ANNUAL REPORT 2006

PRIDE QUALITY DRIVER APPEAL PRODUCTIVITY SUSTAINABLE DEVELOPMENT

SCANIA

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.

UPTIME ROAD SAFETY FUEL ECONOMY COMPETENCE TRUST

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OPERATIONS

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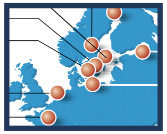


FINANCIAL REPORT

The English version of Scania's Annual Report is a translation of the Swedish-language original, which is the binding version and shall prevail in case of discrepancies. Translation: Victor Kayfetz, Scan Edit. The Financial Report encompasses pages 56-105 and was prepared in compliance with International Financial Reporting Standards. The Report of the Directors and accompanying financial reports also fulfil the requirements of the Swedish Annual Accounts Act. They encompass pages 2–44 and 51–105 and have been audited by Scania's auditors.

Scania's 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.

Scania is one of the world's leading manufacturers of trucks and buses for heavy transport applications, and of industrial and marine engines. A growing proportion of the company's operations consist of services, assuring Scania customers of maximum vehicle uptime and cost-effective transport solutions.

Employing more than 32,000 people, Scania operates in about 100 countries. Research and development are concentrated in Sweden. Production units located in Europe and Latin America. During 2006, net sales totalled SEK 70,738 million and income before taxes amounted to SEK 8,583 million.

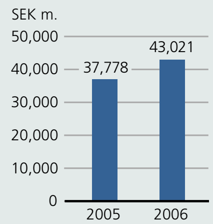
VEHICLES AND SERVICE

TRUCKS

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

During 2006, Scania delivered 59,344 new trucks to customers at a value of SEK 43,021 million.

Net sales

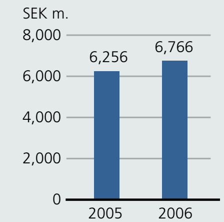


BUSES AND COACHES

Scania concentrates on buses and coaches with high passenger capacity for use as tourist coaches and in intercity and urban traffic. Bus and coach operations focus on delivering fully-built vehicles based on Scania chassis to customers. Scania achieves this through its own bodybuilding operations and through collaboration with selected manufacturers of bus and coach bodies.

During 2006, Scania delivered 5,937 buses and coaches/chassis.

Net sales

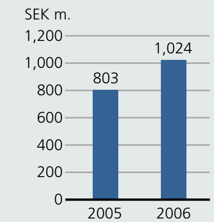


INDUSTRIAL AND MARINE ENGINES

Scania's industrial and marine engines are used in electric generator sets, construction and agricultural machinery as well as in ships and pleasure boats. Most deliveries are industrial engines.

During 2006 Scania delivered 6,546 engines.

Net sales

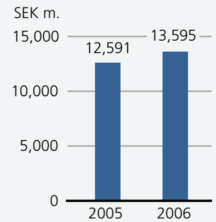


SERVICE-RELATED PRODUCTS

Scania's growing range of service-related products supports the business operations of transport and logistics companies.

These service-related products encompass everything from parts, maintenance agreements and round-the-clock workshop services on various continents to driver training and IT support for transport planning.

Net sales

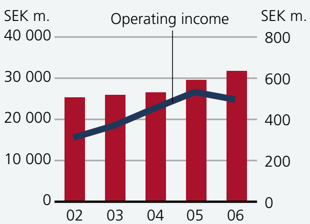


CUSTOMER FINANCE

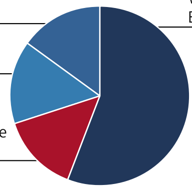
CUSTOMER FINANCE

Financial services are an important part of Scania's business. Financing is often one element of cost-effective comprehensive solutions for customers. Customers can choose between loan financing, various forms of leases and insurance solutions.

Size of Customer Finance portfolio and income



Vehicles delivered by market area, 2006

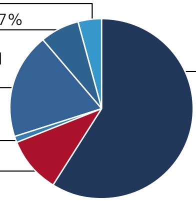


Net sales in Scania's ten largest markets

Vehicles and Service

SEK m.	2006	2005	Change in %
Great Britain	7,909	7,787	2
Brazil	5,337	4,968	7
Sweden	4,633	3,947	17
Germany	4,281	3,928	9
The Netherlands	4,179	3,785	10
France	4,168	3,901	7
Spain	3,655	3,318	10
Italy	3,427	3,445	–1
Norway	3,148	3,052	3
Finland	2,868	2,813	2

Net sales by product area, 2006



KEY FIGURES	2006	2005
Deliveries, units		
Trucks	59,344	52,567
Buses	5,937	5,816
Engines	6,546	5,704
Net sales, SEK m.		
Vehicles and Service	70,738	63,328
Operating income, SEK m.		
Vehicles and Service	8,260	6,330
Customer Finance	493	529
Total	8,753	6,859
Operating margin, percent	12.4	10.8
Income before taxes, SEK m.	8,583	6,765
Net income, SEK m.	5,939	4,665
Earnings per share, SEK	29.70	23.33
Cash flow, Vehicles and Service, SEK m.	6,942	3,865
Return, percent		
on shareholders' equity	24.1	20.8
on capital employed, Vehicles and Service	30.4	27.9
Net debt/equity ratio, Vehicles and Service	-0.19	0.01
Equity/assets ratio, percent	29.7	30.3
Net capital expenditures, excl acquisitions Vehicles and Service, SEK m.	3,810	3,597
Research and development expenditures, SEK m.	2,842	2,479
Number of employees, 31 December	32,820	30,765

Continued profitable growth

In 2006 Scania reported its best year ever – noting record sales, earnings and order bookings. We are well on the way towards selling 100,000 vehicles per year.

As 2006 approached, due to new legal requirements in Europe – the transition to digital tachographs and tighter environmental regulations – we foresaw a certain pre-buy effect early in the year. But demand grew increasingly robust, even after the new regulations had entered into force. The year ended up as Scania's strongest ever.

We see that the European and Asian economies are developing strongly and are not significantly affected by the US economic slowdown. The enlargement of the European Union and the investments being made in its new member countries are driving economic expansion. The pattern is being repeated elsewhere, for example in Russia. Growth in India and China is contributing increasingly to the economic trend in Europe. Trade within Europe and between Asia and Europe is expanding sharply.

These developments are resulting in strong demand for transport capacity from our customers. In themselves, investments in industry and infrastructure generate transport needs. But as economies grow, new consumption patterns are established. Greater trade and consumption also drive demand for road transport.

Scania is continuing to adapt its production structure with the aim of bringing the labour share of production costs below 15 percent. This is how we will meet competition from manufacturers with production in low-wage countries and preserve jobs in Sweden. We will achieve these efficiency gains by means of growing volume, continuous improvements and structural changes.

In 2006, Scania began the task of concentrating European gearbox and axle production in Södertälje. Many employees at the existing Falun and Sibbhult production units have shown an interest in moving with these operations, enabling us to retain important know-how. At the same time, restructuring measures mean that some people get caught in the middle. We have worked proactively, in partnership with the trade unions, to soften the adverse effects of the move and to bring alternative businesses to both sites. We have found a good model and effective mechanisms. I would like to express my gratitude for the good collaboration that has characterised this effort.

The investments in our gearbox and axle production will increase efficiency and production capacity. The move will facilitate collaboration between development

"Scania is well prepared for continued good growth with sustained profitability in the coming years."

and production units. It will bring about direct cost savings of more than SEK 300 m. per year starting in 2009.

Additional investments in production will pay off handsomely. With limited investments, we can boost production capacity to 100,000 vehicles annually.

Demand for vehicles is not the only thing that is growing. As customers focus on their core business of transporting goods and passengers, Scania is a natural partner for repairs, maintenance and other services. Thanks to our strong sales and service network, which now accounts for nearly half of our employees, customers have easy access to service, further strengthening their competitiveness. Scania develops services with the same objectives as our vehicles: to offer transport companies the best overall operating economy and uptime. Roadside assistance and maintenance contribute to increased uptime. Driver training helps improve road safety, reduce vehicle wear, improve fuel economy and thereby diminish environmental impact. Scania will continue to focus on drivers.

Scania's product development work strongly contributes to its competitiveness. In 2006 we began introducing engines that meet the EU's Euro 5 environmental regulations, which enter into force in 2009. In 2007 we will launch engines that meet these tighter standards, without exhaust gas aftertreatment. This simplifies day-to-day work for drivers and lowers costs for transport companies. The solution, exhaust gas recirculation (EGR) combined with a high-pressure injection system, is the fruit of our long-term partnership with Cummins. Today we already have the technology for the next level of regulations, Euro 6.

Scania's strategic alliance with Hino is also developing well. Hino markets and sells Scania trucks in Japan. During 2007 Scania will begin distributing Hino's medium-duty trucks in South Korea. This means we are broadening our product portfolio without costly research and development investments.

It is impossible to look at 2006 without commenting on MAN's public offer for Scania. Information about a coming offer emerged in September, and MAN presented the full details in November. Scania's Board of Directors and leading shareholders rejected the offer on grounds that it undervalues Scania's full potential. On 23 January, MAN withdrew the offer, since it had not gained acceptance among Scania's major shareholders.

Scania is well prepared for continued good growth with sustained profitability in the coming years. Its explicit ambition for the next three years is to grow by 10 percent annually, with a sustained margin of 12–15 percent. The company is continuously broadening its product portfolio. It is strengthening its service portfolio and boosting production capacity.

Looking back at 2006, we can add yet another record-breaking year to our history. These results were created by people. There is a great deal of hard work, dedication, loyalty and knowledge behind Scania's success. Every part of our organisation has turned in an extraordinary performance, and I feel great confidence as we now embrace the challenge of continued growth. Warm thanks to everyone at Scania who has helped make 2006 such a successful year for the company.

Leif Östling
President and CEO

An eventful year


Scania focuses on the driver.


Mining trucks in Brazil are part of Scania's major expansion in the construction vehicle segment.

Customers and markets

After a year of record-setting deliveries and order bookings, Scania's customer base has grown. A number of major orders attracted particular attention during 2006.

The Dutch transport company Vos Logistics chose Scania trucks exclusively when it renewed its fleet with 1,000 tractor units. The trucks, equipped with 420 hp engines in Euro 4 configuration, will be delivered mainly during 2007. Scania's EGR technology was a crucial reason behind the deal.

Another success in the same market was that Scania won a service contract with the Dutch army. Worth about SEK 900 m. (EUR 100 m.), it covers repair and maintenance of 555 trucks and their ancillary equipment.

In Brazil, Scania received an important order from the mining company Vale do Rio Doce for construction trucks and workshop services at a mining project in Minas Gerais state. The number of trucks will total more than 300 and they will be used for transporting iron ore. Scania's international expansion is continuing.

In September, Scania and India's Larsen & Toubro reached agreement on distribution of trucks in the Indian market. In the first stage, this will consist of construction trucks.

An understanding was reached with Cimpomóvel Veículos Pesados, S.A. to acquire its distribution network in Portugal. In 2005 the company reported sales of about SEK 600 m. (EUR 63.4 m.). The company, a Scania distributor since 1972, has a nationwide sales and service network encompassing six wholly owned dealerships. The company has 250 employees.

Scania sold more than two hundred buses to the public transport companies Westbus and Busways in Sydney, Australia, and then rounded off the year by selling 65 units to the Tallinn Bus Company in Estonia.

In June, Scania received an order for 50 tractor units for transporting urban gas from Xinjiang to 18 cities in eastern China. During the year, Scania also began collaborating with China's second-largest heavy and medium-sized bus and coach body builder to launch a high-end long-distance coach in the Chinese market. Sales and service of the new model will be handled by the subsidiary that Scania has established in China.

Industrial and marine engines also noted record volume in 2006.

Focus on the driver

In some 40 countries around the world, a selection process is under way to identify the world's best truck drivers. Scania's international competition for heavy truck drivers was last held in 2005, when it attracted nearly 30,000 participants in Europe, Argentina, Brazil, South Africa and Taiwan. Also participating in the 2007 event will be Australia, Botswana, Malaysia, Namibia, South Korea and Tanzania.

In addition to the competition rounds, Scania is organising road safety seminars in the participating countries, many of these together with the World Health Organisation (WHO), with which Scania has established collaboration.

Scania launched a new bus and coach range at a major customer event in Södertälje.


Industrial and marine engines noted record volume in 2006.


In December, Scania launched a new, ergonomically designed low-entry cab, among other things for refuse collection trucks.

Another element of this road safety work was Scania's participation during 2006 in the 8th WHO World Conference on Injury Prevention & Safety Promotion in Durban, South Africa.

New products

In June, Scania showed its new bus and coach range to journalists and customers from all over Europe. Eliciting particular interest were the new 470 hp engine Scania Irizar PB tourist coach, as well as Scania Omni's comprehensive range of public transport buses.

Scania and the Japanese vehicle manufacturer Hino signed an agreement to distribute Hino's medium-duty trucks in the South Korean market. Sales start in the spring of 2007. In 2002, Scania and Hino entered into a strategic alliance. Since 2003, Hino has marketed Scania tractor units in the Japanese market.

In conjunction with its Capital Markets Day in December, Scania unveiled a new series of Euro 5 engines featuring exhaust gas recirculation (EGR) technology, which it will begin to introduce during 2007.

In December, Scania launched a low-entry cab, ergonomically designed for drivers who frequently climb in and out of their truck during the working day, for example in refuse collection trucks.

Scania has delivered ethanol-powered buses to the Stockholm regional public transport company Storstockholms Lokaltrafik (SL) since 1990. Since then it has delivered more than 600 ethanol buses. Today there is growing international interest in these vehicles. During the year, Scania began to deliver ethanol-powered city buses to a number of countries. This is part of an international effort to market ethanol-powered vehicles, encompassing ten places in the world.

All Scania trucks with unit injector engines can be driven reliably on 100 percent RME, a fuel made from rapeseed (canola) oil, as confirmed by long-term tests completed during 2006. About 300,000 trucks manufactured by Scania during the past eight years have such engines.

The company

As one element of the continuous streamlining of its production structure, during 2006 Scania decided to concentrate its European production of axles and gearboxes in Södertälje. Production in Falun and Sibbhult, respectively, will thus move by 2008. All employees are being offered continued jobs, mainly in Södertälje. Scania also decided to move its European parts management to Belgium.

During the year, Scania announced plans to boost production capacity from 70,000 to 100,000 vehicles by 2010. The investments needed to achieve this will total about SEK 2 billion, or about SEK 700 m. per year.

Scania's efforts to streamline its new sales and service organisation will result in annual savings of more than SEK 500 m. starting in 2009. As part of this task, Scania co-ordinated its distributors in Belgium, the Netherlands and Luxembourg into the joint business unit Scania Benelux. Later in the year, the sales and service organisation in Germany and Austria established a joint business unit.

Strategy for continued profitable growth

Scania's goal is profitable growth. By generating value for its customers, Scania generates value for its shareholders and other stakeholders.

Scania is one of the most successful and profitable truck manufacturers in the world. Scania has a strategy for growth, both as a vehicle manufacturer and as a supplier of services to transport companies. In light of expected future growth in demand for transport services, Scania anticipates that in the not-too-distant, it will achieve sales of 100,000 vehicles per year. By then, about 800,000 Scania vehicles will be in operation around the world, and a growing number of customers will be able to utilise Scania's services.

Scania is well positioned for continued profitable growth. Good opportunities exist both in Europe, which is Scania's largest market, and in Latin America and Asia. Scania's production system, technological know-how, service network and corporate culture provide unique strengths to build on.

Scania's modular product system, with standardised interfaces between a carefully balanced number of main components, allows a high degree of customisation, while keeping down the cost of product development and production as well as simplifying parts management. Tailoring each vehicle to specific transport needs gives the customer better overall operating economy.

Understanding the future needs of the customer at an early stage is a precondition for developing competitive vehicles and services.

The strategic process

Scania's strategic process is based on employee participation throughout the organisation and continuous evaluation. The Executive Board reviews all parts of the company's operations according to a set schedule. Strategies are assessed from a global perspective and adjusted to take into account market developments. The implementation of strategies is discussed at meetings with Group Management, which consists of the Executive Board plus the heads of corporate units. Once a year, managers from the entire Scania organisation meet at the Global Management Summit. This conference focuses on overall strategy and top-priority actions.

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.

SCANIA'S STRATEGY

Heavy transport vehicles

Scania's operations focus on heavy commercial vehicles for transporting goods and people by road. This is the segment where the requierments – along with the profitability and growth – are the highest.

Vehicles in the heavy segment are often driven long distances and have a high degree of utilisation. Transport operations in this segment are dependent on appropriately specified and reliable vehicles as well as comprehensive services in order to be profitable.

Scania also provides engines for purposes other than heavy road transport.

Modular product system

With Scania's modular product system, customers can be offered optimised vehicles. 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 provides a carefully balanced number of main components with standardised interfaces. This results in great flexibility, which is important for Scania's cross-functional product development and global production. The modular system allows considerably longer production runs than is possible in conventional product systems. It also simplifies parts management, contributes to a higher service availability and makes it easier to train service technicians.

Integrated business – vehicles, services and financing

Scania offers its customers vehicles, services and financing. Understanding customer needs and the ability to offer combined solutions with outstanding value for each customer are vital to Scania's success.

Scania's customers often use their vehicles round-the-clock and require rapid access to maintenance and repairs at all hours from Scania's service network. Comprehensive packages of vehicles, services and customer financing are becoming more and more important.

Selective growth

Scania focuses on markets and segments where sustainable, profitable growth can be achieved. A growing base of profitable customers and additional business with existing customers are more important than aggressive growth – Scania grows with successful customers. Entering a new market or segment implies a long-term commitment to customers.

Core values

Scania's identity is shaped by its products – vehicles, services and financing – and by the people in the company, their values and working methods. Three core values – "*customer first*", "*respect for the individual*", and "*quality*" – tie together the company and form the basis of Scania's culture, leadership and business success.

■ *Customer first*

Through knowledge of customers' business operations, Scania focuses its efforts on creating added value for 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 delivery of services.

■ *Respect for the individual*

Respect for the individual is built by recognising and using all employees' knowledge, experience and attitude of continuously seeking to improve their work. New ideas and inspiration are born out of day-to-day operations, where Scania's employees develop their skills. This helps us ensure higher quality, efficiency and greater job satisfaction.

■ *Quality*

The customers' satisfaction and profitability require delivery of high quality from Scania. Through knowledge of customers' needs, Scania continuously improves the quality of its products. Deviations are used as a valuable source of information for further improvements, and are handled in well-established processes.

Increased need for transport services

In 2006, heavy truck sales in Europe reached their highest level ever. Scania foresees continued high demand for heavy transport vehicles.

The more global trade increases, the more the demand for transport services increases, and thus the demand for heavy trucks.

During the past decade, total goods transport volume in Scania's main market, Europe, rose by 28 percent while the demand for truck haulage rose by 35 percent.

One reason why road transport is increasing faster than economic growth is greater cross-border trade in Europe. The exchange of goods between western Europe and central and eastern Europe is increasing especially fast. In the new EU member countries, sizeable infrastructure investments are under way, and these countries are increasing their industrial production and exports. Meanwhile consumption is also rising in these countries, leading to greater overall demand for transport services.

Production is being concentrated

In addition, continuing globalisation is increasing world trade and transport needs.

The manufacture of products for the entire world market is concentrated at plants or in regions with the best competitive preconditions. For example, within a few years Slovakia is expected to have the world's highest car production per inhabitant. In a corresponding way, production of many electronic products and household capital goods is being concentrated in Asia.

Long-distance maritime shipments between continents occur cost-effectively in containers. Container traffic is rising three times faster than world trade. The various continents are seeing the emergence of logistics centres where containers are transferred to other vessels or to other modes of transport. Examples in Europe are Rotterdam and Hamburg. Increased global trade requires collaboration between maritime shipping, railways and trucks. A truck is almost always responsible for the final journey to the warehouse, shop and consumer. Because of their flexibility and reliability, trucks are an indispensable link in every supply chain.

During the coming decade, truck transport services in Europe are predicted to increase by as much as 60–75 percent, among other things depending on how efficiently trucks can utilise existing and future infrastructure.

Logistics a competitive tool

Global trade means increased competition. It also means that logistics becomes an important competitive tool. Efficient logistics enables companies to decrease their costs, while increasing their degree of service and customisation. With production becoming more customer order-controlled, there is a growing need for more flexible, reliable transport services.

Consolidation is increasing in the transport industry. More and more often, meeting the needs of customers requires large international terminal networks and the ability to manage different modes of transport in the same information system. Meanwhile the demand for specialised transport companies is increasing.

The combination of high-quality, customised vehicles and an international service network makes Scania a competitive supplier to transport companies.

A truck is almost always responsible for the final journey to the warehouse, shop and consumer.

The driver a key individual

Global trade and global production systems place growing demands on drivers. They are key individuals in production and distribution systems that are based on delivering goods in perfect condition and at the agreed time. Drivers are also required to manage increasingly advanced technology, both in their vehicles and in information systems. The driving profession is becoming more and more international. In this international setting the driver is not only a representative of the haulier, but also of the transport service buyer. In many markets, a shortage of professional drivers is now being reported.

The increased need for transport services has also led to a shortage of transport capacity. More trucks are needed than are being made, and the demand for both used and new trucks is larger than the available supply.

THE TRUCK MARKET

Increasing transport needs and a shortage of transport capacity are creating higher demand for vehicles and services in nearly all markets where Scania operates.

During 2006 Scania's order bookings rose by 21 percent to 68,409 trucks. Scania delivered a total of 59,344 trucks to customers, an increase of 13 percent on 2005.

Market trends in Europe

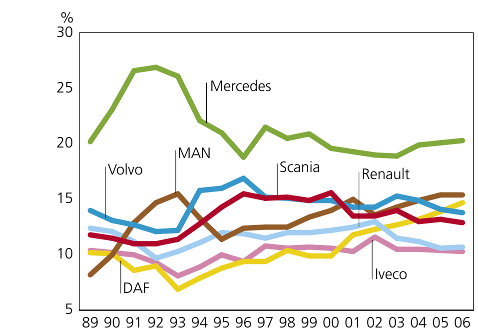
Europe, which is Scania's largest market, showed strong expansion during 2006. Sizeable investments in infrastructure in the new European Union member countries and strong growth in the Russian economy are contributing to rising transport demand. Investment levels are expected to remain high for several years ahead and will generate a high demand for transport capacity.

During the first half of 2006, order bookings were strong in the run-up to the environmental regulations that entered into force in the EU during the autumn and the new rules on digital tachographs. The pre-buy effect was less than expected, however. Order bookings gained additional strength during the fourth quarter.

In western Europe, Scania's order bookings improved by 11 percent to 38,642 units during 2006. The total market for heavy trucks in western Europe rose by 4 percent to about 261,000 vehicles. Scania truck registrations totalled some 33,600 units, equivalent to a market share of about 12.9 percent, compared to 13.2 percent in 2005. Great Britain was Scania's largest truck market, with 5,440 Scania trucks delivered during 2006.

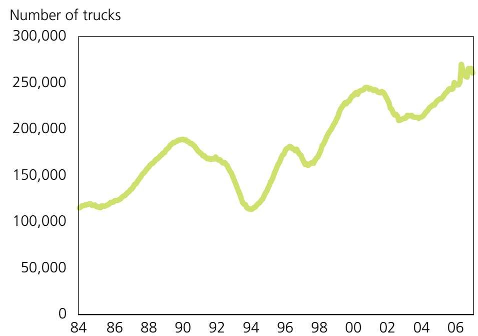
Central and eastern Europe is growing in importance to Scania and accounted for 15 (11) percent of trucks delivered during 2006. The strong trend continued during the year with a near-doubling of order bookings, up 93 percent. Demand strengthened in most markets, with especially vigorous increases in Poland and Russia. Russia is now Scania's eighth largest market, measured in Scania trucks delivered, and its fastest growing market. This strong growth is expected to continue. Scania measures its market share as the number of truck registrations, except in Russia, where registration statistics are incomplete, and where market share is instead expressed as a percentage of imported new trucks from Europe, Japan and the United States. In terms of these statistics, Scania had a market share of 31 percent in Russia.

Market shares, trucks above 16 tonnes in western Europe



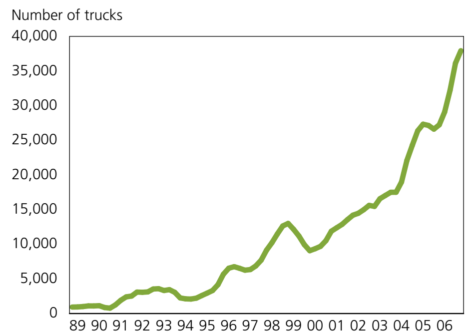
Truck manufacturers in Europe noted only minor changes in their market shares during 2006 compared to 2005. The exception was DAF, which improved its position somewhat.

The truck market in western Europe



The market for heavy trucks in western Europe has grown by more than 50 percent in the past decade.

The truck market in the new EU countries



Over the past several years there has been sharp growth in demand for heavy trucks in the new EU countries. In Scania's judgement, the potential for continued strong growth is good.

Trends in other markets

In Latin America, Scania enjoys a strong position, and order bookings rose by 19 percent during 2006. In the region's biggest country, Brazil, Scania had a market share of 26 percent, measured in truck registrations. Scania was thus the largest truck make together with Volvo. Mercedes was the third largest make, with a 24 percent market share. During 2006, Scania truck deliveries in Brazil totalled 5,063 units, making this Scania's second largest truck market after Great Britain.

Order bookings in Asia rose by 22 percent during 2006, mainly attributable to the Middle East and South Korea. Scania is working systematically to grow in Asia as the road network and other infrastructure develop. However, in China and India the markets for the heavy, advanced trucks that Scania manufactures are still limited.

THE BUS AND COACH MARKET

Scania's bus and coach operations focus on delivering complete vehicles, both through its own bodybuilding operations and collaboration with other bodybuilders.

After a weak start in 2006, the demand for buses and coaches strengthened following Scania's launch of its new bus and coach range. During 2006, Scania's order bookings for buses and coaches rose by 7 percent to 6,489 units. In Europe, demand weakened by 12 percent compared to the year-earlier period, despite strong demand in Russia.

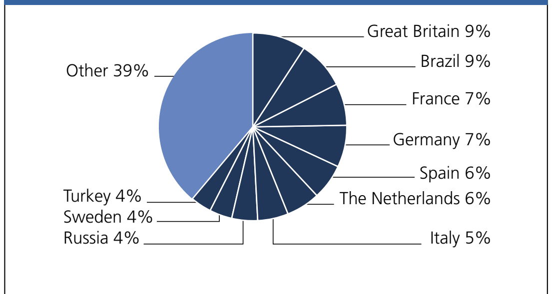
In Latin America, order bookings fell by 8 percent, while in Asia, Africa and the Pacific they rose by 69 per cent. A major order in Iran contributed to the increase. During 2006, bus and coach deliveries totalled 5,937 units.

INDUSTRIAL AND MARINE ENGINES

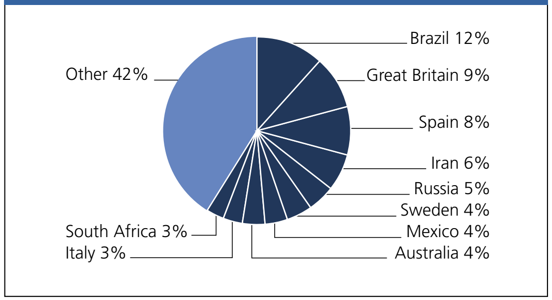
Scania focuses on heavy diesel engines in the 9 to 16 litre displacement segment. Most of Scania's industrial and marine engine deliveries consist of industrial engines for electricity generation (gensets). In marine engines for pleasure boats, Scania has had a strategic alliance with the Japanese company Yanmar for some years.

During 2006, deliveries of industrial and marine engines rose by 15 percent to 6,546 units. Order bookings were stable compared to the preceding year. Sales of engines in western Europe rose by 3 percent to 3,514 units. In Latin America, sales rose by 8 percent to 2,245 units. Sales in Africa and Asia increased sharply during the year.

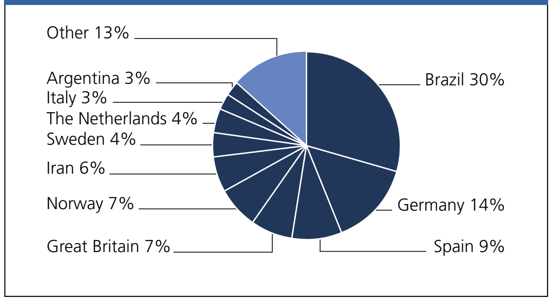
Truck deliveries by market, 2006



Bus and coach deliveries by market, 2006



Engine deliveries by market, 2006



More statistics about Scania's sales in various markets can be found at www.scania.com under Investor Relations.

Services generate value-added

In addition to high-quality trucks and buses, Scania sells services that improve its customers' competitiveness. Scania's services provide customer value by increasing vehicle uptime and generate income by contributing to cost-effectiveness and more reliable transport.

One characteristic of Scania is that customers should have the opportunity to tailor a combination of vehicles and services that best suits their own operations. Scania's service portfolio ranges from financing solutions before purchasing vehicles to repairs, maintenance and other service-related products in the customer's business operations.

This growing range of services constitutes an increasing proportion of Scania's overall operations. While sales of new vehicles vary with cyclical fluctuations, the company's service business grows along with the number of Scania vehicles in operation. During 2006, service revenue rose by 8 percent to SEK 13,595 million.

The service network

Scania's service network is now being broadened to provide one-stop shopping. The customer should be able to get maintenance and repairs for the whole vehicle at one time, including bodywork and trailers.

Scania has about 1,000 service workshops in Europe and a total of 1,500 around the world. The service network, combined with Scania Assistance roadside repair service, enables Scania to offer access to vehicle servicing 24 hours a day 365 days a year throughout Europe and in a number of Scania's markets outside Europe.

In order to guarantee customers everywhere a uniform high level of services from Scania, quality is assured

Borderless financing

"When we expanded operations to the countries of the former Eastern bloc, we demanded the same finance solutions that we got with Scania in western Europe. And we got them," says Sjang Emons, Managing Director of the Emons Group in the Netherlands.

Emons has turned over financing, servicing and maintenance of the trucks to Scania and need not think of anything else but the cost per kilometre. The Emons Group was one of the first customers to require a financing solution for trucks in several countries. Emons follows its customers. And Scania accompanies Emons as a business partner.

"Beyond Scania's high reliability and the quality of the truck, doing business with Scania is straightforward, which provides us with the ease of mind we need to run our core business," Mr Emons says.

through the Dealer Operating Standards (DOS). DOS is based on a number of pledges to customers that must be met in order for a dealer to be certified by Scania. To ensure that each business then sticks to its pledges, periodic audits provide follow-up.

In Europe, all Scania workshops are now DOS-certified. DOS is continuously spreading, and the aim is to certify all Scania workshops around the world.

Standardised goals, tools and training programmes as well as common working methods are also being introduced globally.

> “Scania has about 1,000 service workshops in Europe and a total of 1,500 around the world.”

Supporting the customer’s business

Scania’s services and IT-based systems improve customer profitability and competitiveness by contributing to the efficient utilisation of vehicles in daily business operations. One example is Scania Fleet Management – an administrative tool for transport management and vehicle monitoring.

Driver training

To customers, one increasingly important element of Scania’s service portfolio is driver training. Drivers are key individuals at transport companies. Well-trained drivers mean improved fuel economy, lower repair and maintenance costs, better road safety and reduced environmental impact.

Scania provides active driver training in over 30 countries. During 2006, more than 7,000 truck and bus drivers received such training. Courses include both theoretical and practical topics ranging from daily vehicle maintenance to economical, safe driving.

Financing

Financing and insurance solutions are rapidly growing elements of Scania’s operations. At the end of 2006, the customer financing portfolio amounted to SEK 31,800 m.

Scania offers customised financing solutions, enabling the customer to choose between loan financing and various forms of leases. The overall transaction may also include insurance. In about 40 markets, wholly owned finance companies are responsible for customer financing. In markets where Scania does not have its own finance company, financing is provided through export financing solutions or through collaboration with banks.

During 2006 Scania established new finance companies in Hungary, Switzerland and Chile.

Cross-border marketing organisation

Since the early 1990s, Scania has made sizeable investments in its own sales and service organisation. This has included both setting up new companies and acquiring national distributors, local dealerships and workshops. Today more than 40 percent of all Scania employees work at sales and service companies, compared to 10 percent in the early 1990s. And the trend is continuing.

Starting in 2006, Scania’s sales and service organisation has been divided into two parts. Franchise and Factory Sales is responsible for Scania’s product portfolio: trucks, buses, industrial and marine engines, parts and services. Sales and Services Management is responsible for Scania’s wholly owned sales and service network.

To take better advantage of economies of scale while responding to greater customer demands, Scania is establishing regional business units in its sales and service organisation. Important steps during 2006 were coordination of sales and service companies in the three Benelux countries and coordination of the companies in Germany and Austria. Similar business units already exist for the Czech Republic, Hungary and Slovakia; in the Balkans; and in Latin America; South East Asia; and southern Africa.

This regionalisation of the sales and service organisation will mean significant efficiency gains through coordination of administration, IT systems, purchases etc. The efficiency gains in sales and service operations are estimated at more than SEK 500 m. in savings per year when such regionalisation achieves its full impact in 2009.

For customers with international operations, this coordination means that to a greater extent, they will be dealing with a single distributor.

Growing with the customer

“Mercadona makes strict demands regarding transport reliability and quality. But their toughest demand is that we must grow together,” says Ángel Gonzáles Rubio, General Director of the Spanish haulage company Acotral, which provides transport services to Spain’s largest supermarket chain, Mercadona. Since 2002, the haulier has grown from 150 employees and 30 trucks to 1,400 employees using 600 trucks to transport goods to 1,000 supermarkets all over Spain. Goods deliveries must be error-free. To meet Mercadona’s demands, Acotral has decided not to drive its trucks longer than one year, which makes great demands on smooth vehicle replacements. “Scania understands our needs and has developed a system that enables us to replace our vehicles without any hassle,” Mr Gonzáles says. “It even happens that a truck driver on the way to one of Mercadona’s logistics centres stops at one of Scania’s dealerships and switches tractor units.”

To help Acotral save time and money, Scania Hispania has opened service workshops near Acotral’s logistics centres, which all its trucks drive past.

Renewed and broadened product range

In June 2006, Scania launched its new bus and coach range, featuring new engines. The most powerful bus and coach engine is now a version of Scania’s 470 hp, 12-litre engine featuring exhaust gas recirculation (EGR), intended for tourist coaches.

On the truck side, Scania unveiled a new long-haul truck, the R 480, with a 12-litre, 480 hp engine and EGR technology.

Scania broadened its Euro 5 range to include the P 380, R 380, P 420, R 420 and R 500 truck models.

Complete vehicles ex-factory

Bus customers, especially in Europe, increasingly buy a complete bus from a single supplier. To meet these customer demands, Scania works closely with a number of selected bodybuilders. Among these are Scania Omni when it comes to bodywork for city and intercity buses and Spanish bodybuilder Irizar for tourist and express coaches.

There is also a growing demand among truck customers for complete vehicles from Scania that can be placed in service immediately. In consultation with customers and based on good local market knowledge, Scania’s sales organisation is increasingly offering complete trucks in certain segments.

In the Swedish market, Scania introduced nearly a dozen completely built-up truck types during 2006, in timber haulage, long-haul, local distribution and other segments. Since Scania assumes responsibility for procuring the bodywork and supplies a complete truck, delivery time can be shortened.

Distance sensor

On a dashboard display, the driver can see that the adaptive cruise control is connected.

Driver support systems

Scania places the driver at the centre of its development work. During 2006 the company unveiled several new driver support systems that simplify the driver's job, improve road safety, lower costs and help reduce environmental impact:

Alcolock. Scania offers ex-factory alcolock preparation, which facilitates installation of the desired equipment.

Scania lane departure warning monitors a vehicle's position on the road and its steering wheel movements. The device can distinguish between active wheel movements and inattention.

Scania tyre pressure monitoring helps drivers always maintain the correct pressure for each tyre, resulting in better fuel economy and reduced tyre wear.

Adaptive cruise control helps the driver maintain a constant gap to the vehicle in front, for example in an uneven traffic rhythm, and it alerts the driver if this distance rapidly diminishes.

Scania Ecocruise can provide several percent better fuel economy without major loss of performance.

Vehicles for customers with different needs

Scania develops, manufactures and sells trucks and buses for heavy road transport. They encompass a wide variety of applications, with engine outputs ranging from 230 to 620 hp. Scania's modular product system gives customers nearly unlimited possibilites to specify a vehicle tailored to the transport needs of their own business. The more closely vehicles and related services are matched to a transport task, the better they can do their job while improving the customer's bottom line.

Customers in the construction segment want a complete vehicle that meets strict standards in terms of durability and capacity for handling heavy loads.

Special-purpose vehicles for public services like fire-fighting and refuse collection must be able to do their job efficiently everywhere.

A local distribution vehicle has to be customised to ensure that it is suitable for the cargo it will carry and the places it will be driven.

Long-haul traffic requires reliable vehicles with high uptime and good fuel economy to keep hauliers profitable in tough competition.

Buses and coaches in regional and intercity service must be safe, reliable and capable of being driven long distances at frequent intervals.

City buses need to run largely without interruption, transporting as many passengers as possible with minimal environmental impact.

Tourist coaches have to meet high standards of safety and comfort, providing well-planned space for passengers and baggage.

Research and development with a customer perspective

Scania's ambition is to be a leader in vehicle development and to foresee even today – based on customer needs – how technological opportunities can yield future improvements for customers.

Scania invests about four percent of its annual sales in research and development. R&D resources are concentrated at the Scania Technical Centre in Södertälje. Scania develops and manufactures all strategically and competitively important components in-house. Its research and development work thus encompasses the entire product development chain – starting with analyses of customer needs, macroeconomic factors and the competition, and continuing through basic research programmes, pre-production engineering, customer clinics and long-term testing, quality monitoring and consideration of environmental aspects.

Quality and environmental work permeates all stages of this R&D work, from long-term tests and field trials to production, both at Scania and its suppliers, as well as when the company's products are being used by customers.

Product development takes place close to production, so that products and production engineering can be developed concurrently. R&D work also occurs in close contact with the sales and service organisation, in order to incorporate existing customer needs and foresee future ones in different transport segments.

Future customer needs

The point of departure for Scania's R&D work is to predict what transport tasks customers in different segments will face in the future and to develop products and services that meet these requirements.

Successful product development begins with a thorough analysis of future customer needs, continues with cross-functional development work and ends with a new or improved product that can be offered to the market when the predicted need becomes a reality.

Continuous improvement in performance

The purpose of development work is to preserve and improve Scania product properties that customers perceive as especially valuable and associate with Scania. Among these properties, Scania is expected to be among the leaders in technical performance. To ensure that Scania lives up to these expectations, the company methodically pursues development work to improve the technical properties and performance of vehicles.

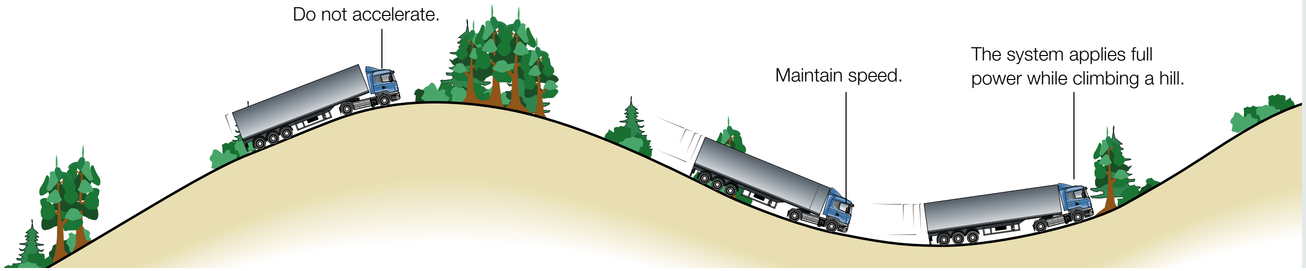
Key properties

A number of properties affect a vehicle's productivity and lay the groundwork for the profitability of transport companies. In terms of fuel economy and cargo capacity, Scania has been in a leading position for many years.

The engine greatly influences a vehicle's character and performance. It also provides the basis for fuel economy, environmental characteristics and the long service life of Scania's products.

Maintenance cost and uptime also weigh heavily in the customer's transport accounting. A vehicle well matched to its assignment lasts. It does not need to make unscheduled workshop visits.

The driver is at the centre of Scania's development work. The driver must be able to do a good, safe job –



Automated economical driving

One of the innovations launched during 2006 is Scania Ecocruise.

Based on cruise control, Scania has developed a system for fuel-efficient driving. It uses advanced economical driving techniques such as taking advantage of a vehicle's kinetic energy and avoiding unnecessary acceleration.

Field trials have demonstrated fuel savings of several percent with Scania Ecocruise, compared to ordinary cruise control. In addition, the spread between different drivers in terms of fuel economy narrowed significantly with Scania Ecocruise.

Customers who drive in hilly terrain benefit most from the system. It uses downhill kinetic energy when entering the next climb. A driver who has learnt to master economical driving will recognise the behaviour of a vehicle when it is driven with Scania Ecocruise.

and meanwhile enjoy driving. Comfort, driving position, ergonomics, the interplay between vehicle and driver, engine performance, responsiveness, handling – all these factors affect the driver's situation.

The driver is crucial to road safety. With the best possible support from the vehicle, driving becomes as safe as possible. This directly contributes to better operating economy and lower environmental impact – both for the customer and for society at large.

Another goal of all R&D is that the environmental impact during a vehicle's life cycle should be as small as possible. Production methods both at Scania and its suppliers are adapted to this. In its service network, Scania works methodically to ensure that it operates with the greatest possible respect for the environment.

The driving experience

In order for a Scania to be a Scania, the feeling has to be right. Scania attaches great importance to building in values that customers have learned to appreciate over more than a century of vehicle manufacturing. Customers must feel proud of their choice of vehicle – that they have chosen something beyond the ordinary. Drivers must feel that they are in the right place when driving a Scania. And the customer's customers – the buyers of transport services – must feel that the transport company they use knows its business and employs top-quality equipment.

Reduced emissions

Reduced exhaust emissions are an environmental goal that has been in the foreground of engine development for nearly two decades. Since the early 1990s, emissions from heavy vehicles have fallen radically. The step to

Euro 4 standards signifies that emissions of nitrogen oxides have fallen by 55 percent and of particulates (soot) by 95 percent. In the Euro 5 engines Scania sells today, the figures are 75 and 95 percent, respectively.

A reduction of particulates or nitrogen oxides normally impairs fuel economy. But due to successful product development, Scania trucks and buses today combine sharply lower emission levels with better fuel economy than 15 years ago.

In the heavy vehicle industry, two technologies are used to lower harmful emissions to Euro 4 or Euro 5 standards: EGR and SCR. Scania has developed engines for both.

Scania has found exhaust gas recirculation (EGR) to be the more attractive alternative for the customer. It requires no additives and no extra tanks that reduce cargo capacity. EGR also works well in urban traffic and other types of driving where exhaust temperature is comparatively low. With Scania EGR, some of the exhaust gases are fed back into the combustion chamber, lowering combustion temperature and reducing the level of nitrogen oxides emitted by the engine. Meanwhile the high fuel injection pressure in Scania engines reduces the quantity of particulates.

Selective catalytic reduction (SCR) is an aftertreatment system that reduces nitrogen oxides by injecting a urea and water solution into the exhaust gases following combustion. Scania has developed engines based on SCR technology for its powerful V8 engines and for its first engines that meet Euro 5 emission standards.

To prepare for the transition to Euro 5 in 2009, Scania is developing an upgraded engine range based on EGR technology. The new engines are being designed for a new extra high pressure injection system (Scania XPI), developed in partnership with Cummins, an American engine manufacturer. Through its strategic alliance with Cummins, Scania has ensured the necessary technology to meet future Euro 6 environmental legislation.

> “Customers that wish to reduce their oil dependence can thus begin the transition even today.”

Focusing on new fuels

Many years of interaction between tighter legally mandated emission rules in many countries and successful engine development have led to sharply reduced emissions from vehicle engines. When Euro 6 standards enter into force some time around 2012, harmful emissions are likely to be so low that the problem can be regarded as solved. Instead, other future issues have moved into the foreground: reducing carbon dioxide emissions and finding alternatives to increasingly expensive oil.

One consequence of this is a growing interest in renewable fuels. Research is intensive. The transition to other fuels can be accelerated smoothly by mixing biofuels into today’s diesel fuel. This can occur without large-scale technical changes, and both new and older vehicles can be driven using mixed fuel.

Today Scania already has fully developed technology for alternative fuels that are available in the market and can be used in combination with proven engine technology. Customers that wish to reduce their oil dependence can thus begin the transition even today.

Ethanol

Since 1989, Scania has delivered more than 600 ethanol buses for scheduled urban traffic, and the technology is well-established. Scania’s ethanol-adapted diesel engines make it possible to switch to ethanol power in heavy vehicles, with the high efficiency of a diesel engine. The fuel is pure ethanol with an ignition improver additive.

Ethanol is usually produced from sugar cane or sugar beets, but the raw material can also be cereals or other biological materials.

With simple technical adjustments, ethanol can be used in petrol-powered vehicles and is becoming an increasingly common fuel in cars. As a result, the ethanol supply infrastructure is being expanded on a large scale all over the world.

RME

Rapeseed methyl ester (RME) is produced from rapeseed (canola) oil and can be mixed with diesel. All Scania engines can run on diesel fuel with an admixture of up to five percent RME. Scania’s diesel engines with unit injectors can run on 100 percent RME at temperatures down to -10 degrees Celsius.

Synthetic diesel

Another alternative fuel is synthetic diesel, which can be produced from natural gas or biological wastes, among other sources. Synthetic diesel can be mixed to a successively increasing extent into ordinary diesel, providing a smooth transition to alternative fuels. One advantage is that it is then also suitable for older vehicles.

Gas

Gaseous fuel is bulky to store and carry. It is thus most suitable for stationary plants that generate heat and power. However, it can also be used for vehicles in city traffic, where the driving distance is limited and the fuel supply can be ensured. Such fuel may consist of natural gas or biogas. Since the early 1980s Scania has delivered more than 2,000 gas-powered engines.

Hybrid drive

Scania is also working with hybrid drive for heavy vehicles. The hybrid technology that Scania is now developing is based on robust technology from today's vehicles, supplemented with an electric motor for propulsion which also serves as a generator when braking, plus supercapacitors for storing energy. The power plant may be a diesel, ethanol or gas-powered engine.

Hybrid drive will be available in the market in a few years and will yield fuel savings of 25 percent or more in stop-and-go city traffic. Scania's development target is that hybrid drive should be directly profitable for the customer, without subsidies.

More than 100 patents during 2006

At the Scania Technical Centre, 2,000 specialists work with everything from mechanics, electronics, ergonomics, design and aerodynamics to social sciences. Every year Scania's research and development yields a number of patented inventions. During 2006, this work led to more than 100 patent applications.

Nowadays about half of Scania's patents are related to electronics and control systems. Their distribution in the vehicle is as follows: half of them are related to the engine and transmission, with the remainder related to the chassis and the cab.

Driver support

Among the innovations that received patent protection during 2006 are four mutually interrelated functions that give drivers real-time feedback about their driving style and suggestions for improvements. One function monitors a vehicle's movements in all directions, one monitors driving style in terms of the ability to anticipate events and obstacles looming ahead, one observes how the driver uses the various braking systems in relation to road conditions, and one tracks the driver's fuel-efficient driving capabilities.

Such functions can eventually be used to provide drivers with continuous support in order to hone their skills and prevent improper or unsafe driving habits. They are also used in workshops to tailor a vehicle's maintenance to its actual conditions of use, as well as to analyse and optimise the specification when the customer is ready to buy his or her next truck.

Production with a focus on continuous improvements

To maintain strong, sustainable competitiveness and profitable growth, Scania must become 6-8 percent more efficient per year. The company achieves this through continuous improvements in production and streamlining of production structure.

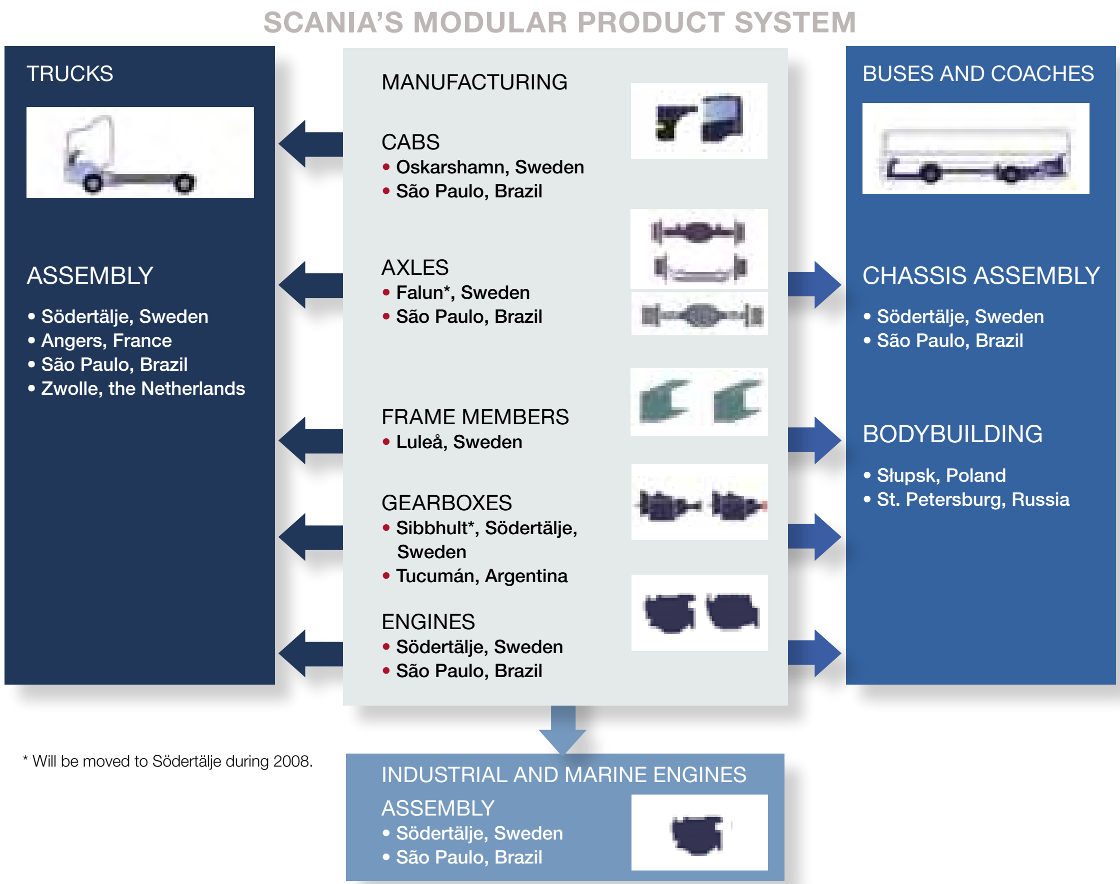
Scania has a globally integrated production network. Most components and parts, as well as working methods and quality and environmental standards, are the same at all production units.

The Scania Production System (SPS) has been developed in-house by the company's own employees. SPS includes principles and methods that lead to continuously ongoing improvement work. Common working methods are applied at all Scania production units around the world. Meanwhile ideas for improvements are continually encouraged and discussed. New solutions are being tested and evaluated all the time, and improvements introduced at one unit are disseminated systematically to the other units in the global production network.

The modular product system

Scania's production is based on a unique modular product system, which means that most vehicle and engine components may be elements of many different combinations. This, in turn, means that with a limited number of components, it is possible to achieve a large variety of vehicles. Because of the nearly unlimited potential combinations, customers can obtain vehicles that are designed in detail for the transport needs of their own business operations.

Meanwhile the modular product system provides economies of scale in development, production and service. Shared components are increasingly being used in trucks, buses and industrial and marine engines.



* Will be moved to Södertälje during 2008.

For example, a tourist coach may share up to 85 percent of its chassis components with a truck. Industrial and marine engines are developed on the basis of truck engines.

Production structure

In the past decade, Scania has successively streamlined and concentrated its production structure in Europe and Latin America. Among guiding principles have been that production should take place close to research and development, with final assembly preferably as close to the end customer as possible. Concurrent product and production development has clear efficiency and quality advantages. It also allows rapid adjustments in production based on customer demands and needs.

In Europe, Scania has concentrated axle, cab and engine production in Sweden. Final truck chassis assembly for European production occurs in Sweden, the Netherlands and France, and bus chassis assembly in Sweden.

Bus and truck production has been integrated since 2002, when bus production for the European market was moved to Södertälje. This coordination has led to a 50 percent productivity increase in bus production. In Latin America, operations in Tucumán, Argentina now focus on machining of gearbox components. Other production has been concentrated in São Paulo, Brazil, where final truck and bus chassis assembly also takes place.

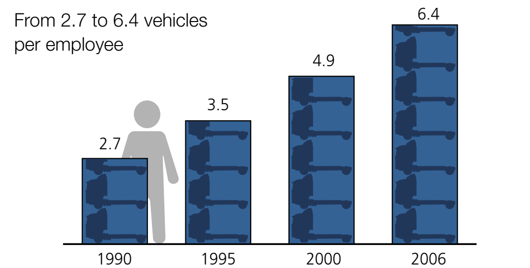
Continued streamlining of production structure

As part of its continuing effort to ensure maximum customer value and long-term competitiveness, in 2005 Scania began a review of its European axle and gearbox production. As a result, in March 2006 Scania decided to concentrate its European production of strategic axle and gearbox components in Södertälje. Non-strategic production will be exposed to competition and purchased from external suppliers if they can offer better long-term solutions. The target is to bring the labour portion of production costs below 15 percent, so Scania can meet the competition from low-cost countries and keep production in Sweden. Preparations for moving production of axles in Falun and of gearboxes in Sibbhult to Södertälje began in the second half of 2006. In the autumn of 2007, new equipment will be installed in Södertälje. By summer 2008, the new workshops will be in operation. The annual saving is estimated at over SEK 300 m., with full effect from 2009. Employees in Falun and Sibbhult are being offered continued jobs at Scania. Scania is also working to find interested parties to take over portions of production in Falun and Sibbhult and new companies that wish to establish operations in these towns. By the close of 2006, more than 300 replacement jobs had been secured.

Capacity for 100,000 vehicles per year

While changing its production structure, Scania is boosting technical production capacity. By investing some SEK 2 billion over 3 years, Scania plans to have the capacity to manufacture 100,000 vehicles per year by around 2010.

Number of vehicles produced per employee



One measure of increased production efficiency is how many vehicles are manufactured per production employee. In 1990, 12,000 employees produced 31,800 vehicles. In 2006, Scania's 10,500 production employees turned out 66,700 vehicles. The number of vehicles per employee thus rose from 2.7 to 6.4.

New engine assembly line

The new engine assembly line that was completed in the autumn of 2006 is one of the largest-ever renovation projects at Scania in Södertälje. The new line was developed according to the principles of the Scania Production System (SPS), which is based on the dedication of employees. All assembly stations were test-built and verified in a "development arena" where affected fitters had the opportunity to shape their new workplace, test assembly methods and refine working techniques in preparation for the move.

Involvement in societal issues affecting Scania and its customers

Scania focuses its involvement in societal issues to areas closely related to its own operations and those of its customers. In these areas, Scania can contribute expertise and participate in long-term partnerships aimed at achieving concrete results.

Transport of goods and people takes place mainly by road and is increasing as global trade expands. An efficient transport system is fundamental to the business of Scania and its customers, as well as to the well-being of society at large. It is thus important for Scania to participate actively in the task of dealing with the negative side effects of transport operations.

A transport system that is sustainable and efficient in the long term should be based on the smallest possible resource consumption and environmental impact, as well as the best possible road safety. Achieving this is in the public interest, both in industrialised and developing countries. Scania is deeply committed to this task.

Sustainable long-term development

As a global company, Scania influences and is influenced by economic, social and environmental factors in its surroundings. Scania deals with social and environmental challenges as the company's global organisation grows. Scania works with continuous improvements in the working environment and strives to reduce the environmental impact of its own production activities. However, most environmental impact occurs during the service life of its products. As a vehicle manufacturer, Scania considers it self-evident to work actively to reduce exhaust emissions, noise and personal injuries in traffic, for example, and to contribute to sustainable long-term development.

Scania as a reliable partner

If employees, business partners, customers and owners are to feel confident in a company, it must live up to high ethical standards.

Scania supports the OECD Guidelines for Multinational Enterprises. Together with Scania's leadership principles and core values, they form the foundation for all work throughout the Scania organisation.

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.

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 improvements, where fulfilment of legislation is fundamental.

Scania's environmental work is proactive, based on a life cycle perspective and the principle of precaution.

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 might 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.

Taxes: Pay on time.

Scania is making demands on its suppliers

Given its acceptance of social responsibility, aside from demanding high standards of quality, product development, cost-effectiveness and delivery capacity, Scania also makes social and environmental demands on its suppliers.

Scania pursues a close dialogue with its suppliers, among other things to ensure that these companies are well run, offer good working conditions and handle environmental issues in a satisfactory way. This dialogue includes evaluating the work of suppliers, but also training them and providing advice.

Good corporate governance implies transparency

To ensure good corporate governance, Scania must operate openly and transparently. In this way, Scania contributes to a correct evaluation of the company. Further information is found in the “Corporate governance” section on pages 45–49 and on Scania’s website, www.scania.com.

Improving road safety in Brazil

Scania is a sponsor of the Brazilian foundation known as FABET (Fundação Adolpho Bósio de Educação no Transporte) in its work to promote improved road safety. Since it was established in 1997, FABET has trained more than 12,000 drivers, using vehicles donated by Scania. In July 2002, the FABET training and technology centre in Concórdia, southern Brazil, was inaugurated. The centre provides training to truck and bus drivers. FABET also runs programmes for children and young people, aimed at improving road safety and at providing basic education to unemployed young people for a future as drivers or vehicle service technicians. The Brazilian government and Scania together contributed most of the funds for construction of the new centre. Scania has also donated 12 trucks as well as fully equipped instruction premises.

Efforts to improve road safety

Scania develops and markets vehicles, offers driver training programmes and works together with the World Health Organisation (WHO) to improve road safety around the globe.

Natasha Tarlato at Scania Australia is in charge of the Young Australian Truck Driver competition, which is being organised for the first time in 2007. There is intensive interest, and the final will be broadcast on television.

Road safety is an important issue for Scania's customers and is a part of Scania's tradition, strategy and brand. By developing driver support products and services and by disseminating knowledge and experience, Scania helps improve safety on our roads.

Road safety is all about interaction between roads, vehicles and people, and the task of improving road safety must occur in an integrated way. Better infrastructure and vehicle development can achieve a great deal. But road safety is, above all, a matter of human behaviour and attitudes.

Improved road safety is a shared responsibility and thus requires efforts by governments, public authorities, the vehicle industry, transport companies, NGOs and others.

An urgent international issue

Every year 1.2 million people die in road accidents and 50 million more are injured. This makes road accidents the ninth most common cause of death in the world and one of our major health problems. If nothing is done, traffic fatalities are expected to be the third largest cause of death in the world by 2020.

Creating an efficient, sustainable transport system that ensures the safety of road users is a major challenge, and road safety issues are regarded as increasingly important at both the national and international level. At the turn of the 21st century, the European Union established the goal of halving the number of deaths on EU roads by 2010. A slight decline has been achieved, but if this goal is to be reached, further major efforts will be required.

At the international level, the World Health Organisation (WHO) was assigned the task of coordinating the road safety work of the United Nations. Since 2005, Scania has been involved as a partner in this task. As one element of its partnership with WHO, Scania participated in the organisation's World Conference on Injury Prevention and Safety Promotion in Durban, South Africa and has also organised several joint information meetings on road safety in central and eastern Europe.

Focusing on the driver

Scania focuses on the driver in all its development work and believes that the driver is the most important actor in improving road safety. This is why Scania works continuously to develop new products and services that will help the driver make the right decisions behind the wheel.

Good driver training can improve a vehicle's fuel economy by 10–15 percent.

Important elements of Scania's long-term road safety work are driver training and driver competitions.

Scania is constantly developing its vehicles to improve safety. This includes both active and passive safety, i.e. efforts to prevent accidents as well as to minimise the damage when accidents occur.

In 2006 Scania unveiled several new active safety systems, including lane departure warning, tyre pressure monitoring and an automated system for maintaining the proper distance behind other vehicles.

Scania offers driver training in a number of markets around the world. During the past decade, Scania has helped ensure that more than 20,000 Brazilian truck drivers received training. In South Africa, every year about 1,000 drivers are trained at the Scania Driver Academy. In Europe, Scania will offer driver training that meets the standards set by EU legislation on compulsory training of bus drivers starting in 2008 and truck drivers starting in 2009.

With the endorsement of the European Commission, Scania organised the Young European Truck Driver competition in 2003 and 2005, the world's largest event of its kind. Starting in 2007, Scania's driver competitions are becoming a global arrangement, featuring contestants from some 40 countries in Europe, Latin America, Asia and Africa.

Driver training in South Africa

Every year, the Scania Driver Academy in South Africa trains about 1,000 truck and bus drivers. The Academy's courses include both further training of customer companies' drivers and basic training of previously unemployed youth as professional drivers. The latter activity enables Scania to recommend a thoroughly trained driver to its customers. This is highly appreciated, since there is a major shortage of truck drivers in South Africa.

Environmental work at all levels

Scania works to minimise its impact on the environment in all stages of a vehicle's life cycle and in all Scania operations.

Efficient resource utilisation and the smallest possible environmental impact – these are the goals of both Scania's own operations and of the products that Scania offers its customers.

Scania's environmental work occurs with a life cycle perspective: the objective is to reduce the environmental impact of Scania products in all phases throughout their useful life. For vehicles, the life cycle does not end until they are disassembled and what remains is recycled or disposed of.

Scania works continuously with research and development concerning the environmental impact of its products and production network. The product development stage is of fundamental importance, since it determines the conditions for resource use and environmental impact during both production and the entire life cycle

Scania involved in international ethanol project

Ethanol is a renewable fuel that does not cause any net increase in atmospheric carbon dioxide. Scania has supplied ethanol buses to public transport companies in Swedish cities for 15 years, delivering a total of more than 600 buses.

As the world's only supplier of ethanol-powered commercial vehicles, during 2006 Scania delivered city buses to the BEST project's tests of ethanol as a vehicle fuel. The BioEthanol for Sustainable Transport (BEST) project was started by the City of Stockholm (Sweden) and the BioAlcohol Fuel Foundation (BAFF) and is now partially funded by the EU. It promotes large-scale use of ethanol as a vehicle fuel. This will include construction of filling stations and the start of trials for both cars and city buses in a number of cities. Project participants are La Spezia (Italy), Stockholm, the BioFuel Region of northern Sweden, Rotterdam (the Netherlands), Dublin (Ireland), Somerset County (UK), Madrid and the Basque region (Spain), Nanyang (China) and São Paulo (Brazil).

of vehicles. During the production phase, the Scania Production System (SPS) encourages resource-efficient management of raw materials and energy.

Integrated environmental work

Scania's environmental work is integrated into its regular organisation.

The highest decision-making body for environmental issues is the Scania Executive Board, which makes overall and strategic decisions. Operational decisions in the environmental field are made in Scania's line organisation, where all managers have environmental responsibility for their own operations. Local management teams are responsible for environmental targets and follow-up at local level.

The environmental work of the line organisation is backed up by local environmental coordinators. Coordination of environmental work occurs in the Scania corporate unit for environment and quality.

Scania's environmental policy and the OECD guidelines apply to the entire Group. At production units, overall environmental goals provide the basis for detailed targets at the local level. Environmental and health work at production units is evaluated by the Scania Blue Rating system, which is also used to improve such work and disseminate best practice. This methodology has proved successful and will be expanded by being applied to the service network as well.

Scania's production units, as well as its research and development units and corporate units, are certified according to ISO 14001 international environmental management standards. In the sales and service organisation, environmental work is part of the Dealer Operating Standards (DOS), which are followed up in regular audits.

In Germany, the reduction of exhaust emissions is being stimulated by lower road charges for vehicles that meet future emission requirements in advance.

Scania as a customer

Scania's production activities involve materials and components purchased from external suppliers. The company considers it important that the actions of suppliers are consistent with Scania's overall approach to the environment. Scania surveys suppliers' environmental work by using an Environmental Self Assessment and by means of recurring follow-ups, thereby achieving continuous improvements, enhanced expertise and environmental awareness among suppliers. Scania's supplier development work includes providing back-up for suppliers' efforts to improve the efficiency of their production processes, thereby reducing their resource use and environmental impact.

One step ahead of environmental standards

Most of the environmental impact of Scania products occurs during the service lives of vehicles and industrial and marine engines. For noise as well as a number of exhaust emissions, such as nitrogen oxides and particulates, there are legally mandated standards and threshold limits in most of Scania's markets.

Scania works with continuous improvements in the environmental characteristics of its products. In product development, the company establishes strategic targets that must be met. The ambition is to always be able to offer customers products that are at least one level better than the existing legal standards.

As early as 2004, Scania was the first manufacturer to offer its customers engines that met Euro 4 emission standards, which became mandatory for new trucks and buses in the EU in October 2006. The next phase in EU environmental legislation is Euro 5, which enters into force in October 2009. Here, too, Scania is one step ahead, having introduced engines during 2006 that meet these standards. Staying ahead of environmental legislation is an important competitive factor. Many customers view their vehicle investments in a long-term perspective. Environmental characteristics are often high priorities. In a number of countries, environmentally low-impact vehicles benefit from tax- and toll-based incentives. For example, in Germany they receive discounts on road charges.

Many transport companies also choose to devote extra effort to improving environmental characteristics as part of their public image or to meet specific requirements from their customers.

Environmentally friendly, fuel-efficient driving is another important element of the driver training that Scania offers and can improve fuel consumption by 10-15 percent.

Future engine technology

Increasing attention is being devoted to carbon dioxide emissions and their effects on climate. For many years, Scania's development work has focused on being able to offer vehicles with improved fuel consumption and thus low emissions, which is good for both the environment and the customer's operating economy. As the "Research and development" section (pages 20–23) indicates, Scania offers fully developed alternative fuel technology. Customers wishing to reduce their oil dependence have the opportunity to begin the transition even today.

Scania's environmental information praised

Scania's environmental and sustainability information in the 2005 Annual Report received first prize from FAR-SRS, the institute for the accountancy profession in Sweden. The prize jury especially praised Scania's environmental performance as well as the clarity of its environmental management.

ENVIRONMENTAL ECONOMICS AT SCANIA

Improved resource conservation and reduced emissions are leading to cost-effectiveness and lower environmental impact.

Environment and economics

The overall targets of Scania's environmental work during the period 2005-2009 include energy use, organic solvent emissions and waste. Efforts are focusing on energy-saving. The aim is to steadily decrease energy use per vehicle at comparable production volume and in the existing production structure. Based on overall targets, detailed local targets are established.

During 2006, Scania's costs for raw materials, chemicals, energy and water totalled SEK 2,759 m. This was equivalent to 3.9 percent of Scania's sales. Use of raw materials as well as total energy use rose, but at a slower pace than the production increase. However, the costs of both raw materials and energy increased due to rising prices. Transport costs also rose, from SEK 1,733 m. to SEK 1,900 m.

Emissions of carbon dioxide from Scania's production units totalled 84.2 kilotonnes. In relation to Scania's sales, this represented 1.2 g/SEK. One change in 2006 was that the basis for calculating carbon dioxide emissions was revised in order to follow a recalculation factor employed by International Energy Agency Data Services. Using the same calculation factor for 2005 emissions, Scania's emissions per vehicle produced fell by nearly 10 percent compared to 2005.

Two heat supply units in Oskarshamn and Södertälje, Sweden are included in the EU trading system for carbon dioxide emission allowances. During 2006, Scania bought no extra emission allowances.

Scania is pursuing the task of reducing climate-affecting emissions with the support of the principle of continuous improvements and in accordance with Scania's position on the climate issue. A detailed account of measures and outcomes, as well as a summary of environmental performance by production unit, can be found on Scania's website, www.scania.com.

Environmental investments

As defined in the European Commission's recommendations on voluntary reporting and elsewhere, an environmental investment is an investment carried out only for environmental reasons and aimed at reducing external environmental impact. Scania does not regard high environmental investment costs according to this definition as a goal in itself or as a good yardstick of environmental commitment. An investment is often motivated by several different reasons, of which environmental impact may be one. Scania prefers to take the environment into account when making new investments instead of subsequently investing in filters and separate purification units. This investment strategy yields a high effect in the form of environmental improvement per krona invested.

During 2006, Scania invested a total of SEK 3,539 m. in property, plant and equipment. Of this, SEK 30.4 m. was classified as environmental investments according to the above definition. The amount is roughly the same as the year before.

Environmental risk management

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

Soil inventories and clean-up

Orientation studies and risk assessments of soil and groundwater contamination have been completed at all production units. Based on the inventories, risk areas have been identified and the necessary actions have been taken or initiated, for example in Meppel, the Netherlands.

Operating permits

The operations at Scania's production units around the world have permits that comply with national legislation. The environmental impact from these units mainly consists 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.

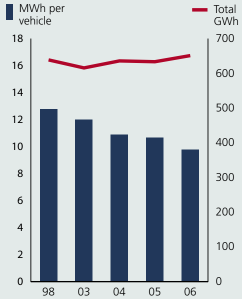
New permits have been issued for the new paintshop in Meppel, the Netherlands, which will go into service in 2007, and for the plant in São Paulo, Brazil. Scania has applied for a new permit for expansion of operations in Södertälje, Sweden.

During 2006 there were no violations of the existing permit conditions. No incidents occurred that caused significant environmental impact or led to major clean-up expenses.

Year	2006	2005	2004
No. of vehicles produced	**66,737**	59,503	58,672
Net sales, SEK m.			
Scania products	**70,738**	63,328	56,788
Raw material consumption			
Per vehicle, kg	**3,100**	3,100	3,400
Total, tonnes	**207,000**	187,000	199,000
Total, SEK m.	**2,310**	1,890	1,690
Chemical consumption			
Per vehicle, m³	**0.084**	0.087	0.083
Total, m³	**5,600**	5,200	4,900
Total, SEK m.	**163**	151	144
Energy use			
Per vehicle, MWh	**10**	11	11
Total, GWh	**652**	635	640
Total, SEK m.	**279**	238	207
Carbon dioxide emissions*			
Per vehicle, kg	**1,300**	1,200	1,300
Total, tonnes	**84,200**	69,000	74,000
Water use			
Per vehicle, m³	**11**	11	10
Total, 1,000 m³	**705**	660	580
Total, SEK m.	**7**	7	7
Solvent emissions[1]			
Per vehicle, kg	**5.4**	5.5	5.2
Total, tonnes	**360**	330	300
Recycling of residual products and waste			
Per vehicle, kg	**1,000**	1,000	1,000
Total, tonnes	**64,000**	60,000	59,000
Revenue, SEK m.	**71**	46	54
Sent to landfills[2] and other off-site disposal			
Per vehicle, kg	**170**	180	190
Total, tonnes	**12,000**	11,000	12,000
Total, SEK m.	**20**	22	23

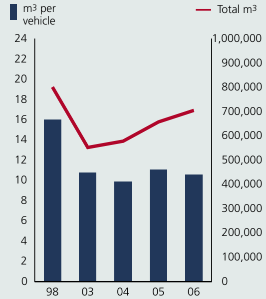
1 From painting/rust-proofing.
2 Excluding foundry sand, about 22,900 tonnes of construction material sent to landfills.

Energy use



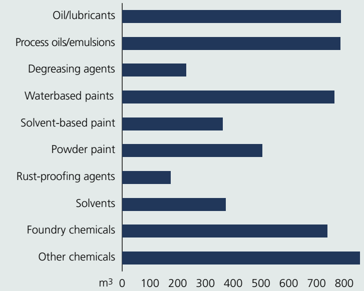
During 2006, total energy use increased, but decreased per vehicle produced.

Water use



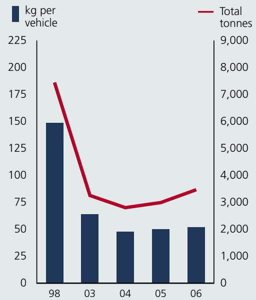
Water use per vehicle produced was unchanged compared to the preceding year.

Chemical use



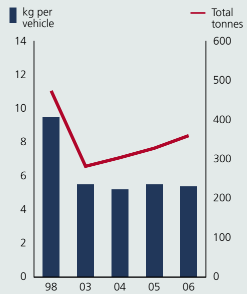
The consumption of chemicals was about 5,600 m³. This represented a decrease from 87 to 84 litres per vehicle.

Residual products sent to landfills



The quantity of residual products sent to landfills rose to about 3,500 tonnes, equivalent to 52 kg per vehicle, excluding foundry sand.

Solvent emissions



Total solvent emissions from painting/rust-proofing increased, but decreased slightly per vehicle produced, from 5.5 to 5.4 kg.

Carbon dioxide emissions related to energy use

	Energy use, GWh		Carbon dioxide emissions, ktonnes*	
	2006	1996	2006	1996
Electricity	417	360	38	23
District heating	68	130	5	9
Fossil fuels	167	200	41	51
Total	652[3]	690[3]	84	83

Per vehicle 9,800 kWh 1.3 t

3 Sub-totals and totals have been rounded off.

In 2006, carbon dioxide emissions from Scania's production network totalled 84,200 tonnes.

* In 2006, Scania is applying a new recalculation factor for emissions from electricity generation.

Dedicated employees

Continuous human resource development and dedicated employees will enable Scania to successfully meet external expectations.

At Scania's technical upper secondary school, theory alternates with practical training.

One precondition for employee dedication on the job is that everyone should feel a sense of well-being. Scania's way of achieving this is based on clear leadership, employee participation and a good working environment, with active efforts to ensure employees' professional development, job satisfaction and health.

Every year Scania conducts employee surveys, which provide the basis for continuously ongoing improvement work. The responsibility for implementation rests with each manager.

Leadership and "employeeship"

A manager at Scania is responsible both for operations and personnel. Scania applies a set of common leadership principles. These five principles are to

1. coordinate but work independently – take responsibility
2. work with details and understand the context
3. act now – think long-term
4. build know-how through continuous learning
5. stimulate commitment through involvement.

Scania utilises the capabilities of employees and their desire for professional development through regularly recurring human resource development discussions.

At Scania, operational development and human resource development go hand in hand. The company works both with being a learning organisation and with traditional training programmes. Being a learning organisation means learning from colleagues, participating in projects, switching job assignments within a working team and undergoing practical training elsewhere in the company. Scania's own training programmes provide several hundred courses. In the Swedish organisation alone, some 200 internal lecturers and more than 15,000 employees participate each year in some form of training.

Leadership training at Scania ranges from courses for future production supervisors and team leaders to advanced leadership development in collaboration with universities, colleges and international research institutions. Internal recruitment and training play a key role in Scania's long-term management and talent recruitment. To employees, this opens up opportunities in Scania's global organisation. For example, the Personnel Exchange Programme (PEP) enables employees to work for Scania in other countries during a limited period.

Vocational training at Scania

For over 60 years, Scania's technical upper secondary school in Södertälje has offered a unique opportunity to combine employment with training. Theory alternates with practical training clearly connected to operations. Every year, the school accepts about 40 students. They are regular employees who earn a salary from the first day. After completing the programme, they are offered jobs as industrial technicians at one of Scania's production units. Similar vocational training is available in São Paulo, Brazil.

Scania trainees

To safeguard its long-term supply of employees for key positions, every year Scania hires about 25 university graduates in engineering, business administration and information systems for its trainee programme. The programme runs for more than one year and may have an industrial, commercial or financial focus. It includes practical training periods at various Scania units, both in Sweden and in other countries.

Development engineers

For future product developer positions, each year Scania recruits newly graduated Bachelors of Science in Engineering into its Development Engineer Programme. It runs for ten months. Participants alternate between day-to-day

operations, development projects and training courses. After they complete the programme, a job as a development engineer at the Scania Technical Centre awaits.

The employees of the future

Scania regards the school system as one of its most important suppliers. Schools are where tomorrow's employees receive their knowledge and develop their interests. To promote future recruitment of dedicated employees, Scania is working to increase interest in technology and in Scania among students at all educational levels.

The proportion of women in senior management positions is gradually increasing. Among students in Scania's trainee programme, which for many people is the start of a future management career, the proportion of women was 32 percent during 2006, compared to 6 percent in 1996.

Scania works actively to encourage women to apply for technically oriented education at the university level.

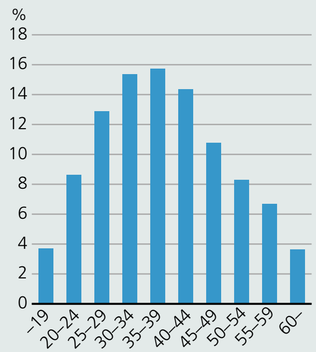
In the autumn of 2006, the Royal Institute of Technology in Stockholm decided to move most of its three-year BSc in Engineering programmes to Södertälje from 2008. Scania sees great potential for educational collaboration and contacts with future employees. Scania's contributions to the new programmes will include commissioned courses, summer and graduation project jobs, lecturers and equipment.

Well-being

Scania works actively with employee health and safety programmes and in designing job descriptions. It devotes extensive efforts to fitness activities and occupational health care. Early in 2006, Scania began a two-year trial in Södertälje where employees and their families have access to the company's own health care facilities six days a week.

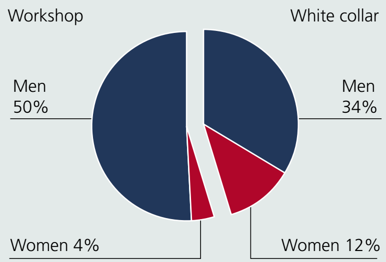
EMPLOYEE STATISTICS

Age distribution



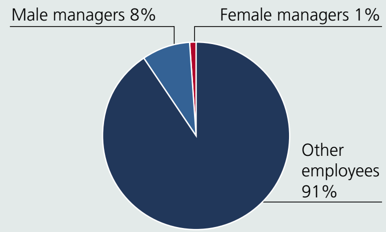
Most Scania employees have many productive years left in their careers.

Gender distribution, workshop and white collar employees



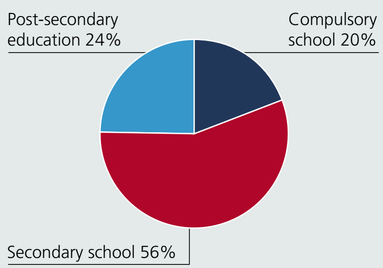
Women and men have the same opportunities at Scania. Yet gender distribution remains uneven.

Percentage of managers and other employees



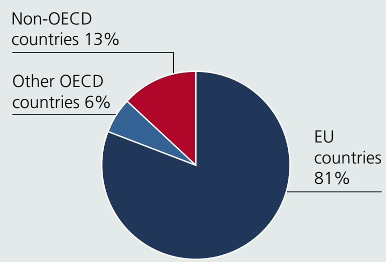
During 2006 the proportion of male managers declined from 10 to 8 percent of all employees. The proportion of female managers was unchanged.

Educational level



Eighty-one percent of employees have an education equivalent to a secondary school diploma or higher.

Salaries and mandatory social insurance fees, by region



Sharp share price upturn during 2006

Scania's Series B share price rose by 67 percent during 2006. Including the dividend, a B share provided a total return of 75 percent, compared to the SIXRX index which provided a return equivalent to 28 percent. Scania's market capitalisation rose to SEK 97,150 m.

In the past five years, a Scania B share has averaged a total yearly return of 27 percent, compared to 17 percent for the SIXRX.

Share trading

Scania B share trading volume averaged 1,270,800 shares per day in 2006, up 84 percent on 2005. The turnover rate was 344 percent (175), compared to 147 percent for the Stockholm Stock Exchange as a whole. On 18 September, German-based MAN AG presented a public offer to Scania's shareholders. As a result, trading in Scania shares was higher than normal during the latter part of the year.

About 30 equities analysts at banks and brokerage houses regularly follow financial developments at Scania. Interest in Scania from both analysts and investors increased during 2006.

Dividend

The proposed regular dividend of SEK 15.00 per share is equivalent to 50.5 percent of 2006 net income. In the past five years, an average of 52.8 percent of net income has been distributed to the shareholders.

The company's capital needs are continuously evaluated and adapted to the investments required to safeguard growth. In Scania's view, this creates higher long-term shareholder value than a fixed dividend policy.

The programme at the Capital Markets Day in December included a visit to the Scania Technical Centre.

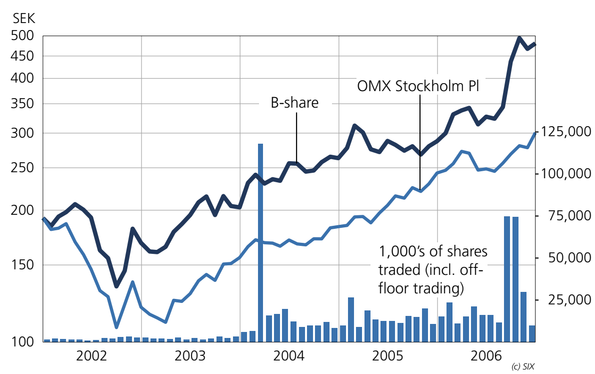
The ten largest shareholders, 31 January 2007

Owner	% of capital	% of votes
Volkswagen AG	18.7	34.0
Investor AB	11.0	20.0
MAN AG	13.2	14.8
Knut & Alice Wallenberg Foundation	5.3	9.7
Bear, Sterns & CO	5.3	1.3
AMF Pensionsförsäkring AB	2.7	1.3
Swedbank Robur mutual funds	2.8	1.3
UBS AG London Equities	0.8	1.1
JP Morgan Chase Bank	3.5	0.8
Credit Suisse Securities	1.3	0.6
Ten largest owners	64.6	84.9

About Scania shares

Scania has been quoted on the Stockholm Stock Exchange since 1 April 1996. Its share capital is divided into 100 million Series A shares and 100 million Series B shares, where each A share represents one vote and each B share represents one tenth of a vote. Otherwise there are no differences between these types of shares. The nominal value per share is SEK 10. Further information on Scania shares is available on **www.scania.com** under **Investor Relations.**

Share price performance, Stockholm Stock Exchange, Scania B shares



New capital structure

Scania's robust earnings and cash flow have strengthened the company´s financial position. Under the prevailing market conditions, and based on current investment plans, the company's finances will remain strong during the coming years. In order to achieve an efficient capital structure, the Board of Directors proposes that SEK 7 billion, equivalent to SEK 35 per share, be distributed to the shareholders. It proposes that this should occur by means of a redemption procedure, in which each share is divided into four regular shares and one redemption share. The redemption share will be redeemed for SEK 35 per share. Together with the proposed regular dividend, this means that the shareholders will receive a total of SEK 10 billion, equivalent to SEK 50 per share.

Outlook for 2007–2009

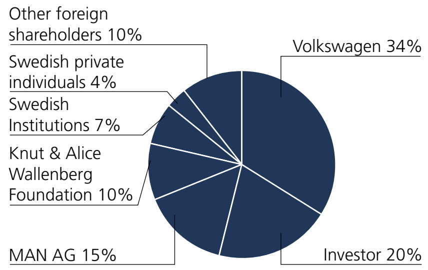
Scania expects continued strong growth in the demand for transport products in the next few years. Consolidated sales are predicted to increase by an average of 10 percent annually in 2007–2009. To meet this growth, Scania will invest in higher production capacity. By about 2010, capacity will total 100,000 vehicles. The investments needed to achieve this will total about SEK 2 billion, or the equivalent of about SEK 700 m. per year. Scania's total investment needs, including research and development efforts, will be equivalent to an estimated 8–9 percent of sales.
The operating margin is expected to be in the 12–15 percent range during the period. Growth in earnings per share is projected to average more than 17 percent annually.

Per share data

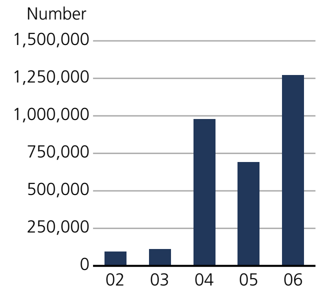
SEK (unless otherwise stated)	**2006**	2005	2004	2003	2002
Year-end market price, B share	**481.00**	287.50	263.00	203.00	168.50
Earnings	**29.70**	23.33	21.57	15,17	13.70
Price/earnings ratio, B share	**16**	12	12	13	12
Dividend*	**15.00**	15.00	15.00	6.00	5.50
Redemption*	**35.00**	–	–	–	–
Dividend yield, %**	**3.1**	5.2	5.7	3,0	3.3
Dividend payout ratio, %	**50.5**	64.3	69.5	39,6	40,2
Equity	**131**	119	107	91	85
Cash flow, Vehicles and Service	**34.71**	19.33	13.43	12.25	17.92
Number of shareholders***	**107,487**	109,400	46,400	39,000	39,000

* For 2006: Proposed by the Board of Directors.
** Dividend divided by the market price of a B share at year-end.
*** On 31 January 2007.

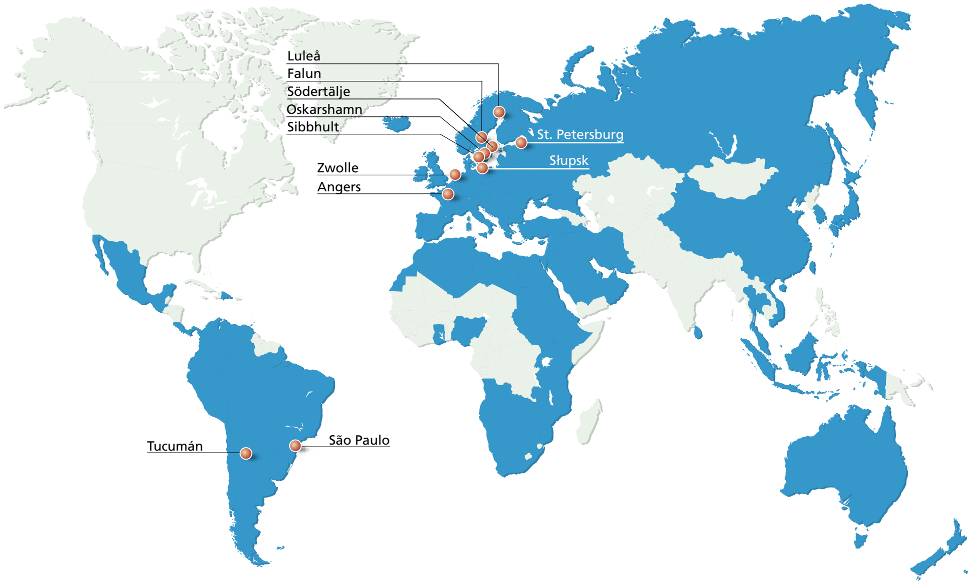
Shareholder structure (votes)



Average number of B shares traded daily



The world of Scania



SALES AND SERVICE

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

RESEARCH AND DEVELOPMENT

Research and development activities employ 2,174 people. R&D is concentrated at the Scania Technical Centre in Södertälje.

GLOBAL PURCHASING

In addition to its corporate purchasing department, Scania has local procurement offices in Poland, the Czech Republic, the United States and China.

HEAD OFFICE

Sweden (number of employees)

Södertälje (2,744)

PRODUCTION UNITS

Sweden

Södertälje (2,742)
Production of components, engines, trucks and bus chassis.

Falun* (843)
Production of axles.

Luleå (620)
Production of frame members and rear axle housings.

Oskarshamn (1,707)
Production of cabs.

Sibbhult* (612)
Production of gearboxes.

Argentina

Tucumán (744)
Production of gearbox components.

Brazil

São Paulo (2,865)
Production of engines, gearboxes, axles, cabs, trucks and bus chassis.

France

Angers (560)
Assembly of trucks.

The Netherlands

Zwolle (1,486)
Assembly of trucks.

Poland

Słupsk (688)
Assembly of bus bodies.

Russia

St. Petersburg (216)
Assembly of bus bodies.

* Of which 211 contract employees in Falun and 95 in Sibbhult due to changes in production structure.

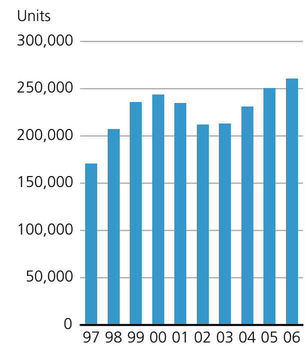
THE TRUCK MARKET

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

Rank		Country	2006	2005	Change in %
1	(1)	Great Britain	5,440	5,343	2
2	(2)	Brazil	5,063	5,157	-2
3	(3)	France	4,259	3,954	8
4	(4)	Germany	4,243	3,831	11
5	(6)	Spain	3,673	3,022	22
6	(7)	The Netherlands	3,499	2,602	34
7	(5)	Italy	3,097	3,170	-2
8	(11)	Russia	2,565	1,422	80
9	(8)	Sweden	2,338	2,101	11
10	(9)	Turkey	2,241	2,019	11

Total Scania deliveries to customers reached 59,344 trucks during 2006, an increase of 12.9 percent compared to 2005.

Total registrations of trucks above 16 tonnes in western Europe



Registrations of trucks above 16 tonnes in Scania's largest markets

Units	2006	2005	2004
WESTERN EUROPE			
Total	**260,748**	250,650	230,933
of which Scania	**33,625**	33,107	30,007
Great Britain	**34,670**	35,732	34,005
of which Scania	**5,757**	5,698	5,818
France	**44,355**	46,235	38,341
of which Scania	**3,893**	4,417	3,382
Germany	**63,081**	56,435	53,988
of which Scania	**4,511**	4,166	3,777
Spain	**32,281**	31,829	28,890
of which Scania	**3,259**	3,344	3,218
The Netherlands	**15,998**	11,200	11,458
of which Scania	**3,188**	2,190	2,212
Italy	**25,839**	24,577	23,915
of which Scania	**3,136**	3,160	3,194
Sweden	**5,297**	4,922	4,376
of which Scania	**2,350**	2,235	1,980
CENTRAL AND EASTERN EUROPE			
Russia	**9,080**	4,248	3,224
of which Scania	**2,820**	1,368	1,126
Poland	**11,361**	7,843	8,449
of which Scania	**1,778**	1,017	1,412
Czech Republic	**6,259**	5,472	4,908
of which Scania	**1,070**	772	807
Slovakia	**3,334**	2,547	1,871
of which Scania	**632**	516	429

Units	2006	2005	2004
LATIN AMERICA			
Brazil	**19,666**	20,200	25,194
of which Scania	**5,047**	5,217	6,093
Argentina	**7,886**	11,248	9,149
of which Scania	**1,401**	1,659	893
Chile	**5,239**	4,909	3,549
of which Scania	**643**	603	352
Peru	**2,073**	1,107	567
of which Scania	**430**	157	61
ASIA, AFRICA AND OCEANIA			
Turkey	**33,198**	33,305	28,830
of which Scania	**2,099**	2,073	1,837
South Korea	**10,892**	10,879	13,580
of which Scania	**927**	1,070	1,206
South Africa	**7,416**	6,628	6,438
of which Scania	**527**	516	687
Australia	**10,572**	10,315	10,320
of which Scania	**430**	389	410

Total Scania deliveries to customers reached 59,344 trucks during 2006, an increase of nearly 13 percent compared to 2005. Great Britain remained Scania's largest market in 2006. The Brazilian market shrank slightly, while Germany rose. A sharp upturn was noted in the Netherlands, mainly attributable to subsidies in conjunction with the introduction of new environmental regulations. The Russian market expanded vigorously and is now Scania's fastest growing market.

Western Europe remains Scania's largest market, accounting for about 58 percent of total Scania deliveries. The total market in western Europe showed growth of 4 percent during 2006, while Scania truck registrations rose to 33,600 units.

The fastest growing truck market for Scania is central and eastern Europe, which comprised about 15 percent of Scania truck deliveries. Russia is the largest Scania market in the region, followed by Poland and the Czech Republic.

The Latin American market showed a stable performance during 2006 and comprised 13 percent of Scania's total truck deliveries. The most important market is Brazil, followed by Argentina.

Asia, Africa and Oceania, which comprised 14 percent of the total number of Scania trucks delivered in 2006, increased during the year. Turkey is the largest market for Scania, followed by South Korea and South Africa.

THE BUS AND COACH MARKET

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

Rank		Country	2006	2005	Change in %
1	(1)	Brazil	**694**	884	–21
2	(3)	Great Britain	**559**	529	6
3	(2)	Spain	**482**	559	–14
4	(7)	Iran	**385**	264	46
5	(6)	Russia	**280**	274	2
6	(8)	Sweden	**256**	218	17
7	(5)	Mexico	**244**	336	–27
8	(10)	Australia	**217**	172	26
9	(4)	Italy	**199**	338	–41
10	(9)	South Africa	**191**	205	–7

Scania's total deliveries to customers reached 5,937 units during 2006, an increase of 2 percent compared to 2005.

Brazil remained the largest market for Scania buses and coaches during 2006, followed by Great Britain and Spain.

Registrations of buses above 12 tonnes

Units	2006	2005	2004
WESTERN EUROPE			
Total	**23,884**	23,339	22,380
of which Scania	**2,179**	2,329	2,160
Great Britain	**3,361**	3,265	3,137
of which Scania	**545**	537	473
Spain	**2,787**	2,808	2,603
of which Scania	**432**	583	569
Sweden	**1,060**	982	913
of which Scania	**247**	220	69
Italy	**2,881**	3,145	3,247
of which Scania	**223**	282	339
Norway	**435**	600	502
of which Scania	**166**	142	99

Western Europe accounted for 38 percent of total Scania bus and coach deliveries during 2006, with Great Britain as the leader followed by Spain and Sweden.

Latin America was Scania's second largest bus and coach market, with 28 percent of deliveries, while central and eastern Europe accounted for 7 percent. Asia and other markets represented 26 percent of total Scania bus and coach deliveries.

THE MARKET FOR INDUSTRIAL AND MARINE ENGINES

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

Rank		Country	2006	2005	Change in %
1	(1)	Brazil	**1,933**	1,781	9
2	(5)	Germany	**944**	496	90
3	(4)	Spain	**571**	521	10
4	(2)	Great Britain	**473**	682	–31
5	(6)	Norway	**464**	281	65
6	(–)	Iran	**401**	–	–
7	(3)	Sweden	**278**	540	–49
8	(7)	The Netherlands	**274**	267	3
9	(8)	Italy	**178**	253	–30
10	(10)	Argentina	**169**	170	–1

Total Scania deliveries of industrial and marine engines to customers reached 6,546 units during 2006, an increase of 14.8 percent compared to 2005.

Brazil remained Scania's largest single engine market, accounting for 30 percent of total engine deliveries. Western Europe accounted for 54 percent of deliveries and Latin America 34 percent.

Risks and risk management at Scania

Risks are a natural element of business operations and entrepreneurship. Part of the day-to-day work of Scania is to manage risks, to prevent risks from harming the company and to limit the damage that nevertheless arises.

Scania is one of the leading companies in the heavy vehicle industry. This leads to high expectations from all stakeholders, especially customers, about Scania as a company and its products. It is important to monitor and minimise events that might adversely affect the company's brand and the reputation that it enjoys in the market. Scania's strong corporate culture is based on established values, principles and methods and is the foundation of Scania's risk management work.

Scania's Board of Directors is responsible to the shareholders for the company's risk management. The company continuously reports on risk-related matters to the Board and the Audit Committee of the Board.

STRATEGIC RISKS

Corporate governance and policy-related risks

The Executive Board carries the main responsibility for managing corporate governance- and policy-related risks. All units of the company must work according to a management system that meets Scania's requirements, guidelines and policies and is well documented. Rapid dissemination of appropriate information is safeguarded via the company's management structures and processes. Management systems are continuously being improved, among other things regular reviews, both internal and performed by third parties.

For a more detailed description of Scania's management structure, see the section entitled "The management of the company" in the Corporate Governance Report on page 48.

Business development risks

Risks associated with business development and long-term planning are managed primarily through Scania's cross-functional (interdepartmental) meeting structure for decision making of a strategic and tactical nature, as well as through Scania's established yearly process for strategic planning. Such planning is discussed and questioned throughout the company, based on external and internal deliberations. All units and levels of the company are involved in the strategic process.

Both the cross-functional meeting structure and the strategic process are long-established and are evolving continuously. Risks of overlooking threats and opportunities, of sub-optimising operations in the company and of making the wrong decisions are thereby minimised, while the risk of uncertainty and not being clear concerning the company's strategy and business development is managed in a systematic way.

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

OPERATIONAL RISKS

Market risk

The demand for heavy trucks, buses and engines is affected by economic cycles and is thus subject to fluctuations. With regard to truck sales, it is also possible to discern a cyclical pattern with sales peaks about every ten years. Truck sales also undergo more temporary variations around their long-term growth trend and the ten-year cycle just described. During the past decade, for example, exports of used trucks from western Europe to central and eastern Europe have led to high demand for new replacement vehicles in western Europe.

Countries and regions may suffer economic or political problems that adversely affect the demand for heavy vehicles. Markets may temporarily stall, and local currencies may depreciate. A well-diversified market structure, where Scania is represented in all market regions except for the north American market, limits the effect of a downturn in any given market or market region.

In individual markets, substantial changes may occur in the business environment, such as the introduction or raising of customs duties and taxes as well as changes in vehicle specifications. Imposition of sanctions against certain countries may make it impossible to market Scania's products. In addition, shortcomings in national legal systems may substantially impair Scania's ability to carry out operations and sales.

Scania monitors all its markets continuously in order to spot warning signals early and be able to take action and implement changes in its marketing strategy.

Risk associated with independent distributors

Independent distributors may suffer problems that have an adverse effect on Scania's operations. This may include shortcomings in management and investment capacity or problems related to generational shifts in family businesses. Scania may consequently experience a volume downturn before the dealer, or a new dealer, has fully restored operations.

If the problems are not merely transitory, Scania may replace dealers or take over the business. Scania continuously maintains close contact with its dealers in order to spot warning signals at an early stage and be able to take action. There is no single independent distributor of substantial size. Scania's high degree of forward integration limits the risks associated with independent distributors.

Production risks

Scania has an integrated manufacturing network of components with two geographic bases, Sweden and Brazil/Argentina. This concentration entails some risk, which is nevertheless offset by the fact that the company's uniform global production system enables it to source components from either area.

According to the Scania Contingency Planning Principles, Scania's ability to maintain delivery assurance to its customers must not be adversely affected. This is achieved by contingency planning and risk identification.

Scania has a shared risk management model, with corporate-level responsibility for coordination and support to line management. Risk identification and contingency planning is part of every manager's responsibilities and includes contingency planning adapted to each operating unit. Training and drills occur with all employees and service providers at Scania's facilities. Follow-up occurs by means of monitoring systems, reporting and response procedures.

Scania's Blue Rating Programme is a standardised method for carrying out risk inspections, with a focus on physical risks and for being able to present Scania's risks in the reinsurance market.

Information risks

For Scania, it is crucial that its operations can share and process information in a flexible and reliable way, both within the company and in collaboration with customers, suppliers and other business partners. The main risks to information management are that:

- Interruptions occur in communications and other IT systems, regardless of cause
- Strategic and other important information is revealed to unauthorised persons
- Important information is not correct and reliable
- Important information is not traceable in terms of origin and handling

Scania has a corporate unit for global IS/IT management and coordination, which is responsible for updating and communicating Scania's information security policy to its operating units. As part of their normal responsibilities, managers monitor the risks and security level in their respective area of responsibility and ensure that all employees are aware of their responsibilities in this respect. One high-priority area is to ensure that work at Scania can continue with a minimum of disturbance in case of major IT interruptions and to make managers and other employees aware of their responsibilities in the risk and security field.

Supplier risks

Before signing new contracts, Scania verifies the ability of suppliers to meet Scania's quality, financial, logistic, environmental and ethical requirements. In order to minimise the impact of production interuptions or financial problems among suppliers, Scania normally works with more than one supplier for each item.

Scania continuously safeguards the quality and delivery precision of purchased items. It carries out day-to-day monitoring, then prioritises and classifies deviations. In case of repeated deviations, an escalation model is used in order to create greater focus and quickly restore a normal situation. The Scania Blue Rating risk management model is also used for selected suppliers. The financial status of suppliers is monitored continously.

Environmental risks

At Scania there are procedures for regularly and systematically identifying and assessing environmental risks, mainly in order to prevent accidents, operational abnormalities and soil pollution. Environmental risk management is coordinated with other risk management. See also the section entitled “Environmental work at all levels” on page 30-33.

Human resource and talent recruitment

Due to uncertainty about Scania's future access to competent, motivated employees, human resource recruitment and development must occur with the help of a coordinated methodology. In this way, Scania achieves quality assurance and continuous improvement in its human resource activities. Trends are continually monitored, for example by using key figures for absences due to illness, employee turnover, age structure, professional development dialogues and job satisfaction. Targeted action is taken as needed. Close collaboration with the Royal Institute of Technology in Stockholm makes it easier for Scania to recruit key technological expertise.

Research and development risks

Research and development take place in close contact with the production network and the sales and service organisation in order to effectively safeguard good quality.

Emission legislation

Scania must meet regulatory requirements in order to sell its products. These requirements may range from minor modifications to demands for an overall reduction in the environmental impact of vehicle use, mainly a reduction in exhaust emissions. Whereas product modifications are often relatively simple and intended for local markets, the technical standards in emission legislation are very complicated and common to whole regions. Scania's ability to meet future emission requirements is of great importance to its future.

Today there are two technologies for limiting exhaust emissions: selective catalyst reduction (SCR) and exhaust gas recirculation (EGR). Since both technologies are undergoing continuous refinements, their future limitations are difficult to predict. Scania prefers EGR but has decided to develop both technologies in order to reduce risks and have the greatest possible flexibility. Another advantage of this choice is that the two technologies can be combined and thereby contribute to even lower environmental impact.

Product launch risks

Political decisions aimed at influencing the vehicle market in a given direction – for example, for environmental reasons – by such means as tax cuts and levies as well as regional environmental zoning rules may lead to rapid changes in demand. This may require acceleration of product introductions and increases in research and development resources at an earlier stage. Scania manages this by integrating its business intelligence work into all its development and introduction projects.

Throughout the development period, work occurs on a cross-functional basis to ensure that the results of business intelligence gathered by all units are taken into account and that Scania establishes the right priorities in its development portfolio. The product launch process includes carrying out risk analyses on a number of occasions in order to manage this type of risk.

Product liability

It is Scania's objective to develop products that are reliable and safe to the user, the general public and the environment. However, if a product should show signs of technical shortcomings that might be harmful to people or property, this is dealt with by the Scania Product Liability Council. This body decides what technical solutions should be used in order to solve the problem and what marketing measures are needed. The Product Liability Council also conducts a review of the processes in question to ensure that the problem does not recur.

Risks in the sales and service network

Repair and maintenance contracts comprise one important element of business at dealerships and help to generate good capacity utilisation in workshops and higher parts sales per vehicle. These contracts are often connected to predetermined prices. Thus both price and handling risks arise. One advanced form of business obligation is an uptime guarantee for a vehicle, in which the customer pays for the distance or time it is used. Scania works actively to improve its dealers' expertise and ability to understand their customers' business as well as to assess the risks of these obligations.

As a result of repurchase guarantees and trade-ins, the sales and service network handles a large volume of used trucks and buses. Prices and sales figures may vary substantially over economic cycles. However, due to Scania's high degree of integration into its dealership network, the company has extensive knowledge about the price situation and price variations.

Dealers assume a credit risk in relation to their customers, mainly for workshop services performed and parts sold. However, the customer base is widely dispersed and each invoice is limited. Each individual credit is thus of immaterial size.

Legal risks

Contracts and rights

Scania's operations include a considerable amount of intangible licensing agreements, patents and other intellectual property. Scania also concludes numerous commercial and financial contracts, which is normal for a company of Scania's scale and type. Scania's operations are not dependent on any single commercial or financial contract, patent, licensing agreement or similar right.

Legal actions

Scania is affected by legal proceedings, as a consequence of the company's operating activities. This includes alleged breaches of contract, non-delivery of goods or services, product liability, patent infringement or infringements related to other intellectual property or other allegations. However, neither Scania nor any of its subsidiaries is affected by any legal action or arbitration proceeding or has been informed of any claim that is deemed capable of materially affecting Scania's financial position.

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

Administration of contracts, essential rights and legal risks occurs in the normal course of operations in accordance with the instructions described in Scania's Corporate Governance Report (see page 45-49). Scania has also introduced a Legal Risk Reporting system, according to which risks are defined and reported. At least once a year, a report on such risks is submitted to the Audit Committee of the Board.

Tax risk

Scania and its subsidiaries are the object of a large number of taxation cases, as a consequence of the company's operating activities. These cases are essentially related to the fields of value-added tax, internal pricing and deduction of foreign tax. There is also a small number of cases related to capital losses on shares. For more information, see also Note 2.

None of these cases is deemed capable of resulting in any claim that would substantially affect Scania's financial position.

Tax risks above a certain level are reported regularly to management. Once a year, a report is submitted to the Audit Committee of the Board.

Insurable risks

Scania works continuously with the identification, analysis and administration of insurable risks, both at Group and local level.

A corporate unit is responsible for the Group's global insurance portfolio. Customary Group insurance policies to protect the Group's transports, assets and obligations are arranged in accordance with Scania's Corporate Governance Manual and Finance Policy. Local insurance policies are obtained in accordance with the laws and standards of the country in question.

When needed, Scania receives assistance from outside insurance consultancy companies in identifying and managing risks. Insurance is obtained only from professional insurance companies, whose financial strength is continuously monitored.

Annual risk inspections, mainly focusing on physical risks, are performed at all production units and Scania-owned distributors/workshops according to the standardised Scania Blue Rating system. This work maintains a high claim prevention level and a low incidence of claims.

FINANCIAL RISKS

Beyond business risks, Scania is exposed to various financial risks. Those that are of the greatest importance are currency, interest rate, refinancing and credit risks. Financial risks are managed in accordance with the Finance Policy adopted by Scania's Board.

See also Financial review on page 56 and Note 30 on page 93.

Corporate governance at Scania

Scania's Board of Directors is elected every year by the Annual General Meeting. The Board is the link between the shareholders and the company's management. It is of great importance in the task of developing Scania's strategy and business operations.

CORPORATE GOVERNANCE REPORT

Corporate governance at Scania is based on Swedish legislation, especially the Swedish Companies Act, the listing agreement with the Stockholm Stock Exchange and the Swedish Code for Corporate Governance.

The Stockholm Stock Exchange has introduced the Swedish Code for Corporate Governance ("the Code") as part of its listing requirements, that is, the requirements that a company must live up to in order to be listed on the Exchange.

Scania's ambition is that its corporate governance shall maintain a high international standard through the clarity and simplicity of its management systems and governing documents.

The most important internal governing documents at Scania – aside from the Articles of Association and the Rules of Procedure of the Board and its Audit Committee, including the instruction on the division of labour between the President and CEO and the Board as well as essential reporting processes at Scania – are:

- How Scania is Managed
- Strategic Update
- Scania Corporate Governance Manual and
- Scania Financial Reporting Guide

The Annual General Meeting

In compliance with the Swedish Companies Act and Scania's Articles of Association, the composition of the Board of Directors and other items are decided by voting at the Annual General Meeting (AGM).

At the AGM, each A share represents one vote and each B share one tenth of a vote.

According to the Articles of Association, the AGM shall be held either in Södertälje or in Stockholm.

In compliance with the Swedish Companies Act, decisions at the AGM are usually made by simple majority. In some cases, however, the Swedish Companies Act or the Articles of Association stipulates either a certain level of attendance in order to reach a quorum or a qualified majority of votes. A shareholder may utilise all votes that correspond to the shareholder's shareholding and that are duly represented at the AGM.

At the AGM, shareholders have the opportunity to ask questions about the company and its results for the year in question. Normally all members of the Board, the corporate management and the auditors are present in order to answer such questions.

According to the Swedish Companies Act, all shareholders are entitled to have any item dealt with at the AGM. Notice convening the AGM shall be issued no earlier than six and no later than four weeks before the Meeting. Notice convening an Extraordinary General Meeting (EGM) shall be issued no earlier than six and no later than two weeks before the Meeting. Notice convening an AGM and an EGM is published in the Swedish national newspapers *Dagens Nyheter* and *Svenska Dagbladet* as well as in the official gazette *Post- och Inrikes Tidningar (www.bolagsverket.se)* and on the company's website.

According to the Swedish Companies Act, within six months of the expiry of each financial year, Swedish limited liability companies shall hold a general meeting of shareholders, where the Board of Directors shall present the Annual Report and the Auditors' Report. This shareholder meeting is called the Annual General Meeting. At Scania, the AGM is normally held during April or May.

Descriptive information about rules and practices at the annual general meetings of companies listed on the Stockholm Stock Exchange and about other aspects of Swedish corporate governance is available on the Scania website, www.scania.com. This information is found under Corporate Governance and is labelled "Special Features of Swedish Corporate Governance".

The Nomination Committee

The main task of the Nomination Committee is to propose candidates to the AGM for election to the Board of Directors and as required, in consultation with the Board's Audit Committee, to propose candidates for election as auditors.

Beyond this, the Nomination Committee works out proposals concerning remuneration to the Board, the chairman at the AGM and remuneration to the auditors and assesses the independence of Board members in relation to the company and its major shareholders.

In 2006 the AGM decided that the members of the Nomination Committee shall be appointed by the four largest shareholders in voting power, no later than six months before the AGM. In preparation for the AGM in 2007, the following persons have served on the Nomination Committee, in addition to the Chairman of the Board:

Lennart Johansson, Investor AB – Chairman
Gudrun Letzel, Volkswagen AG
Marcus Wallenberg, Knut and Alice Wallenberg Foundation

MAN AG, which is one of the four largest shareholders in terms of votes, has refrained from appointing a representative to the company's Nomination Committee.

The members of the Nomination Committee receive no compensation from the company.

THE BOARD OF DIRECTORS

According to the Articles of Association, the Board shall consist of a minimum of three and a maximum of ten directors plus a maximum of two deputy directors for these, besides those Board members who are appointed according to Swedish law by any other than the AGM. The directors are elected each year at the AGM for the period up to the end of the next AGM.

On 4 May 2006, Scania's AGM elected nine Board members and no deputy members.

They are:

- Vito H Baumgartner
- Staffan Bohman
- Peggy Bruzelius
- Sune Carlsson
- Andreas Deumeland
- Bernd Pischetsrieder
- Lothar Sander
- Peter Wallenberg Jr
- Leif Östling

The AGM elected Bernd Pitschetsrieder as Chairman. At the statutory meeting of the Board following the AGM, Sune Carlsson was appointed Vice Chairman.

In addition, the trade unions at Scania have appointed two Board members and two deputy members for them.

They are:

- Kjell Wallin
- Jan Westberg
- Johan Järvklo, deputy member
- Stefan U Klingberg, deputy member

During 2006, Johan Järvklo and Stefan U Klingberg succeeded Niclas Wilhelmsson and Kathrin Rosenquist, respectively, as deputy members.

The work of the Board

The statutory Board meeting held directly after the AGM approves Rules of Procedure and a standing agenda for the Board meetings and, as required, rules of procedure for its committees.

According to its Rules of Procedure, the Board shall hold at least five regular meetings each year. Beyond this, the Board meets when there are special needs. The meetings held in January/February, April/May, July/August and October/November are devoted, among other things, to financial reporting from the company. The meeting held in October/November deals with long-term

The Nomination Committee's assessment of elected Board members' independence according to the Swedish Code of Corporate Governance (the Code) and the rules of the Stockholm Stock Exchange

Board member	Audit Committee	Remuneration Committee	Independent in relation to the company and its management	Independent in relation to the company's major shareholders
Bernd Pischetsrieder		Chairman	YES	NO
Sune Carlsson			YES	NO
Vito H Baumgartner			YES	YES
Staffan Bohman	Chairman		YES	YES
Peggy Bruzelius			YES	YES
Andreas Deumeland			YES	NO
Lothar Sander			YES	NO
Peter Wallenberg Jr			YES	NO
Leif Östling			NO	YES

plans and in December with the financial forecast for the following year.

At all its regular meetings, the Board deals with matters of a current nature and capital expenditure issues.

During 2006, the Board held a total of 19 meetings. The unusually large number of meetings was due to MAN's offer for Scania. See footnote 1 on page 47.

Scania Board members' participation in Board meetings and committee meetings during 2006

2006	Board Attendance, out of 19 meetings in all
Bernd Pischetsrieder[1]	11
Sune Carlsson	19
Vito H Baumgartner	18
Staffan Bohman	19
Peggy Bruzelius	16
Andreas Deumeland[1]	10
Lothar Sander[1]	11
Peter Wallenberg Jr	18
Leif Östling	19
Kjell Wallin	18
Jan Westberg	18
Johan Järvklo[2]	13
Stefan U Klingberg[3]	18
Kathrin Rosenquist[4]	3
Niclas Wilhelmsson[5]	0

1 On 18 September 2006, MAN AG made a public offer for Scania. On 4 October, Volkswagen announced that it had acquired 15 percent of the shares in MAN. As a consequence of the conflict of interest situation that had arisen, in keeping with a unanimous decision by the Board on 17 September, since 4 October Volkswagen's representatives have not participated in deliberations and decisions concerning MAN's offer or in meetings that have exclusively dealt with this.

2 Since the summer of 2006.

3 Since the spring of 2006.

4 Until the spring of 2006.

5 Until the summer of 2006.

The 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.

With very few exceptions, all Board members normally participate in the meetings of the Board. Attendance by the individual members at Board meetings and committee meetings can be seen in the adjacent table.

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. According to the Swedish Companies Act, the President may be elected as a member of the Board, which is currently also the case. The company's President and CEO, Leif Östling, is the only member of the Board who also belongs to Scania's operative management.

Evaluation

The Chairman of the Board pursues a continuous dialogue with the members of the Board to evaluate the work of the Board. In addition, a written evaluation takes place annually, in which all Board members are given the opportunity to present their opinions about the Board, including the Chairman, and its work.

The President and CEO is evaluated on a continuous basis by the Board. Once a year, the Board also carries out an evaluation of the President and CEO in which he does not participate.

The committees of the Board

The Board currently has two committees: the Audit Committee and the Remuneration Committee. An Ownership Structure Committee completed its work during 2006. The Board appoints the members of the committees from among its own members.

The Audit Committee

The Audit Committee consists of Staffan Bohman (Chairman), Vito H Baumgartner and Lothar Sander. In 2006 the Audit Committee met a total of five times. All members participated in all meetings through attendance or by telephone.

The Audit Committee discusses and monitors issues related to administrative processes, risk control and the controller organisation. Its brief also includes discussing and evaluating the company's application of important accounting issues and principles, the company's financial reporting, as well as evaluating the auditors and approving the use of external auditors for non-auditing-related services. When auditors are to be elected, the Audit Committee presents a proposal. The result of the evaluation of auditors and, in case of the election of auditors, the proposal of the Audit Committee are presented to the Board as a whole. As appropriate, the Board in turn informs the Nomination Committee. The Nomination Committee proposes candidates to the AGM for the election of auditors and proposes the compensation to be paid to the auditors.

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

The company's auditors normally participate in the meetings of the Audit Committee, provided that the auditors are not being evaluated or discussed.

The Remuneration Committee

The members of the Remuneration Committee are Bernd Pischetsrieder (Chairman), Peggy Bruzelius and Sune Carlsson. During 2006 the Remuneration Committee met three times. All members participated in all meetings through attendance or by telephone, except that Peggy Bruzelius was absent from one meeting.

The Remuneration Committee discusses issues concerning compensation principles and incentive programmes, as well as preparing proposals for such issues that must be approved by the AGM.

In compliance with the principles that the AGM has approved for the Board, the Remuneration Committee also prepares decisions concerning conditions of employment for the company's President and CEO and, as appropriate, its deputy CEO:s.

Auditors

In Swedish limited liability companies, independent auditors are elected by the shareholders at the AGM for a period of four years. The auditors then report to the shareholders at the company's AGM.

To ensure that the requirements concerning information and controls that are incumbent on the Board are being met, the auditors report on a continuous basis to the Audit Committee on all substantive accounting issues, any errors and suspected irregularities. The auditors are also invited, as needed, to participate in and report to the meetings of the Board. At least once per year, the auditors report to the Board without the President and CEO or any other member of the company's operative management being present at the meeting.

Scania paid its auditors the fees (including compensation for costs) that are stated in the Annual Report's notes to the financial statements, Note 29, "Fees and other remuneration to auditors", for both audit-related and non-audit-related assignments.

The management of the company

Under the Board of Directors, the President and CEO has overall responsibility for the Scania Group. At the side of the President and CEO is the Executive Board, which jointly decides – in compliance with guidelines approved by the Board of Directors and the instruction on the division of labour between the President and CEO and the Board – on issues in its area of competency that are of a long-term, strategic nature such as the development of the company, marketing, pricing policy, capital expenditures and financing. The Executive Board also prepares such issues that shall be decided by the Board of Directors.

Group Management consists of the Executive Board and the heads of each corporate unit. The corporate units are responsible for carrying out the established strategies. Each corporate unit reports to one of the members of the Executive Board.

The strategy meetings of the Executive Board take place four to six times per year. These strategies are summarised from a global perspective and updated, taking into account market developments. The implementation of strategies is an initial point at subsequent meetings with Group Management.

The members of Group Management are responsible for ensuring that the appropriate actions are taken in their respective fields of responsibility based on the strategies that have been decided. They also have a general responsibility for issues that affect the entire company, and they assist the President and CEO and the Executive Board in their work. Group Management meets four to six times per year to provide updates and information on current activities and projects, as well as to discuss the implementation of strategic decisions. These meetings also deal with issues that may later be presented for decisions at the meetings of the Executive Board.

The members of the Executive Board and the rest of Group Management who are not prevented by other obligations also gather at a brief meeting once each normal work week.

The decision making structure and management of Scania are described in greater detail in the internal governing document "How Scania is Managed".

All managers in the company are responsible for working and communicating in compliance with the company's strategies. The strategic direction of the Scania Group is described in the annually updated "Scania Strategic Update". This internal governing document serves as the foundation for business and operating plans.

The companies in the Scania Group also work in compliance with the principles established in Scania's "Corporate Governance Manual". The main responsibility for the operations of subsidiaries, ensuring that the established profitability targets are achieved and that all of Scania's internal rules and principles are followed, rests with the Board of Directors of each respective subsidiary.

The principles and rules presented in the governing document "Scania Financial Reporting Manual" also apply to the Scania Group as a whole. Financial, commercial and legal risks are reported regularly to the Audit Committee.

Management compensation

Compensation issues for the President and CEO and, as appropriate, Group Vice Presidents, are decided by the Board after preparation by its Remuneration Committee.

The principles for remuneration to the President and CEO, other members of the Executive Board as well as the heads of corporate units are decided by the AGM, based on a proposal by the Board. The proposal is prepared by the Remuneration Committee.

Share-related incentive programmes are decided by the AGM.

Compensation to executive officers, including the President and CEO and other members of Group Management, is stated in the Annual Report, notes to the financial statements, Note 28, "Compensation to executive officers".

Internal control of financial reporting at Scania

The description below has been prepared in compliance with the Swedish Code of Corporate Governance and according to the instruction issued by the Swedish Corporate Governance Board in September 2006. The description follows the guidelines provided by the Swedish Institute of Authorised Public Accountants (FAR) and the Confederation of Swedish Enterprise.

Control environment

Internal control at Scania is based on organisational structure, decision making procedures, powers and responsibilities which are documented and communicated in governing documents, such as internal policies, manuals and codes between, on the one hand, the Board of Directors and, on the other hand, the President and CEO and other bodies that the Board has established. Internal control is also based on instructions on powers and authorisation rights as well as reporting instructions in the form of manuals.

Risk assessment and control activities

Risks that have been identified in Scania's financial reporting are handled through its control structure. The company's control structure, like financial responsibility, follows its organisational and responsibility structure. Responsibility for activities and control measures aimed at ensuring that financial reporting provides a true and fair view of the company's financial position follows its control structure.

Information and communication

In order to inform, instruct and coordinate financial reporting, Scania has formal information and communications channels to affected employees regarding policies, guidelines and reporting manuals.

Monitoring

Scania monitors compliance with the above-described governing documents and the effectiveness of the control structure. Monitoring and evaluation are performed by the company's corporate controller departments in industrial operations, all sales and service companies and Customer Finance operations. During the 2006 financial year, in its control and investigative activities the company prioritised areas and processes with large flows and values, for example material and inventory accounting. Monitoring compliance with the Scania Corporate Governance Manual and Scania Financial Reporting Guide were also high-priority areas, along with units and companies which are, or were, in a growth or change phase. During the year internal Group seminars and conferences were also held, with a focus on quality assurance in financial reporting and governance models.

In preparation for every meeting, the Board of Directors' Audit Committee receives an internal control report for review. The Board receives monthly financial reports, except for January and July. This financial information increases in terms of content in the run-up to each interim report, which is always preceded by a Board meeting where the Board approves the interim report.

Through the organisational structure and the work methods described above, the company has decided that the internal control system concerning financial reporting is well suited to the company's operations. Accordingly, the company, including Group Management and the Board of Directors, has deemed a separate audit department unnecessary at present.

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

Board of Directors and Executive Board

Leif Östling

Born 1945, MBA and MSc.
Member since 1994.
President and CEO of Scania.
Other directorships: AB SKF, ISS A/S, Confederation of Swedish Enterprise and Association of Swedish Engineering Industries.
Relevant work experience: Various management positions at Scania since 1972, President and CEO of Scania since 1994.
Shares in Scania: 100,472 plus 40,000 via related companies.

Vito H Baumgartner

Born 1940, MBA.
Member since 2004. Member, Audit Committee.
Other directorships: AB SKF, PartnerRE Ltd. and Northern Trust Global Services.
Relevant work experience: Group President Caterpillar Inc., retired.
Shares in Scania: 600.

Bernd Pischetsrieder

Born 1948, MSc.
Chairman since 2002. Chairman, Remuneration Committee.
Other directorships: Audi AG, SEAT S. A., Dresdner Bank AG, Metro AG, Münchener Rückversicherungs-Gesellschaft AG and Tetra-Laval Group.
Relevant work experience: Chairman of the Board of Management of Volkswagen AG until 31 December 2006 and various previous management positions at BMW AG.
Shares in Scania: 0.

Andreas Deumeland

Born 1956, MSc.
Member since 2003.
Corporate secretary and Head of Group Product Planning at Volkswagen AG.
Relevant work experience: Various positions at Volkswagen AG and Veba Oil, 1996–1999.
Shares in Scania: 0.

Sune Carlsson

Born 1941. MSc.
Vice Chairman since 2004. Member, Remuneration Committee.
Other directorships: Chairman of Atlas Copco AB. Board member, Investor AB and Autoliv Inc.
Relevant work experience: Various management positions at ASEA and ABB as well as President and CEO of AB SKF, 1998–2003.
Shares in Scania: 0.

Peter Wallenberg Jr

Born 1959, MBA.
Member since 2005.
Chairman of W Capital Management.
Other directorships: Investor AB, SEB Kort AB, General Motors Norden AB, Stockholmsmässan AB, Royal Swedish Automobile Club, Stockholm Chamber of Commerce, Knut and Alice Wallenberg Foundation.
Relevant work experience: Various positions at Grand Hôtel.
Shares in Scania: 1,500.

Lothar Sander

Born 1950. MBA.
Member since 2000. Member, Audit Committee.
Other directorships: Flughafen Braunschweig GmbH and TAS Tvornica Automobilia Sarajevo, as well as a number of directorships in subsidiaries of the Volkswagen Group.
Relevant work experience: Various management positions at Volkswagen AG and Member of the Board of Management of the Volkswagen Brand.
Shares in Scania: 0.

Kjell Wallin

Born 1943.
Member since 1998.
Representative of the Swedish Metal Workers' Union at Scania.
Relevant work experience: Various positions at Scania.
Shares in Scania: 25.

Stefan U Klingberg

Born 1969.
Deputy member since 2006.
Representative of the Federation of Salaried Employees in Industry and Services at Scania (PTK) at Scania.
Relevant work experience: Various positions at Scania since 1995, current position Head of Services Portfolio and Contracts, Sales & Services Management.
Shares in Scania: 0.

Staffan Bohman

Born 1949, MBA.
Member since 2005. Chairman, Audit Committee.
Other directorships: Atlas Copco AB, Dynapac AB, Trelleborg AB, OSM AB, InterIKEA Holding SA and Ratos AB.
Vice Chairman of EDB Business partner ASA and of SwedFund International AB.
Relevant work experience: Former CEO of DeLaval AB, Gränges AB and Sapa AB.
Shares in Scania: 5,000.

Jan Westberg

Born 1944.
Member since 1996.
Representative of the Federation of Salaried Employees in Industry and Services (PTK) at Scania.
Relevant work experience: Various positions at Scania since 1975, former local Chairman of Metal Workers' Union and Swedish Association of Supervisors (Ledarna), currently of Swedish Union of Clerical and Technical Employees in Industry (SIF).
Shares in Scania: 25.

Peggy Bruzelius

Born 1949, MBA.
Member since 1998. Member, Remuneration Committee.
Other directorships: Chairman of Lancelot Asset Management AB.
Deputy Chairman of Electrolux AB.
Board member, Industry and Commerce Stock Exchange Committee, Stockholm School of Economics, Axel Johnson AB, AB Ratos, Axfood AB, Syngenta AG and Husqvarna AB.
Relevant work experience: Various management positions at ABB.
Shares in Scania: 2,000.

Johan Järvklo

Born 1973.
Deputy member since 2006.
Representative of the Swedish Metal Workers' Union at Scania.
Relevant work experience: Various positions at Scania.
Shares in Scania: 0.

Data concerning shareholdings refer to 31 December 2006.

Executive Board

1. Hasse Johansson
Born 1949, MSc.
Joined Scania in 2001.
Group Vice President,
Head of Research and Development.
Shares in Scania: 193.

2. Per-Erik Lindquist
Born 1960, MSc.
Joined Scania in 1984, employed until 2000.
Rejoined Scania in 2004.
Group Vice President,
Head of Franchise and Factory Sales.
Shares in Scania: 113.

3. Leif Östling
Born 1945, MBA and MSc.
Joined Scania in 1972.
President and CEO.
Shares in Scania: 100,472 plus 40,000 via related companies.

4. Per Hallberg
Born 1952, MSc.
Joined Scania in 1977.
Group Vice President,
Head of Production and Procurement.
Shares in Scania: 163.

5. Hans-Christer Holgersson
Born 1953, MBA.
Joined Scania in 1985.
Group Vice President,
Head of Sales and Services Management.
Shares in Scania: 0.

6. Jan Ytterberg
Born 1961, BSc.
Joined Scania in 1987.
Group Vice President,
Chief Financial Officer (CFO).
Shares in Scania: 252.

Corporate Units

1. Thomas Karlsson
Born 1953.
Joined Scania in 1988.
Senior Vice President,
Powertrain Production.
Shares in Scania: 95.

2. Cecilia Edström
Born 1966.
Joined Scania in 1995.
Senior Vice President,
Corporate Relations.
Shares in Scania: 86.

3. Lars Orehall
Born 1947.
Joined Scania in 1974.
Senior Vice President,
Truck, Cab and Bus Chassis Development.
Shares in Scania: 2,159.

4. Anders Nielsen
Born 1962.
Joined Scania in 1987.
Senior Vice President,
Chassis and Cab Production.
Shares in Scania: 0

5. Magnus Hahn
Born 1955.
Joined Scania in 1985.
Senior Vice President,
Human Resources Support.
Shares in Scania: 77.

6. Mikael Sundström

Born 1957.
Joined Scania in 2004.
Senior Vice President, Corporate Legal Affairs and Risk Management.
Shares in Scania: 107.

7. Per-Olov Svedlund

Born 1955.
Joined Scania in 1976.
Senior Vice President, Global Purchasing.
Shares in Scania: 307.

8. Hans Hansson

Born 1947.
Joined Scania in 2000.
Senior Vice President, Franchise and Factory Sales, Buses and Coaches.
Shares in Scania: 0.

9. Christoffer Ljungner

Born 1950.
Joined Scania in 1976.
Senior Vice President, Franchise and Factory Sales, Non Captive Market Areas.
Shares in Scania: 174.

10. Claes Jacobsson

Born 1958.
Joined Scania in 1999.
Senior Vice President, Customer Finance.
Shares in Scania: 85.

11. Michel de Lambert

Born 1947.
Joined Scania in 2005.
Senior Vice President, Latin American Operations.
Shares in Scania: 0.

12. Urban Erdtman

Born 1945.
Joined Scania in 1989, employed until 2001.
Rejoined Scania in 2005.
Senior Vice President, Sales and Services Management, Vehicle Sales and Logistics Support.
Shares in Scania: 1,166.

13. Peter Härnwall

Born 1955.
Joined Scania in 1983.
Senior Vice President, Sales and Services Management, Business Support.
Shares in Scania: 255.

14. Urban Johansson

Born 1945.
Joined Scania in 1971, employed until 1995.
Rejoined Scania in 1999.
Senior Vice President, Powertrain Development.
Shares in Scania: 943.

15. Martin Lundstedt

Born 1967.
Joined Scania in 1992.
Senior Vice President, Franchise and Factory Sales, Trucks.
Shares in Scania: 93.

16. Hans Narfström

Born 1951.
Joined Scania in 1977.
Senior Vice President, Corporate IT.
Shares in Scania: 109.

17. Robert Sobocki

Born 1952.
Joined Scania in 1978, employed until 1997.
Rejoined Scania in 2002.
Senior Vice President, Franchise and Factory Sales, Industrial and Marine Engines.
Shares in Scania: 486.

18. Anders Gustafsson

Born 1961.
Joined Scania in 1991, employed until 2001.
Rejoined Scania in 2006.
Senior Vice President, Sales and Services Management, Service Operations.
Shares in Scania: 0.

Data concerning shareholdings refer to 31 December 2006.

Financial review

NET SALES

The net sales of the Scania Group, in the Vehicles and Service segment, rose by 12 percent to SEK 70,738 m. (63,328), due to higher volume. Currency rate effects had no influence on sales.

New vehicle sales revenue rose by 13 percent. Service revenue increased by 8 percent in Swedish kronor to SEK 13,595 m. (12,591). Revenue was not influenced by currency rate effects.

Interest and leasing income in the Customer Finance segment increased due to higher financing volume but was offset by lower average interest rates.

Net sales by product

SEK m.	2006	2005
Trucks	43,021	37,778
Buses	6,766	6,256
Engines	1,024	803
Service-related products	13,595	12,591
Used vehicles	5,189	4,897
Miscellaneous	3,032	2,773
Delivery sales value	72,627	65,098
Adjustment for lease income [1]	-1,889	-1,770
Total Vehicles and Service	70,738	63,328
Customer Finance	3,527	3,518
Elimination	-1,643	-1,742
Scania Group total	72,622	65,104

1 Refers to the difference between sales recognised as revenue and sales value based on deliveries. This difference arises when Scania finances a sale with an operating lease or has an obligation to repurchase a product at a guaranteed residual value.

NUMBER OF VEHICLES

During 2006 Scania delivered 59,344 (52,567) trucks, an increase of 13 percent. Bus chassis deliveries totalled 5,937 (5,816) units.

Vehicles delivered and financed	2006	2005
Vehicles and Service		
Trucks	59,344	52,567
Buses	5,937	5,816
Total new vehicles	65,281	58,383
Used vehicles	16,322	16,393
Customer Finance		
Number financed (new during the year)		
Trucks	15,747	13,471
Buses	487	386
Total new vehicles	16,234	13,857
Used vehicles	5,402	5,418
New financing, SEK m.	17,215	15,443
Portfolio, SEK m.	31,841	29,634

EARNINGS

Scania's operating income rose by 28 percent to SEK 8,753 m. (6,859) during 2006. The operating margin amounted to 12.4 (10.8) percent.

Operating income in Vehicles and Service increased by 30 percent to SEK 8,260 m. (6,330) during 2006. Higher vehicle and service volume and better capacity utilisation were the main contributors to the earnings improvement. Restructuring costs related to the concentration of axle and gearbox production in Södertälje affected earnings by about SEK 150 m. Scania's research and development expenditures amounted to SEK 2,842 m. (2,479). After adjusting for SEK 180 m. (278) in capitalised expenditures and SEK 361 m. (283) in amortisation of previously capitalised expenditures, recognised expenses increased to SEK 3,023 m. (2,484). Costs related to MAN's offer for Scania affected earnings by about SEK 200 m. The operating margin increased to 11.7 percent, compared to 10.0 percent the previous year. Compared to 2005, currency spot rate effects totalled about SEK -715 m. Currency hedging income amounted to SEK 110 m. During 2005, the impact of currency hedgings on earnings was SEK -410 m. Compared to 2005, the total negative currency rate effect was thus SEK 195 m.

Operating income in Customer Finance amounted to SEK 493 m. (529). This was equivalent to an operating income of 1.6 (1.9) percent, expressed as a percentage of the average portfolio during the year. The positive effect of increased financing volume was offset by lower interest margins. Operating expenses increased due to continued expansion, mainly in emerging markets. At the end of December, the size of the portfolio amounted to about SEK 31,800 m., which represented an increase of about SEK 2,200 m. since the end of 2005. In local currencies, the portfolio increased by 10 percent, equivalent to about SEK 3,000 m.

Operating income per segment, SEK m.	2006	2005
Vehicles and Service		
Operating income	8,260	6,330
Operating margin, %	*11.7*	*10.0*
Customer Finance		
Operating income	493	529
Operating margin[1], %	*1.6*	*1.9*
Operating income, Scania Group	8,753	6,859
Operating margin, %	*12.4*	*10.8*
Income after financial items	8,583	6,765
Taxes	-2,644	-2,100
Net income	5,939	4,665
Earnings per share, SEK	29.70	23.33
Return on equity, %	24.1	20.8

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

Scania's net financial items amounted to SEK -170 m. (-94). Net interest items amounted to SEK -231 m. (-187). Higher interest expenses were partly offset by improved net debt. Other financial income amounted to SEK 142 m. (299). This included SEK 80 m. (74) in positive valuation effects related to financial instruments where hedge accounting was not applied. In addition, the acquisition of Ainax had a positive effect of SEK 47 m. on financial income during 2005. Other financial expenses mainly included bank-related expenses.

Income after financial items amounted to SEK 8,583 m. (6,765). The Scania Group's **tax expenses** for 2006 were equivalent to 30.8 (31.0) percent of income after financial items.

Net income increased by 27 percent and amounted to SEK 5,939 m. (4,665), equivalent to earnings per share of SEK 29.70 (23.33).

CASH FLOW

Cash flow for Vehicles and Service amounted to SEK 6,942 m. (3,865). Tied-up working capital decreased by SEK 1,879 m., despite higher volume. Net investments including acquisitions amounted to SEK 3,810 m. (3,802), including SEK 180 m. (279) in capitalisation of development expenditures. In the previous year, net investments included acquisitions and divestments of SEK 205 m. The net cash position at year-end was SEK 4,335 m., compared to a net debt position of SEK 269 m. at year-end 2005.

Cash flow in Customer Finance amounted to SEK -3,120 m. (-1,047). Net investments in customer finance contracts amounted to SEK 3,514 m. (1,410).

NET DEBT

Net debt, SEK m.	2006	2005
Cash, cash equivalents and short-term investments	**-10,845**	-2,793
Current borrowings	**16,350**	9,351
Non-current borrowings	**17,918**	19,323
Net market value of derivatives for hedging of borrowings	**-126**	-405
Total	**23,297**	25,476
of which, attributable to Vehicles and Service	**-4,335**	269
of which, attributable to Customer Finance	**27,632**	25,207

As a result of the year's cash flow for Vehicles and Service, SEK 6,942 m., after subtracting for dividends and the influence of currency rate differences, net debt declined by SEK 4,604 m. to a net cash position of SEK 4,335 m.

FINANCIAL POSITION

Financial ratios related to the balance sheet, SEK m.	2006	2005
Equity/assets ratio (E/A ratio), percent	**29.7**	30.3
E/A ratio, Vehicles and Service, percent	**40.1**	41.5
E/A ratio, Customer Finance, percent	**9.6**	10.0
Equity per share, SEK	**130.7**	118.7
Return on capital employed, Vehicles and Service, percent	**30.4**	28.0
Net debt/equity ratio, Vehicles and Service	**-0.19**	0.01

During 2006, the equity of the Scania Group increased by SEK 2,398 m. and totalled SEK 26,134 m. (23,736) at year-end. Net income for the year added SEK 5,939 m. (4,665), while the dividend to shareholders decreased equity by SEK 3,000 m. (3,000). Beyond this, equity decreased by SEK 661 m. because of exchange rate differences that arose when translating net assets outside Sweden and increased by SEK 123 m. because of cash flow hedgings and actuarial losses on net pension liabilities after taxes.

The regular dividend for the financial year 2006 proposed by the Board of Directors is SEK 15.00 (15.00) per share. In addition, the Board proposes a 5 to 1 share split with mandatory redemption of the fifth share at a price of SEK 35.00 per share.

NUMBER OF EMPLOYEES

The number of employees in the **Scania Group** at year-end 2006 was 32,820, compared to 30,765 at the end of 2005.

In **Vehicles and Service**, the number of employees at the end of December was 32,373 (30,360). The number of employees increased mainly in production and in research and development. In the sales and service network, the number of employees increased primarily outside western Europe.

In **Customer Finance operations**, the number of employees at year-end 2006 was 447, compared to 405 at the end of 2005, mainly due to expansion in central and eastern Europe as well as Turkey.

FINANCIAL RISKS

Borrowing and refinancing risk

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

At year-end 2006, borrowings amounted to SEK 33.8 (27.9) billion. In addition to utilised borrowings, Scania has unutilised committed credit facilities equivalent to SEK 10.0 (14.1) billion.

Interest rate risk

Scania's policy concerning interest rate risks is that the interest rate refixing period on its net debt should normally be 6 months, but divergences may be allowed within the 0-24 month range. One exception is Scania's Customer Finance, 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 2006 totalled about SEK 26 (22) billion. The largest currency flows were in euro and British pounds. Based on the 2006 revenue and expenses in foreign currencies, a one percentage point change in the Swedish krona against other currencies would affect operating income by about SEK 260 m. (220) 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 2006, Scania's net assets in foreign currencies amounted to SEK 9,750 m. (10,850). 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

The management of credit risk in Vehicles and Service is regulated by a credit policy. In Vehicles and Service, credit exposure consists mainly of receivables from independent dealers as well as end customers.

Provisions for credit losses amounted to SEK 626 m. (642), equivalent to 6.5 (6.4) percent of total receivables. The year's bad debt expenses amounted to SEK 125 m. (196).

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 bad debt expenses totalled SEK 63 m. (80), equivalent to 0.20 (0.29) percent of the average portfolio. The year's actual credit losses amounted to SEK 59 m. (80).

At year-end, the total reserve for bad debt expenses in Customer Finance totalled SEK 521 m. (532), equivalent to 1.6 (1.8) percent of the portfolio at the close of 2006.

The year-end portfolio amounted to SEK 31,841 m. (29,634), divided among about 21,600 customers, of whom 98.8 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 investment of cash and cash equivalents and derivatives trading, is regulated in Scania's Financial Policy document. Transactions occur only within established limits and with selected creditworthy counterparties.

OTHER CONTRACTUAL RISKS

Residual value exposure

Some of Scania's sales occur with repurchase obligations or guaranteed residual value. The value of all obligations outstanding at year-end was SEK 6,084 m. (6,223). Obligations outstanding decreased somewhat, mainly due to currency rate effects. During 2006, the volume of new contracts was about 5,200 (5,200).

Service contracts

A large proportion of Scania's sales of parts and workshop hours occur through repair and service contracts. Selling a service contract involves a commitment by Scania to provide servicing to customers during the contractual period in exchange for a predetermined fee. The cost of the contract is allocated over the contractual period according to estimated consumption of service, and actual divergences from this are recognised in the accounts during the period. From a portfolio perspective, Scania continually estimates possible future divergences from the expected cost curve. Negative divergences from this result in a provision, which affects earnings for the period. The number of contracts rose during 2006 by 7,500 and totalled 64,000 at year-end. Most of these are in the European market.

THE PARENT COMPANY

The Parent Company, Scania AB, is a public company whose assets consist of the shares in Scania CV AB. Otherwise the Parent Company 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 Group.

Ainax AB, which was owned by Scania AB, was liquidated during 2006. According to a resolution approved by the Annual General Meeting of Scania and implemented through a decision of the Swedish Companies Registration Office, during 2006 Scania's share capital was reduced by SEK 262,965,080 through a withdrawal of 26,296,508 Series A shares in Scania that were owned by Scania. Scania's share capital was thus restored to what it was before the offer for Ainax was implemented.

Consolidated income statement

January – December, SEK m.	Note	2006	2005	2004
Vehicles and Service				
Net sales	4	**70,738**	63,328	56,788
Cost of goods sold	5	**-52,255**	-47,835	-42,528
Gross income		**18,483**	15,493	14,260
Research and development expenses [1]	5, 11	**-3,023**	-2,484	-1,987
Selling expenses	5	**-6,016**	-5,829	-5,343
Administrative expenses	5	**-1,189**	-858	-789
Share of income in associated companies and joint ventures [2]	13	**5**	8	8
Operating income, Vehicles and Service		**8,260**	6,330	6,149
Customer Finance	6			
Interest and lease income		**3,527**	3,518	3,427
Interest and depreciation expenses		**-2,608**	-2,575	-2,572
Interest surplus		**919**	943	855
Other income		**232**	178	134
Other expenses		**-179**	-138	-132
Gross income		**972**	983	857
Selling and administrative expenses	5	**-416**	-374	-318
Bad debt expenses		**-63**	-80	-89
Operating income, Customer Finance		**493**	529	450
Operating income		**8,753**	6,859	6,599
Interest income		**632**	679	346
Interest expenses		**-863**	-866	-638
Other financial income		**142**	299	96
Other financial expenses		**-81**	-206	-127
Total financial items	7	**-170**	-94	-323
Income after financial items		**8,583**	6,765	6,276
Taxes	8	**-2,644**	-2,100	-1,960
Net income		**5,939**	4,665	4,316
Attributable to:				
Scania shareholders		**5,939**	4,665	4,314
Minority interest		**0**	0	2
Depreciation/amortisation included in operating income [3]	10	***-3,023***	*-2,707*	*-2,158*
Earnings per share, SEK [4]	9	**29.70**	23.33	21.57

1 Total research and development expenditures during the year amounted to SEK 2,842 m. (2,479 and 2,219, respectively).

2 Attributable to Scania shareholders' portion of earnings.

3 Refers to Vehicles and Service, including short-term rentals amounting to SEK -230 m. (-210 and -168, respectively).

4 There were no dilution effects.

Consolidated balance sheet

31 December, SEK m.	Note	2006	2005	2004
ASSETS				
Non-current assets				
Intangible non-current assets	11	**2,464**	2,698	2,626
Tangible non-current assets	12	**17,130**	16,715	14,766
Lease assets	12	**9,666**	9,883	9,144
Financial non-current assets				
Holdings in associated companies and joint ventures	13	**173**	96	92
Long-term interest-bearing receivables		**16,599**	15,543	12,756
Other long-term receivables [1]	15, 17	**1,023**	1,393	503
Total financial non-current assets		**17,795**	17,032	13,351
Deferred tax assets	8	**649**	565	383
Tax assets		**34**	0	0
Total non-current assets		**47,738**	46,893	40,270
Current assets				
Inventories	14	**10,100**	9,949	9,487
Current receivables				
Tax assets		**370**	206	733
Interest-bearing trade receivables		**8,600**	7,847	7,875
Non-interest-bearing trade receivables		**7,379**	8,008	7,641
Other current receivables [1]	15	**3,046**	2,522	2,199
Total current receivables		**19,395**	18,583	18,448
Short-term investments		**911**	1,194	909
Cash and cash equivalents				
Short-term investments comprising cash and cash equivalents		**8,808**	493	470
Cash and bank balances		**1,126**	1,106	1,119
Total cash and cash equivalents		**9,934**	1,599	1,589
Total current assets		**40,340**	31,325	30,433
Total assets		**88,078**	78,218	70,703
EQUITY AND LIABILITIES				
Equity				
Share capital		**2,000**	2,263	2,000
Contributed capital		**1,120**	1,120	1,120
Hedge reserve		**87**	-83	–
Accumulated exchange rate difference		**243**	903	-400
Retained earnings		**22,679**	19,524	18,708
Equity attributable to Scania shareholders		**26,129**	23,727	21,428
Minority interest		**5**	9	5
Total equity	16	**26,134**	23,736	21,433

31 December, SEK m.	Note	2006	2005	2004
Non-current liabilities				
Non-current interest-bearing liabilities		**17,918**	19,323	19,809
Provisions for pensions	17	**3,605**	3,458	2,499
Other non-current provisions	18	**1,473**	1,310	1,236
Accrued expenses and deferred income	19	**1,861**	2,126	2,369
Deferred tax liabilities	8	**2,278**	2,140	2,305
Other tax liabilities		**170**	195	187
Other non-current liabilities [1]		**536**	621	394
Total non-current liabilities		**27,841**	29,173	28,799
Current liabilities				
Current interest-bearing liabilities		**16,350**	9,351	5,804
Current provisions	18	**1,125**	962	1,366
Accrued expenses and deferred income	19	**7,283**	6,836	5,543
Advance payments from customers		**449**	593	611
Trade payables		**6,011**	4,901	4,167
Tax liabilities		**946**	645	1,377
Other current liabilities [1]		**1,939**	2,021	1,603
Total current liabilities		**34,103**	25,309	20,471
Total equity and liabilities		**88,078**	78,218	70,703
Net debt, excluding provisions for pensions, SEK m. [1]		**23,297**	25,476	23,115
Net debt/equity ratio		**0.89**	1.07	1.08
Equity/assets ratio, %		**29.7**	30.3	30.3
Equity per share, SEK		**130.6**	118.6	107.1
Capital employed, SEK m.		**63,881**	55,463	49,545

1 Including adjustment to fair value of derivatives for hedging of borrowings:

	2006	2005	2004
Other non-current receivables, derivatives with positive value	**99**	640	–
Other current receivables, derivatives with positive value	**365**	148	–
Other non-current liabilities, derivatives with negative value	**-213**	-276	–
Other current liabilities, derivatives with negative value	**-125**	-107	–
Net	**126**	405	

Due to changes in accounting principles, adjustment to fair value of derivatives are included starting with 2005. Financial assets are described in more detail in Note 30, “Financial instruments”.

Consolidated total recognised income and expenses as well as changes in equity

Detailed information in Note 16.

January – December, SEK m.	2006	2005	2004
Exchange rate difference for the year	**-661**	1,304	-103
Hedge reserve			
Fair value changes on cash flow hedging recognised directly in equity	**340**	-607	–
Cash flow reserve transferred to sales revenue in income statement	**-103**	415	–
Actuarial gains/losses related to pension liabilities recognised directly in equity	**-68**	-770	-72
Taxes attributable to items recognised directly in equity	**-46**	271	21
Total income and expenses recognised directly in equity	**-538**	613	-154
Net income for the year	**5,939**	4,665	4,316
Total recognised income and expenses for the year	**5,401**	5,278	4,162
Of which, attributable to:			
Scania AB shareholders	**5,402**	5,277	4,162
Minority interest	**-1**	1	0

January – December, SEK m.	2006	2005	2004
Equity, 1 January	**23,736**	21,433	18,471
Change in accounting principles	**–**	22	–
Adjusted opening balance	**23,736**	21,455	18,471
Total recognised income and expenses for the year	**5,401**	5,278	4,162
Change in minority share related to Ainax	**-3**	3	0
Dividend to shareholders	**-3,000**	-3,000	-1,200
Equity, 31 December	**26,134**	23,736	21,433
Of which, attributable to:			
Scania AB shareholders	**26,129**	23,727	21,428
Minority interest	**5**	9	5

Consolidated cash flow statement

January – December, SEK m.	Note	2006	2005	2004
Operating activities				
Income after financial items	24 a	**8,583**	6,765	6,276
Items not affecting cash flow	24 b	**3,236**	2,953	2,386
Taxes paid		**-2,552**	-2,450	-1,784
Cash flow from operating activities before change in working capital		**9,267**	7,268	6,878
Cash flow from change in working capital				
Inventories		**-627**	284	-959
Receivables		**8**	439	-1,664
Provisions for pensions		**96**	124	250
Trade payables		**1,276**	646	864
Other liabilities and provisions		**1,126**	-731	356
Total change in working capital		**1,879**	762	-1,153
Cash flow from operating activities		**11,146**	8,030	5,725
Investing activities				
Net investments through acquisitions/ divestments of businesses	24 c	**–**	-205	-49
Net investments in non-current assets	24 d	**-3,810**	-3,597	-2,798
Net investments in credit portfolio etc., Customer Finance	24 d	**-3,514**	-1,410	-478
Cash flow from investing activities		**-7,324**	-5,212	-3,325
Cash flow before financing activities		**3,822**	2,818	2,400
Financing activities				
Change in net debt from financing activities	24 e	**7,591**	62	-1,264
Dividend to shareholders		**-3,000**	-3,000	-1,200
Cash flow from financing activities		**4,591**	-2,938	-2,464
Cash flow for the year		**8,413**	-120	-64
Cash and cash equivalents, 1 January		**1,599**	1,589	1,663
Exchange rate differences in cash and cash equivalents		**-78**	130	-10
Cash and cash equivalents, 31 December	24 f	**9,934**	1,599	1,589

Cash flow statement, Vehicles and Service

January – December, SEK m.	Note	2006	2005	2004
Operating activities				
Cash flow from operating activities before change in working capital		**8,873**	6,905	6,685
Change in working capital etc.		**1,879**	762	-1,153
Cash flow from operating activities		**10,752**	7,667	5,532
Investing activities				
Net investments	24 d	**-3,810**	-3,802	-2,847
Cash flow from investing activities		**-3,810**	-3,802	-2,847
Cash flow after investing activities		**6,942**	3,865	2,685
Cash flow per share, Vehicles and Service excluding acquisitions/divestments		**34.71**	20.35	13.67

See also Note 3, "Segment reporting", for further information on cash flow by business segment.

Notes to the consolidated financial statements

Amounts in tables are reported in millions of Swedish kronor (SEK m.) unless otherwise stated.

NOTE 1 Accounting principles

The consolidated accounts of the Scania Group has been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) that have been approved by the European Commission for application in the European Union. In addition, the Swedish Financial Accounting Standards Council's Recommendation RR 30, "Supplementary Rules for Consolidated Financial Statements", has been applied.

The Parent Company applies the same accounting principles as the Group, except in the cases specified below in the section entitled "Parent Company accounting principles".

The functional currency of the Parent Company is Swedish kronor (SEK), and the financial reports are presented in Swedish kronor. Assets and liabilities are recognised at historical costs, aside from certain financial assets and liabilities which are carried at fair value. Financial assets and liabilities that are carried at fair value are derivative instruments and loans within the framework of hedge accounting, which are carried at fair value with regard to the risk being hedged.

Judgements made by Group Management that have a substantial impact on the financial reports, and estimates which have been made that may lead to significant adjustments, are described in more detail in Note 2, "Key judgements and estimates". Estimates and assumptions are reviewed regularly.

The principles stated below have been applied consistently for all periods, unless otherwise indicated below.

CHANGES IN ACCOUNTING PRINCIPLES

Accounting principles and calculation methods are unchanged from those applied in the Annual Report for 2005. New IFRS standards during 2006 have had no impact on Scania's accounting.

IFRS 7, "Financial Instruments: Disclosures"

IFRS 7 is to be applied from 2007, but earlier application is encouraged. Scania has chosen to apply the standard in its Annual Report for 2006. IFRS 7 has no effects on the income statement and balance sheet, but only involves supplementary disclosure requirements related to financial assets and liabilities beyond those required today by IAS 32.

Reclassification

In comparison with the 2005 Annual Report, the following reclassifications have occurred. "Other income and expenses" related to the Customer Finance segment in the consolidated income statement has been changed to being recognised on a gross basis, income and expenses respectively instead of a net item as previously. The presentation of "Other financial income and expenses" has been changed so that now it is recognised on a gross basis, income and expenses respectively, instead of as a net item as previously.

APPLICATION OF ACCOUNTING PRINCIPLES

Consolidated financial statements

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

Subsidiaries are reported according to the purchase method of accounting. This means that identifiable assets and liabilities in the acquired company are accounted for at fair values assigned by the purchaser. The acquisition analysis establishes the cost of the shares or business, as well as the fair value on the acquisition date of the company's identifiable assets, debts assumed and contingent liabilities. The cost of shares in subsidiaries or of the business, respectively, consists of the fair values on the transfer date of assets, liabilities that have arisen or are assumed and equity instruments issued as payment in exchange for the acquired net assets as well as transaction costs directly attributable to the acquisition. In case of acquisition of a business in which the acquisition cost exceeds the fair value of the company's identified assets, liabilities assumed and contingent liabilities, the difference is reported as goodwill. When the difference is negative, this is recognised directly in the income statement. Only earnings arising after the date of acquisition are included in the equity of the Group. Divested companies are included in the consolidated financial statements until and including the divestment date.

Intra-Group receivables and liabilities, revenue or expenses and unrealised gains or losses that arise from intra-Group transactions between Group companies are eliminated in their entirety during the preparation of the consolidated financial statements. The same applies to associated companies.

Minority interests in equity are reported separately from share capital owned by the Parent Company's shareholders. A separate disclosure of the minority share of the year's earnings is provided.

Associated companies and joint ventures

The term "associated companies" refers to companies in which Scania, directly or indirectly, has a significant influence. "Joint ventures" refers to companies in which Scania, through contractual

Continued on next page

Note 1, continued

cooperation with one or more parties, has a joint controlling influence on operational and financial management. Holdings in associated companies and joint ventures are recognised using the equity method. This means that in the consolidated financial statements, holdings in associated companies are carried at the Group's share of the equity of the associated company after adjusting for the Group's share of surplus and deficit values, respectively. The Group's share of net earnings after taxes is recognised in the income statement as "Share of income in associated companies and joint ventures".

Foreign currencies – translation

Receivables and liabilities in foreign currencies are carried at the exchange rates on the balance sheet date (closing day rate).

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). The changes in the 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 recognised directly in 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.

Hyperinflationary economies – adjustment of financial reports

None of the Group's subsidiaries are located in countries classified as hyperinflationary according to IAS 29.

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 plus Customer Finance. These two segments have distinct products and differentiated risk situations. The tied-up capital and accompanying financing structure in Customer Finance differ substantially from their equivalents at 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. Financial expenses and taxes are reported at the segment level in order to better reflect the Customer Finance line of business. For reasons of comparability, equivalent information for Vehicles and Service has been included in the note on segment reporting.

The Vehicles and Service line of business encompasses trucks, buses and industrial and marine engines, including the services associated with these products. All products are built using common basic components, with coordinated development and production. Products and services are also organised under common areas of responsibility. The Customer Finance line of business encompasses financial solutions for 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 this line of business encompass the assets that are directly used in its operations. Correspondingly, its liabilities and provisions refer to those that are directly attributable to its operations.

Balance sheet – classifications

Scania's operating cycle, that is, the time that elapses from the purchase of materials until payment for goods delivered is received, is less than 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 non-current.

Current assets are assets that are expected to be realised within twelve months, counting from the balance sheet date, or that consist of cash and cash equivalents. Other assets are classified as non-current assets. Assets held mainly for trading purposes are classified as current assets even when they are not expected to be realised within twelve months.

Classification of financial and operating leases (Scania as lessor)

Lease contracts with customers are carried as financial leases in cases where substantially all risks and rewards associated with ownership of the asset have been transferred to the lessee. Other lease contracts are classified as operating leases and are carried among tangible non-current assets. If a sale is combined with a repurchase obligation or a residual value guarantee, the transaction is carried as an operating lease, provided that important risks remain with Scania.

Lease obligations (Scania as lessee)

In case of a financial lease, the leased asset is carried as a tangible non-current asset and the future commitment as a liability. Operating leases are not carried as assets, since risks and benefits associated with ownership of the asset have not been transferred to Scania.

For classification of financial instruments – see the section on financial assets and liabilities under "Valuation principles".

Balance sheet – valuation principles

Tangible non-current assets including lease assets

Tangible fixed assets are carried at cost minus accumulated depreciation and any impairment losses. A non-current asset is divided up into components, each with a different useful life (depreciation period), and these are reported as separate assets. Machinery and equipment as well as lease assets have useful lives of 3–12 years. The average useful life of buildings is 40 years, based on 50–100 years for frames, 20–40 years for frame supplements and inner walls, 20–40 years for installations, 20–30 years for exterior surface layers and 10–15 years for interior surface layers. Land is not depreciated.

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.

Intangible non-current assets

Scania's intangible assets consist mainly of goodwill, capitalised expenditures for development of new products and software. Intangible non-current assets are accounted for at cost less any accumulated amortisation and impairment losses.

<u>Goodwill</u>

Goodwill arises when the cost of shares in a subsidiary exceeds the fair value of that company's acquired assets and liabilities according to the acquisition analysis. Recognised goodwill has arisen from acquisitions of distribution and dealer networks, which have resulted in increased profitability upon their integration into the Scania Group.

<u>Capitalised product development expenditures</u>

Scania's research and development activities are divided into a research phase and a development phase. Expenditures during the research phase are charged to earnings as they arise. Expenditures during the development phase are capitalised, beginning on the date when the expenditures are likely to lead to future economic benefits. This implies that it is technically possible to complete the intangible asset, the company has the intention and the potential to complete it and use or sell it, there are adequate resources to carry out development and sale, and remaining expenditures can be reliably estimated. Impairment testing occurs annually for development projects that have not yet gone into service, according to the principles stated below. The amortisation of capitalised development expenditures begins when the asset is placed in service and occurs on a straight-line basis during its estimated useful life. For capitalised product development expenditures, the average useful life is currently estimated at five years.

Capitalised software development expenditures

Capitalised software development expenditures are amortised on a straight-line basis during the useful life of the software, which is estimated at between three and five years.

Impairment testing of non-current assets

The carrying amounts of Scania's intangible, tangible and financial assets are tested on every closing day to assess whether there is indication of impairment. This includes intangible assets with an indeterminable useful life, which refer in their entirety to goodwill. If there is any indication that a non-current asset has an impairment loss, the recoverable amount of the asset is estimated. The carrying amounts for goodwill and intangible assets that have not yet gone into service are tested at the end of every year regardless of whether there is an indication of impairment loss or not.

If it is not possible to attribute essentially independent cash flows to an individual asset, during impairment testing assets shall be grouped at the lowest level where it is possible to identify essentially independent cash flows, a "cash-generating unit". A cash-generating unit usually corresponds to a reporting unit. Goodwill has been allocated among a number of cash-generating units, and the amount allocated to each unit is not significant compared to the Group's total carrying amount for goodwill. Goodwill that has been allocated to cash-generating units coincides with the total carrying value of goodwill.

In impairment testing, the carrying amount in the balance sheet is compared to the estimated recoverable amount. The recoverable amount of the asset is its fair value minus costs to sell or value in use, whichever is higher. In cases where the estimated recoverable amount of an asset or cash-generating unit is less than the carrying value to date, it is written down to the recoverable amount and an impairment loss is recognised in the income statement. Estimates of recoverable amounts are based on the same assumptions for all cash-generating units. The assumptions used are disclosed in Note 2, "Key judgements and estimates", and in Note 11, "Tangible non-current assets".

Scania carries out yearly impairment tests for all goodwill items.

Inventories

Inventories are carried at the lower of cost 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, estimated on the basis of normal capacity utilisation.

Financial assets and liabilities

Financial instruments are any form of agreement that gives rise to a financial asset, financial liability or equity instrument in another company. This encompasses cash and cash equivalents, interest-bearing receivables, trade receivables, trade payables, borrowings and derivative instruments. Cash and cash equivalents consist of cash and bank balances as well as short-term investments with a maturity shorter than 90 days. "Short-term investments" consist of investments with a longer maturity than 90 days.

Recognition of financial assets and liabilities

Financial assets and liabilities are recognised in the balance sheet when the company becomes a party to their contractual terms and conditions. Receivables are recognised in the balance sheet when Scania has transferred the essential risks and rewards that are associated with the transaction. Liabilities are recognised when the counterparty has performed and there is a contractual obligation to pay.

A financial asset or a portion of a financial asset is derecognised from the balance sheet when the rights in the contract have been realised, expire or the company loses control over them. A financial liability or a portion of a financial liability is derecognised from the balance sheet when the obligation in the contract has been fulfilled or annulled or has expired.

Scania applies settlement date accounting for everything except assets held for trading.

Derivatives with positive values are recognised as "Other current receivables" or "Other non-current receivables" (unrealised gains), while derivatives with negative values are recognised as "Other current liabilities" or "Other non-current liabilities" (unrealised losses).

Classification of financial instruments

All financial assets and liabilities are classified in the following categories:

a) Financial assets and financial liabilities carried at fair value via the income statement consist of two sub-categories:
   i) Financial assets and financial liabilities held for trading, which includes all of Scania's derivatives. The main purpose of Scania's derivative trading is to hedge the Group's currency and interest rate risks.
   ii) Financial assets and financial liabilities that were determined from the beginning to belong to this category. Scania has no financial instruments classified in this sub-category.
b) Held-to-maturity investments
   This category includes financial assets with predetermined or determinable payments and predetermined maturity that Scania has the intention and ability to hold until maturity.
c) Loan receivables and trade receivables
   These assets have predetermined or determinable payments. Scania's cash and cash equivalents, trade receivables and loan receivables belong to this category.
d) Financial assets available for sale
   This category consists of financial assets that have not been classified in any other category, such as shares and participations in both listed and unlisted companies. Scania has no financial instruments classified in this category.
e) Other financial liabilities
   Includes financial liabilities not held for trading. Scania's trade payables as well as borrowings belong to this category.

Recognition

Financial assets and liabilities are initially recognised at their cost, which is equivalent to their fair value at that time. Financial assets and liabilities in foreign currencies are translated to Swedish kronor, taking into account the closing day exchange rate.

a) Financial assets and liabilities carried at fair value via the income statement are continuously carried at fair value. Changes in the value of derivatives that hedge forecasted future payment flows (sales) are recognised in the income statement. Changes in the value of derivatives that are used to convert borrowings to a desired currency or to a desired interest rate refixing structure are recognised in net financial items.
b) Held-to-maturity investments are carried in the balance sheet at accrued cost. Interest income is recognised in net financial items.
c) Loan receivables and trade receivables are carried in the balance sheet at accrued cost minus potential bad debt losses. Provisions for probable bad debt losses/doubtful receivables are made following an individual assessment of each customer, based on the customer's payment capacity, expected future risk and the value of collateral received. Customer Finance also makes a provision for political uncertainty in certain countries as well as a provision for the 15 largest customers in volume terms.
d) Financial assets available for sale are carried continuously at fair value, with changes in value recognised in equity. On the date that that assets are derecognised from the balance sheet, any previously recognised accumulated gain or loss in equity is transferred to the income statement. Scania has no financial instruments classified in this category.
e) Other financial liabilities are initially recognised at market value, which is equivalent to the amount received on that date less any transaction costs, and later at accrued cost. Premiums or discounts upon issuance of securities are accrued over the life of the loan and recognised in net financial items.

Continued on next page

Note 1, continued

Any gains that arise in conjunction with the divestment of financial instruments or redemption of loan liabilities are recognised in the income statement.

The above are the main accounting principles that Scania applies to financial assets and financial liabilities. The exceptions from the above principles that are applied concern financial instruments included in hedging relationships. A more thorough description is provided for exceptions to the above principles in the “Hedge accounting” section.

Hedge accounting

Cash flow hedging

Currency futures (hedging instruments) that were acquired for the purpose of hedging expected future commercial payment flows in foreign currencies (hedged items) against currency rate risks are recognised according to cash flow hedge accounting rules. This implies that all derivatives are accounted for in the balance sheet at fair value, and changes in the value of currency futures are recognised in a hedge reserve in equity. Amounts that have been recognised in the hedge reserve in equity are recognised in the income statement at the same time as the external sale is recognised as revenue, that is, when delivery to an external customer occurs.

Fair value hedging

Scania’s external financing occurs mainly via different borrowing programmes. To convert this borrowing to the desired interest rate refixing structure, interest rate derivatives are used. IAS 39 imposes very strict requirements in order to apply hedge accounting. For administrative reasons, Scania has thus chosen to apply hedge accounting only to a few large hedging relationships. These hedging relationships comprise fair value hedgings, where by means of interest rate derivatives (hedging instruments), Scania eliminates the risk that changes in the market interest rate will affect the value of the liabilities (hedged item). In these hedging relationships, the hedging instrument i.e. the derivative, is carried at fair value with regard to the risk that has been hedged. This means that the change in value of the derivative instrument and that of the hedged item meet in net financial items.

As mentioned above, Scania has chosen not to apply hedge accounting to all hedging transactions. In cases where hedge accounting is not applied, because of the separate treatment of derivatives, which are carried at market value, and liabilities, which are carried at accrued cost, accounting volatility arises in net financial items. Financially speaking, Scania considers itself hedged and its risk management adheres to the Financial Policy approved by the Board of Directors.

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 warranties for vehicles sold during the year are based on warranty conditions and the estimated quality situation. Provisions on service contracts are related to expected future expenses that exceed contractual future revenue. Provisions for residual value obligations arise as a consequence either of an operating lease or a delivery with a repurchase obligation. The provision must cover the current assessment that expected future market value will be below the price agreed in the lease contract or repurchase contract. In this case, a provision for the difference between these amounts is to be reported, to the extent that this difference is not less than an as yet unrecognised deferred gain.

Assessment of future residual value risk occurs continuously over the contract period. For provisions related to pensions, see the description under “Employee benefits” below and in Note 17. For provisions related to deferred tax liabilities, see below under “Taxes”.

Taxes

The Group’s total tax consists of current tax 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”). Deferred tax assets minus deferred tax liabilities are recognised only to the extent that it is likely that they can be utilised. The tax effect attributable to items recognised directly in equity, such as changes in actuarial gains/losses, is recognised together with the underlying item directly in equity.

Employee benefits

Within the Scania Group, there are a number of both defined contribution and defined benefit pension and similar plans, some of which have assets that are managed by special foundations, funds or the equivalent. The plans include retirement pensions, survivor pensions, health care and severance pay. These are financed mainly by provisions to accounts and partially via premium payments.

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

Defined benefit plans are all plans that are not classified as defined contribution. These are calculated according to the “projected unit credit method”, for the purpose of fixing the present value of the obligations for each plan. Calculations are performed every year and are based on actuarial assumptions that are set on the closing day. The obligations are carried at the present value of expected disbursements, taking into account inflation, expected future pay increases and using a discount rate equivalent to the interest rate on top-rated corporate or government bonds with a remaining maturity corresponding to the obligations in question. For plans that are funded, the fair value of the plan assets is subtracted from the estimated present value of the obligation. Changes in pension obligations and managed assets, respectively, due to changes in actuarial assumptions or adjustments in actuarial parameters based on outcomes are recognised directly in equity (“actuarial gains and losses”).

In the case of some multi-employer defined benefit plans, sufficient information cannot be obtained to calculate Scania’s share of the plans. For this reason, these plans are reported as defined contribution. For Scania, this applies to the Dutch Pensioenfonds Metaal en Techniek, which is administered via MN Services, and Bedrijfstakpensioenfonds Metaloelektro, which is administered via PVF Achmea, as well as the portion of the Swedish ITP occupational pension plan that is administered via the retirement insurance company Alecta. Most of the Swedish plan for salaried employees (the collectively agreed ITP plan) is financed by provisions to accounts, however, which is safeguarded via credit insurance from the mutual insurance company Försäkringsbolaget Pensionsgaranti (FPG) and administered by a common institution operated on behalf of the Swedish business sector, Pensionsregistreringsinstitutet (PRI). See also Note 17.

Scania recognises special payroll tax related to actuarial gains and losses in the income statement.

Scania follows the rules in IAS 19 on limiting the valuation of net assets, since these are never carried at more than the present value of available economic benefits in the form of repayments from the plan or in the form of reductions in future fees to the plan. This value is determined as present value taking into account the discount rate in effect.

Income statement – classifications

Research and development expenses

This item consists of the research and development expenses that arise during the research phase and the portion of the development phase that does not fulfil the requirements for capitalisation, plus amortisation and any impairment loss during the period of previously capitalised development expenditures (see Note 11, “Intangible non-current assets”).

Selling expenses

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

Administrative expenses

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

Financial income and expenses

"Financial income" refers to income from financial investments, pension assets and derivatives. "Other financial income" includes other positive earnings from fluctuation in the valuation of non-hedge accounted derivatives (see the section on financial instruments), positive exchange rate differences and in 2005 also the effect of the acquisition of Ainax. "Financial expenses" refers to expenses connected to loans, pension liability and derivatives. "Other financial expenses" include current bank fees, other negative earnings from fluctuation in the valuation of non-hedge-accounted derivatives and negative exchange rate differences.

Income statement – valuation principles

Revenue recognition

Revenue from the sale of goods is recognised when substantially all risks and rewards are transferred to the buyer.

Net sales – Vehicles and Service

Sales:

In case of delivery of new trucks, buses and engines as well as used vehicles in which Scania has no residual value obligation, the entire revenue is recognised at the time of delivery to the customer.

Leases:

Operating lease – In case of delivery of vehicles that Scania finances with an operating lease, revenue is allocated on a straight-line basis over the lease period.

Residual value obligation – In case of delivery of vehicles on which Scania has a repurchase obligation at a guaranteed residual value, revenue is allocated on a straight-line basis until the repurchase date, as with an operating lease, provided that substantial risks remain with Scania.

Short-term rental – In case of short-term rental of vehicles, revenue is allocated on a straight-line basis over the contract period. Leasing and rentals mainly involve new trucks and buses. In such cases, the asset is recognised in the balance sheet as a lease asset.

Service-related products:

Income for service and repairs is recognised as income when the service is performed. For service and repair contracts, income is allocated over the life of the contracts, based on how expenses are allocated over time.

Customer Finance

In case of financial and operating leases, with Scania as the lessor, the recognition of interest income and lease income, respectively, is allocated over the lease period. Other income is recognised on a continuous basis.

Miscellaneous

Related party transactions

Related party transactions occur on market terms. "Related parties" refer to the companies in which Scania can exercise a controlling or significant influence in terms of the operating and financial 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. Related party transactions also include defined benefit and defined contribution pension plans.

Government grants including EU grants

Government grants received that are attributable to operating expenses reduce these expenses. Government grants related to investments reduce the gross cost of non-current assets.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events. A contingent liability can also be a present obligation that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required, or because the amount of the obligation cannot be measured with sufficient reliability. As appropriate, contingent liabilities are carried at discounted value.

Earnings per share

Earnings per share are calculated as net income for the period attributable to Parent Company shareholders, divided by the average number of shares outstanding per report period.

Incentive programmes and share-based payment

The outcome of the incentive programme for executive officers is recognised as a salary expense in the year the payment is related to. Part of the programme is payable in such a way that the employee him/herself acquires shares in Scania AB at market price. (See Note 28). As a result, the rules according to IFRS 2, "Share-based payments", are not applicable.

CHANGES IN ACCOUNTING PRINCIPLES DURING THE NEXT YEAR

IFRS is the object of continuous updating, but at present there are no rule changes that are deemed to have an impact on Scania's financial reports during 2007.

PARENT COMPANY

Parent Company accounting principles

The Parent Company has prepared its Annual Report in compliance with Sweden's Annual Accounts Act (1995:1554) and Recommendation RR 32, "Accounting for Legal Entities" of the Swedish Financial Accounting Standards Council. RR 32 implies that the parent company in the Annual Report of a legal entity shall apply all International Financial Reporting Standards and interpretations approved by the EU as far as this is possible within the framework of the Annual Accounts Act, and taking into account the connection between reporting and taxation. The recommendation states what exceptions from IFRS and additions shall be made. The Parent Company does not apply IAS 39, "Financial Instruments", but instead applies a method based on cost according to the Annual Accounts Act.

Subsidiaries

Holdings in subsidiaries are recognised in the Parent Company financial statements according to the cost method of accounting. Testing of the value of subsidiaries occurs when there is an indication of a decline in value.

Anticipated dividends

Anticipated dividends from subsidiaries are recognised in cases where the Parent Company has the exclusive right to decide on the size of the dividend and the Parent Company has made a decision on the size of the dividend before the Parent Company has published its financial reports.

Taxes

The Parent Company financial statements recognise untaxed reserves including deferred tax liability. The consolidated financial statements, however, reclassify untaxed reserves to deferred tax liability and equity.

Group contributions

The Parent Company's recognition of Group contributions received is comparable to its recognition of a dividend. This means that the Group contribution received and its current tax effect are recognised in the income statement. A Group contribution provided and its current tax effect are recognised directly in retained earnings.

NOTE 2 Key judgements and estimates

The key judgements and estimates for accounting purposes that are discussed in this section are those that Group Management and the Board of Directors deem the most important for an understanding of Scania's financial reports, taking into account the degree of significant influence and uncertainty. These judgements are based on historical experience and the various assumptions that Group Management and the Board deem reasonable under the prevailing circumstances. The conclusions drawn in this way provide the basis for decisions regarding recognised values of assets and liabilities, in those cases where these cannot easily be established through information from other sources. Actual outcomes may diverge from these judgements if other assumptions are made or other conditions emerge. Note 1 presents the accounting principles the company has chosen to apply.

Important estimates and judgements for accounting purposes are attributable to the following areas.

Revenue recognition

Scania delivers about 10 percent of its vehicles with residual value obligations or repurchase obligations. These are recognised as operating lease contracts, with the consequence that recognition of revenue and earnings is allocated over the life of the obligation.

In case of major changes in the market for used vehicles, this affects Scania's successive income recognition. In case the profit is insufficient to cover a possible downturn in market value, there is a provision in the required amount.

At the end of 2006, obligations related to residual value or repurchase amounted to about SEK 6,100 m.

Credit risks

In its Customer Finance operations, Scania has an exposure in the form of contractual payments. At the end of 2006, these amounted to SEK 31,841 m.

In all essential respects, Scania has collateral in the form of the right to repossess the underlying vehicle. In case the market value of the collateral does not cover the exposure to the customer, Scania has a risk of loss. On 31 December, 2006, the reserve for doubtful receivables in Customer Finance operations amounted to SEK 521 m. See also "Credit risk exposure" under Note 30.

Intangible assets

Intangible assets at Scania are essentially attributable to capitalised product development expenditures and "acquisition goodwill". All goodwill items at Scania stem from acquisitions of previously independent importers/dealerships. All goodwill items are subject to an annual impairment test, which is mainly based on recoverable amounts, including important assumptions on the sale trend, margin and discount rate before tax. See also below.

In the long term, the increase in sales of Scania's products is deemed to be closely correlated with economic growth (GDP) in a market. The revenue/cost ratio, or margin, for both vehicles and service is kept constant over time compared to the latest known level. When discounting to present value, Scania uses its average cost of equity (currently 11 percent before taxes). These assumptions do not diverge from information from external information sources or from earlier experience. To the extent the above parameters change negatively, an impairment loss may arise. On 31 December 2006, Scania's goodwill amounted to SEK 1,041 m. The impairment tests that were carried out showed that there are ample margins before an impairment loss will arise.

Scania's development costs are capitalised in the phase of product development where decisions are made on future production and market introduction. In this case there is future predicted revenue and a corresponding production cost. In case future volume or the price and cost trend diverges negatively from the preliminary calculation, an impairment loss may arise. Scania's capitalised development costs amounted to SEK 1,275 m. on 31 December.

Pension obligations

In the actuarial methods that are used to establish Scania's pension liabilities, a number of assumptions are highly important. The most critical ones are related to the discount rate on the obligations and expected return on managed assets. Other vital assumptions are the estimated pace of wage and salary increases and estimated life expectancy. A lower discount rate increases the recognised pension liability. In calculating the Swedish pension liability, the discount rate was left unchanged during 2006, while in 2005 it was lowered by 1.5 percentage points to 4.0 percent. Such a change in the above-mentioned actuarial parameters is recognised directly in equity, net after taxes.

Product obligations

Scania's product obligations are mainly related to vehicle warranties in the form of a one-year "factory warranty" plus extended warranties and, in some cases, special quality campaigns.

For each vehicle sold, Scania makes a warranty provision. For extended warranties and campaigns, a provision is made at the time of the decision. Provisions are dependent on the estimated quality situation and the degree of utilisation in the case of campaigns. An essential change in the quality situation may require an adjustment in earlier provisions. Scania's product obligations can be seen in Note 18 and amounted to SEK 1,057 m. on 31 December.

Legal and tax risks

On 31 December 2006, provisions for legal and tax risks amounted to SEK 457 m. See Note 18.

Legal risks

Demands and claims aimed at the Group, including demands and claims that lead to legal proceedings, may be related to infringements of intellectual property rights, faults and deficiencies in products that have been delivered, including product liability, or other legal liability for the companies in the Group.

The Group is party to legal proceedings and related claims that are normal in its operations. In addition, there are demands and claims normal to the Group's operations that do not lead to legal proceedings. In the best judgement of Scania's management, such demands and claims will not have any material impact on the financial position of the Group, beyond the reserves that have been set aside.

Tax risks

The Group is party to tax proceedings. However, Scania's management has made the assessment, based on individual examination, that the final outcome of these proceedings will not have any material impact on the financial position of the Group, beyond the recognised reserves. In addition, during 2003 the Swedish local tax authority denied a request for deduction of a loss of SEK 2.9 billion. This decision has been appealed by Scania. The aggregate effect on earnings may total a maximum of SEK 575 m. if the deduction is disallowed in its entirety.

Significant judgements are made in order to determine both current and deferred tax liabilities/assets. As for deferred tax assets, Scania must assess the likelihood that deferred tax assets will be utilised to offset future taxable profits. The actual result may diverge from these judgements, among other things due to future changes in business climate, altered tax rules or the outcome of still uncompleted examinations of filed tax returns by authorities or tax courts.

Scania recognised deferred net tax liabilities totalling SEK 1,629 m. at the end of 2006. In addition, at the end of 2006 the Group had deferred tax receivables related to unutilised tax loss carry-forwards of about SEK 225 m. that were not carried in the financial statements after assessment of the potential for utilising the tax loss carry-forwards. This judgement may affect income both negatively and positively.

NOTE 3 Segment reporting

The Vehicles and Service line of business encompasses the following products: trucks, buses and industrial and marine engines, including the services associated with these products. All products are based on shared basic components. Products and services are, moreover, organised into shared areas of responsibility at both the industrial and sales levels. The Customer Finance line of business provides financial solutions to Scania customers, such as loan financing, lease contracts and insurance solutions. Scania's internal pricing is determined according to market principles, at "arm's length distance".

PRIMARY SEGMENTS (lines of business)

INCOME STATEMENT	Vehicles and Service			Customer Finance			Eliminations and other			Scania Group		
January – December, SEK m.	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Revenue from external customers [1]	**70,738**	63,328	56,788	**3,527**	3,518	3,427	**-1,643**	-1,742	-1,748	**72,622**	65,104	58,467
Expenses	**-62,483**	-57,006	-50,647	**-3,034**	-2,989	-2,977	**1,643**	1,742	1,748	**-63,874**	-58,253	-51,876
Income from holdings in associated companies and joint ventures	**5**	8	8	**–**	–	–	**–**	–	–	**5**	8	8
Operating income	**8,260**	6,330	6,149	**493**	529	450	**0**	0	0	**8,753**	6,859	6,599
Financial income and expenses [2]	**-170**	-94	-323	**–**	–	–	**–**	–	–	**-170**	-94	-323
Income after financial items	**8,090**	6,236	5,826	**493**	529	450	**0**	0	0	**8,583**	6,765	6,276
Taxes [2]	**-2,499**	-1,938	-1,821	**-145**	-162	-139	**–**	–	–	**-2,644**	-2,100	-1,960
Income for the year	**5,591**	4,298	4,005	**348**	367	311	**0**	0	0	**5,939**	4,665	4,316
Depreciation/amortisation included in operating income [3]	**-3,023**	-2,707	-2,158	**-14**	-15	-15	**–**	–	–	**-3,037**	-2,722	-2,173
BALANCE SHEET												
31 December, SEK m.												
Assets												
Intangible non-current assets	**2,452**	2,685	2,613	**12**	13	13	**–**	–	–	**2,464**	2,698	2,626
Tangible non-current assets [6]	**17,104**	16,692	14,744	**26**	23	22	**–**	–	–	**17,130**	16,715	14,766
Lease assets [6]	**3,775**	3,981	3,429	**7,379**	7,269	7,043	**-1,488**	-1,367	-1,328	**9,666**	9,883	9,144
Shares and participations in associated companies	**173**	96	92	**–**	–	–	**–**	–	–	**173**	96	92
Interest-bearing receivables, non-current [5]	**241**	531	582	**16,358**	15,012	12,174	**–**	–	–	**16,599**	15,543	12,756
Other receivables, non-current	**1,485**	1,842	846	**221**	116	40	**–**	–	–	**1,706**	1,958	886
Inventories	**10,100**	9,949	9,446	**–**	–	41	**–**	–	–	**10,100**	9,949	9,487
Interest-bearing receivables, current [5]	**496**	494	491	**8,104**	7,353	7,384	**–**	–	–	**8,600**	7,847	7,875
Other receivables, current [4]	**10,737**	10,942	10,611	**590**	496	618	**-532**	-702	-656	**10,795**	10,736	10,573
Short-term investments, cash and cash equivalents	**10,672**	2,616	2,196	**173**	177	302	**–**	–	–	**10,845**	2,793	2,498
Total assets	**57,235**	49,828	45,050	**32,863**	30,459	27,637	**-2,020**	-2,069	-1,984	**88,078**	78,218	70,703

Continued on next page

Note 3, continued

31 December, SEK m.	Vehicles and Service 2006	2005	2004	Customer Finance 2006	2005	2004	Eliminations and other 2006	2005	2004	Scania Group 2006	2005	2004
Equity and liabilities												
Total equity	**22,971**	20,682	18,336	**3,163**	3,054	3,097	**–**	–	–	**26,134**	23,736	21,433
Interest-bearing liabilities [7]	**6,463**	3,290	3,050	**27,805**	25,384	22,563	**–**	–	–	**34,268**	28,674	25,613
Provisions for pensions	**3,590**	3,445	2,490	**15**	13	9	**–**	–	–	**3,605**	3,458	2,499
Other non-current provisions	**3,174**	2,872	2,943	**577**	578	598	**–**	–	–	**3,751**	3,450	3,541
Other liabilities, non-current	**2,554**	2,940	2,948	**13**	2	2	**–**	–	–	**2,567**	2,942	2,950
Current provisions	**1,123**	962	1,365	**2**	0	1	**–**	–	–	**1,125**	962	1,366
Other liabilities, current [6]	**17,360**	15,637	13,918	**1,288**	1,428	1,367	**-2,020**	-2,069	-1,984	**16,628**	14,996	13,301
Total equity and liabilities	**57,235**	49,828	45,050	**32,863**	30,459	27,637	**-2,020**	-2,069	-1,984	**88,078**	78,218	70,703
Gross investment for the period in												
– Intangible non-current assets	**224**	312	366	**8**	3	4	**–**	–	–	**232**	315	370
– Tangible non-current assets	**3,523**	2,969	2,360	**16**	13	12	**–**	–	–	**3,539**	2,982	2,372
– Lease assets	**1,712**	1,522	1,617	**3,474**	3,221	2,572	**–**	–	–	**5,186**	4,743	4,189

1 Elimination refers mainly to income on operating leases.

2 Financial income and expenses as well as taxes are reported at segment level to better reflect the Customer Finance line of business, whose operations are 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.

3 Decrease in value of operating leases is not included.

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

5 Interest-bearing receivables in the Customer Finance segment mainly consist of hire purchase receivables and financial lease receivables.

6 Elimination refers to deferred gains on lease assets.

7 Refers to interest-bearing liabilities that are not allocated between non-current and current by segment.

Cash flow statement by segment, SEK m.	Vehicles and Service 2006	2005	2004	Customer Finance 2006	2005	2004	Scania Group 2006	2005	2004
Operating activities									
Cash flow from operating activities	**8,873**	6,905	6,685	**394**	363	193	**9,267**	7,268	6,878
Change in working capital etc.	**1,879**	762	-1,153	**–**	–	–	**1,879**	762	-1,153
Cash flow from operating activities	**10,752**	7,667	5,532	**394**	363	193	**11,146**	8,030	5,725
Investing activities									
Net investments	**-3,810**	-3,802	-2,847	**-3,514**	-1,410	-478	**-7,324**	-5,212	-3,325
Cash flow from investing activities	**-3,810**	-3,802	-2,847	**-3,514**	-1,410	-478	**-7,324**	-5,212	-3,325
Cash flow after investment activities	**6,942**	3,865	2,685	**-3,120**	-1,047	-285	**3,822**	2,818	2,400

SECONDARY SEGMENTS (geographic areas)

Geographic areas	Western Europe			Central and eastern Europe			Asia			America			Other markets			Eliminations			Total		
SEK m.	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Vehicles and Service																					
Net sales, January – December[1]	**45,475**	42,027	38,598	**8,293**	5,586	5,072	**4,603**	4,138	3,994	**8,420**	7,575	5,654	**3,947**	4,002	3,470	**–**	–	–	**70,738**	63,328	56,788
Assets, 31 December[2]	**44,359**	36,282	33,866	**3,404**	3,022	2,778	**1,150**	1,090	1,095	**7,331**	8,866	6,735	**2,112**	2,131	2,049	**-1,121**	-1,563	-1,473	**57,235**	49,828	45,050
Gross investments[2]	**3,074**	2,764	2,275	**169**	213	171	**25**	13	37	**367**	266	180	**112**	25	64	**–**	–	–	**3,747**	3,281	2,727
Customer Finance																					
Revenue, January – December[1]	**2,933**	2,859	2,884	**397**	415	356	**184**	160	128	**1**	1	–	**12**	83	59	**–**	–	–	**3,527**	3,518	3,427
Assets, 31 December[2]	**23,498**	22,785	21,082	**6,106**	5,108	4,717	**2,271**	1,804	1,326	**140**	14	–	**848**	748	512	**–**	–	–	**32,863**	30,459	27,637
Gross investments[2]	**12**	8	9	**9**	5	4	**2**	4	3	**–**	0	–	**1**	0	0	**–**	–	–	**24**	17	16

1 Revenue from external customers, by location of customers.

2 Assets and gross investments, respectively (excluding lease assets), are allocated on the basis of geographic location.

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 trucks, buses and marine and industrial engines occurs in a number of locations in Sweden, Argentina, Brazil, France, the Netherlands, Poland and Russia.

Composition of geographic segments

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

Central and eastern Europe: Albania, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Kazakhstan, Latvia, Lithuania, Macedonia, Poland, Romania, Russia, Serbia and Montenegro, Slovakia, Slovenia, Ukraine, Uzbekistan.

Asia: Bahrain, Bangladesh, China, Hong Kong, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, Kuwait, Lebanon, Macao, Malaysia, Oman, Pakistan, Qatar, Saudi Arabia, Singapore, South Korea, Sri Lanka, Syria, Taiwan, Thailand, Turkey, the United Arab Emirates, Vietnam.

America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, French Guiana, Guatemala, Guyana, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Surinam, Uruguay, the United States, Venezuela, the Virgin Islands.

Other markets: Algeria, Angola, Australia, Botswana, Chad, Egypt, Eritrea, Ethiopia, Ghana, Kenya, Liberia, Malawi, Mauritius, Morocco, Mozambique, Namibia, New Caledonia, New Zealand, Niger, Reunion, the Seychelles, South Africa, Sudan, Tanzania, Tunisia, Uganda, Zambia, Zimbabwe.

NOTE 4 Net sales

Vehicles and Service	2006	2005	2004
Trucks	43,021	37,778	33,407
Buses	6,766	6,256	5,504
Engines	1,024	803	658
Service related producs	13,595	12,591	11,418
Used vehicles	5,189	4,897	4,470
Other products	3,032	2,773	2,322
Total delivery value	72,627	65,098	57,779
Adjustment for lease income [1]	-1,889	-1,770	-991
Net sales	70,738	63,328	56,788

1 Refers to the difference between revenue recognised as income and sales value based on deliveries. This difference arises when a lease or delivery, combined with a residual value guarantee or a repurchase obligation, is recognised as an operating lease, since significant risks remain. Refers mainly to trucks, SEK 1,666 m. (-1,618 and -920, respectively) and buses, SEK –83 m. (-152 and -71, respectively).

NOTE 5 Operating expenses

Vehicles and Service

Cost of goods sold	2006	2005	2004
Cost of goods	34,187	31,272	27,237
Staff	8,182	7,669	7,368
Depreciation/amortisation	2,210	1,992	1,673
Other	7,676	6,902	6,250
Total	52,255	47,835	42,528

Research and development expenses	2006	2005	2004
Staff	1,259	1,072	962
Depreciation/amortisation	529	419	190
Other	1,235	993	835
Total	3,023	2,484	1,987

Selling expenses	2006	2005	2004
Staff	2,638	2,530	2,324
Depreciation/amortisation	266	280	279
Other	3,112	3,019	2,740
Total	6,016	5,829	5,343

Administrative expenses	2006	2005	2004
Staff	531	417	454
Depreciation/amortisation	18	16	16
Other	640	425	319
Total	1,189	858	789

Customer Finance

Selling and administrative expenses	2006	2005	2004
Staff	258	222	183
Depreciation/amortisation	14	15	15
Other	144	137	120
Total	416	374	318

Cost of goods includes new trucks, buses and engines, but also used vehicles, bodywork and cars. Beyond this, the size of the cost of goods is dependent on the degree of integration in different markets. Capitalisation of development expenditures phase has been divided between the expense categories “Staff” and “Other”. The concentration of axle and gearbox production affected “Cost of goods sold” by about SEK 150 m. “Administrative expenses – Other” includes SEK 200 m. related to expenses in conjunction with MAN’s offer for Scania.

NOTE 6 Customer Finance

	2006	2005	2004
Interest income	1,513	1,375	1,253
Lease income	2,014	2,143	2,174
Depreciation	-1,620	-1,725	-1,731
Interest expenses	-988	-850	-841
Interest surplus	919	943	855
Other income and expenses	53	40	2
Gross income	972	983	857
Operating expenses	-416	-374	-318
Bad debt expenses [1]	-63	-80	-89
Operating income	493	529	450

1 Equivalent to 0.20 (0.29 and 0.34, respectively) percent of the average credit portfolio.

Lease assets (operating leases)	2006	2005	2004
1 January	7,269	7,043	7,900
New contracts	3,474	3,221	2,572
Depreciation	-1,620	-1,725	-1,731
Terminated contracts	-1,537	-1,676	-1,669
Change in value adjustments	45	30	21
Exchange rate differences	-252	377	-50
Carrying amount, 31 December [2]	7,379	7,269	7,043

2 Included in the consolidated financial statements after subtracting deferred profit recognition and internal gains.

Financial receivables (hire purchase contracts and financial leases)	2006	2005	2004
1 January	22,365	19,558	18,026
New receivables	14,659	12,892	9,864
Loan principal payments/ terminated contracts	-11,708	-11,190	-8,373
Change in value adjustment	-18	-74	-86
Exchange rate differences	-836	1,179	127
Carrying amount, 31 December	24,462	22,365	19,558
Total receivables and lease assets [3]	31,841	29,634	26,601

3 The number of contracts in the portfolio on 31 December totalled about 75,000 (70,000 and 67,000, respectively).

Net investments in financial leases	2006	2005	2004
Receivables related to future minimum lease payments	**21,320**	19,196	16,421
Less:			
Reserve for bad debts including executory costs	**-647**	-568	-442
Imputed interest	**-1,777**	-1,527	-1,345
Net investment [4]	**18,896**	17,101	14,634

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

Future minimum lease payments [5]	Operating leases	Financial leases
2007	2,565	8,528
2008	1,565	5,454
2009	1,258	3,989
2010	777	2,210
2011	411	908
2012 and thereafter	124	231
Total	**6,700**	**21,320**

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 7 Financial income and expenses

	2006	2005	2004
Financial income (Interest income)			
Bank balances and financial investments	**342**	332	103
Derivatives [1]	**239**	281	178
Expected return on pension assets	**51**	44	20
Other	**0**	22	45
Total financial income	**632**	679	346
Financial expenses (Interest expenses)			
Borrowings	**-539**	-618	-479
Pension liability	**-188**	-143	-125
Derivatives [1]	**-136**	-105	-34
Total financial expenses	**-863**	-866	-638
Other financial income [2]	**142**	299	96
Other financial expenses [3]	**-81**	-206	-127
Net financial items	**-170**	-94	-323

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

2 Refers primarily to SEK 80 m. (74 and -, respectively) in market value effects of financial instruments as well as exchange rate differences. In 2005 the item included SEK 47 m. in negative goodwill from the acquisition of Ainax recognised as revenue.

3 Refers primarily to bank-related expenses and exchange rate differences.

NOTE 8 Taxes

Tax expense/ income for the year	2006	2005	2004
Current tax [1]	**-2,647**	-2,263	-1,943
Deferred tax	**3**	163	-17
Total	**-2,644**	-2,100	-1,960
1 Of which, taxes paid:	**-2,552**	-2,450	-1,784

Deferred tax is attributable to the following:	2006	2005	2004
Deferred tax related to temporary differences	**277**	265	329
Deferred tax related to changes in tax rates and tax rules [2]	**6**	10	3
Deferred tax income due to tax value of loss carry-forwards capitalised during the year	**28**	60	18
Deferred tax expense due to utilisation of previously capitalised tax value of tax loss carry-forwards	**-59**	-141	-375
Other changes in deferred tax liabilities/assets [3]	**-249**	-31	8
Total	**3**	163	-17

2 During 2006, the tax rate changed in the following countries, among others: The Netherlands and Mexico.

3 Mainly refers to increase provision to tax allocation reserve.

Continued on next page

Note 8, continued

Reconciliation of effective tax	2006 Amount	2006 %	2005 Amount	2005 %	2004 Amount	2004 %
Income after financial items	**8,583**		6,765		6,276	
Tax calculated using Swedish tax rate	**-2,403**	**-28**	-1,894	-28	-1,757	-28
Tax effect and percentage influence:						
Difference between Swedish and foreign tax rates	**-183**	**-2**	-155	-2	-86	-1
Tax-exempt income	**176**	**2**	127	2	36	1
Non-deductible expenses	**-167**	**-2**	-149	-2	-122	-2
Utilisation/valuation of tax loss carry-forwards	**-11**	**0**	46	0	-30	0
New valuation of other deferred tax	**15**	**0**	-18	0	24	0
Adjustment for taxes pertaining to previous years	**3**	**0**	-6	0	11	0
Other	**-74**	**-1**	-51	-1	-36	-1
Effective tax	**-2,644**	**-31**	-2,100	-31	-1,960	-31

Deferred tax assets and tax liabilities are attributable to the following:	2006	2005	2004
Deferred tax assets			
Provisions	**526**	460	434
Provisions for pensions	**391**	371	146
Non-current assets	**573**	677	291
Inventories	**496**	478	416
Unutilised tax loss carry-forwards [4]	**129**	187	300
Other	**663**	487	451
Offset within tax jurisdictions	**-2,129**	-2,095	-1,655
Total deferred tax assets	**649**	565	383
Deferred tax liabilities			
Property, plant and equipment	**3,170**	3,230	2,741
Tax allocation reserve [5]	**1,146**	943	884
Other	**91**	62	335
Offset within tax jurisdictions	**-2,129**	-2,095	-1,655
Total deferred tax liabilities	**2,278**	2,140	2,305
Net deferred tax liabilities	**1,629**	1,575	1,922

4 Unutilised tax loss carry-forwards in 2006 stemmed mainly from Germany, France and Latin America. Of the deferred tax assets attributable to unutilised tax loss carry-forwards, SEK 112 m. may be utilised without time constraints.

5 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. As of 2005, interest is charged on the provision to the reserve and this expense is recognised as a tax.

Reconciliation of net deferred tax liabilities:	2006	2005	2004
Carrying value on 1 January	**1,575**	1,922	1,897
Deferred taxes recognised in the year's income	**-3**	-163	17
Exchange rate differences	**-9**	36	13
Reclassifications	**20**	–	–
Tax assets/liabilities in acquired businesses	**–**	60	16
Recognised in equity, changes attributable to			
actuarial gains and losses on pensions	**-21**	-217	-21
hedge reserve	**67**	-63	–
Net deferred tax liabilities, 31 December	**1,629**	1,575	1,922

Recognised tax assets related to subsidiaries that reported a loss during 2006 were valued on the basis of an assessment that future earnings capacity in each respective company made a valuation possible. In the Scania Group, deferred tax assets related to unutilised tax loss carry-forwards of SEK 225 m. (245 and 243, 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	
2007	1
2008	1
2009	0
2010	3
2011	28
2012 and thereafter	97
No expiration date	95
Total	**225**

NOTE 9 Earnings per share

Earnings per share	2006	2005	2004
Net income for the year attributable to Scania shareholders SEK m.	**5,939**	4,665	4,314
Weighted average, millions of shares outstanding during year	**200**	200	200
Earnings per share before/after dilution, SEK [1]	**29.70**	23.33	21.57

There are no financial instruments that might lead to dilution.

1 During 2005, the shares in Scania AB that were owned by Ainax AB were eliminated in the consolidated financial statements and thus did not affect the number of shares. During 2006, a reduction in the share capital of Scania AB occurred through the withdrawal of Ainax AB's shares in Scania AB, and Ainax AB was liquidated. See also Note 16, "Equity".

NOTE 10 Depreciation/amortisation

Vehicles and Service	2006	2005	2004
Intangible non-current assets			
Research and development expenses	**-361**	-283	-84
Selling expenses	**-38**	-33	-45
Total	**-399**	-316	-129
Tangible non-current assets			
Costs of goods sold [1]	**-2,210**	-1,992	-1,673
Research and development expenses	**-168**	-136	-106
Selling expenses	**-228**	-247	-234
Administrative expenses	**-18**	-16	-16
Total	**-2,624**	-2,391	-2,029
Total depreciation/amortisation, Vehicles and Service	**-3,023**	-2,707	-2,158

1 Of which, a value decrease of SEK -230 m. (-210 and -168, respectively) related to short-term leasing in Vehicles and Service. In addition, there was a value decrease of SEK -582 m. (-578 and -646, respectively) in operating leases as well as an accrual of capitalised repurchasing obligations, which was charged to the cost of goods sold.

Customer Finance	2006	2005	2004
Operating leases (payments of principal)	**-1,620**	-1,725	-1,731
Other non-current assets	**-14**	-15	-15
Total depreciation/amortisation, Customer Finance	**-1,634**	-1,740	-1,746

NOTE 11 Intangible non-current assets

	Goodwill	Development	Software [1]	Total
2006				
Accumulated cost				
1 January	1,095	1,825	331	3,251
Additions	–	186	46	232
Divestments and disposals	–	-10	-9	-19
Reclassifications	–	–	8	8
Exchange rate differences	-54	–	-13	-67
Total	**1,041**	**2,001**	**363**	**3,405**
Accumulated amortisation				
1 January	–	369	184	553
Amortisation for the year				
– Vehicles and Service	–	361	38	399
– Customer Finance	–	–	5	5
Divestments and disposals	–	-4	-7	-11
Exchange rate differences	–	–	-8	-8
Total	**–**	**726**	**212**	**938**
Impairment loss				
1 January	–	–	–	–
Impairment loss for the year	–	–	3	3
Total	–	–	**3**	**3**
Carrying amount, 31 December	**1,041**	**1,275**	**148**	**2,464**
2005				
Accumulated cost				
1 January	1,012	1,547	280	2,839
Acquisitions/divestments of businesses	63	–	13	76
Additions	–	291	24	315
Divestments and disposals	–	-13	-32	-45
Reclassifications	–	–	25	25
Exchange rate differences	20	–	21	41
Total	1,095	1,825	331	3,251

1 Software is purchased externally in its entirety.

Continued on next page

Note 11, continued

	Goodwill	Development	Software[1]	Total
2005				
Accumulated amortisation				
1 January	–	86	127	213
Amortisation for the year				
– Vehicles and Service	–	283	33	316
– Customer Finance	–	–	5	5
Divestments and disposals	–	–	-5	-5
Reclassifications	–	–	10	10
Exchange rate differences	–	–	14	14
Total	–	369	184	553
Carrying amount, 31 December	**1,095**	**1,456**	**147**	**2,698**
2004				
Accumulated cost				
1 January	1,006	1,234	255	2,495
Acquisitions/divestments of businesses	15	–	–	15
Additions	6	316	48	370
Divestments and disposals	–	-3	-33	-36
Reclassifications	–	–	7	7
Exchange rate differences	-15	–	3	-12
Total	1,012	1,547	280	2,839
Accumulated amortisation				
1 January	–	2	97	99
Amortisation for the year				
– Vehicles and Service	–	84	45	129
– Customer Finance	–	–	5	5
Divestments and disposals	–	–	-22	-22
Reclassifications	–	–	1	1
Exchange rate differences	–	–	1	1
Total	–	86	127	213
Carrying amount, December 31	**1,012**	**1,461**	**153**	**2,626**

Intangible assets are essentially attributable to capitalised development expenses and "acquisition goodwill". All goodwill items are attributable to acquisitions of previously independent importers/dealers that comprise separate cash-generating units. The year's impairment tests have led to an impairment loss on software that is no longer used.

1 Software is purchased externally in its entirety.

NOTE 12 Tangible non-current assets

	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets[1]	Total
2006					
Accumulated cost					
1 January	13,040	22,782	1,520	14,838	52,180
Additions	215	860	2,464	5,186	8,725
Divestments and disposals	-338	-1,090	–	-5,074	-6,502
Reclassifications	491	1,324	-1,629	-30	156
Exchange rate differences for the year	-354	-478	-32	-632	-1,496
Total	**13,054**	**23,398**	**2,323**	**14,288**	**53,063**
Accumulated depreciation					
1 January	4,702	15,925	–	4,844	25,471
Depreciation for the year					
– Vehicles and Service	436	1,958	–	812	3,206
– Customer Finance	-	9	–	1,620	1,629
Divestments and disposals	-173	-964	–	-2,435	-3,572
Reclassifications	216	-1	–	-88	127
Exchange rate differences for the year	-113	-350	–	-195	-658
Total	**5,068**	**16,577**	**–**	**4,558**	**26,203**
Accumulated impairment losses[2]					
1 January	–	–	–	111	111
Change in value for the year	–	–	–	-47	-47
Total	**–**	**–**	**–**	**64**	**64**
Carrying amount, 31 December	**7,986**	**6,821**	**2,323**	**9,666**	**26,796**
– of which "Machinery"		5,963			
– of which "Equipment"		858			
– of which "Buildings"	5,914				
– of which "Land"	2,072				
– of which Customer Finance	–	26	–	7,379	7,405

	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets[1]	Total
2005					
Accumulated cost					
1 January	11,387	20,366	1,141	13,794	46,688
Acquisitions/divestments of subsidiaries	275	35	–	–	310
Additions	207	734	2,041	4,743	7,725
Divestments and disposals	-54	-1,029	–	-4,498	-5,581
Reclassifications	507	1,248	-1,693	-73	-11
Exchange rate differences for the year	718	1,428	31	872	3,049
Total	13,040	22,782	1,520	14,838	52,180
Accumulated depreciation					
1 January	4,038	14,090	–	4,512	22,640
Depreciation for the year					
– Vehicles and Service	361	1,820	–	788	2,969
– Customer Finance	–	10	–	1,725	1,735
Divestments and disposals	-8	-911	–	-2,384	-3,303
Reclassifications	90	-100	–	-45	-55
Exchange rate differences for the year	221	1,016	–	248	1,485
Total	4,702	15,925	–	4,844	25,471
Accumulated impairment losses[2]					
1 January	–	–	–	138	138
Change in value for the year	–	–	–	-27	-27
Total	–	–	–	111	111
Carrying amount, 31 December	**8,338**	**6,857**	**1,520**	**9,883**	**26,598**
– of which "Machinery"		6,024			
– of which "Equipment"		833			
– of which "Buildings"	6,252				
– of which "Land"	2,086				
– of which Customer Finance	–	23	–	7,269	7,292
2004					
Accumulated cost					
1 January	10,881	19,482	1,428	14,452	46,243
Acquisitions/divestments of subsidiaries	93	10	–	–	103
Additions	191	893	1,289	4,189	6,562
Divestments and disposals	-151	-1,206	–	-4,673	-6,030
Reclassifications	420	1,283	-1,572	-78	53
Exchange rate differences for the year	-47	-96	-4	-96	-243
Total	11,387	20,366	1,141	13,794	46,688
Accumulated depreciation					
1 January	3,643	13,685	–	4,583	21,911
Depreciation for the year					
– Vehicles and Service	327	1,534	–	814	2,675
– Customer Finance	–	10	–	1,731	1,741
Divestments and disposals	-31	-949	–	-2,552	-3,532
Reclassifications	118	-117	–	-29	-28
Exchange rate differences for the year	-19	-73	–	-35	-127
Total	4,038	14,090	–	4,512	22,640
Accumulated impairment losses[2]					
1 January	–	–	–	158	158
Change in value for the year	–	–	–	-20	-20
Total	–	–	–	138	138
Carrying amount, 31 December	**7,349**	**6,276**	**1,141**	**9,144**	**23,910**
– of which "Machinery"		5,501			
– of which "Equipment"		775			
– of which "Buildings"	5,644				
– of which "Land"	1,705				
– of which Customer Finance	–	22	–	7,043	7,065

	2006	2005	2004
Buildings in Sweden			
Tax assessment value	**920**	950	939
Equivalent carrying amount	**2,136**	2,284	2,315
Land in Sweden			
Tax assessment value	**346**	397	325
Equivalent carrying amount	**448**	448	422

1 Including assets for short-term rentals, operating leases as well as assets capitalised due to repurchase obligations.
2 Impairment losses on lease assets refer to value adjustment for actual and potential credit losses.

NOTE 13 Holdings in associated companies and joint ventures

	2006	2005	2004
Carrying amount, 1 January	71	66	66
Acquisitions, capital contributions, divestments, impairment losses [1]	83	-6	-4
Reclassifications	–	1	0
Exchange rate differences	-5	7	-3
Share in income for the year	5	8	8
Dividends	-6	-5	-1
Carrying amount, 31 December	148	71	66
Contingent liabilities	0	0	0

1 SEK 83 m. refers to a capital contribution to Cummins-Scania XPI, which was started in 2006.

Scania has entered into a joint venture agreement with Cummins related to development projects.

Share of assets, liabilities and income	2006	2005	2004
Non-current assets	104	47	46
Current assets	120	76	73
Non-current liabilities	11	14	16
Current liabilities	65	37	34
Scania's share of net assets	148	72	69
Sales revenue	736	464	455
Income after financial items	7	11	12
Taxes	-2	-3	-4
Net income for the year	5	8	8

Associated company or joint venture/corporate ID number/country of registration	Ownership %	Carrying amount in Parent Company financial statement	Value of Scania's share in consolidated fianancial statements 2006	2005	2004
Cummins-Scania high pressure injection L.L.C; 043650113, USA	30	26	23	32	30
BitsData AB, 556112-2613, Sweden	25	1	4	3	1
ScaMadrid S.A., ES A80433519, Spain	49	12	21	22	19
ScaValencia S.A., ES A46332995, Spain	26	1	14	13	16
Holdings in associated companies			62	70	66
Cummins-Scania XPI; 20-3394999, USA	50	83	83	–	–
Other	–	1	3	1	0
Holdings in joint ventures			86	1	0
Holdings in associated companies and joint ventures			148	71	66
Other shares and participations			25	25	26
Total			173	96	92

NOTE 14 Inventories

	2006	2005	2004
Raw materials, components and supplies	960	970	937
Work in progress	1,392	1,114	1,109
Finished goods [1]	7,748	7,865	7,441
Total	10,100	9,949	9,487
1 Of which, used vehicles	861	1,251	1,269
Change in value adjustment	31	-24	-78

NOTE 15 Other receivables

	2006	2005	2004
Prepaid expenses and accrued income	266	86	54
Derivatives with positive value	99	640	–
Value-added tax	63	169	126
Other receivables	595	498	323
Total other long-term receivables	1,023	1,393	503
Prepaid expenses and accrued income	767	792	853
Derivatives with positive value	365	148	–
Value-added tax	1,100	739	553
Other receivables	814	843	793
Total other current receivables	3,046	2,522	2,199
Total other receivables	4,069	3,915	2,702

NOTE 16 Equity

The equity of the Scania Group has changed as follows:

	Share capital	Contributed capital	Hedge reserve	Exchange rate differences	Retained earnings	Total Scania shareholders	Minority interest	Total equity
2006								
Equity, 1 January	2,263	1,120	-83	903	19,524	23,727	9	23,736
Exchange rate differences for the year				-660		-660	-1	-661
Hedge reserve								
Change in value related to cash flow hedge recognised directly in equity			340			340		340
Cash flow reserve transferred to sales revenue in income statement			-103			-103		-103
Actuarial gains/losses related to pensions recognised directly in equity					-68	-68		-68
Tax attributable to items recognised directly in equity			-67		21	-46		-46
Total changes in assets recognised directly in equity excluding transactions with the company's owners	**0**	**0**	**170**	**-660**	**-47**	**-537**	**-1**	**-538**
Net income for the year					5,939	5,939		5,939
Total changes in assets excluding transactions with the company's owners	**0**	**0**	**170**	**-660**	**5,892**	**5,402**	**-1**	**5,401**
Reduction due to liquidation of Ainax	-263				263	0		0
Change in minority share related to Ainax						0	-3	-3
Dividend to shareholders					-3,000	-3,000		-3,000
Equity, 31 December 2006	**2,000**	**1,120**	**87**	**243**	**22,679**	**26,129**	**5**	**26,134**
2005								
Equity, 1 January	2,000	1,120	–	-400	18,708	21,428	5	21,433
Change in accounting principle (IAS 39)			55		-33	22		22
Adjusted equity, 1 January	2,000	1,120	55	-400	18,675	21,450	5	21,455
Exchange rate differences for the year				1,303		1,303	1	1,304
Hedge reserve								
Change in value related to cash flow hedge recognised directly in equity			-607			-607		-607
Cash flow reserve transferred to sales revenue in income statement			415			415		415
Actuarial gains/losses related to pensions recognised directly in equity					-770	-770		-770
Tax attributable to items recognised directly in equity			54		217	271		271
Total changes in assets recognised directly in equity excluding transactions with the company's owners	**0**	**0**	**-138**	**1,303**	**-553**	**612**	**1**	**613**
Net income for the year					4,665	4,665		4,665
Total changes in assets excluding transactions with the company's owners	**0**	**0**	**-138**	**1,303**	**4,112**	**5,277**	**1**	**5,278**
New share issue in conjunction with acquisition of Ainax	263				-263	0		0
Change in minority share related to Ainax						0	3	3
Dividend to shareholders					-3,000	-3,000		-3,000
Equity, 31 December 2005	**2,263**	**1,120**	**-83**	**903**	**19,524**	**23,727**	**9**	**23,736**

	Share capital	Contributed capital	Hedge reserve	Exchange rate differences	Retained earnings	Total Scania shareholders	Minority interest	Total equity
2004								
Equity, 1 January	2,000	1,120	–	-299	15,645	18,466	5	18,471
Exchange rate differences for the year				-101		-101	-2	-103
Actuarial gains/losses related to pensions recognised directly in equity					-72	-72		-72
Tax attributable to items recognised directly in equity					21	21		21
Total changes in assets recognised directly in equity excluding transactions with the company's owners	**0**	**0**	**–**	**-101**	**-51**	**-152**	**-2**	**-154**
Net income for the year					4,314	4,314	2	4,316
Total changes in assets excluding transactions with the company's owners	**0**	**0**	**–**	**-101**	**4,263**	**4,162**	**0**	**4,162**
Dividend to shareholders					-1,200	-1,200		-1,200
Equity, 31 December 2004	**2,000**	**1,120**	**–**	**-400**	**18,708**	**21,428**	**5**	**21,433**

The share capital of Scania AB consists of 100,000,000 Series A shares outstanding with voting rights of one vote per share and 100,000,000 Series B shares outstanding with voting rights of 1/10 vote per share. A and B shares carry the same right to a portion of the company's assets and profit. The nominal value of both A and B shares is SEK 10 per share. All shares are fully paid and no shares are reserved for transfer of ownership. No shares are held by the company itself or its subsidiaries.

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

The hedge reserve consists of the change in market value of commercial cash flow hedging instruments in cases where hedge accounting is applied according to IAS 39.

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 661 m. during 2006 arose as a consequence of the strengthening of the Swedish krona against currencies important to Scania. The exchange rate differences were mainly attributable to a strengthening of the krona against the euro, the Brazilian real and the South African rand.

Reconciliation of change in number of shares outstanding	2006	2005	2004
Number of A shares outstanding, 1 January	**126,296,508**	100,000,000	100,000,000
New share issue in conjunction with acquisition of Ainax		26,296,508	
Reduction in share capital related to shares owned by Ainax	**-26,296,508**		
Number of A shares outstanding, 31 December	**100,000,000**	126,296,508	100,000,000
Number of B shares outstanding, 1 January	**100,000,000**	100,000,000	100,000,000
Number of B shares outstanding, 31 December	**100,000,000**	100,000,000	100,000,000

Retained earnings consist not only of accrued profits but also of the change in pension liability attributable to changes in actuarial assumptions that is recognised directly in equity. Regarding changes in actuarial assumptions, see also Note 17, "Provisions for pensions and similar commitments." The Parent Company's dividend for 2006 was SEK 3,000 m., equivalent to SEK 15 per share. The proposed regular dividend for 2007 is SEK 3,000 m., equivalent to SEK 15 per share. In addition, the Board of Directors is proposing a 5 to 1 share split with mandatory redemption of the fifth share at a price of SEK 35 per share. Together with the regular dividend, this means that the shareholders will receive SEK 10 billion, or SEK 50 per share.

Minority interest consists of the equity that belongs to external minority owners of certain subsidiaries in the Scania Group.

Reduction in share capital. The acquisition of Ainax in February 2005 was paid for by a new issue of 26,296,508 A shares, which was equivalent to 96.3 percent of the number of shares outstanding in Ainax. The new share issue affected the equity of the Scania Group in a net amount of zero, but since SEK 263 m. was accounted for as equity, "Retained earnings" was affected in the amount of SEK -263 m. According to a resolution approved by the Annual General Meeting and implemented through a decision by the Swedish Companies Registration Office, during 2006 share capital was reduced in the amount of SEK 262,965,080 through the withdrawal of 26,296,508 A shares in Scania owned by Scania. This restored share capital to what it was before the offer for Ainax was completed. Ainax AB was liquidated during 2006.

NOTE 17 Provisions for pensions and similar commitments

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

The commitment that is recognised in the balance sheet stems from the defined-benefit plans. Where of the largest are found in Sweden, Great Britain and Brazil. They are safeguarded via re-insured provisions in the balance sheet, foundations and funds. Calculations are performed according to the "projected unit credit method", using the assumptions presented in the table below, also taking into account any revocability. As of 2005, actuarial gains and losses are recognised directly in equity. The actuarial loss of SEK 72 m. during the comparative year 2004 was reclassified from the income statement to equity.

In the case of some of the Group's defined-benefit multi-employer plans, sufficient information cannot be obtained to calculate Scania's share in these plans. They have thus been accounted for as defined-contribution. In Scania's case, this applies to the Dutch fund Pensioenfonds Metaal en Techniek, which is administered via MN Services, and Bedrijfstakpensioenfonds Metaloelektro, which is administered via PVF Achmea, as well as the portion of the Swedish ITP occupational pension plan that is administered via the retirement insurance company Alecta. Most of the Swedish plan for salaried employees (the collectively agreed ITP plan), however, is accounted for by provisions in the balance sheet, safeguarded by credit insurance from the mutual insurance company Försäkringsbolaget Pensionsgaranti (FPG), and are administered by a Swedish multi-employer institution, the Pension Registration Institute (PRI).

Premiums to Alecta amounted to SEK 76 m. (72 and 74, respectively). A surplus or deficit at Alecta may mean a refund to the Group or lower or higher future premiums. At year-end 2006, Alecta's surplus, in the form of a collective consolidation level, amounted to 144 (128 and 128, respectively) percent. The collective consolidation level consists of the fair value of Alecta's assets as a percentage of its insurance obligations calculated according to Alecta's actuarial assumptions, which do not coincide with IAS 19.

In the Dutch plans, both companies and employees contribute to the plan. The companies' premiums to MN Services amounted to SEK 24 m. (22 and 19, respectively) and to PVF Achmea SEK 51 m. (55 and 49, respectively). The consolidation level amounted to 135 (126 and 114, respectively) percent for MN Services and 129 (127 and 115, respectively) percent for PVF Achmea.

Scania's forecasted disbursement of pensions is SEK 151 m. in 2007.

Expenses for pensions and other defined-benefit obligations recognised in the income statement	**Expenses related to pension obligations**			**Expenses related to health care benefits**			**Expenses related to other obligations**		
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Current service expenses	**-129**	-117	-186	**-3**	-2	-2	**-11**	-10	-4
Interest expenses	**-157**	-143	-125	**-26**	-21	-14	**-5**	-4	-2
Expected return on plan assets	**46**	44	20	**–**	–	–	**5**	3	1
Past service expenses	**–**	–	-3	**–**	-8	–	**–**	–	–
Gains (+) and losses (-) due to curtailments and settlements	**-14**	10	–	**–**	–	–	**–**	–	–
Curtailment in valuation of net assets	**-10**	–	–	**–**	–	–	**–**	–	–
Total expense for defined-benefit obligations recognised in the income statement	**-264**	-206	-294	**-29**	-31	-16	**-11**	-11	-5

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 542 m. (488 and 455, respectively) during 2006.

Pension expenses and other defined-benefit payments are found in the income statement under the headings "Cost of goods sold", SEK 41 (72 and 117, respectively), "Selling expenses", SEK 62 m. (54 and 22, respectively) and "Administrative expenses", SEK 64 m. (23 and 71, respectively). The interest portion of pension expenses, along with the return on plan assets, is found under "Financial expenses and income".

Expenses for pensions and other defined-benefit obligations recognised in equity	**Expenses related to pension obligations**			**Expenses related to health care benefits**			**Expenses related to other obligations**		
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Experience-based adjustments in pension liability	**-56**	-32	N/A	**–**	-6	N/A	**1**	-1	N/A
Experience-based adjustments in plan assets	**22**	40	N/A	**–**	–	N/A	**–**	14	N/A
Effects of changes in actuarial assumptions	**-19**	-771	N/A	**–**	–	N/A	**–**	-2	N/A
Net actuarial gains (+) and losses (-) for the year	**-53**	-763	-65	**–**	-6	-7	**1**	11	0
Curtailment in valuation of net assets	**-16**	-12	–	**–**	–	–	**–**	–	–
Total expense/revenue for defined-benefit obligations recognised in equity	**-69**	-775	-65	**–**	-6	-7	**1**	11	0

The accumulated amount of actuarial losses in equity was SEK 907 m. before taxes.

Recognised as provision for pensions in the balance sheet	Pension obligations			Obligations related to health care			Other obligations		
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Present value of defined-benefit obligations, wholly or partly funded	**1,216**	1,258	593	**–**	–	–	**41**	40	28
Present value of defined-benefit obligations, unfunded	**3,004**	2,827	2 091	**261**	258	167	**50**	50	36
Present value of defined-benefit obligations	**4,220**	4,085	2 684	**261**	258	167	**91**	90	64
Fair value of plan assets	**-1,100**	-1,048	-395	**–**	–	–	**-48**	-47	-21
Net assets not fully valued due to curtailment rule	**144**	81	–	**–**	–	–	**–**	–	–
Recognised in the balance sheet	**3,264**	3,118	2 289	**261**	258	167	**43**	43	43
Of which, pension liability recognised under the heading "Provisions for pensions"	**3,301**	3,157	2 289	**261**	258	167	**43**	43	43
Of which, pension asset recognised under the heading "Other non-current receivables"	**-37**	-39	–	**–**	–	–	**–**	–	–

Assumptions applied in actuarial calculation	Sweden (pension)			Great Britain (pension)			Brazil (health care)			Other countries (pension etc)		
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Discount rate (%)	**4.0**	4.0	5.5	**5.1**	5.0	5.5	**10.3**	10.3	10.3	**2.3 – 5.0**	2.0 – 4.5	4.5 – 5.5
Expected return on plan assets (%)	**-**	-	-	**6.0**	5.5	6.0	**10.3**	10.3	10.3	**3.7 – 5.0**	2.3 – 5.0	5.0 – 6.0
Expected wage and salary increase (%)	**3.0**	3.0	3.0	**0.0**	0.0	0.0	**–**	–	–	**1.5 – 4.4**	1.5 – 4.4	2.0 – 4.3
Change in health care costs (%)	**–**	–	–	**–**	–	–	**8.6**	8.6	7.8	**–**	–	–
Employee turnover (%)	**5.0**	5.0	5.0	**0.0**	0.0	0.0	**–**	–	–	**1.0 – 6.4**	1.0 – 8.0	1.0 – 6.0
Expected remaining years of service	**21.7**	22.0	21.5	**9.0**	10.0	11.0	**18.2**	18.7	19.0	**8.3 – 33.0**	8.5 – 33.0	15.0 – 33.0
Expected increase in pension (%)	**2.0**	2.0	2.0	**3.0**	2.8	3.0	**–**	–	–	**0.8 – 3.0**	0.8 – 2.0	1.8 – 2.5

Expected return in each country and category of plan assets is calculated taking into account historic return and management's estimate of future developments. These figures in the above tables have then been combined into a total expected return for Brazil, Great Britain and "Other countries" in the Scania Group, taking into account that no changes in investment strategies are planned. The categories of plan assets in question in the Scania Group are "shares and participations", "other interest-bearing securities", "properties" and "bank deposits etc."

Present value of defined-benefit obligations changed during the year as follows:	Liabilities related to pension obligations			Liabilities related to health care benefits			Liabilities related to other obligations		
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Present value of defined-benefit obligations, 1 January	**4,085**	2,684	2,411	**258**	167	150	**90**	64	52
Present value of reclassified obligations, 1 January [1]	**-44**	401	–	**–**	–	–	**–**	–	–
Current service expenses	**129**	117	186	**3**	2	2	**11**	10	4
Interest expenses	**157**	143	125	**26**	21	14	**5**	4	2
Payments made by pension plan participants	**–**	–	-4	**–**	–	-8	**–**	–	-3
Net actuarial gains and losses for the year	**74**	785	58	**–**	6	7	**-1**	5	8
Exchange rate differences	**-68**	62	-10	**-15**	65	2	**-5**	16	3
Disbursements of pension payments	**-127**	-113	-85	**-11**	-11	–	**-9**	-9	-2
Past service expenses	**–**	–	3	**–**	8	–	**–**	–	–
Present value of defined-benefit obligations in companies bought/sold	**–**	1	–	**–**	–	–	**–**	–	–
Gains and losses due to net settlements for the year	**14**	5	–	**–**	–	–	**–**	–	–
Present value of defined-benefit obligations, 31 December	**4,220**	4,085	2,684	**261**	258	167	**91**	90	64

1 2006: reclassification of a defined-benefit plan to a defined-contribution plan in Switzerland. 2005: a change in legislation in Switzerland as of 1 January 2005, which compels employers to participate in restructuring into foundations in the event of financing deficits, is leading to a reclassification of the plan from defined-contribution to defined-benefit.

Continued on next page

Note 17, continued

Fair value of plan assets changed as follows during the year:	Plan assets related to pension obligations 2006	2005	2004	Plan assets related to health care benefits 2006	2005	2004	Plan assets related to other obligations 2006	2005	2004
Fair value of plan assets, 1 January	**1,048**	395	357	**–**	–	–	**47**	21	11
Fair value of plan assets related to reclassified obligations [2]	**–**	503	–	**–**	–	–	**–**	–	–
Expected return on plan assets	**46**	44	20	**–**	–	–	**5**	3	1
Net actuarial gains and losses for the year	**21**	22	-7	**–**	–	–	**-**	16	8
Exchange rate differences	**-58**	51	-4	**–**	–	–	**-3**	9	1
Payments to pension plan	**57**	47	29	**–**	–	–	**–**	–	–
Payments made by pension plan participants	**8**	7	–	**11**	–	–	**–**	–	–
Disbursements of pension payments	**-22**	-21	–	**-11**	–	–	**-1**	-2	–
Fair value of plan assets, 31 December	**1,100**	1,048	395	**0**	–	–	**48**	47	21

2 2005: a change in legislation in Switzerland as of 1 January 2005, which compels employers to participate in restructuring into foundations in the event of financing deficits, is leading to a reclassification of the plan from defined-contribution to defined-benefit.

Plan assets consist mainly of shares and interest-bearing securities with the following fair value on closing day:	2006 SEK m.	2005 SEK m.	2004 SEK m.	2006 %	2005 %	2004 %
Miscellaneous shares and participations	**424**	339	127	**37.0**	31.0	30.5
Miscellaneous interest-bearing securities	**512**	506	248	**44.6**	46.2	59.6
Properties leased to Scania companies	**67**	74	–	**5.8**	6.8	–
Investment properties	**69**	64	15	**6.0**	5.8	3.6
Bank deposits etc.	**76**	112	26	**6.6**	10.2	6.3
Total	**1,148**	1,095	416	**100.0**	100.0	100.0

Actual return	Plan assets related to pension obligations 2006	2005	2004	Plan assets related to health care benefits 2006	2005	2004	Plan assets related to other obligations 2006	2005	2004
Actual return on plan assets	**68**	84	23	**–**	–	–	**5**	17	11

Sensitivity analysis concerning 1% change in health care expenses on:	1% decrease 2006	2005	1% increase 2006	2005
Sum of cost for employment in current year and interest expense	**-2**	0	**7**	8
Sum of present value of the defined-benefit obligation	**-21**	-53	**54**	11

Multi-year summary recognised in balance sheet[3]	2006	2005	2004
Present value of defined-benefit obligations	**4,572**	4,433	2,915
Fair value of plan assets	**-1,148**	-1,095	-416
Deficit	**3,424**	3,338	2,499
Net assets not valued in full due to curtailment rule	**144**	81	–
Recognised in balance sheet	**3,568**	3,419	2,499

Multi-year summary of expenses in equity[3]	2006	2005	2004
Experience-based adjustments in pension liability	**-55**	-39	–
Experience-based adjustments in plan assets	**22**	54	–
Effects of changes in actuarial assumptions	**-19**	-773	-72
Net actuarial gains (+) and losses (-) for the year	**-52**	-758	-72
Curtailment in value of net assets	**-16**	-12	–
Total expense/income for defined-benefit obligations recognised in equity	**-68**	-770	-72

3 According to the transitional rules in IAS 19, the multi-year summary may be built up, going forward, to include the financial year in question and the four preceding ones, starting with the first period when the new method for actuarial gains/losses is applied (Scania, 2004).

NOTE 18 Other provisions

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

	Product obligations	Restruc-turing	Legal and tax disputes	Other provisions[1]	Total
2006					
1 January	1,028	45	397	802	2,272
Provisions during the year	1,339	14	141	449	1,943
Provisions used during the year	-1,056	-18	-16	-152	-1,242
Provisions reversed during the year	-230	-2	-36	-46	-314
Exchange rate differences	-24	-1	-29	-7	-61
31 December	**1,057**	**38**	**457**	**1,046**	**2,598**
of which, current provisions					1,125
of which, non-current provisions					1,473
2005					
1 January	1,513	66	264	759	2,602
Provisions during the year	1,146	27	109	348	1,630
Provisions used during the year	-1,182	-45	-53	-200	-1,480
Provisions reversed during the year	-64	-5	-11	-117	-197
Reclassified to prepaid income	-450	–	–	–	-450
Exchange rate differences	65	2	88	12	167
31 December	1,028	45	397	802	2,272
of which, current provisions					962
of which, long-term provisions					1,310
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
of which, current provisions					1,366
of which, long-term provisions					1,236

1 "Other provisions" include provisions for potential losses on service agreements and residual value obligations. "Other provisions" also include costs connected to the concentration of axle and gearbox production in Södertälje.

Uncertainty about the expected outflow dates is greatest for legal and tax disputes. Otherwise, outflow is expected to occur within one to two years. Provisions are recognised without discounting and at nominal amounts, as the time factor is not deemed to have a major influence on the size of the amounts, since a possible future outflow is relatively close in time. For a description of the nature of the obligations, see also Notes 1 and 2.

NOTE 19 Accrued expenses and deferred income

	2006	2005	2004
Accrued employee-related expenses	2,268	2,019	1,731
Prepaid income related to service and repair contracts [1]	1,801	1,676	1,060
Prepaid income related to repurchase obligations	2,993	3,311	2,993
Accrued financial expenses	133	67	355
Other customary accrued expenses and deferred income [1]	1,949	1,889	1,773
Total	9,144	8,962	7,912
– of which, current	7,283	6,836	5,543
– of which, non-current	1,861	2,126	2,369
Of the above total, the following was attributable to Customer Finance operations	289	263	306

Of the above deferred income related to vehicles sold with repurchase obligations, SEK 1,132 m. is expected to be recognised as revenue within 12 months. There are no repurchase obligations expected to be recognised as revenue after 5 years.

1 In 2005, the increase was attributable to SEK 450 m. in reclassifications from "Other provisions".

NOTE 20 Assets pledged and contingent liabilities

Assets pledged	2006	2005	2004
Real estate mortgages	27	29	42
Other	4	1	6
Total [1]	31	30	48
1 Of which, assets pledged for:			
Non-current borrowings	25	28	41
Current borrowings	4	1	1
Liabilities of others	2	1	6

Contingent liabilities	2006	2005	2004
Contingent liability related to FPG credit insurance	37	34	31
Loan guarantees	31	36	46
Discounted bills and contracts	1	3	13
Other guarantees	131	136	170
Total	200	209	260

In addition to the above contingent liabilities, the Group has issued vehicle repurchase guarantees worth SEK 188 m. (350 and 236, respectively) to customers' creditors.

NOTE 21 Lease obligations

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

Future payment obligations on non-cancellable operating leases.

	2006		2005		2004	
Operating lease	Future minimum lease payments	Of which, related to premises [2]	Future minimum lease payments	Of which, related to premises [2]	Future minimum lease payments	Of which, related to premises [2]
Within one year	204	111	194	111	167	106
Between one year and five years	377	310	371	293	359	313
Later than five years	507	506	440	439	533	532
Total [1]	1,088	927	1,005	843	1,059	951

1 Refers to operating leases where the obligation exceeds one year.

2 Expenses for leases on premises were charged to income in the amount of SEK 113 m. (95 and 85, respectively).

Allocation of lease expenses	2006	2005	2004
Operating leases			
Fixed payments	203	200	189
Flexible payments	16	10	6
Payments related to sub-leased items	-4	-4	-4
Total	215	206	191

Future payment obligations on non-cancellable financial leases:

	2006			2005			2004		
Financial leases	Future minimum lease payments [2]	Interest	Present value of future lease payments	Future minimum lease payments [2]	Interest	Present value of future lease payments	Future minimum lease payments [2]	Interest	Present value of future lease payments
Within one year	53	1	52	58	4	54	63	5	58
Between one year and five years	69	5	64	142	23	119	122	20	102
Later than five years	0	0	0	0	0	0	35	10	25
Total [1]	122	6	116	200	27	173	220	35	185

1 Refers to financial leases where the obligation exceeds one year.

2 Financial lease payment expenses charged to income were SEK 57 m. (75 and 50, respectively).

Allocation of lease expenses	2006	2005	2004
Financial leases			
Fixed payments	57	75	50
Flexible payments	–	–	–
Payments related to sub-leased items	-20	-29	-23
Total	37	46	27

Financial lease assets in balance sheet:

Carrying amount	2006	2005	2004
Vehicles for leasing	74	79	91
Buildings	34	71	71
Machinery	18	27	29
Other	6	6	8
Total	132	183	199

NOTE 22 Government grants and EU grants

During 2006, the Scania Group received government grants and EU grants amounting to SEK 41 m. (27 and 26, respectively) attributable to operating expenses of SEK 135 m. (105 and 100, respectively). It also received government grants and EU grants of SEK 61 m. (17 and 22, respectively) attributable to investments with a gross cost of SEK 992 m. (702 and 456, respectively).

NOTE 23 Change in net debt

The relationship between the cash flow statement and the change in net debt in the balance sheet can be seen below.

Scania Group total	2006
Total cash flow before financing activities	3,822
Exchange rate effects in interest-bearing liabilities	1,405
Exchange rate effects in short-term investments	-55
Exchange rate effects in cash and cash equivalents	-78
Effect of carrying borrowings at fair value	364
Change in derivatives affecting net debt	-279
Dividend to shareholders	-3,000
Change in net debt according to the balance sheet	2,179
Vehicles and Service	
Total cash flow before financing activities	6,942
Exchange rate effects in interest-bearing liabilities	553
Exchange rate effects in short-term investments	-55
Exchange rate effects in cash and cash equivalents	-61
Effect of carrying borrowings at fair value	364
Change in derivatives affecting net debt	-279
Transfers between segments	140
Dividend to shareholders	-3,000
Change in net debt according to the balance sheet	4,604

NOTE 24 Cash flow statement

In those cases where no allocation by segment is specified, the cash flow statement below refers to Vehicles and Service.

	2006	2005	2004
a. Interest and dividends received/paid			
Dividends received from associated companies	6	4	1
Interest received	550	635	374
Interest paid	-564	-533	-469
b.1 Vehicles and Service: items not affecting cash flow			
Depreciation/amortisation	3,023	2,707	2,158
Bad debts	126	196	205
Associated companies	1	-4	-11
Deferred profit recognition, lease assets	104	65	-42
Other	-100	-81	-9
Total	3,154	2,883	2,301
b.2 Customer Finance: items not affecting cash flow			
Depreciation/amortisation	14	15	15
Bad debts	63	80	89
Other	5	-25	-19
Total	82	70	85
c. Net investment through acquisitions/divestments of businesses [1]			
Divestments of businesses	–	7	0
Acquisitions of businesses	–	-212	-49
Total	–	-205	-49

1 See Note 25, "Businesses acquired/divested".

	2006	2005	2004
d.1 Vehicles and Service: acquisitions of non-current assets			
Investments in non-current assets [2]	-4,618	-4,027	-3,314
Divestments of non-current assets	808	430	516
Total	-3,810	-3,597	-2,798
d.2 Customer Finance: acquisitions of non-current assets			
New financing	-6,713	-4,768	-3,824
Payments of principal and completed contracts	3,199	3,358	3,346
Total	-3,514	-1,410	-478

2 Of which, SEK 180 m. (279 and 316, respectively) in capitalised research and development expenditures.

	2006	2005	2004
e. Change in net debt through financing activities			
Net change in current borrowings	8,827	912	-207
Repayment of non-current borrowings	-6,554	-4,351	-4,446
Increase in non-current borrowings	5,318	3,501	3,389
Total	7,591	62	-1,264
f. Cash and cash equivalents			
Cash and bank balances	1,126	1,106	1,119
Short-term investments comprising cash and cash equivalents	8,808	493	470
Total	9,934	1,599	1,589

NOTE 25 Businesses acquired/divested

Businesses acquired	2006	2005			2004		
Assets and liabilities acquired:	No acquisitions	Carrying amounts upon acquisition	Fair value adjustment	Total	Carrying amounts upon acquisition	Fair value adjustment	Total
Tangible and intangible non-current assets	–	125	176	301	79	25	104
Inventories	–	68	4	72	40	0	40
Receivables	–	86	0	86	40	0	40
Cash and cash equivalents	–	144	0	144	0	0	0
Borrowings	–	-23	0	-23	-40	0	-40
Other liabilities and provisions	–	-145	-59	-204	-108	-8	-116
Net identifiable assets and liabilities	–	255	121	376	11	17	28
Goodwill in consolidation	–			66			21
Withdrawal of negative goodwill	–			-86			–
Purchase price	–			356			49
Cash and cash equivalents in companies acquired	–			144			0
Impact on consolidated liquid cash and cash equivalents	–			-212			-49

During 2005, Scania acquired Ainax as well as businesses in Belgium, Switzerland, Taiwan, France, Poland and Namibia, and during 2004, businesses in Denmark and Sweden.

Businesses divested

During 2006, no divestments occurred. During 2005, Scania decreased its holding in a dealership in Spain from 38% to 26%. The sale proceeds amounted to SEK 7 m. During 2004, Scania divested a company in Sweden without any proceeds.

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

Wages, salaries and other remuneration, pension expenses and other mandatory payroll fees	2006	2005	2004
Operations in Sweden:			
Boards of Directors, Presidents and Executive Vice Presidents	**42**	45	39
of which bonuses	**18**	18	16
Other employees	**4,126**	3,869	3,864
Operations outside Sweden:			
Boards of Directors, Presidents and Executive Vice Presidents	**171**	138	184
of which bonuses	**24**	22	16
Other employees	**5,181**	4,721	4,219
Subtotal [1]	**9,520**	8,773	8,306
Pension expenses and other mandatory payroll fees	**3,348**	3,137	2,985
of which pension expenses [2]	**830**	827	762
Total	**12,868**	11,910	11,291

1 Including non-monetary remuneration.

2 Of the pension expense in the Group, SEK 28 m. (34 and 39, respectively) was for Boards of Directors and Presidents (or Managing Directors) in the Scania Group. At year-end, the total pension obligation was SEK 80 m. (95 and 90, respectively) for this category.

Wages, salaries and other remuneration, pension expenses and other mandatory payroll fees by country	2006 Wages, salaries and other remuneration [3]	2006 Mandatory payroll fees	2006 (of which pensions)	2005 Wages, salaries and other remuneration [3]	2005 Mandatory payroll fees	2005 (of which pensions)	2004 Wages, salaries and other remuneration [3]	2004 Mandatory payroll fees	2004 (of which pensions)
Operations in Sweden:	**4,168**	**2,108**	**(452)**	3,914	2,001	(517)	3,903	1,985	(515)
Operations outside Sweden:									
Brazil	**845**	**243**	**(29)**	667	227	(22)	459	186	(17)
The Netherlands	**760**	**175**	**(82)**	754	162	(67)	717	151	(61)
Great Britain	**647**	**106**	**(40)**	626	101	(36)	596	78	(13)
Norway	**357**	**72**	**(21)**	302	69	(18)	322	45	(2)
France	**325**	**200**	**(62)**	298	181	(52)	275	168	(49)
Germany	**318**	**68**	**(9)**	305	63	(5)	305	64	(6)
Finland	**231**	**52**	**(36)**	228	60	(42)	214	64	(37)
Denmark	**221**	**17**	**(15)**	220	15	(14)	201	21	(12)
Belgium	**205**	**82**	**(7)**	181	65	(2)	168	57	(3)
Austria	**180**	**8**	**(3)**	181	9	(1)	178	6	0
Switzerland	**143**	**24**	**(6)**	139	22	0	131	22	0
Argentina	**117**	**35**	**0**	92	29	0	92	13	0
Poland	**108**	**17**	**(17)**	84	14	(12)	46	11	(11)
Australia	**106**	**9**	**(9)**	105	8	(8)	101	8	(8)
Russia	**104**	**19**	**(12)**	66	14	(7)	57	13	(7)
37 countries with < SEK 100 m. [4]	**685**	**113**	**(30)**	611	97	(24)	541	93	(21)
Total operations outside Sweden	**5,352**	**1,240**	**(378)**	4,859	1,136	(310)	4,403	1,000	(247)
Total	**9,520**	**3,348**	**(830)**	8,773	3,137	(827)	8,306	2,985	(762)

3 Including non-monetary remuneration.

4 In 2005 and 2004, 37 countries had less than SEK 100 m. in wages, salaries and other remuneration.

Gender distribution	**2006**	2005	2004
Board members in subsidiaries and the Parent Company	**483**	476	421
– Of whom, men	**468**	467	411
– Of whom, women	**15**	9	10
Presidents/Managing Directors of subsidiaries and the Parent Company, plus the Group's Executive Board	**111**	105	121
– Of whom, men	**109**	104	119
– Of whom, women	**2**	1	2

Number of employees, 31 December	**2006**	2005	2004
Vehicles and Services			
Production and corporate units	**16,517**	15,174	15,260
Research and development	**2,174**	2,058	1,924
Sales and service companies	**13,682**	13,128	12,455
Total	**32,373**	30,360	29,639
Customer Finance	**447**	405	354
Total	**32,820**	30,765	29,993
– Of whom, employed on temporary contracts	**3,405**	1,996	2,069

Continued on next page

Note 26, continued

Average number of employees (excluding employees on temporary contracts)	2006 Total	2006 Men	2006 Women	2005 Total	2005 Men	2005 Women	2004 Total	2004 Men	2004 Women
Operations in Sweden:	**12,577**	**10,363**	**2,214**	12,147	10,097	2,050	12,192	10,140	2,052
Operations outside Sweden:									
Brazil	**3,160**	**2,812**	**348**	2,990	2,665	325	2,812	2,514	298
The Netherlands	**2,076**	**1,935**	**141**	2,043	1,907	136	2,040	1,903	137
Great Britain	**1,614**	**1,393**	**221**	1,645	1,400	245	1,630	1,401	229
France	**1,065**	**900**	**165**	1,003	853	150	984	838	146
Poland	**1,022**	**947**	**75**	720	655	65	563	511	52
Germany	**940**	**814**	**126**	942	818	124	894	779	115
Argentina	**872**	**805**	**66**	1,094	1,034	60	1,015	969	46
Belgium	**809**	**647**	**162**	760	614	146	650	557	93
Norway	**795**	**733**	**62**	779	722	57	767	705	62
Russia	**666**	**550**	**116**	620	514	106	512	419	93
Finland	**659**	**583**	**76**	652	575	77	653	572	81
Denmark	**556**	**492**	**64**	500	456	44	506	456	50
South Africa	**429**	**357**	**72**	346	279	67	393	327	66
Austria	**421**	**370**	**51**	435	381	54	422	368	54
Switzerland	**337**	**301**	**36**	327	292	35	303	274	29
Czech Republic	**303**	**265**	**38**	272	239	33	223	194	29
Australia	**276**	**239**	**37**	272	240	32	272	236	36
South Korea	**249**	**221**	**28**	257	225	32	300	264	36
Italy	**196**	**160**	**36**	197	159	38	192	159	33
Hungary	**172**	**143**	**29**	156	131	25	140	113	27
Spain	**167**	**127**	**40**	157	120	37	155	122	33
Slovakia	**164**	**130**	**34**	143	119	24	119	97	22
Chile	**154**	**125**	**29**	125	110	15	115	100	15
Taiwan	**151**	**131**	**20**	–	–	–	–	–	–
Thailand	**133**	**97**	**36**	129	94	35	115	82	33
Malaysia	**121**	**100**	**21**	116	97	19	111	93	18
Latvia	**119**	**112**	**7**	115	107	8	115	106	9
Estonia	**103**	**96**	**7**	98	93	5	102	95	7
Morocco	**103**	**96**	**7**	101	94	7	102	94	8
Mexico	**102**	**85**	**16**	120	95	25	157	147	10
28 countries with < 100 employees [5]	**684**	**553**	**131**	608	476	132	510	401	109
Total outside Sweden	**18,618**	**16,319**	**2,297**	17,722	15,564	2,158	16,872	14,896	1,976
Total, average number of employees	**31,195**	**26,682**	**4,511**	29,869	25,661	4,208	29,064	25,036	4,028

5 In 2005, 21 countries (in 2004, 19) had fewer than 100 employees.

NOTE 27 Related party transactions

	Sales to			Purchases from			Receivables from			Liabilities to		
Associated companies and joint ventures	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004
ScaValencia S.A.	**234**	160	177	**55**	34	29	**38**	35	21	**2**	3	1
ScaMadrid S.A.	**157**	144	143	**28**	38	33	**37**	20	17	**1**	2	1
Cummins-Scania HPI L.L.C	**–**	–	–	**265**	167	207	**–**	–	–	**47**	37	29
Bitsdata AB	**1**	–	–	**7**	10	12	**–**	–	–	**–**	1	1
Cummins-Scania XPI	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–
Others	**14**	–	–	**3**	–	–	**1**	–	–	**–**	–	–

Disclosures of 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 28, "Compensation to executive officers". Disclosures of dividends from, and capital contributions to, associated companies and joint ventures are provided in Note 13. Disclosures of pension plans are provided in Note 17, "Provisions for pensions and similar commitments" and Note 26, "Wages, salaries and remuneration and number of employees". Scania has two main owners, Investor and Volkswagen. There were no transactions with Investor during 2006. In the case of Volkswagen, purchases of company cars have not been taken into account. These company cars are purchased at market value.

NOTE 28 Compensation to executive officers

Remuneration to the Board

According to the decision of the Annual General Meeting (AGM), remuneration during 2006 to the external members of the Board of Directors elected by the Annual Meeting amounted to SEK 4,312,500, with SEK 1,250,000 to be paid to the Chairman of the Board, SEK 625,000 to the Vice Chairman of the Board and SEK 406,250 to each of the other Board members elected by the AGM who are not employees of the company. In addition, an amount of SEK 300,000 for work in the Audit Committee and an amount of SEK 150,000 for work in the Remuneration Committee was to be distributed to the members of the respective committees as decided by the Board. Only Board members who are elected by the AGM and are not employed by the company received compensation. 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.

Principles for compensation to executive officers

The principles for compensation to Scania Group Management are adopted by the AGM. The purpose is to offer a market-related compensation package that will enable the company to recruit and retain executive officers. Compensation to Group Management consists of the following parts:

1. Fixed salary
2. Variable earnings-dependent salary
3. Pension

The fixed salary of Group management shall be competitive in relation to position, individual qualifications and performance. The fixed salary is reviewed annually, whereas for members of the Executive Board every second year. The size of the variable salary is dependent on Scania's earnings. The pension comprises a premium-based pension system that applies in addition to the public pension and the ITP occupational pension.

Fixed salary for the President

The fixed salary for the President from 31 March 2006 to 31 March 2009 amounts to SEK 7,500,000 per year.

Variable salary

The variable salary is dependent on Scania's earnings and consists of a long term incentive (LTI) programme and a short term incentive (STI) programme.

The principles for variable salary to executive officers, including the President and CEO, were approved by the 2006 AGM and replace an earlier programme that was in force between 1997 and 2005. The programme covers a maximum of 150 executive officers.

The outcome is calculated on the basis of operating return defined as Scania Group net income after subtracting the cost of equity, residual net income (RNI), and is established by the Board's Remuneration Committee.

Long term incentive (LTI) is related to Scania's ability to increase RNI as defined above from one year to another, and the outcome is determined as a cash amount (maximum 30 to 75 percent of annual fixed salary depending on position).

Short term incentive (STI) is related to actual ability to generate a return during the year in question, all provided that RNI according to the preceding paragraph is positive, and is also determined as a cash amount (maximum 45 to 150 percent of fixed salary depending on position). The outcome of both these components will be disbursed during 2007.

Of the total STI and LTI outcome for 2006, 60 percent shall be paid in cash as salary and 40 percent shall be determined as a cash amount that, after subtracting the applicable tax, is used by the employee for the purchase of B shares in Scania AB at market value via the Stockholm Stock Exchange. These shares are then locked in the custody of a bank during a period of two years, after which they will be at the employee's disposal only after the year-end report in 2009.

As indicated above, both components are designed in such a way that they contain an upper limit for the compensation that is payable according to the programme. The outcome of the variable salary programme for the period 1997– 2006 for the members of the Executive Board, among them the President and CEO, has varied from 0 to 67.5 percent for the LTI programme and from 0 to 150.0 percent for the STI programme. The outcome for the period 1997 – 2006 has, on average, amounted to 23 percent of annual fixed salary with regard to the LTI programme and 76 percent of annual fixed salary with regard to the STI programme. The 2006 outcome for the President and CEO was 150.0 percent for STI and 31.0 percent for LTI.

Continued on next page

Note 28, continued

Pension system for executive officers

Group Management executive officers, including the President and CEO, 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 payments 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 members of the Executive Board, excluding the President and CEO, varies between 28-33 percent of fixed salary. The premium for other members of Group Management varies between 12-21 percent of fixed salary.

Other conditions for the President and CEO

From 31 March 2006 until 31 March 2009, in addition to his fixed salary, the incentive programme in force for the Executive Board shall apply to the President and CEO. The annual company-paid pension premium for the President and CEO according to his pension agreement amounts to 35 percent of his fixed salary for as long as the President and CEO remains an employee of the company. The premium for 2006 amounted to SEK 2,564,200. The agreement also prescribes that an extra annual pension provision of SEK 4,410,000 will be made during each of these years.

If the President and CEO resign of his own volition, he is entitled to his salary for a six-month notice period. The applicable outcome of the incentive programme shall be proportional to the length of his period of employment during the year in question. In case of termination by the company before the end of 31 March 2009, during the remaining time to said date the President and CEO shall be entitled to his fixed salary in an unchanged amount per year, plus annual compensation equivalent to the average of three years' variable salary.

Termination conditions for the Executive Board

If the company terminates their employment, the other members of the Executive Board 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, the severance pay ceases. In case of a substantial change in the ownership structure of Scania, two of the members of the Executive Board are entitled to resign of their own volition with severance pay amounting to two years' salary.

SEK	Fixed salary	Board remuneration	Outcome of STI programme	Outcome of LTI programme	Other remuneration	Total salary and remuneration	Pension expenses, defined contribution system	Pension expenses, defined benefit system (ITP)	Total pension expenses
Chairman of the Board		1,300,000 [1]				**1,300,000**			
President and CEO	7,500,000 [2]		10,875,000	2,233,000	12,906	**20,620,906**	6,986,333	587,894	**7,574,227**
Executive officers in Group Management incl. Executive Board (23 persons)	39,282,000 [2]		46,478,623	11,031,242	2,685,235	**99,477,100**	13,326,412	9,429,893	**22,756,305**

1 Board fee, SEK 1,250,000, plus fee for Remuneration Committee work, SEK 50,000.

2 According to statements of income provided to tax authorities, fixed salary minus pension co-payment was SEK 4,396,274 for the President and CEO and SEK 36,676,106 for the other Group Management executive officers.

Pension expenses, defined-contribution system: annual premiums according to a defined contribution pension system and ITPK (defined contribution portion of the ITP occupational pension).
Pension expenses, defined-benefit system (ITP): risk insurance premiums and the increase of retirement pension liability according to the ITP occupational pension plan.
Other remuneration: taxable portion of car allowance, newspaper subscriptions and other perquisites. Amounts excluding employer payroll fees.
Retirement age: the retirement age according to agreements is 60 for the Executive Board excluding the President and CEO, and 62 for other executive officers in Group Management. The retirement age for the ITP occupational pension is 65.

NOTE 29 Fees and other remunerations to auditors

Fees for auditing assignments and other assignments recognised as expenses during the year, in those cases where the same auditing company has the auditing assignment in that particular company. "Auditing assignments" refers to examination of the annual report as well as the administration of the Board of Directors and the President and CEO. Everything else is "Other assignments."

SEK m.	**2006**		2005		2004	
Auditing firm	**Auditing assignments**	**Other assignments**	Auditing assignments	Other assignments	Auditing assignments	Other assignments
KPMG	**21**	**2**	21	4	23	4
Ernst & Young	**9**	**1**	8	1	7	2
Other auditors	**14**	**7**	12	6	10	4
Total	**44**	**10**	41	11	40	10

NOTE 30 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 customers' vehicle purchases. Other financial assets of significance are trade receivables from independent dealerships and end customers in the Vehicles and Services segment plus short-term investments and cash and cash equivalents. Scania's financial liabilities consist largely of loans, mainly taken out to in order fund the Customer Finance segment's lending and leasing to customers and, to a lesser extent, to fund working capital in Vehicles and Services. 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 borrowings 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 Swedish kronor.
- To a lesser extent, converting projected surplus liquidity in foreign currencies to Swedish kronor.

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. 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 2006, 93 (94 and 94, respectively) 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 2006, total net revenue in foreign currencies amounted to about SEK 26 (22 and 20, respectively) billion. The largest currencies in this flow were EUR and GBP. Note 32 shows Scania's net flows in the most commonly occurring currencies.

Based on revenue and expenses in foreign currencies during 2006, a one percentage point change in the Swedish krona against other currencies, excluding currency hedging, has an impact on operating income of about SEK 260 m. (220 and 200, respectively) 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. In dealing with currency risk, Scania uses forecasted future cash flows. Hedging of currency risks mainly occurs by selling currencies on forward contracts, but also by means of currency options.

The effect of currency derivatives on operating income totalled SEK 110 m. (-410 and 65, respectively). The value of outstanding contracts not recognised in earnings can be seen in the table below.

Hedging of currency flows, 31 December 2006		AUD/SEK		CHF/SEK		DKK/SEK		EUR/SEK		GBP/SEK		KRW/SEK		NOK/SEK		USD/SEK		ZAR/SEK	
		Volume [1]	Rate [2]	Volume [1]	Rate [2]	Volume [1]	Rate [2]	Volume [1]	Rate [2]	Volume [1]	Rate [2]	Volume [1]	Rate [2]	Volume [1]	Rate [2]	Volume [1]	Rate [2]	Volume [1]	Rate [2]
Q1	2007	36	5.46	15	6.16	132	1.25	250	9.32	30	13.84	16,100	0.0076	248	1.16	–		119	0.97
Q2	2007	–		–		80	1.23	140	9.11	10	13.59	–		140	1.11	–		–	0.00
Q3	2007	–		–		–		–		–		–		–		–		–	
Q4	2007	–		–		–		–		–		–		–		–		–	
Total		**36**	**5.46**	**15**	**6.16**	**212**	**1.24**	**390**	**9.25**	**40**	**13.78**	**16,100**	**0.0076**	**388**	**1.14**	**–**		**119**	**0.97**
Closing day rate	31 Dec 2006		5.44		5.63		1.21		9.05		13.49		0.0074		1.09		6.87		0.99
Unrealised gain/loss (SEK m.) [3] recognised in hedge reserve	31 Dec 2006		3		8		7		79		6		0		19		2		-2
Hedging of currency flows, 31 Dec 2005																			
Total		46	5.82	64	6.06	480	1.24	735	9.28	65	13.66	22,432	0.0075	495	1.16	40	7.95	294	1.22

1 Volume is expressed in millions of local currency units.

2 Average forward price and lowest redemption price for currency options.

3 Fair value recognised in a fair value reserve in equity for cash flow hedgings where hedge accounting is applied.

Continued on next page

Note 30, continued

To ensure efficiency and risk control, borrowings in Scania's subsidiaries largely occur through the corporate treasury unit, mainly in EUR and SEK, and are then transferred to the subsidiaries in the form of internal loans in the local currencies of the subsidiaries.

By means of derivative contracts, corporate-level borrowings are converted to lending currencies. In Customer Finance, assets should be financed by liabilities in the same currency. Scania's borrowings in various currencies excluding and including currency derivatives can be seen in the table "Borrowings".

At the end of 2006, Scania's net assets in foreign currencies amounted to SEK 9,750 m. (10,850 and 8,900, respectively). See Note 31. Net foreign assets of subsidiaries are normally not hedged, but to the extent subsidiaries have significant net monetary assets in local currencies, they may be hedged. At year-end 2006 and at the close of 2005, no foreign net assets were hedged.

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. To manage interest rate risks, the Group mainly uses interest rate derivatives in the form of interest rate swap agreements.

At year-end 2006, Scania's interest-bearing assets consisted primarily of assets in the Customer Finance segment and to a certain extent of short-term investments, cash and cash equivalents. Interest-bearing liabilities consisted mainly of loans, largely intended to fund lending in Customer Finance operations and to a lesser extent to fund working capital in Vehicles and Services.

Borrowings in Vehicles and Services are mainly used for funding of working capital. To match the turnover rate of working capital, a short interest rate refixing period is used in the borrowing portfolio. Scania's policy concerning interest rate risks in the Vehicles and Services segment is that the interest rate refixing period on net liabilities should normally be 6 months, but that deviations are allowed in the range between 0 and 24 months.

Net cash surplus was SEK 4,335 m. (-269 and -854, respectively) at year-end 2006. The borrowing portfolio in Vehicles and Service amounted to SEK 6,463 m. (3,290 and 3,050, respectively) and the average interest rate refixing period was less than 6 (6) months. Net cash surplus also included derivatives that hedged borrowings with a net value of SEK 126 m. (405 and -, respectively). Short-term investments, cash and cash equivalents amounted to SEK 10,672 m. (2,616 and 2,196, respectively) and the average interest rate refixing period on this was about 1 (1) month.

Given the same loan liabilities, short-term investments, cash and cash equivalents and interest rate refixing periods as at year-end 2006, a change in market interest rates of 100 basis points (1 percentage point) would change the interest expenses in Vehicles and Services by about SEK 35 m. (15 and 25, respectively) and interest income by about SEK 95 m. (25) on an annual basis.

Scania's policy regarding interest rate risks in the Customer Finance segment is that lending and borrowing should match in terms of interest rates and maturity periods.

Interest rate refixing related to the credit portfolio and borrowing in Customer Finance had the following structure as of 31 December 2006:

Interest rate refixing in Customer Finance, 31 December 2006	**Interest-bearing Customer Finance portfolio [1]**	**Interest-bearing liabilities (incl. interest rate derivatives) [2]**
2007	17,920	16,946
2008	5,806	5,063
2009	4,339	3,333
2010	2,480	1,987
2011	1,062	438
2012 and later	234	38
Total	**31,841**	**27,805**

Interest rate refixing in Customer Finance, 31 December 2005	Interest-bearing Customer Finance portfolio [1]	Interest-bearing liabilities (incl. interest rate derivatives) [2]
2006	16,473	15,442
2007	5,452	5,288
2008	3,966	2,369
2009	2,458	1,624
2010	936	517
2011 and later	349	144
Total	29,634	25,384

1 Including operating leases.
2 Other funding consists mainly of equity.

Scania's total borrowing portfolio, excluding accrued interest as well as fair value adjustments on three bonds related to borrowings for Customer Finance operations as well as Vehicles and Service, amounted to SEK 33,798 m. (27,854 and 25,613, respectively) at year-end 2006.

Borrowings, 31 December 2006	**Borrowings excl. currency swap agreements**	**Borrowings incl. currency swap agreements**
SEK	3,964	254
EUR	25,078	22,101
GBP	98	2,229
USD	60	744
KRW	211	1,189
Other currencies	4,387	7,281
Total [1]	**33,798**	**33,798**

1 Total borrowings excluded accrued interest and fair value adjustments on two bonds for which hedge accounting is applied, worth SEK 470 m.

Credit risk

Credit risk is the risk that the counterparty in a transaction will not fulfil its contractual obligations and that any collateral will not cover the company's claim. An overwhelming share of the credit risk for Scania is related to receivables from customers. Scania sales are distributed among a large number of end customers with a large geographic dispersion, which limits the concentration of credit risk.

Customer Finance

The credit portfolio including operating leases in the Customer Finance segment can be seen in the table below.

Credit portfolio	**2006**	2005	2004
Exposure	**32,362**	30,166	27,101
of which, operating leases	**7,434**	7,335	7,134
Credit risk reserve	**521**	532	500
of which, operational leases	**55**	66	91
Carrying amount	**31,841**	29,634	26,601
of which, operating leases	**7,379**	7,269	7,043

To maintain a controlled level of credit risk in the segment, the process of issuing credit is supported by a credit policy as well as credit instructions. Credit risks are managed by active credit assessment as well as 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.

The portfolio mainly consists of financing of trucks, buses and trailers for small and medium-sized companies. A description of credit risk exposure can be seen in the table below:

Concentration of credit risk	Number of customers	Percentage of total number of customers	Percentage of portfolio
On 31 December 2006			
Exposure < 15 SEK m.	21,322	98.8	69.1
Exposure 15–50 SEK m.	221	1.0	16.8
Exposure > 50 SEK m.	48	0.2	14.1
Total	**21,591**	**100.0**	**100.0**

The credit risk concentration in 2006 was equivalent to that of 2005 and 2004. The table shows that most customers are in the segment with exposure < SEK 15 m. This segment included 98.8 (98.8 and 99.0, respectively) percent of the total number of customers, equivalent to 69.1 (66.9 and 68.4, respectively) percent of the portfolio. The segment with exposure of SEK 15-50 m. included 1.0 (1.0 and 0.8, respectively) percent of the total number of customers, equivalent to 16.8 (18.2 and 17.2, respectively) percent of the portfolio. The segment with exposure > SEK 50 m. included 0.2 (0.2 and 0.2, respectively) percent of the total number of customers, equivalent to 14.1 (14.9 and 14.4, respectively) percent of the portfolio.

Obligations with past-due receivables ordinarily lead to relatively quick repossession of the item being financed, unless the customer's payment problems can be deemed to be of a short-term, temporary nature. Since most countries have a smoothly functioning second-hand market for the products being financed, these can be sold relatively easily. Financing contracts whose conditions have been materially renegotiated, and that would otherwise be recognised as past due or that have been the object of impairment losses, thus represent an extremely limited portion of the total.

Timing analysis of portfolio assets:

	2006			2005			2004		
Past due but not recognised as impairment losses	**Past-due payments**	**Total exposure**	**Estimated fair value of collateral**	Past-due payments	Total exposure	Estimated fair value of collateral	Past-due payments	Total exposure	Estimated fair value of collateral
< 30 days	**89**	**2,930**	**2,985**	64	2,081	2,082	101	1,590	1,515
30–90 days	**71**	**1,484**	**1,370**	88	1,109	1,063	46	663	667
Past due and recognised as impairment losses 2006:									
91–180 days	**50**	**395**	**343**	43	403	341	45	316	291
>180 days	**74**	**376**	**269**	56	254	204	46	338	323
Completed contracts	**62**	**408**	**262**	47	317	210	44	239	145
Total	**346**	**5,593**	**5,229**	298	4,164	3,900	282	3,146	2,941

Contracts are regarded as bad debts when payment is more than 90 days past due or when there is information that causes Scania to terminate the contracts early.

During 2006, 958 (1,092 and 883, respectively) financed vehicles were repossessed. At year-end, the number of repossessed but not yet sold vehicles amounted to 208 (175 and 147, respectively), with a total carrying amount of SEK 111 m. (87 and 70, respectively). Repossessed vehicles are sold off by means of a new financing contract with another customer, direct sale to an end customer or sale via Scania's dealership network.

Provisions for bad debts from customers amounted to SEK 521 m. (532 and 500, respectively), equivalent to 1.6 (1.8 and 1.9, respectively) percent of the total Customer Finance portfolio. Provisions for bad debts changed as follows:

Provisions for bad debts	2006	2005	2004
Provisions, 1 January	**532**	500	457
Provision for potential losses	**58**	60	102
Actual credit losses	**-55**	-62	-60
Exchange rate differences	**-14**	32	1
Other	**0**	2	0
Provisions, 31 December	**521**	532	500

The year's bad debt expense amounted to SEK 63 m. (80 and 89, respectively).

Vehicles and Service

In the Vehicles and Service segment, receivables from customers totalled SEK 9,048 m. (9,319), most of which consisted of receivables from independent dealerships and end customers. The total estimated fair value of collateral was SEK 2,135 m. Most of the collateral consisted of repossession rights and bank guarantees. During the year, collateral valued at SEK 59 m. was repossessed.

Timing analysis of portfolio assets past due but not recognised as impairment losses	Past due payments 2006	Past due payments 2005
< 30 days	**1,101**	1,041
30-90 days	**418**	451
91-180 days	**144**	182
>180 days	**801**	849
Total	**2,464**	2,523

Provisions for bad debts amounted to SEK 626 m. (642), equivalent to 6.5 (6.4) percent of total receivables. The year's bad debt expense amounted to SEK 125 m. (196).

Continued on next page

Note 30, continued

Provisions for bad debts changed as follows:

Provisions for bad debts	2006	2005
Provisions, 1 January	642	607
Provision for potential losses	91	159
Actual credit losses	-74	-138
Currency rate effect	-57	69
Other	24	-55
Provisions, 31 December	**626**	642

Financial credit risks

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.

The corporate treasury unit is responsible for ensuring compliance with the rules of Scania's Financial Policy. Overall counterparty exposure related to derivatives trading, calculated as a net receivable per counterparty, amounted to SEK 249 m. (290 and 855, respectively) at the end of 2006. Estimated gross exposure to counterparty risks related to derivatives trading totalled SEK 597 m. (833 and 1,246, respectively) and related to cash, cash equivalents and short-term investments SEK 10,845 m. (2,793 and 2,498, respectively). Short-term investments are deposited with various banks. These banks have the highest rating with Standard and Poor's and/or Moody's related to this maturity.

Scania had short-term investments worth SEK 9,719 m. (1,687 and 1,379, respectively), of which SEK 8,808 m. (493 and 470, respectively) consisted of investments with a maturity of less than 90 days and SEK 911 m. (1,194 and 909, respectively) consisted of investments with a maturity of 91-365 days. The reason why short-term investment increased after the end of 2005 is that Scania's cash flow was strong during the year and that various large loans fall due for payment early in 2007. Of short-term investments, SEK 28 m. (50 and 123, respectively) was restricted through agreements with external counterparties. In addition to short-term investments, Scania had bank balances worth SEK 1,126 m. (1,106 and 1,119, respectively).

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 shall be a liquidity reserve consisting of available cash and cash equivalents as well as unutilised credit facilities which exceeds its funding needs for the next 1–2 years. At the end of 2006, Scania's liquidity reserve, consisting of unutilized credit facilities, cash, cash equivalents and short-term investments, amounted to SEK 20,800 m. (16,938 and 13,614, respectively).

At year-end, Scania had borrowings, in some cases with related ceilings, as follows:

Borrowings, SEK m.	Total borrowings 2006	Ceiling 2006	Total borrowings 2005	Ceiling 2005	Total borrowings 2004	Ceiling 2004
Medium Term Note Program	3,260	13,000	6,215	13,000	7,354	13,000
European Medium Term Note Program	18,272	22,625	14,340	23,575	11,504	18,014
Other bonds	590	–	1,263	–	1,813	–
Credit facility (EUR)	3,620	13,575	–	14,145	–	11,116[3]
Commercial paper, Sweden	1,000	6,000	–	6,000	–	6,000
Commercial paper, Belgium	–	3,620	141	3,772	–	3,603
Bank loans	7,056	–	5,895	–	4,942	–
Total[1]	**33,798**[2]	**58,820**	27,854[2]	60,492	25,613	51,733

1 Of the total ceiling, SEK 13,575 m. (14,145 and 11,116, respectively) consisted of guaranteed revolving credit facilities.

2 Total borrowings excluded accrued interest as well as fair value adjustments on three bonds where hedge accounting was applied, worth SEK 470 m. (820).

3 In USD/EUR

Controlling Scania's refinancing risk includes safeguarding access to credit facilities and ensuring that the maturity structure of borrowings is diversified.

At year-end, Scania's total borrowings had the following maturity structure:

Maturity structure, borrowings	2006	2005	2004
2005	–	–	5,804
2006	–	8,871[1]	6,033
2007	15,768[1]	8,635	7,244
2008	8,750	7,912	5,490
2009	1,501	708	652
2010 and later	1,726	1,213	390
2011 and later	5,672	515	–
2012 and later	381	–	–
Total	**33,798**[2]	27,854[2]	25,613

1 Borrowings with a maturity date within one year excluded accrued interest worth SEK 581 m. (480 and -, respectively).

2 Total borrowings excluded accrued interest as well as fair value adjustments on two bonds for which hedge accounting was applied, worth SEK 470 m. (820 and -, respectively).

Fair value of financial instruments

The carrying amounts of interest-bearing assets and liabilities in the balance sheet may diverge from their fair value, among other things as a consequence of changes in market interest rates. To establish the fair value of financial assets and liabilities, official market quotations have been used for those assets and liabilities that are traded in an active market.

In those cases where 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 trade receivables, trade payables and other non-interest-bearing financial assets and liabilities that are recognised at accrued cost minus any impairment losses, is regarded as coinciding with the carrying amount. Financial assets and liabilities already determined from the beginning as belonging to the category of being recognised at fair value are not shown in the table, since Scania has no instruments classified in this category.

IAS 32 requires gross reporting instead of netting of financial assets and liabilities. As a result, since 2005 Scania has applied gross reporting of certain financial assets and liabilities that were previously recognised as a net amount. IAS 39 has led to changes in the valuation of financial assets and liabilities, of which the recognition of derivatives has had the greatest impact on Scania. Since 2005, Scania has carried all derivatives at fair value; this was not previously done.

The main reason why the fair value of interest-bearing assets and liabilities was less than the carrying amount is that general interest rates were higher at year-end than when the contracts were entered into. Impairment losses for these assets occur only when there is reason to believe that the counterparty will not fulfil its contractual obligations, not as a consequence of changes in market interest rates.

The fair value and carrying amount of financial liabilities for which hedge accounting is applied will differ. The reason for this is that Scania applies hedge accounting on interest rate risk excluding Scania's risk premium, whereas the fair value calculation takes risk premium into account.

	2006		2005	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Financial assets held for trading, carried at fair value	**1,072**	**1,072**	835	835
– Of which, derivatives for which hedge accounting is not applied	**144** [1]	**144**	260 [1]	260
– Of which, interest-related derivates for which fair value hedge accounting is applied	**320** [1]	**320**	530 [1]	530
– Of which, currency derivatives related to commercial exposure for which cash flow hedge accounting is applied	**131** [1]	**131**	45 [1]	45
– Of which, other financial assets carried at fair value	**477** [1]	**477**	0	0
Held-to-maturity investments	**32** [2]	**32**	29 [2]	29
Loan and trade receivables	**43,475** [3]	**42,783**	34,559 [3]	34,659
Total financial assets [4]	**44,579**	**43,887**	35,423	35,523
Financial liabilities				
Financial liabilities held for trading, carried at fair value	**348**	**348**	577	577
– Of which, derivatives for which hedge accounting is not applied	**291** [5]	**291**	385 [5]	385
– Of which, interest-related derivatives for which fair value hedge accounting is applied	**47** [5]	**47**	31 [5]	31
– Of which, currency derivatives related to commercial exposure for which cash flow hedge accounting is applied	**10** [5]	**10**	161 [5]	161
Other financial liabilities	**40,280** [6]	**40,493**	33,575 [6]	34,207
– Of which, financial liabilities for which hedge accounting is not applied	**25,466**	**25,446**	23,521	23,941
– Of which, financial liabilities for which fair value hedge accounting is applied	**14,814** [7]	**15,047**	10,054 [7]	10,266
Total financial liabilities	**40,628**	**40,841**	34,152	34,784

1 Derivatives that are part of “Other current receivables” recognised in the balance sheet.
2 Part of “Short-term investments”.
3 Recognised in the balance sheet under “Cash and bank deposits”, “Interest-bearing trade receivables”, “Non-interest-bearing trade receivables”, “Non-current interest-bearing receivables”, part of “Other non-current receivables”, part of “Short-term investments” and part of “Holdings in associated companies and joint ventures”.
4 Operating leases amounting to SEK 5,934 m. (6,009) are not included in the table.
5 Derivatives that are part of “Other current liabilities” recognised in the balance sheet.
6 Recognised in the balance sheet under “Trade payables”, “Current interest-bearing liabilities” and “Non-current interest-bearing liabilities”.
7 Recognised in the balance sheet as part of “Current interest-bearing liabilities” and “Non-current interest-bearing liabilities

Continued on next page

Note 30, continued

Hedge accounting

At the end of 2006, hedge accounting was applied according to IAS 39 as follows:

- Cash flow hedge accounting of currency derivatives used for hedging future payments in foreign currencies. For information about the amount recognised in equity as well as the amount removed from equity and recognised in the income statement in 2006, see Note 16, "Equity".
- Fair value hedge accounting of a few large loans and interest-swap agreements used to achieve the desired interest rate fixing.
- Hedge accounting of net investments. At the end of 2006 and 2005, Scania had no hedged net investments abroad.

For more detailed information on accounting of hedging instruments and hedged items, see Note 1, "Accounting principles".
The table below shows the results of the loans and interest rate swap agreements that were recognised at fair value.

Fair value hedge accounting	**Net income 2006**	Net income 2005
Financial liabilities (hedged item)	**420**	199
Interest rate-related derivates (hedging instruments)	**-426**	-211
Total (inefficiency)	**-6**	-12

Net gains/losses on financial instruments recognised in the income statement

The table below shows the following items recognised that are recognised in the income statement:

- Gains and losses related to currency rate differences, including gains and losses attributable to cash flow hedge accounting.
- Gains and losses related to financial instruments for which fair value hedge accounting is applied.

	Net gains/ losses, 2006	Net gains/ losses, 2005
Financial assets and liabilities held for trading, carried at fair value	**438**	-1,009
Held-to-maturity investments	**–**	–
Loan and trade receivables [1]	**-1,595**	1,946
Other financial liabilities	**1,181**	-992
Total	**24**	-55

1 Also includes operating leases.

Gains and losses due to currency rate differences related to derivatives, loan receivables and borrowings mainly arise in Scania's treasury unit. An overwhelming proportion of loan receivables that give rise to earnings currency rate differences comprise the treasury unit's receivables from Group companies.

Interest income and expenses on financial instruments

The table below shows interest income and interest expenses for all of Scania's financial assets and financial liabilities.

	2006	2005
Interest income on financial assets	**2,535** [1, 2]	2,457 [1, 2]
Interest expenses on financial liabilities	**-1,752** [2, 3]	-1,747 [2, 3]
Total	**783**	710

1 SEK 257 m. (281) consisted of interest income generated from financial investments carried at fair value.
2 Also includes operating leases as well as other interest income and interest expenses related to Customer Finance that was recognised in the income statement.
3 SEK 201 m. (166) consisted of interest expenses generated from financial liabilities carried at fair value.

The reason why income diverges from recognised interest income in net financial items is largely that Customer Finance is included in the table and that interest income and interest expenses attributable to pensions are excluded from the table.

NOTE 31 Net assets in foreign currencies

Foreign net assets in subsidiaries are normally not hedged. To the extent a subsidiary has sizeable monetary net assets in local currency, however, hedging may be used.

Net assets, Vehicles and Service	2006	2005	2004
Euro (EUR)	2,200	1,850	800
Brazilian real (BRL)	1,700	2,200	1,600
Argentine peso (ARP)	500	600	350
Polish zloty (PLN)	350	150	200
Mexican peso (MXN)	250	300	50
Norwegian krone (NOK)	250	250	200
Swiss franc (CHF)	200	200	150
South African rand (ZAR)	200	600	450
Chilean peso (CLP)	150	200	0
Australian dollar (AUD)	100	200	250
British pound (GBP)	100	400	450
Danish krone (DKK)	100	200	150
Czech koruna (CZK)	50	150	150
US dollar (USD)	-50	150	200
Other currencies	400	150	500
Total net assets in foreign currencies, Vehicles and Service	**6,500**	7,600	5,500

Net assets, Customer Finance	2006	2005	2004
Euro (EUR)	2,150	2,250	2,550
Other currencies	1,100	1,000	850
Total net assets in foreign currencies, Customer Finance	**3,250**	3,250	3,400
Total net assets in foreign currencies, Scania Group	**9,750**	10,850	8,900

NOTE 32 Currency exposure in operating income

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

Operating income, Vehicles and Service	2006	2005	2004
Euro (EUR)	10,600	8,400	7,300
British pound (GBP)	4,900	4,700	4,800
US dollar (USD)	2,100	1,200	700
Norwegian krone (NOK)	1,600	1,400	900
Danish krone (DKK)	1,300	1,100	900
Australian dollar (AUD	800	800	700
Korean won (KRW)	800	900	800
Polish zloty (PLN)	800	400	700
Czech koruna (CZK)	800	400	400
Swiss franc (CHF)	600	500	400
South African rand (ZAR)	600	400	600
Brazilian real (BRL)	-2,500	-900	-200
Other currencies	3,100	2,500	1,800
Currency exposure in operating income	**25,500**	21,800	19,800

Operating income, Customer Finance	2006	2005	2004
Euro (EUR)	300	400	300
Other currencies	200	100	100
Currency exposure in operating income	**500**	500	400

In Vehicles and Service, compared to 2005, currency spot rate effects totalled about SEK -715 m. Currency hedging income in 2006 amounted to SEK 110 m. During 2005, currency hedging had an impact of SEK -410 m. on income. Compared to 2005, the total negative currency rate effect was thus SEK 195 m.

NOTE 33 Effect of exchange rate differences on net income

Net income for the year was affected by exchange rate differences (excluding flow-related forward contracts) as shown in the following table:

	2006	2005	2004
Net sales	-342	464	-85
Cost of goods sold	70	-270	8
Selling expenses	16	4	0
Income from Customer Finance	14	1	-5
Operating income	-242	199	-82
Financial income and expenses	5	11	18
Taxes	0	0	1
Effect on net income for the year	**-237**	210	-63

For information on total currency exposure, see Notes 31 and 32. For accumulated exchange rate differences that are recognised directly in equity, see Note 16.

List of subsidiaries

Company	Corporate ID no.	Registered office	Country	% Ownership
Vehicles and Service				
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
Buenos Aires Camiones	33-70791031-9	Buenos Aires	Argentina	100.00
Grandes Camiones S.A.	30-56236684-5	Cordoba	Argentina	100.00
Scania Argentina S.A.	30-51742430-3	Buenos Aires	Argentina	100.00
Scania Plan S.A.	30-61086492-5	Buenos Aires	Argentina	80.00
Scania Service S.A.	33-70784693-9	Buenos Aires	Argentina	100.00
Scania Australia Pty Ltd	000537333	Melbourne	Australia	100.00
Scania Finance Pty Ltd	52006002428	Melbourne	Australia	100.00
Scania Österreich GmbH	AT 43324602	Brunn am Gebirge	Austria	100.00
Scania Belgium SA-NV	BE402607507	Diegem	Belgium	100.00
Scania Bus Belgium N.V.-S.A.	BE460.870.259	Diegem	Belgium	100.00
Scania Bus NV	BE460.870.259	Neder Over Heembeek	Belgium	99.90
Scania Hainaut S.A.	BE439.418.908	Mons	Belgium	99.90
Scania Vlaanderen NV	453331478	Drongen	Belgium	99.90
Scania BH d.o.o.	1-23174	Sarajevo	Bosnia-Hercegovina	100.00
Scania Botswana (Pty) Ltd	CO.2000/6045	Gaborone	Botswana	100.00
Codema Coml Import LTDA	60849197/001-60	Guarulhos	Brazil	99.99
Scania Administradora de Consórcios Ltda	96.479.258/0001-91	Cotia	Brazil	99.99
Scania Latin America Ltda	635 010 727 112	Saõ Bernardo do Campo	Brazil	100.00
Suvesa Super Veics Pesados LTDA	88301668/0001-10	Canoas	Brazil	99.99
Griffin Automotive Limited	656978	Road Town	British Virgin Islands	100.00
Scania Bulgaria EOOD	2 220 100 629	Sofia	Bulgaria	100.00
Scania Chile S.A.	96.538.460-K	Santiago	Chile	100.00
Scania Hrvatska d.o.o.	1 351 923	Zagreb	Croatia	100.00
Scania Czech Republic s.r.o.	CZ61251186	Prague	Czech Republic	100.00
UL Scantrak s.r.o.	CZ27271196	Ústí nad Labem	Czech Republic	100.00
Scania Biler A/S	DK21498033	Kolding	Denmark	100.00
Scania Danmark A/S	DK 17045210	Herlev	Denmark	100.00
Scania Danmark GmbH	15 295 18862	Herlev	Denmark	100.00
Scania Eesti AS	10 238 872	Tallinn	Estonia	100.00

Company	Corporate ID no.	Registered office	Country	% Ownership
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
Scania France S.A.S.	30716693400033	Angers	France	100.00
Scania Ile de France S.A.	648 204 139	Goussainville	France	100.00
Scania IT France	FR17412 282 626	Angers	France	100.00
Scania Production Angers S.A.S.	378 442 982	Angers	France	100.00
Scania Deutschland GmbH	DE148787117	Koblenz	Germany	100.00
Scania Deutschland Holding GmbH	DE812893584	Frankfurt/Main	Germany	100.00
Scania Finance Holding Great Britain Ltd	4031225	London	Great Britain	100.00
Scania Great Britain Ltd	831017	Milton Keynes	Great Britain	100.00
Scania Int. Fleet Development	4006517	Milton Keynes	Great Britain	100.00
Scania Properties Ltd	895484	Milton Keynes	Great Britain	100.00
Scania Hungaria KFT	10415577	Biatorbagy	Hungary	100.00
Italscania SPA	IT 01632920227	Trento	Italy	100.00
Scania Italy Holding SRL	01668350224	Trento	Italy	100.00
SIA Scania Latvia	LV000311840	Riga	Latvia	100.00
UAB Scania Lietuva	2 387 302	Vilnius	Lithuania	100.00
Scania Luxembourg S.A.	LU165291-18	Münsbach	Luxembourg	99.90
Scania Treasury Luxembourg S.A	LU202907-76	Luxembourg	Luxembourg	100.00
Scania (Malyasia) SDN BHD	518606-D	Kuala Lumpur	Malaysia	100.00
Scania Maroc S.A.	06100472	Casablanca	Morocco	100.00
Scania de Mexico S.A. de CV	SME-930629-JT3	Mexico City	Mexico	100.00
Truck Namibia (Pty) Ltd	3864704-015	Windhoek	Namibia	100.00
Beers N.V.	NL003779439B01	The Hague	Netherlands	100.00
Scania Beers Rayon II B.V.	27146580	The Hague	Netherlands	100.00
Scania Europe Holding B.V.	NL800564364B01	Zwolle	Netherlands	100.00
Scania Group Treasury B.V.	27269640	The Hague	Netherlands	100.00
Scania IT Nederland	8073.08.432.B01	Zwolle	Netherlands	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	The Hague	Netherlands	100.00
Scania Productie Meppel	NL800564364B06	Meppel	Netherlands	100.00
Scania Treasury Netherland B.V.	27269639	The Hague	Netherlands	100.00
Norsk Lastebilutleie AS	875346822	Drammen	Norway	100.00
Norsk Scania AS	879 263 662	Oslo	Norway	100.00

List of subsidiaries

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania del Peru S.A.	101-36300	Lima	Peru	100.00
Scania Polska S.A.	521-10-14-579	Warsaw	Poland	100.00
Scania Production Słupsk S.A.	839-000-53-10	Słupsk	Poland	100.00
Scania Romania SRL	J40/10908/1999	Bucharest	Romania	100.00
OOO Scania Russia	5 032 073 106	Moscow	Russia	100.00
Scania Peter OOO	78:111158:25	St Petersburg	Russia	100.00
Scania Srbia d.o.o.	SR100014375	Belgrade	Serbia-Montenegro	100.00
Scania Singapore Pte Ltd	200309593R	Singapore	Singapore	100.00
Scania Slovakia	0035826649/801	Bratislava	Slovakia	100.00
Scania East Adriatic Region d.o.o.	1 605 810	Ljubliana	Slovenia	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 Korea Ltd	136-81-15441	Seoul	South Korea	100.00
Scania Hispania Holding	B82853938	Madrid	Spain	100.00
Scania Hispania S.A.	ESA59596734	Madrid	Spain	100.00
Dynamate AB	556070-4818	Södertälje	Sweden	100.00
Fastighets AB Katalysatorn	556070-4826	Södertälje	Sweden	100.00
Fastighetsaktiebolaget Flygmotorn	556528-9112	Malmö	Sweden	100.00
Fastighetsaktiebolaget Hjulnavet	556084-1198	Stockholm	Sweden	100.00
Fastighetsaktiebolaget Vindbron	556040-0938	Gothenburg	Sweden	100.00
Ferruform AB	556528-9120	Luleå	Sweden	100.00
Hedenlunda Konferenscenter AB	556147-5871	Flen	Sweden	100.00
Omni Katrineholm AB	556060-5809	Södertälje	Sweden	100.00
Scania Asset Management AB	556528-9088	Södertälje	Sweden	100.00
Scania CV AB	556084-0976	Södertälje	Sweden	100.00
Scania IT AB	556084-1206	Södertälje	Sweden	100.00
Scania Overseas AB	556593-2984	Södertälje	Sweden	100.00
Scania Parts Logistics AB	556528-9104	Södertälje	Sweden	100.00
Scania Real Estate AB	556084-1180	Katrineholm	Sweden	100.00
Scania Sverige AB	556051-4621	Södertälje	Sweden	100.00
Scania Sverige Bussar AB	556060-0586	Katrineholm	Sweden	100.00
Scania Trade Development	556013-2002	Södertälje	Sweden	100.00
Scania Treasury AB	556528-9351	Södertälje	Sweden	100.00
Scania Truck Financing AB	556020-4231	Södertälje	Sweden	100.00
Svenska Mektek AB	556616-7747	Södertälje	Sweden	100.00
Vabis Försäkrings AB	516401-7856	Södertälje	Sweden	100.00
GB&M Garage et Carrosserie SA	CH-660-0046966-0	Geneva	Switzerland	100.00
Scania Schweiz AG	218687	Kloten	Switzerland	100.00
Scania Switzerland Holding Ltd	CH_170.3024.547-0	Zug	Switzerland	100.00
Thommen Nutzfahrzeuge AG	CH-280.3.001.323-2	Rümlingen	Switzerland	100.00
Scania Tanzania Ltd	39320	Dar Es Salaam	Tanzania	100.00
Scan Siam Service Co. Ltd	3030522108	Bangkok	Thailand	73.98
Scania Siam Co Ltd	865/2543	Bangkok	Thailand	100.00
Scania Thailand Co Ltd	9802/2534	Bangkok	Thailand	99.99
Scania Ukraine LLC	30 107 866	Kiev	Ukraine	100.00
Lauken S.A.	21.150044.0016	Montevideo	Uruguay	100.00
Scanexpo S.A.	21.173422.0012	Montevideo	Uruguay	100.00
Scania Holding Inc	4019619	Wilmington	USA	100.00
Scania USA Inc	06-1288161	San Antonio, TX	USA	100.00
Customer Finance				
Scania Finans AB	556049-2570	Södertälje	Sweden	100.00
Scania Finance Great Britain Ltd	581 016 364	Milton Keynes	Great Britain	100.00
Scania Finance Nederland B.V.	27004973	The Hague	Netherlands	100.00
Scania Finance Belgium N.V. S.A.	BE 413 545 048	Diegem	Belgium	99.90
Scania Finance Luxembourg S.A.	2001 2217 359	Luxembourg	Luxembourg	100.00
Scania Finance Deutschland GmbH	DE811292425	Koblenz	Germany	100.00
Scania Leasing Ges.m.b.H	ATU 57921547	Brunn am Gebirge	Austria	100.00
Scania Finance Switzerland Ltd	CH-020.3.029.627-6	Kloten	Switzerland	100.00
Scania Finance France S.A.S.	350 890 661	Angers	France	100.00
Scania Finance Hispania EFC S.A.	ESA82853987	Madrid	Spain	100.00
Scania Finance Italy S.p.A	01204290223	Trento	Italy	100.00
Scania Finance Polska Sp.z.o.o.	521 15 79 028	Warsaw	Poland	100.00
Scania Finance Czech Republic spol s.r.o.	CZ 25657496	Prague	Czech Republic	100.00
Scania Lízing KFT	13-09-107823	Biatorbagy	Hungary	100.00
OOO Scania Leasing	7705392920	Moscow	Russia	100.00
Scania Credit AB	556062-7373	Södertälje	Sweden	100.00
Scania Finance Bulgaria EOOD	BG 175108126	Sofia	Bulgaria	100.00
Scania Credit Hrvatska d.o.o.	80 516 047	Rakitje	Croatia	100.00
Scania Credit Romania SRL	17 996 167	Ciorogarla	Romania	100.00
Scania Credit Ukraine Ltd	33 052 443	Kiev	Ukraine	100.00
Scania Tüketici Finansmani A.S.	7570328278	Istanbul	Turkey	100.00
Scania Finance Korea Ltd	613 812 7196	Kyoung Sang Nam-Do	South Korea	100.00
Scania Finance Chile S.A.	76.574.810-0	Santiago	Chile	100.00
Scania Finance Southern Africa (Pty) Ltd	2000/025215/07	Johannes-burg	South Africa	100.00

Parent Company Scania AB, financial statements

INCOME STATEMENT

January – December, SEK m.	Note	2006	2005	2004
Operating income		**0**	0	0
Financial income and expenses	1	**10,110**	3,561	4,920
Withdrawal from tax allocation reserve		**634**	705	637
Provision to tax allocation reserve		**–**	–	-814
Taxes		**-224**	-234	-684
Net income		**10,520**	4,032	4,059

BALANCE SHEET

31 December, SEK m.	Note	2006	2005	2004
Assets				
Financial non-current assets				
Shares in subsidiaries	2	**8,401**	8,484	8,401
Current assets				
Due from subsidiaries		**14,722**	8,306	9,195
Total assets		**23,123**	16,790	17,596
Equity and liabilities				
Equity	3	**21,972**	14,997	14,433
Untaxed reserves	4	**1,140**	1,774	2,479
Current liabilities				
Tax liabilities		**11**	19	684
Total shareholders' equity and liabilities		**23,123**	16,790	17,596
Assets pledged		**–**	–	–
Contingent liabilities	5	**25,311**	24,105	22,688

STATEMENT OF CHANGES IN EQUITY

January – December, SEK m.	2006	2005	2004
Equity, 1 January	**14,997**	14,433	11,574
New share issue	**0**	83	
Net income	**10,520**	4,032	4,059
Group contributions	**-757**	-766	–
Tax attributable to Group contributions	**212**	215	–
Dividends paid	**-3,000**	-3,000	-1,200
Equity, 31 December	**21,972**	14,997	14,433

CASH FLOW ANALYSIS

January – December, SEK m.	Not	2006	2005	2004
Operating activities				
Income after financial items	6	**10,110**	3,561	4,920
Items not affecting cash flow		**-9,987**	-3,500	-4,830
Taxes paid		**-21**	-684	0
Cash flow from operating activities before change in working capital		**102**	-623	90
Cash flow from change in working capital				
Due from/liabilities to subsidiaries		**2,828**	3,623	-1,524
Total change in working capital		**2,828**	3,623	-1,524
Cash flow from operating activities		**2,930**	3,000	-1,434
Investing activities				
Divestments of shares in subsidiaries		**–**	–	2,634
Liquidation of subsidiaries		**70**	–	–
Cash flow from investing activities		**70**	0	2,634
Total cash flow before financing activities		**3,000**	3,000	1,200
Financing activities				
Dividend to shareholders		**-3,000**	-3,000	-1,200
Cash flow from financing activities		**-3,000**	-3,000	-1,200
Cash flow for the year		**–**	–	–
Cash and cash equivalents, 1 January		**–**	–	–
Cash and cash equivalents, 31 December		**–**	–	–

Parent Company Scania AB, notes

Amounts in the tables are reported in millions of Swedish kronor (SEK m.), unless otherwise stated. A presentation of the Parent Company's accounting principles is found in Note 1 to the consolidated financial statements. Taking into account that the operations of the Parent Company consist exclusively of share ownership in Group companies, aside from the notes below the Scania Group's Report of the Directors and notes otherwise apply where appropriate.

NOTE 1 Financial income and expenses

	2006	2005	2004
Interest income from subsidiaries	123	100	90
Dividend/Group contribution from Scania CV AB	10,000	3,500	4,830
Other	-13	-39	–
Total	**10,110**	3,561	4,920

NOTE 2 Shares in Group companies

Subsidiary/ Corporate ID number/country of registration	% Ownership	Carrying amount 2006	2005	2004
Scania CV AB, 556084-0976, Södertälje	100.0	8,401	8,401	8,401
Ainax AB, 556579-4459, Stockholm	–	–	83	–
Total		**8,401**	8,484	8,401

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 the Stockholm Stock Exchange. Regarding Ainax, see Note 3, "Equity".

NOTE 3 Equity

2006	Restricted equity: Share capital	Restricted equity: Statutory reserve	Restricted equity: Share premium fund	Unrestricted shareholders' equity	Total
Equity, 1 January	2,263	1,120	–	11,614	14,997
Reduction in share capital	-263			263	0
Dividend to shareholders				-3,000	-3,000
Group contribution				-757	-757
Tax attributable to Group contribution				212	212
Net income for 2006				10,520	10,520
Equity, 31 December 2006	**2,000**	**1,120**	**–**	**18,852**	**21,972**

2005	Restricted equity: Share capital	Restricted equity: Statutory reserve	Restricted equity: Share premium fund	Unrestricted shareholders' equity	Total
Equity, 1 January	2,000	1,120	–	11,313	14,433
New share issue to Ainax	263		7,560	-7,740	83
Reduction in share premium reserve			-7,560	7,560	-
Dividend to shareholders				-3,394	-3,394
Dividend received from Ainax				394	394
Group contribution				-766	-766
Tax attributable to Group contribution				215	215
Net income for 2005				4,032	4,032
Equity, 31 December 2005	2,263	1,120	0	11,614	14,997

2004	Restricted equity: Share capital	Restricted equity: Statutory reserve	Restricted equity: Share premium fund	Unrestricted shareholders' equity	Total
Equity, 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
Equity, 31 December 2004	2,000	1,120	–	11,313	14,433

Under Swedish law, **equity** shall be allocated between non-distributable (restricted) and distributable (unrestricted) funds.

Restricted equity consists of share capital plus non-distributable funds. Scania AB has 100,000,000 Series A shares outstanding with voting rights of one vote per share and 100,000,000 Series B shares outstanding with voting rights of 1/10 vote per share. A and B shares carry the same right to a portion of the company's assets and profit. The nominal value of both A and B shares is SEK 10 per share. All shares are fully paid and no shares are reserved for transfer of ownership. No shares are held by the company itself or its subsidiaries. In conjunction with the acquisition of Ainax AB in February 2005 using newly issued shares, share capital rose by SEK 263 m. and the share premium reserve by SEK 7,560 m. The Annual General Meeting in the spring of 2005 approved a reduction of the share premium reserve by SEK 7,560 m. A reduction occurred after a district court decision. During the spring of 2006, Scania AB received 26,296,508 A shares in Scania as an advance distribution from Ainax. According to a resolution approved by the Annual General Meeting and implemented through a decision by the Swedish Companies Registration Office, during 2006 share capital was reduced in the amount of SEK 262,965,080 through the withdrawal of 26,296,508 A shares in Scania owned by Scania. This restored share capital to what it was before the offer for Ainax was completed.

NOTE 4 Untaxed reserves

Tax allocation reserve	2006	2005	2004
2000 assessment	–	–	705
2001 assessment	–	634	634
2002 assessment	326	326	326
2005 assessment	814	814	814
Total	**1,140**	1,774	2,479

SEK 319 m. (497 and 695, 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

	2006	2005	2004
Contingent liability related to FPG credit insurance, mainly on behalf of subsidiaries	2,187	2,143	2,010
Loan guarantees on behalf of borrowings in Scania CV AB	23,122	21,959	20,671
Other loan guarantees on behalf of subsidiaries	2	3	7
Total	**25,311**	24,105	22,688

Aside from the dividend from Scania CV AB, there were no related party transactions.

NOTE 6 Cash flow statement

Cash flow was affected by dividends received in the amount of SEK 3,500 m. (4,830 and 1 500, respectively) and by interest received in the amount of SEK 123 m. (100 and 90, respectively).

Scania received 26,296,508 A shares in Scania as an advance distribution from Ainax (investment activities) and withdrew these shares (financing activities). These two transactions had no effect on cash flow.

NOTE 7 Salaries and remuneration to executive officers and auditors

The President of Scania AB and the other executive officers hold identical positions in Scania CV AB. Wages, salaries and other remuneration are paid by Scania CV AB. The reader is therefore referred to Scania Group Notes 27 and 28. Compensation of SEK 0 (15,000 and 10,000, respectively) was paid to auditors in 2006 with respect to the Parent Company.

Proposed distribution of earnings

The Board of Directors proposes that the following earnings at the disposal of the Annual General Meeting:

Amounts in SEK m.	
Retained earnings	8,332
Net income for the year	10,520
Total	18,852

be distributed as follows:

To the shareholders, a dividend of SEK 15.00 per share	3,000
To be carried forward	15,852
Total	18,852

After implementing the proposed distribution of earnings, the equity of the Parent Company, Scania AB, is as follows:

Amounts in SEK m.	
Share capital	2,000
Statutory reserve	1,120
Retained earnings	15,852
Total	18,972

Extra refund to the shareholders

As indicated above, the regular dividend proposed by the Board of Directors amounts to SEK 15.00 per share. In addition, the Board is proposing that the Annual General Meeting approve an extra refund of SEK 7 billion to the shareholders. The Board proposes that this refund should occur by means of a 5 to 1 share split, with mandatory redemption of the fifth share at a price of SEK 35.00 per share. Together with the regular dividend, this means that the shareholders will receive a total of SEK 10 billion or SEK 50 per share.

After completing the proposed distribution of earnings and the refund to the shareholders, retained earnings and total equity in the Parent Company, Scania AB, will amount to SEK 8,852 m. and SEK 11,972 m., respectively.

As far as the undersigned members of the Board of Director and President are aware, the Annual Report has been prepared in compliance with generally accepted practices for listed companies, the information provided matches the actual conditions and nothing of essential importance has been omitted that might affect the picture of the company created by the Annual Report. The Annual Report and the consolidated financial statements were approved for issuance by the Board of Directors on 8 February 2007. The consolidated income statement and balance sheet and the Parent Company income statement and balance sheet will be subject to adoption by the Annual General Meeting on 3 May 2007.

Södertälje, 8 February 2007

Bernd Pischetsrieder
Chairman

Vito H Baumgartner

Staffan Bohman

Peggy Bruzelius

Sune Carlsson

Andreas Deumeland

Lothar Sander

Peter Wallenberg Jr

Kjell Wallin

Jan Westberg

Leif Östling
President and CEO

Our auditors' report was submitted on 16 February 2007

Caj Nackstad
Authorised Public Accountant
KPMG Bohlins AB

Jan Birgerson
Authorised Public Accountant
Ernst & Young AB

Audit Report

To the Annual General Meeting of 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 2006. The annual accounts and the consolidated accounts are presented in the printed version of this document on pages 2-44 and pages 51-105. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. 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 high but not absolute 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 have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. 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.

Stockholm, 16 February 2007

Caj Nackstad
Authorised Public Accountant
KPMG Bohlins AB

Jan Birgerson
Authorised Public Accountant
Ernst & Young AB

Quarterly data, units by geographic area

	2006					2005				
	Full year	**Q4**	**Q3**	**Q2**	**Q1**	Full year	Q4	Q3	Q2	Q1
Order bookings, trucks										
Western Europe	**38,642**	13,437	6,447	8,155	10,603	34,900	10,211	7,630	8,863	8,196
Central and eastern Europe	**11,568**	4,475	2,156	2,686	2,251	6,005	1,981	1,527	1,495	1,002
Latin America	**9,036**	2,755	1,977	2,217	2,087	7,608	2,177	1,863	1,560	2,008
Asia	**6,389**	1,770	1,030	1,642	1,947	5,257	1,199	695	1,862	1,501
Other markets	**2,774**	767	592	789	626	2 772	774	751	613	634
Total	**68,409**	**23,204**	**12,202**	**15,489**	**17,514**	56,542	16,342	12,466	14,393	13,341
Trucks delivered										
Western Europe	**34,396**	9,708	7,295	8,545	8,848	31,392	9,119	6,149	8,689	7,435
Central and eastern Europe	**8,830**	3,177	2,062	2,014	1,577	5,693	1,939	1,229	1,339	1,186
Latin America	**7,957**	2,042	2,196	1,991	1,728	7,776	2,220	1,718	2,078	1,760
Asia	**5,546**	1,359	1,348	1,660	1,179	5,415	1,562	1,212	1,516	1,125
Other markets	**2,615**	606	630	661	718	2,291	833	470	491	497
Total	**59,344**	**16,892**	**13,531**	**14,871**	**14,050**	52,567	15,673	10,778	14,113	12,003
Order bookings, buses [1]										
Western Europe	**1,999**	655	458	390	496	2,568	739	326	673	830
Central and eastern Europe	**569**	251	126	130	62	348	58	38	121	131
Latin America	**1,643**	358	365	509	411	1,785	303	312	388	782
Asia	**1,462**	725	185	268	284	628	89	97	237	205
Other markets	**816**	224	208	136	248	717	66	216	283	152
Total	**6,489**	**2,213**	**1,342**	**1,433**	**1,501**	6,046	1,255	989	1,702	2,100
Buses delivered [1]										
Western Europe	**2,282**	538	513	641	590	2,271	685	526	573	487
Central and eastern Europe	**428**	161	100	109	58	394	126	95	89	84
Latin America	**1,679**	313	509	470	387	1,727	384	324	633	386
Asia	**879**	433	121	223	102	616	113	164	183	156
Other markets	**669**	161	185	133	190	808	153	339	176	140
Total	**5,937**	**1,606**	**1,428**	**1,576**	**1,327**	5,816	1,461	1,448	1,654	1,253

1 Including body-built buses and coaches.

Quarterly data, earnings

Amounts in SEK m. unless otherwise stated	2006 Full year	2006 Q4	2006 Q3	2006 Q2	2006 Q1	2005 Full year	2005 Q4	2005 Q3	2005 Q2	2005 Q1
Vehicles and Service										
Net sales	**70,738**	19,007	16,507	17,978	17,246	63,328	18,286	14,608	16,561	13,873
Cost of goods sold	**-52,255**	-13,752	-12,128	-13,521	-12,854	-47,835	-13,636	-11,257	-12,624	-10,318
Gross income	**18,483**	5,255	4,379	4,457	4,392	15,493	4,650	3,351	3,937	3,555
Research and development expenses	**-3,023**	-798	-705	-791	-729	-2,484	-705	-581	-631	-567
Selling expenses	**-6,016**	-1,608	-1,466	-1,514	-1,428	-5,829	-1,726	-1,473	-1,398	-1,232
Administrative expenses	**-1,189**	-381	-322	-251	-235	-858	-196	-239	-217	-206
Share of income in associated companies and joint ventures	**5**	2	-3	6	0	8	2	2	1	3
Operating income, Vehicles and Service	**8,260**	**2,470**	**1,883**	**1,907**	**2,000**	6,330	2,025	1,060	1,692	1,553
Customer Finance										
Interest and leasing income	**3,527**	910	880	871	866	3,518	921	884	858	855
Interest and depreciation expenses	**-2,608**	-675	-661	-636	-636	-2 575	-675	-636	-631	-633
Interest surplus	**919**	235	219	235	230	943	246	248	227	222
Other income	**232**	70	65	43	54	178	39	63	27	49
Other expenses	**-179**	-53	-49	-35	-42	-138	-33	-44	-25	-36
Gross income	**972**	252	235	243	242	983	252	267	229	235
Selling and administrative expenses	**-416**	-119	-98	-101	-98	-374	-108	-89	-91	-86
Bad debt expenses	**-63**	-14	-3	-16	-30	-80	-12	-32	-13	-23
Operating income, Customer Finance	**493**	**119**	**134**	**126**	**114**	529	132	146	125	126
Operating income	**8,753**	**2,589**	**2,017**	**2,033**	**2,114**	6,859	2,157	1,206	1,817	1,679
Interest income	**632**	234	103	133	162	679	211	185	158	125
Interest expenses	**-863**	-292	-169	-195	-207	-866	-247	-246	-199	-174
Other financial income	**142**	56	-30	54	62	299	103	29	82	85
Other financial expenses	**-81**	-9	-9	-41	-22	-206	-54	-19	-116	-17
Total financial items	**-170**	-11	-105	-49	-5	-94	13	-51	-75	19
Income after financial items	**8,583**	2,578	1,912	1,984	2,109	6,765	2,170	1,155	1,742	1,698
Taxes	**-2,644**	-754	-631	-597	-662	-2,100	-646	-330	-581	-543
Net income	**5,939**	**1,824**	**1,281**	**1,387**	**1,447**	4,665	1,524	825	1,161	1,155
Attributable to:										
Scania shareholders	***5,939***	*1,824*	*1,281*	*1,387*	*1,447*	*4,665*	*1,524*	*825*	*1,161*	*1,155*
Minority interest	***0***	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Earnings per share, SEK [1, 2]	**29.70**	9.12	6.41	6.94	7.24	23.33	7.62	4.13	5.81	5.78
Operating margin, percent	**12.4**	13.6	12.2	11.3	12.3	10.8	11.8	8.3	11.0	12.1

1 Attributable to Scania shareholders' portion of earnings.

2 There is no dilution effect.

Key financial ratios and figures

	According to IFRS [1]			According to Swedish GAAP						
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Scania Group										
Operating margin, %	**12.4**	10.8	11.6	10.1	9.3	4.6	10.5	12	8.7	8.6
Earnings per share, SEK	**29.7**	23.3	21.6	15.2	13.7	5.2	15.4	15.7	11.3	9.7
Equity per share, SEK	**130.6**	118.6	107.1	91.3	84.7	80.0	78.5	67.7	59.3	51.8
Return on equity, %	**24.1**	20.8	21.8	17.4	17.2	6.5	21.6	25.1	20.7	20.2
Dividend, SEK per share [2, 3]	**15.00**	15.00	15.00	6.00	5.50	3.50	7.00	7.00	6.50	5.50
Dividend as percentage of net income	**50.5**	64.3	69.5	39.6	40.2	66.8	45.5	44.5	57.8	55.4
Equity/assets ratio, %	**29.7**	30.3	30.3	27.7	25.6	23.4	25.8	25.3	25.8	27.0
Net debt, excluding provisions for pensions, SEK m.	**23,297**	25,476	23,115	24,291	25,108	29,305	23,777	21,677	17,505	14,054
Net debt/equity ratio	**0.89**	1.07	1.08	1.33	1.48	1.83	1.51	1.60	1.48	1.37
Vehicles and Service										
Operating margin, %	**11.7**	10.0	10.8	9.4	7.5	4.1	9.5	10.4	7.7	7.5
Capital employed, SEK m.	**32,898**	27,012	23,876	21,859	24,363	27,311	27,278	26,239	22,294	21,447
Operating capital, SEK m.	**22,226**	24,396	21,680	20,080	20,356	23,380	23,810	23,696	20,584	19,383
Profit margin, %	**12.8**	11.6	11.6	10.0	9.2	4.7	10.5	12.0	8.7	8.6
Capital turnover rate, times	**2.38**	2.43	2.50	2.21	1.89	1.93	1.96	1.77	1.99	1.91
Return on capital employed, %	**30.4**	28.0	29.1	22.0	17.4	9.1	20.6	21.2	17.3	16.3
Return on operating capital, %	**35.2**	26.8	29.0	23.1	16.6	9.1	21.5	22.2	17.6	16.5
Net debt, excluding provisions for pensions, SEK m. [4]	**-4,335**	269	854	2,647	4,308	7,790	7,781	8,309	6,522	7,143
Net debt/equity ratio	**-0.19**	0.01	0.05	0.17	0.31	0.58	0.50	0.61	0.55	0.69
Interest coverage, times	**9.6**	6.8	8.6	6.2	4.6	2.0	4.8	5.7	5.9	4.7
Customer Finance										
Operating margin, %	**1.6**	1.9	1.7	1.4	1.2	1.2	1.1	1.0	0.9	1.1
Equity/assets ratio, %	**9.6**	10.0	11.2	11.5	11.9	9.5	8.2	7.6	6.5	8.5

1 Financial reporting is in compliance with International Financial Reporting Standards (IFRS) beginning with 2004. The main differences compared to the previous Swedish Generally Accepted Accounting Principles (GAAP) are shown in the first footnote to the “Multi-year statistical review”.

2 Dividend proposed by the Board of Directors or adopted by the Annual General Meeting.

3 In addition to the regular dividend, the Board has proposed an extra refund for 2006 to the shareholders totalling SEK 7 billion, equivalent to SEK 35 per share.

4 Net debt (+) and net surplus (-).

Definitions

Operating margin
Operating income as a percentage of net sales.

Earnings per share
Net income for the year excluding minority interest divided by average number of shares.

Equity per share
Equity excluding minority interest divided by the total number of shares.

Return on equity
Net income for the year as a percentage of total equity.

Equity/assets ratio
Total equity as a percentage of total assets on each respective balance sheet date.

Net debt, excluding provision for pensions
Current and non-current borrowings (excluding pension liabilities) minus cash and cash equivalents and net fair value of derivatives for hedging borrowings.

Net debt/equity ratio
Net debt as a percentage of total equity.

Capital employed
Total assets minus operating liabilities.

Operating capital
Total assets minus cash, cash equivalents and operating liabilities.

Profit margin
Operating income plus financial income as a percentage of net sales.

Capital turnover
Net sales divided by capital employed.

Return on capital employed
Operating income plus financial income as a percentage of capital employed.

Return on operating capital
Operating income as a percentage of operating capital.

Interest coverage
Operating income plus financial income divided by financial expenses.

Gross margin, Customer Finance
Operating income as a percentage of average portfolio.

Multi-year statistical review

SEK m. unless otherwise stated	According IFRS[1] 2006	2005	2004	According to Swedish GAAP 2003	2002	2001	2000	1999	1998	1997
Delivery value by market area										
Western Europe	**47,196**	43,559	39,566	38,073	36,031	36,617	36,393	33,139	28,893	22,993
Central and eastern Europe	**8,455**	5,884	5,157	4,246	3,235	2,739	1,922	1,440	1,883	1,507
Europe, total	***55,651***	*49,443*	*44,723*	*42,319*	*39,266*	*39,356*	*38,315*	*34,579*	*30,776*	*24,500*
America	**8,420**	7,575	5,655	3,836	3,542	5,576	5,529	4,247	5,974	6,798
Asia	**4,603**	4,137	3,997	3,936	3,123	2,898	2,390	1,118	1,018	1,932
Other markets	**3,953**	3,943	3,404	2,896	2,529	2,364	2,050	1,784	1,907	1,857
Adjustment for lease income[2]	**-1,889**	-1,770	-991	-2,406	-1,175	-1,884	-2,425	-3,066	-2,166	-1,783
Net sales, Scania products	**70,738**	63,328	56,788	50,581	47,285	48,310	45,859	38,662	37,509	33,304
Divested car operations[3]	**–**	–	–	–	–	4,755	5,539	5,382	5,637	4,632
Total	**70,738**	63,328	56,788	50,581	47,285	53,065	51,398	44,044	43,146	37,936
Operating income										
Vehicles and Service	**8,260**	6,330	6,149	4,759	3,548	2,089	4,623	4,655	3,251	2,716
Customer Finance	**493**	529	450	366	308	278	179	140	91	73
Divested car operations[3]	**–**	–	–	–	550	100	277	250	250	258
Total	**8,753**	6,859	6,599	5,125	4,406	2,467	5,079	5,045	3,592	3,047
Operating margin, %										
Vehicles and Service	**11.7**	10.0	10.8	9.4	7.5	4.3	10.1	12.0	8.7	8.2
Divested car operations[3]	**–**	–	–	–	–	2.1	5.0	4.6	4.4	5.6
Total[4]	**12.4**	10.8	11.6	10.1	9.3	4.6	9.9	11.5	8.3	8.0
Net financial items	**-170**	-94	-323	-521	-684	-926	-630	-545	-378	-296
Net income	**5 939**	4,665	4,316	3,034	2,739	1,048	3,080	3,146	2,250	1,943
Specification of research and development expenses										
Expenditures	**-2 842**	-2,479	-2,219	-2,151	-2,010	-1,955	-1,621	-1,267	-1,168	-1,248
Capitalisation	**180**	278	316	660	573					
Amortisation	**-361**	-283	-84	-2	–					
Research and development expenses	**-3 023**	-2,484	-1,987	-1,493	-1,437	-1,955	-1,621	-1,267	-1,168	-1,248
Net investments through acquisitions/divestments of businesses	**0**	205	49	26	-1,165	929	457	1,121	-5	483
Net investments in non-current assets	**3,810**	3,597	2,798	3,285	2,921	1,878	1,521	1,654	1,817	2,307
Portfolio, Customer Finance operations	**31,841**	29,634	26,601	25,926	25,303	25,091	18,522	15,262	12,342	8,100
Cash flow, Vehicles and Service	**6,942**	3,865	2,685	2,450	3,583	2,066	2,557	476	1,797	-55
Inventory turnover rate, times[5]	**6.9**	6.0	6.0	5.8	6.1	6.0	6.2	5.6	5.3	5.3

1 Financial reporting is in compliance with International Financial Reporting Standards (IFRS) beginning with 2004. The main differences compared to the previous accounting principles are: a) that goodwill is no longer amortised according to a schedule, b) that depreciation periods for tangible non-current assets have changed on the basis of component depreciation, which has increased the value of the assets, c) that decreased depreciation on tangible non-current assets has affected taxes accordingly, d) that actuarial gains/losses related to pensions are now recognised directly in equity and e) that tax related to associated companies is recognised in operating income.

2 Refers to the difference between sales recognised as revenue and sales value based on delivery. See note 4.

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

4 Includes Customer Finance.

5 Calculated as net sales divided by average inventory (adjusted for divested car operations).

Multi-year statistical review (continued)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Number of vehicles produced										
Trucks	**60,867**	53,368	53,051	45,985	41,433	43,487	51,409	45,779	45,546	43,555
Buses	**5,870**	6,141	5,621	5,291	3,712	4,664	4,172	3,703	4,515	4,586
Total	**66,737**	59,509	58,672	51,276	45,145	48,151	55,581	49,482	50,061	48,141
Number of trucks delivered by market area										
Western Europe	**34,396**	31,392	30,312	29,322	28,229	30,272	38,347	35,942	32,595	26,659
Central and eastern Europe	**8,830**	5,693	5,272	4,148	3,205	2,723	2,416	1,715	2,328	1,930
Europe, total	***43,226***	*37,085*	*35,584*	*33,470*	*31,434*	*32,995*	*40,763*	*37,657*	*34,923*	*28,589*
America	**7,957**	7,776	7,604	4,739	3,633	6,181	6,777	6,253	7,621	9,649
Asia	**5,546**	5,415	5,464	5,317	3,486	2,994	3,438	1,481	1,410	3,096
Other markets	**2,615**	2,291	1,911	1,519	1,342	1,489	1,340	1,260	1,599	1,058
Total	**59,344**	52,567	50,563	45,045	39,895	43,659	52,318	46,651	45,553	42,392
Number of buses and coaches delivered by market area										
Western Europe	**2,282**	2,271	2,157	2,224	1,612	1,696	1,617	1,935	1,721	1,518
Central and eastern Europe	**428**	394	424	349	132	132	85	67	116	172
Europe, total	***2,710***	*2,665*	*2,581*	*2,573*	*1,744*	*1,828*	*1,702*	*2,002*	*1,837*	*1,690*
America	**1,679**	1,727	1,472	1,072	958	1,595	1,843	1,237	1,697	1,829
Asia	**879**	616	947	631	440	666	278	160	78	308
Other markets	**669**	808	519	634	632	583	351	364	505	757
Total	**5,937**	5,816	5,519	4,910	3,774	4,672	4,174	3,763	4,117	4,584
Total number of vehicles delivered	**65,281**	58,383	56,082	49,955	43,669	48,331	56,492	50,414	49,670	46,976
Number of industrial and marine engines delivered by market area										
Western Europe	**3,514**	3,404	2,819	1,886	1,907	1,893	1,915	2,071	1,903	1,911
Latin America	**2,245**	2,073	1,648	881	631	2,217	823	825	764	872
Other markets	**787**	227	547	398	653	562	565	387	169	278
Total	**6 546**	5 704	5 014	3 165	3 191	4 672	3 303	3 283	2 836	3,061
Total market for heavy trucks and buses, number										
Western Europe:										
Trucks	**261,000**	251,000	231,000	213,000	211,700	235,000	243,700	235,900	207,300	170,300
Buses	**23,900**	23,300	22,400	21,700	22,500	23,500	23,500	22,400	21,000	18,000
Number of employees [6]										
Production and corporate units	**16,517**	15,174	15,260	15,498	15,067	14,987	15,984	15,818	15,913	16,290
Research and development	**2,174**	2,058	1,924	1,833	1,681	1,435	1,159	944	921	855
Sales and service companies	**13,682**	13,128	12,455	11,460	11,173	11,868	10,029	9,431	6,559	6,511
Total Vehicles and Services	**32,373**	30,360	29,639	28,791	27,921	28,290	27,172	26,193	23,393	23,656
Customer Finance companies	**447**	405	354	321	309	251	194	166	144	107
Total	**32,820**	30,765	29,993	29,112	28,230	28,541	27,366	26,359	23,537	23,763

6 Including employees with temporary contracts.

Annual General Meeting and financial information

Annual General Meeting
The Annual General Meeting of Shareholders will be held at 14.00 CET (2 p.m.) on Thursday, 3 May 2007 in Scania-rinken, AXA Sports Center, Södertälje, Sweden.

Participation
Shareholders who wish to participate in the AGM must be recorded in the shareholder list maintained by VPC AB (the Swedish Central Securities Depository and Clearing Organisation) no later than Thursday, 26 April 2007. They must also register with the company by post at: Scania AGM, Box 47011, SE-100 74 Stockholm, Sweden or by telephone at +46 8 775 01 10, or via Scania's website www.scania.com no later than 16.00 CET on Thursday, 26 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 Wednesday, 25 April 2007.

Dividend
The Board of Directors proposes Wednesday, 9 May 2007 as the record date for the annual dividend. The last day for trading shares that include the dividend is Friday, 4 May 2007. Provided that the AGM approves this proposal, the dividend can be expected to be sent on Monday, 14 May 2007.

Information from Scania
Interim Report, January–March, on 27 April 2007.
Interim Report, January–June, on 26 July 2007.
Interim Report, January–September, on 29 October 2007.

The Annual Report is posted on the company's website, www.scania.com, where Scania's Interim Reports are also found.

Financial reports 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
Website: www.scania.com

Updated facts
Addresses and updated facts can be found at www.scania.com

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 the Stockholm Stock Exchange if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

TRUCKS

BUSES

ENGINES

SERVICE-RELATED PRODUCTS

CUSTOMER FINANCE

Scania AB (publ), SE-151 87 Södertälje, Sweden. Tel: +46 8 55 38 10 00. Fax: +46 8 55 38 10 37

More information:
www.scania.com

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