001, 27 countries had fewer than 100 employees.

## NOTE 27 Related party transactions

### Transactions, 2003

	Sales to	Purchases from	Receivables from	Liabilities to
<b>Associated companies</b>				
ScaValencia S.A.	131	20	18	1
ScaMadrid S.A.	136	40	22	1
Cummins-Scania HPI L.L.C.	–	42	–	–
<b>Owners</b>				
Volkswagen AG	44	48	23	2

Related party transactions occur on market terms. See also "Accounting principles."

Information about relationships with related parties that include a controlling influence is provided in the list of subsidiaries. See also the presentation of Scania's Board of Directors and Executive Board on pages 84–86, as well as Note 28, "Information regarding compensation to executive officers."

## NOTE 28 Information regarding compensation to executive officers

According to the decision of the Annual Meeting, remuneration during 2003 to the external members of the Board of Directors elected by the Annual Meeting amounted to SEK 2,850,000. The Chairman received remuneration of SEK 700,000.

Beyond the customary remuneration to the Board, no compensation from Scania was paid to the members of the Board who are not employees of the Company.

Scania's incentive programme for executive officers, among them the President and CEO, which was approved by the Board in 1997, is based on operating return, defined as Scania Group net income after subtracting the cost of shareholders' equity.

The programme consists of a portion that is related to Scania's ability to increase its operating return as defined according to the preceding paragraph (maximum 67.5 percent of fixed salary) from one year to another. The second component in the incentive programme is related to actual ability to generate a return during the year in question, all provided that the return calculated according to the preceding paragraph is positive (maximum 150 percent of fixed salary). As indicated, both components are designed in such a way that they contain an upper limit for the compensation that is payable according to the programme. This situation has never occurred. A component of the 2004 programme, with settlement in 2005, will be conditional on deferred disbursement.

During the period 1997–2002, the outcome of the incentive programme for the members of the Executive Board, including the President, has varied from zero to 132 percent of fixed salary. On

average, the outcome of the programme for the period has amounted to 62 percent of fixed salary.

The incentive programme resulted in a positive outcome for 2003, which will be settled during 2004. The outcome for the President is SEK 5,866,410. The corresponding total for other Group Management executive officers amounts to SEK 30,330,111.

The salary paid to the President during 2003 (including taxable benefits) totalled SEK 5,919,363, of which his fixed basic salary totalled SEK 5,800,000.

Group Management executive officers, including the President, are covered by a defined-contribution pension system that is in addition to the public pension and the ITP occupational pension, with a retirement age of 65.

According to this defined-contribution system, benefits accrue by means of annual payment of premiums by the company. Added to this is the value of annual individual employee co-payments, amounting to 5 percent of fixed salary.

The annual company-paid premium for the President according to his pension agreement amounts to 35 percent of fixed salary – SEK 2,030,000 for 2003 – for as long as the President remains an employee of the company.

The annual company-paid premium for other members of the Executive Board – excluding the President – varies between 28–32 percent of fixed salary. The premium for other members of the Group Management varies between 12–21 percent of fixed salary.

Since 1999, the President has held a non-transferable employee stock option without market value, enabling him, after five years but no later than after seven years, to purchase a maximum of 220,000 shares in Scania AB at a price of SEK 196 per share. Scania's costs for this programme are known and were charged to earnings earlier. The option carries an entitlement to purchase existing B shares from Investor AB and thus will not lead to any risk or dilution for Scania's shareholders.

If the President resigns of his own volition, he is entitled to his salary for a six month period.

In light of the complex ownership structure of Scania AB, during 2001 the Board's committee for remuneration issues approved a five-year employment agreement with the President. The new agreement, which stipulates the conditions of the President's employment until 30 March 2006, prescribes that an annual extra pension provision of SEK 4,410,000 will be made during each of the five years even if employment should cease due to termination by the company. In such a case, the other agreed salary and incentive benefits will also be provided for the period. As a consequence of this agreement, a pension provision of SEK 4,410,000 was made during 2003.

The employment agreement with the President will end automatically twelve months after Volkswagen AG has reduced its holding in Scania AB – directly or indirectly – so that it is below 5 percent. In such a case, the above-stated benefits shall be provided.

*Note 28 continues on page 70*

SEK	Salary/Board remuneration	Outcome, incentive programme 2003	Pension costs, defined-contribution system	Pension costs, defined-benefit system (ITP)	Other remuneration	Total
Chairman of the Board	700,000					700,000
President and CEO	5,919,363	5,866,410	6,472,762	463,221	13,574	18,735,330
Executive officers in the Group Management including the Executive Board (21 persons)	32,449,232	30,330,111	11,404,594	9,208,992	2,310,339	85,703,268

**Salary/Board remuneration:** amount according to income statement to tax authority.

**Pension costs, defined-contribution system:** annual company-paid premiums and individual employee co-payments according to the defined-contribution pension system and ITPK (defined-contribution portion of the ITP occupational pension plan).

**Pension costs, defined-benefit system (ITP):** risk insurance premiums and the increase in reported old-age pension liability according to the ITP occupational pension plan.

**Other remuneration:** taxable portion of car allowance, newspaper subscriptions etc.

**Retirement age:** the contractual retirement age is 60 for the Executive Board including the President and 62 for executive officers in the Group Management.

Note 28 continued

The other members of the Executive Board, if the company terminates their employment, are entitled to severance pay equivalent to a maximum of two years' salary, in addition to their salary during six months' notice period. If they obtain new employment within 18 months, counting from their termination date, their severance pay ceases. In case of a substantial change in the ownership structure of Scania, the members of the Executive Board are entitled to resign of their own volition with severance pay amounting to two years' salary.

Compensation issues for the President and the Executive Board are decided by the Board after preparation by a committee that was established earlier, the Remuneration Committee, which now consists of Bernd Pischetsrieder, Chairman; Peggy Bruzelius; Rolf Stomberg; and Clas Åke Hedström. During 2003, the Committee met on three occasions.

Salaries and other remuneration to the Chairman of the Board, the President and Group Management executive officers are shown in the table on page 69 (excluding employers' contribution according to law).

#### NOTE 29 Fees and other remuneration to auditors

Fees and other remuneration to independent auditors, reported as expenses during the year:

Auditing firm	2003		2002	
	Auditing assignments	Other assignments	Auditing assignments	Other assignments
KPMG Bohllins AB	22	6	20	10
Ernst & Young	7	2	5	2
Other auditors	10	7	13	9
<b>Total</b>	<b>39</b>	<b>15</b>	<b>38</b>	<b>21</b>

#### NOTE 30 Net assets in foreign currencies

Net assets in foreign currencies consist of net Group-external assets in foreign subsidiaries and net Group-external receivables and liabilities of Swedish companies that are not hedged by funding in the corresponding currency.

	2003	2002	2001
Euro (EUR)	5,361	5,675	5,154
British pound (GBP)	846	863	717
Other European currencies	966	1,051	1,091
US dollar (USD)	-285	103	-614
Latin American currencies	2,050	2,659	3,512
Other currencies	1,202	1,046	690
<b>Total</b>	<b>10,140</b>	<b>11,397</b>	<b>10,550</b>

Of these net assets, SEK 2,825 m. consisted of tangible fixed assets translated at historical exchange rates. About SEK 350 m. of net foreign assets were hedged by forward contracts related to EUR.

For information on accumulated exchange rate differences that are reported directly against shareholders' equity, see Note 15.

#### NOTE 31 Currency exposure in operating income

The net amount of operating revenues and operating expenses exposed to foreign currencies, by currency.

	2003	2002	2001
Euro (EUR)	8,400	7,900	7,300
British pound (GBP)	4,600	3,400	2,700
Other European currencies	2,100	2,100	2,100
Korean won (KRW)	1,500	1,300	1,000
US dollar (USD)	300	500	1,800
Latin American currencies <sup>1)</sup>	0	-	-
Other currencies	1,400	1,200	2,000
<b>Total</b>	<b>18,300</b>	<b>16,400</b>	<b>16,900</b>

1) The year's calculation shows a balance in the flow of local Latin American currencies. In prior years, these currencies have fluctuated sharply, with sizeable price and cost changes as a result. For this reason, a description of currency rate effect/exposure in earlier years is not meaningful.

Currency spot rate effects were about SEK -770 m. compared to 2002. This was offset by positive currency hedging income of SEK 620 m., resulting in a negative net effect of SEK 150 m. During 2002, currency hedging had a positive influence of SEK 500 m. on earnings. Compared to 2002, the total currency rate effect was thus SEK -650 m.

#### NOTE 32 Effect of exchange rate differences on net income

Net income was affected by exchange rate differences (excluding flow-related forward contracts) as shown in the following table:

	2003	2002	2001
Sales revenue	-80	45	243
Cost of goods sold	137	2	-132
Selling expenses	-16	26	53
Income from Customer Finance	-1	3	2
Operating income	40	76	166
Financial income and expenses	-58	-160	-25
Taxes	5	-14	-83
Effect on net income	-13	-98	58

The amounts above refer to exchange rate gains minus exchange rate losses on the difference between the invoicing exchange rate and the exchange rate on the payment date, on receivables and liabilities and exchange rate differences that arise when using the monetary/non-monetary translation method. For information on accumulated exchange rate differences that are reported directly against shareholders' equity, see Note 15.



## NOTE 33 Financial instruments and financial risk management

Assets and liabilities of a financial nature occur mainly in the Customer Finance segment, and to a lesser extent in Vehicles and Service. Financial assets occur mostly as a consequence of long- and short-term financing of customers' vehicle purchases and of the Group's projected liquidity requirements. Financial liabilities have been incurred mainly in order to fund the Customer Finance segment's lending and leasing to customers and, to a lesser extent, to fund capital employed in Vehicles and Service.

Scania uses derivative instruments, mainly for the purpose of:

- transforming corporate-level borrowings in a limited number of currencies to those currencies in which the respectively funded assets are denominated,
- transforming the interest rate refixing period for funding to the interest rate refixing period in the Customer Finance loan and lease portfolio, as well as the desired interest rate refixing period for funding of other assets,
- hedging future cash flow for Vehicles and Service from undesired currency risk and
- to a lesser extent, converting projected surplus liquidity in foreign currencies to SEK.

### 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-, refinancing- and credit risks. Credit risk related to customer commitments is managed, within established limits, on a decentralised basis by means of local credit assessments. Other risks are managed at corporate level by Scania's treasury unit, in compliance with the financial policy adopted by Scania's Board of Directors. For the purpose of promoting long-term profitability, this financial policy states that financial risks shall be minimised and access to liqui-

dity shall be safeguarded. On a daily basis, the corporate treasury unit measures the risks of outstanding positions, which are managed within established limits in compliance with the financial policy.

### Currency risk

Currency risk is the risk that changes in currency exchange rates will adversely affect cash flow. Changes in exchange rates also affect Scania's income statement and balance sheet as follows:

- Earnings are affected when income and expenses in foreign currencies are translated to Swedish kronor.
- The balance sheet is affected when assets and liabilities in foreign currencies are translated to Swedish kronor.

More than 90 percent of Scania's sales occur in countries outside Sweden. Since a large proportion of production occurs in Sweden, at costs denominated in Swedish kronor, the Scania has large net inflows of foreign currencies. During 2003, total net revenue in foreign currencies amounted to about SEK 18 billion. The largest currencies were EUR and GBP. Note 31 shows Scania's net revenue in the most commonly occurring currencies.

Based on the geographic distribution of revenues and expenses during 2003, a one percentage point change in the Swedish krona against other currencies, excluding currency hedging, has an impact on operating income of about SEK 180 m. on an annual basis.

Scania's policy is to hedge its currency flows during a period of time equivalent to the projected orderbook until the date of payment. However, the hedging period is allowed to vary between 0 and 12 months. Hedging of currency risks mainly occurs by selling currencies on forward contracts, but also by means of currency options.

The effect of currency derivatives on operating income totalled SEK 620 m. (500), of which SEK 54 m. (39) was related to still unexpired

contracts that were offset on the balance sheet date by net assets in the balance sheet. The value of outstanding contracts not recognised in earnings which will affect 2004 earnings can be seen in the table "Hedging of currency flows."

At the end of 2003, Scania's net assets abroad amounted to SEK 10,140 m. (11,397), see Note 30. The net assets of foreign subsidiaries are normally not hedged. To the extent subsidiaries have significant net monetary assets in local currency, however, they may be hedged. At year-end 2003, SEK 346 m. (566), equivalent to 3 (5) percent, mainly attributable to Europe, were hedged.

### Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect cash flow. Changes in market interest rates may also affect the fair value of the loan portfolio. Scania is exposed to interest rate risk on the asset side, as a consequence of financing of customers, which mostly occurs in Customer Finance. Net debt, i.e. borrowings less liquid assets, also exposes the Scania Group to interest rate risk.

For Scania's asset and liabilities that carry variable interest rates, a change in market interest rates has a direct effect on cash flow, while for fixed-interest assets and liabilities, the fair value of the portfolio is instead affected when market rates change. To manage interest rate risks, the Group mainly uses interest rate swaps and interest rate options.

Borrowing in Vehicles and Service is mainly used for funding of working capital, which means that a short interest rate refixing period matches the turnover rate of working capital. Scania's policy concerning interest rate risks in the Vehicles and Service segment is that the interest rate refixing period on its loan portfolio should normally be 6 months, but that deviations are allowed in the range between 0 and 24 months. At year-end, the loan portfolio in Vehicles and Service amounted to SEK 4,427 m. and the average interest rate refixing period was about 3 (2) months.

Given the same loan liabilities and interest rate refixing period as at year-end 2003, a change in market interest rates of 100 basis points (1 percentage point) would change the interest expenses in Vehicles and Service by about SEK 35 m. on an annual basis. Due to the short interest rate refixing period, the fair value of the loan portfolio would not be significantly affected.

Scania's policy regarding interest rate risks in the Customer Finance segment is that lending and borrowing should match in terms of interest rates and maturity periods. Interest rate refixing related to the credit portfolio and borrowing had the following structure as per 31 December 2003:

### Hedging of currency flows

Quarter	GBP/SEK		EUR/SEK		KRW/SEK		CHF/SEK		NOK/SEK		ZAR/SEK		AUD/SEK		
	Volume	Rate*	Volume	Rate*	Volume	Rate*	Volume	Rate*	Volume	Rate*	Volume	Rate*	Volume	Rate*	
Q 1**	2004	25	13.318	95	9.306	10,000	0.0067	10	6.105	80	1.109	80	1.1604	13	5.375
Q 2	2004			155	9.182			17	6.035	26	1.092				
Q 3	2004			125	9.220			18	6.000						
Q 4	2004			165	9.105										
Total (in millions)		25	13.318	540	9.189	10,000	0.0067	45	6.037	106	1.105	80	1.1604	13	5.375
Closing day rate															
031231			12.913		9.094		0.006		5.828		1.081		1.09		5.432
Unrealised gain/loss															
031231		11.3		22.4		6.2		3.9		2.5		6.9		-0.4	

\* Average forward price and lowest redemption price for currency options.

\*\* January volumes are not included, since the unrealised gain/loss effect was reported in December.

Note 33 continued

### Interest rate refixing in Customer Finance

	Interest-bearing Customer Finance portfolio <sup>1</sup>	Interest-bearing liabilities (including interest rate derivatives) <sup>2</sup>
2004	14,118	13,893
2005	5,125	4,025
2006	3,719	2,262
2007	2,084	942
2008	679	457
2009 and later	201	202
Total	25,926	21,781

<sup>1</sup> Including operating leases.

<sup>2</sup> Other funding consists mainly of shareholders' equity.

On 31 December 2003, the effective interest rate on outstanding borrowings was 3.6 percent. Borrowing occurs largely at the corporate level in a small number of currencies. By means of currency swaps, these loans are then converted to the desired currencies.

	Borrowings excluding currency swaps	Borrowings including currency swaps	Effective interest rate in percent (including currency and interest rate derivatives)
EUR	14,859	16,735	3.2
SEK	9,012	53	3.4
GBP	549	3,112	5.0
USD	308	2,442	2.6
Other	1,480	3,866	5.0
Total	26,208	26,208	3.6

### Credit risk

Credit risk is defined as the risk that the counterparty in a transaction will not fulfil its contractual commitments 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 and is distributed among a large number of end customers.

### Trade receivables outstanding<sup>1</sup>

31 December, SEK m.	2003	2002	2001
<b>Customer Finance</b>			
Interest-bearing customer finance portfolio <sup>2</sup>	25,926	25,303	25,091
Other receivables	51	74	169
<b>Vehicles and Service</b>			
Trade receivables	6,297	6,428	7,562
Interest-bearing receivables <sup>2</sup>	1,347	1,592	1,874
Total	33,621	33,397	34,696

<sup>1</sup> Including provisions for bad debt.

<sup>2</sup> Including operating leases before subtracting deferred profit recognition.

To maintain a controlled level of credit risk in the Customer Finance segment, the process of issuing credit is supported by a credit policy as well as credit instructions. Credit risks are managed by active credit monitoring and administration of customers who do not follow the agreed payment plan.

Provisions for bad debt losses are based on an individual assessment of each customer, based on the customer's payment capacity and expected future risk.

### Provisions in relation to the credit portfolio in Customer Finance

31 December, SEK m.	2003	2002	2001
Total receivables	25,926	25,303	25,091
Provisions for bad debts	458	408	413
Provisions as a percentage of receivables	1.77	1.62	1.65

The table below shows the credit risk exposure in Customer Finance.

Concentration	Number of customers	Percentage of total number of customers	Percentage of portfolio
Exposure < SEK 15 m.	19,722	97.3	60.1
Exposure SEK 15–50 m.	510	2.5	20.5
Exposure > SEK 50 m.	37	0.2	19.4
Total	20,269	100	100

The administration of the credit risks that mainly arise in corporate treasury operations, among other things when investing liquidity and in derivatives trading, is regulated in Scania's financial policy. Transactions occur only within established limits and with selected, creditworthy counterparties. "Creditworthy counterparty" means that the counterparty has received an approved credit rating from Standard and Poor's and/or Moody's. To further limit credit risk, the volume of exposure allowed per counterparty is limited, depending on the counterparty's credit rating. Overall counterparty exposure related to investments of liquidity and derivatives trading, calculated as a net receivable per counterparty, amounted to SEK 2,663 m. as per 31 December 2003.

### Refinancing risk

Refinancing risk is the risk of not being able to meet the need for future funding. To ensure access to funding, Scania applies a conservative policy which prescribes that there should be a liquidity reserve consisting of available liquid assets and unutilised credit facilities that exceeds its funding needs for the next 1–2 years.

At the beginning of 2003, Scania had a committed revolving credit facility of USD 1,850 m. from an international banking syndicate, expiring in November 2004. In May 2003, Scania renegotiated USD 1,000 m., with a new expiration date in May 2008. At year-end 2003 the credit facility, which was unutilised at that time, thus totalled USD 1,850 m.,

equivalent to SEK 13,459 m., translated at the closing day rate. Scania intends to replace the USD 850 m. that expires in 2004 with similar funding.

In addition to its committed revolving credit facility, Scania has a capital market programme of more than SEK 36 billion (30), of which more than SEK 18 billion (17) was being utilised at year-end.

Under Scania's Medium Term Note (MTN) programme, borrowing may occur in maturities of between 1 and 10 years. The ceiling was raised during 2003 from SEK 7,000 m. to SEK 13,000 m. During 2003, Scania issued SEK 3,201 m. worth of borrowing. At year-end, the total amount outstanding was equivalent to SEK 7,892 m.

Under its European Medium Term Note Programme (EMTN), Scania can borrow at the international financial market. The ceiling at year-end was EUR 1,500 m., which was equivalent to SEK 13,641 m. when translated at the closing day rate. During 2003, Scania issued a bond equivalent to SEK 469 m. The total amount outstanding at year-end was equivalent to SEK 10,290 m.

Scania also has short-term borrowing facilities in the form of commercial paper programmes in Sweden and Belgium, totalling SEK 6,000 m. and EUR 400 m., respectively. At year-end, Scania had only utilised the Swedish programme in the amount of SEK 200 m.

In addition to the above programmes, Scania has taken out bilateral loans of SEK 3,578 m. The company also has other borrowing with varying maturities, totalling SEK 4,247 m.

Total borrowing and ceiling, SEK m.	Total borrowing	Ceiling
EMTN	10,290	13,641
MTN	7,892	13,000
Bilateral loans	3,578	–
Credit facility (USD)	–	13,459
Commercial paper, Sweden	200	6,000
Commercial paper, Belgium	–	3,638
Bank loans	4,247	–
Total	26,207	49,738 <sup>1</sup>

<sup>1</sup> Of the total ceiling, SEK 13,459 m. consisted of a committed revolving credit facility.

Scania's liquidity reserve at the close of 2003, consisting of unutilised credit facilities and liquid assets, amounted to SEK 15,375 m. (18,044).

Aside from safeguarding access to credit facilities, Scania controls its refinancing risk by diversifying the maturity structure of its borrowing portfolio. At year-end, Scania's total borrowing had the following maturity structure:

### Maturity structure of borrowing, SEK m.

2004	5,380
2005	3,605
2006	4,015
2007	6,759
2008	5,608
2009 and later	840
Total	26,207

### Fair value of financial instruments

The carrying amount of interest-bearing assets and liabilities in the balance sheet may deviate from their fair value, among other things as a consequence of changes in market interest rates.

There is also a fair value for items that are not recognised in the balance sheet, such as hedging instruments that do not correspond to net assets in the balance sheet and that meet the requirements for hedge accounting. 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 market quotations do not exist, fair value has been established by discounting future payment flows at current market interest rates and exchange rates for similar instruments. Fair value of financial instruments such as accounts receivable, accounts payable and other non-interest-bearing financial assets and liabilities that are recognised at acquisition value, minus any write-downs, is regarded as coinciding with the carrying amount, and these instruments are therefore not included in the table below.

	2003	
	Carrying amount	Fair value <sup>1</sup>
<b>Assets</b>		
Long-term holdings of securities <sup>2</sup>	56	69
Long-term interest-bearing receivables <sup>3</sup>	11,796	11,917
Interest-bearing current receivables <sup>3</sup>	7,502	7,887
Short-term investments	704	703
Cash and bank balances	1,212	1,212
Currency forward contract for hedging of net foreign investments <sup>4</sup>	-1	-1
Currency derivatives for hedging of future cash flows related to operating activities <sup>4, 5</sup>	54	113
Currency derivatives for hedging of loans etc <sup>4</sup>	58	58
Currency interest rate swaps <sup>4</sup>	-62	-64
Interest rate-related derivatives <sup>4</sup>	223	641
<b>Total assets</b>	<b>21,542</b>	<b>22,535</b>
<b>Liabilities</b>		
Short-term borrowing	5,380	5,369
Long-term borrowing	20,827	22,370
<b>Total liabilities</b>	<b>26,207</b>	<b>27,739</b>

<sup>1</sup> Interest-bearing financial assets and liabilities have been discounted to market interest rates, without taking credit margins into account.

<sup>2</sup> In the balance sheet under "Holdings in associated companies etc".

<sup>3</sup> Operating leases amounting to SEK 6,604 m. are not included in the table.

<sup>4</sup> In the balance sheet under "Other current receivables".

<sup>5</sup> Fair value of hedging instruments that were not included in the balance sheet on the closing date totalled SEK 76 m.

The main reason why the fair value of interest-bearing assets and liabilities exceeded the carrying amount is that general interest rates were lower at year-end than when the contracts were entered into.

In some cases, carrying amount of assets with fixed interest rates exceeded fair value as a consequence of changes in market interest rates.

Write-downs of these assets occur only when there is reason to believe that the counterparty will not fulfil its contractual commitments, not as a consequence of changes in market interest rates.

### Accounting and valuation

**Financial assets** are recognised in the balance sheet on the sales or transaction date at their acquisition value, which is equivalent to fair value on that date. After the acquisition date, financial fixed assets are valued at accrued acquisition value after subtracting probable credit losses. Financial current assets are valued at the lower of accrued acquisition value and market value.

**Financial liabilities** are recognised in the balance sheet at accrued acquisition value. Premiums or deficits, including transaction costs, are accrued over the life of the loan. Financial assets and liabilities in foreign currencies are reported at the closing day rate.

Scania uses **derivative instruments** to control changes in exchange rates and interest rates. Expected future payments in foreign currencies are hedged mainly by selling currencies in forward contracts. Unrealised gains or losses on contracts intended for hedging purposes are not recognised continuously in the income statement, but only on the same date as the result of the hedged flow. In currency hedging of receivables and liabilities with forward contracts, Scania uses the exchange rate on the date the currency hedging occurs at the valuation of the underlying receivable or liability. The difference between the spot market rate and the forward rate when the contract is entered into is accrued over the life of the contract. Option premiums received and paid are accrued in a corresponding way.

Scania uses interest rate swaps to achieve the desired interest rate refixing period. Interest income and expenses related to interest rate swaps are accrued continuously according to the contract terms. To adapt borrowing to the desired funding currency, currency swaps are used. When a loan in one currency has been converted to another currency by means of swap agreements, the loan and the swap agreement are valued at the exchange rate prevailing on the closing day for the new currency.

Hedging of net assets in foreign subsidiaries occurs only to the extent that a subsidiary has significant monetary assets in local currency. The exchange rate difference in the forward contract is reported directly against shareholders' equity. The interest rate portion of the forward contract is accrued over the life of the contract and is reported among financial income and expenses.

Derivatives for which the requirements for hedge accounting are not fulfilled are valued in the balance sheet at the lower of acquisition value and fair value.

## LIST OF SUBSIDIARIES

	Corporate ID number	Registered office		% ownership		Corporate ID number	Registered office		% ownership
Aconcagua Vehiculos Com. S.A.	30-70737179-6	Mendoza	Argentina	100,00	Scania Bourgogne S.A.	384 957 353	Dijon	France	100,00
Automotores del Atlantico S.A.	30-70709795-3	Mar del Plata	Argentina	100,00	Scania Bulgaria EOOD	2 220 100 629	Sofia	Bulgaria	100,00
Automotores Pesados S.A.	30-55137605-9	Tucuman	Argentina	99,38	Scania Bus & Coach UK Ltd	1609770	Milton Keynes	Great Britain	100,00
Beers N.V.	NL003779439B01	Den Haag	The Netherlands	100,00	Scania Bus Europe N.V.-S.A.	BE460.870.259	Diegem	Belgium	100,00
Buenos Aires Camiones	33-70791031-9	Buenos Aires	Argentina	99,99	Scania Bus France	341 533 099	Anger	France	100,00
Codema Coml Import LTDA	60849197/001-60	Guarulhos	Brazil	99,98	Scania Bus France	341 533 099	Anger	France	100,00
DABCOM SP.ZD.Q	28202	Warsaw	Poland	100,00	Scania Bus Germany GmbH	DE813579772	Kerpen	Germany	100,00
Dynamate AB	556070-4818	Södertälje	Sweden	100,00	Scania Bus Italy S.r.L	IT 01732680226	Trento	Italy	100,00
Fastighets AB Katalysatorn	556070-4826	Södertälje	Sweden	100,00	Scania Bus Nordic AB	556060-0586	Katrineholm	Sweden	100,00
Ferruform AB	556528-9120	Luleå	Sweden	100,00	Scania Chile S.A.	96.538.460-K	Santiago	Chile	100,00
Ferruform Components AB	556593-3016	Vaxjö	Sweden	100,00	Scania Commercial Vehicles Renting S.L.	ESA82853995	Madrid	Spain	100,00
GB&M Garage et Carrosserie SA	218 687	Geneva	Switzerland	100,00	Scania Credit AB	556062-7373	Södertälje	Sweden	100,00
Hedenlunda Konferenscenter AB	556147-5871	Flen	Sweden	100,00	Scania CV AB	556084-0976	Södertälje	Sweden	100,00
ItalSCANIA SPA	IT 01632920227	Trento	Italy	100,00	Scania Czech Republic s.r.o.	060-61251186	Prague	Czech Republic	100,00
Lauken S.A.	21.150044.0016	Montevideo	Uruguay	99,99	Scania DAB A/S	DK 13925542	Herlev	Denmark	100,00
Metropol Re Ltd	190572	Dublin	Ireland	100,00	Scania Danmark A/S	DK 17045210	Herlev	Denmark	100,00
Norsk Lastebilutleie AS	875346822	Drammen	Norway	100,00	Scania Danmark Holding A/S	DK 17886843	Copenhagen	Denmark	100,00
Norsk Scania AS	879 263 662	Oslo	Norway	100,00	Scania de Mexico S.A. de CV	SME-930629-JT3	Ciudad Mexico	Mexico	99,99
Omni Katrineholm AB	556060-5809	Katrineholm	Sweden	100,00	Scania de Venezuela S.A.	J-30532829-3	Valencia	Venezuela	99,99
OOO Scania Leasing	7705392920	Moscow	Russia	100,00	Scania del Peru S.A.	101-36300	Lima	Peru	99,99
OOO Scania Russia	5 032 073 106	Moscow	Russia	100,00	Scania Deutschland GmbH	DE148787117	Koblenz	Germany	100,00
Oy Autokuvio Ab	1505472-2	Hämeenlinna	Finland	100,00	Scania Deutschland Holding GmbH	DE812893584	Frankfurt/Main	Germany	100,00
Oy Autolinna Ab	1568949-6	Jyväskylä	Finland	100,00	Scania East Adriatic Region d.o.o.	1 605 810	Ljubljana	Slovenia	100,00
Oy Maaunnun Auto Ab	1568951-7	Seinäjoki	Finland	100,00	Scania Eesti AS	10 238 872	Tallinn	Estonia	100,00
Oy Scan-Auto Ab	FI0202014-4	Helsinki	Finland	100,00	Scania Empr. Part.	01.612.789/0001-02	Saõ Bernardo do Campo	Brazil	99,99
S C I Mittelfeld	382 744 241	Angers	France	98,00	Scania Europe Holding B.V.	NL800564364B01	Zwolle	The Netherlands	100,00
S C I Occitane du Val d'Oise	344 962 105	Angers	France	100,00	Scania Finance Belgium N.V. S.A.	BE 413 545 048	Diegem	Belgium	99,90
S.A.R.L Carrosseries d'Ile de France	378 060 289	Goussainville	France	100,00	Scania Finance Czech Republic s.r.o.	060-25657496	Prague	Czech Republic	100,00
S.A.S. Scania Holding France	40309278600017	Angers	France	100,00	Scania Finance Deutschland GmbH	DE811292425	Koblenz	Germany	100,00
Scanexpo S.A.	21.173422.0012	Montevideo	Uruguay	99,99	Scania Finance France S.A.	350 890 661	Angers	France	100,00
Scania (Malaysia) SDN BHD	518606-D	Kuala Lumpur	Malaysia	100,00	Scania Finance Great Britain Ltd	581 016 364	Milton Keynes	Great Britain	100,00
Scania Administradora de Consórcios Ltda	96.479.258/0001-91	Cotia	Brazil	99,98	Scania Finance Hispania EFC S.A.	ESA82853987	Madrid	Spain	100,00
Scania Alsace S.A.S.	678 502 279	Strasbourg	France	100,00	Scania Finance Holding Great Britain Ltd	4031225	Milton Keynes	Great Britain	100,00
Scania Aquitaine	465 201 093	Bordeaux	France	100,00	Scania Finance Italy S.p.A	01204290223	Trento	Italy	100,00
Scania Argentina S.A.	30-51742430-3	Buenos Aires	Argentina	100,00	Scania Finance Korea	613 812 7196	Kyoung Sang Nam-Do	South Korea	100,00
Scania Asset Management AB	556528-9088	Södertälje	Sweden	100,00	Scania Finance Luxembourg S.A.	2001 2217 359	Luxembourg	Luxembourg	100,00
Scania Australia Pty Ltd	000537333	Melbourne	Australia	100,00	Scania Finance Polska Sp.z.o.o.	521 15 79 028	Warsaw	Poland	100,00
Scania Belgium SA-NV	BE402607507	Diegem	Belgium	100,00	Scania Finance Pty Ltd	52006002428	Melbourne	Australia	100,00
Scania BH d.o.o.	1-23174	Sarajevo	Bosnia-Herzegovina	100,00					
Scania Botswana (Pty) Ltd	CO.2000/6045	Gaborone	Botswana	100,00					

	Corporate ID number	Registered office		% ownership
Scania Finans AB	556049-2570	Södertälje	Sweden	100,00
Scania France S.A.S.	30716693400033	Angers	France	100,00
Scania Great Britain Ltd	831017	Milton Keynes	Great Britain	100,00
Scania Hainaut S.A.	BE439.418.908	Mons	Belgium	99,90
Scania Hispania Holding	B82853938	Madrid	Spain	100,00
Scania Hispania S.A.	ESA59596734	Madrid	Spain	100,00
Scania Hrvatska d.o.o.	1 351 923	Zagreb	Croatia	100,00
Scania Hungaria KFT	10415577	Biatorbagy	Hungary	100,00
Scania Ile de France S.A.	648 204 139	Goussainville	France	100,00
Scania Imports Pty Ltd	53000971102	Melbourne	Australia	100,00
Scania Infotronics AB	556548-4739	Södertälje	Sweden	100,00
Scania Int. Fleet Development	4006517	Milton Keynes	Great Britain	100,00
Scania Italy Holding SRL	01668350224	Trento	Italy	100,00
Scania Jugoslavija d.o.o.	173 333	Belgrad	Yugoslavia	100,00
Scania Korea Ltd	136-81-15441	Seoul	South Korea	100,00
Scania Latin America Ltda	635 010 727 112	São Bernardo do Campo	Brazil	99,99
Scania Locations S.A.S.	402 496 442	Angers	France	100,00
Scania Luxembourg S.A.	LU165291-18	Münsbach	Luxembourg	99,90
Scania Maroc S.A.	06100472	Casablanca	Morocco	100,00
Scania Méditerranée S.A.S.	311 798 110	Marseille	France	100,00
Scania Nederland B.V.	NL800564364B04	Zwolle	The Netherlands	100,00
Scania Nederland Holding B.V.	NL800564364B03	Zwolle	The Netherlands	100,00
Scania Parts Logistics AB	556528-9104	Södertälje	Sweden	100,00
Scania Peter OOO	78:111158:25	St Petersburg	Russia	100,00
Scania Plan S.A.	30-61086492-5	Buenos Aires	Argentina	79,98
Scania Polska S.A.	521-10-14-579	Warsaw	Poland	100,00
Scania Production Angers S.A.S.	378 442 982	Angers	France	100,00
Scania Production Slupsk S.A.	839-000-53-10	Slupsk	Poland	100,00
Scania Properties Ltd	895484	Milton Keynes	Great Britain	100,00
Scania Real Estate AB	556084-1180	Katrineholm	Sweden	100,00
Scania Rhône Alpes S.A.S.	397 588 906	Lyon	France	100,00
Scania Risk Management AG	010062J73643/6	Kloten	Switzerland	100,00
Scania Romania SRL	J40/10908/1999	Bukarest	Romania	100,00
Scania Service S.A.	33-70784693-9	Buenos Aires	Argentina	99,99
Scania Siam Co Ltd	865/2543	Bangkok	Thailand	80,00
Scania Slovakia	0035826649/801	Bratislava	Slovakia	100,00
Scania Slovenija d.o.o.	1 124 773	Ljubliana	Slovenia	100,00
Scania South Africa Pty Ltd	95/0 1275/07	Sandton	South Africa	100,00
Scania Sverige AB	556051-4621	Södertälje	Sweden	100,00
Scania Switzerland Holding Ltd	CH_170.3024.547-0	Zug	Switzerland	100,00

	Corporate ID number	Registered office		% ownership
Scania Tanzania Ltd	39320	Dar Es Salaam	Tanzania	100,00
Scania Thailand Co Ltd	9802/2534	Bangkok	Thailand	99,99
Scania Trade Development	556013-2002	Södertälje	Sweden	100,00
Scania Treasury AB	556528-9351	Södertälje	Sweden	100,00
Scania Treasury Ireland	31 78 76	Dublin	Ireland	100,00
Scania Treasury S.A	2208031	Luxembourg	Luxembourg	100,00
Scania Truck AG	CH-020.3.926.624	Kloten	Switzerland	100,00
Scania Truck Financing AB	556020-4231	Södertälje	Sweden	100,00
Scania Ukraine LLC	30 107 866	Kiev	Ukraine	100,00
Scania USA Inc	06-1288161	San Antonio	United States	100,00
Scania Vastgoed B.V.	NL800564364B05	Zwolle	The Netherlands	100,00
Scania Österreich GmbH	AT 43324602	Brunn am Gebirge	Austria	100,00
Scania-Bilar Stockholm AB	556084-1198	Stockholm	Sweden	100,00
Scania-Bilar Syd AB	556528-9112	Malmö	Sweden	100,00
Scania-Bilar Väst AB	556040-0938	Göteborg	Sweden	100,00
SIA Scania Latvia	LV000311840	Riga	Latvia	100,00
Suvesa Super Veics Pesados LTDA	88301668/0001-10	Canoas	Brazil	99,98
Svenska Mektek AB	556616-7747	Södertälje	Sweden	100,00
UAB Scania Lietuva	2 387 302	Vilnius	Lithuania	100,00
UAB Skanvita	4 170 814	Klaipeda	Lithuania	100,00
Vabis Försäkrings AB	516401-7856	Södertälje	Sweden	100,00
Véhicules Industriels Paris EST S.A.	320 102 999	Goussainville	France	100,00
Vestfold Elektrodiesel AS	83344182	Tønsberg	Norway	100,00
WM Data Zwolle B.V	NL807308432B01	Zwolle	The Netherlands	100,00
WM Data Angers	FR17412 282 626	Angers	France	99,00
WM-Data Scania AB	556084-1206	Södertälje	Sweden	100,00

# Notes – Parent Company

All amounts are stated in millions of Swedish kronor (SEK m.) unless otherwise stated.

## NOTE 1 Financial income and expenses

	2003	2002	2001
<b>Interest income</b>			
From subsidiaries	63	102	107
Other	1	12	0
Sub-total	64	114	107
<b>Interest expenses</b>	0	0	-2
Exchange rate differences on forward contracts for hedging net assets of foreign subsidiaries	29	68	-54
Dividends	1,500	1,000	650
Net financial items	1,593	1,182	701

## NOTE 2 Taxes

	2003	2002	2001
Current tax	-105	-121	-273

Tax effect due to Group contribution provided, SEK 105 m. (121) has been reported directly against shareholders' equity. The tax payable amounts to zero.

## NOTE 3 Shares in Group companies

Subsidiary/Corporate ID number/country of registration	% ownership	Carrying amount		
		2003	2002	2001
Scania CV AB, 556084-0976, Sweden	100.0	8,401	8,401	8,401
Scania Latin America Ltda, 635,010,727,112, Brazil	100.0	2,257	2,257	2,257
Scania Argentina S.A, 30-51742430-3, Argentina	99.9 <sup>1</sup>	358	298	298
Scania Chile S.A., 96.538.460-K, Chile	99.9 <sup>1</sup>	4	-	-
Scania del Peru S.A, 101, 36300, Peru	5.2 <sup>1</sup>	15	15	15
Total		11,035	10,971	10,971

<sup>1</sup> The Group's ownership interest is 100 percent.

## NOTE 4 Shareholders' equity

	Share capital	Statutory reserve	Unrestricted shareholders' equity	Total
<b>2002</b>				
Balance, 1 January	2,000	1,120	7,753	10,873
Dividend to shareholders			-700	-700
Group contributions			-310	-310
Net income for 2002			1,311	1,311
Balance, 31 December 2002	2,000	1,120	8,054	11,174
<b>2003</b>				
Balance, 1 January	2,000	1,120	8,054	11,174
Dividend to shareholders			-1,100	-1,100
Group contributions			-272	-272
Net income for 2003			1,772	1,772
<b>Balance, 31 December 2003</b>	<b>2,000</b>	<b>1,120</b>	<b>8,454</b>	<b>11,574</b>

## NOTE 5 Untaxed reserves

Tax allocation reserve	2003	2002	2001
1997 assessment	-	-	250
1998 assessment	-	284	284
1999 assessment	637	637	637
2000 assessment	705	705	705
2001 assessment	634	634	634
2002 assessment	326	326	326
Total	2,302	2,586	2,836

SEK 645 m. (724 and 794, respectively) of "Untaxed reserves" consists of a deferred tax liability, which is part of the Scania Group's deferred tax liabilities.

## NOTE 6 Contingent liabilities

	2003	2002	2001
Contingent liability related to FPG credit insurance (Group companies)	1,588	1,457	1,456
Contingent liability related to FPG credit insurance (associated companies)	-	-	159
Loan guarantees on behalf of Group companies <sup>1</sup>	22,051	25,228	25,257
Total	23,639	26,685	26,872

<sup>1</sup> Most of this item is related to loan guarantees on behalf of borrowings by Scania CV AB.

## NOTE 7 Information regarding compensation to executive officers and auditors

The President of Scania AB and the other members of the executive management hold identical positions in Scania CV AB. Wages, salaries and other remuneration are paid by Scania CV AB. The reader is therefore referred to Notes 26 and 28 of the Scania Group. Compensation of SEK 13,000 (18,000 and 11,000, respectively) was paid to auditors in 2003 with respect to the Parent Company.

# Proposed distribution of earnings

The Scania Group's unrestricted shareholders' equity according to the consolidated balance sheet amounts to SEK 12,974 m., of which the net income for the year is SEK 3,034 m.

The Board of Directors and the President propose that the following amounts at the disposal of the Annual Meeting:

Amounts in SEK m.

Retained earnings	6,682
Net income for the year	1,772
<b>Total</b>	<b>8,454</b>

be distributed as follows:

To the shareholders, a dividend of SEK 6.00 per share	1,200
To be carried forward	7,254
<b>Total</b>	<b>8,454</b>

After implementing the proposed distribution of earnings, the shareholders' equity of the Parent Company is as follows:

Amounts in SEK m.

Share capital	2,000
Statutory reserve	1,120
Retained earnings	7,254
<b>Total</b>	<b>10,374</b>

Södertälje, 6 February 2004

Dr. Bernd Pischetsrieder  
*Chairman*

Peggy Bruzelius

Andreas Deumeland

Clas Åke Hedström

Cees J.A. van Lede

Lothar Sander

Rolf Stomberg

Marcus Wallenberg

Kjell Wallin

Jan Westberg

Leif Östling  
*President and CEO*

*Our auditors' report was submitted on 1 March 2004*

Caj Nackstad  
*Authorised Public Accountant*

Jan Birgeron  
*Authorised Public Accountant*

# Auditors' report

To the Annual General Meeting of the shareholders of Scania AB (publ), corporate ID number: 556184-8564.

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Scania AB (publ) for the financial year 2003. These accounts and the administration of the company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis,

evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit for the Parent Company be dealt with in accordance with the proposal in the administration report of the Directors and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Södertälje, 1 March 2004

Caj Nackstad  
Authorised Public Accountant  
KPMG Bohlins AB

Jan Birgeron  
Authorised Public Accountant  
Ernst & Young AB





# Income and deliveries by quarter

SEK m. unless otherwise stated	October–December			July–September			April–June			January–March		
	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001
<b>Number of vehicles delivered</b>												
Trucks	13,019	12,130	11,767	9,755	8,435	9,166	11,656	10,198	11,833	10,615	9,132	10,893
Buses	1,467	1,278	1,399	1,239	730	1,178	1,080	858	1,261	1,124	908	834
Total	14,486	13,408	13,166	10,994	9,165	10,344	12,736	11,056	13,094	11,739	10,040	11,727
<b>Income statement</b>												
Sales revenue, Scania products	13,995	13,448	15,165	11,567	10,381	11,707	12,843	12,115	13,788	12,176	11,341	12,405
Cost of goods sold	-10,560	-10,059	-12,400	-8,986	-8,014	-9,506	-9,613	-9,384	-11,107	-9,113	-8,803	-9,588
Gross income	3,435	3,389	2,765	2,581	2,367	2,201	3,230	2,731	2,681	3,063	2,538	2,817
Research and development expenses	-406	-360	-548	-339	-339	-401	-366	-346	-521	-373	-392	-485
Selling expenses	-1,405	-1,441	-1,655	-1,260	-1,223	-1,299	-1,289	-1,257	-1,384	-1,275	-1,285	-1,256
Administrative expenses	-232	-229	-171	-181	-181	-183	-245	-218	-231	-195	-229	-200
Customer Finance	90	60	55	100	82	81	94	85	72	82	81	70
Share of income in associated companies	7	0	17	2	4	3	6	3	33	1	16	6
Operating income, Scania products	1,489	1,419	433	903	710	386	1,430	998	615	1,303	729	929
Divested car operations	-	-	30	-	-	16	-	509	35	-	41	23
Operating income	1,489	1,419	463	903	710	402	1,430	1,507	650	1,303	770	952
Financial income and expenses	-89	-159	-446	-138	-178	-104	-140	-141	-243	-154	-206	-133
Income after financial items	1,400	1,260	17	765	532	298	1,290	1,366	407	1,149	564	819
Taxes	-482	-351	-9	-270	-162	-101	-445	-292	-140	-368	-180	-246
Minority interests	-3	-1	3	0	2	2	-1	2	-2	-1	-1	0
Net income	915	908	11	495	372	199	844	1,076	265	780	383	573
Earnings per share, SEK	4.57	4.54	0.05	2.48	1.86	0.99	4.22	5.38	1.33	3.90	1.92	2.87
Operating margin, Scania products	10.6%	10.6%	3.1%	7.8%	6.8%	3.7%	11.1%	8.2%	4.9%	10.7%	6.4%	8.2%

# Key financial ratios<sup>1</sup> and definitions

	2003	2002	2001
<b>Scania Group</b>			
Operating margin, %	10.1	9.3	4.6
Earnings per share, SEK	15.2	13.7	5.2
Return on shareholders' equity, %	17.4	17.2	6.5
Equity/assets ratio, %	27.7	25.6	23.4
<b>Vehicles and Service</b>			
Operating margin, %	9.4	7.5	4.1
Profit margin, %	10.0	9.2	4.7
Capital turnover rate, times	2.21	1.89	1.93
Return on capital employed, %	22.0	17.4	9.1
Net debt/equity ratio	0.17	0.31	0.58
Interest coverage, times	6.2	4.6	2.0
<b>Customer Finance</b>			
Operating margin, %	1.4	1.2	1.2
Equity/assets ratio, %	11.5	11.9	9.5

<sup>1</sup> Unless otherwise stated, calculations are based on an average for five measuring points (quarters).

## Operating margin

Operating income as a percentage of sales revenue.

## Operating margin, Customer Finance

Operating income as a percentage of the average portfolio.

## Earnings per share

Net income divided by the number of shares.

## Return on shareholders' equity

Net income as a percentage of shareholders' equity.

## Profit margin

Operating income plus financial income as a percentage of sales revenue.

## Capital turnover

Sales revenue divided by capital employed (total assets minus non-interest-bearing liabilities).

## Return on capital employed

Operating income plus financial income as a percentage of capital employed.

## Net debt/equity ratio

Short- and long-term borrowings (excluding pension liabilities) minus liquid assets, divided by shareholders' equity.

## Interest coverage

Operating income plus financial income divided by financial expenses.

## Equity/assets ratio

Shareholders' equity as a percentage of total assets on each respective balance sheet date.

# Multi-year statistical review

SEK m. unless otherwise stated	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
<b>Sales revenue by market area</b>											
Western Europe	38,252	36,127	36,732	36,489	33,249	28,962	23,102	21,009	21,715	14,880	10,920
Central and eastern Europe	4,067	3,139	2,624	1,826	1,330	1,814	1,398	827	732	266	195
America	3,836	3,542	5,576	5,529	4,247	5,974	6,798	4,800	5,742	6,109	4,619
Asia	3,936	3,123	2,898	2,390	1,118	1,018	1,932	1,740	1,904	1,504	1,171
Other markets	2,896	2,529	2,364	2,050	1,784	1,907	1,857	1,578	1,623	1,329	1,062
Revenue deferral <sup>1</sup>	-2,406	-1,175	-1,884	-2,425	-3,066	-2,166	-1,783	-1,160	-568		
Total, Scania products	50,581	47,285	48,310	45,859	38,662	37,509	33,304	28,794	31,148	24,088	17,967
Divested car operations <sup>2</sup>	-	-	4,755	5,539	5,382	5,637	4,632	3,776	3,124	2,560	2,222
Total	50,581	47,285	53,065	51,398	44,044	43,146	37,936	32,570	34,272	26,648	20,189
<b>Operating income</b>											
Vehicles and Service	4,759	3,548	2,089	4,623	4,655	3,251	2,716	2,787	5,011	3,731	971
Customer Finance	366	308	278	179	140	91	73	55	98	5	-91
Divested car operations <sup>2</sup>	-	550	100	277	250	250	258	215	243	173	121
Total	5,125	4,406	2,467	5,079	5,045	3,592	3,047	3,057	5,352	3,909	1,001
<b>Operating margin, percent</b>											
Vehicles and Service	9.4	7.5	4.3	10.1	12.0	8.7	8.2	9.7	16.1	15.5	5.4
Divested car operations <sup>2</sup>	-	-	2.1	5.0	4.6	4.4	5.6	5.7	7.8	6.8	5.4
Total	10.1	9.3	4.6	9.9	11.5	8.3	8.0	9.4	15.6	14.7	5.0
Net financial items <sup>3</sup>	-521	-684	-926	-630	-545	-378	-296	-351	-505	-223	-537
Net income <sup>3</sup>	3,034	2,739	1,048	3,080	3,146	2,250	1,943	1,981	3,280	2,556	404
Research and development expenditures <sup>4</sup>	-2,153	-2,010	-1,955	-1,621	-1,267	-1,168	-1,248	-1,084	-923	-805	-783
Gross capital expenditure for fixed assets excluding lease assets and renting	3,196	3,025	1,980	1,825	1,876	2,026	2,566	2,579	2,182	2,149	1,485
Inventory turnover rate, times <sup>5</sup>	5.8	6.1	6.0	6.2	5.6	5.3	5.3	5.7	6.6	6.5	4.9

1 Refers to the difference between sales recognised as revenues and sales value based on delivery.

2 Swedish car operations were divested as per 1 January 2002.

3 1993 pro forma.

4 Beginning in 2002, includes capitalised development expenditures: SEK 669 m. in 2003 and SEK 573 m. in 2002.

5 Calculated as sales revenue divided by average inventory (adjusted for divested car operations).

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
<b>Number of vehicles produced</b>											
Trucks	45,985	41,433	43,487	51,409	45,779	45,546	43,555	38,455	41,974	31,937	22,624
Buses	5,291	3,712	4,664	4,172	3,703	4,515	4,586	3,901	4,464	2,845	2,569
<b>Total</b>	<b>51,276</b>	<b>45,145</b>	<b>48,151</b>	<b>55,581</b>	<b>49,482</b>	<b>50,061</b>	<b>48,141</b>	<b>42,356</b>	<b>46,438</b>	<b>34,782</b>	<b>25,193</b>
<b>Number of trucks delivered by market area</b>											
Western Europe	29,456	28,335	30,416	38,476	36,106	32,686	26,756	26,249	26,596	17,814	13,052
Central and eastern Europe	4,014	3,099	2,579	2,287	1,551	2,237	1,833	1,030	951	312	248
America	4,739	3,633	6,181	6,777	6,253	7,621	9,649	7,377	7,964	8,713	6,678
Asia	5,317	3,486	2,994	3,438	1,481	1,410	3,096	2,997	3,329	2,818	2,256
Other markets	1,519	1,342	1,489	1,340	1,260	1,599	1,058	1,375	1,627	1,178	851
<b>Total</b>	<b>45,045</b>	<b>39,895</b>	<b>43,659</b>	<b>52,318</b>	<b>46,651</b>	<b>45,553</b>	<b>42,392</b>	<b>39,028</b>	<b>40,467</b>	<b>30,835</b>	<b>23,085</b>
<b>Number of buses and coaches delivered by market area</b>											
Western Europe	2,345	1,618	1,701	1,618	1,935	1,731	1,595	1,655	1,642	983	835
Central and eastern Europe	228	126	127	84	67	106	95	83	45	40	35
America	1,072	958	1,595	1,843	1,237	1,697	1,829	1,641	1,878	1,287	1,459
Asia	631	440	666	278	160	78	308	309	304	140	133
Other markets	634	632	583	351	364	505	757	275	301	237	215
<b>Total</b>	<b>4,910</b>	<b>3,774</b>	<b>4,672</b>	<b>4,174</b>	<b>3,763</b>	<b>4,117</b>	<b>4,584</b>	<b>3,963</b>	<b>4,170</b>	<b>2,687</b>	<b>2,677</b>
<b>Total number of vehicles delivered</b>	<b>49,955</b>	<b>43,669</b>	<b>48,331</b>	<b>56,492</b>	<b>50,414</b>	<b>49,670</b>	<b>46,976</b>	<b>42,991</b>	<b>44,637</b>	<b>33,522</b>	<b>25,762</b>
<b>Total market for heavy trucks and buses, number</b>											
Western Europe:											
Trucks	213,000	211,700	235,000	243,700	235,900	207,300	170,300	172,000	173,300	133,300	114,100
Buses	21,100	21,800	23,500	23,500	22,400	21,000	18,000	17,500	15,600	13,400	15,300
<b>Number of employees <sup>6</sup></b>											
Production and corporate units	17,400	16,891	16,422	17,143	16,762	16,834	17,145	16,948	18,559	16,350	14,406
Sales and service companies	11,391	11,030	11,868	10,029	9,431	6,559	6,511	5,183	4,375	4,003	4,127
<b>Total Vehicles and Service</b>	<b>28,791</b>	<b>27,921</b>	<b>28,290</b>	<b>27,172</b>	<b>26,193</b>	<b>23,393</b>	<b>23,656</b>	<b>22,131</b>	<b>22,934</b>	<b>20,353</b>	<b>18,533</b>
Customer Finance	321	309	251	194	166	144	107	75	90	72	60
<b>Total</b>	<b>29,112</b>	<b>28,230</b>	<b>28,541</b>	<b>27,366</b>	<b>26,359</b>	<b>23,537</b>	<b>23,763</b>	<b>22,206</b>	<b>23,024</b>	<b>20,425</b>	<b>18,593</b>

<sup>6</sup> Including employees with temporary contracts.

BOARD OF DIRECTORS



Bernd Pischetsrieder

**Bernd Pischetsrieder**  
 Born 1948.  
 Chairman since 2002.  
 Chairman of the Board of Management of Volkswagen AG.  
 Other directorships in Audi AG, SEAT, S. A., Dresdner Bank AG, Frankfurt, Metro AG, Münchener Rückversicherungs-Gesellschaft AG and Tetra-Laval Group.  
 Shares in Scania: 0



Clas Åke Hedström

**Clas Åke Hedström**  
 Born 1939.  
 Vice Chairman since 2002.  
 Member since 1995.  
 Chairman of Sandvik AB.  
 Other directorships in AB SKF and Association of Swedish Engineering Industries.  
 Shares in Scania: 1,000



Leif Östling



Peggy Bruzelius

**Peggy Bruzelius**  
 Born 1949.  
 Member since 1998.  
 Chairman of Grand Hotel Holdings AB and Lancelot Asset Management AB.  
 Vice Chairman of the Royal Academy of Engineering Sciences.  
 Other directorships in Electrolux AB, Industry and Commerce Stock Exchange Committee, Axel Johnson AB, AB Ratos, Drott AB, Axfood AB, Syngenta AG and Stockholm School of Economics Association.  
 Shares in Scania: 2,000



Andreas Deumeland

**Andreas Deumeland**  
 Born 1956.  
 Member since 2003.  
 Corporate secretary and Head of Group Product Planning at Volkswagen AG.  
 Other directorships in SEAT, S. A., Spain.  
 Shares in Scania: 0



Cees J. A. van Lede

**Cees J. A. van Lede**  
 Born 1942.  
 Member since 1999.  
 Other directorships in Dutch Central Bank, Heineken, International Council JP Morgan, Sara Lee Corporation, USA, Akzo Nobel, Reed Elsevier, KLM, Philips Electronics and L'Air Liquide.  
 Shares in Scania: 0



Lothar Sander

**Lothar Sander**  
 Born 1950.  
 Member since 2000.  
 Member of the Board of Management of the Volkswagen Brand.  
 Other directorships in Flughafen Braunschweig GmbH and TAS Tvrnica Automobilia Sarajevo, as well as a number of directorships in subsidiaries of the Volkswagen Group.  
 Shares in Scania: 0



Rolf Stomberg

**◀ Leif Östling**

Born 1945.  
Member since 1994.  
President and CEO of Scania AB. Other directorships in BT Industries, Eldon Thule and ADR Haanpää.  
Shares in Scania: 50,025



Marcus Wallenberg

**Marcus Wallenberg**

Born 1956.  
Member since 1994.  
President and CEO of Investor AB. Vice Chairman of Telefon AB L M Ericsson, Saab AB and SEB. Other directorships in AstraZeneca PLC, Stora Enso Oy and Knut and Alice Wallenberg Foundation.  
Shares in Scania: 51,100



Kjell Wallin

**Kjell Wallin**

Born 1943.  
Member since 1998.  
Representative of the Metal Workers' Union at Scania.  
Shares in Scania: 0



Jan Westberg

**Jan Westberg**

Born 1944.  
Member since 1996.  
Representative of the Federation of Salaried Employees in Industry and Services at Scania.  
Shares in Scania: 0



Niclas Wilhelmsson

**Niclas Wilhelmsson**

Born 1965.  
Deputy Member since 2003.  
Representative of the Metal Workers' Union at Scania.  
Shares in Scania: 0

**◀ Rolf Stomberg**

Born 1940.  
Member since 1998.  
Chairman of Management Consulting Group PLC, Great Britain. Other directorships in Reed Elsevier PLC, Great Britain, Smith & Nephew PLC, Great Britain, TPG Group, The Netherlands, Deutsche BP Aktiengesellschaft and Hoyer GmbH, Hamburg.  
Shares in Scania: 1,000



Katrin Rosenqvist

**Katrin Rosenqvist**

Born 1960.  
Deputy Member since 2001.  
Representative of the Federation of Salaried Employees in Industry and Services at Scania.  
Shares in Scania: 166

**AUDITORS**
**Caj Nackstad**

Authorised Public Accountant,  
KPMG Bohlins AB

**Jan Birgersson**

Authorised Public Accountant,  
Ernst & Young AB

**Deputy Auditors**
**Thomas Thiel**

Authorised Public Accountant,  
KPMG Bohlins AB

**Björn Fernström**

Authorised Public Accountant,  
Ernst & Young AB



## Executive Board

### 1. Leif Östling

Born 1945.  
Joined Scania in 1972.  
President and CEO.  
Shares in Scania: 50,025  
Reporting to Leif Östling:  
Industrial and Marine Engines,  
Latin American Operations,  
Corporate Relations, Corporate  
Human Resources.

### 2. Kaj Lindgren

Born 1945.  
Joined Scania in 1977,  
employed until 1984.  
Rejoined Scania in 1989.  
Shares in Scania: 0  
Group Vice President, Chief of  
Staff, CoS, Head of Corporate  
Development.  
From 1 February 2004  
Chief Executive Advisor.

### 3. Jan Gurander

Born 1961.  
Joined Scania in 1995,  
employed until 1999.  
Rejoined Scania in 2001.  
Group Vice President, Chief  
Financial Officer, CFO, Head of  
Finance and Business Control.  
Shares in Scania: 0  
Reporting to Jan Gurander:  
Corporate Control, Customer  
Finance, Finance, General  
Counsel and certain corporate  
staff units.

### 4. Per Hallberg

Born 1952.  
Joined Scania in 1977.  
Group Vice President, Head of  
Production and Procurement.  
Shares in Scania: 0  
Reporting to Per Hallberg:  
Chassis and Cabs production,  
Powertrain Production,  
Purchasing.

### 5. Hasse Johansson

Born 1949.  
Joined Scania in 2001.  
Group Vice President, Head of  
Research and Development.  
Shares in Scania: 0  
Reporting to Hasse Johansson:  
Truck, Cab and Bus Chassis  
Development, Powertrain  
Development, CIO.

### 6. Gunnar Rustad

Born 1949.  
Joined Scania in 1997.  
Group Vice President,  
Head of Sales and Services.  
Shares in Scania: 0  
Reporting to Gunnar Rustad:  
Sales Trucks, Buses and Coaches,  
Global Services.



## Corporate Units

### 7. Håkan Ericsson

Born 1947.  
Joined Scania in 1975.  
Senior Vice President  
Global Services.  
Shares in Scania: 166

### 8. Johan Haeggman

Born 1960.  
Joined Scania in 1989,  
employed until 1999.  
Rejoined Scania in 2003.  
Senior Vice President  
Corporate Relations.  
Shares in Scania: 20

### 9. Magnus Hahn

Born 1955.  
Joined Scania in 1985.  
Senior Vice President  
Business Communications.  
From January 2004  
Human Resources Sweden.  
Shares in Scania: 0

### 10. Lennart Hjelte

Born 1945.  
Joined Scania in 1966.  
Senior Vice President  
Industrial and Marine Engines.  
Shares in Scania: 4,125

### 11. Hans-Christer Holgersson

Born 1953.  
Joined Scania in 1985.  
Senior Vice President  
Scania Latin America.  
Shares in Scania: 166

### 12. Peter Härnwall

Born 1955.  
Joined Scania in 1983.  
Senior Vice President  
Corporate Control.  
Shares in Scania: 166

### 13. Claes Jacobsson

Born 1958.  
Joined Scania in 1999.  
Senior Vice President  
Customer Finance.  
Shares in Scania: 0

### 14. Urban Johansson

Born 1945.  
Joined Scania in 1971,  
employed until 1995.  
Rejoined Scania in 1999.  
Senior Vice President  
Powertrain Development.  
Shares in Scania: 800

### 15. Thomas Karlsson

Born 1953.  
Joined Scania in 1988.  
Senior Vice President  
Powertrain Production.  
Shares in Scania: 185

### 16. Christoffer Ljungner

Born 1950.  
Joined Scania in 1976.  
Senior Vice President  
Sales Overseas.  
Shares in Scania: 100

### 17. Hans Narfström

Born 1951.  
Joined Scania in 1977.  
Senior Vice President  
Corporate Human Resources.  
Shares in Scania: 10

### 18. Lars Orehall

Born 1947.  
Joined Scania in 1974.  
Senior Vice President  
Truck, Cab and Bus Chassis  
Development.  
Shares in Scania: 2,000

### 19. Carl Riben

Born 1950.  
Joined Scania in 1986.  
Senior Vice President  
General Counsel.  
Shares in Scania: 400

### 20. Robert Sobocki

Born 1952.  
Joined Scania in 1978,  
employed until 1997.  
Rejoined Scania in 2002.  
Senior Vice President  
Sales Buses and Coaches.  
Shares in Scania: 100

### 21. Mikael Sundström (not in picture)

Born 1957.  
Joined Scania on 1 March 2004.  
Senior Vice President  
General Counsel.  
Shares in Scania: 0

### 22. P O Svedlund

Born 1955.  
Joined Scania in 1976.  
Senior Vice President  
Purchasing and CIO.  
Shares in Scania: 166

### 23. Lars Wrebo

Born 1961.  
Joined Scania in 1986.  
Senior Vice President  
Chassis and Cabs Production.  
Shares in Scania: 0



## ADDRESSES

### Head Office and Technical Centre

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#### Scania Transmission

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#### Scania Engine Assembly

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### ■ DEVELOPMENT, PRODUCTION BUS BODIES

#### Omni Katrineholm AB

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### ■ SALES AND SERVICE COMPANIES

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