2004

ANNUAL REPORT

SCANIA


SCANIA

Contents 2004

The English version of the Annual Report is a translation of the Swedish-language original, which is the binding version and shall prevail in case of any discrepancies. Translation: Victor Kayfetz, Scan Edit.

The Report of the Directors encompasses pages 4–79.

Swedish corporate identity number: Scania AB (publ) 556184-8564

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.

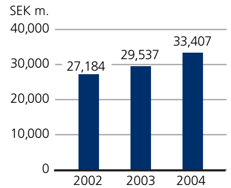
SCANIA

VEHICLES AND SERVICE

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.

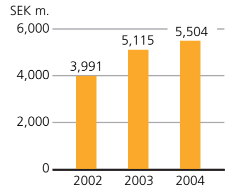
Sales revenue

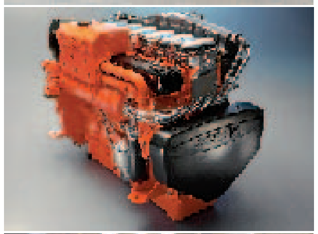


Buses

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

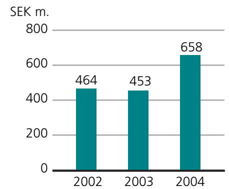




Industrial & marine engines

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

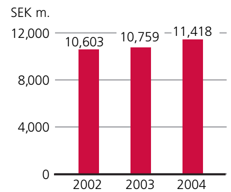
Sales revenue



Service

By continuously expanding its range of service-related products, Scania guarantees its customers cost-effective solutions and high availability.

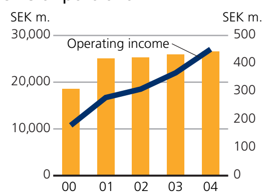
Sales revenue



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.

Size of portfolio

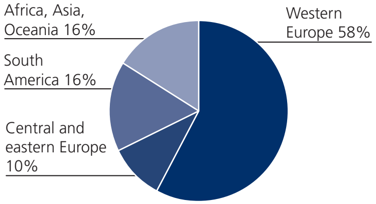


Key figures	2004	2003	2002
Deliveries, units			
Trucks	50,563	45,045	39,895
Buses	5,519	4,910	3,774
Total	56,082	49,955	43,669
Sales revenue, SEK m.			
Vehicles and service	56,788	50,581	47,285
Operating income, SEK m.			
Vehicles and Service	5,887	4,759	3,548
Customer Finance	450	366	308
Divested car operations [1]	–	–	550
Total	6,337	5,125	4,406
Operating margin, percent	11.2	10.1	9.3
Income before taxes, SEK m.	6,014	4,604	3,722
Net income, SEK m.	4,077	3,034	2,739
Earnings per share, SEK m.	20.39	15.17	13.70
Cash flow, Vehicles and Service, SEK m.	2,685	2,450	3,583
Return, percent			
on shareholders' equity	20.8	17.4	17.2
on capital employed, Vehicles and Service	28.1	22.0	17.4
Net debt/equity ratio, Vehicles and Service	0.05	0.17	0.31
Equity/assets ratio, percent	30.0	27.7	25.6
Capital expenditures for fixed assets, SEK m.	2,737	3,196	3,025
Research and development expenditures, SEK m. [2]	2,219	2,151	2,010
Number of employees, 31 December	29,993	29,112	28,230

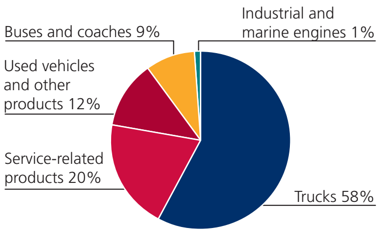
1 Swedish car operations were divested as of 1 January 2002.
2 From 2002 onward including net capitalised development expenditures, amounting to SEK 232 m. in 2004, SEK 667 m. in 2003 and SEK 573 m. in 2002.

THE WORLD OF SCANIA

Deliveries by market area, 2004

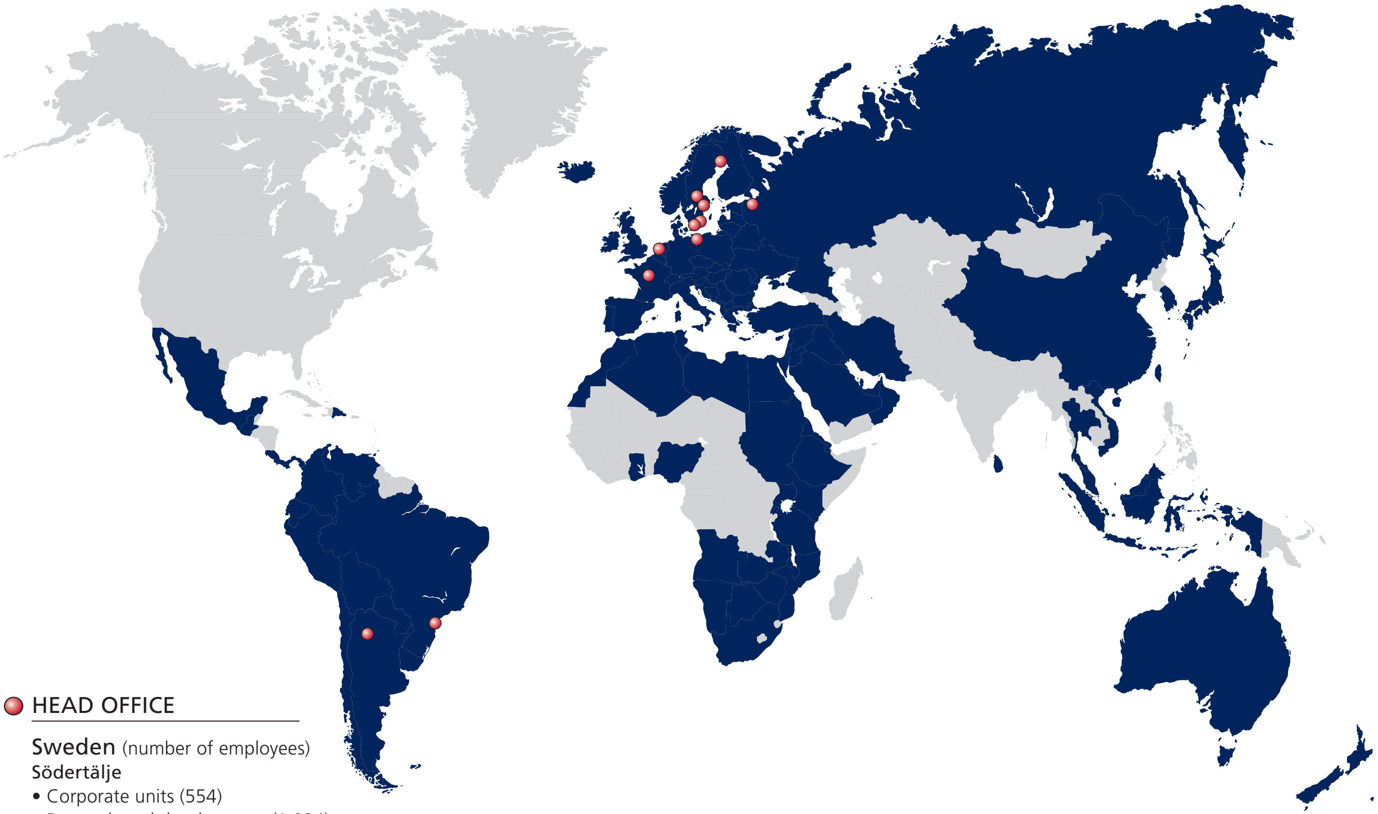


Sales revenue by product area, 2004



Revenue in Scania's ten largest markets, Vehicles and Service

Jan–Dec, SEK m.	2004	2003	Change in %
Great Britain	**7,744**	7,255	7
Germany	**3,816**	3,449	11
Brazil	**3,815**	2,537	50
France	**3,545**	3,226	10
Sweden	**3,499**	3,349	4
Italy	**3,276**	2,979	10
Spain	**3,205**	3,017	6
The Netherlands	**2,448**	2,047	20
Norway	**2,220**	1,957	13
Denmark	**1,641**	1,211	36



HEAD OFFICE

Sweden (number of employees)

Södertälje

- Corporate units (554)
- Research and development (1,924)

PRODUCTION UNITS

Sweden

Södertälje (2,712)
Production of components, engines, trucks and bus chassis.

Falun (687)
Production of axles.

Luleå (713)
Production of frame members and rear axle housings.

Oskarshamn (2,172)
Production of cabs.

Sibbhult (508)
Production of gearboxes.

Argentina

Tucumán (649)
Production of gearboxes and rear axle gears.

Brazil

São Paulo (2,299)
Production of engines, axles, cabs, trucks and bus chassis.

France

Angers (548)
Assembly of trucks.

The Netherlands

Zwolle (1,437)
Assembly of trucks.

Poland

Słupsk (328)
Assembly of bus bodies.

Russia

St. Petersburg (204)
Assembly of bus bodies

SALES AND SERVICE

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

FINANCE COMPANIES

Scania has its own finance companies in 15 markets. Even in markets where Scania has no finance company of its own, sales companies and customers are supported by various financial services from Scania Credit AB.

SCANIA'S GLOBAL PURCHASING

In addition to its corporate purchasing department, Scania has local procurement offices in Russia, Poland, the Czech Republic and the United States and is building up another in Shanghai, China.

Important events in 2004

At the IAA commercial vehicle exhibition, Scania's President and CEO Leif Östling accepted the "International Truck of the Year 2005" trophy from Jury Chairman Andy Salter.

World premiere for the R-series

On 31 March, Scania held the world premiere of its new R-series trucks, intended for long-haulage. During the spring and until mid-July, various launch activities took place in Södertälje for over 10,000 specially invited customers and more than 200 journalists. At the same time, the launch was something of a celebration for all the Scania employees who had worked to develop and design the new truck range, as well as prepare its production and marketing. At Scania's European production units, the transition from the 4-series to the new truck range went so smoothly that it will go down in history as Scania's most successful product changeover to date.

Truck of the Year 2005

The new R-series was well received by customers and the transport industry. The series was awarded the International Truck of the Year 2005 trophy, a prestigious distinction presented by a jury consisting of 18 of Europe's leading truck journalists. The statement of the jury included the following passage: "The R-series impressed the jury with its particular attention to driver comfort through a wholesale revision of the cab interior. Improved ergonomics, better cab comfort and a more refined driving environment all combine to give the R-series enhanced driver appeal. In addition, Scania's attention to the driveline, new electronic architecture and cleaner more efficient engines was worthy of particular note."

New products

At the IAA commercial vehicle exhibition in Hanover, Germany, Scania showed the new truck range in its full breadth to an international audience for the first time. It was also the premiere for a new tourist coach with a more streamlined body, an updated interior, better passenger comfort and a new driver's area.

Upswing in South America

The South American economies strengthened during 2004, and so did Scania's sales in the region. Utilisation of production capacity improved by means of increased exports to other continents. This had a sizeable positive effect on Scania's operations and earnings. Scania's strong position in the region was also manifested in other ways. In Brazil, Scania regained its role as market leader. The strength of the brand was confirmed when Scania was named the most admired commercial vehicle company in a survey conducted by the renowned business periodical *Carta Capital*. In Argentina, Scania was named as having the strongest quality image of any brand in the country in a survey carried out by the business magazine *Mercado*.

Scania the first to meet new emission standards

In September, Scania became the first manufacturer to begin deliveries of trucks equipped with an engine that meets Euro 4 emission standards, which become compulsory from October 2006. The new 12-litre engine is delivered mainly to customers that drive on German motorways, which in January 2005 introduced user tolls that vary depending on a vehicle's environmental impact.

More than 10,000 invited guests from all over the world experienced the premiere of the new R-series.

At the R-series world premiere, guests had a chance to acquaint themselves with the various cab alternatives.

Presentation of the new 9-litre engine

In October, Scania gathered South American customers and journalists in São Paulo to present a new 9-litre engine. With this five-cylinder engine, which is available in outputs of between 230 and 310 hp, Scania has completed its global changeover to a modular engine range.

New marine engine

In June, Scania unveiled a new 12-litre marine engine. It is based on Scania's modular engine range and is equipped with Scania's electronic engine management system (EMS). Applications include fishing and pilot boats as well as ferries.

In September, Scania unveiled an expanded output range for its 12-litre engine that meets the requirements of current and future emission legislation.

New competition for young professional drivers

During 2004, Scania began planning the implementation of a second round of the world's largest road safety competition for professional drivers, Young European Truck Driver 2005. The competition, which was a success when it was organised in 2003, is aimed at strengthening the role of the driver in improved road safety and economical driving. It has grown to encompass 28 European countries this year. About 20,000 drivers born in 1970 or later are expected to participate. The finals take place in Sweden during September 2005.

Seminar on engine development and alternative fuels

During the autumn, Scania gathered members of the newly elected European Parliament, leading European Commission officials as well as industry experts and representatives of public authorities at a seminar on engine development and alternative fuels. Compared to other alternatives, the diesel engine offers the best efficiency. It is also not limited to fossil fuel. Read more about emissions and performance on Scania's website, www.scania.com.

Increased trading in Scania shares

Since 1 July, Scania has been back on Stockholmsbörsen's Most Traded share list. This came after trading in Scania shares rose sharply once Volvo had divested its holding in Scania, in compliance with the European Commission's ruling.

Extraordinary General Meeting

At an Extraordinary General Meeting on 19 November, a clear majority of Scania's shareholders approved a resolution stating that the company would make a public offer to the shareholders of Ainax AB (publ). At that time, shares of Ainax AB (publ) were traded on the Swedish "Nya Marknaden". Since 24 November, Ainax shares have been quoted on the O-list of Stockholmsbörsen. Through Scania AB's acquisition of more than 96 percent of the voting power and share capital of Ainax AB (publ), the offer was carried out and Ainax became a subsidiary of Scania AB on 22 February 2005. The public offer was one step in a transaction aimed at dissolving Ainax AB (publ) and making its shareholders direct shareholders in Scania. The complete offer is described in the prospectus that was published on 21 December. The legality of the offer was supported by the customary statements from legal experts.

Scania is stronger than ever

Scania evolves as the needs of customers change. Since we delivered our first truck early in the 20th century, we have systematically worked our way forward in the value chain in order to move closer to customers and be a competent, reliable partner in growing their businesses.

Scania is both a vehicle manufacturer and an advanced supplier of services. The vehicle is the basis of a product offering that also includes maintenance, repairs, customer financing and insurance, driver training and roadside assistance.

To customers, this means operational security. To Scania, it means an involvement in a growing fleet of vehicles and a stable source of revenue. On average, Scania is growing by 5–6 percent annually. The new truck range that was launched during 2004 will play a vital role in our growth.

Scania's core values – putting the customer first, respect for the individual and quality – govern our day-to-day work. How we treat our customers is very important. This, in turn, implies that leadership is crucial. It is the people behind the products who will determine Scania's future competitiveness.

Looking back at 2004, it is clear that the demand for heavy vehicles rebounded after a few weak years.

The markets in western Europe were significantly stronger than during the preceding few years. Western European demand for trucks is driven by strong replacement needs, combined with large exports of used vehicles to central and eastern Europe. As the western European manufacturing sector moves more and more of its production eastward, the need for transport also increases. Infrastructure is rapidly expanding in many parts of these regions. For many years to come, the EU membership of the Baltic states, Poland, the Czech Republic, Slovakia and Hungary will be an essential driving force in the modernisation of the former Comecon block. Another example is the road network that is now being built from the Baltic Sea to Vladivostok.

As a consequence of these developments, Scania's operations in central and eastern Europe also showed good growth, with higher order bookings and deliveries.

Over the past decade, we have built up a sizeable sales and service organisation in the region. Today Scania has a good position, and in a number of countries we are the market leader.

The increasing flow of used vehicles from western European markets to central and eastern European ones means that Europe is becoming an ever more integrated market, and this is reinforced by the enlarged EU. Economic growth, especially in Europe, is of great importance to Scania, since transport needs – which create a demand for trucks and transport services – are directly connected to GDP growth.

The economies in South America have stabilised politically and economically after the difficult years at the beginning of the 21st century. Growth is now robust. In Brazil and Argentina, Scania's order bookings rose at about the pace of the total market.

Exports of both whole vehicles and components to countries outside South America continued to increase. In October, a new 9-litre engine was launched in South America. With this, Scania has a complete global engine family based on the same platform, from the 9-litre engine upward.

Scania also had a good year in most markets outside Europe and South America. A number of markets in the Middle East and Africa showed good volume growth. South East Asia as a whole performed well during 2004.

We are now building up our own sales and service organisation in China. The demand for advanced heavy trucks, Scania's

speciality, is nevertheless limited due to less-developed logistics and infrastructure.

Bus and coach operations continued to perform well. Bus sales during 2004 exceeded the previous year's record level by a wide margin. Our European market position improved, and order bookings accelerated in the second half of 2004. During the year we completed the task of commercially integrating our bus and truck operations. Scania's specialised bus and coach companies have now been integrated into its sales and service companies in Europe. Moving bus body production from Sweden to Poland has yielded good results, and the task of increasing the shared utilisation of components between trucks and bus chassis is continuing. Over the next few years, Scania will introduce new bus ranges.

Our sales of industrial and marine engines rose sharply in 2004. The increase applied mainly to engines used for electricity supply, but our engines are also used in container lifters, agricultural machinery, boats and elsewhere.

Through coordinated development of engines for different applications, we utilise Scania's overall resources in an effective way.

We have continued to expand our global production system. In Europe, we added an assembly line at our plant in Zwolle, the Netherlands. We are systematically eliminating bottlenecks at our production units in order to gradually increase capacity. We stand well equipped for growth. We are introducing product modifications continuously in the production system. To our customers, this means that every new Scania is a little better than the previous one.

Despite the positive developments we saw during 2004, there are some question marks about 2005. Among other things, higher raw material and oil prices as well as weak economic growth in continental Europe may adversely affect the world economy.

Late in 2004, our shareholders decided at an Extraordinary General Meeting to present an offer for all shares in Ainax, a company whose only purpose is to manage the Scania shares that were previously owned by Volvo. The proposal was approved at an Extraordinary General Meeting and an offer was presented in November. The purpose of the offer was to eliminate the prevailing uncertainty concerning Scania's ownership picture and at the same time increase the liquidity of Scania shares.

At the end of the acceptance period, more than 96 percent had accepted the offer. Ainax is now a subsidiary of Scania.

To summarise, 2004 was a year of many big events. The launch of the new truck range and the International Truck of the Year 2005 award were two of them. We are proud of Scania's results and of our leading position within heavy vehicles and services. We now look forward to a new year when our big challenge is to take full advantage of the strength of our overall product offering.

Finally, I would like to thank all Scania employees for their great dedication, good work contributions during a challenging year and very fine results. Together we will do everything to ensure that 2005 will be at least as successful as 2004.

Leif Östling
President and CEO

Leadership for profitable growth

In order to meet the challenges of the coming years, it is necessary to safeguard the supply of talent in all units and at all levels. This demands a high standard of leadership. Scania's leadership principles are the foundation for all work throughout the global organisation.

Leading 30,000 employees worldwide requires a clear strategy. At Scania, leadership must transform a common way of thinking into a common way of working.

In a number of respects, Scania has a leading position in its industry. To strengthen this position, the company's operating objectives must be integrated with its vision and mission. The same guidelines and targets should apply to Scania as a whole and to its various operating units.

Management structure

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

Group Management consists of the Executive Board and the heads of each Corporate Unit (see page 89). The Corporate Units have operating responsibility for carrying out the established strategies.

Decision meetings

Scania's decision-making structure includes a number of fixed meetings in the company's 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 ensuring that Scania's strategy is communicated and that work takes place in compliance with it. The company's strategic direction is summarised once a year in the Scania Strategic Update. This document is an important tool when establishing operating plans.

Global Management Summit

Scania's top managers gather once a year for a strategic review, the Global Management Summit. Yearly meetings are also held with board members from Scania's subsidiaries around the world.

Corporate governance

All companies in the Scania Group work in accordance with the principles established in Scania's Corporate Governance Manual. The President and CEO of Scania appoints the representatives on the boards of local subsidiaries, among them a number of external members whose expertise and local contact networks contribute to Scania's development. These company boards monitor operations and establish strategy and objectives.

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

The Scania Councils

To further improve sales and service companies, a number of regional councils have been established. A council is headed by an independent chairman and consists of company managing directors in a region. Their task is to improve the business by benchmarking, exchanges of experience and common projects.

The 2004 Global Management Summit focused on leadership at Scania.

Strong Board strengthens Scania

Scania's Board of Directors is elected by the Annual General Meeting and is the ultimate link between the company's shareholders and the operative management that runs its day-to-day work. The Board plays an important role in the continuous effort to improve Scania's strategy and business.

According to its Rules of Procedure, Scania's Board of Directors shall hold at least five regular meetings per year. Beyond this, the Board may meet when there are special needs. During 2004, the Board held a total of seven meetings. The meetings held in January/February, April, July/August and October/November are devoted primarily to financial reporting from the company. The meeting held in October/November deals with long-term plans and in December with the financial forecast for the following year.

At its regular meetings, the Board deals with matters of a current nature and capital expenditure issues. The various committees report their work to the Board on a continuous basis. The Board also regularly discusses various aspects of the company's operations, for example management recruitment, financing, product development and market issues. This occurs at in-depth briefings where affected managers from the company participate.

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

Preparatory to the nomination of Board members, Bernd Pischetsrieder, Chairman of the Board of Scania, and Board member Peggy Bruzelius hold discussions well before the Annual General Meeting with representatives of the five largest shareholders in order to reach a consensus with them on persons to be nominated to the Board.

The Audit Committee – consisting of Marcus Wallenberg (Chairman), Vito H Baumgartner and Lothar Sander – had three meetings during 2004. 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 and Sune Carlsson. During 2004 the Remuneration Committee held two meetings.

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

The instructions of the Board to Scania's President and CEO specify his duties and powers. These instructions include guidelines on capital expenditures, financing, financial reporting and external communications.

A Swedish code of corporate governance was proposed on 16 December 2004 by a Government-appointed commission of inquiry. In the opinion of Scania's Board of Directors, the company essentially fulfils the requirements of this code, but since it has not yet been implemented, Scania has not taken the code into special consideration in the Annual Report for 2004.

Growing with sustained profitability

If Scania continues to grow at the same pace as it has to date, in the next decade we will reach sales of 100,000 vehicles per year and be involved in the service and maintenance of 800,000 vehicles in operation around the world.

Concentration on heavy transport vehicles

Scania's operations focus on heavy transport vehicles, the segment where the demands – along with the margins and profitability – are the highest. A customer pays more for a highly specified vehicle than for a standard product. Vehicles in the heavy segment are also driven long distances and have a high degree of utilisation, which provides substantial service business.

Modular product system

With Scania's modular product system, the customer can specify the vehicle he or she wants. The more closely vehicles and services can be adapted to a transport task, the better the customer's operating economy will be.

The modular system is important to Scania's development, production and product quality. It also simplifies parts management, contributes to a higher degree of service and makes it easier to train service technicians.

The modular system provides a carefully balanced number of main components with great flexibility. This allows considerably longer production runs than is possible in a conventional product system.

Integrated business – vehicles, services and financing

Scania offers its customers combinations of vehicles, services and financing that contribute to their business operations.

Scania's customers often use their vehicles round-the-clock and require rapid access to maintenance and repairs at all hours of the day from our service organisation.

Customer financing is another important element of Scania's complete product range.

Focus on growth markets

Scania has a presence in markets with potential for profitable growth. Scania's main markets – Europe, South America and Asia – have good potential for long-term growth. An increasingly borderless Europe, with growing economies and an enlarged EU, offers major opportunities.

In South America, there is an increasing demand for vehicles and service as an ever larger share of both goods and passenger traffic utilises heavy vehicles. Asia is a long-term growth market. The infrastructure is improving and logistics systems are developing.

Vision

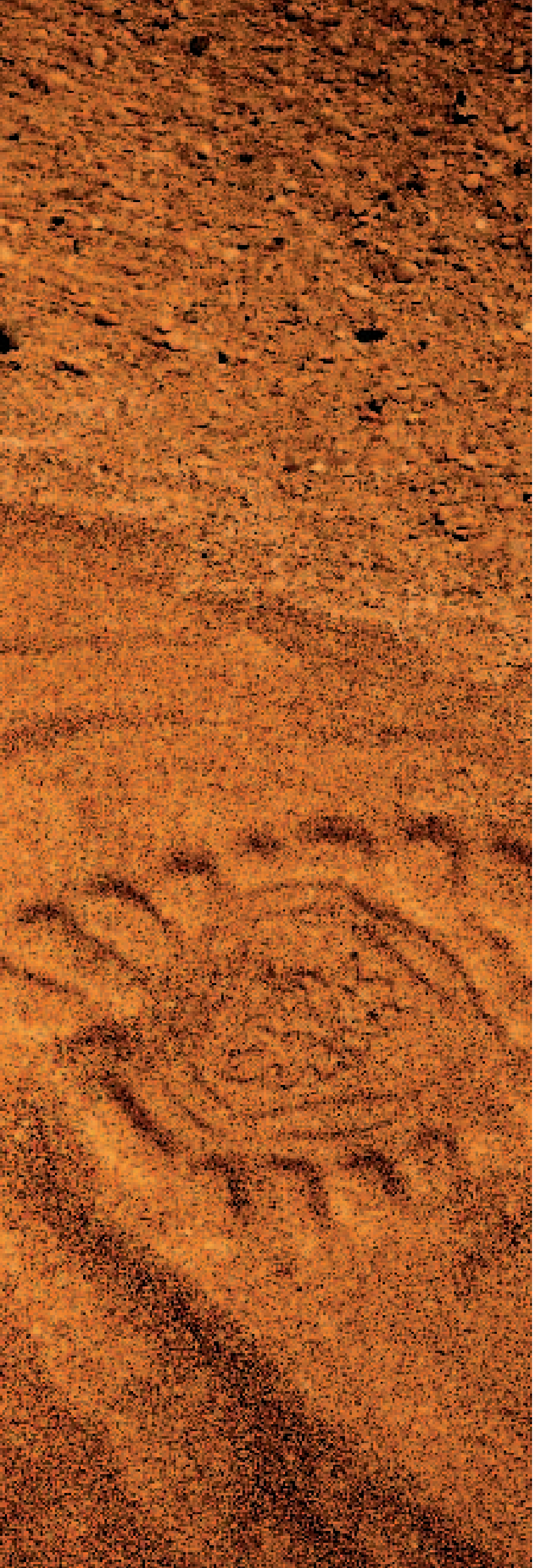
Scania's vision is to be the leading company in its industry by creating lasting value for its customers, employees, shareholders and other stakeholders.

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 environmental characteristics.



Values build a strong brand

Behind the Scania brand is a strong corporate culture. The customer is the focus of the company's operations. Respect for the individual employee and aiming for high quality are key values at Scania.

Scania's products are designed to give its customers high profitability. The Scania brand represents high quality and cost-effectiveness.

Pride and trust

A customer should feel proud to own and drive a Scania vehicle. It should strengthen the professional respect accorded him by colleagues, competitors and his own customers. He has made a large, sound investment. It is not only a matter of investing in a physical product, but also of being able to rely on always having access to the collective knowledge and experience of Scania's global organisation.

Scania's three core values

Scania's identity is shaped by the values and working methods of the people in the company. Three core values tie together the company and form the basis of Scania's corporate culture and its business success.

Customer first

Scania focuses all its efforts on the needs and business operations of its customers. The customer is at the centre of the entire value chain: from research and development via production and procurement, to sales, financing 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 creates a partnership with the customer.

Respect for 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 a number of principles to achieve good working results. New ideas and inspiration are born out of day-to-day operations, where Scania's employees hone their skills. 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 quickly dealing with deviations in established processes and promptly remedying them, Scania's employees can continuously improve the quality of their products and services.

The people behind the products

If Scania is to surpass customer expectations, the whole organisation must be staffed by highly competent and motivated employees.

Scania's human resources policy

Scania shall 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.

Human resource development is a cornerstone of Scania's activities. The company works systematically and continuously to safeguard and retain a high level of skills throughout the organisation.

Sales and service growing

At year-end, the number of employees in Scania's global organisation was 29,993, an increase of 3 percent compared to one year earlier. The increase was mainly attributable to production units in Europe and South America, and partly due to expansion of the service network, including acquisitions.

Today the sales and service organisation accounts for about 35 percent of all employees compared to 10 percent in 1990. About 15 percent of the workforce consists of women.

Focus on leadership

Scania had an exciting year in 2004, with the launch of its new truck range. Developing the trucks from concept to finished product required a dedicated organisation, whose strength is competent employees combined with good leadership.

Dedication and dialogue

Being an attractive employer requires leadership of the same high quality as the company's products and services. The foundation is a structured dialogue between manager and employees. Its purpose is to create a consensus about behaviour and working methods that supports Scania's core values. The strength of these structured dialogues is that all employees participate. When everyone is pulling in the same direction, through a common way of thinking and working, the results are very positive. This leadership philosophy is now being established throughout the Scania organisation.

The good workplace

Scania's ambition is to be a highly regarded workplace for its current and future employees. All employees must feel that they are contributing to the success of the company and that they are participating and undergoing professional growth at Scania. To obtain a picture of how Scania employees perceive their working situation and enable them to influence it and make improvements, the company conducts annual employee surveys and individual human resource development discussions.

The people behind the products are, and will remain, the key to Scania's future success. Human resource development programmes for our employees have always been vital for Scania, especially in their day-to-day work. The Scania Production System is based on continuous learning. This approach is now also being applied to Scania's administrative departments as well as its service business.

Freedom of contract and co-determination

A majority of our employees belong to unions. Everywhere that Scania does business, employees have access to company information and the right to co-determination, as provided by national legislation.

Good relations between the company and employees are highly important to Scania's success. Such relation-building occurs through consultation and dialogue between representatives of the company and the employees. One example of such a consultative forum is the Scania European Committee, which represents Scania employees in 19 European countries. The Scania European Committee was formed in 1998 on the basis of EU legislation on works councils within international corporate groups.

Workplace health and safety

All employees at Scania are entitled to a creative and healthy working environment. At the same time, each employee is expected to take responsibility for his or her own situation and health.

This is why for many years, Scania has invested in raising employees' awareness of a well-balanced existence. When health awareness increases, the company together with its employees can work in a positive, preventive way by promoting health and countering risks of ill health and poor working environment.

During 2004, absences due to illness (sick leaves) in the Scania Group totalled 3.5 percent. A detailed account of such absences, in accordance with Swedish legislation, can be found in the Annual Report of Scania CV AB, which is the employer of everyone working for Scania in Sweden.

To Tommy Warren, Andy Hamann and Gary Power, continuous improvement efforts are a natural element of their service workshop jobs.

Continuous improvements in the workshop

With their close and frequent customer contacts, service technicians play a key role in the Scania organisation. This is why the task of recruiting, retaining and improving their skills enjoys high priority.

Nine of Scania's 8,000 service technicians are employed at a workshop in the village of Waterlip in Somerset, south-western England.

The workshop is among the most successful in terms of employee development. Scania's core values – putting the customer first, respect for the individual and quality – guide its work.

The nine-strong team is continuously honing its knowledge. If one member has been on a training course, or has learned something new through experience, they gather afterward and go through it together.

"It has become second nature for us to share new knowledge. Imagine if the only person who can handle a task gets sick," says Andy Hamann, one of the service technicians.

Continuous improvement efforts are a much-appreciated element of the job that stimulates and motivates employees, boosting workshop quality without requiring expensive investments.

"We have a great working environment. But the most important thing is that customers are satisfied, and there are very few complaints," says workshop manager Gary Power.

Long-term relationships contribute to positive change

Scania is a global company that economically, socially and environmentally both influences and is influenced by the communities where it operates. Its local presence creates long-term relationships that will contribute to positive change for both the company and the community.

Scania contributes to sustainable global development and supports the OECD Guidelines for Multinational Enterprises. These guidelines form the starting point of Scania's sustainable development efforts.

Scania's relationships with society at large focus mainly on improved road safety and reduced environmental impact – issues closely associated with Scania's business operations.

After the tsunami disaster in the Indian Ocean during the 2004 Christmas holidays, Scania concentrated its relief efforts via the International Red Cross.

Greater transparency

During 2004, Scania continued to aim for greater transparency so that all stakeholders can more easily gain access to the information they are seeking.

Scania has clarified its ethical and environmental positions, among other things by imposing high social and environmental standards on its suppliers. Scania regards such standards as necessary in order to achieve long-term sustainable development.

Backing up drivers in all situations

The driver is the most important contributor to improved road safety. Scania's vision is that drivers of heavy vehicles should serve as role models for other road users. Scania's aim is to give drivers the best possible back-up to ensure safe driving.

To promote road safety, driver skills and a positive attitude in society at large towards transport professionals, during 2005 Scania is organising its second competition for young truck drivers. In September, a new winner of this driver competition, Europe's largest, will be proclaimed. Nearly 20,000 drivers from the EU member countries plus Switzerland, Turkey and Norway are expected to participate in the competition, which will reward safe, environmentally oriented and economical driving techniques.

Scania is implementing the competition with support from the European Commission and the International Road Transport Union (IRU), and with Michelin and Shell as co-sponsors.

The environment

Combining the growing need for transport services with reduced environmental impact is a prerequisite for long-term sustainable development in the world, and a challenge for Scania as a company. Environmental impacts occur both at production facilities and when our products – vehicles and engines – are used by customers. Scania works systematically to reduce the environmental impact at all stages of a product's life cycle. Its environmental work emphasises doing the right thing from the beginning and in all subsequent stages, conserving raw materials and energy as well as offering its customers vehicles and engines with better fuel economy and low exhaust gas emissions. Scania's environmental policy and overall environmental targets apply to all parts of the company and are found on the following pages and posted on its website, www.scania.com.

Urban Johansson, head of powertrain development at Scania, being interviewed by Vyacheslav Mamedov, editor in chief of the Russian magazine *Gruzovikpress.*

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.
- **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.

Dialogue for sustainable road transport

Road transport is of great significance for economic, social and environmental progress in society. An active dialogue with various stakeholders in society is therefore an important element of Scania's social responsibility.

Since highway tolls and fuel prices were topics of passionate debate during 2004, while new emission rules will become a reality during 2005/2006, there has been great interest in discussing the development of sustainable transport.

Seminars with politicians and meetings with public authorities play a key role, but to convey knowledge about the characteristics and development potential of the diesel engine to customers and the general public, the media are of great importance. Urban Johansson, head of powertrain development at Scania, thus spent an intensive week in Koblenz, Germany, discussing Scania's future engine strategy with journalists.

"Over the next few decades, the diesel engine will remain the most efficient way of transforming fuel into useful heavy transport work. To meet the increasingly stringent legal standards for nitrogen oxide and particulate levels in exhaust gases, new emission technology is required", Mr Johansson says.

Scania's main strategy is exhaust gas recirculation (EGR), a technique that allows cleaner combustion without affecting fuel economy. Selective catalytic reduction (SCR) is an alternative way of reducing nitrogen oxide emissions, via aftertreatment of exhaust gases with a urea solution.

Attacking environmental impact at the source

Scania's guiding principle is to reduce the environmental impact in all stages of a product's life cycle. Clean technology is the key to good environmental performance, both for the company's products and at its production and service facilities.

New Environmental Policy

Scania's Environmental Policy and overall environmental objectives state the positions that are shared by the entire company.

During 2004, the Environmental Policy was revised to better support Scania's operations. The new Environmental Policy makes it clear that the environment is an integral part of Scania's business priorities. The relationship between environmental work and the principle of precaution has been clarified, which is a natural consequence of Scania's support of the OECD Guidelines for Multinational Enterprises. According to the principle of precaution, precautionary measures shall be undertaken when there is reason to assume that an action may harm human health or the environment.

A shared concern

Environmental work is integrated into Scania's operations. A survey conducted during 2004 shows that most Scania employees feel they are involved in this environmental work.

The highest decision-making body for environmental issues is the Scania Executive Board, which makes strategic decisions. Common day-to-day environmental items of business are prepared by the Scania Environmental Committee, where environmental coordinators from various fields of operations meet under the leadership of the Quality and Environment department.

Operational decisions are made in the line organisation, where all managers have environmental responsibility for their respective areas. Local management teams are responsible for targets and follow-up at the local level.

The environmental management system

All production units are certified according to the ISO 14001 environmental management system.

Corporate departments, such as Group Management, procurement and product development units, are certified. Environmental management procedures are integrated into Scania's management system.

Emission allowances

Now that the Kyoto Protocol has entered into force, the EU countries must jointly reduce carbon dioxide emissions by eight percent during the period 2008 to 2012, with 1990 as the base year. Trading in emission allowances, which begins in 2005, is one means of achieving this reduction. Transport services are not included in the scheme.

Scania's energy supply units in Oskarshamn and Södertälje, Sweden are included in the trading scheme. One effect of the recently completed expansion of operations in Oskarshamn is that Scania needs to buy emission allowances, estimated at 4,000, beginning in 2005.

Environmental adaptation of products

Taking environmental aspects into account at an early stage of product development makes it possible to minimise the environmental impact of a product throughout its life cycle. Scania attaches great importance to designing a vehicle to reduce the environmental load that arises while the vehicle is in use. Aside from Scania's internal development targets, future legal requirements weigh heavily in development work.

Among strategic fields for the environmental performance of a product are emissions of fossil carbon dioxide and other exhaust gas components, chemical content and the end-of-life treatment of worn-out vehicles.

Scania as a customer

Scania buys materials and components from suppliers. It is important that the actions of suppliers are consistent with Scania's environmental approach.

Regardless of where a supplier is located, Scania requires ISO 14001 certification. Scania surveys suppliers' environmental work by using an Environmental Self Assessment and recurring follow-ups. Collaboration on environmental issues leads to continuous improvements and helps improve expertise and enhance environmental awareness among suppliers.

Scania's Environmental Policy

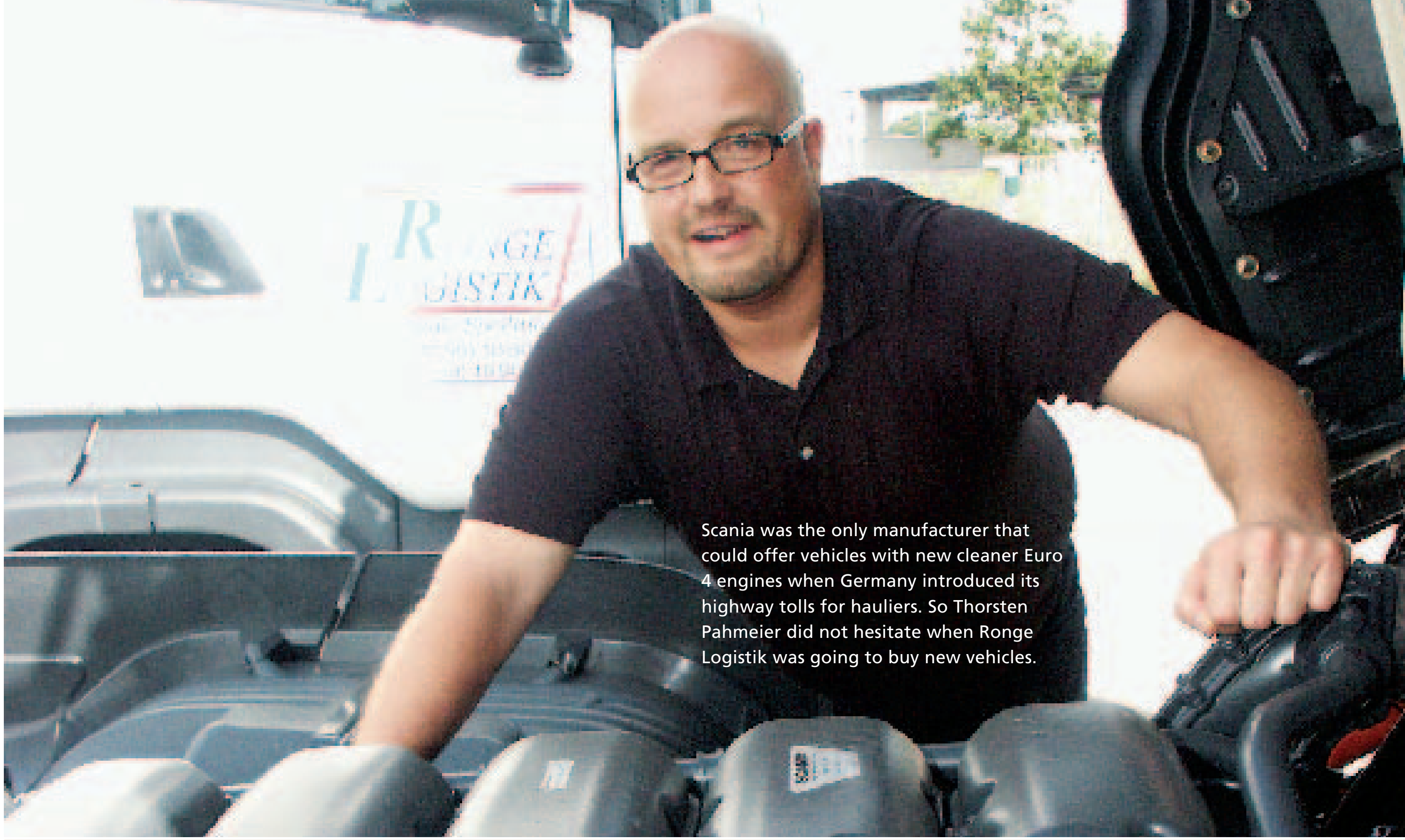
Scania continuously improves the environmental performance of its products, processes and services. Business demands and other requirements form the basis for improvement, where fulfilment of legislation is fundamental. Scania's environmental work is proactive, based on a life cycle perspective and the principle of precaution. (issued in 2004)

Read more about Scania's environmental work at www.scania.com.

Environmental work at service points

In Scania's sales and service organisation, the implementation of internal environmental standards has begun. It is expected to be completed during 2006. It means, among other things, that internally certified Scania workshops will have an environmental manager and that there will be a local activity plan including environmental targets related to the handling of chemicals, for example.

Within the framework of the internal standards, Scania recommends certification according to the ISO 14001 environmental management system or the equivalent. At year-end 2004, 22 local distributors had taken the final step and introduced third-party certified environmental management systems.



Scania was the only manufacturer that could offer vehicles with new cleaner Euro 4 engines when Germany introduced its highway tolls for hauliers. So Thorsten Pahmeier did not hesitate when Ronge Logistik was going to buy new vehicles.

Euro 4 engines are big money savers

The European market, which is important to Scania, is greatly affected by legislation in the EU. Tougher emission standards together with financial incentives such as highway tolls and taxes are motivating factors behind Scania's engine development.

With some of the world's first Euro 4 engines in its truck fleet, the German transport and logistics company Ronge Logistik can save big money. On 1 January 2005, Germany introduced highway tolls for hauliers, with discounts for new, cleaner engines.

"Scania is the only manufacturer that can offer Euro 4 engines from the start, so the choice was easy," says Thorsten Pahmeier, vehicle purchasing manager at this forward-looking company.

The Euro 4 engines that Ronge Logistik now has in its fleet are based on exhaust gas recirculation (EGR), a technology that attacks exhausts at the source without any aftertreatment or additives. Emissions of nitrogen oxides are 30 percent lower and particulates 80 percent lower than with Euro 3 engines. Since fuel consumption is unchanged, this environmental improvement does not occur at the expense of higher carbon dioxide emissions.

Because of Germany's strategic position in the heart of Europe, about a third of EU heavy haulage traffic is affected by the new highway tolls. Hauliers with Euro 4 and Euro 5 engines will receive discounts of up to 20 percent on the highway tolls.

"With six Euro 4 trucks each driving 200,000 kilometres per year, 90 percent of it on motorways, we will save tens of thousands of euro," Mr Pahmeier notes.

Closer to customers and their demands

Today major transport companies compete by means of advanced logistics systems. Their customers demand that goods be delivered quickly and punctually – just-in-time, every time. That is why transport companies are investing in vehicles and in service that provide high quality and maximum uptime.

Internationalisation, structural changes and increasingly active customers and consumers have transformed the transport industry. Demands for faster, more reliable and cheaper deliveries are forcing transport companies to improve the efficiency of the flow of goods, services and information. More and more hauliers are evolving into logistics companies with total responsibility for their customers' transport needs. Meanwhile many smaller haulage firms are specialising or becoming subcontractors to large logistics companies. Such services as financing, insurance, short-term rentals and maintenance are in ever greater demand.

New legislation

The operations of transport and logistics companies are also affected by political decisions and new legislation. The European Commission recently adopted a proposal for changes in the Working Time Directive for commercial vehicle drivers. For the transport industry, one effect of this will be shorter working hours. The purpose is to reduce the number of accidents caused by exhausted drivers. Another EU directive will increase the requirements for in-service training of professional drivers. The aim is to improve road safety and reduce fuel efficiency.

In order to satisfy new customer demands, in recent years Scania has made major investments, not least in its sales and service network. Today most of this network is owned by Scania. The integration process has created greater proximity to customers, who can choose the best combination of transport solutions from a large array of vehicles, services and financing.

Truck customers

A customer's decision to choose a Scania truck is rarely just about the price of the vehicle itself. More important are the total costs and revenues that the vehicle generates during its entire service life. Large transport and logistics companies prioritise vehicles with high operating reliability and good fuel economy. A well-developed service and road assistance network is important when every delivery must arrive on time. For small hauliers, a vehicle's dependability and reliability are often vital. It is not unusual for the driver himself to own the truck. A cab with a good driver environment both for work and rest is often a weighty purchasing argument for an owner-operator haulier. Image means a lot too, since the truck becomes a small company's most important calling card.

In many European countries today, there is a shortage of well-trained professional drivers. Having the best truck makes it easier for a haulage company to recruit good drivers. And good drivers who drive good vehicles mean higher profitability.

In South American markets, especially Brazil, there is a continued trend towards larger and larger combinations for heavy haulage in the agricultural sector, but also for tanker haulage. So-called "BiTrem" – tractors with two semitrailers – are increasingly being used to improve total transport economy. The gross weight of the rig can be increased to a maximum of 57 tonnes, compared to 45 tonnes previously. The trend has favoured Scania, which dominates this segment. The use of such rigs reinforces the need for high engine power, which coincides with Scania's strategy and its famously robust, powerful engines.

Bus and coach customers

Scania's customers in city bus services are often private operators, in many cases active in more than one country. To a growing extent, they are demanding total transport solutions. 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 complete buses from one supplier. Scania solves this with the help of partnerships with a number of selected bodybuilding companies.

In South American markets, a number

of countries are showing a greater ambition to restructure and streamline city traffic. The “TransMilenio” project in Bogotá, Colombia – the most advanced urban traffic system in South America – is now on its way to being replicated in several South American countries.

Industrial and marine engine customers

Scania’s industrial and marine engine customers are found in many sectors. The engines have become increasingly complex, requiring a high level of expertise from the customer both at the time of purchase and during day-to-day operation. Electronics are used to an ever greater extent, among other things in order to optimise fuel economy and keep down emissions.

Since many of Scania’s industrial and marine engine customers are found far from service workshops, dependability is high on the customer’s list of demands.

The overall operating economy during the entire service life of the product is another important factor.

Jan Rietman is among the drivers participating in an experiment with long vehicle combinations in the Netherlands.

Long vehicles save the environment

Transport and logistics company Rotra once delivered cargo to the Port of Rotterdam and Schiphol Airport in two long-haul rigs. Today Jan Rietman can deliver it all in one 25.25 metre long Ecocombi. Rotra cuts its fuel costs and its environmentally aware customers are pleased at the reduced emissions.

Since the autumn of 2004, the Netherlands Ministry of Transport and Communications has been testing long vehicle combinations. Today EU legislation allows rigs 18.75 metres long. Sweden and Finland, with their less intense traffic and long distances, have been the only exceptions to date.

The Netherlands experiment means that for the first time, Europe’s transport industry is gaining experience of longer trucks in more densely built-up regions.

For several years, Scania has worked actively to bring about harmonisation of national laws in the EU that permit long vehicle combinations on certain routes. Fully developed, the system could reduce heavy vehicle traffic on the European road network by up to 30 percent. This would also improve road safety. Greater transport efficiency would also reduce the environmental impact of road transport.

“If you just plan your trip carefully, there is no big difference in driving an Ecocombi, as we call these long rigs in the Netherlands,” explains driver Jan Rietman.

Harm Roelofsen, Managing Director of Rotra, notes that the company saves 20,000 litres of diesel per year for each Ecocombi it uses.

“All our experience to date tells us that long vehicle combinations should be permanently allowed all over Europe,” Mr Roelofsen says.

New trade routes increase transport needs

The need for transport services follows economic developments. Economic growth leads to higher consumption, which increases the need for transport services.

The broad upturn in the world economy during 2004 led to an increase in the demand for heavy vehicles in most markets, although high oil prices had a certain dampening effect.

In most markets today, only trucks can offer the flexibility and delivery assurance necessary to ensure that supply chains and logistics systems will work.

EUROPE

Western Europe accounts for nearly 70 percent of Scania's sales. Here vehicle standards are very high and the mostly highly specified vehicles are sold.

The transport industry and distribution systems are advanced, which makes operating reliability and service important competitive factors and increases the potential for selling services.

In these markets, Scania owns most of its sales and service organisation. This provides direct contact with customers, who not only buy vehicles today but also maintenance, financing and other services. Such close customer contact is invaluable for Scania's product development, both when it comes to vehicles and various service-related products.

As Europe has become more integrated, trade flows across the continent have intensified. The largest consumer markets lie in the west, while more and more goods are being produced in central and eastern Europe. This creates very large transport needs. In order to be close to customers, Scania's investments in its sales and service network are following the same pattern.

Used trucks go east

Scania's new truck range is being marketed initially in the major markets of western Europe, where a natural renewal of existing fleets is underway. Meanwhile western European transport companies need to replace used vehicles that are being sold onward to customers in the countries of central and eastern Europe.

These countries have a different cost structure, and there is a large demand for used quality vehicles because of the massive economic build-up effort that is underway. Since used vehicles require more maintenance, service business is rapidly growing in these countries. Meanwhile there will be a structural effect on demand in western Europe for the next 10–15 years.

The total transport market in Europe is worth an estimated 180 billion euro* per year and will grow by an average of 5–6 percent every year, with faster growth in the new EU countries.

An equally high growth percentage is expected in trade between Europe and Asia, which today amounts to 360 billion euro* per year. Given newly constructed transit routes to the Middle East and East Asia, the transport flows to and from the Asian continent will change. It will be possible to move cargo by land from Bangkok to Berlin in 7–10 days, compared to a shipping time of several weeks by sea.

In western Europe, new registrations totalled about 230,000 heavy trucks, compared to 213,000 during 2003. Scania's share of the western European market was about 30,000 units (13 percent).

Record year for bus sales

Scania's bus and coach sales developed favourably and reached 5,519, the best to date. After several years of low demand, sales in South America reached earlier levels. Brazil was Scania's largest single bus market. In a shrinking total market in Europe, Scania consolidated its position.

The integration of bus and truck operations continued during the year. From January 2005, all of Scania's free-standing bus and coach companies in Europe have been integrated into the existing distribution companies in their respective markets. Integration with the truck business has enabled Scania's bus business to streamline its organisation. This was reflected in ever-larger contributions to Scania Group earnings and strengthen its competitiveness.


SCANIA

Bus project gives Colombia’s capital a breath of fresh air

With its fast, safe, comfortable new buses, TransMilenio has changed the lives of hundreds of thousands of public transport passengers in Bogotá, capital of Colombia. The transport system has also set the standard for other major cities in South America.

Bogotá, a city of seven million people, was long known for its chaotic traffic situation, air pollution and slow, bewildering public transport.

Using a traffic planning model designed for the city of Curitiba, Brazil, five years ago the TransMilenio system was developed. In several dozen kilometres of dedicated bus lanes, thousands of modern buses now transport nearly a million passengers every day. Scania is delivering 130 of these new buses.

To contribute further to cleaner air and safer, faster public transport in Bogotá, the companies that have won contracts must scrap some of their old buses. A total of more than 4,000 old buses are being replaced by new ones.

During the spring, Scania concentrated the bodybuilding operations for its own city buses at the plants in Poland and Russia. This was a step towards achieving profitability and safeguarding the long-term competitiveness of the subsidiary Scania Omni. The cost of building a bus body, which is a labour-intensive task, is significantly lower in these countries than in Sweden.

During the second half of 2005, Scania Omni will move the rest of its operations, mainly the development of bus bodies and prototype assembly, from Katrineholm, Sweden to Södertälje. This move will enable Scania Omni to benefit from proximity to bus chassis development activities.

Stable market for industrial and marine engines

Scania’s deliveries of industrial and marine engines totalled 5,014 (3,165) units. The increase mainly consisted of engines for electricity supply, with the largest customers located in Spain and Great Britain.

The industrial and marine engine market is relatively stable but is affected by tightened emission rules, among other things.

Service

Service sales continued to develop favourably during the year. Scania’s increasing focus on the service market is related to how the transport industry is changing, which is especially apparent in Europe where previously simple transport services today are part of sophisticated logistics structures.

This, in turn, has led to completely new customer demands. There are several reasons: Capital costs and the costs of not being able to deliver on time can often be higher than a company’s direct costs for the actual transport task, such as fuel and wages.

New and stricter exhaust standards are other challenges that Scania customers face. This, in turn, increases the demands for modern products and first-class workshop support.

OTHER MARKETS

Scania’s order bookings in markets outside Europe broke all earlier records. Behind the upturn was strong economic growth in a number of regions.

Most markets in Africa, the Middle East and South East Asia showed good growth.

The economies of South East Asia grew rapidly during the year, largely because of a surge in domestic demand, both because of household consumption and company capital spending. Meanwhile trade and transport between the countries of the region rose.

In South Korea, however, growth cooled after several years of rapid expansion.

In Taiwan, deliveries rose sharply, and today Scania is the leading European make on the island both when it comes to trucks and buses. Scania took over its distributor in Singapore and appointed a new distributor in Indonesia.

Closer to customers in China

At the beginning of 2004, Scania took over sales operations in China from the previous privately owned distributor. A new head office opened in Beijing, with sales offices in Shanghai, Xiamen and Guangzhou.

Through this new Scania-owned organisation and an expanded service network, the company is moving closer to its customers and laying the groundwork for a long-term commitment to the Chinese market.

Trucks

Due to the sharply increasing need for transport services, especially for agriculture in Brazil and Argentina, sales of heavy trucks in South America reached very high levels. Scania became the market leader in Brazil, which was also Scania's largest national market for heavy trucks and buses in the world.

Increased export revenues and a general improvement in the South American economies have generated the resources for a significant renewal and expansion of the vehicle fleet that is on the road. In addition, the upgrading of older vehicles provides increased potential for service sales. The average age of national vehicle fleets is still relatively high, in Brazil around 11 years with a total active fleet of about 300,000 heavy trucks, about 40 percent of them Scania vehicles.

In Mar del Plata, Argentina, Astillero Naval Federico Contessi y Cia builds various kinds of boats. With a Scania engine on board, a fisherman feels safe out on the Atlantic.

Buses and coaches

Scania traditionally has a strong presence in the Middle East, very much due to its dedicated distributors, which have taken good advantage of business opportunities. In Iran, Scania sharply increased its bus sales and became the largest European make. In Damascus, Syria, the largest Scania facility in the region was inaugurated during the year.

In southern Africa, Scania has built up a strong presence, with South Africa as its base. During 2004 Scania boosted its market share in a growing market.

Markets outside Europe and South America accounted for one fourth of Scania's bus and coach deliveries.

Industrial and marine engines

Brazil is traditionally Scania's largest market for industrial and marine engines.

During 2004, Scania sharply increased its sales of these engines. For example John Deere, one of the world's largest manufacturers of agricultural machinery and tractors, decided to use Scania engines in its sugar cane combine harvesters.

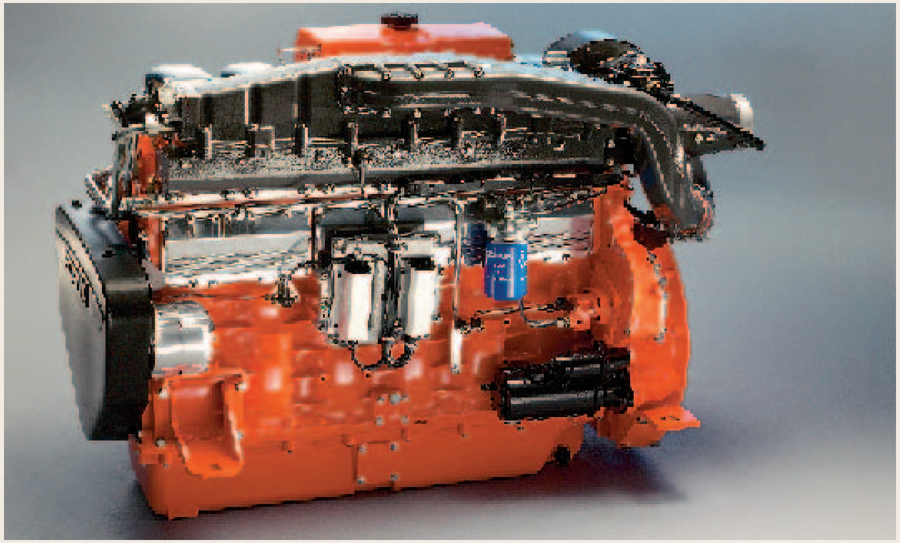
The demand for industrial and marine engines generating electricity was high all year in Asia, especially in China, which received deliveries from Scania's partner Scangen.

Customer-tailored vehicles and engines

Scania's business is based on trucks, buses and industrial and marine engines. Here Scania's sophisticated modular system provides unique opportunities to tailor vehicles to the specific wishes of customers. The basic concept is a toolbox in which components can be used in many different combinations.

Scania trucks have gross vehicle weights of 16 tonnes and upward (Class 8) and are built for heavy long-distance, construction and distribution haulage. During 2004, Scania introduced a new truck range with further improved performance, not least in the environmental field. The new vehicles also have improved fuel economy, compared to previous ranges.

Scania manufactures buses with high passenger capacity for intercity and urban traffic and for use as tourist coaches. Production focuses on chassis – more than 90 percent of production went on to independent bodybuilding companies. Scania's own bus bodybuilding company, Scania Omni, works with city and intercity buses.



Scania's industrial and marine engines are sold throughout the world, and 2004 was an especially strong year, with a new volume record of 5,014 units.

From vehicle manufacturer to integrated service provider

During 2004, Scania continued to successfully move its operations closer and closer to the customer's own daily reality, with the aim of being a reliable partner in growing the customer's business.

Aside from trucks, buses and industrial and marine engines, Scania sells numerous service-related products. Customers can also choose among various forms of financing and insurance.

Scania focuses on providing expert support throughout the commercial life of a vehicle. To customers, this means greater dependability in their business. They are guaranteed the highest possible operating reliability.

Service a stabilising factor

Just as Scania has refined its modular system over the decades in research, development and production, today it is developing a similar system for the important service market. From an array of service-related products, customers can select those that best contribute to improving their own business operations.

For Scania, servicing today's active fleet is a significant source of income. It is also a stabilising factor in the company's overall business: whereas sales of new vehicles fluctuate with the ups and downs of the economy, the service market represents greater stability. The number of Scania vehicles in active operation is steadily growing.

In Scania's growth scenario, which is based on a historical average volume increase of 5–6 percent, in the next decade this will mean annual sales of 100,000 new vehicles and about 800,000 Scania vehicles on the roads. Today there are already 500,000 active vehicles that need servicing.

This scenario also implies increased technician time and parts sales at Scania's repair and preventive maintenance workshops.

In 2004, service-related products accounted for 20 percent of Scania's total sales revenue.

The service market is thus one of Scania's most important competitive factors, aside from the vehicles themselves.

Scania's service offerings vary, depending on how local markets develop.

In Europe, the service network is well established today. On other continents, it is still expanding. Globally, Scania customers have access to about 1,500 service points, about 1,000 of them in Europe. Scania's service network is quality assured, and not only in Europe. Workshops in South America, Africa, Asia and the Middle East also undergo quality certification.

Round-the-clock service

Scania's core values, which regulate the company's approach to customers, society at large and its own employees – the customer first, respect for the individual and quality – are especially clear in the service sector, with its close customer contacts. Here all these standards are put to the test. From a customer perspective, getting the highest level of quality in the service network is as important as vehicle quality.

The customer depends on his Scania vehicles to perform and requires maximum vehicle availability. Scania must respect and fulfil these demands, delivering optimal service round-the-clock in principle.

In response to this customer need for back-up at all hours of the day and night, Scania Assistance provides 24-hour help in the customer's own language and various forms of maintenance and repair contracts. Today Scania Assistance is available all over Europe, as well as in a number of Scania's important markets on other

Scania's dealer in Izmir, Turkey provides its customers with 24-hour roadside assistance. Serdar Canpolal is often the man who comes to their rescue.

continents. Altogether 21 Scania Assistance centres cover customers in 35 countries.

In Europe, the average time between a service call to Scania Assistance until a truck is back on the road has fallen to 4 hours and 20 minutes – day or night, weekday or weekend.

In 2004 Scania continued to upgrade workshops as part of its Dealer Operating Standards (DOS) quality assurance system. In the EU, 69 percent of all 1,000 or so Scania workshops are certified to DOS standards. This represents a twelve percentage point increase since 2003.

During the year, Scania thus continued to invest in training for service technicians and sales representatives – but also for drivers. Today driver training is increasing in demand among Scania customers. This is a reflection of escalating fuel prices, but it is also due to generally higher awareness of the importance of road safety. Every year, 50,000 people die in traffic on the European road network, and many times more are injured.

Financial services are an important element of Scania's total product range.

Customer financing

Scania offers its customers various forms of individually tailored financing solutions for new and used vehicles bought via Scania dealers. Financing can also be combined with various service and maintenance contracts, as well as insurance solutions.

In many countries of western and central Europe, Scania offers financing through its own finance companies. In other important markets elsewhere in the world, Scania offers financing opportunities – in some countries under agreements with local banks.

Important events related to Scania's financial services during 2004 were intensified efforts to introduce insurance solutions, which can now be offered in combination with financing in most European markets. During the year, Scania also established a new finance company in Austria. In Scania's newer markets, such as Russia and Poland, the company saw continued good financing-related growth. Scania decided to establish a new wholly owned finance company in Turkey.

World-class resources under one roof

Customer needs are at the core of Scania's research and development work. Today the company's R&D resources in all product areas are gathered at the Scania Technical Centre in Södertälje.

Scania's research and development expenditures in 2004 totalled SEK 2,219 m. (2,151). Among other things, the 1,700 engineers at the Scania Technical Centre have access to 29 engine test cells and nearly 20 km of test tracks. They also have chassis test rigs, shake rigs, cold and heat chambers, noise chambers and a well-equipped chemical analysis laboratory.

Gathering all research and development at one site is advantageous in terms of staff utilisation and technical resources, as well as expertise and dissemination of knowledge. Testing and analysis are jointly planned for trucks and buses, as well as for industrial and marine engines. Staff and expertise are utilised cross-functionally in order to smooth out variations in the workload.

Controlled by customer needs

To find out about customer needs, Scania uses a number of channels: customer clinics, interviews, field tests, monitoring of competitors and industry developments and reporting systems from its markets. Impulses for research and development work also emerge from Scania's intensive quality monitoring at production units and in the field. R&D projects may also result from requirements imposed by public authorities or from future trends and development opportunities that Scania identifies.

Emissions the biggest challenge

The biggest challenge – in terms of technology and resources – is to develop the engines of tomorrow. Scania's solid reputation as a supplier of highly efficient, easy-to-use engines is an important success factor, which has built up the Scania brand over the years.

Here Scania has successfully defended and strengthened its leading position during the past decade, not least because of its transition to a completely modularised engine range. Today this range includes straight five- and six-cylinder engines with swept volumes of 9–12-litres, as well as a powerful 16-litre V8 engine with outputs of up to 580 hp.

By developing a number of systems inhouse – among them fuel injection, engine management, turbocompounding and exhaust gas recirculation – Scania has created flexibility to meet the increasingly stringent environmental standards demanded by society and imposed by public authorities. These systems are utilised in different combinations, so that each engine is tailored for its application.

Legislation mainly specifies threshold limits for two substances in heavy vehicle exhausts: nitrogen oxides and particulates. There is also an increasing focus on emissions of so-called greenhouse gases. Carbon dioxide emissions are directly proportional to a vehicle's fuel consumption, and this leads to greater interest in fuel-efficient engines.

The EU sets "Euro" emission standards. Euro 1 was introduced in the early 1990s, and Euro 4 standards will take effect soon – in 2005 for newly designed engines and in 2006 for all engines. The next step will be Euro 5 in 2008/2009. There are currently no global emission or testing standards. This leads to extra development work for global market players. However, both the heavy vehicle industry and public authorities are endeavouring to achieve coordination at a global level for the next step, which is projected to be due around 2012.

The challenge for an engine developer is that decreasing nitrogen oxide emissions traditionally leads to higher fuel consumption. However, technological advances over the years have made it possible to gradually reduce emissions without adversely affecting fuel economy.

Lage Dahlgren and Anders Lundgren of Scania's styling department discussing the lines of a conceivable future truck model.

One of the reasons cited by the jury that selected the new R-series for the International Truck of the Year award was Scania's particular attention to driver comfort.

Choices of technology

Scania's choices of technology are governed by concern for the situation of customers. Exhaust gas recirculation (EGR) is the solution that Scania prefers for reducing emissions. EGR is easiest for the driver, who only needs to fill up with standard fuel, not additives. A combination of unique Scania technologies yields an efficient Euro 4 engine that has the same fuel economy as a Euro 3 engine.

An EGR system utilises part of a vehicle's cooling capacity. Scania thus also uses another technology – selective catalytic reduction (SCR) – in which a so-called urea solution known as AdBlue is continuously added to the exhaust gases in a catalyst in order to reduce the amount of nitrogen oxides in the exhaust. This technology is employed in Scania's most powerful Euro 4 engines to safeguard their cooling capacity. The vehicle must have an extra tank holding about 100 litres, as well as a separate AdBlue injection system.

In its Euro 5 engine, Scania will introduce a new injection system developed in-house and a more advanced engine platform that will enable the use of EGR technology in all engines.

Truck and bus driving pleasure

For many years, Scania has been well known for creating a good driver environment. This has contributed to its prestigious brand image.

Many man-years of experience, customer contacts and development work are behind the new driver's workplace in Scania's new range of trucks.

The purpose of Scania's ergonomic refinements is to enable drivers to feel at home quickly and do the best possible job. Functions and controls should be intuitively easy for drivers to understand. A vehicle should continuously communicate how effectively it is working. This is important to enable the driver to take optimal advantage of its performance.

The driver of a Scania vehicle must always control the situation and be in full command. This makes it easier to drive safely, avoid accidents and save fuel, thereby causing as little environmental impact as possible.

The role of the customer in product development

Scania views its business over a vehicle's entire life cycle and wants close contact and a partnership with the customer. This is why customer participation throughout the task of product development is highly valuable.

Customer wishes and demands become part of the development task at an early stage through market surveys and field tests. For several years before the launch of Scania's new truck range, hundreds of selected professional drivers took part in an extensive field testing programme. Trucks were field-tested in thirteen countries, often in tough and challenging environments.

Lessons learned and opinions gathered from the field tests were, in principle, reported on a daily basis to the Field & Reliability Testing department and to the project managers at the Scania Technical Centre in Södertälje.

Another important element of customer contacts during development work was customer clinics, where new solutions were demonstrated. At such clinics, drivers and customers have an opportunity to evaluate prototypes.

One example of customer participation in product development:

For several years, Scania has had a cooperation agreement with Japanese-based Yanmar on marine engines for pleasure craft. The owners of such boats often have specific requirements for their engines. Through continuous dialogue between Yanmar and Scania, every customer can get an individually tailored engine.

The opinions of field test drivers are vital information to Scania. Here Scania's Anna Wallin and Mats Köpsén engage in discussion with French professional drivers at an evaluation meeting.

Effective working methods and global production

Because of shared working methods at all Scania production units, good ideas can quickly have an impact in the global production network. The changeover to the new truck range at European production units – from the 4-series to the new P-, R- and T-series – began during the first half of 2004.

During 2004, Scania's European production units successively switched to manufacturing the new truck range. By February 2005, this changeover had been completed at all component workshops and assembly plants.

Well prepared organisation

The changeover was based on extensive collaboration between different functions at Scania – production, product development, procurement, sales and service – and Scania's suppliers. This collaboration worked very well. Also making it easier was that Scania and its suppliers had made a successful effort to identify and prevent possible disruptions before series production began. One essential success factor was the special development lines for test assembly that were built for chassis and engines in Södertälje and for cabs in Oskarshamn. On these development lines, all new structures were evaluated and tested. Processes were continuously improved.

In this way, both the product and the assembly task could be adapted and thoroughly verified. This made quality assurance possible at an early stage. Even before the first truck was delivered to a customer, a preliminary series of more than 600 trucks had been manufactured on the development lines. These vehicles were used as test trucks and by Scania's marketing companies.

When Scania began series production of the first product in the new truck range, the R-series, its quality level was on a par with the outgoing 4-series. Because Scania's suppliers had been involved in the development task at an early stage, component quality was also at a high level.

South America

In South America, Scania will continue to build the 4-series for a few more years.

The choice of models has been broadened to satisfy the needs of all Scania markets. Improvements are being introduced continuously. Among other things, production of the new 9-litre engine began late in 2004.

Scania's production units in South America have assumed a new, global role in the production system, thereby enabling Scania to take maximum advantage of its total technical production capacity of 70,000 vehicles per year. South America accounts for 20,000 of this total. During 2004, South American production totalled nearly 15,000 units, the highest level to date.

Dedicated employees

The Scania Production System (SPS), which is the basis of all improvement work, was developed by the company's own employees. The values, principles and priorities that guide its working methods are the same, regardless of where production occurs. New solutions introduced by an improvement team are systematically introduced at Scania's other production units.

This systematic approach has also provided the basis for the work of the development lines, where all new structures have been evaluated and tested.

Because the same working methods are shared by all Scania production units, employees from plants in France, the Netherlands and Sweden were able to work together at the development line in

By February 2005, all Scania component workshops and assembly plants in Europe had switched to production of the new truck range.

Södertälje to devise the working methods for the new truck range.

This preparatory work is one important reason why it proved possible to implement the changeover to the new truck range very efficiently at all European production units.

Long-term collaboration with suppliers

Long-term collaboration with suppliers, plus clear demands, have been Scania's strategy for ensuring deliveries to the new truck range.

Key suppliers were involved in the development process at an early stage. As a result of clear collaboration mechanisms respected by both parties, the flow of materials into the production system has been almost without disruptions. One important parameter in this work has been the use of the QS 9000 standard, which mainly defines what is required of suppliers, but also what Scania must contribute. QS 9000 means that suppliers quality-assure their products and processes, which results in deliveries with improved quality and precision. This is necessary if Scania is to have a high direct flow into its production system.

Taken together, the improvements at Scania and in its interface with suppliers have contributed to an efficient changeover, with few quality deviations.

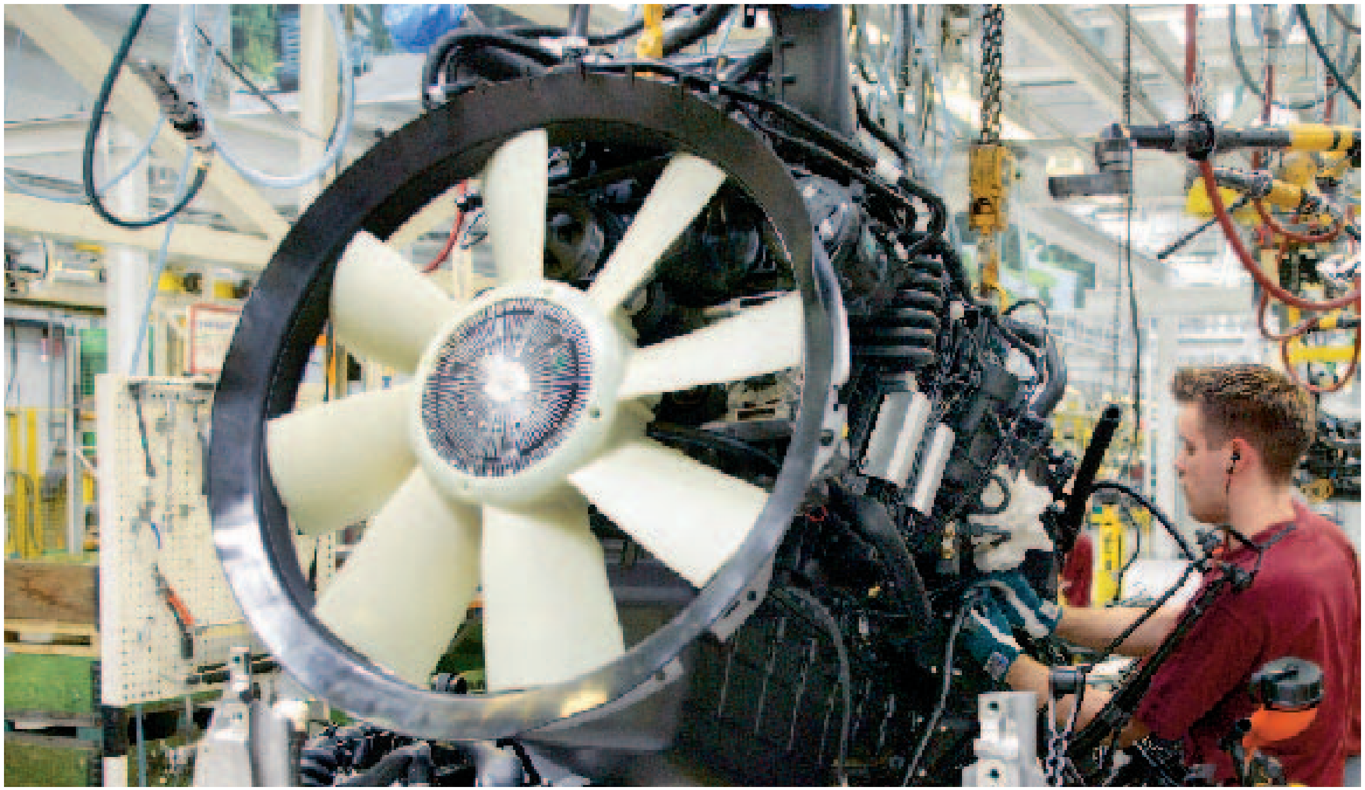
Changed supplier structure

In its purchasing work, Scania is moving towards a more international supplier structure. This means that to a growing extent, Scania will use more than one supplier for the same part. The globally coordinated production network also affects where Scania buys its production materials.

The trend towards a changed supplier base has accelerated as new products have been phased in. Scania is establishing procurement offices in more countries and is developing a special infrastructure to enable the company to import more components and parts into Europe from South America and elsewhere.

Continued production changeovers

During 2005, Scania will begin the changeover to a new range of buses and coaches. As with the truck range, this transition will occur as customers and markets demand the latest available technology and will take advantage of Scania's production resources on a global basis.



New solutions and improvements are continuously introduced at production units.

Side by side in an international setting

One reason behind the very successful launch of Scania's new truck range is the development line at the Södertälje chassis workshop. Here the goal is to improve the process and solve problems that could otherwise have arisen on one of the regular production lines. On the development line, all new structures are tested and evaluated.

The international atmosphere has been obvious in the course of working with the new truck range. Fitters and production engineers from Sweden, the Netherlands and France have worked closely with Scania's development engineers. The purpose has been to allow them to share their local experience, while preparing themselves for the production start-up of the new vehicles at home in Angers, France and Zwolle, the Netherlands.

Mark Leegte from Zwolle; Yves Mace and Stephane Gasnier, Angers; and Jonas Gustafsson, Södertälje, have worked, trained and honed their skills together on the development line.

Improved trading volume

The climate on world stock exchanges improved during 2004. 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 18 percent during 2004. The Industrials Index, which measures the trend in the industrial goods and services sector and includes Scania shares, rose by 19 percent. Trading volume on Stockholmsbörsen remained high, and since 1 July Scania shares have been back on Stockholmsbörsen's Most Traded list.

Scania's B shares rose by 30 percent during the year, closing at SEK 263.00 on 30 December. This was equivalent to a market capitalisation of SEK 52,600 m., which made Scania the 14th largest company on the exchange.

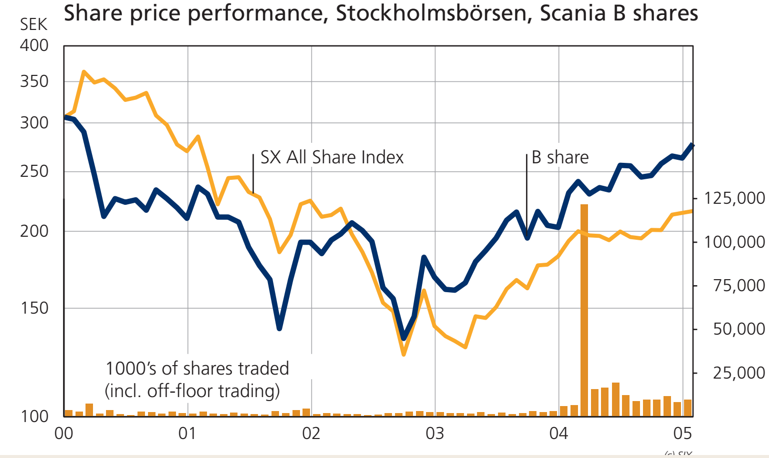
Volume and trading

Scania B share trading volume rose sharply compared to the previous year, amounting to an average of 977,000 shares changing hands each trading day. One reason for this was that Volvo sold its holding of Scania B shares to Deutsche Bank, which in turn sold the shares to various market players. The turnover rate for Scania B shares was 247 (28) percent. For Stockholmsbörsen as a whole, it was 124 (113) percent.

Ownership structure

On 31 January, 2005, the number of shareholders in Scania was 46,407. The three largest owners were Volkswagen AG, Ainax AB and Investor AB. On 31 January, Ainax AB owned 25 percent of the votes and 14 percent of the capital in Scania. In November 2004, an Extraordinary General Meeting of Scania decided to present a public offer for all shares in Ainax, the company that manages the Scania A shares previously owned by Volvo. The purpose of the offer is to restore a normal ownership structure and eliminate the uncertainty that has prevailed for nearly six years concerning Scania's ownership picture. The shareholders of Ainax were offered one Scania A share in exchange for each Ainax share, which means that those who accept will have direct voting power at Scania's Annual General Meeting in April 2005. Through Scania AB's acquisition of more than 96 percent of the voting power and share capital of Ainax AB (publ), the offer was carried out and Ainax became a subsidiary of Scania AB on 22 February 2005. Scania intends to take steps towards the liquidation of Ainax AB, which is expected to occur during 2006.

Share price performance, Stockholmsbörsen, Scania B shares



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 (previously called the OM Stockholm Stock Exchange).

Non-Swedish ownership, including Volkswagen AG, amounted to 38 percent of votes and 34 percent of capital in Scania on 31 January 2005.

Dividend

The Board of Directors proposes that the Annual General Meeting approve a dividend of SEK 15.00 per share for the financial year 2004. Since Scania joined Stockholmsbörsen in 1996, the dividend has averaged 53 percent of net income.

Beta coefficient

According to calculations by Delphi Economics, the beta coefficient of Scania's B shares was 0.96 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 is 0.64. This means that 64 percent of the changes in Scania shares could be explained by overall changes on the exchange.

Per share data

SEK (unless otherwise stated)	**2004**	2003	2002
Earnings	**20.39**	15.17	13.70
Shareholders' equity	**105.25**	91.26	84.66
Dividend (2004: proposed)	**15.00**	6.00	5.50
Market prices, B shares			
Highest for the year	**280.00**	227.00	215.00
Lowest for the year	**204.00**	148.50	125.50
Year-end (at closing)	**263.00**	203.00	168.50
Price/earnings ratio, B shares	**13**	13	12
Dividend payout ratio, %	**74**	40	40
Dividend yield, % [1]	**5.7**	3.0	3.3
Annual turnover rate, B shares, %	**247**	28	23
Number of shareholders [2]	**46,400**	39,000	39,000

Average daily number of shares traded, by series, Stockholmsbörsen	A	39,000
	B	977,000
	Total	1,016,000

1 Dividend divided by the market price of a B share at year-end.

2 On 31 January 2005.

Ownership structure, 28 February 2005

Number of shares	% of holdings	% of votes
1– 500	3.23	2.62
501– 2,000	2.08	1.07
2,001– 10,000	2.34	0.97
10,001– 50,000	3.17	1.10
50,001–100,000	2.47	0.86
> 100,001	86.71	93.38
Total	100.0	100.0

The ten largest shareholders, 28 February 2005

Owner	A-shares	B-shares	% of capital [1]	% of votes [2]	% of capital based on outstanding shares	% of votes based on outstanding shares
Volkswagen AG	37,400,000	0	18.70	34.32	16.53	27.44
Investor AB	21,186,757	308,693	10.75	19.47	9.50	15.57
Knut and Alice Wallenberg Foundation	10,642,440	0	5.32	9.77	4.70	7.81
Renault S.A.S.	5,697,042	0	2.85	5.23	2.52	4.18
Alecta	2,294,345	1,223,700	1.76	2.22	1.55	1.77
AMF Pensionsförsäkrings AB	1,306,650	8,736,000	5.02	2.00	4.44	1.60
Enskilda Securities AB	1,814,105	31,208	0.92	1.67	0.82	1.33
Fjärde AP-fonden	1,247,284	4,136,600	2.69	1.52	2.38	1.22
Robur Mutual Funds	892,161	7,339,600	4.12	1.49	3.64	1.19
SEB Mutual Funds	1,004,214	4,413,410	2.71	1.33	2.39	1.06
10 largest owners	83,484,998	26,189,211	54.84	79.01	48.46	63.17
Other	15,490,672	73,810,789	44.65	20.99	39.46	16.78
Excluding Ainax	**98,975,670**	**100,000,000**	**99.49**	**100.00**	**87.93**	**79.95**
Ainax [2]	27,320,838		13.66	0.00	12.07	20.05
Outstanding shares [3]	**126,296,508**	**100,000,000**			**100.00**	**100.00**
Elimination of Scania's share of Ainax [4]	– 26,296,508		– 13.15	0.00		
Total	**100,000,000**	**100,000,000**	**100.00**	**100.00**		

1 Calculation based on 200,000,000 shares. Legally, there are 226,296,508 outstanding shares in Scania but indirectly Scania owns shares through Ainax corresponding to 26,296,508 Series A shares. Calculating share of capital based on 200,000,000 shares takes into account that only dividend to minority shareholders in Ainax is external to the Scania group.

2 Calculated on 108,975,670 votes, whereof 98,975,670 votes are for Scania A shares and 10,000,000 votes are for Scania B shares. As Ainax is a subsidiary of Scania, it has no voting rights at shareholders' meetings in Scania. Therefore the 27,320,838 Series A shares owned by Ainax have been excluded.

3 The number of outstanding Series A shares in Scania, following the acquisition of Ainax amounts to 126,296,508. Of these Series A shares 27,320,838 are owned by the subsidiary Ainax.

4 26,296,508 Series A shares corresponds to Scania's share (96.3%) of Ainax's Series A shares in Scania. In calculating earnings per share in Scania and other key financial ratios the intra-group holding should be eliminated. It is therefore important to note that, for the purpose of such analysis, the number of shares in Scania, remain at 100,000,000 Series A shares and 100,000,000 Series B shares.

Facts about Scania

THE TRUCK MARKET

Scania's ten largest truck markets, vehicles delivered to customers

Rank		Country	2004	2003	Change in %
1	(2)	Brazil	6,047	4,107	47
2	(1)	Great Britain	5,863	6,307	– 7
3	(3)	France	3,650	3,787	– 4
4	(5)	Germany	3,455	3,254	6
5	(4)	Spain	3,187	3,345	– 5
6	(6)	Italy	3,149	2,782	13
7	(7)	The Netherlands	2,287	2,231	3
8	(10)	Turkey	1,969	1,543	28
9	(9)	Sweden	1,966	1,861	6
10	(14)	Poland	1,357	897	51

Scania's total deliveries to customers reached more than 50,500 trucks during 2004, an increase of twelve percent compared to 2003.

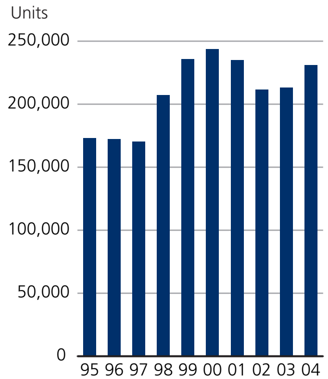
Registrations of trucks above 16 tonnes

Units	2004	2003	2002
WESTERN EUROPE			
Total	230,933	213,032	211,687
of which Scania	30,006	29,930	28,524
Great Britain	34,005	34,303	31,055
of which Scania	5,818	6,570	5,050
Germany	53,988	46,278	43,528
of which Scania	3,776	3,436	3,628
France	38,341	36,683	40,483
of which Scania	3,382	3,720	3,871
Spain	28,890	26,757	25,512
of which Scania	3,218	3,448	3,171
Italy	23,915	22,954	25,813
of which Scania	3,194	2,826	3,358
The Netherlands	11,458	10,535	11,488
of which Scania	2,212	2,102	1,958
Sweden	4,376	4,214	4,054
of which Scania	1,980	1,870	1,907
CENTRAL AND EASTERN EUROPE			
Poland	8,449	5,361	3,736
of which Scania	1,412	893	514
Russia [1]	3,160	2,157	1,863
of which Scania	1,126	837	716
Czech Republic	4,908	3,341	3,773
of which Scania	807	566	588
Hungary	3,432	2,436	2,004
of which Scania	397	362	218

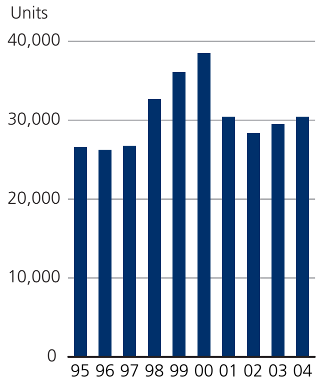
1 Estimated number of imported new trucks from Europe, Japan and the US.

Units	2004	2003	2002
SOUTH AMERICA			
Brazil	25,194	17,856	13,916
of which Scania	6,093	4,106	3,205
Argentina	9,149	3,471	813
of which Scania	893	241	48
Chile	3,549	1,983	1,479
of which Scania	352	214	178
Mexico	15,610	13,517	14,028
of which Scania	168	86	55
ASIA, AFRICA AND OCEANIA			
Turkey	28,830	17,751	8,430
of which Scania	1,837	1,515	226
South Korea	13,580	15,699	13,833
of which Scania	1,206	1,985	1,736
South Africa	6,438	4,567	3,335
of which Scania	687	396	303
Taiwan	2,634	1,660	1,841
of which Scania	499	270	241
Australia	10,320	8,688	6,592
of which Scania	410	461	408

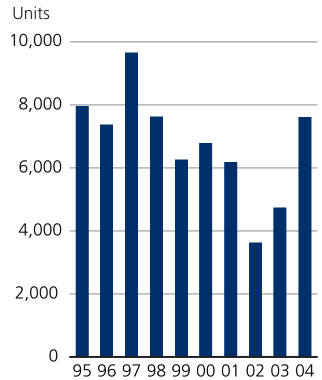
Total registrations of trucks above 16 tonnes in western Europe



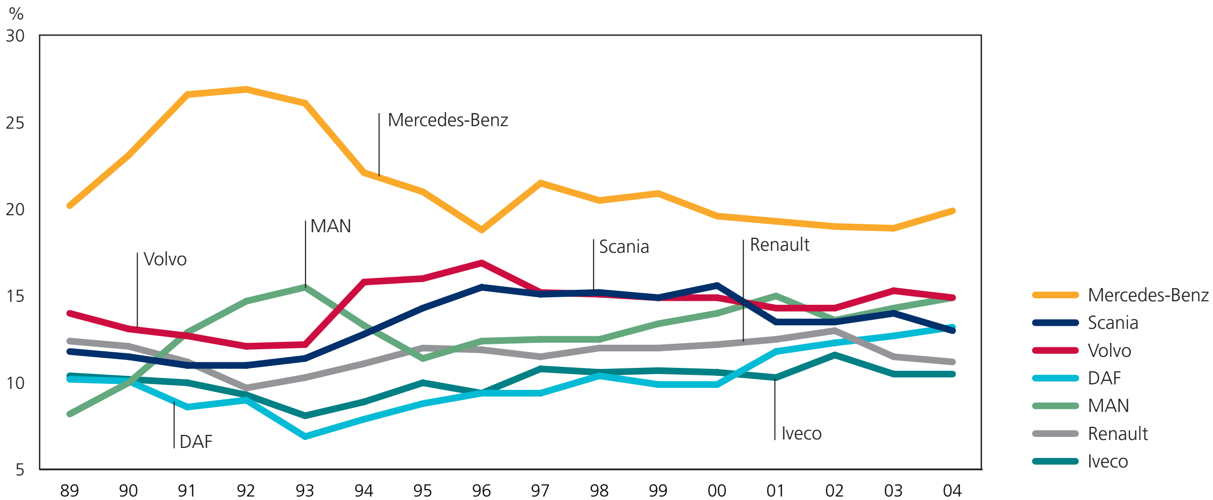
Deliveries of Scania trucks in western Europe



Deliveries of Scania trucks in South America



Market shares, trucks above 16 tonnes in western Europe



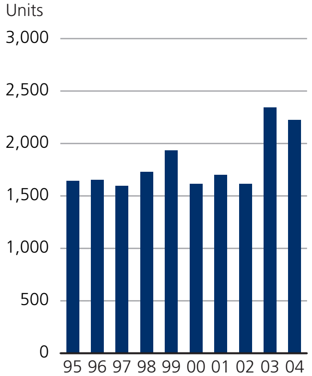
THE BUS AND COACH MARKET

Scania's ten largest bus markets, vehicles delivered to customers

Rank		Country	2004	2003	Change in %
1	(1)	Brazil	623	505	23
2	(2)	Spain	592	479	24
3	(3)	Great Britain	444	473	– 6
4	(6)	Mexico	381	287	33
5	(4)	Italy	325	399	– 19
6	(14)	Iran	300	104	189
7	(11)	Russia	270	149	81
8	(7)	Taiwan	256	223	15
9	(9)	Australia	205	187	10
10	(29)	Malaysia	160	41	290

Scania's total deliveries to customers reached more than 5,500 units during 2004, an increase of twelve percent compared to 2003.

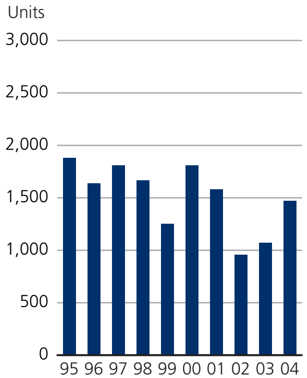
Deliveries of Scania buses in western Europe



Registrations of buses above 12 tonnes

Units	2004	2003	2002
WESTERN EUROPE			
Total	22,380	21,735	22,522
of which Scania	2,160	2,062	1,643
Spain	2,603	2,383	2,247
of which Scania	569	458	394
Great Britain	3,137	3,268	2,600
of which Scania	473	459	188
Italy	3,247	2,558	2,969
of which Scania	339	310	347
Finland	257	268	269
of which Scania	122	158	159
Sweden	913	884	896
of which Scania	69	199	153

Deliveries of Scania buses in South America



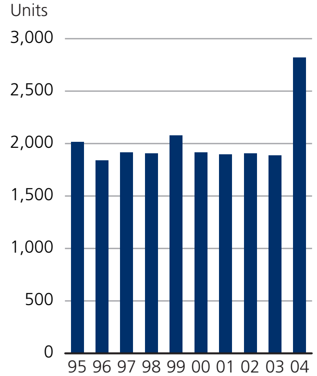
THE MARKET FOR INDUSTRIAL AND MARINE ENGINES

Scania's ten largest markets for industrial and marine engines delivered to customers

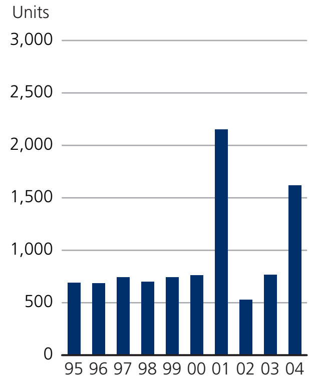
Rank		Country	2004	2003	Change in %
1	(1)	Brazil	1,392	614	127
2	(4)	Spain	734	264	178
3	(2)	Sweden	505	500	1
4	(3)	Great Britain	355	278	28
5	(6)	The Netherlands	313	196	60
6	(11)	Singapore	272	88	209
7	(13)	Norway	217	81	168
8	(7)	Argentina	211	145	46
9	(5)	Italy	202	200	1
10	(14)	Finland	174	61	185

Total Scania deliveries to customers reached more than 5,000 units, an increase of 58 percent compared to 2003.

Deliveries of Scania engines in western Europe

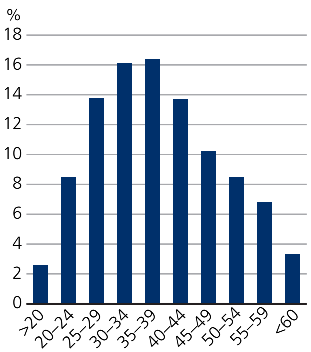


Deliveries of Scania engines in South America



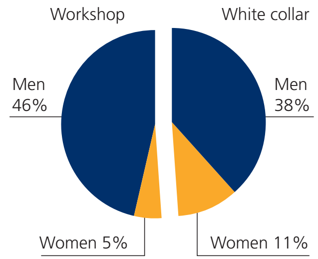
EMPLOYEES

Age distribution

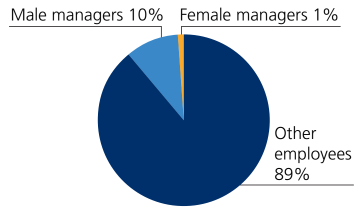


A majority of Scania employees have many productive years in the labour market ahead of them.

Gender distribution, workshop and white collar employees

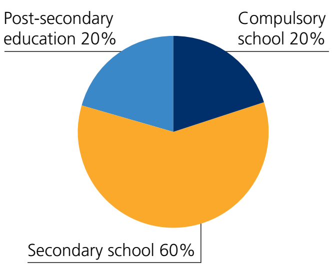


Percentage of managers and other employees



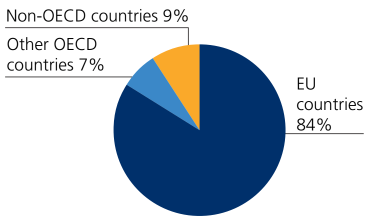
At year-end 2004, the Scania Group had 29,993 employees, an increase of 881 from 2003. Women comprise more than 15 percent of the Group total. Managers account for 11 percent of all Scania employees.

Educational level

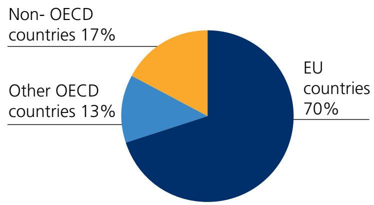


80 percent of employees have an education equivalent to a secondary school diploma or higher.

Wages, salaries and mandatory social insurance fees, by region



Sales revenue by region



A large proportion of both sales revenue and payroll disbursements is attributable to EU countries. Sales outside the OECD area rose, compared to the preceding year.

ENVIRONMENTAL ECONOMICS

Efforts to improve conservation of resources and reduce emissions and discharges are cost-effective and benefit the environment. Every year, Scania follows up its raw material and chemical consumption use, as well as energy and water use, measured against Group-wide environmental targets.

Environment and economics

During 2004, Scania's costs for raw materials, chemicals, energy and water totalled about SEK 2,048 m., equivalent to 3.6 percent of Scania's sales.

Emissions of carbon dioxide from Scania's production plants totalled 74,000 tonnes. In relation to Scania's sales, this represented 1.3 g/SEK. Emissions per vehicle produced declined compared to the year before. Efforts to reduce climate-affecting emissions occur with the support of Scania's position on the climate issue. This position and a detailed account of environmental performance in the production organisation can be found on Scania's website, 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 environmental impact may be one. Scania prefers to take the environment directly into account when making investments, instead of subsequently working with filters and separate purification units.

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 2004, Scania's investments in production facilities totalled SEK 2,372 m. Of this, SEK 14.4 m. was classified as environmental investments.

Soil inventories and clean-up

Orientation studies and risk assessments of soil and groundwater contamination have been completed at all production facilities.

In Meppel, the Netherlands, most groundwater pollution that has been detected has been cleaned up. The task is expected to continue for at least another year. In Falun, Sweden, 30 tonnes of soil were removed and decontaminated due to an emulsion leakage. Preventive measures were also undertaken. In Słupsk, Poland, 200 tonnes of oil-polluted soil were removed and decontaminated; this task is continuing.

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.

Operating 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. In addition to legal requirements and the conditions included in the permits, there are also internal requirements and rules for these operations.

Production volume at the Falun, Sweden plant is within the framework of the existing permit. The authorities are examining an application for expanded operations and are expected to complete this task during 2005.

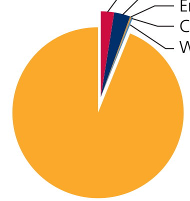
Since 2004, operations in Katrineholm, Sweden, have no longer required a permit, since they have mainly been moved elsewhere. After soil inventories that showed no significant disruptions, the property was sold.

Scania has applied for a permit for the new paintshop in Meppel, the Netherlands, which is scheduled to go into service in 2007/2008.

The Scania production unit in São Paulo, Brazil is in the process of renewing its permit. The new permit is expected to be ready in 2005.

During 2004 there were no violations of the existing permit conditions. No incidents occurred that caused significant environmental impact or led to major clean-up expenses.

Environmentally related costs as a proportion of Scania's sales



Achieving environmental targets in production

Most of Scania's environmental performance targets for its production units were set for 2004. The efforts of the past five years have yielded good results, even though the targets have not been entirely fulfilled.

As Scania's environmental work has reached a greater degree of maturity, it has proved increasingly difficult to improve conservation of resources and reduce emissions and discharges. Continuous improvements are an important part of environmental work. Meanwhile, it is in conjunction with new investments and renovations that major improvements are achieved.

Future efforts will focus more clearly on individual issues. This will allow resources to be localised where they can be expected to yield the greatest results. Continued improvement work will focus primarily on energy. The target is to reduce energy use per vehicle, given comparable production volume and the existing production structure. This shall be achieved through continuous improvements and local energy surveys, followed up by efficiency-improving projects.

Summary of environmental performance, Scania production organisation

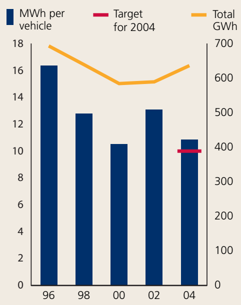
Year	2004	2003	2002
Number of vehicles produced	58,672	51,276	45,145
Sales, SEK m.			
Scania products	56,788	50,581	47,285
Raw material consumption			
Per vehicle, kg	3,400	3,500	3,600
Total, tonnes	199,000	179,000	164,000
Total, SEK m.	1,690	1,400	1,220
Chemical consumption			
Per vehicle, cubic metres	0.083	0.085	0.087
Total, cubic metres	4,900	4,400	3,900
Total, SEK m.	144	118	116
Energy use			
Per vehicles, MWh	11	12	13
Total, GWh	640	620	590
Total, SEK m.	207	180	157
Carbon dioxide emissions			
Per vehicle, kg	1,300	1,400	1,600
Total, tonnes	74,000	74,000	72,000
Water use			
Per vehicle, cubic metres	10	11	13
Total, 1,000 cubic metres	580	550	580
Total cost, SEK m.	7	7	7
Solvent emissions [1]			
Per vehicle, kg	5.2	5.5	6.7
Total, tonnes	300	280	300
Recycling of residual products and waste			
Per vehicle, kg	1,000	1,050	1,050
Total, tonnes	59,000	54,000	47,000
Revenue, SEK m.	54	24	19
Sent to landfills [2] and other off-site disposal:			
Per vehicle, kg	190	210	200
Total, tonnes	11,000	11,000	9,000
Total cost, SEK m.	21	20	14

1 From painting/rust-proofing.

2 Excluding foundry sand, about 21,500 tonnes of construction material sent to landfills.

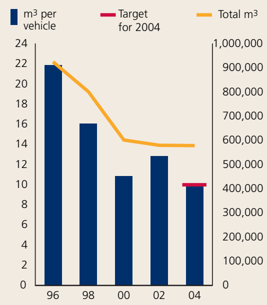
ENVIRONMENTAL PERFORMANCE IN THE PRODUCTION ORGANISATION

Energy use



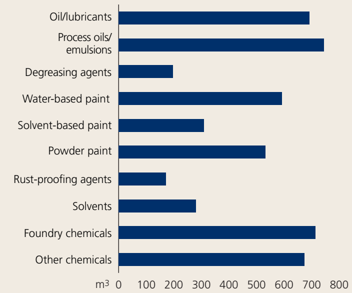
During 2004, energy consumption totalled about 640 GWh, equivalent to about 11,000 kWh per vehicle.

Water use



During 2004, water consumption was about 580,000 cubic metres, equivalent to 10 cubic metres per vehicle.

Chemical use



The consumption of chemicals in 2004 was about 4,900 cubic metres, equivalent to 83 litres per vehicle.

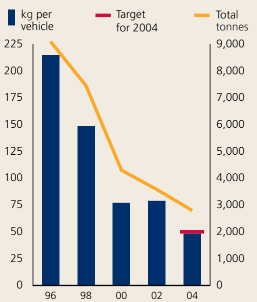
Carbon dioxide emissions related to energy use

	Energy use, GWh		Carbon dioxide emissions, ktonnes	
	2004	1996	2004	1996
Electricity	394	360	22	23
District heat	51	130	4	9
Fossil fuels	191	200	48	51
Total	636 [3]	690 [3]	74	83
Per vehicle	11 000 kWh		1,3 tonnes	

In 2003, carbon dioxide emissions from Scania's production amounted to about 1.3 tonnes per vehicle, or a total of 74,000 tonnes.

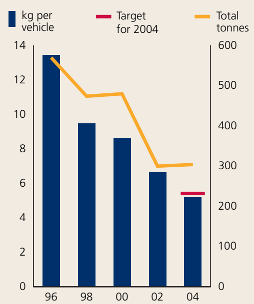
3 Sub-totals and totals have been rounded off.

Residual products sent to landfills



The quantity of residual products sent to landfills during 2004 totalled about 2,800 tonnes, equivalent to 48 kg per vehicle, excluding foundry sand.

Solvent emissions



During 2004, organic solvent emissions from painting/rust-proofing totalled some 300 tonnes, equivalent to 5.2 kg per vehicle.

Financial review

REVENUE

The sales revenue of the Scania Group in the Vehicles and Service segment totalled SEK 56,788 m., compared to SEK 50,581 in 2003. This was equivalent to an increase of 12 percent. Revenue was favourably affected primarily by higher volume. Negative currency rate effects lowered revenues by about SEK 1,100 m. Revenue from new vehicle sales increased by 12 percent, amounting to SEK 38,911 m. (34,652). Service revenue amounted to SEK 11,418 m. (10,759), an increase of 6 percent. In local currencies, service revenue rose by about 7 percent.

Sales revenue by product

SEK m.	2004	2003
Trucks	**33,407**	29,537
Buses	**5,504**	5,115
Engines	**658**	453
Service-related products	**11,418**	10,759
Used vehicles etc	**6,792**	7,123
Revenue deferral, vehicle[1]	**– 991**	– 2,406
Total Vehicles and Service	**56,788**	50,581
Customer Finance	**3,427**	3,479
Elimination	**– 1,748**	– 1,822
Scania Group total	**58,467**	52,238

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

Interest and leasing income in the Customer Finance segment fell by 2 percent to SEK 3,427 m. (3,479). The decrease was attributable to a lower share of operating leases in the portfolio.

NUMBER OF VEHICLES

During the year, the Scania Group delivered 50,563 (45,045) new trucks, an increase of 12 percent. Bus and coach deliveries totalled 5,519 (4,910) new units, an increase of 12 percent.

Vehicles delivered and financed

Units	2004	2003
Vehicles and Service		
Trucks	**50,563**	45,045
Buses	**5,519**	4,910
Total new vehicles	**56,082**	49,955
Used vehicles	**15,897**	15,010
Customer Finance Number of contracts (new during the year)		
Trucks	**12,876**	13,468
Buses	**302**	326
Total new vehicles	**13,178**	13,794
Used vehicles	**4,693**	3,673
Total number of contracts in the portfolio	**67,254**	64,233

EARNINGS

Operating income of the Scania Group rose by 24 percent to SEK 6,337 m. (5,125). The operating margin amounted to 11.2 (10.1) percent.

Operating income of Vehicles and Service rose by 24 percent to SEK 5,887 m. (4,759). Higher vehicle volume and increased capacity utilisation were the main contributors to the earnings improvement. Increased service-related sales made a positive contribution. The positive effects above were partly offset by higher costs for the introduction of the new truck range. Scania's research and development expenditures totalled SEK 2,219 m. (2,151). After adjusting for SEK 316 m. (669) in capitalised expenditures and SEK 84 m. (2) in depreciation of earlier capitalisation, reported expenditure rose to SEK 1,987 m. (1,484). The operating margin rose to 10.4 percent, compared to 9.4 percent the preceding year. Compared to 2003, currency spot rate effects totalled about SEK –135 m. Currency hedging income amounted to SEK 65 m. During 2003, currency hedging income had a positive impact of SEK 620 m. on earnings. Compared to 2003, the total negative currency rate effect was thus SEK 690 m.

Operating income in Customer Finance rose by 23 percent and amounted to SEK 450 m. (366). This was equivalent to an operating income of 1.71 (1.43) percent, expressed as a percentage of the average portfolio during the year. Earnings were favourably affected by increased volume in markets with higher interest margins. This was offset somewhat by increased operating expenses. Earnings also improved due to lower costs for both possible and actual credit losses. At the end of December, the value of the portfolio was about SEK 26,600 m., which represented an increase of about SEK 700 m. since year-end 2003.

In local currencies, the portfolio increased by 3 percent.

Earnings

	2004	2003
Operating income by segment, SEK m. (operating margin in %)		
Vehicles and Service	**5,887**	4,759
Vehicles and Service	***10.4***	*9.4*
Customer Finance	**450**	366
Customer Finance[1]	***1.7***	*1.4*
Total operating income	**6,337**	5,125
Scania Group	***11.2***	*10.1*
Income after financial items	**6,014**	4,604
Taxes	**– 1,935**	– 1,565
Net income	**4,077**	3,034
Earnings per share, SEK	**20.39**	15.17
Return on equity, %	**20.8**	17.4

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

The net financial items of the Scania Group improved to SEK –323 m. (–521). The improvement was attributable to lower net debt as well as lower interest rates in South America.

Income after financial items amounted to SEK 6,014 m. (4,604).

Tax expenses for the year amounted to SEK 1,935 m. (1,565), equivalent to 32.2 (34.0) percent of income after financial items. The lower tax rate compared to the previous year was mainly due to higher tax expenses in South America during 2003.

Net income for the year amounted to SEK 4,077 m. (3,034), equivalent to earnings per share of SEK 20.39 (15.17).

CASH FLOW

Cash flow in Vehicles and Service amounted to SEK 2,685 m. (2,450). Tied-up working capital rose by SEK 1,153 m. (236) during 2004, mainly due to increased inventory and receivables related to higher volume. Net investments totalled SEK 2,847 m. (3,311), including SEK 316 m. (669) in capitalisation of development expenditures. The effects of acquisitions of businesses totalled SEK 49 m. (26).

Cash flow in Customer Finance amounted to SEK –285 m. (–1,456). Net investments in customer finance contracts amounted to SEK 478 m. (1,868).

FINANCIAL POSITION

Financial ratios related to the balance sheet

	2004	2003
Equity/assets ratio	**30.0%**	27.7%
Equity/assets ratio, Vehicles and Service	**40.3%**	37.1%
Equity/assets ratio, Customer Finance	**11.2%**	11.5%
Equity per share, SEK	**105.25**	91.26
Net debt, excluding provisions for pensions, SEK m.	**23,115**	24,291
Net debt, Vehicles and Service, excluding provision for pensions, SEK m.	**854**	2,647
Return on capital employed, Vehicles and Service	**28.1%**	22.0%
Net debt/equity ratio, Vehicles and Service	**0.05**	0.17

During 2004, the shareholders' equity of the Scania Group rose by SEK 2,799 m. and totalled SEK 21,050 m. (18,251) at year-end. Net income for the year added SEK 4,077 m. (3,034), while the dividend to the shareholders decreased shareholders' equity with SEK 1,200 (1,100). Besides this, shareholders' equity declined by SEK 104 m. (614) because of exchange rate differences that arose when translating net assets outside Sweden and rose by SEK 26 m. (0) due to changes in accounting principles.

The dividend for the financial year 2004 proposed by the Board of Directors is SEK 15.00 (6.00) per share.

NUMBER OF EMPLOYEES

The number of employees in the **Scania Group** at year-end was 29,993 (29,112), an increase of 881.

In Vehicles and Service the number of employees was 29,639 (28,791) at year-end 2004, of which the sales and service organisation totalled 11,747 (11,460). The latter increase of 287 was attributable to expansion in eastern Europe, Asia and Africa in order to meet increased service volume, as well as to acquired businesses in western Europe. In Scania's global industrial operations, the number of employees rose by 561, with increases in both Europe and South America. In Europe, the increase was attributable to the introduction of the new truck range and higher production volume. The increase in South America was attributable to higher production volume.

In Customer Finance the number of employees rose by 33 to 354 (321). This was mainly due to expansion in eastern and western Europe.

FINANCIAL RISKS

Borrowing and refinancing risk

Scania's borrowing consists of two committed credit facilities in the international borrowing market, bonds issued in the capital market plus certain other borrowing.

At year-end 2004, borrowing amounted to SEK 25.6 billion. In addition to utilised borrowing, Scania has two unutilised committed credit facilities equivalent to SEK 11.1 billion plus unutilised capital market programmes equivalent to SEK 21.8 billion.

Of utilised borrowing, about SEK 5.8 billion falls due for repayment during 2005, SEK 6.0 billion during 2006, SEK 7.2 billion during 2007 and SEK 6.5 billion during 2008 or later.

Interest rate risk

Scania's policy concerning interest rate risks is that the interest rate refixing period of its borrowing portfolio should normally be 6 months, but 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 risk

Currency transaction exposure during 2004 totalled about SEK 19 billion. The largest currency flows were in euro and British pounds. Based on the 2004 geographic distribution of revenue and expenses, a one percentage point change in the Swedish krona against other currencies would affect operating income by about SEK 190 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 2004, Scania's net assets in foreign currencies amounted to SEK 8,761 m. Net assets outside Sweden of Scania's subsidiaries are not hedged under normal circumstances. To the extent a foreign 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. In Customer Finance, the year's expense for credit losses totalled SEK 89 m. (166), equivalent to 0.34 (0.66) percent of the average portfolio, of which SEK 44 m. (100) consisted of actual credit losses.

At year-end, the total reserve for probable but not actual credit losses in Customer Finance totalled SEK 500 m. (458), equivalent to 1.9 (1.8) percent of the portfolio at the close of 2004.

Per year-end the portfolio amounted to SEK 26,596 m. (25,926), divided among about 20,500 customers, of whom 99.0 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 in Scania's financial policy document. Transactions occur only within established limits and with selected creditworthy counterparties.

OTHER CONTRACTUAL RISKS

Residual value exposure

Some of Scania's sales occur with repurchase obligations or guaranteed residual value. The value of all obligations at year-end was SEK 5,615 m. (5,925). Obligations outstanding declined somewhat, mainly due to the stronger Swedish krona. During 2004, the volume of such transactions was about 4,600 (6,500) new contracts.

Service contracts

A large portion of Scania's sales of parts and workshop hours occur through repair and maintenance contracts. Under such contract, customers pay a fixed charge for a given period of time during which they receive, among other things, maintenance and repairs of their Scania vehicles. A fixed charge sets a ceiling on the cost of maintenance and repairs.

Through the service network, Scania signs multi-year repair and service contracts with customers. In 2004 the number of contracted vehicles totalled 40,148 (38,719).

THE PARENT COMPANY

The Parent Company, Scania AB, owns the shares in Scania CV AB and sold its shares in other Group companies to Scania CV AB at book value during 2004. After that, Scania AB owns only the shares in Scania CV AB and otherwise runs no operations.

Scania CV AB is a public company and parent company of the Scania CV Group, which includes all production, sales and service and finance companies in the Scania AB Group. The company is a subsidiary of Scania AB, whose shares are listed on Stockholmsbörsen.

Consolidated income statement

January–December, SEK m.	Note	**2004**	2003	2002
Vehicles and Service				
Sales revenue	2	**56,788**	50,581	47,285
Cost of goods sold		**– 42,570**	– 38,272	– 36,260
Gross income		**14,218**	12,309	11,025
Research and development expenses[1]		**–1,987**	– 1,484	– 1,437
Selling expenses		**– 5,550**	– 5,229	– 5,206
Administrative expenses		**– 806**	– 853	– 857
Share of income in associated companies		**12**	16	23
Operating income, Vehicles and Service		**5,887**	4,759	3,548
Customer Finance	3			
Interest and lease income		**3,427**	3,479	3,763
Interest and depreciation expenses		**– 2,572**	– 2,666	– 3,033
Net interest income		**855**	813	730
Other income and expenses		**2**	15	17
Gross income		**857**	828	747
Credit losses		**– 89**	– 166	– 175
Selling and administrative expenses		**– 318**	– 296	– 264
Operating income, Customer Finance		**450**	366	308
Capital gain related to car operations		–	–	550
Operating income		**6,337**	5,125	4,406
Interest income		**326**	286	260
Interest expenses		**– 618**	– 761	– 857
Other financial income and expenses		**– 31**	– 46	– 87
Net financial items	4	**– 323**	– 521	– 684
Income after financial items		**6,014**	4,604	3,722
Taxes	5	**– 1,935**	– 1,565	– 985
Minority interests		**– 2**	– 5	2
Net income		**4,077**	3,034	2,739
Depreciation/amortisation included in operating income[2]	6	**– 2,184**	– 2 000	– 2 093
Earnings per share, SEK[3]		**20.39**	15.17	13.70
Proposed dividend per share, SEK		**15.00**	6.00	5.50

1 See Note 7, “Intangible fixed assets”, for a specification of total research and development figures.
2 Refers to Vehicles and Service.
3 There are no potential dilution effects.

Consolidated balance sheet

31 December, SEK m	Note	2004	2003	2002
ASSETS				
Fixed assets				
Intangible fixed assets	7	**2,460**	2,395	1,938
Tangible fixed assets	8	**23,598**	23,892	23,640
Financial fixed assets				
Holdings in associated companies etc	9	**92**	122	126
Long-term receivables				
Long-term interest-bearing receivables	10	**12,756**	11,796	11,354
Deferred tax assets	5	**383**	381	466
Other long-term receivables		**174**	134	224
Total long-term receivables		**13,313**	12,311	12,044
Total fixed assets		**39,463**	38,720	37,748
Current assets				
Inventories	11	**9,487**	8,506	7,862
Current receivables				
Tax receivables		**733**	352	224
Interest-bearing trade receivables	12	**7,875**	7,502	7,136
Non-interest-bearing trade receivables	12	**7,641**	6,345	6,497
Other current receivables	12	**2,528**	2,494	2,281
Total current receivables		**18,777**	16,693	16,138
Short-term investments	13	**1,379**	704	1,669
Cash and bank balances		**1,119**	1,212	2,670
Total current assets		**30,762**	27,115	28,339
Total assets		**70,225**	65,835	66,087

		2004	2003	2002
Net debt, excluding provisions for pensions, SEK m.		**23,115**	24,291	25,108
Net debt/equity ratio		**1.10**	1.33	1.48

For definitions of key financial ratios, see page 83.

31 December, SEK m.	Note	2004	2003	2002
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	14			
Share capital		**2,000**	2,000	2,000
Restricted reserves		**2,905**	3,277	4,608
Total restricted equity		**4,905**	5,277	6,608
Unrestricted reserves		**12,068**	9,940	7,584
Net income		**4,077**	3,034	2,739
Total unrestricted equity		**16,145**	12,974	10,323
Total shareholders' equity		**21,050**	18,251	16,931
Minority interests		**5**	4	58
Provisions				
Provisions for pensions	15	**2,499**	2,274	2,225
Provisions for deferred tax liabilities	5	**2,202**	2,180	2,060
Other provisions	16	**2,602**	2,762	2,129
Total provisions		**7,303**	7,216	6,414
Liabilities				
Long-term interest-bearing liabilities	17	**19,809**	20,827	22,514
Current liabilities				
Current interest-bearing liabilities	17	**5,804**	5,380	6,933
Advance payments from customers		**611**	570	826
Trade creditors		**4,167**	3,253	3,297
Tax liabilities		**1,564**	1,027	241
Other current liabilities		**1,997**	2,059	2,103
Accrued expenses and prepaid income	18	**7,915**	7,248	6,770
Total current liabilities		**22,058**	19,537	20,170
Total shareholders' equity and liabilities		**70,225**	65,835	66,087
Assets pledged and contingent liabilities				
Assets pledged	19	**67**	175	191
Contingent liabilities	20	**326**	483	413

	2004	2003	2002
Equity/assets ratio, %	**30.0**	27.7	25.6
Equity per share, SEK	**105.25**	91.26	84.66
Capital employed, SEK m.	**49,167**	46,736	48,661

Consolidated statement of changes in shareholders' equity

January–December, SEK m.	2004	2003	2002
Shareholders' equity, 1 January	**18,251**	16,931	15,995
Change in accounting principle	**26**	–	–
Adjusted opening balance	**18,277**	16,931	15,995
Exchange rate differences	**– 104**	– 614	– 1,103
Net income	**4,077**	3,034	2,739
Dividend to shareholders	**– 1,200**	– 1,100	– 700
Shareholders' equity, 31 December	**21,050**	18,251	16,931

Consolidated cash flow statement

January–December, SEK m.	Note	2004	2003	2002
Operating activities				
Income after financial items	23 a	**6,014**	4,604	3,722
Items not affecting cash flow	23 b	**2,648**	2,611	1,827
Taxes paid		**– 1,784**	– 806	– 573
Cash flow from operating activities before change in working capital [1]		**6,878**	6,409	4,976
Cash flow from change in working capital				
Inventories		**– 959**	– 864	– 918
Receivables		**– 1,664**	– 257	343
Provisions for pensions		**250**	54	171
Liabilities and provisions		**1,220**	831	1,239
Total change in working capital [1]	23 c	**– 1,153**	– 236	835
Cash flow from operating activities [1]		**5,725**	6,173	5,811
Investing activities				
Net investments through acquisitions/divestments of businesses	23 d	**– 49**	– 26	1,165
Net investments in fixed assets	23 e	**– 2,798**	– 3,285	– 2,921
Net investments in credit portfolio etc, Customer Finance		**– 478**	– 1,868	– 1,024
Cash flow from investing activities [1]		**– 3,325**	– 5,179	– 2,780
Total cash flow before financing activities [1]		**2,400**	994	3,031

January–December, SEK m.	Note	2004	2003	2002
Financing activities				
Change in net debt from financing activities	23 f	**– 1,264**	– 1,435	– 1,840
Dividend to shareholders		**– 1,200**	– 1,100	– 700
Cash flow from financing activities		**– 2,464**	– 2,535	– 2,540
Cash flow for the year		**– 64**	– 1,541	491
Liquid assets, 1 January		**1,663**	3,253	2,870
Exchange rate differences in liquid assets		**– 10**	– 49	– 108
Liquid assets, 31 December	23 g	**1,589**	1,663	3,253

1 Of which, Vehicles and Service

	2004	2003	2002
Cash flow from operating activities before change in working capital	**6,685**	5,997	4,504
Total change in working capital	**– 1,153**	– 236	835
Cash flow from operating activities	**5,532**	5,761	5,339
Cash flow from investing activities	**– 2,847**	– 3,311	– 1,756
Total cash flow	**2,685**	2,450	3,583
Cash flow per share, Vehicles and Service, excluding acquisitions/divestments	**13.67**	12.38	12.09

See also Note 1, segment reporting

Parent Company financial statements
Scania AB

Income statement

January–December, SEK m.	Note	2004	2003	2002
Operating income		**0**	0	0
Financial income and expenses	1	**90**	93	182
Group contributions/dividends received	1	**4,830**	1,500	1,000
Withdrawal from tax allocation reserve		**637**	284	250
Provision to tax allocation reserve		**– 814**	–	–
Taxes		**– 684**	– 105	– 121
Net income		**4,059**	1,772	1,311

Balance sheet

31 December, SEK m.	Note	2004	2003	2002
ASSETS				
Financial fixed assets				
Shares in Group companies	2	**8,401**	11,035	10,971
Current assets				
Due from Group companies		**9,182**	2,828	2,775
Other receivables		**13**	13	13
Accrued income		–	–	2
Total assets		**17,596**	13,876	13,761
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	3	**14,433**	11,574	11,174
Untaxed reserves	4	**2,479**	2,302	2,586
Current liabilities				
Accrued expenses and prepaid income		**0**	0	1
Tax liabilities		**684**	0	0
Total current liabilities		**684**	0	1
Total shareholders' equity and liabilities		**17,596**	13,876	13,761
Assets pledged		**–**	–	–
Contingent liabilities	5	**22,688**	23,639	26,685

Statement of changes in shareholders' equity

January–December, SEK m.	2004	2003	2002
Shareholders' equity, 1 January	**11,574**	11,174	10,873
Net income	**4,059**	1,772	1,311
Group contributions (net after tax)	**–**	– 272	– 310
Dividend to shareholders	**– 1,200**	– 1,100	– 700
Shareholders' equity, 31 December	**14,433**	11,574	11,174

Cash flow statement

January–December, SEK m.	2004	2003	2002
Operating activities			
Income after financial items	**4,920**	1,593	1,182
Items not affecting cash flow	**– 4,830**	– 1,500	– 1,000
Taxes paid	**–**	–	–
Cash flow from operating activities before change in working capital	**90**	93	182
Cash flow from change in working capital			
Due from/liabilities to subsidiaries	**– 1,524**	1,070	804
Other receivables	**–**	– 1	– 284
Liabilities	**–**	2	– 2
Total change in working capital	**– 1,524**	1,071	518
Cash flow from operating activities	**– 1,434**	1,164	700
Investing activities			
Divestments/acquisitions of shares in subsidiaries	**2,634**	– 64	–
Cash flow from investing activities	**2,634**	– 64	–
Total cash flow before financing activities	**1,200**	1,100	700
Financing activities			
Dividend to shareholders	**– 1,200**	– 1,100	– 700
Cash flow from financing activities	**– 1,200**	– 1,100	– 700
Cash flow for the year	**–**	–	–
Liquid assets, 1 January	**–**	–	–
Liquid assets, 31 December	**–**	–	–

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 Emerging 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 2004

Beginning in 2004, Scania is applying the Swedish Financial Accounting Standards Council's Recommendation RR 29 Employee Benefits as well as the Emerging Issues Task Force's Statement URA 43 Reporting of Special Payroll Tax and Pension Fund Profit Tax. Certain changes in existing regulations occurred, which shall be applied beginning in 2004. These changes occurred as a consequence of the efforts to harmonise Swedish accounting rules and the international accounting standards adopted by the International Accounting Standards Board (IASB). As a consequence of these harmonisation efforts, beginning with 2004 the Annual Accounts Act allows financial instruments to be reported at fair value in compliance with IAS 39 Financial Instruments: Recognition and Measurement, which has also influenced the rules in RR 27 Financial Instruments: Disclosure and Classification as well as RR 8 Reporting of Effects of Changes in Foreign Exchange Rates. In RR 1:00 Consolidated Financial Statements, rules on reporting reverse acquisitions have been incorporated, in accordance with the International Financial Reporting Standard IFRS 3 Business Combinations. The changes in Scania's accounting principles and in the presentation in its financial reports resulting from these new and amended recommendations are described below.

RR 29 Employee Benefits

Through the implementation of RR 29, defined benefit plans in all of the Group's subsidiaries are being reported according to common principles. Until the end of 2003, such plans had been reported according to each country's local regulations.

The difference that arose due to the restatement of liabilities as per 1 January 2004 was reported as a reduction in the provision for defined benefit plans and an equivalent increase in shareholders' equity.

Within the Scania Group, there are a number of both defined contribution and defined benefit pension and similar plans, some of which have assets that are managed by special foundations, funds or the equivalent. The plans are financed by payments from Group companies and to some extent by employees.

Plans in which Scania only pays fixed contributions and has no obligation to pay additional contributions if the assets of the plan are insufficient to pay all compensation to the employee are classified as defined contribution plans. The Group's expenditures for defined contribution plans are reported as an expense during the period when the employees render the services in question.

Defined benefit plans are all plans that are not classified as defined contribution. These are calculated according to the "projected unit credit method", for the purpose of fixing the present value of the obligations for each plan. Actuarial calculations are performed each year and are based on actuarial assumptions that are set on the closing day. The obligations are evaluated at the present value of expected disbursements, taking into account inflation, expected future pay increases and using a discount interest rate equivalent to the interest rate on top-rated corporate or government bonds with a remaining maturity corresponding to the obligations in question. For plans that are funded, the fair value of the plan assets is subtracted from the estimated present value of the obligation. Actuarial gains and losses on obligations and plan assets are credited or charged directly to earnings when they arise.

In the case of some plans in the Group that are classified as defined benefit and which are multi-employer plans, sufficient information cannot be obtained to calculate Scania's share of the plans. For this reason, these plans are reported as defined contribution, in accordance with point 30 of RR 29. This applies to the portion of the Swedish ITP occupational pension plan that is administered via the retirement insurance company Alecta as well as the Dutch Pensioenfonds Metaal en Techniek administered via MN Services and Bedrijfstakpensioenfonds Metalektro administered via PVF Achmea. See also Note 15 for further information on the reporting of pensions.

Other long-term compensation to employees consists of the present value of the obligation calculated according to the projected unit credit method less the fair value of any plan assets.

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 for at acquisition values assigned by the purchaser according to an 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 of 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. All subsidiaries use the local currency as their functional currency, aside from some markets in eastern Europe for which the euro is the functional currency. The justifications for this have been that cost and price levels for the companies have had a high correlation to the euro. 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 has occurred using the current method. Beginning in 2004, for industrial operations in Brazil and Argentina the previous functional currency, the American dollar (USD), has been replaced with local currencies. The justification is that in recent years, there has been an increasingly large disengagement of local price and cost trends from the former functional currency, USD.

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 flows are reported among earnings on the same date as the commercial flow. 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 and the swap agreement are translated to Swedish kronor while taking into account the closing day rate.

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 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. If a sale is combined with a repurchase obligation or a residual value guarantee, the transaction is reported as an operating lease provided that important risks remain with Scania.

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 less 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 occurs mainly on a straight-line basis over the estimated useful life of an asset, and in those cases where a residual value exists, the asset is depreciated down to this value. Useful life and depreciation methods are examined regularly and adjusted in case of changed circumstances.

The following useful life is applied:

Machinery and equipment	5 – 15 years
Buildings	25 years
Land	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 fixed assets consist of goodwill on consolidation plus fixed 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 in the consolidated financial statements 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. 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.

Liquid assets and short-term investments

Liquid assets consist of cash and bank balances as well as short-term investments. In certain 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.

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

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 accrued over the maturity of the loan.

Financial assets and liabilities in foreign currencies, as well as derivatives, are valued according to the principles stated under "Foreign currencies".

Provisions

Provisions are reported if an obligation (legal or informal) exists as a consequence of events that occur. It must also be deemed likely that an outflow of resources will be required to settle the obligation and that the amount can be reliably estimated. Provisions for factory warranties for vehicles sold during the year are based on factory warranty conditions and the estimated quality situation. Provisions on service contracts are related to expected future expenses that exceed contractual future revenue. Provisions for residual value obligations arise as a consequence either of an operating lease or a sale with a repurchase obligation. The provision must cover the risk of a negative future price trend. If the expected future market value is below the price agreed in the leasing contract or repurchase contract, a provision for the difference between these amounts is to be reported. Assessment of future residual value risk occurs continuously over the contract period. For provisions for pensions, see the above description of RR 29 as well as Note 15. For deferred tax liabilities, see below under "Taxes".

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. 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 contracts and for vehicles that could not yet be recognised as revenue, as provided above, is reported as prepaid income.

Research and development expenses

Consists of the research and development expenditures that arise during the research phase and the portion of the development phase that does not fulfil the requirements for capitalisation, plus amortisation and writedowns 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. In the Customer Finance segment, selling and administrative expenses are reported as a combined item, since these predominantly consist of selling expenses.

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 fixed assets.

Changes in accounting principles in 2005

In accordance with the IAS regulation adopted by the European Union in 2002, listed companies throughout the EU shall apply International Financial Reporting Standards (IFRS) in their consolidated financial statements as from 2005. The standards become mandatory for listed companies in the EU as the European Commission approves them. Scania has carried out a project for implementing and safeguarding the transition to IFRS.

Standard IFRS 1 sets out the procedures that companies must follow when they adopt IFRS for the first time. The standard stipulates that when transitioning from national Generally Accepted Accounting Principles (GAAP) to IFRS, a company shall present at least one year of comparative figures in accordance with IFRS. As for the accounting standards for financial instruments – IAS 32 and IAS 39 – IFRS 1 allows a company not to show comparative figures for 2004. This means that for financial instruments, the actual transition to IFRS occurs on 1 January 2005.

The following is a presentation of the IFRS standards that have had an influence on Scania's accounts during the transition to IFRS rules, as well as those that are otherwise deemed to be of interest to an external reader of Scania's Annual Report. The information below is based on information available as per March 7, 2005.

IFRS 3 Business Combinations

The new rules prohibit the previously allowed pooling method in accounting for acquisitions of companies. The only method allowed is the purchase method. IFRS 3 also prohibits amortisation of goodwill. Instead, goodwill must be tested annually for impairment or when there are indications of a possible need to report an impairment loss. Historically, Scania has only used the purchase method when reporting acquisitions of companies.

IFRS 4 Insurance Contracts

The transition to IFRS 4 does not result in any effects on the amounts of Scania's reported assets, liabilities or earnings. The change, compared to previously applicable rules, is that more detailed disclosures about insurance contracts are required.

IAS 7 Cash Flow Statements

IAS 7 stipulates a three-month limit for short-term investments. This affects the classification of liquid assets in the cash flow statements. The transition does not result in any effect on Scania, since the cash flow statements in this year's Annual Report have been prepared in accordance with IAS 7 in this respect.

IAS 16 Property, Plant and Equipment

IAS 16 states that the capitalised cost of an asset shall be allocated among the various significant constituent parts of the asset. As a result, different depreciation periods may apply to components compared to the main asset. Scania has analysed its buildings and implemented an allocation of components, which has affected the size of depreciation. IAS 16 also prohibits upward revaluation in the value of property, plant and equipment. However, the recommendation allows two alternative methods for appraising these assets. Either the revaluation model, which means that assets can be carried at regularly revalued amounts, or the cost model, which states that the assets shall be carried at acquisition value. Scania has chosen to use the cost model in appraising its fixed assets.

IAS 17 Leases

Scania applied IAS 17 during earlier financial years and reports, and discloses all lease obligations in accordance with the requirements of IFRS rules.

IAS 19 Employee Benefits

Scania applied IAS 19 during the financial year 2004, since Swedish accounting rules have coincided with IFRS via RR 29 since January 2004. As a consequence of the changes in accounting rules, Note 15 has been changed compared to prior years.

IAS 27 Consolidated and Separate Financial Statements

According to IAS 27, minority interests shall be reported in the consolidated balance sheet separately from the parent company's shareholders' equity. A separate disclosure shall be provided of the minority's share of earnings. Scania has implemented these changes in presentation in the quantified information on the IFRS transition in Note 33.

IAS 32 Financial Instruments: Disclosure and Presentation

IAS 32 enters into force on 1 January 2005 and requires no retroactive application. In all essential respects, the disclosure requirements in IAS 32 coincide with RR 27. The requirements for reporting financial assets and liabilities on a net basis (offsetting) are changing. As a result, Scania will apply reporting on a gross basis of certain financial assets and liabilities that were previously reported on a net basis.

IAS 36 Impairment of Assets

The recommendation concerns all tangible and intangible fixed assets. Goodwill as well as intangible assets with an indefinite useful life shall be tested annually for any need to report an impairment loss. When there are indications that an impairment may exist, impairment testing shall occur. This applies to all tangible and intangible fixed assets. Scania performed impairment testing during 2004 for all goodwill items. No impairment loss was identified as a consequence of the impairment tests that was performed. There were no indications leading Scania to carry out any impairment testing of tangible fixed assets.

IAS 39 Financial Instruments: Recognition and Measurement:

IAS 39 enters into force on 1 January 2005 and requires no retroactive application. IAS 39 is resulting in changes in the reporting and valuation of financial assets and liabilities, of which reporting of derivatives has the largest effect on Scania. According to the standard, all derivatives shall be recognised in the balance sheet at fair value and any changes in their fair value shall, as a main rule, be reported in the income statement. If the derivative is part of a hedging transaction, the rules for hedge accounting may be applied, provided that the strict conditions for applying hedge accounting have been met.

Hedging of cash flows

Derivatives carried for the purpose of hedging expected future commercial payments in foreign currencies against currency risks will be recognised according to the rules for hedge accounting of cash flow hedges. As a result, all derivatives are carried in the balance sheet at fair value and changes in their value are recognised as part of fair value reserve in shareholders' equity. When the hedged item is recognised in the balance sheet, a change in value related to the derivative is recognised to the income statement. If a derivative does not meet the conditions for hedge accounting, the change in fair value is reported directly in the income statement.

Currency derivatives carried in order to convert the borrowing that occurs in Scania's subsidiaries through the corporate treasury unit into the appropriate currency are recognised at fair value and as changes in fair value in the income statement. Foreign currency borrowing is revalued at the closing day exchange rate, and exchange rate differences are recognised in earnings and thereby meet the change in value of the derivative.

Hedging of fair value

Scania's external borrowing mainly occurs at the corporate level in large sums. They are then transferred to subsidiaries in the form of internal loans. To convert this borrowing to the desired interest rate refixing structure, interest rate derivatives are used. Due to the strict requirements that are imposed in order to apply hedge accounting, for administrative reasons Scania has chosen not to apply hedge accounting to a number of small derivatives. As a result, the derivatives are valued at fair value and the change in value is recognised via the income statement, while borrowing is valued at accrued cost. Due to differences in the recognition of the hedging instrument and the hedged item, the accounts are subject to volatility. Financially, however, Scania is hedged and risk management complies with the Finance Policy approved by the Board of Directors.

Notes

THE SCANIA GROUP

PARENT COMPANY

NOTE 1 Segment reporting

The operations of the Scania Group are managed and reported primarily by line of business and secondarily by geographic market. Scania's primary segments are Vehicles and Service and 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 the equivalents in Vehicles and Service. Internal reporting at Scania is designed in accordance with this division into segments. Only overall analyses are conducted at the geographic level. The corporate departments that are common to both lines of businesses are the treasury and tax departments. In the consolidated financial statements, these are included as part of the Vehicles and Service line of business. Financial expenses and taxes are reported at the segment level, since the Customer Finance line of business carries out financial service operations for which it is interesting to show net financial cost after taxes. For reasons of comparability, the equivalent information for Vehicles and Service has been included in this note.

Lines of business: Vehicles and Service consists mainly of two parts. The first is industrial operations that encompass all manufacturing of trucks, buses and industrial and marine engines. The second is sales operations encompassing the sales and service companies that handle sales of the manufactured products.

The Customer Finance line of business provides individually tailored financial solutions to Scania customers, such as loan financing, lease contracts and insurance solutions, all of which can be combined with service contracts. Customer Finance operates in all of Scania's geographic markets, in Europe primarily via wholly owned finance companies, in other geographic markets primarily via collaboration with external creditors. The assets of each line of business include assets that are directly used in its operations. Correspondingly, its liabilities and provisions refer to those that are directly attributable to its operations.

Geographic areas: Scania is geographically divided into five parts: Western Europe, central and eastern Europe, Asia, America and other markets. The final table in this note shows what countries are included in each of these areas. Sales of Scania's products occur in all five geographic areas. Customer financing is found mainly in the European markets and to a lesser extent in the others. Most of Scania's research and development occurs in Sweden. Manufacturing of buses, trucks and marine and industrial engines occurs in a number of locations in Sweden, the Netherlands, France, Brazil, Argentina and Mexico.

Continued

Note 1 continued

PRIMARY SEGMENTS

(lines of business)	Vehicles and Service			Customer Finance			Eliminations and other			Scania Group		
January–December, SEK m.	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Revenue from external customers	**56,788**	50,581	47,285	**3,427**	3,479	3,763	**– 1,748**	– 1,822	– 2,027	**58,467**	52,238	49,021
Operating income	**5,875**	4,743	3,525	**450**	366	308	**–**	–	–	**6,325**	5,109	3,833
Income from holdings in associated companies	**12**	16	23	**–**	–	–	**–**	–	–	**12**	16	23
Capital gain related to car operations	**–**	–	–	**–**	–	–	**–**	–	550	**–**	–	550
Financial income and expenses [1]	**– 323**	– 521	– 684	**–**	–	–	**–**	–	–	**– 323**	– 521	– 684
Income after financial items	**5,564**	4,238	2,864	**450**	366	308	**–**	–	550	**6,014**	4,604	3,722
Taxes [1]	**– 1,796**	– 1,432	– 890	**– 139**	– 133	– 95	**–**	–	–	**– 1,935**	– 1,565	– 985
Minority interests	**– 2**	– 5	2	**–**	–	–	**–**	–	–	**– 2**	– 5	2
Net income	**3,766**	2,801	1,976	**311**	233	213	**0**	0	550	**4,077**	3,034	2,739
Depreciation/amortisation included in operating income [2]	**– 2,184**	– 2,000	– 2,093	**– 15**	– 16	– 13	**–**	–	–	**– 2,199**	– 2,016	– 2,106

1 Financial income and expenses are reported for both lines of business, because Customer Finance carries out financial operations and the cost of this is based on net financing expense after taxes. For reasons of comparability, the corresponding information is also shown for the Vehicles and Service line of business.

2 Depreciation on operating leases is not included.

BALANCE SHEET

31 December, SEK m.	Vehicles and Service			Customer Finance			Eliminations and other			Scania Group		
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002
ASSETS												
Intangible fixed assets	**2,447**	2,381	1,926	**13**	14	12	**–**	–	–	**2,460**	2,395	1,938
Tangible fixed assets [3, 6]	**17,861**	17,347	16,792	**7,065**	7,921	8,366	**– 1,328**	– 1,376	– 1,518	**23,598**	23,892	23,640
Shares and participations	**92**	122	126	**–**	–	–	**–**	–	–	**92**	122	126
Inventories	**9,446**	8,460	7,831	**41**	46	31	**–**	–	–	**9,487**	8,506	7,862
Interest-bearing receivables [4]	**1,074**	1,268	1,524	**19,558**	18,030	16,966	**–**	–	–	**20,632**	19,298	18,490
Other receivables [5]	**11,456**	9,501	9,452	**658**	619	630	**– 656**	– 414	– 390	**11,458**	9,706	9,692
Liquid investments	**2,196**	1,779	4,187	**302**	137	152	**–**	–	–	**2,498**	1,916	4,339
Total assets	**44,572**	40,858	41,838	**27,637**	26,767	26,157	**– 1,984**	– 1,790	– 1,908	**70,225**	65,835	66,087
SHAREHOLDERS' EQUITY AND LIABILITIES												
Shareholders' equity	**17,953**	15,164	13,828	**3,097**	3,087	3,103	**–**	–	–	**21,050**	18,251	16,931
Provisions for pensions	**2,490**	2,268	2,220	**9**	6	5	**–**	–	–	**2,499**	2,274	2,225
Other provisions	**4,205**	4,181	3,315	**599**	761	874	**–**	–	–	**4,804**	4,942	4,189
Interest-bearing liabilities	**3,050**	4,426	8,495	**22,563**	21,781	20,952	**–**	–	–	**25,613**	26,207	29,447
Other liabilities [5, 6]	**16,874**	14,819	13,980	**1,369**	1,132	1,223	**– 1,984**	– 1,790	– 1,908	**16,259**	14,161	13,295
Total shareholders' equity and liabilities	**44,572**	40,858	41,838	**27,637**	26,767	26,157	**– 1,984**	– 1,790	– 1,908	**70,225**	65,835	66,087

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.

5 Elimination refers to internal receivables and liabilities between the two segments.

6 Elimination refers to deferred gains on operating leases.

Gross investments during the period in	Vehicles and Service 2004	2003	2002	Customer Finance 2004	2003	2002	Scania Group 2004	2003	2002
– intangible fixed assets	**361**	710	619	**4**	8	10	**365**	718	629
– tangible fixed assets	**2,360**	2,466	2,377	**12**	12	19	**2,372**	2,478	2,396
– short-term rentals, operating leases	**1,617**	2,103	1,323	**2,572**	3,239	2,972	**4,189**	5,342	4,295

SECONDARY SEGMENTS (geographic areas)	Western Europe			Central and eastern Europe			Asia			America			Other markets			Eliminations			Scania Group		
SEK m.	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Vehicles and Service																					
Revenue, January–December[1]	**38,729**	35,970	34,992	**4,941**	4,016	3,113	**3,994**	3,932	3,122	**5,654**	3,836	3,542	**3,470**	2,827	2,516	**–**	–	–	**56,788**	50,581	47,285
Assets, 31 December[2]	**33,433**	31,674	31,931	**2,763**	2,127	1,788	**1,095**	1,036	800	**6,705**	5,143	7,324	**2,049**	2,427	1,519	**– 1,473**	–1,549	–1,524	**44,572**	40,858	41,838
Investments, 31 December[2]	**2,269**	2,736	2,700	**171**	191	107	**37**	84	58	**180**	120	85	**64**	45	46	**–**	–	–	**2,721**	3,176	2,996
Customer Finance																					
Revenue, January–December[1]	**2,884**	2,995	3,310	**356**	345	346	**128**	98	82	**–**	–	–	**59**	41	25	**–**	–	–	**3,427**	3,479	3,763
Assets, 31 December[2]	**21,082**	21,508	21,961	**4,717**	3,451	3,125	**1,326**	1,446	776	**–**	–	–	**512**	362	295	**–**	–	–	**27,637**	26,767	26,157
Investments, 31 December[2]	**9**	14	16	**4**	4	5	**3**	1	8	**–**	–	–	**–**	1	–	**–**	–	–	**16**	20	29

1 Revenue from external customers, by location of customers.

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

Cash flow statement by segment

Amounts in SEK m. unless otherwise stated	**2004**	2003	2002
Vehicles and Service			
Operating activities			
Cash flow from operating activities	**6,685**	5,997	4,504
Change in working capital etc	**– 1,153**	– 236	835
Cash flow from operating activities	**5,532**	5,761	5,339
Investing activities			
Net investments	**– 2,847**	– 3,311	– 1,756
Cash flow from investing activities	**– 2,847**	– 3,311	– 1,756
Cash flow from Vehicles and Service	**2,685**	2,450	3,583
Customer Finance			
Operating activities			
Cash flow from operating activities	**193**	412	472
Cash flow from operating activities	**193**	412	472
Investing activities			
Net investments in the credit portfolio etc	**– 478**	– 1,868	– 1,024
Cash flow from investing activities	**– 478**	– 1,868	– 1,024
Cash flow from Customer Finance	**– 285**	– 1,456	– 552

See also Note 23, "Consolidated cash flow statement".

Composition of geographic segments

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

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

Asia Afghanistan, Bahrain, Bangladesh, Brunei, China, Hong Kong, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, Kuwait, Laos, Lebanon, Macao, Malaysia, the Maldives, 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 Argentina, Barbados, Bermuda, Bolivia, Brazil, Canada, 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, Surinam, Trinidad, Uruguay, the United States, Venezuela and the Virgin Islands.

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

NOTE 2 Sales revenue

	2004	2003	2002
Trucks	**33,407**	29,537	27,184
Buses	**5,504**	5,115	3,991
Engines	**658**	453	464
Service-related products	**11,418**	10,759	10,603
Used vehicles etc	**6,792**	7,123	6,218
Revenue deferral, vehicles[1]	**– 991**	– 2,406	– 1,175
Total	**56,788**	50,581	47,285

1 Refers to the difference between revenue recognised as income and sales value based on deliveries. 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.

NOTE 3 Customer Finance

Interest income	2004	2003	2002
Interest income	**1,253**	1,183	1,151
Lease income	**2,174**	2,296	2,612
Depreciation	**– 1,731**	– 1,776	– 1,977
Interest expenses	**– 841**	– 890	– 1,056
Net interest income	**855**	813	730
Other income and expenses	**2**	15	17
Net operating income	**857**	828	747
Credit losses[1]	**– 89**	– 166	– 175
Selling and administrative expenses	**– 318**	– 296	– 264
Operating income	**450**	366	308

1 This was equivalent to 0.34 (0.66 and 0.69 respectively) percent of the average credit portfolio.

Lease assets (operating leases)	2004	2003	2002
1 January	**7,900**	8,341	9,894
New contracts	**2,572**	3,239	2,972
Depreciation	**– 1,731**	– 1,776	– 1,977
Terminated contracts	**– 1,669**	– 1,582	– 2,105
Change in value adjustment	**21**	– 14	2
Currency rate effects	**– 50**	– 308	– 445
Carrying amount, 31 December[2]	**7,043**	7,900	8,341

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

Financial receivables (Hire purchase contracts and financial leases)	2004	2003	2002
1 January	**18,026**	16,962	15,197
New receivables	**9,458**	9,916	10,318
Loan principal payments/terminated contracts	**– 7,950**	– 8,307	– 8,079
Change in value adjustment	**– 86**	– 93	– 9
Currency rate effects	**105**	– 452	– 465
Carrying amount, 31 December	**19,553**	18,026	16,962
Total receivables and lease assets[3]	**26,596**	25,926	25,303

3 The number of contracts in the portfolio on 31 December totalled about 67,000 (64,000 and 59,000, respectively).

Net investments in financial leases	2004	2003	2002
Receivables related to future minimum lease payments[5]	**16,421**	14,696	13,244
Less: Executory costs and reserve for bad debts	**– 311**	– 227	– 294
Imputed interest	**– 1,345**	– 1,143	– 1,145
Net investment[4]	**14,765**	13,326	11,805

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

Future minimum lease payments[5]	Operating leases	Financial leases
2005	2,782	6,576
2006	1,848	4,407
2007	1,352	3,012
2008	805	1,634
2009	392	616
2010 and thereafter	145	176
Total	7,324	16,421

5 Minimum lease payments refer to the future flows of incoming payments to 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 4 Financial income and expenses

	2004	2003	2002
Interest income			
Bank balances and short-term investments	**239**	184	181
Interest-bearing receivables	**42**	55	48
Other	**45**	47	31
Total interest income	**326**	286	260
Interest expenses			
Borrowings	**– 513**	– 676	– 760
Pension liability	**– 105**	– 85	– 97
Total interest expenses	**– 618**	– 761	– 857
Other financial income and expenses	**– 31**	– 46	– 87
Net financial items	**– 323**	– 521	– 684

NOTE 5 Taxes

Tax expense/income for the year	2004	2003	2002
Current tax[1]	**– 1,943**	– 1,351	– 990
Deferred tax	**12**	– 209	14
Share of tax of associated companies	**– 4**	– 5	– 9
Total	**– 1,935**	– 1,565	– 985
1 Of which, taxes paid:	– 1,784	– 806	– 573

Deferred tax is attributable to the following:	2004	2003	2002
Deferred tax related to temporary differences	**358**	– 111	– 83
Deferred tax related to changes in tax rates[2]	**3**	9	0
Deferred tax income due to tax value of loss carry-forwards capitalised during the year	**18**	147	350
Deferred tax expense due to utilisation of previously capitalised tax value of tax loss carry-forwards	**– 375**	– 204	– 253
Other changes in deferred tax liabilities/assets	**8**	– 50	–
Total	**12**	– 209	14

2 During 2004, the tax rate changed in the Netherlands, Austria, Chile and Mexico.

Reconciliation of effective tax	2004 Amount	%	2003 Amount	%	2002 Amount	%
Income after financial items	**6 014**		4 604		3 722	
Swedish statutory tax	**– 1,684**	**– 28**	– 1,289	– 28	– 1,042	– 28
Tax effect and percentage influence:						
Difference between Swedish and foreign tax rates	**– 86**	**– 1**	26	1	32	1
Tax-exempt income	**36**	**1**	12	0	31	1
Non-deductible expenses including goodwill amortisation	**– 169**	**– 3**	– 158	– 3	– 112	– 3
Valuation of tax loss carry-forwards	**– 30**	**– 1**	– 25	– 1	35	1
Adjustment for taxes pertaining to previous years	**11**	**0**	– 59	– 1	– 1	0
Capital gain on divestment of businesses	**–**		–		154	4
Other	**– 13**	**–**	– 72	– 2	– 82	– 2
Effective tax	**– 1,935**	**– 32**	– 1,565	– 34	– 985	– 26

Deferred tax assets and tax liabilities are attributable to the following:	2004	2003	2002
Deferred tax assets			
Provisions	**580**	423	293
Fixed assets	**291**	261	213
Inventories	**416**	346	367
Unutilised tax loss carry-forwards[3]	**300**	661	801
Other	**451**	412	518
Offset within tax units	**– 1,655**	– 1,722	– 1,726
Total	**383**	381	466

3 Unutilised tax loss carry-forwards stem mainly from South America, Sweden, France and Germany. Of the deferred tax assets attributable to unutilised loss carry-forwards, SEK 212 m. may be utilised without time constraints.

	2004	2003	2002
Deferred tax liabilities			
Fixed assets	**2,638**	2,729	2,766
Tax allocation reserve[4]	**884**	838	749
Other	**335**	335	271
Offset within tax units	**– 1,655**	– 1,722	– 1,726
Total	**2,202**	2,180	2,060
Net deferred tax liabilities	**1,819**	1,799	1,594

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	2004	2003	2002
1 January	**1,799**	1,594	1,428
Deferred taxes reported in the year's income	**– 12**	209	– 14
Tax assets/tax liabilities in acquired businesses	**16**	12	24
Tax assets/tax liabilities in divested businesses	**–**	–	– 26
Change in accounting principle	**3**	–	–
Exchange rate differences etc.	**13**	– 16	182
Net deferred tax liabilities, 31 December	**1,819**	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 future earnings capacity makes a valuation possible. In the Scania Group, deferred tax assets related to tax loss carry-forwards of SEK 243 m. (255 and 459, respectively) 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	
2005	28
2006	18
2007	4
2008	4
2009	2
2010 and thereafter	70
No expiration date	117
Total	243

NOTE 6 Depreciation/amortisation

Distribution of depreciation or amortisation by function, excluding depreciation in Customer Finance, which is found in Note 3.

	2004	2003	2002
Intangible fixed assets			
Research and development expenses	**– 84**	– 2	–
Selling expenses[1]	**– 211**	– 214	– 237
Total	**– 295**	– 216	– 237
Tangible fixed assets			
Costs of goods sold	**– 1,522**	– 1,419	– 1,469
Research and development expenses	**– 106**	– 95	– 91
Selling expenses	**– 245**	– 238	– 255
Administrative expenses	**– 16**	– 32	– 41
Total	**– 1,889**	– 1,784	– 1,856
Total depreciation/amortisation	**– 2,184**	– 2,000	– 2,093

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

NOTE 7 Intangible fixed assets

	Goodwill	Research and develop-ment[1]	Soft-ware
Carrying amount, 1 January 2002	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
Change in accumulated acquisition value, 2003	– 114	660	90
Change in accumulated amortisation, 2003	– 128	– 2	– 49
Carrying amount, 31 December 2003	1,006	1,231	158

Continued

Note 7 continued

	Goodwill	Research and develop-ment[1]	Soft-ware
2004			
Accumulated acquisition value			
1 January	1,746	1,233	255
Acquisitions/divestments of businesses	15	–	–
New acquisitions	6	316	48
Divestments and disposals	–	– 3	– 33
Reclassifications	–	–	7
Exchange rate differences	– 20	–	3
Total	1,747	1,546	280
Accumulated amortisation			
1 January	740	2	97
Amortisation for the year			
– Vehicles and Service	166	84	45
– Customer Finance	–	–	5
Divestments and disposals	–	– 1	– 22
Reclassifications	–	–	1
Exchange rate differences	– 5	–	1
Total	901	85	127
Carrying amount, 31 December	**846**	**1 461**	**153**

1 The portion of the Scania Group's research and development expenditures that arises during the development phase is capitalised on a continuous basis as the requirements for capitalisation are fulfilled. See the table below for a specification of Scania's research and development expenditures. Amortisation occurs only when the asset is placed in service.

	2004	2003	2002
Specification of research and development expenses			
Expenditures	**– 2,219**	– 2,151	– 2,010
Capitalisation	**316**	669	573
Amortisation	**– 84**	– 2	–
Research and development expenses	**– 1,987**	– 1,484	– 1,437

NOTE 8 Tangible fixed assets

	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Assets in operating leases[1]
Carrying amount, 1 January 2002	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
Change in accumulated acquisition value, 2003	348	69	70	118
Change in accumulated depreciation, 2003	– 252	– 223	–	122
Carrying amount, 31 December 2003	6,956	5,797	1,428	9,711
2004				
Accumulated acquisition value				
1 January	10,790	19,332	1,428	14,452
Acquisitions/divestments of businesses	93	10	–	–
New acquisitions	191	893	1,289	4,189
Divestments and disposals	– 151	– 1,056	–	– 4,673
Reclassifications	420	1,133	– 1,572	– 78
Exchange rate differences for the year	– 47	– 96	– 4	– 96
Total	11,296	20,216	1,141	13,794
Accumulated depreciation				
1 January	3,865	13,535	–	4,583
Depreciation for the year				
– Vehicles and Service	377	1,512	–	814
– Customer Finance	–	10	–	1,730
Divestments and disposals	– 31	– 947	–	– 2,552
Reclassifications	118	– 117	–	– 28
Exchange rate difference for the year	– 19	– 73	–	– 35
Total	4,310	13,920	–	4,512
Accumulated revaluations				
1 January	31	–	–	–
Total	31	–	0	0
Accumulated write-downs[2]				
1 January	–	–	–	158
Reversals of write-downs	–	–	–	– 20
Total	0	–	–	138
Carrying amount, 31 December	**7,017**	**6,296**	**1,141**	**9,144**

	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Assets in operating leases[1]
– of which "Machinery"		5,520 (4,882)		
– of which "Equipment"		776 (915)		
– of which "Buildings"	5,312 (5,290)			
– of which "Land"	1,705 (1,666)			
Tax assessment value, buildings in Sweden	939 (996)			
equivalent carrying amount	2,186 (2,356)			
Tax assessment value, land in Sweden	325 (314)			
equivalent carrying amount	422 (426)			

1 Including assets for short-term leasing as well as assets capitalised due to repurchase obligations.

2 Write-downs of assets in operating leases refer to value adjustment for probable credit losses.

NOTE 9 Holdings in associated companies etc

Holdings in associated companies	2004	2003	2002
Accumulated acquisition value	**28**	28	29
Accumulated share of income	**38**	38	38
Write-down	**–**	–	– 2
Carrying amount	**66**	66	65

Specification of the Group's holdings of shares and participations in associated companies etc

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 2004	2003	2002
Cummins-Scania high pressure injection L.L.C, 043650113, USA	30	26	**31**	33	39
Swed Bus Pakistan Pvt Ltd, K-07897, Pakistan[1]	–	–	**–**	0	0
ScaMadrid S.A., ES A80433519, Spain	49	1	**19**	16	13
ScaValencia S.A., ES A46332995, Spain[2]	38	17	**16**	17	13
Holdings in associated companies			**66**	66	65
Other shares and participations			**26**	56	61
Total			**92**	122	126

1 During 2004, Scania sold its 10 percent shareholding in Swed Bus Pakistan Pvt Ltd, K-07897, Pakistan.

2 During 2004 Scania sold 12 participations from its holding in ScaValencia S.A., ES A46332995, Spain. Its shareholding is now equivalent to 38 percent (50).

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. (66 and 65, 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 38, respectively).

NOTE 10 Long-term interest-bearing receivables

	2004	2003	2002
Receivables, Customer Finance[1]	**12,174**	11,120	10,646
Receivables, Vehicles and Service	**582**	676	708
Total	**12,756**	11,796	11,354

1 Note 3 shows how the financial receivables of Customer Finance (including the short-term portion) changed during 2004.

NOTE 11 Inventories

	2004	2003	2002
Raw materials	**937**	847	822
Work in progress	**1,109**	1,028	925
Finished goods	**7,441**	6,631	6,115
Total	**9,487**	8,506	7,862

Of the total value of inventories in 2004, SEK 287 m. (278) is expected to be consumed after more than 12 months, which is mainly attributable to parts. In 2004, SEK 629 m. (541) worth of inventories were valued at net realisable value; this was mainly related to used vehicles.

NOTE 12 Current receivables

	2004	2003	2002
Interest-bearing trade receivables, Vehicles and Service	**492**	592	816
Interest-bearing trade receivables, Customer Finance	**7,383**	6,910	6,320
Total interest-bearing trade receivables	**7,875**	7,502	7,136
Non-interest-bearing trade receivables	**7 641**	6 345	6 497
Prepaid expenses and accrued income	**907**	864	752
Other receivables	**1 621**	1 630	1 529
Total	**18,044**	16,341	15,914

NOTE 13 Short-term investments

	2004	2003	2002
Liquid investments (maturities of less than 90 days)	**470**	451	583
Investments (maturities 91–365 days)	**909**	253	1,086
Total	**1,379**	704	1,669

Investments totalling SEK 123 m. (167 and 613, respectively) in value were restricted by agreement with third parties.

NOTE 14 Shareholders' equity

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

2003	Share capital	Restricted reserves	Unrestricted shareholders' equity	Accumulated exchange rate differences	Total
1 January	2,000	4,608	10,005	318	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
Balance, 31 December	2,000	3,277	13,270	– 296	18,251
2004					
1 January, according to adopted balance sheet	2,000	3,277	13,270	– 296	18,251
Change in accounting principle	–	–	26	–	26
Adjusted shareholders' equity, 1 January	2,000	3,277	13,296	– 296	18,277
Dividend to shareholders	–	–	–1,200	–	–1,200
Net income for 2004	–	–	4,077	–	4,077
Exchange rate differences for the year	–	–	–	–104	–104
Transfer between restricted and unrestricted equity	–	– 372	372	–	0
Balance, 31 December 2004	**2,000**	**2,905**	**16,545**	**– 400**	**21,050**

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.

The change in accounting principle is attributable to the Swedish Financial Accounting Standards Board's Recommendation RR 29, Employee Benefits. This change in accounting principle had a positive effect of SEK 26 m. on shareholders' equity.

Restricted equity consists of share capital plus non-distributable funds. The Parent Company 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 income statements and balance sheets are adopted at the Annual General 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 104 m. during 2004 arose as a consequence of the appreciation of the Swedish krona against South American currencies (mainly the real and peso), which resulted in an effect of about SEK – 50 m., and from appreciation against European currencies, primarily GBP and EUR, which resulted in an effect of about SEK – 50 m.

NOTE 15 Provisions for pensions and similar commitments

The Group's employees, former employees and their survivors may be included in both defined contribution and defined benefit plans related to post-employment plans. The plans include retirement pensions, survivor pensions, health care and severance pay.

The obligation that is reported in the balance sheet stems from the defined benefit plans. The largest plans are found in Sweden, Great Britain and Brazil. The plans are safeguarded via re-insured provisions in the balance sheet, via foundations and funds. Calculations are performed according to the "projected unit credit method", using the assumptions presented in the table on the next page, also taking into account any revocability.

In the case of some of the Group's defined benefit multi-employer plans, the Group has not been able to obtain sufficient information from the plan manager to be able to perform a calculation according to the projected unit credit method. These plans have thus been reported as defined contribution in keeping with point 30 of RR 29. This applies to Dutch Pensioenfonds Metaal en Techniek, which is administered via MN Services, and Bedrijfstakpensioenfonds Metalektro, which is administered via PVF Achmea, as well as the portion of the Swedish ITP plan which is administered via Alecta. Most of the Swedish plan for salaried employees (the collectively agreed ITP plan) is administered by a Swedish multi-employer institution, the Pension Registration Institute (PRI). The obligation according to the ITP plan is safeguarded via credit insurance from the mutual insurance company Försäkringsbolaget Pensionsgaranti (FPG).

Premiums to Alecta amounted to SEK 22 m. (21 and 14, respectively). A surplus or deficit at Alecta may mean a refund to the Group or lower or higher future premiums. At year-end 2004, Alecta's surplus, in the form of a collective consolidation level, amounted to 128 (120 and 113, respectively) percent. The collective consolidation level consists of the market value of Alecta's assets as a percentage of its insurance obligations calculated according to Alecta's actuarial assumptions, which do not coincide with RR 29.

In the Dutch plans, both companies and employees contribute to the plans. The companies' premiums to MN Services amounted to SEK 19 m. (18 and 14, respectively) and to PVF Achmea SEK 49 m. (43 and 36, respectively). The consolidation level amounted to 114 (107 and 104, respectively) percent for MN Services and 115 (109 and 102, respectively) percent for PVF Achmea.

Expenses for pensions and other defined benefit obligations	January–December 2004 Defined benefit pension plans	Post-employment medical benefits	Other post-employment benefits
Current service cost	– 186	– 2	– 4
Interest on obligation	– 125	– 14	– 2
Expected return on plan assets	20	–	1
Net actuarial gains (+) and losses (–) recognised in year	– 65	– 7	0
Past service cost	– 3	–	–
Net gains (–) and losses (+) due to curtailments and settlements	0	–	–
Total expense for defined benefit obligations	– 359	– 23	– 5
Actual return on plan assets	23	–	11

For defined-contribution plans, Scania makes continuous payments to public authorities and independent organisations, which thus take over obligations towards employees. The Group's expenses for defined-contribution plans amounted to SEK 452 m. during 2004.

	31 December 2004 Defined benefit pension plans	Post-employment medical benefits	Other post-employment benefits
Present value of wholly or partly funded obligations	593	–	28
Present value of unfunded obligations	2,091	167	36
Present value of obligations	2,684	167	64
Fair value of plan assets	– 395	–	– 21
Reported as "Provisions for pensions" in the balance sheet	2,289	167	43

	Sweden (pensions)		Great Britain (pensions)		Brazil (medical services)		Other countries (pensions etc)	
Actuarial assumptions	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
Discount rate (%)	**5.5**	5.5	**5.5**	5.6	**10.3**	10.3	**4.5–5.5**	4.7–5.5
Expected return on plan assets (%)	**–**	–	**6.0**	7.0	**10.3**	10.3	**5.0–6.0**	5.0
Expected wage and salary increase (%)	**3.0**	3.0	**–**	–	**–**	–	**2.0–4.3**	3.0–3.5
Change in medical costs (%)	**–**	–	**–**	–	**7.8**	8.8	**–**	–
Employee turnover (%)	**5.0**	5.0	**–**	–	**–**	–	**1.0–6.0**	1.0–5.0
Expected remaining years of service	**21.5**	22.0	**11.0**	12.0	**19.0**	18.7	**15.0–33.0**	15.9–34.0
Expected increase in pension (%)	**2.0**	2.0	**3.0**	3.0	**–**	–	**1.8–2.5**	2.0

Expenses for pension and other defined benefit plans are reported in the income statement under the headings "Cost of goods sold", "Research and development expenditures", "Selling expenses", and "Administrative expenses". The interest portion of pension expenses is reported as "Financial expenses and income".

The reported net liability for defined benefit plans changed as follows during the year:

SEK m.	2004
Net liability, 1 January[1]	**2,274**
Change in net liability due to change in accounting principle	**– 29**
Net expense recognised in the income statement	**387**
Contributions	**– 44**
Benefits paid out	**– 87**
Exchange rate differences	**– 2**
Net liability, 31 December[2]	**2,499**

1 A reclassification of SEK 180 m. was made from "Other provisions" to "Pension commitments".

2 In December 2003, the net liability amounted to SEK 2,274 m. and in December 2002 it was SEK 2,225 m. The net liability in December 2002 was reported according to earlier accounting principles.

Plan assets consist mainly of shares and interest-bearing securities with the following market values on the balance sheet date:

SEK m.	2004
Shares and participations	**127**
Other interest-bearing securities	**248**
Real estate	**15**
Bank balances etc	**26**
Total	**416**

NOT 16 Other provisions

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

2003	Product obligations	Restruc-turing	Legal and tax disputes	Miscel-laneous provi-sions[1]	Total
1 January	1,317	60	234	518	2,129
Provisions during the year	1,930	118	89	561	2,698
Provisions used during the year	– 1,411	– 80	– 59	– 335	–1,885
Provisions reversed during the year	– 54	– 2	– 9	– 21	– 86
Exchange rate differences	– 70	– 2	– 6	– 16	– 94
31 December	**1,712**	**94**	**249**	**707**	**2,762**

2004					
1 January	1,712	94	249	707	2,762
Provisions during the year	1,147	23	76	494	1,740
Provisions used during the year	– 1,217	– 41	– 53	– 373	– 1,684
Provisions reversed during the year	– 120	– 10	– 8	– 68	– 206
Exchange rate differences	– 9	0	0	– 1	– 10
31 December	**1,513**	**66**	**264**	**759**	**2,602**

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

Of the above provisions, about SEK 1,100 m. (1,700) are expected to be utilised within twelve months.

1 A reclassification amounting to SEK 180 m. was made from "Miscellaneous provisions" to "Provisions for pension". See Note 15.

NOTE 17 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 currency.

Short- and long-term borrowing, distributed by currency[1]	2004	2003	2002
SEK	**7,295**	9,012	9,159
EUR	**15,195**	14,859	17,268
GBP	**336**	549	670
USD	**71**	308	609
Other currencies	**2,716**	1,479	1,741
Total	**25,613**	26,207	29,447
Of which, attributable to Customer Finance	**22,563**	21,781	20,952
Borrowings, Vehicles and Service	**3,050**	4,426	8,495

1 Does not take into account derivative instruments, which have been used to match borrowings by currency to funding requirements by currency.

The above loans fall due for repayment as follows	2004
2005	**5,804**
2006	**6,033**
2007	**7,244**
2008	**5,490**
2009	**652**
2010 and thereafter	**390**
Total	**25,613**

For further information on Scania's borrowing programme and financial risk management, see Note 29.

Net debt	2004	2003	2002
Liquid assets and short-term investments	**2,498**	1,916	4,339
Short-term borrowings	**– 5,804**	– 5,380	– 6,933
Long-term borrowings	**– 19,809**	– 20,827	– 22,514
Total	**– 23,115**	– 24,291	– 25,108
Of which, attributable to Customer Finance	**– 22,261**	– 21,644	– 20,800
Net debt, Vehicles and Service	**– 854**	– 2,647	– 4,308

NOTE 18 Accrued expenses and prepaid income

	2004	2003	2002
Employee-related accrued expenses	**1,731**	1,798	1,599
Customary accrued expenses and prepaid income[1]	**2,836**	2,247	2,298
Prepaid income related to vehicles sold with repurchase obligations	**2,993**	2,893	2,306
Accrued financial items	**355**	310	567
Total	**7,915**	7,248	6,770

Of the above prepaid income related to vehicles sold with repurchase obligations, SEK 950 m. is expected to be recognised as revenue within 12 months and SEK 70 m. later than after five years.

1 In 2004, SEK 1,060 m. (965) of customary prepaid income was related to repair and maintenance contracts.

NOTE 19 Assets pledged

	2004	2003	2002
Real estate mortgages	**42**	142	191
Other	**25**	33	–
Total	**67**	175	191

In 2004, all collateral was pledged to credit institutions and was divided between SEK 20 m. (30 and 10, respectively) in short-term borrowings, SEK 41 m. (133 and 181, respectively) in long-term borrowings and SEK 6 m. (12 and 0, respectively) as collateral for the liabilities of others.

NOTE 20 Contingent liabilities

	2004	2003	2002
Contingent liability related to FPG credit insurance	**31**	29	27
Loan guarantees	**46**	97	43
Discounted bills and contracts	**13**	42	72
Other guarantees	**236**	315	271
Total	**326**	483	413

In addition to the above contingent liabilities, the Group has issued vehicle repurchase guarantees worth SEK 236 m. (418 and 493, respectively) to customers' creditors.

Legal and tax disputes
In 2003, the Swedish local tax authority denied a request for deduction of a loss of SEK 2.9 billion. This decision has been appealed. The aggregate effect on earnings may total a maximum of SEK 575 m. if the deduction is disallowed in its entirety.

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 21 Lease obligations

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

Operating leases	Future minimum lease payment	Of which, related to leases on premises[1]
2005	167	106
2006	122	94
2007	100	86
2008	74	72
2009	63	61
2010 and thereafter	533	532
Total[2]	1,059	951

1 Firm obligations related to leases on premises were expensed in the amount of SEK 85 m. (109) during 2004.

2 Refers to operating leases where the commitment exceeds one year.

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

Financial leases	Future minimum lease payment	Present value of future lease payments
2005	63	58
2006	54	48
2007	33	28
2008	7	5
2009	28	21
2010 and thereafter	35	25
Total	220	185

On 31 December, the carrying amount related to financial leasing in the balance sheet totalled SEK 200 m.

NOTE 22 Government grants

During 2004, the Scania Group received government grants amounting to SEK 26 m. (24) attributable to operating expenses of SEK 100 m. (100). It also received government grants of SEK 22 m. (34) attributable to investments with a gross acquisition value of SEK 456 m. (535).

NOTE 23 Consolidated cash flow statement

	2004	2003	2002
a. Interest and dividends received/paid			
Dividends received from associated companies	**1**	3	25
Interest received	**374**	425	260
Interest paid	**– 574**	– 1,024	– 721
Net interest received/paid	**– 199**	– 596	– 436
b. Items not affecting cash flow			
Depreciation/amortisation	**2,199**	2,016	2,106
Value adjustment, short-term leasing	**168**	161	152
Unrealised exchange rate differences	**4**	21	53
Bad debts	**294**	424	382
Associated companies	**– 11**	– 13	2
Deferred profit recognition, operating leases	**– 42**	– 56	– 364
Reported capital loss/gain on divestment of businesses	**12**	0	– 534
Other	**24**	58	30
Total	**2,648**	2,611	1,827
c. Change in working capital			
Long-term interest-bearing receivables	**93**	– 91	– 58
Other receivables	**– 1,757**	– 166	401
Inventories	**– 959**	– 864	– 918
Provisions for pensions	**250**	54	171
Advance payments from customers	**60**	– 182	152
Trade creditors	**864**	97	162
Other liabilities and provisions	**296**	916	925
Total	**– 1,153**	– 236	835
Effect of interest on working capital	**97**	– 116	– 63
d. Net investment through acquisitions/ divestments of businesses[1]			
Proceeds from sale of shares (after subtracting liquid assets in divested businesses)	**–**	–	1,350
Acquisitions of businesses	**– 49**	– 26	– 185
Total	**– 49**	– 26	1,165

1 See Note 24, "Companies acquired/divested".

Continued

Note 23 continued

	2004	2003	2002
e. Acquisitions of fixed assets			
Investments in fixed assets [2]	**– 3,314**	– 3,735	– 3,363
Divestments of fixed assets	**516**	450	442
Investments in credit portfolio	**– 3,824**	– 5,241	– 5,142
Divestments from credit portfolio	**3,346**	3,373	4,118
Total	**– 3,276**	– 5,153	– 3,945

2 Of which, SEK 316 m. (669) in capitalised development expenditures.

f. Change in net debt through financing activities			
Net change in short-term borrowings and short-term investments	**– 207**	357	– 5,841
Repayment of long-term borrowings	**– 4,446**	– 6,504	– 4,983
Increase in long-term borrowings	**3,389**	4,712	8,984
Net change in restricted deposits	**0**	0	0
Total	**– 1,264**	– 1,435	– 1,840

g. Liquid assets			
The following sub-components are included in liquid assets:			
Cash and bank balances	**1,119**	1,212	2,670
Short-term investments equivalent to liquid assets	**470**	451	583
Total	**1,589**	1,663	3,253

The above items have been classified as liquid assets assuming that:
– They have an insignificant risk of fluctuations in value
– They can easily be transformed into cash assets.
Because Scania has changed its definition of liquid assets, liquid assets decreased by an amount of SEK 909 m. (253 and 1,086, respectively).

	2004	2003	2002
Relationship between cash flow statement and change in net debt in the balance sheet			
Total cash flow before financing activities	**2,400**	994	3,031
Exchange rate effects on interest-bearing liabilities	**27**	1,120	1,819
Businesses acquired	**– 40**	– 81	49
Businesses divested	**–**	–	284
Exchange rate effects on short-term investments	**0**	– 68	– 178
Exchange rate effects on liquid assets	**– 10**	– 49	– 108
Dividend to shareholders	**– 1,200**	– 1,100	– 700
Change in net debt according to the balance sheet	**1,177**	816	4,197

NOTE 24 Companies acquired/divested

As per 1 March 2004, Scania acquired Scanva Diesel A/S, a dealership operating in Copenhagen, Denmark. As per 1 July 2004, Scania acquired Stockholms Industriassistans AB. The purchase price for these acquisitions was paid in cash. As per 31 October 2004, Scania divested Ferruform Components AB, a subsidiary of Ferruform AB.

Assets and liabilities acquired and divested	**Acquisitions**	**Divestments**
Tangible and intangible fixed assets	125	– 5
Inventories	40	– 20
Receivables	40	0
Liquid assets	0	0
Borrowings	– 40	–
Other liabilities and provisions	– 116	13
Gain on sale of companies	–	12
Purchase/sale price	49	0
Liquid assets in business acquired/divested	0	0
Impact on consolidated liquid assets and short-term investments	49	0

NOTE 25 Wages, salaries and other remuneration and number of employees

Wages, salaries and other remuneration	**2004**	2003	2002
Operations in Sweden:			
Boards of Directors, Presidents and Executive Vice Presidents	**38**	35	44
– Of which bonuses	**16**	11	11
Other employees	**3,862**	3,588	3,229
Operations outside Sweden:			
Boards of Directors, Presidents and Executive Vice Presidents	**175**	140	144
– Of which bonuses	**16**	13	12
Other employees	**4,173**	3,927	3,816
Total	**8,248**	7,690	7,233
Pension costs and other mandatory payroll fees	**3,057**	2,686	2,473
– Of which pension costs [1, 2]	**834**	647	602
Total wages, salaries and other remuneration, pension costs and other mandatory payroll fees	**11,305**	10,376	9,706

1 Beginning in 2004 (with 2003 and 2002 as adjusted comparative years), medical care is included in mandatory payroll fees and pension expenses.

2 Of the pension expense in the Group, SEK 39 m. (25 and 35, respectively) was for Boards of Directors and Presidents in the Scania Group. At year-end, the total pension commitment was SEK 90 m. (74 and 82, respectively) for this category.

Gender distribution among executive officers	**2004**	2003
Board members in subsidiaries and the Parent Company	**421**	443
– Of whom men	**411**	435
– Of whom women	**10**	8
Presidents of subsidiaries and the Parent Company, plus management team in the Parent Company [3]	**121**	124
– Of whom men	**119**	122
– Of whom women	**2**	2

3 The management team of the Parent Company refers to the Executive Board of the Scania Group.

Number of employees, 31 December	**2004**	2003	2002
Vehicles and Service			
Production and corporate units	**17,892**	17,331	16,748
Sales and service companies	**11,747**	11,460	11,173
Total	**29,639**	28,791	27,921
Customer Finance	**354**	321	309
Total	**29,993**	29,112	28,230
– Of whom, employed on temporary contracts	**2,069**	1,974	1,986

Wages, salaries and other remuneration, pension costs and other mandatory payroll fees by country	2004			2003			2002		
	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)
Operations in Sweden:	**3,900**	**2,006**	**(536)**	3,623	1,705	(368)	3,273	1,659	(440)
Operations outside Sweden:									
The Netherlands	**714**	**151**	**(61)**	695	143	(60)	721	138	(52)
Great Britain	**589**	**110**	**(45)**	566	96	(30)	613	89	(31)
Brazil	**449**	**193**	**(24)**	387	205	(54)	316	65	(– 41)
Norway	**322**	**57**	**(14)**	325	55	(0)	326	55	(0)
Germany	**305**	**64**	**(6)**	305	68	(5)	308	67	(11)
France	**272**	**168**	**(49)**	257	149	(44)	260	139	(41)
Denmark	**201**	**21**	**(12)**	118	10	(8)	91	7	(6)
Finland	**198**	**64**	**(37)**	205	70	(38)	193	64	(35)
Austria	**175**	**6**	**(0)**	158	1	(1)	156	1	(1)
Belgium	**161**	**57**	**(3)**	144	49	(0)	145	47	(0)
Switzerland	**130**	**22**	**(0)**	123	21	(1)	122	27	(0)
37 countries with < SEK 100 m.[3]	**832**	**138**	**(47)**	784	114	(38)	709	115	(26)
Total operations outside Sweden	**4,348**	**1,051**	**(298)**	4,067	981	(279)	3,960	814	(162)
Total	**8,248**	**3,057**	**(834)**	7,690	2,686	(647)	7,233	2,473	(602)

3 In 2003 and 2002, 40 countries had less than SEK 100 m. in wages, salaries and other remuneration.

Average number of employees (excluding employees on temporary contracts)	2004			2003			2002		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Operations in Sweden:	**12,192**	**10,140**	**2,052**	11,731	9,785	1,946	10,798	9,054	1,744
Operations outside Sweden:									
Brazil	**2,812**	**2,514**	**298**	2,525	2,248	277	2,071	1,882	189
The Netherlands	**2,040**	**1,903**	**137**	2,107	1,962	145	2,272	2,112	160
Great Britain	**1,630**	**1,401**	**229**	1,677	1,418	259	1,685	1,413	272
Argentina	**1,015**	**969**	**46**	787	730	57	747	703	44
France	**984**	**838**	**146**	964	820	144	945	800	145
Germany	**894**	**779**	**115**	928	798	130	949	823	126
Norway	**767**	**705**	**62**	817	748	69	810	738	72
Finland	**653**	**572**	**81**	693	610	83	683	601	82
Belgium	**650**	**557**	**93**	622	490	132	614	491	123
Poland	**563**	**511**	**52**	513	463	50	434	387	47
Russia	**512**	**419**	**93**	398	337	61	275	234	41
Denmark	**506**	**456**	**50**	291	255	36	217	183	34
Austria	**422**	**368**	**54**	418	367	51	430	379	51
South Africa	**393**	**327**	**66**	344	289	55	272	235	37
Switzerland	**303**	**274**	**29**	303	275	28	296	271	25
South Korea	**300**	**264**	**36**	285	248	37	253	219	34
Australia	**272**	**236**	**36**	271	237	34	277	244	33
Czech Republic	**223**	**194**	**29**	202	170	32	180	148	32
Italy	**192**	**159**	**33**	187	157	30	183	153	30
Mexico	**157**	**147**	**10**	190	166	24	296	265	31
Spain	**155**	**122**	**33**	146	114	32	134	107	27
Hungary	**140**	**113**	**27**	125	99	26	99	81	18
Slovakia	**119**	**97**	**22**	98	82	16	48	37	11
Latvia	**115**	**106**	**9**	94	84	10	91	79	12
Chile	**115**	**100**	**15**	91	79	12	95	84	11
Thailand	**115**	**82**	**33**	94	64	30	68	43	25
Malaysia	**111**	**93**	**18**	104	89	15	107	90	17
Morocco	**102**	**94**	**8**	99	91	8	103	92	11
Estonia	**102**	**95**	**7**	100	93	7	91	84	7
19 countries with < 100 employees[4]	**510**	**401**	**109**	463	352	111	445	354	91
Total outside Sweden	**16,872**	**14,896**	**1,976**	15,936	13,935	2,001	15,170	13,332	1,838
Total, average number of employees	**29,064**	**25,036**	**4,028**	27,667	23,720	3,947	25,968	22,386	3,582

4 In 2003, 26 countries had fewer than 100 employees. In 2002, the number was 27 countries.

NOTE 26 Related party transactions

Transactions 2004

	Sales to	Purchases from	Receivables from	Liabilities to
Associated companies				
ScaValencia S.A.	177	29	21	1
ScaMadrid S.A.	143	33	17	1
Cummins-Scania HPI L.L.C	–	207	–	29

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 as well as Note 27, "Information regarding compensation to executive officers". Information about pension plans is provided in Note 15, "Provisions for pensions and similar commitments" and Note 25, "Wages, salaries and other remuneration and number of employees".

NOTE 27 Information regarding compensation to executive officers

According to the decision of the Annual Meeting, remuneration during 2004 to the external members of the Board of Directors elected by the Annual Meeting amounted to SEK 3,750,000. The remuneration to the Chairman is SEK 800,000, of which SEK 50,000 is the compensation for the chairmanship of the Remuneration Committee.

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 one portion which is related to Scania's ability to increase its operating return as defined according to the preceding paragraph (maximum 75 percent of fixed salary) from one year to another. The outcome of this component will be disbursed by 1/3 each year during 2005–2007 assuming employment at the end of each previous year. 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). The outcome of this component will be disbursed during 2005. 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 upper limit has never been reached.

The outcome of the incentive programme for the period 1997–2003 for the members of the Executive Board, among them the President, has fluctuated from zero to 132 percent of fixed salary. The outcome for the period has, on average, amounted to 67 percent of fixed salary.

The incentive programme generated a positive outcome for 2004, of which one part will be settled during 2005 and the remaining part will be settled during 2005 – 2007 as earlier stipulated. For the President the programme resulted in SEK 10,306,600. The corresponding total for other Group Management executive officers amounts to SEK 53,793,089.

The fixed salary for the President 2003 and 2004 amounted to SEK 5,800,000 per year. The salary paid out to the President during 2004 totalled SEK 5,007,759 (including taxable benefits and after subtracting the President's pension co-payments). As from 2005, the fixed annual salary is adjusted to SEK 6,500,000.

Group Management executive officers, including the President, are covered by a defined contribution pension system in addition to the public pension and the ITP occupational pension.

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

The annual company-paid premium for the President according to his pension agreement amounts to 35 percent of fixed salary – SEK 2,030,000 for 2004 – 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 and 33 percent of fixed salary. The premium for other members of the Group Management varies between 11 and 23 percent of annual fixed salary.

Since 1999 the President holds a non-transferable employee stock option without market value, entitling him, as from 1 January 2004 but no later than 31 December 2005, 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 Series 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 notice period.

In light of the then complex ownership structure of Scania AB the Board's committee for remuneration issues during 2001 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 2004.

The employment agreement with the President will end automatically twelve months after Volkswagen AG has reduced its holding in Scania AB – direct or indirect – so that it is below 5 percent. In such a case, the above-stated benefits shall be provided.

The other members of the Executive Board, if the company terminates the employment, are entitled to severance pay equivalent to a maximum of two years' salary, in addition to their salary during the six-month notice period. If they obtain new employment within 18 months, counting from their termination date, 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 the Remuneration Committee, which consists of Dr. Bernd Pischetsrieder, Chairman; Peggy Bruzelius and Sune Carlsson. During 2004 this committee had two meetings.

Salaries and other remuneration to the Chairman of the Board, the President and Group Management executive officers are shown in the table (excluding employer's contribution according to law) above.

SEK	Salary/Board remuneration	Outcome, incentive 2004	Pension costs, defined contribution system	Pension costs, defined benefit system (ITP)	Other remuneration	Summary
Chairman of the Board	750 000					750 000
President and CEO	5 007 759	10 306 600	7 433 348	509 514	10 817	23 268 038
Executive officers in the Group Management including the Executive Board (22 persons)	33 182 540	53 793 089	8 870 471	10 732 501	2 373 790	108 952 391

Salary/Board remuneration: corresponds to legal information to tax authorities.
Pension cost, defined contribution system: annual company paid premium and individual employee co-payment according to the DC Pension System for Executives and ITPK (defined contribution portion of the ITP occupational pension).
Pension cost, defined benefit system (ITP): risk insurance premium and the increase of book reserved old age pension according to the ITP occupational pension.
Other remuneration: taxable portion of car allowance, newspaper subscriptions etc.
Retirement: the retirement age according to agreements is 60 for the Executive Board including the President and 62 for executives in the Group Management. The stipulated retirement age for the ITP occupational pension is 65.

NOTE 28 Fees and other remuneration to auditors

Fees for audit assignments and other assignments reported as expenses during the year, in those cases where the same audit company has the audit assignment in that particular company.

Audit firm	2004 Audit assignments	2004 Other assignments	2003 Audit assignments	2003 Other assignments
KPMG	**23**	**4**	22	6
Ernst & Young	**7**	**2**	7	2
Other auditors	**10**	**4**	10	7
Total	**40**	**10**	39	15

NOTE 29 Financial instruments and financial risk management

Financial assets in the Scania Group consist primarily of financial leases and hire purchase receivables that have arisen in the Customer Finance segment as a consequence of financing of customers' vehicle purchases. Other financial assets of significance are trade receivables from independent dealerships and end customers in the Vehicles and Service segment plus liquid assets. Scania's financial liabilities consist largely of loans, mainly taken out 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.

Financial assets and liabilities give rise to various kinds of risks, which are primarily managed by means of various derivative instruments.

Scania uses derivative instruments, mainly for the purpose of:

- transforming corporate-level borrowings in a limited number of currencies to 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,
- converting expected future commercial payments in foreign currencies to SEK 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, which are all regulated by a financial policy adopted by Scania's Board of Directors. Credit risk related to customer commitments is managed, within established limits, on a decentralised basis by means of local credit assessments. Decisions on major credit commitments are made in corporate credit committees. Other risks are managed primarily at corporate level by Scania's treasury unit. For the purpose of promoting long-term profitability, Scania's financial policy states that financial risks shall be minimised and access to liquidity 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.

During 2004, 94 percent of Scania's sales occurred in countries outside Sweden. Since a large proportion of production occurs in Sweden, at costs denominated in Swedish kronor, this means that Scania has large net inflows of foreign currencies. During 2004, total net revenue in foreign currencies amounted to about SEK 19 billion (18). The largest currencies in this flow were EUR and GBP. Note 31 shows Scania's net flows in the most commonly occurring currencies.

Based on the geographic distribution of revenues and expenses during 2004, a one percentage point change in the Swedish krona against other currencies, excluding currency hedging, has an impact on operating income of about SEK 190 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.

Hedging of currency flows 31 December 2004

Quarter		GBP/SEK Volume[1]	GBP/SEK Rate[2]	EUR/SEK Volume[1]	EUR/SEK Rate[2]	KRW/SEK Volume[1]	KRW/SEK Rate[2]	CHF/SEK Volume[1]	CHF/SEK Rate[2]	NOK/SEK Volume[1]	NOK/SEK Rate[2]	ZAR/SEK Volume[1]	ZAR/SEK Rate[2]
Q 1[3]	2005	15	13.04	100	9.22	5 000	0.0063	10	5.99	70	1.10	30	1.16
Q 2	2005	5	13.02	150	9.17			14	6.01	30	1.11		
Q 3	2005			140	9.08			15	5.97				
Q 4	2005			80	9.05			8	5.96				
Total (in millions)		20	13.04	470	9.13	5 000	0.0063	47	5.98	100	1.11	30	1.16
Closing day rate 31 Dec 2004			12.71		9.01		0.0064		5.83		1.09		1.16
Unrealised gain/loss 31 Dec 2004			8.1		59.6		– 0.4		5.4		1.7		0.4

1 Volume is expressed in millions of local currency units.
2 Average forward price and lowest redemption price for currency options.
3 January volumes are not included, since the unrealised gain/loss effect was reported in December.

The effect of currency derivatives on operating income totalled SEK 65 m. (620), of which SEK 31 m. (54) 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 reported in earnings which will affect 2005 earnings can be seen in the table "Hedging of currency flows" below.

To ensure efficiency and risk control, borrowings in Scania's subsidiaries largely occur through the corporate treasury unit in local currencies, and are then transferred to the subsidiaries in the form of internal loans. By means of currency swap agreements, the loans are converted at corporate level to adequate currencies. Scania's borrowings in various currencies excluding and including currency derivatives can be seen in the table on page 72 on borrowings and effective interest rates.

At the end of 2004, Scania's net assets in foreign currencies amounted to SEK 8,761 m. (10,140). See Note 30. The net foreign assets of subsidiaries are normally not hedged. To the extent subsidiaries have significant net monetary assets in local currencies, however, they may be hedged. At year-end 2004, no foreign net assets were hedged (SEK 346 m. in such assets were hedged at the end of 2003).

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect cash flow or the fair value of financial assets and liabilities. For Scania's assets and liabilities that carry variable interest rates, a change in market interest rates has a direct effect on cash flow, while for fixed-interest assets and liabilities, the fair value of the portfolio is instead affected. At year-end 2004, Scania's interest-bearing assets consisted primarily of assets in the Customer Finance segment and to a certain extent of liquid assets. Interest-bearing liabilities consisted mainly of loans, to a great extent intended to fund lending in Customer Finance operations and to a lesser extent to fund working capital in Vehicles and Service. To manage interest rate risks, the Group mainly uses interest rate derivatives in the form of interest rate swap agreements.

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 3,050 m. (4,427) and the average interest rate refixing period was about 3 (3) months.

Given the same loan liabilities and interest rate refixing period as at year-end 2004, 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 25 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 in related to the credit portfolio and borrowing in Customer Finance had the following structure as of 31 December 2004:

Continued

Note 29 continued

Interest rate refixing in Customer Finance	Interest-bearing Customer Finance portfolio[1]	Interest-bearing liabilities (including interest rate derivatives)[2]
2005	14,767	14,102
2006	5,160	4,816
2007	3,533	2,439
2008	1,911	668
2009	1,008	520
2010 and later	217	18
Totalt	26,596	22,563

1 Including operating leases.

2 Other funding consists mainly of shareholders' equity.

Scania's total borrowing portfolio, related to borrowing for Customer Finance operations and for Vehicles and Service, amounted to SEK 25,613 m. (26,208) at year-end 2004. The effective interest rate on borrowings was 3.5 (3.6) percent.

Borrowings and effective interest rate	Borrowings excluding swap agreements	Borrowings including swap agreements	Effective interest rate in percent[1]
SEK	7,295	3	2.1
EUR	15,195	18,089	2.7
GBP	336	1,608	5.3
USD	71	414	3.8
KRW	491	1,157	4.0
Other	2,225	4,342	5.8
Total	25,613	25,613	3.5

1 Including currency and interest rate derivatives.

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. Scania sales are distributed among a large number of end customers with a large geographic dispersion, which limits the concentration of credit risk.

The credit portfolio including operating leases in Customer Finance operations amounted to SEK 26,596 m. (25,926). 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. Collateral in Customer Finance operations mainly exists in the form of the products being financed. Provisions for bad debts from customers are based on an individual assessment of each customer, based on the customer's payment capacity, expected future risk and the value of the underlying collateral. Provisions for credit losses amounted to 1.9 (1.8) percent of the total Customer Finance portfolio.

The table below shows the credit risk exposure in Customer Finance.

Concentration of credit risk in Customer Finance	Number of customers	Percentage of total number of customers	Percentage of portfolio
Exposure < SEK 15 m.	20,345	99.0	68.4
Exposure SEK 15–50 m.	177	0.8	17.2
Exposure > SEK 50 m.	33	0.2	14.4
Total	20,555	100	100

In the Vehicles and Service segment, receivables from customers totalled SEK 8,648 m. (7,499), most of which consisted of receivables from independent dealerships and end customers.

The administration of the financial credit risks that arise primarily in corporate treasury operations, among other things when investing liquidity and in derivatives trading, is regulated in Scania's financial policy. Transactions occur only within established limits and with selected, creditworthy counterparties. "Creditworthy counterparty" means that the counterparty has received an approved credit rating from Standard and Poor's and/or Moody's. To reduce credit risk, the volume of exposure allowed per counterparty is limited, depending on the counterparty's credit rating. To further limit credit risk, Scania has entered into netting contracts (ISDA) with most of its counterparties. Overall counterparty exposure related to derivatives trading, calculated as a net receivable per counterparty, amounted to SEK 855 m. as per 31 December 2004. Estimated gross exposure to counterparty risks related to derivatives trading totalled SEK 1,246 m. At the end of 2004, gross exposure to liquid investments amounted to SEK 2,498 m. (1,916).

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 2004, Scania had committed revolving credit facilities totalling USD 1,850 m. from the international banking market, with USD 1,000 m. expiring in May 2008 and the remaining USD 850 m. expiring in November 2004. In July 2004, the USD 850 m. facility was replaced by a new facility totalling EUR 500 m. with an expiration date of July 2009. At year-end 2004, Scania had committed revolving credit facilities totalling USD 1,000 m. and EUR 500 m. in the international banking market, equivalent to SEK 11,116 m. translated at the closing day rate.

In addition to its committed revolving credit facilities, Scania has capital market programmes of more than SEK 41 billion (36) translated at the closing day rate. Of this, more than SEK 19 billion (18) was being utilised at year-end.

Under Scania's Medium Term Note programme, borrowing may occur in maturities of between 1 and 10 years. At year-end 2004, the ceiling was SEK 13,000 m.

During 2004, Scania issued a bond equivalent to SEK 180 m. At year-end, the total amount outstanding was SEK 7,354 m. Under its European Medium Term Note Programme, Scania can borrow in the international financial market, with maturities between 1 and 10 years. The ceiling at year-end was EUR 2,000 m., which was equivalent to SEK 18,014 m. translated at the closing day rate.

During 2004, Scania issued a bond equivalent to SEK 1,351 m. At year-end, the total amount outstanding was equivalent to SEK 11,504 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, neither of these programmes was being utilised.

In addition to the above programmes, Scania has issued other bonds totalling SEK 1,813 m. The company also has bank loans with varying maturities, totalling SEK 4,942 m.

Borrowing, SEK m.	Total borrowing	Ceiling
Medium Term Note Programme	7,354	13,000
European Medium Term Note Programme	11,504	18,014
Other bonds	1,813	–
Credit facility (USD/EUR)	–	11,116
Commercial paper, Sweden	–	6,000
Commercial paper, Belgium	–	3,603
Bank loans	4,942	–
Total[1]	25,613	51,733

1 Of the total ceiling, SEK 11,116 m. consisted of a committed revolving credit facility.

Scania's liquidity reserve at the close of 2004, consisting of unutilised credit facilities and liquid assets, amounted to SEK 13,614 m. (15,375).

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.	
2005	5,804
2006	6,033
2007	7,244
2008	5,490
2009	652
2010 and later	390
Total	25,613

Fair value of financial instruments

The carrying amounts 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 reported 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.

Fair value	2004 Book value	2004 Fair value	2003 Book value	2003 Fair value
Assets				
Long-term holdings of securities [1]	**25**	**25**	56	69
Long-term interest-bearing receivables [2]	**12,756**	**12,630**	11,796	11,917
Interest-bearing current receivables [2]	**7,875**	**8,090**	7,502	7,887
Short-term investments	**1,379**	**1,384**	704	703
Cash and bank balances	**1,119**	**1,119**	1,212	1,212
Currency forward contract for hedging of net foreign investments [3]	**0**	**0**	– 1	– 1
Currency derivatives for hedging of commercial exposure [3, 4]	**31**	**110**	54	113
Currency derivatives for hedging of financial exposure [3]	**109**	**110**	58	58
Currency interest rate swap agreements [3]	**– 108**	**– 117**	– 62	– 64
Interest rate-related derivatives [3]	**186**	**752**	223	641
Total assets	**23,372**	**24,103**	21,542	22,535
Liabilities				
Short-term borrowing	**5,804**	**5,962**	5,380	5,369
Long-term borrowing	**19,809**	**21,093**	20,827	22,370
Total liabilities	**25,613**	**27,055**	26,207	27,739

1 Reported in the balance sheet under "Holdings in associated companies etc".
2 Operating leases amounting to SEK 5,809 m. (6,604) are not included in the table.
3 Reported in the balance sheet under "Other current receivables".
4 Fair value of hedging instruments that were not included in the balance sheet on the closing date totalled SEK 79 (76) m.

The main reason why the fair value of interest-bearing assets and liabilities exceeded the book value is that general interest rates were lower at year-end than when the contracts were entered into.

In some cases, the carrying amounts 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.

As a result of the transition to IAS 39 as per 1 January 2005, certain financial assets and liabilities will be valued at fair value while others are valued at accrued acquisition value. Valuation according to IAS 39 is determined by how the asset or liability is classified and whether hedge accounting is applied or not. The above table discloses the fair value of financial assets and liabilities, regardless of valuation according to IAS 39.

Reporting and valuation

Financial assets are reported 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 reported 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 swap agreements to achieve the desired interest rate refixing period. Interest income and expenses related to interest rate swap agreements are accrued continuously according to the contract terms. To adapt borrowing to the desired funding currency, currency swap agreements 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 deemed as being fulfilled are valued in the balance sheet at the lower of acquisition value and fair value.

NOTE 30 Net assets in foreign currencies

Net assets outside Sweden consist of net Group-external assets in foreign subsidiaries, as well as net Group-external receivables and liabilities of Swedish companies that are not hedged by funding in the corresponding currency.

	2004	2003	2002
Euro (EUR)	**3,236**	5,361	5,675
British pound (GBP)	**936**	846	863
Other European currencies	**1,161**	966	1,051
US dollar (USD)	**191**	– 285	103
South American local currencies	**2,094**	2,050	2,659
Other currencies	**1,143**	1,202	1,046
Total	**8,761**	10,140	11,397

For information on accumulated exchange rate differences that are reported directly against shareholders' equity, see Note 14.

NOTE 31 Currency exposure in operating income

The table below shows the net amount of operating revenue and operating expenses exposed to foreign currencies, by currency.

	2004	2003	2002
Euro (EUR)	**8,300**	8,400	7,900
British pound (GBP)	**4,900**	4,600	3,400
Other European currencies	**2,300**	2,100	2,100
Korean won (KRW)	**800**	1,500	1,300
US dollar (USD)	**600**	300	500
South American local currencies [1]	**300**	0	–
Other currencies	**1,900**	1,400	1,200
Total	**19,100**	18,300	16,400

1 During 2002, local South American currencies fluctuated sharply, with significant price and cost changes as a consequence. This means that a description of the currency effect/exposure alone for that year is not meaningful.

In 2004, currency spot rate effects totalled about SEK –135 m., compared to 2003. This was offset by positive currency hedging income of SEK 65 m., resulting in a negative net effect of SEK 70 m. During 2003, currency hedging had a positive impact of SEK 620 m. Compared to 2002, the total currency rate effect was thus SEK –690 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:

	2004	2003	2002
Sales revenue	**– 85**	– 80	45
Cost of goods sold	**8**	137	2
Selling expenses	**0**	– 16	26
Income from Customer Finance	**– 5**	– 1	3
Operating income	**– 82**	40	76
Financial income and expenses	**18**	– 58	– 160
Taxes	**1**	5	– 14
Effect on net income	**– 63**	– 13	– 98

For information on accumulated exchange rate differences that are reported directly against shareholders' equity, see Note 14.

NOTE 33 Impact of IFRS

Beginning in 2005, all listed companies in the EU shall report their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). Below is an overall description of what impact, expressed in amounts, the transition to IFRS will have on Scania. IAS 32 and IAS 39, which deal with reporting and measurement of financial instruments, enter into force on 1 January 2005, but no comparative figures are required, according to IFRS 1. What is required according to IFRS 1 is a disclosure of the major adjustments that would have had to be made if the 2004 information were to agree with IAS 32 and IAS 39. As a consequence of this, information about the estimated impact, in amounts, of these two standards as per 1 January 2005 has been included below.

The figures below will be the object of additional review and updating during 2005. The reason for this is that changes in the rule system, especially related to financial instruments, cannot be ruled out. In addition, there are international divergences in the application of various standards.

Reconciliation of shareholders' equity

SEK m.	Note	Opening balance, Swedish accounting rules	Effect of transition to IFRS rules	Opening balance, IFRS	Closing balance, Swedish accounting rules	Effect of transition to IFRS rules	Closing balance, IFRS	Effect of transition to IAS 32 and 39	Adjusted opening balance, 2005
			January 1, 2004			December 31, 2004		January 1, 2005	
ASSETS									
Fixed assets									
Intangible fixed assets	a	2,395	–	2,395	2,460	166	2,626	–	2,626
Tangible fixed assets	b	23,892	282	24,174	23,598	312	23,910	–	23,910
Financial fixed assets	f	122	–	122	92	–	92	701	793
Long-term receivables		12,311	–	12,311	13,313	–	13,313	–	13,313
Current assets	f	27,115	–	27,115	30,762	–	30,762	488	31,250
Total assets		65,835	282	66,117	70,225	478	70,703	1,189	71,892
SHAREHOLDERS' EQUITY AND LIABILITIES									
Shareholders' equity									
Total restricted equity		5,277	–	5,277	4,905	0	4,905	0	4,905
Unrestricted reserves	b, f	9,940	190	10,130	12,068	190	12,258	22	12,280
Net income	e	3,034	–	3,034	4,077	188	4,265	–	4,265
Total unrestricted equity		12,974	190	13,164	16,145	378	16,523	22	16,545
Total shareholders' equity attributable to shareholders of Scania AB		18,251	190	18,441	21,050	378	21,428	22	21,450
Minority portion of shareholders' equity	c	–	4	4	–	5	5	0	5
Total shareholders' equity		18,251	194	18,445	21,050	383	21,433	22	21,455
Minority portion	c	4	– 4	0	5	– 5	0	0	0
Provisions									
Provisions for pensions		2,274	–	2,274	2,499	–	2,499	–	2,499
Provisions for deferred tax liabilities	d, f	2,180	95	2,275	2,202	103	2,305	9	2,314
Other provisions		2,762	–	2,762	2,602	–	2,602	–	2,602
Total provisions		7,216	95	7,311	7,303	103	7,406	9	7,415
Liabilities									
Long-term liabilities	f	20,827	0	20,827	19,809	–	19,809	835	20,644
Current liabilities	f	19,537	– 3	19,534	22,058	– 3	22,055	323	22,378
Total shareholders' equity and liabilities		65,835	282	66,117	70,225	478	70,703	1,189	71,892

Reconciliation of income statement for 2004

SEK m.	Income statement items for the year, Swedish accounting rules	IFRS effect	Income statement items for the year, IFRS
Vehicles and Service			
Sales revenue	56,788	–	56,788
Cost of goods sold	– 42,570	16	– 42,554
Gross income	14,218	16	14,234
Research and development expenses	– 1,987	–	– 1,987
Selling expenses	– 5,550	178	– 5,372
Administrative expenses	– 806	–	– 806
Share of income in associated companies	12	–	12
Operating income, Vehicles and Service	5,887	194	6,081
Customer Finance			
Operating income, Customer Finance	450	–	450
Operating income	6,337	194	6,531
Net financial items	– 323	–	– 323
Income after financial items	6,014	194	6,208
Taxes	– 1,935	– 8	– 1,943
Minority interests	– 2	2	0
Net income	4,077	188	4,265

Change in key financial figures, 2004

Scania Group	IFRS key figures	Key figures, Swedish accounting rules
Operating margin, %	11.5	11.2
Earnings per share, SEK	21.3	20.4
Net debt/equity ratio	1.08	1.10
Return on shareholders' equity, %	21.4	20.8
Equity/assets ratio, %	30.3	30.0
Equity per share, SEK	107	105
Capital employed, SEK m.	49,545	49,167
Vehicles and Service		
Operating margin, %	10.7	10.4
Net debt/equity ratio	0.05	0.05
Interest coverage, times	8.6	8.4
Return on capital employed, %	29.0	28.1
Profit margin, %	11.5	11.1
Capital turnover rate, times	2.53	2.53

Impact on cash flow, 2004

The transition to IFRS does not result in any impact on Scania's reported cash flow in 2004.

Notes

a) In accordance with IFRS 3, no goodwill amortisation shall be carried out; the amortisation carried out in 2004, totalling SEK 166 m., was thus reversed. As a consequence of this, the carrying amount of goodwill increased correspondingly.

b) Scania's tangible fixed assets, primarily buildings, were examined with respect to component depreciation, which is prescribed according to IAS 16. As a consequence of this examination, as of 31 December 2004 the carrying amount of tangible fixed assets was raised by SEK 312 m., since the depreciation periods on these assets were changed. Depreciation for 2004 in the income statement decreased by about SEK 30 m. The opening carrying amount of tangible fixed assets as per 1 January 2004 rose by SEK 282 m., which also affected shareholders' equity for the same period by about SEK 190 m.

c) In accordance with IAS 27, the minority portion of equity has been reclassified and, after the adjustment, is included as an item in shareholders' equity. As per 1 January 2004, this has an effect of SEK 4 m. on shareholders' equity. As per 31 December 2004, the reclassified amount totals SEK 5 m.

d) As a consequence of decreased depreciation on tangible fixed assets, deferred tax was affected by the change in asset values. Both the historical change and the 2004 change affected deferred tax, which increased by SEK 95 m. as per 1 January 2004 and by SEK 103 m. as per 31 December 2004.

e) Income for the year was favourably affected by the decreased depreciation on fixed assets, the reversal of goodwill amortisation carried out during 2004 and the tax effect of the lower depreciation on tangible fixed assets.

f) According to IAS 39, all derivatives must be stated at fair value and reported in the balance sheet. As a result, derivatives that were previously not reported in the balance sheet are now included in the balance sheet at fair value. Due to the rules in IAS 32 on reporting on a net basis, certain financial instruments that were previously reported as net amounts are reported on a gross basis. Hedge accounting has been applied to derivatives that hedge expected future commercial payments in foreign currencies and to certain derivatives that are used to convert borrowing to the desired interest rate refixing structure. As a result of the change in principles, total assets increase by SEK 1,189 m. and long-term and current liabilities increase by SEK 835 m. and SEK 323 m., respectively. Unrestricted reserves are affected in the amount of SEK 22 m. and deferred tax liabilities by SEK 9 m.

LIST OF SUBSIDIARIES

	Corporate ID number	Registered office		% ownership
Aconcagua Vehiculos Com. S.A.	30-70737179-6	Mendoza	Argentina	100.00
Automotores del Atlantico S.A.	30-70709795-3	Mar del Plata	Argentina	100.00
Automotores Pesados S.A.	30-55137605-9	Tucuman	Argentina	99.38
Beers N.V.	NL003779439B01	Den Haag	Netherlands	100.00
Buenos Aires Camiones	33-70791031-9	Buenos Aires	Argentina	100.00
Codema Coml Import LTDA	60849197/001-60	Guarulhos	Brazil	99.99
Dynamate AB	556070-4818	Södertälje	Sweden	100.00
Fastighets AB Katalysatorn	556070-4826	Södertälje	Sweden	100.00
Ferruform AB	556528-9120	Luleå	Sweden	100.00
GB&M Garage et Carrosserie SA	218 687	Geneva	Switzerland	100.00
Grandes Camiones S.A.	30-56236684-5	Cordoba	Argentina	99.99
Hedenlunda Konferenscenter AB	556147-5871	Flen	Sweden	100.00
Italscania SPA	IT 01632920227	Trento	Italy	100.00
Lauken S.A.	21.150044.0016	Montevideo	Uruguay	100.00
Metropol Re Ltd	190572	Dublin	Ireland	100.00
Norsk Lastebilutleie AS	875346822	Drammen	Norway	100.00
Norsk Scania AS	879 263 662	Oslo	Norway	100.00
Omni Katrineholm AB	556060-5809	Katrineholm	Sweden	100.00
OOO Scania Leasing	7705392920	Moscow	Russia	100.00
OOO Scania Russia	5 032 073 106	Moscow region	Russia	100.00
Oy Autokuvio Ab	1505472-2	Hämeenlinna	Finland	100.00
Oy Autolinna Ab	1568949-6	Jyväskylä	Finland	100.00
Oy Maakunnan Auto Ab	1568951-7	Seinäjoki	Finland	100.00
Oy Scan-Auto Ab	FI0202014-4	Helsinki	Finland	100.00
S.A.S. Scania Holding France	40309278600017	Angers	France	100.00
Scanexpo S.A.	21.173422.0012	Montevideo	Uruguay	100.00
Scania (Malyasia) SDN BHD	518606-D	Kuala Lumpur	Malaysia	100.00
Scania Administradora de Consórcios Ltda	96.479.258/0001-91	Cotia	Brazil	99.99
Scania Argentina S.A.	30-51742430-3	Buenos Aires	Argentina	100.00
Scania Asset Management AB	556528-9088	Södertälje	Sweden	100.00
Scania Australia Pty Ltd	000537333	Melbourne	Australia	100.00
Scania Belgium SA-NV	BE402607507	Diegem	Belgium	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
Scania Bulgaria EOOD	2 220 100 629	Sofia	Bulgaria	100.00
Scania Bus & Coach UK Ltd	1609770	Milton Keynes	Great Britain	100.00

	Corporate ID number	Registered office		% ownership
Scania Bus Belgium N.V.-S.A.	BE460.870.259	Diegem	Belgium	100.00
Scania Bus France	341 533 099	Anger	France	100.00
Scania Bus Germany GmbH	DE813579772	Kerpen	Germany	100.00
Scania Bus Italy S.r.L	IT 01732680226	Trento	Italy	100.00
Scania Chile S.A.	96.538.460-K	Santiago	Chile	100.00
Scania Commercial Vehicles Renting S.L.	ESA82853995	Madrid	Spain	100.00
Scania Credit AB	556062-7373	Södertälje	Sweden	100.00
Scania CV AB	556084-0976	Södertälje	Sweden	100.00
Scania Czech Republic s.r.o.	CZ61251186	Prague	Czech Republic	100.00
Scania DAB A/S	DK 13925542	Herlev	Denmark	100.00
Scania Danmark A/S	DK 17045210	Herlev	Denmark	100.00
Scania Danmark Holding A/S	DK 17886843	Copenhagen	Denmark	100.00
Scania del Peru S.A.	101-36300	Lima	Peru	100.00
Scania Deutschland GmbH	DE148787117	Koblenz	Germany	96.00
Scania Deutschland Holding GmbH	DE812893584	Frankfurt/Main	Germany	100.00
Scania East Adriatic Region d.o.o.	1 605 810	Ljubliana	Slovenia	100.00
Scania Eesti AS	10 238 872	Tallinn	Estonia	100.00
Scania Europe Holding B.V.	NL800564364B01	Zwolle	Netherlands	100.00
Scania Finance Belgium N.V. S.A.	BE 413 545 048	Diegem	Belgium	99.90
Scania Finance Czech Republic s.r.o.	CZ25657496	Prague	Czech Republic	100.00
Scania Finance Deutschland GmbH	DE811292425	Koblenz	Germany	100.00
Scania Finance France S.A.	350 890 661	Angers	France	100.00
Scania Finance Great Britain Ltd	581 016 364	Milton Keynes	Great Britain	100.00
Scania Finance Hispania EFC S.A.	ESA82853987	Madrid	Spain	100.00
Scania Finance Holding AB	556548-4697	Södertälje	Sweden	100.00
Scania Finance Holding Great Britain Ltd	4031225	London	Great Britain	100.00
Scania Finance Italy S.p.A	01204290223	Trento	Italy	100.00
Scania Finance Korea	613 812 7196	Kyoung Sang Nam-Do	South Korea	100.00
Scania Finance Luxembourg S.A.	2001 2217 359	Luxembourg	Luxembourg	100.00
Scania Finance Polska Sp.z.o.o.	521 15 79 028	Warsaw	Poland	100.00
Scania Finance Pty Ltd	52006002428	Melbourne	Australia	100.00
Scania Leasing Österreich	ATU57921547	Brunn am Gebirge	Austria	100.00
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

	Corporate ID number	Registered office		% ownership
Scania Group Treasury B.V.	27269640	Den Haag	Netherlands	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 Int. Fleet Development	4006517	Milton Keynes	Great Britain	100.00
Scania IT AB	556084-1206	Södertälje	Sweden	100.00
Scania Italy Holding SRL	01668350224	Trento	Italy	100.00
Scania Korea Ltd	136-81-15441	Seoul	South Korea	100.00
Scania Latin America Ltda	635 010 727 112	Saõ Bernardo do Campo	Brazil	100.00
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	Marocco	100.00
Scania Nederland B.V.	NL800564364B04	Zwolle	Netherlands	100.00
Scania Nederland Holding B.V.	NL800564364B03	Zwolle	Netherlands	100.00
Scania Networks B.V.	NL802638429B01	Den Haag	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	80.00
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 Słupsk S.A.	839-000-53-10	Słupsk	Poland	100.00
Scania Properties Ltd	895484	Milton Keynes	Great Britain	100.00
Scania Real Estate AB	556084-1180	Katrineholm	Sweden	100.00
Scania Romania SRL	J40/10908/1999	Bucharest	Romania	100.00
Scania Service S.A.	33-70784693-9	Buenos Aires	Argentina	100.00
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 Srbia d.o.o.	SR100014375	Belgrade	Yugoslavia	100.00
Scania Sverige AB	556051-4621	Södertälje	Sweden	100.00
Scania Sverige Bussar AB	556060-0586	Katrineholm	Sweden	100.00
Scania Switzerland Holding Ltd	CH_170.3024.547-0	Zug	Switzerland	99.99
Scania Tanzania Ltd	39320	Dar Es Salaam	Tanzania	100.00
Scania Thailand Co Ltd	9802/2534	Bangkok	Thailand	99.99

	Corporate ID number	Registered office		% ownership
Scania Trade Development	556013-2002	Södertälje	Sweden	100.00
Scania Treasury AB	556528-9351	Södertälje	Sweden	100.00
Scania Treasury Netherland B.V.	27269639	Den Haag	Netherlands	100.00
Scania Truck AG	218687	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, TX	USA	100.00
Scania Vastgoed B.V.	NL800564364B05	Zwolle	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	99.99
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
Vestfold Elektrodiesel AS	83344182	Tönsberg	Norway	100.00
WM Data Zwolle B.V	8073.08.432.B01	Zwolle	Netherlands	100.00
WM Data Angers	FR17412 282 626	Angers	France	99.00

Notes – Parent Company

Note 1 Financial income and expenses

	2004	2003	2002
Interest income			
From subsidiaries	**90**	63	102
Other	**–**	1	12
Sub-total	**90**	64	114
Interest expenses	**0**	0	0
Exchange rate differences on forward contracts for hedging net assets of foreign subsidiaries	**0**	29	68
Group contributions/dividends	**4,830**	1,500	1,000
Net financial items	**4,920**	1,593	1,182

Note 3 Shareholders' equity

2003	Share capital	Statutory reserve	Unrestricted shareholders' equity	Total
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
Balance, 31 December	2,000	1,120	8,454	11,574
2004				
Balance, 1 January	2,000	1,120	8,454	11,574
Dividend to shareholders	–	–	– 1,200	– 1,200
Net income for 2004	–	–	4,059	4,059
Balance, 31 December	**2,000**	**1,120**	**11,313**	**14,433**

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. After the balance sheet date, Scania AB issued 26,296,508 new A shares related to the acquisition of Ainax AB. The total number of shares eligible for dividends thus amounts to 226,296,508.

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.

Note 2 Shares in Group companies

Subsidiary/Corporate ID number/country of registration	% ownership	Carrying amount 2004	2003	2002
Scania CV AB, 556084-0976, Sweden	100.0 [1]	**8,401**	8,401	8,401
Scania Latin America Ltda, 635,010,727,112, Brazil	100.0 [2, 3]	**–**	2,257	2,257
Scania Argentina S.A, 30-51742430-3, Argentina	99.9 [2, 3]	**–**	358	298
Scania Chile S.A., 96.538.460-K, Chile	99.9 [2, 3]	**–**	4	–
Scania del Peru S.A, 101,36300, Peru	5.2 [2, 3]	**–**	15	15
Total		**8,401**	11,035	10,971

1 Scania CV AB is a public company and parent company of the Scania CV Group, which includes all production, sales and service and finance companies in the Scania AB Group. The company is a subsidiary of Scania AB, whose shares are listed on Stockholmsbörsen.

2 Due to a restructuring of the Group as per 1 January 2004, all shares in the South American companies owned by Scania AB were transferred to Scania CV AB.

3 The Group's ownership interest is 100 percent.

Note 4 Untaxed reserves

Tax allocation reserve	2004	2003	2002
1998 assessment	**–**	–	284
1999 assessment	**–**	637	637
2000 assessment	**705**	705	705
2001 assessment	**634**	634	634
2002 assessment	**326**	326	326
2005 assessment	**814**	–	–
Total	**2,479**	2,302	2,586

SEK 694 m. (645 and 724, respectively) of "Untaxed reserves" consists of a deferred tax liability, which is part of the Scania Group's deferred tax liabilities.

Note 5 Contingent liabilities

	2004	2003	2002
Contingent liability related to FPG credit insurance (Group companies)	**2,010**	1,588	1,457
Loan guarantees on behalf of Group companies[1]	**20,678**	22,051	25,228
	22,688	23,639	26,685

1 Most of this item is related to loan guarantees on behalf of borrowings by Scania CV AB.

Note 6 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 25 and 27. Compensation of SEK 10,000 (13,000 and 18,000, respectively) was paid to auditors in 2004 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 16,145 m., of which the net income for the year is SEK 4,077 m.

The decision on the dividend should take into account the development in February 2005 in the Ainax transaction that will affect the unrestricted shareholders' equity. In conjunction with the acquisition of Ainax with newly issued shares, share capital rose by SEK 263 m. and the share premium reserve by SEK 7,560 m., together increasing restricted equity by SEK 7,823 m. This corresponds to the market value of the newly issued Scania shares on the acquisition date. The assets of Ainax mainly consist of shares in Scania, and it follows from Chapter 4 Paragraph 14 Section 2 of the Annual Accounts Act that Ainax's shares in Scania shall not be regarded as having any value in Scania's financial statements. Taking this into consideration, the shares in Ainax received as capital contributed in kind were reported at a value of SEK 82 m. in Scania's balance sheet. After the acquisition of Ainax in February 2005 the difference, SEK 7,741 m., thus reduced the unrestricted equity in both the Parent Company and the Group. This fact has been taken into consideration in the following proposed distribution of earnings.

The Board of Directors and the President propose that the following amounts at the disposal of the Annual Meeting as per 31 December 2004:

Amounts in SEK m.	
Retained earnings	7,254
Net income for the year	4,059
Total	11,313
be distributed as follows:	
To the shareholders, a dividend of SEK 15.00 per share	3,394
To be carried forward	7,919
Total	11,313

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	7,919
Total	11,039

Later in February 2005, retained earnings were decreased by SEK 7,741 m. A proposal on a reduction of the share premium reserve for transfer to retained earnings is being submitted to the Annual General Meeting on 29 April 2005. If this proposal is implemented, the available retained earnings at the end of 2005 are expected to have been restored to the same level as at the end of 2004.

Södertälje, 7 March 2005

Bernd Pischetsrieder
Chairman

Vito H Baumgartner — Peggy Bruzelius — Sune Carlsson

Andreas Deumeland — Lothar Sander — Rolf Stomberg

Marcus Wallenberg — Kjell Wallin — Jan Westberg

Leif Östling
President and CEO

Our auditors' report was submitted on 7 March 2005

Caj Nackstad
Authorised Public Accountant

Jan Birgerson
Authorised Public Accountant

Auditors' report

Audit Report
To the Annual General Meeting of the shareholders of Scania AB (publ)
Corporate identity 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 year 2004. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts and the consolidated accounts 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 and significant estimates made by the Board of Directors and the President when preparing the annual accounts and the consolidated accounts 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. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

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 of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Södertälje, 7 March 2005

Caj Nackstad
Authorized Public Accountant
KPMG Bohlins AB

Jan Birgerson
Authorized Public Accountant
Ernst & Young AB

Income and deliveries by quarter

SEK m. unless otherwise stated	October – December			July – September			April – June			January – March		
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Number of vehicles delivered												
Trucks	**15,236**	13,019	12,130	**11,267**	9,755	8,435	**12,661**	11,656	10,198	**11,399**	10,615	9,132
Buses	**1,626**	1,467	1,278	**1,401**	1,239	730	**1,450**	1,080	858	**1,042**	1,124	908
Total	**16,862**	14,486	13,408	**12,668**	10,994	9,165	**14,111**	12,736	11,056	**12,441**	11,739	10,040
Income statement												
Sales revenue, Scania products	**16,264**	13,995	13,448	**13,323**	11,567	10,381	**14,118**	12,843	12,115	**13,083**	12,176	11,341
Cost of goods sold	**– 12,006**	– 10,560	– 10,059	**– 10,102**	– 8,986	– 8,014	**– 10,545**	– 9,613	– 9,384	**– 9,917**	– 9,113	– 8,803
Gross income	**4,258**	3,435	3,389	**3,221**	2,581	2,367	**3,573**	3,230	2,731	**3,166**	3,063	2,538
Research and development expenses	**– 563**	– 406	– 360	**– 471**	– 339	– 339	**– 561**	– 366	– 346	**– 392**	– 373	– 392
Selling expenses	**– 1,491**	– 1,405	– 1,441	**– 1,338**	– 1,260	– 1,223	**– 1,424**	– 1,289	– 1,257	**– 1,297**	– 1,275	– 1,285
Administrative expenses	**– 252**	– 232	– 229	**– 189**	– 181	– 181	**– 195**	– 245	– 218	**– 170**	– 195	– 229
Customer Finance	**115**	90	60	**122**	100	82	**110**	94	85	**103**	82	81
Share of income in associated companies	**1**	7	0	**7**	2	4	**2**	6	3	**2**	1	16
Operating income, Scania products	**2,068**	1,489	1,419	**1,352**	903	710	**1,505**	1,430	998	**1,412**	1,303	729
Divested car operations	**–**	–	–	**–**	–	–	**–**	–	509	**–**	–	41
Operating income	**2,068**	1,489	1,419	**1,352**	903	710	**1,505**	1,430	1,507	**1,412**	1,303	770
Financial income and expenses	**– 62**	– 89	– 159	**– 76**	– 138	– 178	**– 94**	– 140	– 141	**– 91**	– 154	– 206
Income after financial items	**2,006**	1,400	1,260	**1,276**	765	532	**1,411**	1,290	1,366	**1,321**	1,149	564
Taxes	**– 692**	– 482	– 351	**– 407**	– 270	– 162	**– 438**	– 445	– 292	**– 398**	– 368	– 180
Minority interests	**1**	– 3	– 1	**– 1**	0	2	**0**	– 1	2	**– 2**	– 1	– 1
Net income	**1,315**	915	908	**868**	495	372	**973**	844	1,076	**921**	780	383
Earnings per share	**6.58**	4.57	4.54	**4.34**	2.48	1.86	**4.87**	4.22	5.38	**4.61**	3.90	1.92
Operating margin, Scania products	**12.7%**	10.6%	10.6%	**10.1%**	7.8%	6.8%	**10.7%**	11.1%	8.2%	**10.8%**	10.7%	6.4%

Key financial ratios and definitions

	2004	2003	2002
Scania Group			
Operating margin, %	**11.2**	10.1	9.3
Earnings per share, SEK	**20.4**	15.2	13.7
Return on shareholders' equity, %	**20.8**	17.4	17.2
Equity/assets ratio, %	**30.0**	27.7	25.6
Vehicles and Service			
Operating margin, %	**10.4**	9.4	7.5
Profit margin, %	**11.1**	10.0	9.2
Capital turnover rate, times	**2.53**	2.21	1.89
Return on capital employed, %	**28.1**	22.0	17.4
Net debt/equity ratio	**0.05**	0.17	0.31
Interest coverage, times	**8.4**	6.2	4.6
Customer Finance			
Operating margin	**1.7**	1.4	1.2
Equity/assets ratio, %	**11.2**	11.5	11.9

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.

Multi-year statistical review

SEK m. unless otherwise stated	**2004**	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Sales revenue by market area											
Western Europe	**39,697**	38,252	36,127	36,732	36,489	33,249	28,962	23,102	21,009	21,715	14,880
Central and eastern Europe	**5,026**	4,067	3,139	2,624	1,826	1,330	1,814	1,398	827	732	266
America	**5,655**	3,836	3,542	5,576	5,529	4,247	5,974	6,798	4,800	5,742	6,109
Asia	**3,997**	3,936	3,123	2,898	2,390	1,118	1,018	1,932	1,740	1,904	1,504
Other markets	**3,404**	2,896	2,529	2,364	2,050	1,784	1,907	1,857	1,578	1,623	1,329
Revenue deferral[1]	**– 991**	– 2,406	– 1,175	– 1,884	– 2,425	– 3,066	– 2,166	– 1,783	– 1,160	– 568	–
Total, Scania products	**56,788**	50,581	47,285	48,310	45,859	38,662	37,509	33,304	28,794	31,148	24,088
Divested car operations[2]	**–**	–	–	4,755	5,539	5,382	5,637	4,632	3,776	3,124	2,560
Total	**56,788**	50,581	47,285	53,065	51,398	44,044	43,146	37,936	32,570	34,272	26,648
Operating income											
Vehicles and Service	**5,887**	4,759	3,548	2,089	4,623	4,655	3,251	2,716	2,787	5,011	3,731
Customer Finance	**450**	366	308	278	179	140	91	73	55	98	5
Divested car operations[2]	**–**	–	550	100	277	250	250	258	215	243	173
Total	**6,337**	5,125	4,406	2,467	5,079	5,045	3,592	3,047	3,057	5,352	3,909
Operating margin, percent											
Vehicles and Service	**10.4**	9.4	7.5	4.3	10.1	12.0	8.7	8.2	9.7	16.1	15.5
Divested car operations[2]	**–**	–	–	2.1	5.0	4.6	4.4	5.6	5.7	7.8	6.8
Total	**11.2**	10.1	9.3	4.6	9.9	11.5	8.3	8.0	9.4	15.6	14.7
Net financial items	**– 323**	– 521	– 684	– 926	– 630	– 545	– 378	– 296	– 351	– 505	– 223
Net income	**4,077**	3,034	2,739	1,048	3,080	3,146	2,250	1,943	1,981	3,280	2,556
Research and development expenditures[3]	**– 2,219**	– 2,151	– 2,010	– 1,955	– 1,621	– 1,267	– 1,168	– 1,248	– 1,084	– 923	– 805
Gross capital expenditure for fixed assets excluding lease assets	**2,736**	3,196	3,025	1,980	1,825	1,876	2,026	2,566	2,579	2,182	2,149
Inventory turnover rate, times[4]	**6.0**	5.8	6.1	6.0	6.2	5.6	5.3	5.3	5.7	6.6	6.5

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

2 Swedish car operations were divested as per 1 January 2002.

3 Beginning in 2002, includes capitalised development expenditures: SEK 316 m. in 2004, SEK 669 m. in 2003 and SEK 573 m. in 2002, as well as amortisation carried out on capitalisation, amounting to SEK 84 m. in 2004 and SEK 2 m. in 2003.

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

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Number of vehicles produced											
Trucks	**53,249**	45,985	41,433	43,487	51,409	45,779	45,546	43,555	38,455	41,974	31,937
Buses	**5,712**	5,291	3,712	4,664	4,172	3,703	4,515	4,586	3,901	4,464	2,845
Total	**58,961**	51,276	45,145	48,151	55,581	49,482	50,061	48,141	42,356	46,438	34,782
Number of trucks delivered by market area											
Western Europe	**30,412**	29,456	28,335	30,416	38,476	36,106	32,686	26,756	26,249	26,596	17,814
Central and eastern Europe	**5,172**	4,014	3,099	2,579	2,287	1,551	2,237	1,833	1,030	951	312
America	**7,604**	4,739	3,633	6,181	6,777	6,253	7,621	9,649	7,377	7,964	8,713
Asia	**5,464**	5,317	3,486	2,994	3,438	1,481	1,410	3,096	2,997	3,329	2,818
Other markets	**1,911**	1,519	1,342	1,489	1,340	1,260	1,599	1,058	1,375	1,627	1,178
Total	**50,563**	45,045	39,895	43,659	52,318	46,651	45,553	42,392	39,028	40,467	30,835
Number of buses and coaches delivered by market area											
Western Europe	**2,226**	2,345	1,618	1,701	1,618	1,935	1,731	1,595	1,655	1,642	983
Central and eastern Europe	**355**	228	126	127	84	67	106	95	83	45	40
America	**1,472**	1,072	958	1,595	1,843	1,237	1,697	1,829	1,641	1,878	1,287
Asia	**947**	631	440	666	278	160	78	308	309	304	140
Other markets	**519**	634	632	583	351	364	505	757	275	301	237
Total	**5,519**	4,910	3,774	4,672	4,174	3,763	4,117	4,584	3,963	4,170	2,687
Total number of vehicles delivered	**56,082**	49,955	43,669	48,331	56,492	50,414	49,670	46,976	42,991	44,637	33,522
Total market for heavy trucks and buses, number											
Western Europe:											
Trucks	**231,000**	213,000	211,700	235,000	243,700	235,900	207,300	170,300	172,000	173,300	133,300
Buses	**22,000**	21,100	21,800	23,500	23,500	22,400	21,000	18,000	17,500	15,600	13,400
Number of employees [5]											
Production and corporate units	**17,892**	17,331	16,748	16,422	17,143	16,762	16,834	17,145	16,948	18,559	16,350
Sales and service companies	**11,747**	11,460	11,173	11,868	10,029	9,431	6,559	6,511	5,183	4,375	4,003
Total Vehicles and Service	**29,639**	28,791	27,921	28,290	27,172	26,193	23,393	23,656	22,131	22,934	20,353
Customer Finance	**354**	321	309	251	194	166	144	107	75	90	72
Total	**29,993**	29,112	28,230	28,541	27,366	26,359	23,537	23,763	22,206	23,024	20,425

5 Including employees with temporary contracts.

BOARD OF DIRECTORS

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 Rück-versicherungs-Gesellschaft AG and Tetra-Laval Group.
Shares in Scania: 0

Leif Östling
Born 1945.
Member since 1994.
President and CEO of Scania AB.
Other directorships in BT Industries and ADR Haanpää.
Shares in Scania: 113,025

Peggy Bruzelius
Born 1949.
Member since 1998.
Chairman of Grand Hotel Holdings AB and Lancelot Asset Management AB.
Vice Chairman of the Royal Swedish Academy of Engineering Sciences.
Deputy Chairman of Electrolux AB.
Other directorships in the Industry and Commerce Stock Exchange Committee, Axel Johnson AB, AB Ratos, Axfood AB, Syngenta AG and the Stockholm School of Economics Association.
Shares in Scania: 2,000

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

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 Tvornica Automobilia Sarajevo, as well as a number of directorships in subsidiaries of the Volks-wagen Group.
Shares in Scania: 0

Rolf Stomberg
Born 1940.
Member since 1998.
Chairman of Management Consulting Group PLC, Great Britain.
Other directorships in Biesterfeld AG, Hamburg, 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

Sune Carlsson
Born 1941.
Vice Chairman since 2004.
Chairman of Atlas Copco AB.
Other directorships in Investor AB, Autoliv Inc. and Picanol NV.
Shares in Scania: 0

Vito H Baumgartner
Born 1940.
Member since 2004.
Other directorships in AB SKF, PartnerRE Ltd. and Northern Trust Global Services.
Shares in Scania: 600

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 the Knut and Alice Wallenberg Foundation.
Shares in Scania: 50,900

Kjell Wallin
Born 1943.
Member since 1998.
Representative of the Swedish Metal Workers' Union at Scania.
Shares in Scania: 0

Niclas Wilhelmsson
Born 1965.
Deputy member since 2003.
Representative of the Swedish Metal Workers' Union at Scania.
Shares in Scania: 0

Kathrin Rosenquist
Born 1960.
Deputy member since 2001.
Representative of the Federation of Salaried Employees in Industry and Services at Scania.
Shares in Scania: 166

Jan Westberg
Born 1944.
Member since 1996.
Representative of the Federation of Salaried Employees in Industry and Services at Scania.
Shares in Scania: 0

AUDITORS

Caj Nackstad
Authorised Public Accountant, KPMG Bohlins AB

Jan Birgerson
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

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, Corporate Legal Affairs and Risk Management.

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 Cab Production,
Powertrain Production,
Global Purchasing,
Human Resources Support.

Leif Östling
Born 1945.
Joined Scania in 1972.
President and CEO.
Shares in Scania: 113,025
Reporting to Leif Östling:
Industrial and Marine Engines,
Latin American Operations,
Corporate Relations.

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.

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, Corporate IT.

CORPORATE UNITS

1. Magnus Hahn
Born 1955.
Joined Scania in 1985.
Senior Vice President
Human Resources Support.
Shares in Scania: 0

2. Claes Jacobsson
Born 1958.
Joined Scania in 1999.
Senior Vice President
Customer Finance.
Shares in Scania: 0

3. Cecilia Edström
Born 1966.
Joined Scania in 1995.
Senior Vice President
Corporate Relations.
Shares in Scania: 0

4. Christoffer Ljungner
Born 1950.
Joined Scania in 1976.
Senior Vice President
Sales and Services Overseas.
Shares in Scania: 100

5. Hans Narfström
Born 1951.
Joined Scania in 1977.
Senior Vice President
Corporate IT.
Shares in Scania: 10

6. Per-Erik Lindquist
Born 1960.
Joined Scania in 1984,
employed until 2000.
Rejoined Scania in 2004.
Senior Vice President
Sales and Services Europe.
Shares in Scania: 0

7. P O Svedlund
Born 1955.
Joined Scania in 1976.
Senior Vice President
Global Purchasing.
Shares in Scania: 166

8. Jan Ytterberg
Born 1961.
Joined Scania in 1987.
Senior Vice President
Corporate Control.
Shares in Scania: 0

9. Urban Johansson
Born 1945.
Joined Scania in 1971,
employed until 1995.
Rejoined Scania in 1999.
Senior Vice President
Powertrain Development.
Shares in Scania: 800

10. Hans-Christer Holgersson
Born 1953.
Joined Scania in 1985.
Senior Vice President
Latin American Operations.
Shares in Scania: 166

11. Lennart Hjelte
Born 1945.
Joined Scania in 1966.
Senior Vice President
Industrial and
Marine Engines.
Shares in Scania: 4,150

12. Lars Orehall
Born 1947.
Joined Scania in 1974.
Senior Vice President
Truck, Cab and Bus Chassis
Development.
Shares in Scania: 2,025

13. Mikael Sundström
Born 1957.
Joined Scania in 2004.
Senior Vice President
Corporate Legal Affairs
and Risk Management.
Shares in Scania: 0

14. Peter Härnwall
Born 1955.
Joined Scania in 1983.
Senior Vice President
Administration and Control.
Shares in Scania: 166

15. Håkan Ericsson
Born 1947.
Joined Scania in 1975.
Senior Vice President
Global Services.
Shares in Scania: 166

16. Thomas Karlsson
Born 1953.
Joined Scania in 1988.
Senior Vice President
Powertrain Production.
Shares in Scania: 0

17. Robert Sobocki
Born 1952.
Joined Scania in 1978,
employed until 1997.
Rejoined Scania in 2002.
Senior Vice President
Sales and Services Buses
and Coaches.
Shares in Scania: 100

18. Lars Wrebo
Born 1961.
Joined Scania in 1986.
Senior Vice President
Chassis and Cab Production.
Shares in Scania: 0

Annual General Meeting and information

Annual General Meeting

The Annual General Meeting of Shareholders will be held at 14:00 CET on Friday, 29 April 2005 at the Victoria Hall, Stockholm International Fairs and Congress Centre (Stockholmsmässan), Älvsjö, Stockholm, 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) on Tuesday, 19 April 2005.

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, 25 April 2005.

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 inform their nominees accordingly in sufficient time before Tuesday, 19 April 2005.

Dividend

The Board of Directors proposes Wednesday, 4 May 2005 as the record date for the 2004 dividend. The last day for trading shares that include the dividend is Friday, 29 April 2005. Provided that the AGM approves this proposal, the dividend can be expected to be sent on Tuesday, 10 May 2005.

Information from Scania

Interim Report, January–March, on 27 April 2005

Interim Report, January–June, on 27 July 2005

Interim Report, January–September, on 1 November 2005

The Annual Report is posted on the company's website, 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
Addresses and updated facts can be found at www.scania.com.

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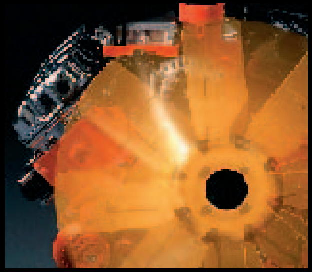

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For more information:
www.scania.com

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