ANNUAL REPORT 2009

PRIDE QUALITY DRIVER APPEAL PRODUCTIVITY SUSTAINABLE DEVELOPMENT

SCANIA

This English version of Scania's Annual Report is a translation of the Swedish-language original, the binding version that shall prevail in case of discrepancies. Translation: Victor Kayfetz, Scan Edit.

The Financial Reports encompass pages 62-130 and were prepared in compliance with International Financial Reporting Standards (IFRS). The Report of the Directors encompasses pages 4-50, 57-65 and 129-130.

The Report of the Directors and accompanying Financial Reports also fulfil the requirements of the Swedish Annual Accounts Act and have been audited by Scania's auditors.

Scania'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's objective is to deliver optimised heavy trucks and buses, engines and services, provide the best total operating economy for our customers, and thereby be the leading company in our industry. The foundation is our core values, our focus on methods and the dedicated people of Scania.

CONTENTS

OPERATIONS

FINANCIAL REPORTS

Hard work to build the future

We saw the first signs of an approaching recession as early as the beginning of 2008. The Lehman Brothers bankruptcy in September that year then triggered a very powerful series of events, including the sharpest and fastest downturn I have seen during my nearly forty years at Scania. The market disappeared within a few weeks, and numerous existing orders were cancelled by customers.

Our priorities have been to take the best care of our customers with our products and services, safeguard Scania's cash flow and lower overall costs. Despite the largest downturn in vehicle deliveries of the post-war period, 41 percent, and the sizeable increase in credit losses in customer finance, Scania reported positive operating income of SEK 2,473 m., largely due to relatively stable service revenue as well as successful cost savings.

During 2009 virtually all of Scania's markets except Brazil were characterised by low economic activity and weak demand for transport equipment. Our vehicle deliveries declined by 41 percent. Meanwhile we prioritised selling off the inventory of completed vehicles that had accumulated due to order cancellations. The overall effect was very low capacity utilisation. During the first half of 2009, production was only 35 percent of the level during the same period of 2008.

However, service revenue was more stable – volume decreased by about 10 percent – and this limited the fall in earnings. Scania's long-term expansion of its service network proved to be a source of strength.

There are major geographic differences in market trends. The problems in Scania's markets are largely connected to Europe, except that the Nordic markets have performed decently. Elsewhere in the world, for example in Asia and Latin America, activity strengthened during the second half of 2009, unlike Europe. In Brazil the market was strong, and I am especially pleased that Scania regained its role as the market leader for heavy trucks.

Long-term trends will benefit Scania

Despite the powerful recession, it is vital that we do not to lose our focus on the future. Globalisation will lead to a steady increase in the need to transport goods and people. Today 70 percent of all goods in Europe are transported by road – a level that has been stable for many years – and there is reason to believe that this situation will continue. Virtually the entire increase in transport needs since the mid-1970s has been met by road transport. This is why there have been, and will continue to be, major efforts to reduce the environmental impact of vehicle transport and make it more and more environmentally efficient.

The potential for robust long-term growth is also good in buses and coaches. Shifting transport work in urban areas from cars to buses has major advantages, especially in environmental respects.

Drivers play a crucial role in reducing environmental impact. This is why for many years Scania has invested resources in effective driver training and in such systems as Scania Driver Support.

Experience shows that the normal economic cycle for heavy vehicles is eight to ten years. A repetition of this pattern would mean seven years of growth until the next peak around 2017/18.

A well-equipped Scania

Our very large investments in employee training during 2009 are aimed at enabling us to take quick and efficient advantage of the next economic upturn. Our vision to produce 150,000 vehicles per year at the next economic peak during the second half of the 2010 decade remains unchanged. Because of our training programme, we can achieve this with an unchanged production workforce. We will continue to streamline our operations within the framework of the Scania Production System. We are also continuing with our outsourcing and expect 75 percent of materials and components in a Scania chassis to come from external suppliers within a number of years.

New products enhance customer efficiency

During a recession, it is especially important for transport companies to have access to efficient production equipment with high uptime. Low transport activity leads to intensive competition for assignments and depressed margins. In its product and service portfolio, Scania's priority is to offer customers the best cost-effectiveness and highest uptime over the service life of its products.

For this reason, Scania implemented several product launches during 2009. The new R-series truck range, featuring better fuel economy and an improved driver environment, will ensure Scania's leading position in the important long-haulage truck segment. Meanwhile we launched Scania Driver Support, an advanced system that makes it easier for drivers to refine their driving style and reduce their fuel consumption by about 10 percent.

A new coach range, the Scania Touring – developed in collaboration with Chinese bus and coach manufacturer Higer – is a major step in Scania's strategy of increasing the degree of industrialisation and expanding its service range related to complete buses and coaches.

During the spring, we launched a new generation of industrial, marine and power-generating engines that meet the new environmental standards that will apply from 2011, without increased fuel consumption.

Adjustment of costs

We have made a broad-based effort to lower costs and streamline operations throughout the Scania Group – from research and development units to the sales and service organisation. Unfortunately about 4,000 employees have had to leave the Group since September 2008, among them more than 2,000 with temporary contracts.

In addition, we shortened working hours in a number of European countries. In Sweden we introduced a four-day week for about 12,000 employees starting in June, with a pay reduction of 10 percent, representing a cost saving of more than SEK 300 m. during 2009.

Amid this deep recession, we have focused on preserving core competency at Scania. We have implemented a large-scale training programme for about 8,000 employees at European production units. This has substantially boosted the production engineering proficiency of all employees at these units. The system of shortened work weeks and time banks will enable the organisation to shift rapidly and cost-effectively to a higher rate of production.

Positive cash flow

During all quarters of 2009, cash flow was positive in Vehicles and Services. Cash flow totalled SEK 5,512 m. for the year as a whole. Because the Financial Services portfolio shrank, the Group's net debt also decreased by SEK 10.3 billion including the dividend payment of SEK 2 billion.

Under the prevailing circumstances, we had strong cash flow because we quickly managed to lower operating costs, postpone capital spending and successfully reduce new vehicle inventories. By the end of the summer of 2009, inventories reached normal levels in most markets, with the exception of central and eastern Europe.

Cautious view of 2010

My assessment is that in Europe, the downturn in demand has levelled off. In Latin America, demand remains relatively good, and in Asia a certain recovery has occurred. The bus and coach market was generally more stable during 2009, while the market for engines declined sharply.

Although the downturn has levelled off, activity among our customers remains low. How quickly demand returns will depend largely on developments in the financial system. Many of our customers among small and medium-sized companies in Europe are still having problems obtaining business loans. This is also true of most of our suppliers.

Scania is continuing its efforts to lower costs and strengthen cash flow. The right product portfolio, together with large-scale cost savings and our investment in employee training at production units, has created good conditions for profitability and for profitable growth when the market turns around.

Fantastic backing from Scania's employees

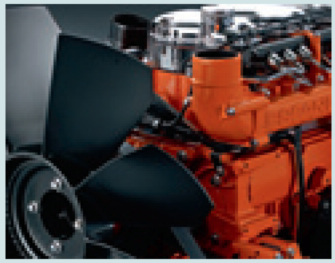
Throughout the tough year now behind us, I was impressed by the solidarity with each other and the company shown by Scania's employees. It has been a period of sacrifices, but at the same time one of development and creativity. This bodes very well for Scania's future.

Leif Östling
President and CEO

Scania in figures

Scania is a leading manufacturer of trucks and buses for heavy transport applications, and of industrial and marine engines. A growing proportion of the company's operations consists of products and services in the financial and service sectors, assuring Scania's customers of cost-effective transport solutions and maximum uptime.

VEHICLES AND SERVICES



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 2009, Scania delivered 36,807 new trucks.

BUSES AND COACHES

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

During 2009, Scania delivered 6,636 buses and coaches.

ENGINES

Industrial and marine engines from Scania are used in electric generator sets, construction and agricultural machinery as well as in ships and pleasure boats. Most sales are industrial engines.

During 2009, Scania delivered 4,235 engines.

SERVICES

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

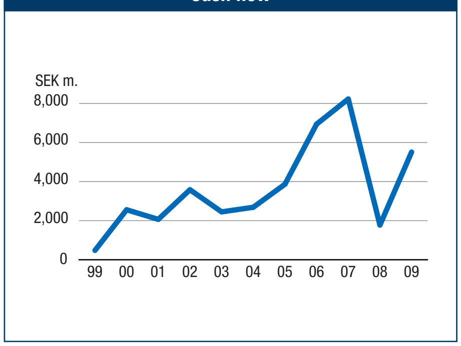
These service-related products encompass everything from parts, maintenance agreements and round-the-clock workshop services on various continents to driver training and IT support for transport planning.

During 2009, net sales amounted to SEK 15,904 m.

VEHICLES AND SERVICES

Return on capital employed (ROCE)

Cash flow



Net debt/equity ratio

■ Return on capital employed

Scania's operating income increased continuously starting in 2001 as a result of increased business volume and higher margins. Meanwhile capital employed in Vehicles and Services was largely unchanged.

The most important reasons behind this successful trend was that the increase in vehicle deliveries occurred largely due to productivity improvements in existing facilities and the fact that service operations expanded in collaboration with independent entrepreneurs and through streamlining of the Scania-owned sales and service network.

During 2009 demand fell sharply, which pulled down earnings while capital employed was unchanged during the year.

■ Cash flow

Scania has had strong historical growth in cash flow, primarily due to its robust trend of earnings. As a result of a systematic effort to reduce working capital needs, the operational cash flow cycle was shortened from 85 days in 2005 to 60 days in 2008, but due to an initially high inventory level and the sharp decline in vehicle sales, it rose to 91 days during 2009.

The economic slowdown during the second half of 2008 led to an increased need for working capital, mainly inventory growth. During 2009 the sharp decline in cash flow before change in working capital was offset by a reduction in inventories and receivables.

Net capital expenditures during 2009 amounted to SEK 3,031 m. and were on a par with depreciation and amortisation, which totalled SEK 2,748 m.

■ Net debt/equity ratio

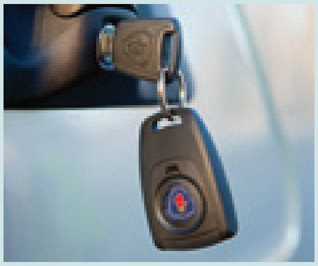
At the end of 2009, Scania had a net debt/equity ratio of 0.21. The optimal value for the debt/equity ratio varies over time, among other things because credit market conditions change. Since Scania has been highly profitable and there has been a good supply of liquidity in the credit market, it has been advantageous to finance operations partly through borrowing. In this way, Scania has endeavoured to maximise the value of the company, and thus its shareholder value. As a consequence of this, during 2007 and 2008 Scania distributed a total of SEK 20 billion in surplus capital to its shareholders.

The reduction in the net debt/equity ratio during 2009 is mainly attributable to the phase-out of working capital in Vehicles and Services.

The world of Scania

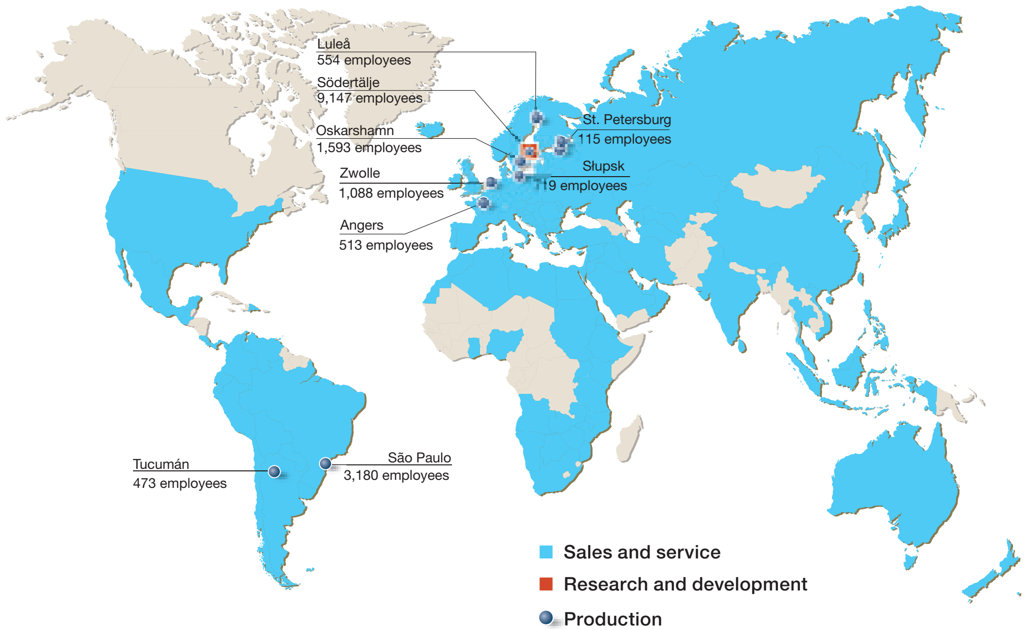
Scania operates in about 100 countries and has more than 32,000 employees. Of these, around 15,000 work in sales and service, some 10,000 in production, about 2,600 with research and development and about 5,000 in administration and other activities. Scania's Head Office and Technical Centre are located in Södertälje, Sweden. Scania has more than 1,000 local sales facilities and over 1,500 service points. The corporate purchasing department in Södertälje is supplemented by local procurement offices in Poland, the Czech Republic, the United States, China and Russia. Production takes place in Europe and Latin America.

FINANCIAL SERVICES



FINANCIAL SERVICES

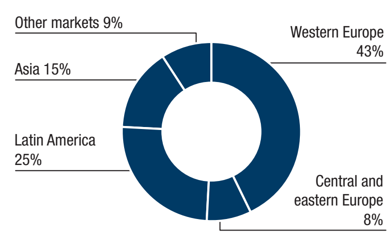
Financial services are an important part of Scania's business. They are often one element of cost-effective comprehensive solutions for customers, who can choose between loan financing, various forms of leases and insurance solutions.



KEY FIGURES

	2009	2008	2007
Deliveries, units			
Trucks	**36,807**	66,516	68,654
Buses and coaches	**6,636**	7,277	7,224
Engines	**4,235**	6,671	7,228
Net sales, Vehicles and Services, SEK m.	**62,074**	88,977	84,486
Operating income, SEK m.			
Vehicles and Services	**2,648**	12,098	11,632
Financial Services	**–175**	414	532
Total	**2,473**	12,512	12,164
Operating margin, percent	**4.0**	14.1	14.4
Income before taxes, SEK m.	**1,602**	11,978	11,906
Net income for the year, SEK m.	**1,129**	8,890	8,554
Earnings per share, SEK	**1.41**	11.11	10.69
Cash flow, Vehicles and Services, SEK m.	**5,512**	1,774	8,229
Return, percent			
on equity	**5.1**	38.3	35.0
on capital employed, Vehicles and Services	**9.4**	43.1	42.1
Net debt/equity ratio, Vehicles and Services	**0.21**	0.49	–0.09
Equity/assets ratio, percent	**23.7**	19.9	27.1
Net capital expenditures, excl acquisitions Vehicles and Services, SEK m.	**3,031**	5,447	4,277
Research and development expenditures, SEK m.	**3,234**	3,955	3,214
Number of employees, 31 December	**32,330**	34,777	35,096

Vehicles delivered by region, 2009



Net sales in Scania's ten largest markets

Vehicles and Services, SEK m.	2009	2008	Change in %
Brazil	**9,448**	9,321	**1**
Great Britain	**5,008**	7,639	**–34**
Sweden	**4,180**	4,353	**–4**
Germany	**3,873**	5,602	**–31**
The Netherlands	**3,497**	4,349	**–20**
Norway	**3,377**	4,403	**–23**
France	**3,023**	4,923	**–39**
Finland	**2,513**	2,822	**–11**
Italy	**2,038**	3,805	**–46**
Spain	**1,861**	2,946	**–37**

Scania's strategy

CORPORATE STATEMENT

Scania's objective is to deliver optimised heavy trucks and buses, engines and services, provide the best total operating economy for our customers, and thereby be the leading company in our industry. The foundation is our core values, our focus on methods and the dedicated people of Scania.

CORE VALUES

Scania's core values – *customer first, respect for the individual* and *quality* – form the basis of Scania's culture, leadership and business success.

Scania's identity is shaped by its customers and 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 the company together and form the basis of Scania's culture, leadership and business success.

CUSTOMER FIRST

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

RESPECT FOR THE INDIVIDUAL

Respect for the individual involves recognising and utilising all employees' knowledge, experience and ambition to continuously develop and improve their working methods. 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

Keeping customers satisfied with their investment requires provision of high quality products and services from Scania. Through knowledge of customers' needs, Scania continuously improves the quality of its products and services. Deviations are used as a valuable source of information for further improvements and are utilised in steadily refining the company's processes, thereby providing customers with added value.

CORE CAPABILITIES

CONTINUOUS IMPROVEMENTS

Scania's success is based on our ability to make use of the knowledge and experience gained through consistent improvement activities. Increased knowledge is our biggest asset when it comes to increasing Scania's competitiveness. The method of working in improvement groups has spread in the organisation, giving even greater importance to the philosophy for developing the organisation and the employees.

MODULAR PRODUCT SYSTEM

Scania's modular approach to product development embodies knowledge that has been created over a long time and is unique in the industry. It allows satisfaction of a large number of customer needs with a limited number of components, thus enabling optimisation for each customer while keeping product costs lower than otherwise possible.

SALES AND SERVICES NETWORK

Forward integration shortens the distance to customers and provides better control over network planning, branding and of a larger share of the revenue stream. The inherent competitive relationship between captive and non-captive entities spurs to deliver higher customer satisfaction. It also encourages creativity and entrepreneurial spirit in the network which is vital for Scania's future success.

CROSS-FUNCTIONAL WORK

The co-location of sales, marketing, research, development, production and purchasing enables Scania to take a more holistic and cross-functional view than most competitors, thus reducing the risk of sub-optimisation and reducing time to market.

FLEXIBLE PRODUCTION

Over time the transport industry faces large fluctuations in demand. Coping with these fluctuations better than competitors enables Scania to gain market share and more quickly optimise production costs in a declining market. Scania's global production structure and product range, flexible production cost structure and flexibility in manning without losing core competence allows us to be more agile than competitors.

VALUE PROPOSITION

PROVIDER OF TRANSPORT SOLUTIONS

A Scania customer shall obtain the best total operating economy in the industry. Scania shall achieve this by working with both the customer's operating costs, such as fuel economy and repair and maintenance, and with revenue-related factors such as load carrying capacity and uptime. A successful combination of products, services and financial services – an integrated business – is what makes this possible. The customers shall feel that dealing with Scania is all they need.

LONG-TERM COMMITMENT

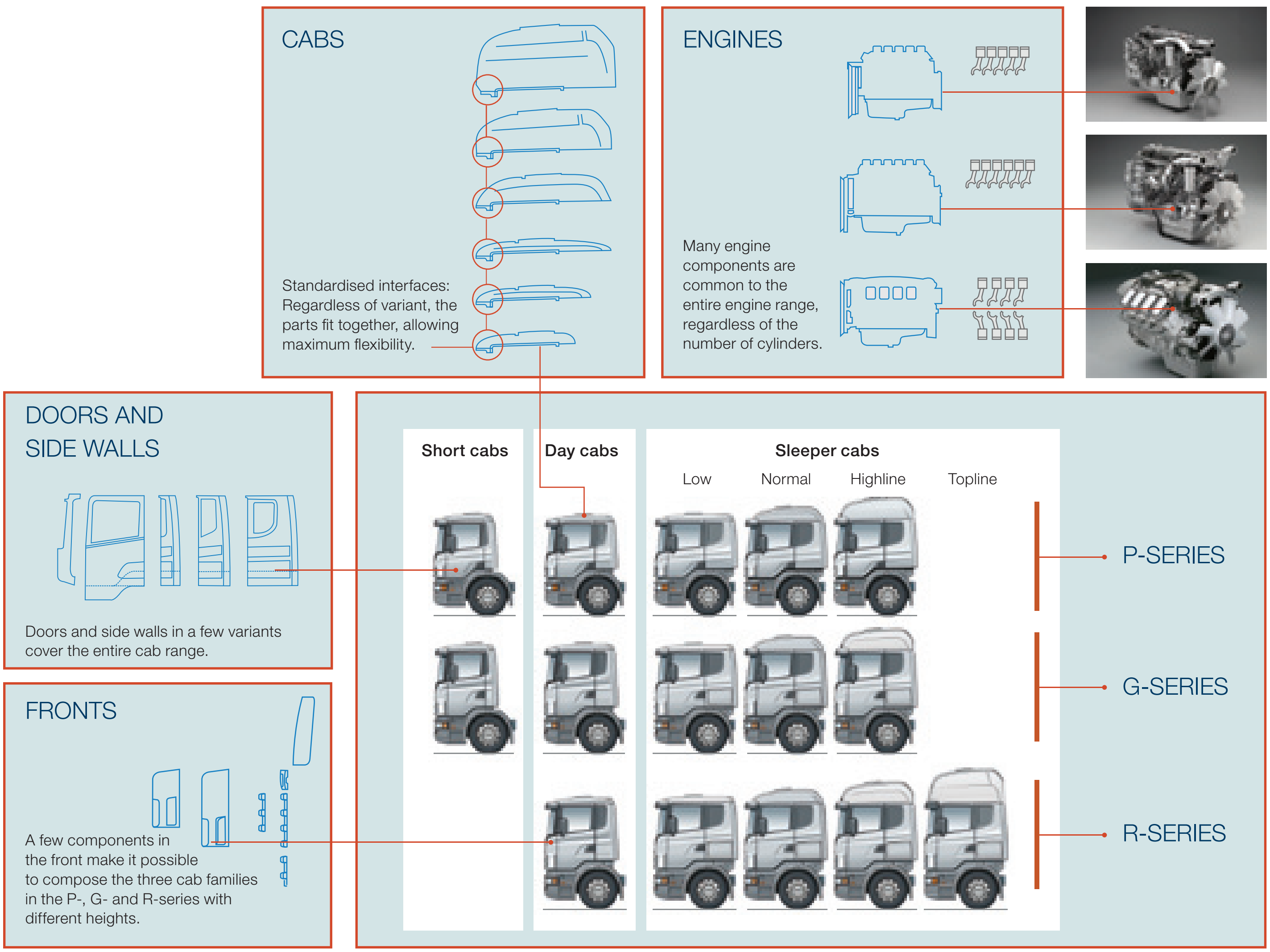
Scania has a long-term commitment to customers and societies. Therefore, Scania focuses on markets and segments where sustainable profitable growth can be achieved. A growing base of profitable customers and additional business with existing customers are more important than aggressive growth – Scania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

PREMIUM PRODUCTS AND SERVICES

Scania's products and services shall outperform those of its competitors from both a rational and emotional perspective. High quality and reliability provide outstanding performance over the entire time of ownership.

Modular product system integral to Scania's culture

Modularisation begins and ends with the customer. The starting point is customers' diverse operations and needs – different tasks, varying climates, good or poor infrastructure, long or short driving distances. The modular product system is Scania's answer to customers' demands for different specifications. The number of parts in Scania's products is limited due to modularisation, which is cost-effective both for customers and for Scania.



The starting point for modularisation is to understand the customer's operations and needs. The components required to satisfy varying customer needs are developed and manufactured efficiently. These components are combined in ways that give customers the vehicles that fit their particular needs and transport tasks in the most advantageous, cost-effective manner.

Scania's modular system means that customer wishes – and new legal requirements – can quickly be met without rapid growth in the number of parts included in vehicles.

Modularisation plays a major role in Scania's strategic decision to offer only vehicles in the heavy segment. Medium-weight trucks would require a whole new modular system, with other technical criteria for the dimensions of the components that are included.

Modular principles: A shared way of thinking

Modularisation is based on standardisation of the interfaces – connection points – between component series to ensure that they fit together with each other. These interfaces are designed in such a way that they do not change over time. This makes it possible to install new components with improved performance in vehicles without any need to change the surrounding components.

Component performance at different levels – performance steps – is optimised in relation to actual customer needs. In cases where customers do not need different performance levels, the same component (identical solution) can be used.

Methods: A shared way of working

A customer's vehicle is specified by combining components at the time of ordering. This enables Scania to work with order-controlled production.

By understanding how a customer uses the vehicle, technically expressed in user factors, the sales person can recommend components with performance steps matched to the customer's specific needs. Variant codes describe the performance steps and make it possible to choose the right components for the finished product.

Continuous evaluation of truck and bus variants and parts enables Scania to have the smallest possible number of parts and the largest possible number of variants in its product portfolio. Limiting the number of parts through modularisation is cost-effective both for customers and for Scania.

Results: Evidence of proper principles and methods

The aim of the modular product system is to ensure that customers get the specification they need at the right time. Vehicles are produced as late as possible before delivery date, and the customer can thus make changes at a late stage, while Scania ties up less capital.

Modularisation increases customers' profitability. High quality means less downtime, and a limited number of parts means more efficient servicing.

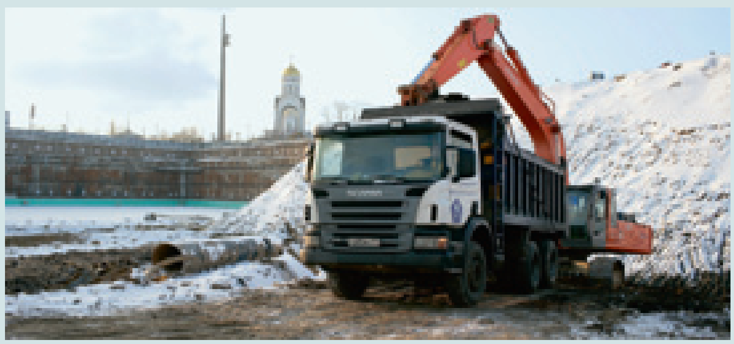
Scania's modular product system also plays a key role in ensuring an efficient and profitable Scania. It strongly contributes to the corporate culture and is an approach shared throughout the company, from research and development to service technicians.

Customer-tailored vehicles

The modular product system enables Scania to offer a large number of vehicle variants that satisfy high standards and greatly varying customer needs.

Heavy tractor with powerful V8 engine and extra strong chassis in Indonesia.

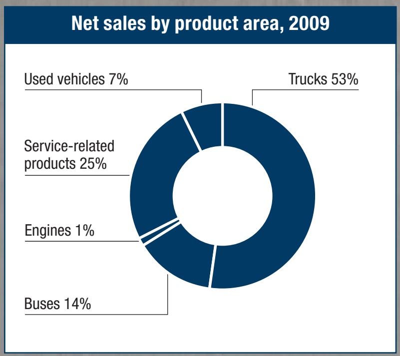
Straight 6-cylinder or V8 engines, light chassis and optimal aerodynamics make the new R-series well suited for efficient international long-haulage, for example in Europe.

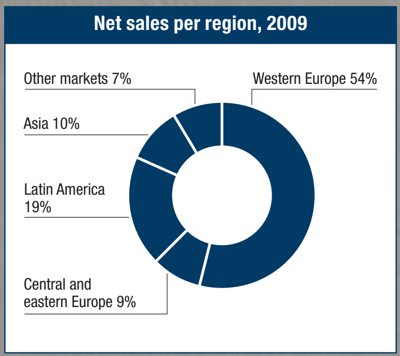


Complete tipper trucks with robust chassis and 380 hp engines are supplied for demanding construction haulage in Russia.

With a low cab that is placed far forward, the P-series allows extra easy entry, for example during refuse collection and local distribution work.


TOPLINE
SCANIA
R 620
AXJ 432


Net sales by product area, 2009
Used vehicles 7%
Trucks 53%
Service-related products 25%
Engines 1%
Buses 14%


Net sales per region, 2009
Other markets 7%
Western Europe 54%
Asia 10%
Latin America 19%
Central and eastern Europe 9%

Focusing on the customer during a turbulent year

Further development of the product portfolio and strengthening of customer relationships were Scania's focus during a turbulent 2009. Scania's markets were dominated by the recession that began during 2008. The downturn was largest in Europe, especially central and eastern Europe, while other markets were less affected.

Low economic activity resulted in less need for transport, especially in goods transport services. This led to overcapacity among hauliers and lower freight prices, squeezing hauliers' profitability and sharply reducing their need to invest in new trucks. Although transport volume declined, Scania had a relatively good workload at its service workshops. Service volume, which declined by about 10 percent, is considerably more stable over the economic cycle than new truck sales.

At the same time, the sales organisation shifted its focus from new truck sales to selling more used vehicles. Activity in the sales and service network was thus only a bit lower than during 2008. Scania made only minor adjustments in the capacity of its sales and service network, while adjustments at its production units were on a substantially larger scale.

Truck sales decreased by 45 percent to 36,807 units and engine sales by 37 percent to 4,235 units. Scania's bus and coach sales also fell, though to a lesser extent. One reason is that city buses are largely taxpayer-financed and that the bus and coach market is less cyclical. Bus and coach sales declined by 9 percent to 6,636 units.

Stable partner

Scania boosted its market share in customer finance during 2009. Credit market instability and the weak transport market caused banks and leasing companies to become more restrictive or stop financing commercial vehicles.

The number of repossessed vehicles in Scania's Financial Services operations increased. Due among other things to its global sales network, Scania is able to sell these vehicles relatively quickly in the market.

Cost savings and a focus on cash flow enabled Scania to preserve a strong financial position. This is important in the company's efforts to be a stable long-time partner to its customers and to offer financing in both good and bad times. Among other things, Standard & Poor's reaffirmed Scania's A- credit rating, confirming its financial position.

Strong product portfolio

During 2009 Scania launched the new R-series truck range, which offers better fuel economy and an improved driver environment in the important long-haul segment. Combined with Scania's most advanced engines – which meet Euro 5 emission standards – as well as the new Scania Driver Support system, the new R-series fulfils the company's promise to customers that they will enjoy the best possible total operating economy.

The new Scania Touring, a robust and versatile coach designed for occasional service, was launched in the autumn of 2009 and is the result of a historic strategic partnership with Chinese bus and coach manufacturer Higer.

A new generation of industrial and marine engines was launched and already meets the new emission regulations that go into effect in 2011. These engines were introduced in Scania's markets during 2009 and were well received, which laid the groundwork for Scania's delivery agreement with US-based Terex, a leading manufacturer of construction and industrial machinery.

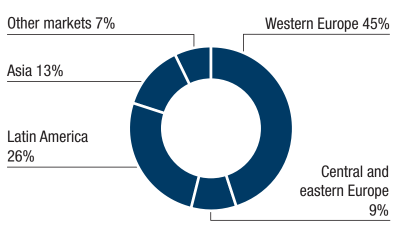
Scania's unique modular system plays a crucial role in its product portfolio by offering a large number of customer-tailored variants using a limited number of components. Even during economic downturns Scania can satisfy customer wishes, while maintaining a profitability level that is satisfactory in light of the prevailing market conditions.

Long-term growth

Despite the recession and weak demand, there is still growth potential in the years ahead. In the transport equipment industry, demand is cyclical. Every downturn phase is followed by an upturn phase. In the long term, the need for transport services grows with GDP. Road transport will be the dominant mode of transport during the foreseeable future, due to its superior flexibility and availability.

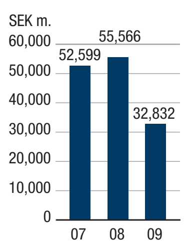
The market for economically and environmentally sustainable solutions is broadening continuously to encompass additional markets that are dominated today by low-efficiency vehicles. There is growing demand for energy efficiency and alternative fuels that allow the creation of sustainable transport solutions. With its strengthened product portfolio, continued emphasis on delivering the best total operating economy and the highest energy efficiency, Scania will have good growth potential when the market turns around.

Scania truck deliveries by region, 2009



Scania delivered a total of 36,807 trucks during 2009.

Trucks, net sales



In 2009, net sales decreased by 41 percent.

Scania's ten largest truck markets, vehicles delivered

Rank		Country	2009	2008	Change in %
1	(1)	Brazil	**8,251**	7,965	**3.6**
2	(5)	Germany	**2,503**	4,100	**–39.0**
3	(2)	Great Britain	**2,494**	5,808	**–57.1**
4	(4)	France	**1,779**	4,307	**–58.7**
5	(8)	Sweden	**1,747**	2,547	**–31.4**
6	(7)	The Netherlands	**1,664**	2,955	**–43.7**
7	(82)	Iran	**1,339**	2	
8	(6)	Italy	**1,170**	3,077	**–62.0**
9	(13)	Norway	**1,056**	1,714	**–38.4**
10	(9)	Poland	**952**	2,362	**–59.7**

The ten largest markets accounted for 62 percent of Scania's total truck deliveries.

A stronger product portfolio in a weak market

Scania's customers were greatly affected by the global recession during 2009. Declining transport volume and depressed freight prices for hauliers made it even more important to be able to offer products that lower operating costs. Scania launched the new R-series, featuring better fuel economy and an improved driver environment as well as a new driver support system that makes it possible to lower fuel consumption further.

Scania's truck sales mainly encompass three segments: long-haulage, which accounts for some 70 percent of total truck deliveries; and construction and local distribution trucks, each accounting for about 15 percent. The construction industry was hard hit by the recession, especially in such southern and eastern European countries as Spain and Russia. Long-haulage includes a number of sectors that were affected to varying degrees by the economic downturn. Haulage of investment goods and cars fell sharply in many markets, while food and clothing transport performed better. Scania's overall truck deliveries during 2009 declined by 45 percent to 36,807 vehicles. Europe accounted for most of the downturn, which was especially pronounced in central and eastern Europe. A number of markets in Latin America and Asia held up relatively well, but at lower levels than in 2008.

New R-series launched in the market

In September 2009, Scania launched the new R-series. This model range is mainly intended for long-haul service, Scania's largest segment. The launch was an important step in Scania's strategy of offering customers the best possible total operating economy in the industry.

The two most important cost items for a haulier specialising in long-haulage are fuel cost and driver cost. The new R-series offers improved fuel economy, among other things through Scania Driver Support, a new system that gives professional drivers real-time feedback and tips that enable them to refine their driving style. This innovative system will be a standard feature in most Scania long-haulage trucks.

For hauliers, recruiting and retaining good drivers is important in order to achieve the best possible operating economy. Extensive resources were devoted to the development of the R-series driver station – widely regarded as the best in the market – which has been thoroughly upgraded. To further improve fuel economy, Scania is offering customers larger fuel tanks, enabling them to fill up with larger fuel volume where the price is relatively low. Maximum tank volume was increased to 1,500 litres for long-haulage trucks.

Scania also introduced a new, fully automated Scania Opticruise gearchanging system, which allows more comfortable driving and easier handling. Even inexperienced drivers can achieve significant fuel savings compared to manual gearchanging. This decreases wear-and-tear on the clutch and other powertrain components, lengthening vehicle service life.

The new R-series was named Europe's International Truck of the Year 2010. The statement of the jury, consisting of leading commercial vehicle journalists from 22 European countries, cites the aerodynamic design of the R-series, its operational economy and the unique Scania Driver Support system. The R-series also won the prestigious 1,000-Point Test organised by German trade magazine Lastauto Omnibus in collaboration with other trade magazines. This confirmed Scania's leading position in the heavy truck segment.

Used vehicle a core business

Because new truck sales fell sharply, Scania re-allocated resources into dealing with a growing number of used vehicles. For Scania, both the sales transaction and the chance for continued servicing in Scania's workshops represent important business potential.

To further refine its used vehicle business, Scania established a separate company entrusted with carrying out professional, profitable Group-wide operations. In collaboration with Scania's sales network, the new company will develop shared working methods and carry out international commerce in used vehicles.

A used Scania is also a premium product, and its condition is important to the Scania brand. Scania Approved is a formalised flow for the handling of used vehicles, from trade-in to follow-up of the sale to a new owner. This includes reconditioning, any upgrading – possible thanks to the Scania modular product system – and warranties. Scania's used vehicle website is an important channel for these sales.

For further information, see www.scania.com, under Products & Services, Used Vehicles.

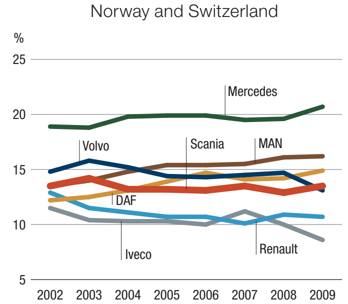
EUROPE

Largest downturn in Europe

In many European markets, truck fleets had a relatively low average age when the economic downturn began during 2008. Lower freight volume led to overcapacity, and many vehicles were removed from service. This led to a sharp decline in new vehicle investments. Aside from lower transport volume and depressed freight prices, problems in the banking system also led to difficulties for many hauliers, especially in central and eastern Europe, in obtaining both business loans and vehicle financing. On the whole, many of Scania's customers were in a difficult situation, and the total heavy truck market in 25 European Union member countries (all EU countries except Greece and Malta) plus Norway and Switzerland fell by 49 percent to 161,100 units during the full year 2009. Scania truck registrations totalled 21,700 vehicles, equivalent to a market share of about 13.5 percent.

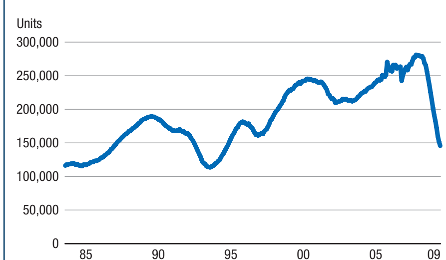
Market shares

Trucks above 16 tonnes, 24 EU countries plus Norway and Switzerland



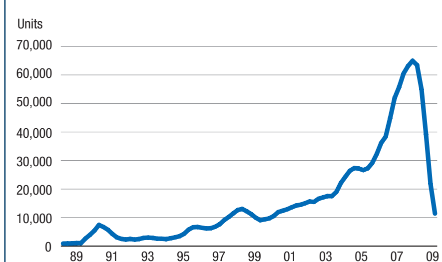
Scania's competitors in Europe are Mercedes, Volvo, DAF, MAN, Renault och Iveco.

The truck market in western Europe



All markets in western Europe declined in 2009, but the Nordic countries were somewhat better than central and southern European markets. Scania's deliveries decreased by a total of 51 percent.

The truck market in the new EU countries



The new EU countries were hard hit by the recession, and all markets decreased.

LATIN AMERICA
Market leader in Brazil

Scania's markets in Latin America, especially Brazil, held up relatively well. The Brazilian economy was not affected by the global downturn to the same extent as the European economy. The government also introduced interest subsidies and tax cuts on investments in such capital goods as trucks.

Scania boosted its market share in Brazil compared to 2008. With a 26.3 percent share, Scania was the largest make in the Brazilian heavy truck market. One reason for this was a comparatively low market share in 2007 and 2008 when Scania had some capacity shortage.

For more than 50 years, Scania has built a strong brand in Brazil. Mercedes had a market share of 24.2 percent and Volvo was the third largest make with 20.9 percent.

During 2009, Scania consolidated its strong position in Latin America and regained the role of market leader for heavy trucks in Brazil. Aside from long-haulage, road construction is an important application for Scania vehicles.

ASIA AND OTHER MARKETS
Long-term growth

In Asia, deliveries fell by 28 percent, and in other markets they rose by 5 percent. In other markets, deliveries were higher due to a number of large spot orders in some of the African markets. To date, Scania has delivered a limited volume of trucks to large Asian countries such as China and India, where most transport services are supplied by vehicles of local origin. Resale value, fuel economy and environmental performance play a smaller role than in Europe, resulting in lower demand for the type of trucks that Scania manufactures, but in Scania's judgement, these factors will become more and more important to emerging markets in the future and will increase business opportunities for Scania.

In certain segments, even today Scania already has sizeable market share in various Asian markets. Mining companies are often large multinational corporations with advanced logistics systems and can thus enjoy a good return on their investment in a Scania truck.

A new Scania Delivery Centre went into service in Dubai. It customises vehicles based on local demands and operating conditions, thereby shortening delivery times.


SCANIA
TUU 787

Stronger position and strategic partnership

Public transport was less affected by the recession than goods transport. Scania took the important step of establishing a strategic partnership with the Chinese bus and coach manufacturer Higer. With the new Scania Touring coach, designed for occasional service, Scania is increasing the industrialisation of its bus and coach production while opening the way to increased sales of service-related products.

Generally speaking, the demand for buses and coaches declined during 2009 due to the economic slowdown, but there were bright spots in the form of a large number of sizeable orders for buses and coaches featuring Scania's most advanced engines.

Relatively stable market

Scania's bus and coach sales fell during 2009, though to a lesser extent than truck sales. The customer structure is different from the truck market, since the city bus segment enjoys a significant element of public sector financing. Total order bookings decreased by 19 percent and deliveries by 9 percent. Order bookings in the European market were down by 25 percent and in Latin America by 17 percent. In Asia and other markets, total order bookings fell by 17 percent.

The new Scania Touring coach model – developed in collaboration with Chinese bus and coach manufacturer Higer – is a major step in Scania's strategy of increasing the degree of industrialisation and expanding its service range related to complete buses and coaches. Together, Scania and Higer are the first to manufacture buses and coaches in China for the global market.

Successful in landing large orders

Despite falling demand, Scania received a number of large orders in various markets. This success was due to Scania's ability to deliver a product with good performance and live up to the highest standards of maintenance and other services, enabling customers to operate passenger services cost-effectively and with high uptime.

One of the largest orders came from Singapore, where SBS Transit decided to buy 200 buses. Since 2007 the company has ordered 1,100 city buses from Scania. Other large city bus orders came from Great Britain, Australia and Malaysia. Most of these customers ordered engine alternatives that meet the strictest emission standards in the market.

Johannesburg, South Africa is making a concerted effort to develop an efficient, environmentally optimised bus network in the run-up to hosting the 2010 World Cup in football. The city selected Scania to supply all 143 buses in the first expansion phase. In addition, by offering the best comprehensive transport solution, Scania was able to make its largest bus and coach sale in Angola, with 250 intercity buses that will provide passenger service between major cities and play an important role in improving the efficiency of transport in the country.

New coach a key element in Scania's strategy

In October 2009, Scania launched a new coach for occasional service, the Scania Touring, manufactured in a partnership where the Chinese bus and coach manufacturer Higer is responsible for bodyworking know-how and Scania for the chassi, which ensures a quality product and cost-effective production. Scania began its partnership with Higer five years ago.

Production of bus and coach bodies has been characterised by labour-intensive production. To boost efficiency and ensure high quality, Scania is working to increase the degree of industrialisation, with the Scania Touring concept representing an important step. Another example is Scania's own range of city buses, the Scania Omni, where the principles used in Scania's chassis production (the Scania Production System, SPS) have also been applied to bus body production with very good results.

The customer is offered a quality product featuring high fuel efficiency and good overall operating economy, combined with an internationally leading range of engines. Meanwhile Scania ensures a comprehensive solution for the customer by providing servicing and parts via its global service network.

Long-term growth

Increased urbanisation is leading to increased public transport in and between cities. The market for environmentally sustainable passenger transport will expand in the rapidly growing cities of emerging market regions. There are major advantages in reallocating passenger transport from cars to buses; this applies especially to carbon dioxide emissions per passenger-kilometre.

Economies of scale between trucks and buses

Scania is continuing its adaptation to alternative fuels and hybrid operation. The potential for various alternative fuels varies, and it is important to be able to adapt products to local conditions. The modular product system enables Scania to cost-effectively develop, manufacture and service vehicles using different technologies, giving customers the best solution in their specific market.

Scania's modular product system means that the same main components and the same technology are used in different products, which allows sizeable economies of scale. About 85 percent of the components in a tourist coach chassis are shared with a truck chassis. This translates to major savings in development, production and servicing.

A Scania OmniExpress near Hull, England with the Humber Bridge and Humber Estuary in the background.

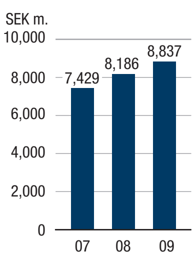
A Scania F 330 with bodywork by Comil.

In Puno, Peru, a Scania K 380 chassis is used in a double-decker 15 metres long.

Scania Omni ethanol bus in Oslo, Norway.

A Scania Irizar Century in Poznan, Poland.

Buses and coaches, net sales



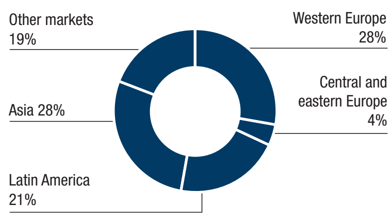
Net sales increased by 8 percent during 2009.

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

Rank		Country	2009	2008	Change in %
1	(1)	Brazil	758	815	–7.0
2	(2)	Iran	754	727	3.7
3	(3)	Great Britain	650	572	13.6
4	(5)	Singapore	465	433	7.4
5	(10)	Australia	403	264	52.7
6	(8)	South Africa	318	331	–3.9
7	(17)	Malaysia	288	113	154.9
8	(6)	Spain	281	417	–32.6
9		Angola	250	–	
10	(4)	Mexico	237	477	–50.3

The ten largest markets accounted for 66 percent of Scania's total bus and coach deliveries.

Scania bus and coach deliveries by region, 2009



Scania delivered a total of 6,636 buses and coaches during 2009.

During the spring of 2009, Scania launched a new generation of engines for industrial, marine and power generating applications that meet the new environmental standards that will apply from 2011. The rescue vessel in the photo belongs to the Swedish Sea Rescue Society.

Market dominated by economic downturn

The market for engines was dominated by a decline in demand similar to that in the truck market. All segments – generator sets, industrial and marine – were affected by the general economic downturn. During the year, Scania negotiated a strategically important agreement with Terex Corporation, a major American manufacturer of construction and industrial machinery.

Scania Engines focuses on diesel engines in the 9- to 16-litre displacement segment. The largest share of total engine deliveries, about 60 percent, is delivered to builders of generating sets (gensets) either for continuous operation or to produce standby power when the regular electricity supply is out of order. Deliveries for industrial applications comprise about 25 percent. The remaining 15 percent are delivered to the marine segment. The largest customer category consists of original equipment manufacturers (OEMs), for which the engine serves as one component in a finished machine. During 2009, Scania's total engine order bookings fell by 36 percent, with the European market showing the largest decline. Deliveries fell by 37 percent to 4,235 units. The recovery late in the year was limited and occurred primarily in the industrial segment as a consequence of inventory reductions by companies that use Scania engines in their products (OEMs).

Scania engines meet 2011 emission standards

Stricter environmental standards – EU Stage IIIB and US Tier 4i – will go into effect in 2011. Scania's new generation of engines, introduced in 2009, meets these future standards and has been very well received by the market. Stricter environmental standards represent an opportunity for Scania to sell fuel-efficient engines that lower customers' costs, deliver outstanding performance and reduce environmental impact.

Important US market breakthrough

The launch of Scania's new generation of engines resulted in a long-term agreement with Terex, a leading American manufacturer of construction machinery, on engines for installation in vehicles and other heavy equipment. The agreement was signed early in 2010, and deliveries will begin during 2011. Terex is represented all over the world. Through its global service network, Scania can meet the high standards of repairs and maintenance that Terex's customers demand.

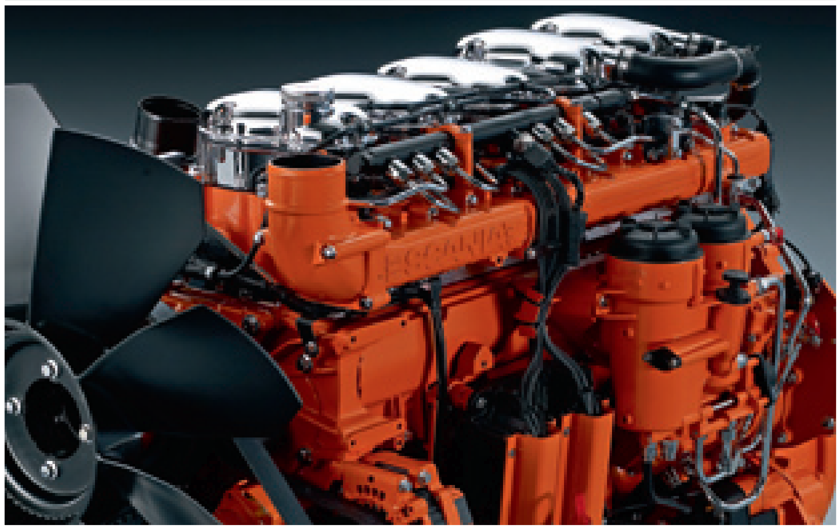
The Terex agreement is an important step in Scania's strategy of increasing sales to OEMs, which demand that engines meet the highest quality and performance requirements as well as the strictest emission standards.

Long-term marine engine alliance

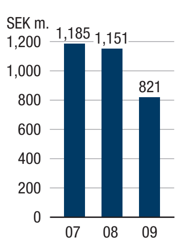
Scania has a strategic alliance with the Japanese company Yanmar in the engine segment for large pleasure boats. Scania's heavier engines complement Yanmar's lighter ones. Via Yanmar, Scania gains access to a well-developed sales and service network for pleasure boats.

In marine applications, Scania can build engines with higher outputs than in trucks and buses. The experience of working with higher outputs provides valuable feedback for Scania's development work on future engine generations.

A heavy forklift equipped with a Scania engine at a steel warehouse in Great Britain.


A Scania 9-litre engine for industrial applications.

Engines, net sales



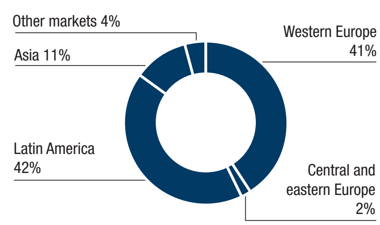
Net sales declined by 29 percent during 2009.

Scania's ten largest engine markets, engines delivered

Rank		Country	2009	2008	Change in %
1	(1)	Brazil	1,660	2,546	–34.8
2	(5)	Germany	394	346	13.9
3	(34)	Iran	329	5	
4	(2)	Great Britain	285	803	–64.5
5	(4)	Sweden	284	388	–26.8
6	(7)	Spain	185	268	–31.0
7	(8)	Norway	165	250	–34.0
8	(6)	The Netherlands	140	304	–53.9
9	(3)	South Africa	95	502	–81.1
10	(9)	Finland	86	224	–61.6

39 percent of Scania's engine deliveries occur in Brazil.

Scania engines delivered by region, 2009

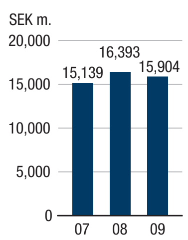


Scania delivered a total of 4,235 engines during 2009.

Stable service business

Together with top-quality customer-tailored vehicles, Scania's service sales play a key role in giving customers maximum uptime and low costs during the service life of a vehicle. Service sales are less sensitive to economic cycles than vehicle sales and stabilise Scania's profitability.

Services, net sales



Net sales declined by 3 percent during 2009.

Close proximity between the transport work of customers and Scania's workshops ensures high uptime for the more than 500,000 Scania vehicles currently registered. Since the 1990s, Scania has enhanced its business by integrating the sales and service network and broadening its range of services.

Scania's service network consists of more than 1,500 workshops, including 1,000 in Europe. More than 40 percent of all Scania employees work in sales and service companies, and about half of total service volume is performed in workshops owned by Scania.

Due to the economic downturn, transport work declined during 2009 in numerous markets, especially in Europe, and business volume at Scania workshops fell by about 10 percent. During the year, Scania adjusted its servicing capacity, among other things by reducing the number of vehicle technicians by about 8 percent and through continued efforts to lower costs in its service organisation. However, demand will increase in the long term. Scania will satisfy this demand by means of greater workshop efficiency and capacity, a broader range of services and an increased presence in fast-growing markets.

Customers demand accessibility and reliability

Today's transport companies face strong competition and must utilise their vehicles very intensively. The quality requirements in their transport assignments are becoming stricter, and transport services are becoming increasingly international. Transport companies have in common that their profit margins are very thin.

As a result, transport companies demand a very well-developed service network that is accessible at all times and ready to provide immediate assistance at competitive cost.

Scania's customer approach is to be dedicated all the way – from delivering the best custom-tailored vehicle to providing the best service and support for day-to-day transport work. A growing interest in utilising authorised Scania workshops with trained vehicle technicians is contributing to higher business volume. During 2009, Scania invested in a number of new service facilities. For example, a new facility opened in Kazakhstan, which is the hub of Scania's investment in the markets of central Asia. During the year, Scania unveiled an enhanced service offering for somewhat older vehicles.

An ever-broader range of services

Scania offers fixed-price service contracts. A known total cost from the day a vehicle goes into operation makes it easier for customers to set the prices of their own transport assignments. Regular servicing at Scania creates close relationships between Scania employees and customers, who receive professional and continuous advice for minimising downtime. Service contracts also enable customers to make uniform and regular payments, which facilitates liquidity planning.

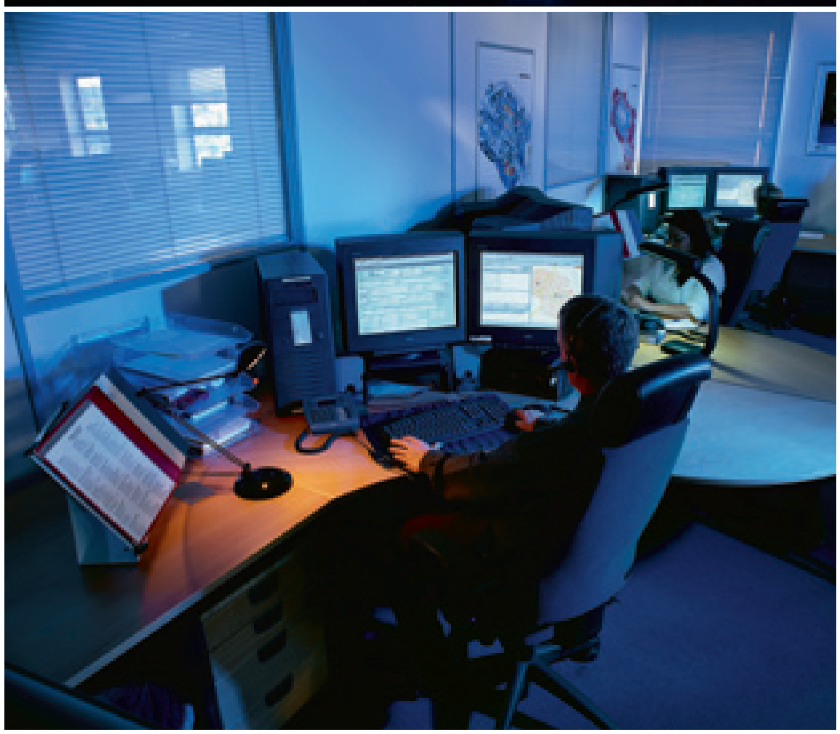
The service network, combined with Scania Assistance roadside repair service, means that Scania can offer vehicle maintenance and repairs 24 hours a day and 365 days a year all over Europe as well as in a number of other markets. Through Scania Assistance, customers in some 50 countries can maintain continuous contact with Scania in their own languages via 17 assistance centres. In case of breakdown, customers can summon help to start or repair a vehicle on the road, contact a workshop and have the vehicle towed.

For customers, having only one provider of maintenance and repairs represents a substantial efficiency improvement, thereby increasing service accessibility. Today Scania is thus broadening its range of services by offering repairs, maintenance and parts for trailers and truck bodywork as well as bus and coach bodies.

Workshop a place to meet customers

Scania has long experience and has achieved good results in working with continuous improvements at its production units, resulting in very good efficiency improvements. Today these principles are being implemented in the sales and service organisation through the Scania Retail System (SRS), in which employees continuously develop new methods for meeting customer needs.

Scania customers have access to maintenance and repairs round the clock, 365 days per year, throughout Europe as well as in a number of other markets. Scania Assistance enables customers in some 50 countries to contact Scania at any time in their own language via 17 assistance centres.



All employees are involved in identifying deviations from the normal situation, devising improvements in working methods and eliminating waste – all for the purpose of increasing customer benefit, shortening lead times and improving quality.

The sales and service organisation at the regional and Group level has a supporting function for service workshops. By concentrating these support functions, Scania eliminates duplication and waste. Efforts are under way to standardise and modularise Scania workshops in order to further increase efficiency.

Service workshops are vital to Scania's contacts with customers. Providing quality in every respect by receiving customers in a professional manner and performing services efficiently builds the Scania brand and contributes increasingly to the company's profitability.

Driver training and support systems for efficient transport services

Scania provides driver training in over 40 countries. During 2009, about 10,000 truck and bus drivers received such training. For the customer, well-trained drivers mean improved fuel economy, lower repair and maintenance costs, better road safety and reduced environmental impact. In September 2009, Scania Driver Support was launched. This is a unique system that provides drivers with direct feedback and tips for refining their driving style, which can save up to 10 percent in fuel and result in major economic and environmental benefits.

Scania's customers are often part of complex logistics chains. Drivers and hauliers thus increasingly require good IT support. Scania Fleet Management is one example of a tool that enables a transport operator to utilise its fleet more efficiently and give its customers better service.

The system helps transport companies keep track of when it is time for maintenance and which drivers need further training to learn how to handle vehicles more efficiently. This makes it easier for hauliers to control their costs in a more efficient way.

Parts within twelve hours

Scania's international parts warehouse – the Scania Parts Centre in Opglabbeek, Belgium – is entrusted with shortening lead times for customers by delivering with greater speed and precision than anyone else. Its top priority is to minimise the time a customer's vehicle is not on the road, by delivering parts to dealers and workshops in Europe within twelve hours – overnight – to ensure they are in place the next working day. The Scania Parts Centre also distributes to workshops in many other regions of the world.

All goods are handled manually – people are more reliable and flexible than machines. About 390 employees plus extra personnel on hire during peak periods handle six million orders per year. During 2009, 99.5 percent of orders were delivered on time. To achieve this, the Scania Parts Centre has six regional centres in Europe. The central warehouse in São Paulo serves the markets of Central and South America.


SCANIA


SCANIA

Larger role for financial services

Because an increasing number of customers prefer to focus on their own business, financing and insurance are a key element of Scania's total range of services. Scania's ability to offer financing on attractive terms even during a recession was especially important during 2009, when banks and other financial institutions were very restrictive about providing vehicle financing in numerous markets.

Financial services strengthen Scania's business – supplying customers with high-quality vehicles and services for advanced transport of goods and passengers. Scania has wholly owned finance companies for customer financing that cover 46 markets. Scania also offers vehicle-related insurance in more and more of the markets where it provides financing.

During 2009 Scania received permission from the Brazilian central bank to start a finance company. In emerging markets, Scania's solutions are extra important, since local financial markets are not so developed. In markets where Scania does not have its own finance company, financing is offered through export financing solutions or through collaboration with local banks. Through a well-diversified portfolio, a cautious credit policy and financing without interest rate risk between borrowing and lending, Scania limits the risks in its financial service operations.

Customers obtain financing solutions tailored to fit their needs. They can choose between loan financing and various forms of leases. Financial services may also include various types of service contracts. Experience also shows that customers with financing via Scania show even greater brand loyalty than other customers.

The largest markets for financial services are the Nordic region, Germany, the Benelux countries, Great Britain and France, which account for about 58 percent of the total portfolio.

2009 a tough challenge

Very weak demand for trucks in most of Scania's markets resulted in lower volume, and during 2009 the value of Scania's financing portfolio fell by 14.4 percent to SEK 40,404 m., but Scania's share of Scania vehicle financing rose sharply to 42 (36) percent in markets where the company has its own financing operations. The reason for this increase is that banks were restrictive about offering financing to transport companies.

Operating income in the Financial Services business area fell to SEK -175 m. (414), due to higher credit losses. Including provisions to reserves, these losses rose to SEK 833 m. (227), or 1.90 (0.53) percent of the average portfolio. Of this, actual credit losses totalled SEK 517 m. (183).

These credit losses were largely attributable to central and eastern Europe. Customers in western Europe were able to bear their financing costs to a greater extent, with the exception of Spain, which suffered difficulties in the property sector and sharply rising unemployment. Past-due receivables represented 2.11 (1.49) percent of the total portfolio at the close of 2009. The rate of increase fell late in the year, however.

Collaboration between Financial Services and the Scania sales and service network

Scania Financial Services focused its resources on maintaining close contact with customers in order to minimise the risks in its credit portfolio. Resources were re-allocated to deal with outstanding customer receivables with payment problems.

After thorough analysis of a customer's business and risk situation, a contract can be renegotiated to enable the customer to continue bearing financing costs. During 2009 this occurred with 1,949 customers, representing a total financing volume of SEK 5,700 m.

The number of repossessed vehicles during the year totalled 4,354 (2,146), most of which were resold immediately. The average time until repossessed vehicles had been sold was 101 (90) days. This time rose substantially early in 2009 but was reduced during the second half thanks to expanded collaboration with Scania's global sales and service network.

Well-balanced portfolio

Scania minimises its risks by having a well-balanced financing portfolio. Aside from broad geographic dispersion, Scania apportions risk among different types of customers, in terms of size, economic sector and vehicle applications. In case of very large individual credit exposures, Scania uses syndication with other financial institutions to reduce the individual credit risk. At year-end, the portfolio was apportioned among 21,629 (23,120) customers.

South Africa's best transport company

In May 2009, Unitrans Ltd – named South Africa's best transport company for three years in a row – expanded its Scania fleet to include the South African portion of its operations.

Unitrans was seeking a comprehensive solution for vehicles, financing and service and found that Scania was best able to meet its needs. Scania offered the best service network, both in South Africa and elsewhere in sub-Saharan Africa, and Scania Finance had the best structured financing package.

Scania is not exposed to large vehicle rental companies. Instead most customers are small or medium-sized transport companies. Credit exposure exceeded SEK 15 m. per customer for 344 customers. The largest commitments, above SEK 50 m. per customer, encompass some 60 customers, many of them companies outside the transport sector such as retail chains. This category also includes various bus operators.

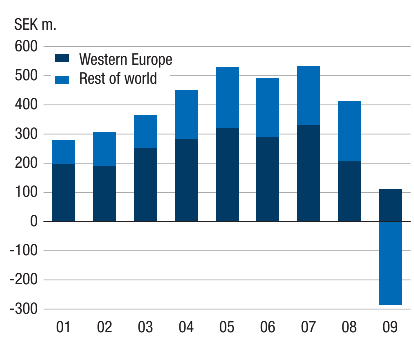
Scania's knowledge of the transport industry and its proximity to customers, through its unique sales and service network, facilitates the assessment of customer creditworthiness and the value of the collateral in the form of the vehicle being financed. The credit assessment takes into account not only the customer's financial position but also the customer's market situation and earning capacity.

Diversified financing portfolio, December 2009

Customer category	Number of customers	% of total portfolio value
Exposure below SEK 15 m.	21,285	67.7 %
Exposure SEK 15–50 m.	280	17.4 %
Exposure over SEK 50 m.	64	14.9 %
Total	**21,629**	**100 %**

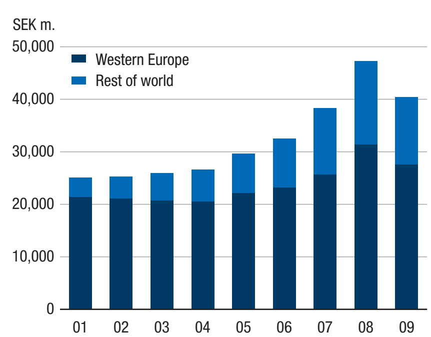
Nearly 300 customers have a credit exposure between SEK 15-50 m. and about 60 customers have a credit exposure exceeding SEK 50 m.

Operating income



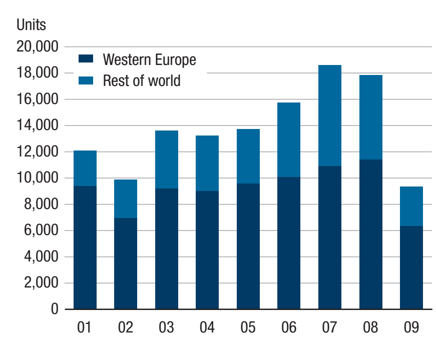
Operating income declined to SEK -175 m. during 2009.

Portfolio size



The customer financing portfolio decreased by SEK 6.8 billion during 2009.

Trucks financed



Scania financed 9,332 trucks during 2009. The company delivered a total of 36,807 trucks.

Training programme in anticipation of the next growth phase

The task of adapting Scania's production volume to a lower level of demand continued in 2009. Scania took advantage of its flexibility to avoid lay-off notices as much as possible and thereby preserve core competency within the company. Low capacity utilisation allowed room for a large-scale training programme. Along with restructuring measures, this laid the groundwork for rapid efficiency improvements in anticipation of the next growth phase and further sustainability-based adjustments in production.

Scania's production network is globally integrated due to a common production system based on Scania's modular product concept. With the same working methods and quality standards, production can be allocated flexibly between Europe and Latin America in order to achieve optimal capacity utilisation.

Purchased materials and components account for an increasing share of production costs, comprising some 70 percent. Of the 30 percent value-added, about one fifth is directly connected to production volume.

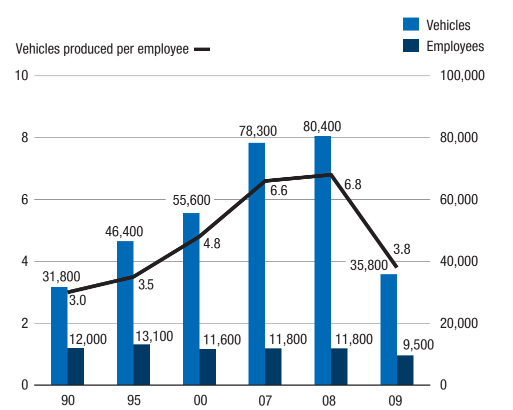
Rapid cutback

The downturn in demand late in 2008 and early in 2009 was on an unprecedented scale, leading to cancellations of numerous orders. The cutback in Scania's production 2009 totalled 55 percent, most of it in Europe. For Scania, it was important to preserve its core competency in the form of permanent employees.

Scania did not renew the contracts of more than 2,000 fixed term temporary employees and halted production on a number of days until May 2009. On June 1, an agreement with Scania's employee unions went into effect, introducing a four-day week in Swedish operations. Scania also introduced similar working hour reductions starting early in 2009 in the Netherlands and France.

Latin American production increased gradually during the second half of 2009 due to good demand and Scania's increased market share. Some components were taken from production units in Europe.

Number of vehicles produced per employee



Scania's productivity has increased by an average of 6 to 8 percent annually. During 2009 this trend reversed, and productivity declined. The reason was a combination of low production and Scania's decision to retain its permanent employees and alternate work with training in order to further improve efficiency.

Training for long-term competitiveness

To further increase Scania's efficiency, the company decided to take advantage of the low-production period by alternating work with training of production employees. This human resource development focused on production engineering, the Scania Production System (SPS) and supplementation of language and mathematics skills. Training took place at production units both in Europe and Latin America. The training programme in Sweden received financial support from the European Social Fund.

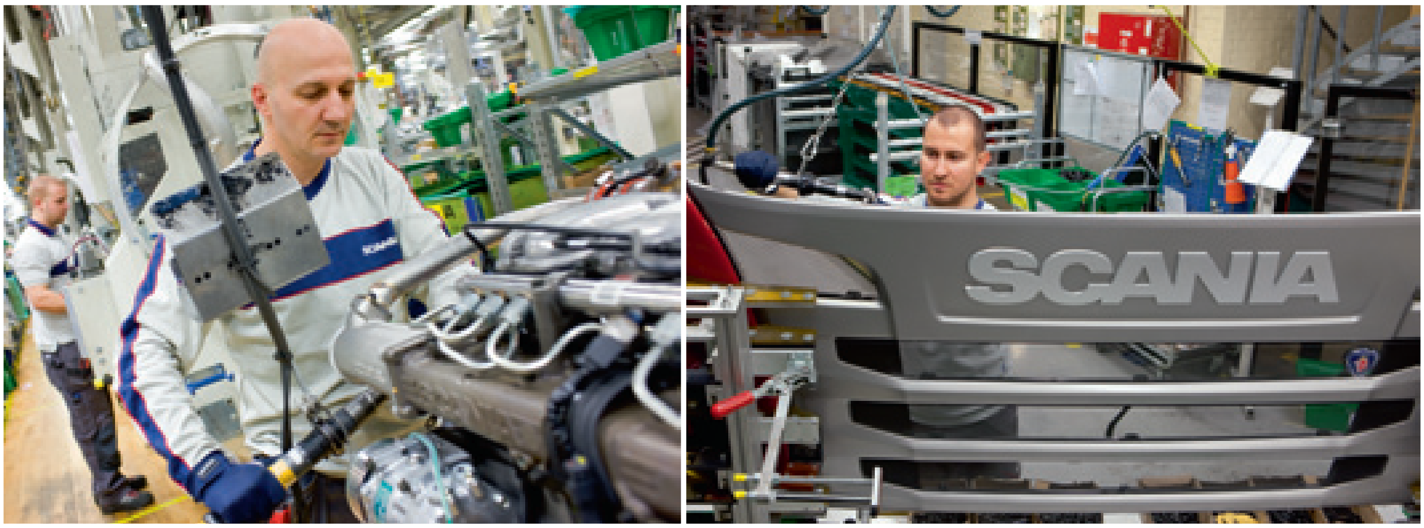
The rapid transition to production alternating with training was possible thanks to Scania's continuous improvement efforts over the years. Managers serve as instructors, and the organisation has well-established procedures for continuous learning.

Some production increase due to successful inventory reduction

During the second half of 2009, Scania increased the production rate at its European units. This was not due to higher demand in Europe, but was mainly a consequence of successful reduction during the first half of the year in the inventories of finished vehicles that had arisen due to earlier order cancellations.

Step-by-step improvements occurred due to higher employee proficiency. Employees are assuming an increasingly large role in the planning and development of working methods, which eliminates waste of time and materials.

The inauguration of Scania's delivery centre in Dubai in 2009 is one element of its strategy of strengthening its position in important fast-growing markets.



Scania took advantage of its low-production period to invest in core competency. By alternating work with training for production employees, Scania increased its ability to compete when volume rebounds.

Close collaboration with suppliers

The sharp decline in production hurt Scania's suppliers, and a small percentage of these encountered acute financial difficulties. Scania's purchasing department pursued an extensive dialogue with its suppliers and provided various types of assistance as needed. This made it possible to minimise production disruptions. The slight increase in Scania's production level towards the end of 2009 improved the situation of its suppliers to some extent.

Continued expansion of delivery centres

During 2009 new facilities for bodywork and equipping of locally adapted vehicles went into service in Taiwan, Malaysia and Dubai. Scania is studying the feasibility of establishing delivery centres in Russia and South Korea as well. Scania's delivery centres are part of its strategy of strengthening its position in important emerging markets. The delivery centres adapt vehicles to locally applicable requirements and operating conditions, thereby shortening delivery times.

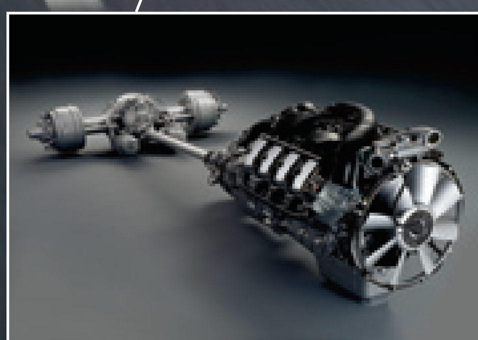
Long-term investment in expanded production capacity

Despite the weak market during 2009, Scania continued its long-term investment in expanding its technical production capacity. At year-end, Scania had the capacity to ramp up production quickly and, without major capital spending needs build about 100,000 vehicles per year. This was achieved by means of extensive investments in engine production in Södertälje, Sweden including a new unit for manufacturing the Scania XPI injection system.

During 2009, the new Scania R-series was named International Truck of the Year. Its new aerodynamic design, good operating economy and unique Scania Driver Support system were praised in the statement of the jury, which consists of leading commercial vehicle trade journalists from 22 European countries.

The aerodynamic shape of the new sideskirts reduces fuel consumption.

Rear-mounted batteries and the new sideskirts allow more space for fuel tanks holding up to 1,500 litres, even in a short tractor unit.



Customers can choose an optimal combination of engine and transmission for every application, since Scania develops the whole powertrain in-house.

The grille has substantially larger openings between distinct horizontal bars. This underscores a Scania's identity while admitting more air to the radiator and into the engine compartment.

Staying at the cutting edge

The need of customers to boost their productivity and profitability is what drives Scania's research and development. This work is based on Scania's unique modular product system, which enables the company to satisfy customers' demands for various specifications in a cost-effective way both for customers and Scania. Another guiding principle is sustainable transport, which means the least possible environmental impact from design, production, maintenance and end-of-life treatment, as well as during the service life of vehicles.

Over an economic cycle, Scania invests about 4 percent of its sales in research and development. Scania has chosen to develop and manufacture all strategically and competitively important components in-house or in strategic alliances with other leading market players. Possessing cutting-edge expertise in strategically important areas is the foundation for Scania's role as a leading brand.

About 60 percent of this R&D investment is related to powertrains, which give Scania world leadership in engines and fuel efficiency. Another important element of this work is in-house electronics development.

Concentrated development work

Research and development resources are concentrated in Södertälje, Sweden. Co-location of resources for all product types – trucks, buses and engines – is beneficial to R&D work, which encompasses the entire product development chain from analysis of customer needs, macroeconomic factors and the competition via basic research programmes, pre-production engineering, customer clinics and long-term testing, to quality monitoring and environmental considerations. It also includes development of production and servicing methods.

For many years, Scania has been pursuing development projects in strategic alliances with other companies, among them the American engine manufacturer Cummins to develop the Scania XPI fuel injection system. Personnel from Scania and Volkswagen are studying the potential for technical collaboration in various fields, among them engine development, electronics and light materials. The new Scania Touring coach model, which was launched in October 2009, is the result of close collaboration with the Chinese bus and coach manufacturer Higer.

Development alliances, combined with the modular product system, provide economies of scale in Scania's research and development.

Modular system the basis for development work

Scania's modular product system, with its common interfaces between components, facilitates the task of ongoing product improvements. Parts and components are interchangeable and can thus be developed and put into production continuously, without new model launches. This is ideal from a technical standpoint and ensures quality and cost-effectiveness throughout the value chain.

The modular system also increases customer benefit because of the limited number of components. This gives Scania's customers better access to service, parts and proficiency in the service network.

Core competency in developing electronics in-house

For Scania it is strategically important to have a high level of in-house expertise in electronics development. This is especially valuable in the development of the powertrain – engines and gearboxes. But other vehicle systems also increasingly interact electronically through a vehicle's electrical system, which is based on high-speed series communication (CAN bus technology). Scania's present electrical system was introduced in 2004 and has proven robust and trouble-free.

In-house development increases opportunities to adapt the functions and characteristics of a vehicle to the specific needs of the user. This also includes smooth integration with systems in the bodywork and superstructures to ensure that the vehicle works optimally as a whole.

Electronics also play an increasingly important role in the work of service workshops, where more and more efficient trouble-shooting systems allow faster servicing. Scania is continuously developing new support systems that improve driver safety and security. New electronic functions are being utilised for accurate operating analysis and monitoring of the performance of individual vehicles and drivers.

Electronics development progresses rapidly. Through its expertise in this field, Scania can continuously develop and introduce new functionality in its vehicles.

Continuous introductions

Scania works with continuous introductions and product improvements. This enables customers to improve their productivity and operating economy more quickly compared with model platform introductions, which imply long periods between product innovations. Scania's working method requires a high standard of cross-functional (interdepartmental) work, with rapid feedback between research and development units, production units and the sales and service network.

The new version of Scania Opticruise – a fuel-saving automated gearchanging system unveiled in September 2009 – is an example of a newly developed electronic system that does not affect surrounding mechanical systems and components.

Another current area is development of road safety systems.

Leading engine technology – low fuel consumption

Engine development work is the key to Scania's leading position. For many years, the most important priority at Scania has been to design and build engines that are so reliable that they give the owner maximum vehicle uptime.

Environmental characteristics also enjoy top priority, along with high fuel efficiency, which is essential for reducing carbon dioxide generation and lowering traffic emissions. High efficiency is a distinguishing feature of Scania vehicles. Low fuel consumption is also crucial for the profitability of transport companies, since fuel cost accounts for a substantial proportion of a haulier's total costs.

Euro 5 emission standards took effect in October 2009, but as early as 2008 Scania customers had access to Euro 5-compliant engines. Scania was the first truck manufacturer to offer engines that met Euro 5 standards without exhaust gas aftertreatment, thereby simplifying maintenance and reducing weight.

Scania devoted extensive resources to the development of the R-series driver station which is widely regarded as the best in the market.

Through its know-how in combustion technology, Scania has already developed concepts to meet the standards of the next stage of emission standards, Euro 6, which will become mandatory on 31 December 2013.

Scania vehicles designed for renewable fuels and hybrid operation

Scania engines can operate on all the renewable fuels that are available today. Ethanol-fuelled Scania buses have been in use since the late 1980s and have been sold to a number of cities on different continents.

During the spring of 2008, Scania also unveiled the first ethanol truck for urban transport. The third generation of ethanol-fuelled Scania engines, introduced for buses in 2007 and now also availabel for trucks, features highly efficient combustion. Ethanol achieves a net reduction in carbon dioxide emissions of more than 70 percent, according to the EU's renewable energy directive. Using biodiesel, the reduction can reach 40 percent. It is also possible to use biogas extracted from solid waste and from wastewater sludge. This can virtually eliminate net carbon dioxide emissions. Scania plans to introduce a new generation of gas-powered engines for buses and trucks.

Since the spring of 2009, as part of extensive field tests, Scania's hybrid buses have been operating in Stockholm, Sweden. Hybrid operation reduces emissions by more than 25 percent compared to conventional vehicles, thanks to lower fuel consumption. Scania is also testing ethanol hybrid buses that reduce net carbon dioxide emissions by up to 90 percent.

Scania Driver Support a unique source of help

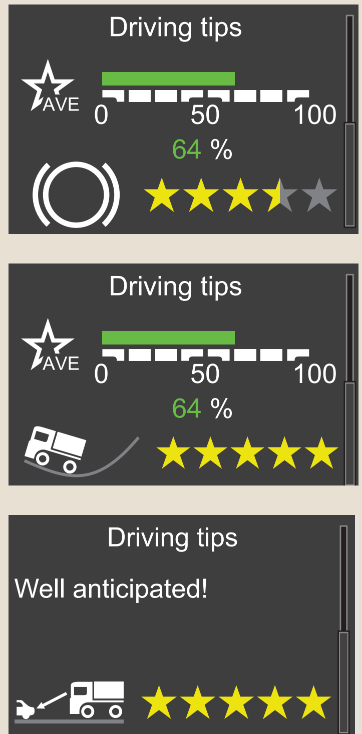
Scania has developed a support system for professional drivers that was launched in September 2009.

The system gives drivers direct feedback and tips for refining their driving style. This can save up to 10 percent of fuel, greatly benefiting operating economy and the environment.

Scania Driver Support is an important new step in vehicle-driver interaction, which otherwise includes the driver environment with its instruments and controls, driving feel and handling, the Scania Opticruise gearchanging system and the Scania Retarder.

Scania Driver Support encourages drivers to be observant by telling them about mistakes and potential improvements, while rewarding good behaviour via a scoring system. The system helps drivers use their vehicle as safely and efficiently as possible during every driving assignment.

Scania Driver Support continuously analyses data from various electronic systems in the vehicle and evaluates driving performance based on parameters that are fundamental to Scania's driver training programme. Scania developed the system in close collaboration with professional drivers around Europe.



The new R-series trucks, combined with Scania Driver Support, enable drivers to further improve their fuel economy.

Scania´s core values mean sustainable entrepreneurship

Scania is a step ahead in offering reliable, energy-efficient products that boost the efficiency of its customers. This minimises the environmental impact of its products both during manufacturing and use, which is good for the businesses of both Scania and its customers. Scania's sustainability work permeates all of its operations – from environmental standards at production units and innovations in sustainable transport to investments in employee health and proficiency.

Scania's sustainability work also includes a high standard of ethical behaviour in relations to employees, customers, business partners and society at large.

Scania's core values – *customer first, respect for the individual and quality* – permeate all the operations of the company and provide the foundation for Scania's sustainability work.

Important events in 2009

Among the important events of 2009 from a sustainability point of view were Scania's successful tests of hybrid buses in regular public transport operation. The introduction of the new R-series truck range, featuring the unique Scania Driver Support system, will provide better opportunities for drivers to improve their driving style and thereby reduce fuel consumption and improve safety.

In response to an approximately 55 percent downturn in production, Scania needed to adjust its capacity. It achieved this mainly by using accumulated time and reaching agreements with employee unions on reducing working hours, as well as by not renewing temporary employment contracts. This enabled Scania to avoid issuing large-scale lay-off notices to permanent employees in Sweden, thus retaining its core competency, which will be beneficial to its future efficiency and sustainability efforts.

During 2009, Scania received six awards for its sustainability work. Further information can be found at www.scania.com/sustainabilty.

Customer first

Scania works systematically to support the sustainability work of transport companies. By means of innovative and fuel-efficient products, high vehicle quality, gradual lengthening of servicing intervals and an ambition to have the best service organisation in its industry, resource efficiency in customers' transport work is increased.

Scania's customers generally view their vehicle investments in a long-term perspective. Sustainability and environmental characteristics are becoming an ever-higher priority. Being a step ahead in environmental features is thus a success factor for Scania. By choosing Scania, customers should be able to obtain products that meet higher standards than the existing legal requirements. Staying ahead of environmental legislation is an important competitive factor.

Scania also provides driver training, which focuses among other things on road safety and fuel-efficient driving. Scania's task includes improving driver working environment and health.

Respect for the individual

Highly proficient, dedicated and healthy employees are a prerequisite for Scania's success. Scania works on a broad basis with human resource development throughout the organisation by means of dedicated, active leadership. On the basis of its global health and working environment policy, Scania lays the groundwork for good health and a safe working environment. Continuous improvements in all processes eliminate waste in all respects, helping reduce resource utilisation and the creation of residual products.

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.

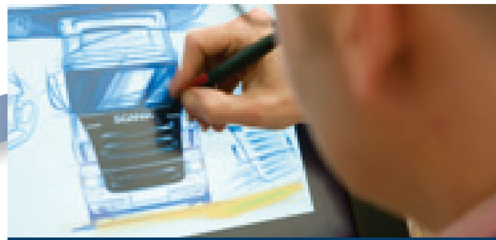
Interest to customer: Disclose product information to customers and establish improvement procedures.

Science and technology: Work towards transferring knowledge to host countries.

Competition: Refrain from anti-competitive agreements among competitors.

Taxes: Pay on time.

Scania works actively to minimise waste and reduce the environmental impact of its products throughout their life cycle.

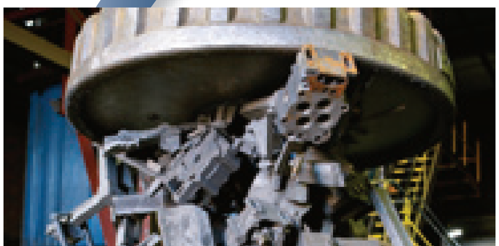


RESEARCH AND DEVELOPMENT
By putting customers first and understanding their needs, Scania continuously develops new products that contribute to sustainable transport.

PRODUCTION
By taking advantage of each employee's unique knowledge, wishes and talents, Scania continuously improves its working methods and resource management.

OPERATION
By working to achieve greater resource efficiency at all levels, Scania strengthens the competitiveness of its customers. The driver is also a crucial player: training contributes greatly to better safety and good environmental performance.

SERVICE
By having the best service organisation in its industry, Scania optimises use of the vehicle and thereby increases the resource efficiency of its customers.



END-OF-LIFE TREATMENT
Through systematic selection and identification of materials and by phasing out hazardous substances, Scania achieves high recyclability.

Scania also supports the OECD Guidelines for Multinational Enterprises, which include pledges to respect human rights, never offer or accept bribes and refrain from anti-competitive activities.

Quality

Scania works continuously with research and development of products and production methods in order to improve their quality and reduce the environmental impact of its products and their use. Most of the environmental impact of Scania products occurs during the service lives of vehicles and engines, in the form of noise and emissions such as carbon dioxide, nitrogen oxides and particulates. The objective is to reduce the environmental impact of products in all phases throughout their period of use and make end-of-life treatment easier.

A key concept in Scania's quality-raising efforts is to eliminate waste in all respects, including waste of materials, natural resources and time. Small, gradual improvements in Scania Group processes – among other things with the help of cross-functional (interdepartmental) teams in research and development, production and purchasing along with sales and services – can shorten lead times, reduce resource consumption and safeguard quality at an early stage.

Information on sustainability issues is updated regularly at www.scania.com/sustainability, which also contains a Global Reporting Initiative (GRI) index to this report. Questions may be e-mailed to contact@scania.com.

A commitment to sustainable transport

One important element of Scania's core value *"customer first"* is helping its customers – transport companies – to deal with the challenge of meeting the continuously growing demand for transport services while fulfilling the stricter environmental and safety standards imposed by public authorities and society at large.

The climate change issue is crucial to the future of the transport industry. Scania's long-term competitiveness will be affected by its ability to develop solutions that enable the transport industry to grow without increasing its carbon dioxide emissions. For these reasons, Scania is deeply committed to the task of creating a transport system that will be sustainable in the long term.

Scania shall offer its customers the best possible operating economy throughout the product life cycle. For a typical customer, fuel cost accounts for about one third of total costs. Continuously reducing fuel consumption and emissions is thus a central and natural element of Scania's new product development work.

Scania works actively to deal with the side effects of transport by reducing resource waste at all levels. This applies to both the development and manufacture of vehicles and their use. Improving energy efficiency and reducing carbon dioxide emissions are a constant focus of interest. Scania foresees substantial business opportunities by playing a leading role in the development of vehicles for sustainable transport.

Scania's sustainability priorities in the environmental and road safety fields include driver training, developing advanced engine and vehicle technology, renewable fuels and better logistics systems, as well as more efficient vehicle combinations.

Being proactive in improving road safety

Scania works in various ways to improve road safety. Better road safety is all about interaction between infrastructure, vehicles and road users. Scania develops vehicles that are designed to avoid accidents and minimise injuries and damage when accidents nevertheless occur. The Group is continuously developing new products and services that help the driver make the right decisions behind the wheel.

Since 2003 Scania has regularly organised the Scania Driver Competitions, the largest such competition in the world. Since 2007 this has become a global arrangement, featuring contestants from some 40 countries in Europe, Latin America, Asia and Africa. In conjunction with these contests and other events, Scania highlights road safety issues in order to generate debate and influence public opinion. The Scania Driver Competitions will be organised during 2010.

Drivers as key individuals

Scania works with truck and bus drivers to reduce energy consumption and environmental impact as well as improve road safety. Scania Driver Training and the computerised Scania Driver Support system are important contributions to this work. Drivers have the potential to achieve about a 10 percent reduction in fuel consumption by improving their driving style, thereby lowering transport costs.

Taking steps to improve the working environment of drivers also increases the attractiveness of the driving profession.

Potential of the diesel engine not exhausted

Scania plays a leading role in the development of fuel-efficient engines. For many years to come, Scania's diesel engines will remain the dominant power source in its vehicles, due to their high efficiency, development potential and ability to run on different types of fuels.

Scania diesel engines can run on the available alternative fuels, such as bio-based synthetic diesel and biodiesel. For some twenty years, ethanol-powered Scania buses have helped reduce the environmental effects of public transport in a number of cities. Today Scania also offers ethanol-powered trucks, which may be especially important in easing the environmental impact of urban distribution services. By using ethanol, net carbon dioxide emissions can be reduced by more than 70 percent, according to the EU directive on renewable energy. Using biodiesel, these emissions can be reduced by about 40 percent.

Greater efficiency by using hybrids

Scania intends to offer not only hybrid buses but also hybrid alternatives for trucks both in urban distribution services and in long-haul traffic.

Scania is testing hybrid vehicles so it can offer its customers products that are sufficiently robust for day-to-day use under tough conditions and that are profitable to customers without subsidies. Its ongoing field tests of hybrid buses in the regional public transport system of Stockholm, Sweden have been successful and have provided important experience. Efficient combustion and recovery of brake energy can reduce fuel consumption by 25 percent. When using a renewable fuel such as ethanol, net carbon dioxide emissions can be substantially reduced.

Making transport services more efficient

Major environmental gains can be achieved by improving logistics systems. A substantial increase in transport work could occur if existing infrastructure were used more systematically. Greater efficiency is also achieved through new technology, for example information technology, and new ways of utilising existing technology. Scania supports the efforts of transport companies to improve their efficiency by offering them planning and monitoring systems, the most efficient and easily accessible service network and the most customer-friendly driver support system.

Scania is also working towards the introduction of longer, more efficient vehicle combinations throughout the EU. In this way, it is possible to increase the cargo capacity of each vehicle by 50 percent and reduce its environmental impact.

Well-being and dedication the key to success

Scania's success is based on highly capable, dedicated employees who undergo professional development and have a sense of well-being – both in their work and as individuals. During 2009 Scania establish a new global health organisation, with the President and CEO as chairman.

Everyone at Scania knows that continuous improvements, always with customer benefit in mind and quality at all levels, will generate strong long-term growth. An employee who undergoes continuous professional development and feels a sense of participation and well-being contributes to higher efficiency and quality.

Common methods for improving the proficiency and health of employees are a natural element of day-to-day work in accordance with Scania's core values – *customer first, respect for the individual* and *quality*.

By taking advantage of the unique knowledge, wishes and talents of each employee, the company is continually refining its working methods. New ideas and improvements are generated in day-to-day work. Scania's principles, with an emphasis on leadership and "employeeship", also ensure greater dedication on the job.

Scania views diversity as a success factor and strives to recruit a wide variety of employees. Working teams made up of employees with different backgrounds and experience expand the company's knowledge base, enabling Scania to respond better to the needs of different customers and to strengthen its position.

Human resource development at all levels

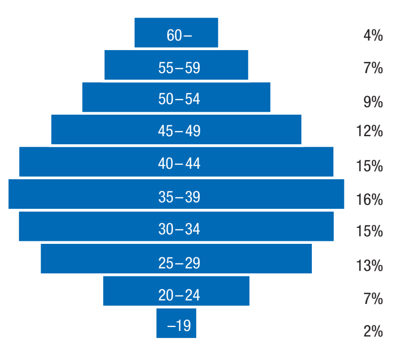
Human resource development is a cornerstone for Scania, which pursues this task continuously throughout the organisation. The premise of human resource development is that learning and personal development occur mainly in day-to-day work. Every employee should have an individual development plan and is responsible for implementing it, together with his or her immediate supervisor.

The Group offers its employees more than 300 different courses and training programmes in such fields as leadership, technology, environment and communication. The total number of training hours during 2009 was 1,753,228. A large proportion of these programmes are taught by internal lecturers, employees and managers, in keeping with Scania's "learning organisation" concept. Management development also includes systematic internal recruitment with the global Scania organisation as a base.

Training programme during the recession

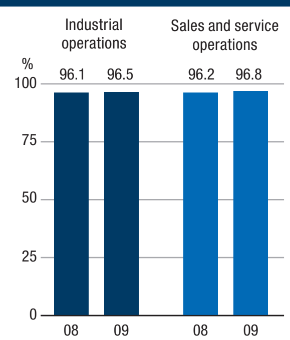
A steady increase in knowledge is vital to Scania's competitiveness. In order to deal with the sharp decline in demand and be able to retain permanent employees, in February 2009 Scania introduced a large-scale training

Age distribution



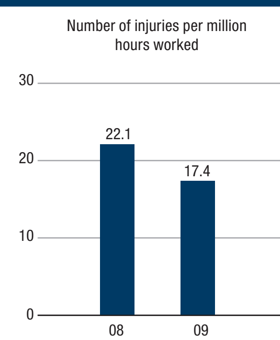
The age distribution among Scania's employees is well-balanced, and their median age is 40 years.

Global healthy attendance

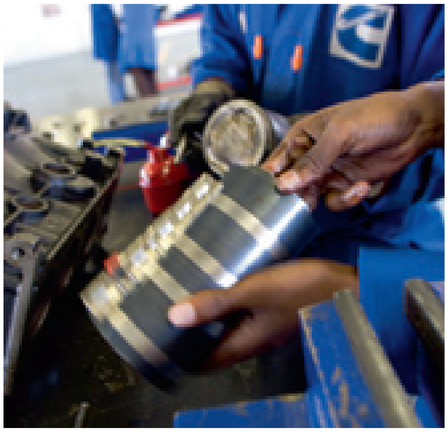


Global healthy attendance among employees in Scania's industrial operations increased by 0.4 percentage points. In sales and service operations, healthy attendance rose by 0.6 percentage points.

Global work-related injuries



Work-related injuries resulting in absences (Scania's global industrial operations) amounted to 17.4 per million hours worked during 2009.



For the past three years, Scania has sponsored a vocational school for future vehicle service technicians in Soweto, South Africa.

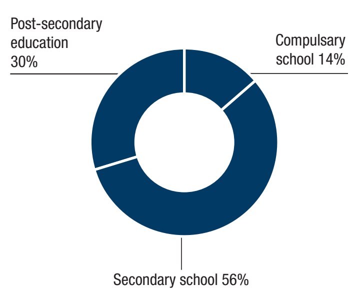
programme for production employees in Sweden. During the first half of 2009, about 2,000 employees were trained each day in production engineering, the Scania Production System (SPS), health and working environment as well as in basic subjects such as mathematics, Swedish language and product knowledge.

Programmes for children and young people

Scania works actively and on a broad basis to generate an interest in science and technology among children and young people. For example, Scania collaborates with Tom Tits Experiment – a hands-on science centre project run by the Municipality of Södertälje, Sweden, where Scania has its head office and R&D, as well as production units – to improve science and technology teaching methods in the local schools.

As one element of its efforts to increase the supply of qualified employees in the region, for the past three years Scania has sponsored a vocational school for future vehicle service technicians in Soweto, near Johannesburg, South Africa. This programme gives Scania access to well-trained service technicians and helps more young people obtain good vocational training in this area.

Educational level



Scania's employees have a high level of education.

Emphasising health awareness

Scania works proactively to promote and encourage good health and a sound working environment throughout the organisation, based on a global health policy. During 2009 the company formulated a global governing document: the Strategic Platform for Health and Work Environment.

The company works on a long-term, systematic basis to raise awareness of health issues in all processes – from development and production units to the sales and service network. Including the entire sales and service network in health promotion work represents a challenge, due to its wide geographic dispersion. Scania's ambition is to make health and working environment efforts an integral part of day-to-day operations.

The results of these efforts are evaluated by means of various key figures: "healthy attendance" – the average percentage of employees at work – accidents, near-accidents and employee turnover. Employee surveys are conducted regularly to monitor employees' perceptions of their work situation and relationship to Scania. Scania Blue Rating Health and Work Environment is a standardised method for evaluation of work in these fields.

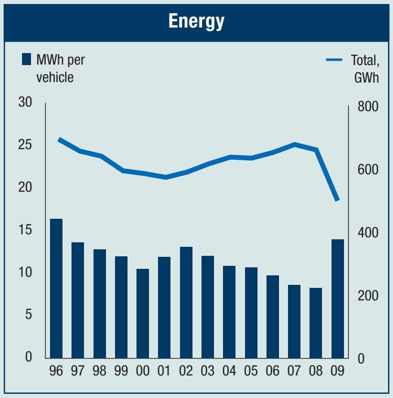
A global organisation with a global mission

During 2009 Scania strengthened its health efforts further by establishing a new global organisation headed by a Health Council, with the President and CEO as its chairman. Its task is to promote health and well-being worldwide at all levels of the organisation. This now encompasses all units of the Group, including Scania's sales and service units. The concept also includes a health promotion programme for Scania's customers and their drivers, Scania Driver Care, aimed at supplying drivers with knowledge and inspiration about ways of improving their own health and working environment.

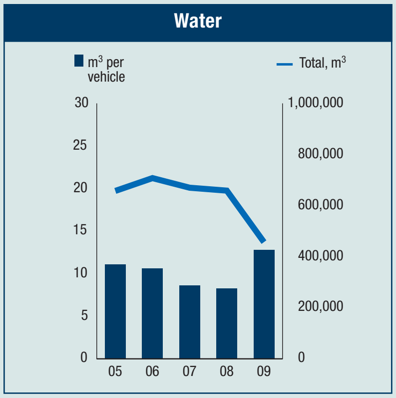
Environmental impact

USE OF RESOURCES

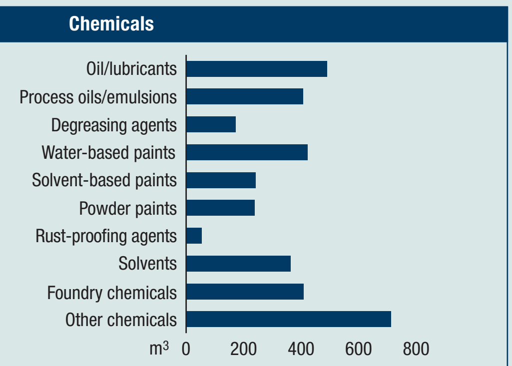
Scania is constantly working to achieve more efficient resource utilisation. Because of the economic downturn, consumption of raw materials, chemicals and water as well as energy use fell during 2009. Energy use per vehicle nevertheless increased due to idling losses from low production. A comparison with years when Scania had equivalently low production shows clear improvements.



During 2009, total energy use fell nearly 25 percent to 500 GWh, but energy use per vehicle produced rose to 14 MWh due to low production.



During 2009, total water use fell more than 30 percent to 460,000m³. Water consumption per vehicle produced rose to 13 m³ due to low production.



Total chemical use fell by nearly 50 percent to 3,500 m³, but chemical use per vehicle produced rose to 98 litres due to low production.

SCANIA'S OPERATIONS

- The purpose of environmental work is to conserve energy and resources both in Scania's own operations and in the transport industry, thereby satisfying the company's need for efficient production and its customers' need for low fuel consumption and low emission levels.
- More than half of Scania's R&D budget is spent on environmental improvements.
- Transforming raw materials and components into finished products is a fundamental element of Scania's operations. More efficient resource use is thus one of Scania's most important environmental objectives.
- With one of the most efficient production networks in the world, Scania minimises waste in all forms.
- Scania is working actively to replace hazardous substances and, to the greatest possible extent, to avoid the use of such substances in its product development and production work – as well as in its service network.

PRODUCTION AND SERVICE

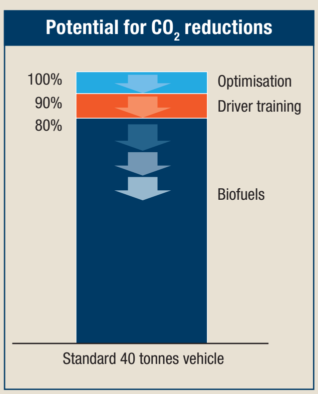
- Environmental work is integrated into the Scania Production System and the sales and service network.
- Scania seeks more efficient utilisation of energy resources and a transition to renewable energy sources.
- In its production network, Scania works actively with such issues as consumption of raw materials, chemicals, energy and water, atmospheric emissions and discharges into waterways.
- One important task is to prevent accidents and abnormal operation.
- Cross-functional (interdepartmental) teams focus on health and environmental issues.

RESEARCH AND DEVELOPMENT

- Optimisation of all elements of vehicle technology – from more efficient fuels to better aerodynamics and hybrid solutions.
- Development of new products and services that help the driver to lower carbon dioxide emissions and improve road safety.

IMPACT DURING A VEHICLE'S SERVICE LIFE

Most of the environmental impact of Scania products occurs when vehicles and engines are in use. Scania thus works systematically to support the sustainability efforts of hauliers and reduce their environmental impact. By improving the vehicle with optimisation in the form of better gearchanging and less air resistance can reduce fuel consumption directly by up to 10 percent. Recurrent driver training can lead to an equally large reduction. Carbon dioxide emissions can also be further reduced by using renewable biofuels.



SUSTAINABLE TRANSPORT

Scania's vision is to reduce carbon dioxide emissions per tonne transported by 50 percent between 2000 and 2020 by investing in:

- Drivers
- Vehicle technology
- Biofuels
- Logistics

Fulfilling this vision requires a good working relationship with customers and support from legislation, for example with regard to vehicle length regulations.

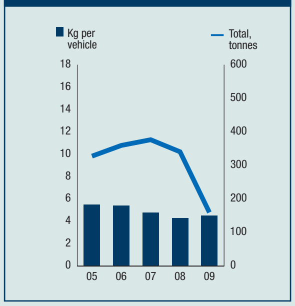
EMISSIONS, RECYCLING AND WASTE SENT TO LANDFILLS

CONTINUOUS IMPROVEMENTS

- Scania carries out efficiency improvements in processes that use energy, among other things through systematic work with local energy surveys and action plans.
- Total energy use fell by 16 percent during the past ten years.
- Use of fossil fuels, excluding fuels for engine testing, fell by more than 50 percent during 2009. Today fossil fuels account for only 11 percent of total energy consumption.
- Shorter test run periods help reduce carbon dioxide and nitrogen oxide emissions.
- Carbon dioxide emissions from Scania's global goods transports totalled 60,000 tonnes, of which 56,000 tonnes was attributable to production.
- Emissions of volatile organic compounds (VOCs) mainly occur in conjunction with painting and rust-proofing. During the past decade, VOC emissions per vehicle produced have declined by more than 50 percent. This halving was due to a change in production methods, with components being painted before assembly, and a change to the best available painting techniques.
- Scania is increasing its recycling and reducing the quantity of wastes sent to landfills. In 2009, waste sent to landfills totalled a bit more than 2,300 tonnes, only 6 percent of the waste that Scania generated.

Scania is constantly reducing its atmospheric emissions and discharges into waterways and soil. It decreases environmental impact as close to the source as possible in order to avoid resource-intensive and costly clean-up measures. Scania endeavours to use closed production processes and replace fossil fuels with renewable ones. Because of lower production, emissions and discharges declined in 2009, but they were higher per vehicle produced. Carbon dioxide emissions per kWh nevertheless decreased, due to a reduction in the share of fossil fuels in the energy mix.

VOC emissions

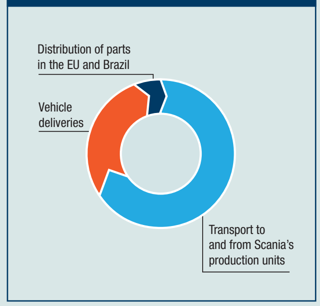


In 2009, volatile organic compound (VOC) emissions fell more than 50 percent to 160 tonnes, but emissions per vehicle produced rose slightly to 4.5 kg due to low production.

Carbon dioxide from production

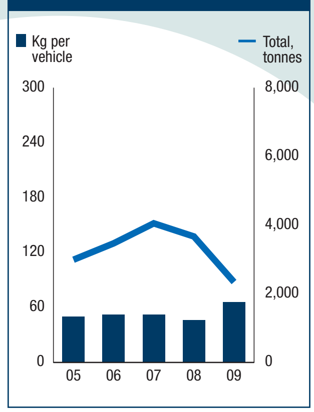
Total carbon dioxide emissions fell by about 28 percent to 62,000 tonnes, but emissions per vehicle produced rose to 1.7 tonnes due to low production. Carbon dioxide emissions from production are primarily attributed to indirect emissions from purchased electricity and heat.

Carbon dioxide from goods transport



In 2009, Scania's goods transport-related emissions totalled 60,000 tonnes.

Waste sent to landfills



RECYCLING FROM PRODUCTION UNITS

Scania is reducing the quantity of waste and increasing recycling. Some recycling takes place at its own production units. Other recyclable materials are sold externally. During 2009, waste (excluding foundry sand) totalled 40,000 tonnes, of which 80 percent was utilised for recycling of materials and recovery of energy. Waste sent for off-site disposal and mainly classified as hazardous totalled 5,500 tonnes in 2009.

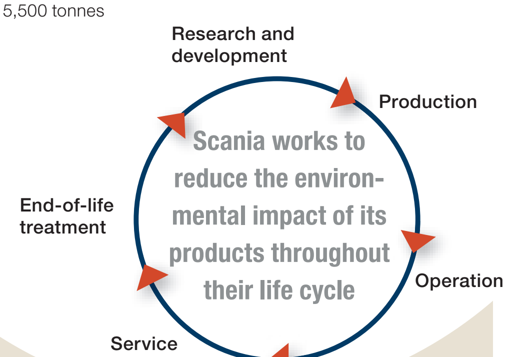
RECYCLING

CONTINUOUS IMPROVEMENTS

- Scania provides driver training in 40 countries. In 2009 it trained about 10,000 drivers.
- Scania works in various ways to improve transport safety at the global level.
- Scania is developing new diesel fuel technology.
- Gradual introduction of alternatives to conventional fuels.
- Field testing of hybrid vehicles.

END-OF-LIFE TREATMENT

To ensure that vehicles will be properly recycled at the end of their service lives, Scania provides dismantling and disposal protocols. As many components as possible are designed for recycling and are marked for easy identification. A truck is 95 percent recyclable.



SUMMARY OF ENVIRONMENTAL PERFORMANCE MEASURES

Production performance in the production network

	2009	2008	2007
Number of vehicles produced	**35,698**	79,874	78,331
Net sales, SEK m.			
Scania products	**62,074**	88,977	84,486
Raw material consumption			
Per vehicle, kg	**2,300**	2,500	2,900
Total, tonnes	**80,500**	202,000	228,000
Total, SEK m.	**970**	2,540	2,510
Chemical consumption			
Per vehicle, m^3	**0.098**	0.086	0.085
Total, m^3	**3,500**	6,850	6,600
Total, SEK m.	**133**	249	212
Energy use			
Per vehicle, MWh	**14.0**	8.3	8.6
Total, GWh	**500**	660	677
Total, SEK m.	**315**	346	313
Carbon dioxide emissions			
Fossil fuels, 1,000 tonnes	**25**	38	42
Purchased electricity, 1,000 tonnes	**29**	41	41
Purchased heat, 1,000 tonnes	**7.0**	5.8	4.8
Goods transports, 1,000 tonnes	**56**	108	
Per vehicle, tonnes	**3.3**	2.4	
of which plant-related	**1.73**	1.06	1.13
Total, tonnes	**117,000**	193,500	88,200*
Water use			
Per vehicle, m^3	**12.8**	8.3	9.0
Total, 1,000 m^3	**460**	660	670
Total, SEK m.	**6**	8	8
Solvent emissions			
Per vehicle, kg	**4.5**	4.3	4.8
Total, tonnes	**160**	341	377
Recycling of residual products			
Per vehicle, kg	**890**	860	1,000
Total, tonnes	**32,000**	69,000	77,000
Revenue, SEK m.	**29**	112	106
Sent to landfills and other off-site disposal			
Per vehicle, kg	**220**	170	180
Total, tonnes	**7,800**	14,000	14,000
Total, SEK m.	**16**	25	25

* Goods transports are not included in 2007.

Emissions from goods transports were calculated as specified by the Network for Transport and the Environment (NTM). An in-depth account of measures and results as well as a summary of environmental performance by production unit are available at www.scania.com. The website has not been reviewed by the company's auditors.

Management and monitoring

Sustainability work is described primarily in the governing document "How Scania is Managed" and is integrated into Scania's corporate governance framework. Reporting occurs quarterly in the line organisation and annually to the Executive Board.

To ensure continuous monitoring and reporting of performance in the production network, Scania has established an internal reporting system that encompasses all production units as well as research and development.

There is also a procedure for employees to report deviations from the regulations in force at the company. Suggestions for improving sustainability work emerge from the regular process for continuous improvements.

In Scania's production network, each production unit has overall sustainability objectives that provide the basis for detailed targets at the local level. Environmental work at production units, including health and working environment, is evaluated through yearly audits by the Scania Blue Rating Environment and Health & Work Environment systems, which are also used to improve this work, disseminate best practice and assess risks (see "Risks and risk management", pages 47–50). Under the leadership of Corporate Relations, Scania's Environmental Committee coordinates environmental work and drafts long-term strategies for environmental issues.

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.

At units in the Scania sales and service organisation, environmental work is part of the Dealer Operating Standard (DOS), which is followed up in regular audits. For more information, see the Corporate Governance Report, pages 51–56.

Suppliers must meet same standards

Scania's values are also reflected in the requirements imposed on the Group's suppliers, which must be certified as meeting ISO/TS 16949 quality management standards and ISO 14001. Scania's procurement policy requires that suppliers meet high quality standards, have a certified environmental management system in place and live up to the UN Universal Declaration of Human Rights with

SCANIA'S HUMAN RESOURCE 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.

regard to fundamental human rights, employee health, safety, compensation and working conditions. Scania pursues a close dialogue with its suppliers to provide them with support and monitor compliance with these requirements.

Dialogue with Scania's stakeholders

Dialogue and cooperation with customers, political leaders, public authorities and other social institutions are a strategic element of operations.

Scania has identified the relevant stakeholders on the basis of their importance to the Group's operations and use of Scania's products. Scania pursues regular discussions with these stakeholders on sustainability-related issues. One purpose of this dialogue is to provide Scania with a solid basis for its business decisions. Another is to contribute opinions on how legislation should best be formulated to ensure a sustainable and competitive transport industry – which is essential to a well-functioning transport system.

Scania supports legislation that encourages investments and innovations in sustainable technology and promotes fair competition.

Risk prevention work

Risks are a natural element of business operations and entrepreneurship. Part of the day-to-day work of Scania is to systematically identify and prevent risks and limit the impact of any damage or injuries that may arise.

The term "sustainability risks" refers to risks of undesirable consequences related to the environment, health and safety, human rights and business ethics occurring in the business operations that Scania carries out. Risk identification and contingency planning are part of every manager's responsibilities and include 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.

The operations of Scania production units around the world have undergone orientation studies and risk assessments of buildings, soil and groundwater pollution. As needed, supplementary investigations and required actions have been undertaken. This work takes place in close cooperation with local or regional authorities.

During 2009, no accidents occurred that caused significant environmental impact or led to major clean-up expenses.

All production units have permits that comply with national legislation. In addition to legal requirements and the conditions included in these permits, there may also be local operating requirements and rules. In connection with increased production Scania applies for new permits covering the affected operations. For certain Scania operations, however, recurrent permit reassessments are required. The permit for an expansion of production in Södertälje, Sweden has now become legally valid, following rulings on appeals and a waiting period.

During 2009 there were no violations of the permit conditions in force. As for the EU trading system for carbon dioxide emission allowances, the Södertälje production unit – with a large furnace unit for back-up power – is now the only Scania operation included in the system.

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.

Stock market upturn

The stock market moved in a positive direction during 2009. Share prices bottomed out late in 2008, and since then stock market performance has varied greatly, but with a clear positive trend, supported by stabilisation in economic conditions and hopes of a turnaround. Share prices on the NASDAQ OMX Nordic (Stockholm) rose by 47 percent, and Scania Series B shares gained 19 percent.

The year was dominated by generally weak performance in the investment goods sector, with low demand and large adjustments in capacity. The European heavy truck market was essentially halved compared to 2008. Order bookings bottomed out during the fourth quarter of 2008, which was characterised by sizeable order cancellations, but demand stabilised at a low level during 2009.

Like the stock market as a whole, Scania shares moved in a positive direction during 2009. The B share provided a total return of 22 percent, compared to the Stockholm exchange's SIXRX index which provided a return of 53 percent. In the past five years, Scania's B share has provided an annual total return averaging 23 percent. The corresponding figure for the SIXRX index is 15 percent.

Share trading

Scania B trading volume averaged 1,281,300 shares per day during 2009. Volume was thus lower than in 2008. The turnover rate was 84 (169) percent, compared to 109 (135) percent for the NASDAQ OMX Nordic as a whole.

Dividend and dividend policy

The proposed dividend of SEK 1.00 per share is equivalent to 70.9 percent of 2009 net income. In the past five years, an average of 51 percent of net income has been distributed to the shareholders, or an average dividend of SEK 3.20 per share. 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.

Major ownership changes

In January 2009, Porsche Automobil Holding SE announced that the company had increased its holding

Performance-based bonus foundation

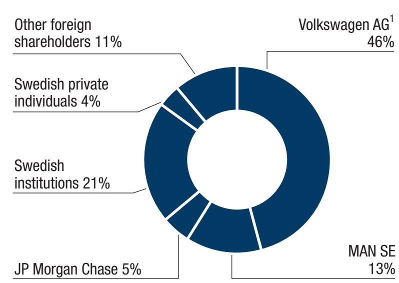
Via the performance-based bonus foundation, employees own Scania shares that on 31 January 2010 amounted to the equivalent of 0.8 percent of share capital. Scania's performance-based bonus foundation may own shares equivalent to a maximum of 10 percent of the share capital in Scania.

1 In addition, additional shares of Scania, held in a trust by a credit institution, with voting rights amounting to 0.87 percent and an equity interest of 3.63 percent are attributable to Volkswagen.

The ten largest shareholders, 31 January 2010

Owner	Capital, %	Votes, %
Volkswagen AG[1]	45.7	70.9
MAN SE	13.4	17.4
Clearstream Banking	4.3	1.0
JP Morgan Chase	4.6	0.9
Swedbank Robur mutual funds	3.6	0.7
Skandia Liv	1.3	0.4
Alecta Pensionsförsäkring	2.4	0.4
AMF Försäkring/mutual funds	1.2	0.4
Handelsbanken mutual funds	0.9	0.2
Government of Norway	0.9	0.2
Total	78.3	92.5

Shareholder structure (capital), 31 January 2010



1 In addition, additional shares of Scania, held in a trust by a credit institution, with voting rights amounting to 0.87 percent and an equity interest of 3.63 percent are attributable to Volkswagen.

Capital Markets Day in Södertälje, Sweden.

in Volkswagen AG to 50.8 percent, which meant that Porsche indirectly controlled Scania. In compliance with Swedish legislation, Porsche therefore presented a mandatory offer for Scania of SEK 68.52 in cash for each A share and SEK 67.10 in cash for each B share. Scania's Board of Directors recommended to shareholders not to accept Porsche's mandatory offer. Shareholders equivalent to 7.93 percent of share capital and 2.34 percent of voting power accepted the offer, and Porsche sold these shares onward to Volkswagen. Volkswagen's holding in Scania, including shares managed by credit institutions, thereby amounted to 49.29 percent of share capital and 71.81 percent of voting power.

About Scania shares

Scania has been quoted on the NASDAQ OMX Nordic since 1 April 1996. Its share capital is divided into 400 million Series A shares and 400 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 2.50.

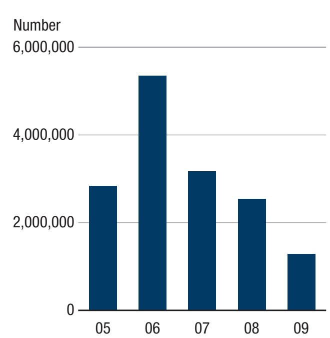
Further information on Scania shares is available on www.scania.com, Investor Relations.

Per share data

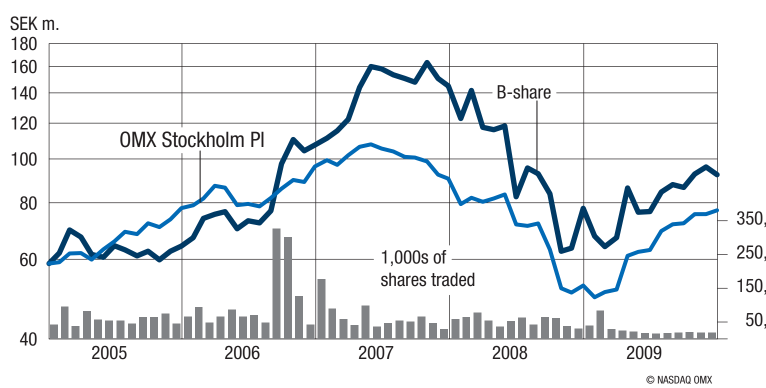
SEK (unless otherwise stated)	**2009**	2008	2007	2006	2005
Year-end market price, B share	**92.3**	77.75	145.01	107.37	64.18
Highest market price, B share	**103.0**	162.43	188.80	112.50	71.54
Lowest market price, B share	**57.75**	50.25	98.44	64.06	57.14
Change in market price, %, B share	**18.7**	– 46.4	35.1	67.3	9.3
Total return, %, B share	**22.0**	– 40.8	45.5	74.7	15.6
Market capitalisation, SEK m.	**73,640**	61,900	128,800	97,150	57,300
Earnings	**1.41**	11.11	10.69	7.42	5.83
Price/earnings ratio, B share	**65**	7	14	14	11
Dividend*	**1.00**	2.50	5.00	3.75	3.75
Redemption	–	–	7.50	8.75	–
Dividend yield, %**	**1.1**	3.2	3.4	3.5	5.8
Dividend payout ratio, %	**70.9**	22.5	46.8	50.5	64.3
Equity	**29.1**	27.4	31.0	32.7	29.7
Cash flow, Vehicles and Services	**6.89**	2.22	10.62	8.68	5.09
Number of shareholders***	**119,973**	130,020	124,413	107,487	109,400

* For 2009: Proposed by the Board of Directors
** Dividend divided by the market price of a B share at year-end.
*** On 31 January 2010.

Average daily trading, B shares



Share price performance



Articles of Association

Adopted at the Annual General Meeting on 5 May 2008.

§ 1 The registered name of the company is Scania Aktiebolag. The company is a public company (publ).

§ 2 The aim of the company's operations is to carry on, directly or through subsidiaries or associated companies, development, manufacturing and trading in motor vehicles and industrial and marine engines; to own and manage real and movable property; to carry on financing business (although not activities that require a permit according to the Banking and Finance Business Act); as well as other operations compatible with the above.

§ 3 The company's registered office shall be in the Municipality of Södertälje.

§ 4 The company's share capital shall be a minimum of one billion six hundred million kronor (SEK 1,600,000,000) and a maximum of six billion four hundred million kronor (SEK 6,400,000,000).

§ 5 The total number of shares in the company shall be a minimum of six hundred and forty million (640,000,000) and a maximum of two billion five hundred and sixty million (2,560,000,000).

The shares may be issued in two series, Series A and Series B. A maximum of 2,560,000,000 Series A shares and a maximum of 2,560,000,000 Series B shares may be issued, subject to the limitation that the total number of Series A and Series B shares may not exceed 2,560,000,000 shares. In a vote at a General Meeting of shareholders, each Series A share carries one vote and each Series B share carries one tenth of a vote.

If the company decides to issue new shares of both Series A and Series B and the shares are not to be paid by consideration in kind, existing holders of Series A shares and Series B shares shall have the preferential right to subscribe for new shares of the same class in proportion to the number of existing shares of each class held by such existing shareholder ("primary preferential right"). Shares not subscribed for by shareholders with a primary preferential right shall be offered to all shareholders for subscription ("subsidiary preferential right"). If the total number of shares to be offered is not sufficient to cover the subscriptions made through the exercise of subsidiary preferential rights, such shares shall be distributed among the subscribers in relation to the number of existing shares they already hold and, where this is not possible, through the drawing of lots.

If the company decides to issue new shares of only Series A or Series B, for which consideration in kind is not paid, all shareholders, regardless of whether such shareholders currently hold shares of Series A or Series B, shall have the preferential right to subscribe for new shares in proportion to the number of shares held by them prior to such issuance.

The above shall not in any way limit the ability of the company to make decisions regarding cash issues or issues where consideration is paid by offsetting against a debt, which diverge from the shareholders' preferential rights.

In the case of an increase in equity through a bonus issue, new shares of each class shall be issued in proportion to the number of shares of the same type already existing. Existing shares of a particular class will thereby carry the right to new shares of the same type. The aforesaid shall not in any way limit the ability of the company to, through a bonus issue, following the necessary changes in the Articles of Association, issue shares of a new type.

What has been stipulated above regarding shareholders' preferential rights to new shares shall apply correspondingly to the new issue of warrants and convertible debentures.

§ 6 In addition to those Board members who are appointed according to law by a party other than the Annual General Meeting, the Board of Directors shall comprise a minimum of three and a maximum of ten members with a maximum of two deputies. These members and deputies shall be elected at each Annual General Meeting for the period up to the end of the next Annual General Meeting.

§ 7 The company signatory (or signatories) are the person(s) appointed for this purpose by the Board of Directors.

§ 8 Two Auditors and two Deputy Auditors or a registered auditing company shall be appointed at the Annual General Meeting, for the period up to the end of the Annual General Meeting held during the fourth financial year after the election of Auditors, to carry out the company's audit. If the same Auditor or auditing company is to be reappointed after the term has come to an end, the General Meeting may decide that the appointment shall be valid up to the close of the Annual General Meeting held during the third financial year after the election of the Auditor.

§ 9 The Company's financial year shall be the calendar year.

§ 10 The Annual General Meeting shall be held in the Municipality of Södertälje or the Municipality of Stockholm. The meeting shall be opened by the Chairman of the Board or the person appointed to do so by the Board.

§ 11 The Annual General Meeting shall be held once a year, by June at the latest. The following matters shall be dealt with at the Annual General Meeting:

1. Election of a chairman for the meeting.
2. Approval of the voting list.
3. Approval of the agenda.
4. Election of two persons to verify the minutes.
5. Consideration of whether the meeting has been duly convened.
6. Presentation of the annual accounts and Auditors' Report, and the consolidated annual accounts and Auditors' Report.
7. Resolutions concerning
   a. adoption of the income statement and balance sheet and the consolidated income statement and balance sheet,
   b. distribution of the profit or loss according to the adopted balance sheet,
   c. discharge of the members of the Board and the President from liability for the financial year.
8. Determination of the number of Board members and deputy Board members.
9. Determination of remuneration for the Board and Auditors.
10. Election of Board members and deputy Board members.
11. Election of Auditors and Deputy Auditors when applicable.
12. Other matters to be dealt with at the Annual General Meeting pursuant to the Swedish Companies Act or the Articles of Association.

§ 12 At a General Meeting, each shareholder entitled to vote may vote for the full number of votes held or represented by him.

§ 13 Notice convening the Annual General Meeting, or an Extraordinary General Meeting where a change in the Articles of Association is on the agenda, shall be issued no earlier than six weeks and no later than four weeks prior to the Meeting. Notice convening other Extraordinary General Meetings shall be issued no earlier than six weeks and no later than two weeks prior to the Meeting.

Notice convening a General Meeting shall be in the form of an announcement in the Swedish official gazette ***Post- och Inrikes Tidningar*** and in the Swedish national-circulation newspapers ***Dagens Nyheter*** and ***Svenska Dagbladet***. Shareholders who wish to attend a General Meeting must be included in a print-out of the shareholder list reflecting conditions five weekdays prior to the General Meeting, and must also register with the company no later than 16.00 CET on the date stated in the notice convening the Meeting. Such a day may not be a Sunday, another public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not be earlier than five weekdays prior to the Meeting.

Shareholders may bring one or two assistants to a General Meeting, although only if the shareholder has given prior notice thereof to the company as stipulated in the preceding section.

§ 14 The company's shares shall be registered in a central securities depository register according to the Financial Instruments Accounting Act (1998:1479).

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 may arise.

Scania is one of the leading companies in the heavy vehicle industry. This leads to high expectations from all stakeholders, especially customers, about Scania as a company and its products and services. It is important to monitor and minimise events and behaviour that might adversely affect the company's brand and reputation. Scania's strong corporate culture is based on established values, principles and methods and is the foundation of the company'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 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 by means of regular reviews, performed both internally and 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 54.

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 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 lack of clarity 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 risks

The demand for heavy trucks, buses and engines is affected by economic cycles and is thus subject to fluctuations. With regard to truck sales, in historical terms it is also possible to discern a cyclical pattern with sales peaks about every ten years. In addition, truck sales undergo more temporary variations around their long-term growth trend and the ten-year cycle just described.

Countries and regions may suffer economic or political problems that adversely affect the demand for heavy vehicles. Fluctuations in world financial markets have a large or small impact on real economic cycles and thus on the demand for Scania's products. Markets may temporarily stall, and local currencies may depreciate.

A well-diversified market structure limits the effect of a downturn in any given market. 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. Impositions of sanctions against certain countries may make reduce the potential for marketing 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.

Risks 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 signs at an early stage and be able to take action. There is no single independent distributor of substantial size.

Production risks

Scania has an integrated component manufacturing network 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 must continuously maintain its preparedness at such a level that the company's ability to maintain delivery assurance to its customers is not adversely affected.

Scania has a shared risk management model, the Business Interruption Study, with corporate-level responsibility for coordination and support to line management. This model is continuously being refined and also takes into account the effects of suppliers on Scania's delivery precision. Risk identification and continuity planning are part of every manager's responsibilities and include 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 Fire Safety system 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. Yearly risk inspections are conducted at all production units and numerous Scania-owned distributors/workshops.

Scania's Blue Rating Health and Work Environment system is a method Scania uses to evaluate and develop health and working environment, so that Scania can gradually improve the working environment in its operations. Inspections were conducted during 2009 at all major production units. See also the Sustainability Report, pages 34–43.

Information risks

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

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

Scania has a corporate unit for global IS/IT management and coordination, which is responsible for introduction and follow-up of Scania's information security policy. 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. Follow-up occurs by means of both internal monitoring and monitoring performed by third parties.

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 interruptions 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-today 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. Through Scania's Business Interruption Study risk management model, the risks that may adversely affect the continuity of Scania's production are identified and managed.

The Scania Blue Rating Fire Safety system has been used in order to conduct risk inspections of selected suppliers. Fluctuations in the world's financial markets also risk affecting Scania's suppliers to a greater or lesser degree. The financial status of suppliers is monitored continuously.

Environmental risks

At Scania there are procedures for regularly and systematically identifying and assessing climate-related and environmental risks. Strategic environmental risk management is integrated with other business development risk management (see page 47). Operational environmental protection risk management is also coordinated with other risk management and is mainly intended to prevent accidents, operational abnormalities and soil pollution.

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

Scania's Blue Rating Environment system is a method for evaluating and developing environmental work so that Scania can, in an effective way, gradually improve its ability to avoid environmental risks. See also the Sustainability Report, pages 34–43.

Human resource and talent recruitment

For its future success, Scania is dependent on its ability to attract and retain competent, motivated employees. Human resource and talent development occurs with the help of a coordinated methodology. In this way, Scania achieves quality assurance and continuous improvement in its human resource activities.

Trends are continuously monitored, for example by using key figures for healthy attendance, employee turnover, age structure, and professional job satisfaction and development dialogues. Targeted action is taken as needed. Close collaboration with various universities and institutes of technology makes it easier for Scania to recruit key technological expertise.

Research and development risks

Research and product development occur in close contact with the production network and the sales and service organisation to effectively safeguard high 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, especially 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, especially with regard to the coming Euro 6 emission standards.

Today there are two technologies for limiting exhaust emissions: selective catalytic reduction (SCR) and exhaust gas recirculation (EGR). Scania has chosen to develop both SCR and EGR in order to meet strict European emission standards, thereby gaining knowledge of ways to combine these technologies in order to achieve very low emission levels. Scania has also made a major effort to develop combustion techniques that minimise the formation of harmful emissions right at their source. For example, Scania has formed a strategic partnership with the US-based engine manufacturer Cummins related to the Scania XPI fuel injection system, which is now also being manufactured in Södertälje, Sweden by a jointly owned production company. New, recently announced standards for particulate emissions underscore the need for flexibility in selecting and developing solutions to meet Euro 6 norms. Scania satisfies this need by pursuing the development of the necessary sub-systems largely on an in-house basis.

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, that is dealt with by the Scania Product Liability Council. This body decides what technical solutions should be used in order to solve the problem and what marketing measures are needed. The Product Liability Council also conducts a review of the processes in question to ensure that the problem does not recur.

Risks in the sales and service network

Repair and maintenance contracts comprise one important element of sales and service business and help to generate good capacity utilisation at workshops and greater customer loyalty. 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 the expertise and ability of its sales and service network in understanding customers' businesses as well as assessing the risks of these obligations.

As a result of repurchase guarantees and trade-ins, the sales and service organisation 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 sales and service network, the company has extensive knowledge about the price situation and price variations.

Sales and service units 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 limited size.

Insurable risks

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

A corporate unit is responsible for the Group's global insurance portfolio. Customary Group insurance policies to protect the Group's goods shipments, assets and obligations are arranged in accordance with Scania's Corporate Governance Manual and Finance Policy. Local insurance policies are obtained in accordance with the laws and standards of the country in question. When needed, Scania receives assistance from outside insurance consultancy companies in identifying and managing risks. Insurance is obtained only from well-reputed insurance companies, whose financial strength is continuously monitored. Risk inspections, mainly focusing on physical risks, are performed yearly in most cases at all production units and at numerous Scania-owned sales and service units/workshops according to the standardised Scania Blue Rating Fire Safety system. This work maintains a high claim prevention level and a low incidence of claims.

LEGAL RISKS

Contracts and rights

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

Legal actions

Scania is affected by numerous 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 pages 51–56). Scania has also introduced a Legal Risk Reporting system, according to which legal 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

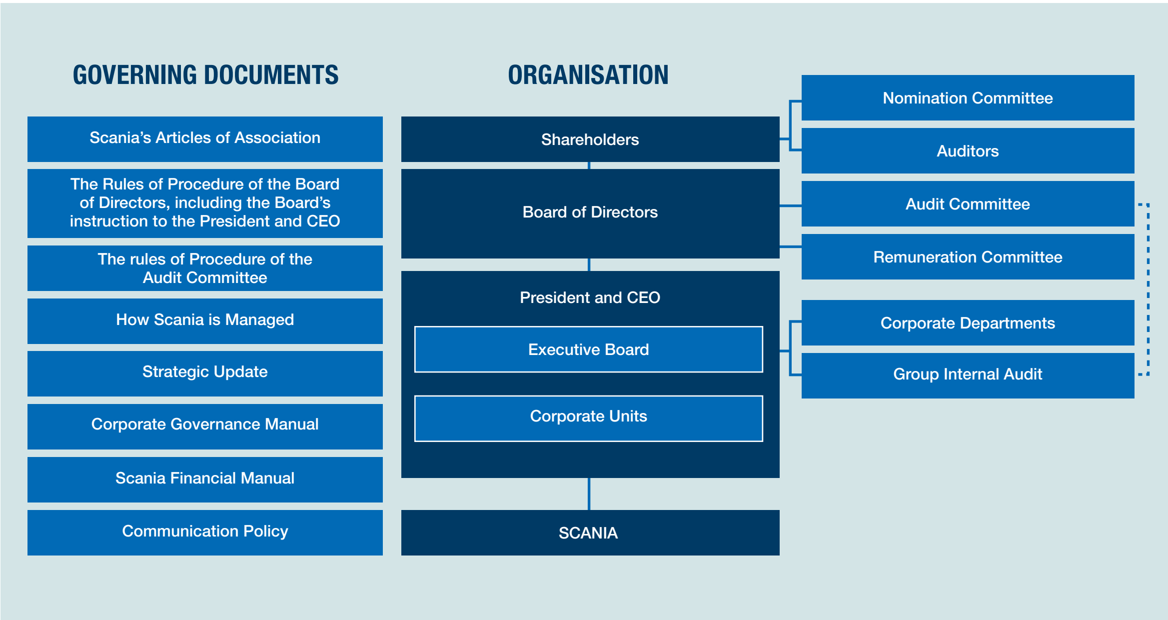
Scania and its subsidiaries are the object of a large number of tax cases, as a consequence of the company's operating activities. These cases are essentially related to the fields of value-added tax, internal pricing and deduction of foreign tax. For more information, see also Note 8 on page 87. None 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.

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 Financial Policy adopted by Scania's Board of Directors. See also the "Financial review" on page 62 and Note 30 on page 112.

Corporate governance at Scania

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.



Corporate governance at Scania is based on Swedish legislation, especially the Swedish Companies Act, the rule book for issuers at the NASDAQ OMX Nordic ("Stockholm Stock Exchange") and the Swedish Code of Corporate Governance ("the Code").

Governing documents at Scania

The most important governing documents at Scania are:

- Scania's Articles of Association (reproduced on page 46)
- The Rules of Procedure of the Board of Directors, including the Board's instruction to the President and CEO and guidelines for essential reporting processes at Scania
- The Rules of Procedure of the Audit Committee
- How Scania is Managed
- Strategic Update
- Corporate Governance Manual
- Scania Financial Manual
- Communication Policy

Application and deviations

This Corporate Governance Report has been prepared in compliance with the Swedish Code of Corporate Governance. Companies that apply the Code may deviate from individual rules but, in such cases, must issue explanations reporting the reasons for each deviation. Scania complied with the Code in 2009 without exceptions. This Corporate Governance Report has not been subjected to review by Scania's auditors.

THE SHAREHOLDERS

At the end of 2009, Scania had about 120,000 shareholders. Volkswagen AG was the largest shareholder, with a total of about 49.3 percent of shares and 71.8 percent of voting power (including shares managed by credit institutions). The second largest shareholder was MAN SE, with 13.4 percent of share capital and 17.4 percent of voting power. After that, the eight largest shareholders were Clearstream Banking, JP Morgan Chase, the

Swedbank Robur mutual funds, Skandia Liv, Alecta Pensionsförsäkring, AMF Försäkring/mutual, Handelsbanken mutual funds and the Norwegian government. Together, these ten shareholders had 78.3 percent of share capital and 92.5 percent of voting power in Scania.

The Annual General Meeting

The right of shareholders to make decisions on Scania's affairs is exercised at the Annual General Meeting (AGM). All shareholders in Scania are entitled to have an item dealt with at the AGM. At the AGM, each Series A share represents one vote and each Series B share one tenth of a vote. Scania's share capital is divided into 400 million A shares and 400 million B shares.

According to the Swedish Companies Act, within six months of the expiry of each financial year, Swedish limited liability companies shall hold a general meeting of shareholders, where the Board of Directors shall present the Annual Report and the Auditors' Report.

This shareholder meeting is called the Annual General Meeting. At Scania, the AGM is normally held during April or May. Notice convening the AGM shall be issued no earlier than six and no later than four weeks before the Meeting. Notice convening an Extraordinary General Meeting (EGM) shall be issued no earlier than six and no later than two weeks before the Meeting. Notice convening an AGM and an EGM is published on Scania's website, in the Swedish national newspapers Dagens Nyheter and Svenska Dagbladet as well as in the official gazette Post- och Inrikes Tidningar (www.bolagsverket.se). In order to have an item dealt with at the AGM, a shareholder must submit it in writing to the Board early enough that the item can be included in the notice convening the Meeting. In addition, 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.

Scania Board Members elected by the Annual General Meeting

Board member	First elected	Audit Committee	Remuneration Committee	Independent in relation to the company and its management*	Independent in relation to the company's major shareholders*	Attendance out of 10 meetings in all
Martin Winterkorn, Chairman	2007		Chairman	x		5
Staffan Bohman, Vice Chairman	2005	Chairman		x	x	10
Leif Östling	1994				x	10
Helmut Aurenz	2008			x	x	10
Peggy Bruzelius	1998		x	x	x	9
Börje Ekholm	2007			x	x	8
Francisco J. Garcia Sanz	2007		x	x		5
Gunnar Larsson	2008	x		x	x	10
Hans Dieter Pötsch	2007	x		x		8
Peter Wallenberg Jr	2005			x	x	7

* The Nomination Committee's assessment of elected Board members' independence according to the Swedish Code of Corporate Governance and the rules of NASDAQ OMX Nordic Exchange Stockholm.

In order to participate in decisions, a shareholder is required to attend the AGM, in person or represented by proxy. The shareholder is also required to be recorded in the shareholder list by a certain date before the AGM and to notify the company according to certain procedures.

In accordance with the Swedish Companies Act and Scania's Articles of Association, the composition of the Board is decided by election. Decisions at the AGM are usually made by simple majority. In some cases, 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.

The minutes of the AGM are published on Scania's website.

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, 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 Chairman of the Board 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 the chairman at the AGM, remuneration to the Board and its committees and remuneration to the auditors. It also assesses the independence of Board members in relation to the company and its major shareholders.

The Nomination Committee pursues continuous discussions during the year with major shareholders outside Sweden and with Swedish institutions.

In 2009 the AGM decided that the members of the Nomination Committee shall be appointed by the four largest shareholders in voting power. In preparation for the AGM in 2010, the following individuals have served on the company's Nomination Committee:

Gudrun Letzel, representing Volkswagen AG, Chairman
Thomas Kremer, representing MAN SE
KG Lindvall, representing the Swedbank Robur mutual funds
Ramsay Brufer, representing Alecta

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

THE BOARD OF DIRECTORS

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

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

On 7 May 2009, Scania's AGM elected ten Board members and no deputy members. They are:

Martin Winterkorn
Staffan Bohman
Leif Östling
Helmut Aurenz
Peggy Bruzelius
Börje Ekholm
Francisco J. Garcia Sanz
Gunnar Larsson
Hans Dieter Pötsch
Peter Wallenberg Jr

The AGM elected Martin Winterkorn as Chairman and Staffan Bohman as Vice Chairman.

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

Johan Järvklo
Håkan Thurfjell
Mikael Johansson, deputy member
Stefan U. Klingberg, deputy member

A presentation of the Board members can be found on pages 58-59.

The work of the Board

The statutory Board meeting, which is 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 six 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 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 2009, the Board held ten meetings. The number of meetings has increased since Volkswagen consolidated Scania in its financial statements. This requires Scania to issue its financial reports before Volkswagen, in order to avoid insider problems.

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.

Board members' attendance at Board meetings can be seen in the table on page 52.

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

Instruction to the President and CEO

The instruction of the Board to Scania's President and CEO specifies his duties and powers. This instruction includes guidelines on capital expenditures, financing, financial reporting and external communications.

Remuneration to the Board

Compensation to the members of the Board is determined by the AGM and is paid to those members who are not employees of Scania or Volkswagen AG. The remuneration decided by the AGM is reported in Note 28 of the Annual Report, "Compensation to executive officers".

Evaluation of the work of the Board

A written evaluation is normally performed 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. The Board appoints the members of the committees from among its own members.

The Audit Committee

The Audit Committee consists of Staffan Bohman (Chairman), Hans Dieter Pötsch and Gunnar Larsson. During 2009 the Audit Committee met a total of seven times. Staffan Bohman participated in all meetings, Gunnar Larsson in six meetings and Hans Dieter Pötsch in five meetings.

The Audit Committee discusses and monitors issues related to administrative processes, funding, treasury, risk control and the controller organisation. Its brief also includes discussing and evaluating the company's application of important accounting issues and principles and the company's financial reporting, as well as evaluating the auditors and approving the use of external auditors for non-auditing-related services.

When auditors are to be elected, the Audit Committee presents a proposal. The results 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 election as 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 Remuneration Committee consists of Martin Winterkorn (Chairman), Peggy Bruzelius and Francisco J. Garcia Sanz. During 2009, the Remuneration Committee met twice. All members participated in all meetings through attendance, except that Francisco J. Garcia Sanz participated in 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 Executive Vice Presidents.

Auditors

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

To ensure that the requirements concerning information and controls that are incumbent on the Board are being met, the auditors report on a continuous basis to the Audit Committee on all substantive accounting issues as well as any errors and suspected irregularities. The auditors 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 Audit Committee without the President and CEO or any other member of the company's operative management being present at the meeting. The auditors have no assignments for the company that affect their independence as auditors for Scania.

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

THE MANAGEMENT OF THE COMPANY

The decision-making structure and management of Scania are described in the internal governing document "How Scania is Managed". It also describes Scania's policies concerning quality, employment and employees and the environment and sustainability issues, competitive methods and ethics.

The principles and rules presented in the governing document "Scania Financial Manual", which is approved by the company's Board of Directors, also apply to the Scania Group. Financial, commercial, legal and tax risks are reported regularly to the Audit Committee.

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.

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

The President and CEO

Under the Board of Directors, the President and CEO has overall responsibility for the Scania Group.

The Executive Board

At the side of the President and CEO is the Executive Board, which jointly decides – in compliance with guidelines approved by the Board 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, research and development, environmental work, marketing, pricing policy, capital expenditures and financing. The Executive Board also prepares such issues that shall be decided by the Board of Directors.

The 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 corporate units

The heads of corporate units are responsible to the Executive Board for ensuring that the appropriate actions are taken in their respective fields of responsibility based on the strategies that have been decided. Each corporate unit reports to one of the members of the Executive Board. The heads of corporate units 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.

The Executive Board and the heads of corporate units meet 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 be presented for decisions at the meetings of the Executive Board.

The members of the Executive Board and most of the heads of corporate units who are not prevented by other obligations also gather at a brief meeting once each normal work week.

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 compensation to executive officers 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 the Executive Board, is stated in the Annual Report, Note 28, "Compensation to executive officers". Note 28 of the Annual Report for 2009 also states the compensation to the heads of corporate units.

Internal control of financial reporting

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 Governing Board in July 2008.

The cornerstones of Scania's internal control system consist of the control environment, risk assessment, control activities, information and communication as well as monitoring.

Control environment

Internal control at Scania is based on the decisions on organisational structure, powers and guidelines made by the Board of Directors. The Board's decisions have been transformed into functioning management and control systems by the Executive Board. Organisational structure, decision-making procedures, powers and responsibilities are documented and communicated in governing documents, such as internal policies, manuals and codes. Also included in the basis for internal control are Group-wide accounting and reporting instructions, instructions regarding powers and authorisation rights as well as manuals. The Group reporting system for integrated financial and operational information is another central element of the control environment and internal control.

Integrated reporting of financial and operational information ensures that external financial reporting is firmly based on business operations. In addition to information on final outcome figures, the reporting system also includes quarterly moving forecast information. The Finance and Business Control unit is responsible for continuous updating of accounting and reporting instructions, with due regard for external and internal requirements.

Risk assessment and control activities

Risk management and risk assessment are an integral element of the business management and decision-making processes. Risk areas identified in financial reporting are handled and scrutinised via Scania's controller organisation.

The controller organisation, like financial responsibility, follows the company's organisational and responsibility structure. Controllers who closely scrutinise business operations are found at all levels of the organisation. Clear reporting to higher levels takes place regularly, ensuring a solid understanding of how a unit's business operations are reflected in the figures. In its task of compiling, verifying and analysing financial information, the corporate-level controller organisation has access to the figures and business-related comments of all operational units.

Information and communication

In order to inform, instruct and coordinate financial reporting, Scania has formal information and communications channels to the affected employees regarding policies, guidelines and reporting manuals. These formal information and communications channels are supplemented by frequent dialogue between Finance and Business Control and the individuals in charge of financial reporting at operational units. The Group holds internal seminars and conferences regularly, with a focus on quality assurance in financial reporting and governance models.

Monitoring

Scania monitors compliance with the above-described governing documents and the effectiveness of the control structure. Monitoring and evaluation are performed by the company's corporate controller departments in industrial operations, all sales and service companies and finance companies. During the 2009 financial year, in its control and investigative activities the company prioritised areas and processes with large flows and values as well as selected operational risks. Monitoring compliance with the Scania Corporate Governance Manual and Scania Financial Manual remained high priority areas, along with units undergoing changes.

In preparation for every meeting, the Audit Committee of the Board of Directors receives an internal control report for review. This report is prepared by Group Internal Audit, whose main task is to monitor and review internal control of the company's financial reporting. The independence of the unit is ensured by its reporting to the Audit Committee. Functionally, the unit reports to the Chief Financial Officer of Scania.

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 report.

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

Scania's Corporate Governance Report is available at www.scania.com under Corporate Governance.

Board of Directors, Executive Board and Corporate Units

AUDITOR: Ernst & Young AB, Lars Träff

Board of Directors

MARTIN WINTERKORN

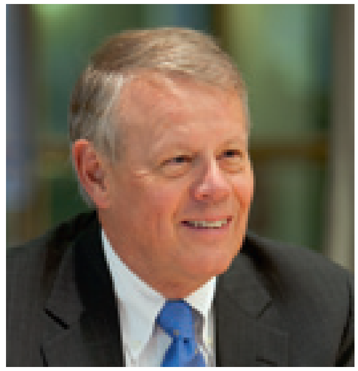
Born 1947.
Chairman since 2007.
Chairman, Remuneration Committee.

Other directorships:
Chairman of the Board of Management, Volkswagen AG. Chairman or member of several companies in the Volkswagen Group and member of a number of subsidiaries of the Volkswagen Group. Chairman of the Board of Management, Porsche SE and member of Supervisory Board Dr. Ing. h.c.F. Porsche AG, Porsche Holding Gesellschaft m.b.H. and Porsche Gesellschaft m.b.H. Member of FC Bayern München AG and Salzgitter AG.

Relevant work experience: Chairman of the Board of Management, Volkswagen AG; member, Board of Management, Volkswagen AG; responsible for Group Research and Development, Volkswagen AG; Chairman of the Board of Management of the Volkswagen Brand.

Education: Prof. Dr. rer. nat.

Shares in Scania: 0.



STAFFAN BOHMAN

Born 1949.
Member since 2005. Vice Chairman since 2008. Chairman, Audit Committee.

Other directorships:
Member of Atlas Copco AB, Boliden AB, Trelleborg AB, OSM AB, InterIKEA Holding SA and Ratos AB. Chairman of Ersta diakonisällskap.

Relevant work experience:
Former CEO of DeLaval AB, Gränges AB and Sapa AB.

Education: MBA.

Shares in Scania: 30,000 B shares.

LEIF ÖSTLING

Born 1945.
Member since 1994. President and CEO of Scania.

Other directorships:
Chairman of AB SKF, Vice Chairman of ISS A/S, Chairman of Association of Swedish Engineering Industries and member of Confederation of Swedish Enterprise.

Relevant work experience:
Various management positions at Scania since 1972, President and CEO of Scania since 1994.

Education: MBA and MSc.

Shares in Scania: 140,000 A shares, 400,000 B shares plus 160,000 B shares via related companies.

HELMUT AURENZ

Born 1937.
Member since 2008.

Other directorships:
Member of various boards and advisory bodies, among them the advisory assemblies for Baden-Württembergische Bank, Landeskreditbank Baden-Württemberg and Landesbank Baden-Württemberg. Supervisory Board of March GmbH. Member of the World Economic Forum in Geneva. Independent member of Audi AG and Automobili Lamborghini Holding Spa.

Relevant work experience:
Started in 1958 a now-sizeable garden and fertiliser products business in the ASB Group in Ludwigsburg, Germany.

Education:
Apprenticeship in Horticulture, entrepreneur.

Shares in Scania: 0.

PEGGY BRUZELIUS

Born 1949.
Member since 1998. Member, Remuneration Committee.

Other directorships:
Chairman of Lancelot Asset Management AB. Deputy Chairman of Electrolux AB. Member of Industry and Commerce Stock Exchange Committee, Stockholm School of Economics, Axel Johnson AB, Axfood AB, Syngenta AG, Husqvarna AB, Diageo Plc and Akzo Nobel N.V. Chairman, Swedish National Agency for Higher Education.

Relevant work experience:
Various management positions at ABB.

Education: MBA.

Shares in Scania: 8,000 B shares.

BÖRJE EKHOLM

Born 1963.
Member since 2007.

Other directorships:
Member of Chalmersinvest AB, EQT Partners AB, Husqvarna AB, Investor AB, KTH Holding AB, Lindorff AB, Royal Institute of Technology and Telefonaktiebolaget LM Ericsson.

Relevant work experience:
McKinsey & Company; President of Novare Kapital, 1995-1997; various positions at Investor AB, 1992-1995, returned to Investor AB in 1997, President and CEO since 2005.

Education: MSc and MBA.

Shares in Scania: 2,000 B shares.

FRANCISCO J. GARCIA SANZ

Born 1957.
Member since 2007. Member, Remuneration Committee.

Other directorships:
Member of the Board of Management and globally responsible for Procurement at Volkswagen AG. Member of several companies in the Volkswagen Group.

Relevant work experience:
Various positions at Adam Opel AG, various management positions at GM and Volkswagen AG.

Education: Dr.

Shares in Scania: 0.

GUNNAR LARSSON

Born 1942.
Member since 2008. Member, Audit Committee.

Other directorships:
Member of the Royal Swedish Academy of Engineering Sciences (IVA) since 1997.

Relevant work experience:
Held executive management positions for product development departments from 1981 to 1996 at Saab-Scania AB, Volvo Car Corporation, Audi AG and Volkswagen AG. Running an international consultancy for clients in the vehicle industry since 1996.

Education: MSc.

Shares in Scania: 0.

HANS DIETER PÖTSCH

Born 1951.
Member since 2007. Member, Audit Committee.

Other directorships:
Member of the Board of Management and responsible for Finance and Controlling, Volkswagen AG. Chairman or member of several companies in the Volkswagen Group. Member of Supervisory Board Porsche Holding Gesellschaft m.b.H. and Porsche Gesellschaft m.b.H. and member of the Board of Management (Chief Financial Officer), Porsche SE. Member of Allianz Versicherungs-AG and Chairman of Bizerba GmbH und Co KG.

Relevant work experience:
Various positions at BMW; General Manager for Finance and Administration at Trumpf GmbH & Co; Chairman of the Board of Management, DÜRR AG. Various management positions at Volkswagen AG.

Education: MSc.

Shares in Scania: 0.

PETER WALLENBERG JR

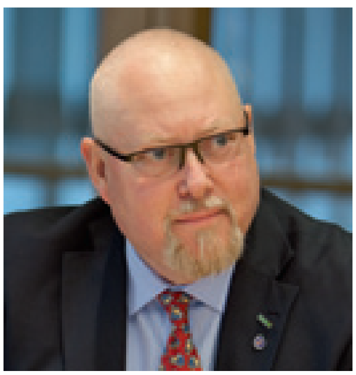
Born 1959.
Member since 2005.

Other directorships:
Chairman of Foundation Asset Management Sweden AB and the Grand Group AB. Vice Chairman of the Royal Swedish Automobile Club, the Knut and Alice Wallenberg Foundation and the Stockholm Chamber of Commerce. Member of Investor AB, SEB Kort AB, Stockholm International Fairs and SimBin Studios AB.

Relevant work experience:
Various positions at Grand Hôtel.

Education: MBA.

Shares in Scania: 6,000 B shares.



HÅKAN THURFJELL

Born 1951.
Member since 2008.
Representative of the Federation of Salaried Employees in Industry and Services (PTK) at Scania.

Relevant work experience:
Various managerial positions at Scania.

Shares in Scania: 0.

STEFAN U. KLINGBERG

Born 1969.
Deputy member since 2006.
Representative of the Federation of Salaried Employees in Industry and Services (PTK) at Scania.

Relevant work experience:
Various positions at Scania since 1995, current position Head of Services Portfolio and Contracts.

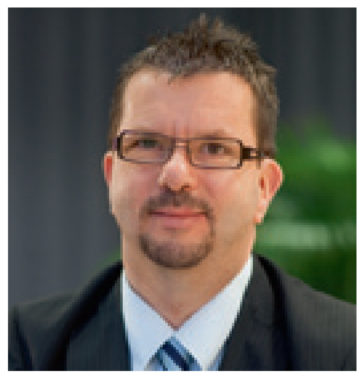
Shares in Scania: 0.

JOHAN JÄRVKLO

Born 1973.
Member since 2008. Previously deputy member since 2006.
Representative of the Swedish Metal Workers' Union at Scania.

Relevant work experience:
Various positions at Scania.

Shares in Scania: 0.



MIKAEL JOHANSSON

Born 1963.
Deputy member since 2008.
Representative of the Swedish Metal Workers' Union at Scania.

Relevant work experience:
Various positions at Scania.

Shares in Scania: 0.

Executive Board

1. PER HALLBERG*

Born 1952, MSc.
Joined Scania in 1977.
Executive Vice President, Head of Production and Procurement.

Shares in Scania:
13,767 B shares.

2. JAN YTTERBERG

Born 1961, BSc.
Joined Scania in 1987.
Executive Vice President, Chief Financial Officer (CFO).

Shares in Scania:
10,512 B shares.

3. MARTIN LUNDSTEDT

Born 1967, MSc.
Joined Scania in 1992.
Executive Vice President, Head of Franchise and Factory Sales.

Shares in Scania:
7,298 B shares.

4. LEIF ÖSTLING

Born 1945, MBA and MSc.
Joined Scania in 1972.
President and CEO.

Shares in Scania:
140,000 Series A shares, 400,000 B shares plus 160,000 B shares via related companies.

5. URBAN ERDTMAN

Born 1945, MBA.
Joined Scania in 1989, employed until 2001.
Rejoined Scania in 2005.
Executive Vice President, Head of Sales and Services Management.

Shares in Scania:
664 A shares plus 12,189 B shares.

6. HASSE JOHANSSON**

Born 1949, MSc.
Joined Scania in 2001.
Executive Vice President, Head of Research and Development.

Shares in Scania:
15,976 B shares.

* On 1 January 2010, Per Hallberg assumed the post of Executive Vice President, Head of Research and Development, Purchasing.

** Hasse Johansson, Executive Vice President, retired on 1 January 2010.

Corporate Units

SVEN-ÅKE EDSTRÖM
Born 1957.
Joined Scania in 1981.
Senior Vice President, Truck, Cab and Bus Chassis Development.
Shares in Scania:
6,760 B shares.

ANDERS GRUNDSTRÖMER
Born 1958.
Joined Scania in 1977.
Executive Regional Director, Region Western and Southern Europe (WSE).
Shares in Scania:
100 B shares.

MATS GUNNARSSON
Born 1967.
Joined Scania in 1992, employed until 2003.
Rejoined Scania in 2009.
Senior Vice President, Vehicle Sales Support.
Shares in Scania:
500 B shares.

ANDERS GUSTAFSSON
Born 1961.
Joined Scania in 1991, employed until 2001.
Rejoined Scania in 2006.
Senior Vice President, Service Operations.
Shares in Scania:
4,737 B shares.

MAGNUS HAHN
Born 1955.
Joined Scania in 1985.
Senior Vice President, Human Resources Support.
Shares in Scania:
6,590 B shares.

HENRIK HENRIKSSON
Born 1970.
Joined Scania in 1997.
Senior Vice President, Trucks.
Shares in Scania:
3,162 B shares.

JONAS HOFSTEDT
Born 1959.
Joined Scania in 1984.
Senior Vice President, Powertrain Development.
Shares in Scania:
664 A shares, 4,318 B shares plus 48 A shares via related parties.

PETER HÄRNWALL
Born 1955.
Joined Scania in 1983.
Senior Vice President, Business Support.
Shares in Scania:
6,896 B shares.

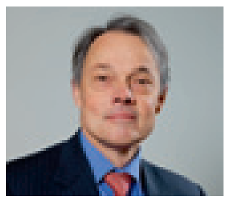
CLAES JACOBSSON
Born 1958.
Joined Scania in 1999.
Senior Vice President, Financial Services.
Shares in Scania:
6,001 B shares.

MIKAEL JANSSON
Born 1959.
Joined Scania in 1984.
Senior Vice President, Parts.
Shares in Scania:
2,253 B shares plus 64 A shares via related parties.

MELKER JERNBERG
Born 1968.
Joined Scania in 2002.
Senior Vice President, Buses and Coaches.
Shares in Scania:
3,754 B shares.

THOMAS KARLSSON
Born 1953.
Joined Scania in 1988.
Senior Vice President, Powertrain Production.
Shares in Scania:
6,839 B shares.

ERIK LJUNGBERG
Born 1971.
Joined Scania in 1997, employed until 2006.
Rejoined Scania in 2008.
Senior Vice President, Corporate Relations.
Shares in Scania:
937 B shares.



HANS NARFSTRÖM
Born 1951.
Joined Scania in 1977.
Senior Vice President, Corporate IT and SRS Office.
Shares in Scania:
6,796 B shares plus 40 B shares via related parties.

ANDERS NIELSEN***
Born 1962.
Joined Scania in 1987.
Senior Vice President, Chassis and Cab Production.
Shares in Scania:
6,305 B shares.

JOHAN P SCHLYTER
Born 1961.
Joined Scania in 1986.
Executive Regional Director, Region Latin America, Southern Africa, Asia and Oceania (AAA).
Shares in Scania:
1,840 B shares.

ROBERT SOBOCKI
Born 1952.
Joined Scania in 1978, employed until 1997.
Rejoined Scania in 2002.
Senior Vice President, Scania Engines.
Shares in Scania:
620 A shares plus 7,480 B shares.

LARS STENQVIST
Born 1967.
Joined Scania in 1992.
Senior Vice President, Vehicle Definition.
Shares in Scania:
3,771 B shares.

MIKAEL SUNDSTRÖM
Born 1957.
Joined Scania in 2004.
Senior Vice President, Corporate Legal Affairs and Risk Management.
Shares in Scania:
7,486 B shares.

PER-OLOV SVEDLUND
Born 1955.
Joined Scania in 1976.
Senior Vice President, Global Purchasing.
Shares in Scania:
8,770 B shares.

BENGT THORSSON
Born 1964.
Joined Scania in 1989.
Executive Regional Director, Region Central, Northern and Eastern Europe (CNE).
Shares in Scania:
1,000 B shares via related parties.

*** On 1 January 2010, Anders Nielsen assumed the post of Executive Vice President, Head of Production and Logistics, also becoming a member of the Executive Board.

Group financial review

NET SALES

The net sales of the Scania Group, in the Vehicles and Services segment, fell by 30 percent to SEK 62,074 m. (88,977). Currency rate effects excluding currency hedges had a positive impact on sales of 7 percent.

New vehicle sales fell by 35 percent. Sales were influenced by the downturn in the number of vehicles delivered. Service revenue was more stable and declined by 3 percent to SEK 15,904 m. (16,393). Lower demand for transport services during 2009 led to a volume downturn of about 10 percent.

Interest and leasing income in the Financial Services segment declined by 2 percent due to lower financing volume.

Net sales by product, SEK m.	2009	2008
Trucks	**32,832**	55,566
Buses	**8,837**	8,186
Engines	**821**	1,151
Service-related products	**15,904**	16,393
Used vehicles	**4,403**	4,370
Miscellaneous [1]	**–208**	3,812
Delivery sales value	**62,589**	89,478
Adjustment for lease income [2]	**–515**	–501
Total Vehicles and Services	**62,074**	88,977
Financial Services	**4,666**	4,772
Elimination [3]	**–1,842**	–1,825
Scania Group total	**64,898**	91,924

1 Includes about SEK –2,140 m. (–210) in hedging of flows in foreign currencies.

2 Refers to the difference between sales value based on delivery value and sales recognised in revenue. 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.

3 "Elimination" refers mainly to lease income from operating leases.

NUMBER OF VEHICLES

During 2009 Scania delivered 36,807 (66,516) trucks, a decrease of 45 percent. Bus chassis deliveries fell 9 percent to 6,636 (7,277) units.

Vehicles delivered	2009	2008
Vehicles and Services		
Trucks	**36,807**	66,516
Buses	**6,636**	7,277
Total new vehicles	**43,443**	73,793
Used vehicles	**13,026**	10,738
Financial Services		
Number financed (new during the year)		
Trucks	**9,332**	17,853
Buses	**605**	464
Total new vehicles	**9,937**	18,317
Used vehicles	**4,432**	4,190
New financing, SEK m.	**14,993**	24,893
Portfolio, SEK m.	**40,404**	47,220

EARNINGS

Scania's operating income amounted to SEK 2,473 m. (12,512) during 2009. Operating margin amounted to 4.0 (14.1) percent.

Operating income in Vehicles and Services totalled SEK 2,648 m. (12,098) during 2009. A decline in vehicle deliveries and lower capacity utilisation, mainly during the first half, had an adverse impact on earnings. Lower prices on new and used trucks, and to some extent lower prices for trucks sold in conjunction with inventory reduction, also had a negative effect. Measures to lower the cost level had a positive effect. The downturn in earnings was partly offset by service operations, which were more stable.

Scania's research and development expenditures amounted to SEK 3,234 m. (3,955). After adjusting for SEK 282 m. (202) in capitalised expenditures and SEK 264 m. (475) in depreciation of previously capitalised expenditures, recognised expenses decreased by SEK 1,012 m. to SEK 3,216 m. (4,228). The reduction in expenses was mainly attributable to general cost savings and a more focused project portfolio.

Compared to 2008, currency spot rate effects amounted to about SEK 1,580 m. Currency hedging income totalled SEK –2,140 m. During 2008, the impact of currency hedgings on income was SEK –210 m. The overall currency rate effect was thus some SEK –350 m.

Operating income in Financial Services amounted to SEK –175 m. (414). This was equivalent to –0.4 (1.0) percent of the average portfolio during the year. The positive effects of a larger average portfolio were offset by higher bad debt expenses, both provisions and actual credit losses, compared to 2008. Hauliers have been affected by decreasing demand for transport services, which has led to lower volume and depressed freight prices. As a consequence, the number of delayed payments rose during the year, mainly in markets outside western Europe. The number of rescheduled contracts and repossessions of vehicles also increased. Higher bad debt expenses were mainly attributable to central and eastern Europe.

At the end of December, the size of the customer finance portfolio amounted to about SEK 40.4 billion, which represented a downturn of SEK 6.8 billion since the end of 2008. In local currencies, the portfolio shrank by 12 percent, equivalent to SEK 5.8 billion.

Operating income per segment, SEK m.	2009	2008
Vehicles and Services		
Operating income	**2,648**	12,098
Operating margin, percent	***4.3***	*13.6*
Financial Services		
Operating income	**–175**	414
Operating margin, percent [1]	***–0.4***	*1,0*
Operating income, Scania Group	**2,473**	12,512
Operating margin, percent	***4.0***	*14.1*
Income before tax	**1,602**	11,978
Taxes	**–473**	–3,088
Net income	**1,129**	8,890
Earnings per share, SEK	**1.41**	11.11
Return on equity, percent	**5.1**	38.3

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

Scania's net financial items totalled SEK –871 m. (–534). Net interest income amounted to SEK –722 m. (–375) and was adversely impacted by a higher average net debt position in Vehicles and Services than in 2008. There was an additional negative effect from the increased cost for funding of working capital in countries with relatively high interest rates. Other financial income and expenses amounted to SEK –149 m. (–159).

Income before taxes amounted to SEK 1,602 m. (11,978). The Scania Group's tax expense for 2009 was equivalent to 29.5 (25.8) percent of income before taxes.

Net income for the year totalled SEK 1,129 m. (8,890), corresponding to a net margin of 1.8 (10.0) percent. Earnings per share amounted to SEK 1.41 (11.11).

CASH FLOW

Cash flow in Vehicles and Services amounted to SEK 5,512 m. (1,774). Tied-up working capital decreased by SEK 5,080 m., mainly due to lower volume and inventory reduction. In the preceding year, tied-up working capital increased by SEK 4,501 m.

Net investments amounted to SEK 3,031 m. (5,447), including SEK 287 m. (202) in capitalisation of development expenses. The gradual downturn was related to a slower pace of capital spending and was partly due to postponed investments. During 2009, net investments were affected by acquisitions of SEK 118 m. In 2008 they were affected by divested businesses totalling SEK 61 m. At the end of 2009, Scania's net debt position amounted to SEK 4,038 m., compared to SEK 8,364 m. at the end of 2008. The net debt position was affected by the dividend payment of SEK 2,000 m. during the second quarter.

Cash flow in Financial Services amounted to SEK 5,015 m. (–5,121). The portfolio of customer finance contracts decreased by SEK 4,504 m. In the preceding year, the portfolio of customer finance contracts increased by SEK 5,822 m.

NET DEBT

Net debt, SEK m.	2009	2008
Cash, cash equivalents and short-term investments	**–7,147**	–4,669
Current borrowings	**19,928**	27,942
Non-current borrowings	**26,504**	25,704
Net market value of derivatives for hedging of borrowings	**482**	1,135
Total	**39,767**	50,112
of which, attributable to Vehicles and Services	**4,038**	8,364
of which, attributable to Financial Services	**35,729**	41,748

As a result of the year's cash flow in Vehicles and Services, SEK 5,512 m., after subtracting dividends as well as the influence of currency rate effects, the net debt position declined by SEK 4,326 m. to SEK 4,038 m.

FINANCIAL POSITION

Financial ratios related to the balance sheet	2009	2008
Equity/assets (E/A) ratio, percent	**23.7**	19.9
E/A ratio, Vehicles and Services, percent	**32.3**	26.9
E/A ratio, Financial Services, percent	**10.4**	9.6
Equity per share, SEK	**29.1**	27.4
Return on capital employed, Vehicles and Services, percent	**9.4**	43.1
Net debt/equity ratio, Vehicles and Services	**0.21**	0.49

During 2009, the equity of the Scania Group increased by SEK 1,365 m. and totalled SEK 23,303 m. (21,938) at year-end. Net income added SEK 1,129 m. (8,890), while the dividend to shareholders decreased equity by SEK 2,000 m. (4,000). During 2008, a redemption was carried out which decreased equity by SEK 6,000 m. Equity increased by SEK 188 m. (771) because of exchange rate differences that arose when translating net assets outside Sweden, which was offset by the effect of hedging net assets in operations outside Sweden, a net amount of SEK –1 m. (–222). In addition, equity changed by a net amount of SEK 2,790 m. (–3,178) because of cash flow hedgings and actuarial losses on pension liabilities. Taxes attributable to items reported under "Other comprehensive income" totalled SEK –741 m. (868).

The regular dividend for the 2009 financial year proposed by the Board of Directors is SEK 1.00 (2.50) per share.

NUMBER OF EMPLOYEES

The number of employees in the **Scania Group** at year-end 2009 was 32,330, compared to 34,777 at the end of 2008.

In **Vehicles and Services**, the number of employees at the end of December was 31,789 (34,265).

In **Financial Services**, the number of employees at year-end 2009 was 541 (512).

FINANCIAL RISKS

Borrowing and refinancing risk

Scania's borrowings primarily consist of bonds issued under capital market programmes, and to some extent of other borrowing mainly via the banking system, so-called bilateral bank loans. In addition, Scania secures a certain portion of its borrowing needs via three committed credit facilities: two in the international borrowing market and one in the domestic Swedish market.

At year-end 2009, borrowings amounted to SEK 46.0 (53.2) billion. In addition to utilised borrowing, Scania had unutilised committed credit facilities equivalent to SEK 25.7 (26.9) billion.

Interest rate risk

Scania's policy concerning interest rate risks in Vehicles and Services 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. In Financial Services the interest rate refixing period on borrowings 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 2009 totalled about SEK 20 (32) billion. The largest currency flows were in euros, US dollars and British pounds. Based on 2009 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 198 m. (316) 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. However, the hedging period is allowed to vary between 0 and 12 months. The Board of Directors approves maturities of more than 12 months.

At the end of 2009, Scania's net assets in foreign currencies amounted to SEK 12,250 m. (14,650). 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. At the end of 2009, no foreign net assets were hedged (EUR 211 m.).

Credit risk

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

Provisions for credit losses amounted to SEK 725 m. (711), equivalent to 9.9 (7.7) percent of total receivables. The year's bad debt expenses amounted to SEK 188 m. (102).

To maintain a controlled level of credit risk in Financial Services, the process of issuing credit is supported by a credit policy as well as credit instructions. In Financial Services, the year's expenses for actual and potential credit losses totalled SEK 833 m. (227), equivalent to 1.90 (0.53) percent of the average portfolio. The year's actual credit losses amounted to SEK 517 m. (183).

At year-end, the total reserve for bad debt expenses in Financial Services amounted to SEK 924 m. (635), equivalent to 2.2 (1.3) percent of the portfolio at the close of 2009.

The year-end credit portfolio amounted to SEK 40,404 m. (47,220), allocated among about 21,600 customers, of which 98.4 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

Scania delivers some of its vehicles with guaranteed residual value or with repurchase obligations, where Scania thus has residual value exposure. There is also residual value exposure for short-term rental vehicles with an estimated residual value. The carrying amount for residual value exposure at year-end was SEK 6,306 m. (6,819). Obligations outstanding decreased somewhat, mainly due to the smaller number of newly contracted obligations as a consequence of lower demand mainly in Europe, as well as due to the stronger krona. During 2009, the volume of new contracts was about 4,800 (6,100).

Service contracts

A large proportion of Scania's sales of parts and workshop hours occurs through repair and service contracts. Selling a service contract involves a commitment by Scania to provide servicing to customers during the contractual period in exchange for a predetermined fee. The cost of the contract is allocated over the contractual period according to estimated consumption of service, and actual divergences from this are recognised in the accounts during the period. From a portfolio perspective, Scania continually estimates possible future divergences from the expected cost curve. Negative divergences from this result in a provision, which affects earnings for the period.

The number of contracts rose during 2009 by 400 and totalled 82,100 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.

Consolidated income statements

January – December, SEK m.	Note	2009	2008	2007
Vehicles and Services				
Net sales	4	**62,074**	88,977	84,486
Cost of goods sold	5	**–48,890**	–64,516	–61,810
Gross income		**13,184**	24,461	22,676
Research and development expenses [1]	5, 11	**–3,216**	–4,228	–3,343
Selling expenses	5	**–6,407**	–7,002	–6,438
Administrative expenses	5	**–918**	–1,142	–1,259
Share of income in associated companies and joint ventures	13	**5**	9	–4
Operating income, Vehicles and Services		**2,648**	12,098	11,632
Financial Services	6			
Interest and lease income		**4,666**	4,772	4,070
Interest and depreciation expenses		**–3,514**	–3,663	–3,057
Interest surplus		**1,152**	1,109	1,013
Other income		**306**	357	283
Other expenses		**–262**	–307	–204
Gross income		**1,196**	1,159	1,092
Selling and administrative expenses	5	**–538**	–518	–470
Bad debt expenses		**–833**	–227	–90
Operating income, Financial Services		**–175**	414	532
Operating income		**2,473**	12,512	12,164
Interest income		**407**	458	479
Interest expenses		**–1,129**	–833	–693
Other financial income		**227**	135	74
Other financial expenses		**–376**	–294	–118
Total financial items	7	**–871**	–534	–258
Income before taxes		**1,602**	11,978	11,906
Taxes	8	**–473**	–3,088	–3,352
Net income		**1,129**	8,890	8,554

Consolidated income statements, continued

January – December, SEK m.	Note	**2009**	2008	2007
Other comprehensive income	16			
Exchange rate differences		**188**	771	642
Hedge of net investments in foreign operations		**–1**	–222	–
Cash flow hedges				
change in value for the year		**719**	–2,762	–521
reclassification to operating income		**2,155**	209	137
Actuarial gains/losses on pensions		**–84**	–625	–316
Income tax relating to components of other comprehensive income		**–741**	868	182
Total other comprehensive income		**2,236**	–1,761	124
Total comprehensive income for the year		**3,365**	7,129	8,678
Net income attributable to:				
Scania shareholders		***1,129***	*8,890*	*8,554*
Minority interest		***0***	*0*	*0*
Total comprehensive income attributable to:				
Scania shareholders		***3,364***	*7,129*	*8,679*
Minority interest		***0***	*0*	*–1*
Operating income includes depreciation of [2]	10	***–2,772***	*–3,257*	*–3,121*
Earnings per share, SEK [3]	9	**1.41**	11.11	10.69

1 Total research and development expenditures during the year amounted to SEK 3,234 (3,955 and 3,214, respectively).

2 Value decrease in operational leases is not included.

3 There are no potential dilution effects.

Consolidated balance sheets

31 December, SEK m.	Note	2009	2008	2007
ASSETS				
Non-current assets				
Intangible non-current assets	11	**2,317**	2,331	2,511
Tangible non-current assets	12	**22,049**	21,172	18,525
Lease assets	12	**11,117**	11,660	10,708
Holdings in associated companies and joint ventures etc.	13	**488**	495	264
Long-term interest-bearing receivables	31	**19,265**	24,877	20,590
Other long-term receivables [1]	15, 17, 31	**1,496**	1,093	707
Deferred tax assets	8	**819**	668	528
Tax receivables		**63**	56	0
Total non-current assets		**57,614**	62,352	53,833
Current assets				
Inventories	14	**11,762**	15,550	11,242
Current receivables				
Tax receivables		**503**	668	252
Interest-bearing receivables	31	**12,557**	13,879	10,565
Non-interest-bearing trade receivables	31	**6,062**	7,498	7,540
Other current receivables [1]	15, 31	**2,806**	5,419	3,888
Total current receivables		**21,928**	27,464	22,245
Short-term investments	31	**47**	88	679
Cash and cash equivalents				
Short-term investments comprising cash and cash equivalents	31	**6,064**	3,474	933
Cash and bank balances		**1,036**	1,107	2,522
Total cash and cash equivalents		**7,100**	4,581	3,455
Total current assets		**40,837**	47,683	37,621
Total assets		**98,451**	110,035	91,454

1 Including fair value of derivatives for hedging of borrowings:			
Other non-current receivables, derivatives with positive value	**848**	517	120
Other current receivables, derivatives with positive value	**175**	483	177
Other non-current liabilities, derivatives with negative value	**686**	1,355	211
Other current liabilities, derivatives with negative value	**819**	780	396
Net amount	**–482**	–1,135	–310

31 December, SEK m.	Note	2009	2008	2007
EQUITY AND LIABILITIES				
Equity				
Share capital		**2,000**	2,000	2,000
Contributed capital		**1,120**	1,120	1,120
Reserves		**1,694**	–604	697
Retained earnings		**18,488**	19,421	20,991
Equity attributable to Scania shareholders		**23,302**	21,937	24,808
Minority interest		**1**	1	4
Total equity	16	**23,303**	21,938	24,812
Non-current liabilities				
Non-current interest-bearing liabilities	31	**26,504**	25,704	19,866
Provisions for pensions	17	**4,983**	4,621	4,005
Other non-current provisions	18	**1,787**	1,661	1,053
Accrued expenses and deferred income	19	**2,530**	2,806	3,088
Deferred tax liabilities	8	**1,173**	1,069	1,809
Other tax liabilities		**322**	278	68
Other non-current liabilities [1]		**713**	1,359	216
Total non-current liabilities		**38,012**	37,498	30,105
Current liabilities				
Current interest-bearing liabilities	31	**19,928**	27,942	15,492
Current provisions	18	**1,100**	1,315	2,024
Accrued expenses and deferred income	19	**7,209**	7,293	6,986
Advance payments from customers		**525**	732	735
Trade payables	31	**5,358**	6,783	7,068
Tax liabilities		**482**	561	931
Other current liabilities [1]	31	**2,534**	5,973	3,301
Total current liabilities		**37,136**	50,599	36,537
Total equity and liabilities		**98,451**	110,035	91,454
Net debt, excluding provisions for pensions, SEK m. [1]		**39,767**	50,112	31,534
Net debt/equity ratio		**1.71**	2.28	1.27
Equity/assets ratio, %		**23.7**	19.9	27.1
Equity per share, SEK		**29.1**	27.4	31.0
Capital employed, SEK m.		**75,200**	81,340	64,485

Consolidated statement of changes in equity

Note 16 shows a complete reconciliation of all changes in equity.

2009	**Share capital**	**Contributed capital**	**Hedge reserve**	**Currency translation reserve**	**Retained earnings**	**Total, Scania share-holders**	**Minority interest**	**Total equity**
Equity, 1 January	2,000	1, 120	–2,075	1,471	19,421	21,937	1	21,938
Net income					1,129	1,129		1,129
Other comprehensive income			2,118	180	–62	2,236		2,236
Total comprehensive income			2,118	180	1,067	3,365		3,365
Change in minority share							0	0
Dividend to Scania AB shareholders					–2,000	–2,000		–2,000
Equity, 31 December	**2,000**	**1,120**	**43**	**1,651**	**18,488**	**23,302**	**1**	**23,303**

2008	Share capital	Contributed capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania share-holders	Minority interest	Total equity
Equity, 1 January	2,000	1,120	–189	886	20,991	24,808	4	24,812
Net income					8,890	8,890		8,890
Other comprehensive income			–1,886	585	–460	–1,761		–1,761
Total comprehensive income			–1,886	585	8,430	7,129		7,129
Change in minority share							–1	–1
Redemption					–6,000	–6,000		–6,000
Dividend to Scania AB shareholders					–4,000	–4,000		–4,000
Dividend to minority interest						0	–2	–2
Equity, 31 December	**2,000**	**1,120**	**–2,075**	**1,471**	**19,421**	**21,937**	**1**	**21,938**

2007	Share capital	Contributed capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania share-holders	Minority interest	Total equity
Equity, 1 January								
Net income	2,000	1,120	87	243	22,679	26,129	5	26,134
Other comprehensive income					8,554	8,554		8,554
Total comprehensive income			–276	643	–242	125		125
Change in minority share			–276	643	8,312	8,679		8,679
Redemption					–7,000	–7,000	–1	–7,001
Dividend to Scania AB shareholders					–3,000	–3,000		–3,000
Equity, 31 December	**2,000**	**1,120**	**–189**	**886**	**20,991**	**24,808**	**4**	**24,812**

Consolidated cash flow statements

January – December, SEK m.	Note	2009	2008	2007
Operating activities				
Income before tax	24 a	**1,602**	11,978	11,906
Items not affecting cash flow	24 b	**3,626**	4,187	3,643
Taxes paid		**–1,136**	–3,803	– 3,232
Cash flow from operating activities before change in working capital		**4,092**	12,362	12,317
Change in working capital				
Inventories		**3,930**	–3,802	–772
Receivables		**3,338**	77	–170
Provisions for pensions		**212**	4	31
Trade payables		**–1,489**	–375	765
Other liabilities and provisions		**–911**	–405	1,132
Total change in working capital		**5,080**	–4,501	986
Cash flow from operating activities		**9,172**	7,861	13,303
Investing activities				
Net investments through acquisitions/divestments of businesses	24 c	**–118**	61	–268
Net investments in non-current assets, Vehicles and Services	24 d	**–3,031**	–5,447	–4,277
Net investments in credit portfolio etc., Financial Services	24 d	**4,504**	–5,822	–5,698
Cash flow from investing activities		**1,355**	–11,208	–10,243
Cash flow before financing activities		**10,527**	–3,347	3,060
Financing activities				
Change in net debt from financing activities	24 e	**–6,549**	14,652	303
Dividend		**–2,000**	–4,000	–3,000
Redemption		**–**	–6,000	–7,000
Cash flow from financing activities		**–8,549**	4,652	–9,697
Cash flow for the year		**1,978**	1,305	–6,637
Cash and cash equivalents, 1 January		**4,581**	3,455	9,934
Exchange rate differences in cash and cash equivalents		**541**	–179	158
Cash and cash equivalents, 31 December	24 f	**7,100**	4,581	3,455

Cash flow statement, Vehicles and Services	2009	2008	2007
Cash flow from operating activities before change in working capital	**3,581**	11,661	11,788
Change in working capital etc.	**5,080**	–4,501	986
Cash flow from operating activities	**8,661**	7,160	12,774
Cash flow from investing activities	**–3,149**	–5,386	–4,545
Cash flow before financing activities	**5,512**	1,774	8,229
Cash flow per share, Vehicles and Services excluding acquisitions/divestments	**7.04**	2.14	10.62

See also Note 3, "Operating segment reporting" for further information on cash flow by 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 Scania Group encompasses the Parent Company, Scania Aktiebolag (publ), Swedish corporate identity number 556184-8564, and its subsidiaries and associated companies. The Parent Company has its registered office in Södertälje, Sweden.

The consolidated accounts of the Scania Group have been prepared in compliance with the International Financial Reporting Standards (IFRSs) issued by the international accounting Standards Board (IASB) as well as the interpretations by the international Financial Reporting interpretations committee (IFRIC) as adopted by the European Union. In addition, Recommendation RFR 1.2, "Supplementary Rules for Consolidated Financial Statements" from the Swedish Financial Reporting Board 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. Preparing the financial reports in compliance with IFRSs requires that Management make judgements and estimates as well as make assumptions that affect the application of accounting principles and amounts recognised in the financial reports. The actual outcome may diverge from these estimates and judgements. Judgements made by Management that have a substantial impact on the financial reports, and estimates which have been made that may lead to significant adjustments, are described in more detail in Note 2, "Key judgements and estimates". Estimates and assumptions are reviewed regularly. 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 2008.

Scania is applying the following new and revised standards starting in 2009:

Revised IAS 1, "Presentation of Financial Statements" – The revision contains a new financial reporting structure and requires a company to provide a statement of comprehensive income that includes all changes in assets and liabilities that are not due to transactions with its owners. Changes that were previously recognised directly in equity in the statement of recognised income and expense are now recognised in the statement of comprehensive income. Scania has chosen to present its statement of comprehensive income in one table.

IFRS 8, "Operating Segments" – This standard replaces the previous standard IAS 14, "Segment Reporting". According to IFRS 8, information on operating segments shall be based on internal reporting structure, unlike IAS 14, which required information based on a definition of primary and secondary segments. The introduction of IFRS 8 has not resulted in any changed definition of Scania's segments but has resulted in minor changes in disclosures, as shown in Note 3.

Revised IAS 23, "Borrowing Costs" – Scania has previously expensed borrowing costs in the period when they arose. The revision in IAS 23 means that borrowing costs shall be included in the cost of assets that necessarily take a substantial period of time to get ready for their intended use or sale. The standard is applied to projects that begin after 1 January 2009. During 2009 the standard has not resulted in any effect on Scania's financial reports.

Revised IFRS 7, "Financial Instruments: Disclosures" – The revision contains new disclosure requirements for financial instruments that are measured at fair value. The information shall be provided for each class of financial instruments, categorised according to a three-level hierarchy. The revision also requires disclosures about liquidity risk. See more in Note 30.

Other changes in standards and interpretations that have entered into force during 2009 have had no impact on Scania's accounting.

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. 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 given, 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 date when controlling influence ceases. Intra-Group receivables and liabilities, revenue or expenses and unrealised gains or losses that arise from intra-Group transactions between Group companies are eliminated in their entirety during the preparation of the consolidated financial statements. Unrealised gains that arise from transactions with associated companies and joint ventures are eliminated to the extent that corresponds to the Group's percentage of ownership in the company. Minority interests in equity are reported separately from share capital owned by the Parent Company's shareholders. A separate disclosure of the minority interest in 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 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

Transactions in foreign currencies are translated to the functional currency at the exchange rate on the transaction date. Functional currency is the currency in the primary economic environment where the company carries out its operations. Monetary receivables and liabilities in foreign currencies are translated at the exchange rate on the balance sheet date, and exchange rate differences that arise are recognised in the income statement. Non-monetary items are recognised at historic cost using the exchange rate on the transaction date. When preparing the consolidated financial statements, the income statements and balance sheets of foreign subsidiaries are translated to the Group's reporting currency, Swedish kronor. All items in the income statements of foreign subsidiaries are translated using the average exchange rates during the year. All balance sheet items are translated using the exchange rates on the balance sheet date (closing day rate). The translation differences that arise when translating the financial statements of subsidiaries outside Sweden are recognised under "Other comprehensive income" and accumulate in the currency translation reserve in equity. 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.

Monetary long-term items in a business outside Sweden for which settlement is not planned or will probably not occur within the foreseeable future are, in practice, part of the company's net investment in operations outside Sweden. Exchange rate differences on such monetary items, which comprise part of the company's net investment (extended investment) are recognised under "Other comprehensive income" and accumulate in the currency translation reserve in equity.

Hyperinflationary economies – adjustment of financial reports

Inflation adjustment of financial reports occurs for operations with a functional currency that is the currency of a hyperinflationary country. At present, none of the Group's subsidiaries has a functional currency that is regarded as a hyperinflationary currency.

Operating segment reporting

An operating segment is a component of the company that generates revenue and incurs expenses and whose operating results are reviewed by the Board of Directors and the Executive Board.

NOTE 1 Accounting principles, continued

The operations of the Scania Group are managed and reported on the basis of two operating segments, Vehicles and Services plus Financial Services. These two segments have distinct products and differentiated risk situations. The tied-up capital and accompanying financing structure in Financial Services differ substantially from their equivalents at Vehicles and Services. Internal reporting at Scania is designed in accordance with this division into operating segments, and all detailed analyses occur on the basis of this classification. Financial expenses and taxes are reported at the segment level in order to better reflect the operating segments. The Vehicles and Services operating segment encompasses trucks, buses and engines, including the services associated with these products. All products are built using common basic components, with coordinated development and production. In addition, the Vehicles and Services operating segment is organised under common areas of responsibility. The Financial Services operating segment encompasses financial solutions for Scania customers, such as loan financing, lease contracts and insurance solutions. The assets of the operating segments encompass the assets that are directly used in their operations. Correspondingly, the liabilities and provisions of the operating segments refer to those that are directly attributable to each operating segment's 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 operations-related items are classified as current assets and current liabilities, respectively, if these are expected to be realised/settled within twelve months, counting from the balance sheet date. Cash and cash equivalents are classified as current assets unless they are restricted. Other assets and liabilities are classified as non-current. For classification of financial instruments, see the section on financial assets and liabilities under "Recognition and carrying amounts", page 76.

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. At the beginning of the leasing period, sales revenue and a financial receivable equivalent to the present value of future minimum lease payments are recognised. The difference between the sales revenue and the cost of the leased asset is recognised as income. Lease payments received are recognised as payment of the financial receivable and as financial revenue.

Other lease contracts are classified as operating leases and are carried as lease assets among tangible non-current assets. Revenue from operating leases is recognised on a straight-line basis over the leasing period. Depreciation of the asset occurs on a straight-line basis to the estimated residual value of the asset at the end of the leasing period.

If transactions include repurchase obligations or residual value guarantees, which mean that important risks remain with Scania, they are carried as operating leases; see above.

Lease obligations (Scania as lessee)

In case of a financial lease, when the risks and rewards associated with ownership have been transferred to Scania, the leased asset is carried as a tangible non-current asset and the future commitment as a liability. The asset is initially carried at the present value of minimum lease payments at the beginning of the leasing period. The leased asset is depreciated according to a schedule and the lease payments are recognised as interest and principal payments on the liability. Operating leases are not carried as assets, since the risks and rewards associated with ownership of the asset have not been transferred to Scania. Lease payments are expensed continuously on a straight-line basis over the lease term.

BALANCE SHEET – VALUATION PRINCIPLES

Tangible non-current assets including lease assets

Tangible non-current assets are carried at cost 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.

Borrowing costs are included in the cost of assets that take a substantial period of time to get ready.

Intangible non-current assets

Scania's intangible assets consist of goodwill, capitalised expenditures for development of new products and software. Intangible non-current assets are accounted for at cost less any accumulated amortisation and impairment losses. Borrowing costs are included in the cost of assets that take a substantial period of time to get ready.

Goodwill

Goodwill arises when the cost of shares in a subsidiary exceeds the fair value of that company's acquired identifiable 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. Goodwill has an indefinite useful life and impairment testing is done at least yearly.

Capitalised product development expenditures

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, useful life is estimated at between 3-10 years.

Capitalised software development expenditures

Capitalised software development expenditures include expenditures directly attributable to completion of the software. They are amortised on a straight-line basis during the useful life of the software, which is estimated at between 3–5 years.

Impairment testing of non-current assets

The carrying amounts of Scania's intangible and tangible assets as well as its shareholdings 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. 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 there is any indication that a non-current asset has an impairment loss, the recoverable amount of the asset is estimated. The recoverable amount of the asset is its fair value minus costs to sell or value in use, whichever is higher. Value in use is an estimate of future cash flows that is discounted by an interest rate that takes into account risk for that specific asset. 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". In impairment testing, the carrying amount in the balance sheet is compared to the estimated recoverable amount.

In cases where the estimated recoverable amount of an asset or cash-generating unit is less than the carrying value, it is written down to the recoverable amount and an impairment loss is recognised in the income statement.

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 contract that gives rise to a financial asset in one company and a 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 liquid investments with a maturity amounting to a maximum of 90 days, which are subject to an insignificant risk of fluctuations in value. "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 a contractual right to receive payment. 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, where recognition occurs on the transaction date. Derivatives with positive values (unrealised gains) are recognised as "Other current receivables" or "Other non-current receivables", while derivatives with negative values (unrealised losses) are recognised as "Other current liabilities" or "Other non-current liabilities".

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 aside from those derivatives that are used as hedging instruments when hedge accounting is applied. 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.

NOTE 1 Accounting principles, continued

e) Other financial liabilities
Includes financial liabilities not held for trading. Scania's trade payables as well as borrowings belong to this category.

Recognition and carrying amounts

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.

Below are the main accounting principles that Scania applies to financial assets and financial liabilities.

Exceptions from these principles concern financial instruments included in hedging relationships and are described more thoroughly in the "Hedge accounting" section.

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. In addition to the individual assessment, provisions are made for potential bad debt losses based on a collective assessment of the assets.
d) Financial assets available for sale are carried continuously at fair value, with changes in value recognised under "Other comprehensive income" and accumulated in the currency translation reserve in equity. On the date that the 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 by using the effective interest method and are recognised in net financial items.

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

Hedge accounting

Scania is exposed to various financial risks in its operations. In order to hedge currency rate risks, interest rate risks and raw material price risks, derivatives are used. In the accounts, cash flow hedging is applied in order to hedge currency rate risks. 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. To the extent that hedging of borrowings with variable interest rates is used, derivatives are recognised according to cash flow hedging rules. In those cases where hedging of borrowings with fixed interest rates is used, derivatives are recognised according to fair value hedging rules. To a lesser extent, electricity derivatives are used in order to hedge costs of electricity consumption and currency derivatives in order to hedge net assets in subsidiaries outside Sweden.

Due to the very strict requirements in order to apply hedge accounting, 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.

Cash flow hedging

Hedging instruments, primarily currency futures 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 hedging rules. This implies that all derivatives are accounted for in the balance sheet at fair value, and changes in the value of futures contracts are recognised under "Other comprehensive income" and accumulate 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 payment flows reach the income statement.

Hedging instruments, primarily interest rate swaps that were acquired for the purpose of hedging future interest flows, are recognised according to cash flow hedging rules. This means that borrowings with variable interest rate are converted to fixed interest rate. The derivative is recognised in the balance sheet at fair value, and changes in value are recognised under "Other comprehensive income" and accumulated in the hedge reserve in equity. The interest portions of the derivative are recognised continuously in the income statement and thus affect net financial items in the same period as interest payments on the borrowings. Any gain or loss attributable to an inefficient portion is immediately recognised in the income statement.

Fair value hedging

Hedging instruments, primarily interest rate derivatives that eliminate the risk that changes in the market interest rate will affect the value of the liabilities (hedged item), are recognised according to fair value hedging rules. In these hedging relationships, the hedging instrument, i.e. the derivative, is carried at fair value and the hedged item, i.e., the borrowing, 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 match in net financial items.

Hedging of net investments outside Sweden

Currency rate risk related to net investments in subsidiaries outside Sweden that have a functional currency different from that of the Parent Company is hedged to the extent that the subsidiary is overcapitalised or has sizeable monetary assets that will not be utilised in its operations. Hedging occurs by using derivatives as hedging instruments. Translation differences on financial instruments used as hedging instruments are recognised including tax effects under "Other comprehensive income" and accumulate in the currency translation reserve in equity, provided that the hedge is efficient. This effect thus matches the translation differences that arise in equity when translating the accounts of the subsidiary outside Sweden into the functional currency of the Parent Company.

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 (Scania as lessor) 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 "Provisions for pensions and similar commitments". 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 under "Other comprehensive income", such as changes in actuarial gains/losses, is recognised together with the underlying item under "Other comprehensive income".

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.

The interest rate on top-rated corporate bonds is used in those countries where there is a functioning market for such bonds. In other countries, the interest rate on government bonds is used instead. For plans that are funded, the fair value of the plan assets is subtracted from the estimated present value of the obligation. Changes in pension obligations and plan assets, respectively, due to changes in actuarial assumptions or adjustments in actuarial parameters based on outcomes are recognised under "Other comprehensive income" ("actuarial gains and losses") and do not give rise to any effects on earnings.

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 "Provisions for pensions and similar commitments". Scania follows the rules in IAS 19 concerning limits in the valuation of net assets, since these are never valued at more than the present value of available economic benefits in the form of repayments from the plan or in the form of reductions in future fees to the plan. This value is determined as present value taking into account the discount rate in effect.

NOTE 1 Accounting principles, continued

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 Financial Services segment, selling and administrative expenses are reported as a combined item, since a division lacks relevance.

Administrative expenses

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

Financial income and expenses

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

INCOME STATEMENT – VALUATION PRINCIPLES

Revenue recognition

Revenue from the sale of goods is recognised when substantially all risks and rewards are transferred to the buyer. Where appropriate, discounts provided are subtracted from sales revenue.

Net sales – Vehicles and Services

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. The assets are recognized as lease assets in the balance sheet.
- Residual value obligation – in case of delivery of vehicles for which substantial risks remain with Scania and 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.
- 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, as expenses for fulfilment of the contract arise.

Financial Services

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

MISCELLANEOUS

Related party transactions

Related party transactions occur on market terms. "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.

Earnings per share

Earnings per share are calculated as net income for the period attributable to Parent Company shareholders, divided by the weighted 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 "Compensation to executive officers"). As a result, the rules according to IFRS 2, "Share-based payments", are not applicable.

CHANGES IN ACCOUNTING PRINCIPLES DURING THE NEXT YEAR

New standards, amended standards and interpretations that enter into force on 1 January 2010 have not been applied in advance. The following new and amended standards have not yet begun to be applied.

Revised IFRS 3, “Business Combinations” – the standard deals with reporting of business combinations (acquisitions of businesses) and includes a number of changes. The main changes concern the definition of a business combination, two alternative methods for reporting goodwill and the requirement that transaction costs be recognised as expenses when they arise. The standard will be applied prospectively to acquisitions implemented after it enters into forces. The revised standard will affect financial reports related to acquisitions implemented during the financial year 2010 and later, but is not deemed likely to have any significant effect on Scania’s financial reports.

IFRS 9, “Financial Instruments” – this standard replaces the portions of IAS 39, “Financial Instruments: Recognition and Measurement”, that deal with classification and measurement. The standard will be mandatory starting in the 2013 financial year, but earlier application is allowed provided that the EU has approved the standard, which has not yet occurred.

Other changes in standards and interpretations that enter into force on 1 January 2010 are not expected to have any impact on Scania’s accounting.

PARENT COMPANY

Parent Company accounting principles

The Parent Company has prepared its Annual Report in compliance with Sweden’s Annual Accounts Act and Recommendation RFR 2.2 “Accounting for Legal Entities” of the Swedish Financial Reporting Board. RFR 2.2 implies that the Parent Company in the Annual Report of a legal entity shall apply all International Financial Reporting Standards and interpretations approved by the EU as far as this is possible within the framework of the Annual Accounts Act, and taking into account the 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 cost-based method in accordance with the Annual Accounts Act.

The scope of financial instruments in the accounts of the Parent Company is extremely limited. The reader is thus referred to the Group’s disclosures related to IFRS 7, “Financial instruments – Disclosures”.

Subsidiaries

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

Anticipated dividends

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

Taxes

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

Group contributions

The Parent Company’s recognition of Group contributions received and provided is accounted for on the basis of their economic significance. In case a Group contribution is provided or received for tax reasons, the Group contribution including its current tax effect is recognised directly in retained earnings.

Group contributions received that are comparable to dividends are recognised as revenue in the income statement.

NOTE 2 Key judgements and estimates

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

Obligations

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.

If there are major downturns in the market value of used vehicles, this increases the risk of future losses when divesting the repossessed vehicles. When a residual value guarantee is deemed likely to result in a future loss, a provision is recognised in those cases where the expected loss exceeds the profit on the vehicle not yet recognised as revenue.

Changes in market value may also cause an impairment loss in used vehicle inventories, since these are recognised at the lower of cost and estimated net realisable value.

At the end of 2009, obligations related to residual value or repurchase amounted to about SEK 6,300 m. (6,800).

Credit risks

In its Financial Services operations, Scania has an exposure in the form of contractual payments. At the end of 2009, these amounted to SEK 40,404 m. (47,220). 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 2009, the reserve for doubtful receivables in Financial Services operations amounted to SEK 924 m. (635). See also "Credit risk exposure" under Note 30, "Financial instruments and financial risk management".

Intangible assets

Intangible assets at Scania are essentially attributable to capitalised product development expenditures and "acquisition goodwill". All goodwill items at Scania 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 sales trend, margin and discount rate before tax. See also below. In the long term, the increase in sales of Scania's products is deemed to be closely correlated with economic growth (GDP) in each respective market, which has been estimated at between 2 and 5 percent. The revenue/cost ratio, or margin, for both vehicles and service is kept constant over time compared to the latest known level. When discounting to present value, Scania uses its average cost of 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 2009, Scania's goodwill amounted to SEK 1,296 m. (1,307). The impairment tests that were carried out showed that there are ample margins before additional impairment losses will arise.

Scania's development costs are capitalised in the phase of product development where decisions are made on future production and market introduction. At that time there is future predicted revenue and a corresponding production cost. In case future volume or the price and cost trend diverges negatively from the preliminary calculation, an impairment loss may arise. Scania's capitalised development costs amounted to SEK 891 m. (872) on 31 December 2009.

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 higher discount rate decreases the recognised pension liability. In calculating the Swedish pension liability, as in 2008 the discount rate used was 4.0 percent. In 2007 the discount rate was 4.5 percent. Changes in the above-mentioned actuarial parameters is recognised in "Other comprehensive income", 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 "Other provisions" and amounted to SEK 1,075 m. (1,316) on 31 December 2009.

Legal and tax risks

On 31 December 2009, provisions for legal and tax risks amounted to SEK 1,037 m. (813). See Note 18, “Other provisions”.

Legal risks

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

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

Tax risks

The Group is party to tax proceedings. Scania’s management has made the assessment, based on individual examination, that the final outcome of these proceedings will not have any material impact on the financial position of the Group, beyond the recognised reserves.

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

Scania recognised deferred net tax liabilities totalling SEK 354 m. (401) at the end of 2009. In addition, at the end of 2009 the Group had deferred tax receivables related to unutilised tax loss carry-forwards of about SEK 108 m. (139) 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 Operating segment reporting

Scania's operations are divided into two different operating segments, which are based on how the Board of Directors and the Executive Board monitor operations. The results and financial position of each respective segment are monitored by the Board of Directors and the Executive Board, serving as the basis for decision making and allocation of resources.

The Vehicles and Services operating segment encompasses the following products: trucks, buses and engines, including the services associated with these products. All products are based on shared basic components, and monitoring of results thus occurs on an aggregated basis. Vehicles and services are, moreover, organised into shared areas of responsibility at both the industrial and sales levels.

The Financial Services operating segment provides financial solutions to Scania customers, such as loan financing, lease contracts and insurance solutions. Scania's internal pricing is determined according to market principles, at "arm's length distance". The revenue and expenses of each operating segment are, in all essential respects, items directly attributable to that respective segment. Scania has a large number of customers all over the world, which means that its dependence on a single customer in each respective operating segment is very limited.

OPERATING SEGMENT

Income statement	Vehicles and Services [4]			Financial Services [5]			Eliminations and other			Scania Group		
January – December	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Revenue from external customers [1]	**62,074**	88,977	84,486	**4,666**	4,772	4,070	**–1,842**	–1,825	–1,686	**64,898**	91,924	86,870
Expenses	**–59,431**	–76,888	–72,850	**–4,841**	–4,358	–3,538	**1,842**	1,825	1,686	**–62,430**	–79,421	–74,702
Income from holdings in associated companies	**5**	9	–4	**–**	–	–	**–**	–	–	**5**	9	–4
Operating income	**2,648**	12,098	11,632	**–175**	414	532	**–**	–	–	**2,473**	12,512	12,164
Interest income	**407**	458	479	**–**	–	–	**–**	–	–	**407**	458	479
Interest expenses	**–1,129**	–833	–693	**–**	–	–	**–**	–	–	**–1,129**	–833	–693
Other financial income and expenses [2]	**–149**	–159	–44	**–**	–	–	**–**	–	–	**–149**	–159	–44
Income before tax	**1,777**	11,564	11,374	**–175**	414	532	**–**	–	–	**1,602**	11,978	11,906
Taxes [2]	**–461**	–2,977	–3,241	**–12**	–111	–111	**–**	–	–	**–473**	–3,088	–3,352
Net income for the year	**1,316**	8,587	8,133	**–187**	303	421	**–**	–	–	**1,129**	8,890	8,554
Depreciation/ amortisation included in operating income [3]	**–2,748**	–3,235	–3,121	**–24**	–22	–17	**–**	–	–	**–2,772**	–3,257	–3,138

1 Elimination refers to income on operating leases.

2 Financial income and expenses as well as taxes are reported at segment level to better reflect the Financial Services operating segment, whose operations are based on net financing expense after taxes. For reasons of comparability, the corresponding information is also shown for the Vehicles and Services operating segment.

3 Value decrease in operating leases is not included.

4 Scania's revenue in the Vehicles and Services segment by product can be seen in Note 4.

5 Scania's revenue in the Financial Services segment by type can be seen in Note 6.

	Vehicles and Services			Financial Services			Scania Group		
Cash flow statement by segment, SEK m.	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Cash flow from operating activities	**3,581**	11,661	11,788	**511**	701	529	**4,092**	12,362	12,317
Change in working capital etc.	**5,080**	–4,501	986	**–**	–	–	**5,080**	–4,501	986
Cash flow from operating activities	**8,661**	7,160	12,774	**511**	701	529	**9,172**	7,861	13,303
Cash flow from investing activities	**–3,149**	–5,386	–4,545	**4,504**	–5,822	–5,698	**1,355**	–11,208	–10,243
Cash flow before financing activities	**5,512**	1,774	8,229	**5,015**	–5,121	–5,169	**10,527**	–3,347	3,060

Balance sheet	Vehicles and Services			Financial Services			Eliminations and other			Scania Group		
31 December	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Assets												
Intangible non-current assets	**2,292**	2,308	2,498	**25**	23	13	**–**	–	–	**2,317**	2,331	2,511
Tangible non-current assets	**22,016**	21,132	18,487	**33**	40	38	**–**	–	–	**22,049**	21,172	18,525
Lease assets [8]	**4,008**	4,558	4,269	**8,898**	9,033	8,019	**–1,789**	–1,931	–1,580	**11,117**	11,660	10,708
Shares and participations in associated companies	**488**	495	264	**–**	–	–	**–**	–	–	**488**	495	264
Interest-bearing receivables, non-current [7]	**168**	283	410	**19,097**	24,594	20,180	**–**	–	–	**19,265**	24,877	20,590
Other receivables, non-current	**2,243**	1,766	1,211	**135**	51	24	**–**	–	–	**2,378**	1,817	1,235
Inventories	**11,762**	15,550	11,242	**–**	–	–	**–**	–	–	**11,762**	15,550	11,242
Interest-bearing receivables, current [7]	**148**	286	450	**12,409**	13,593	10,115	**–**	–	–	**12,557**	13,879	10,565
Other receivables, current [6]	**8,779**	13,119	11,149	**1,212**	1,403	1,295	**–620**	–937	–764	**9,371**	13,585	11,680
Short-term investments, cash and cash equivalents	**6,648**	4,345	3,890	**499**	324	244	**–**	–	–	**7,147**	4,669	4,134
Total assets	**58,552**	63,842	53,870	**42,308**	49,061	39,928	**–2,409**	–2,868	–2,344	**98,451**	110,035	91,454
Equity and liabilities												
Equity	**18,885**	17,204	20,776	**4,418**	4,734	4,036	**–**	–	–	**23,303**	21,938	24,812
Interest-bearing liabilities [9]	**10,204**	11,574	1,678	**36,228**	42,072	33,680	**–**	–	–	**46,432**	53,646	35,358
Provisions for pensions	**4,963**	4,601	3,985	**20**	20	20	**–**	–	–	**4,983**	4,621	4,005
Other non-current provisions	**1,784**	1,658	2,248	**3**	3	614	**–**	–	–	**1,787**	1,661	2,862
Other liabilities, non-current	**4,038**	4,805	3,372	**700**	707	–	**–**	–	–	**4,738**	5,512	3,372
Current provisions	**1,097**	1,313	2,024	**3**	2	–	**–**	–	–	**1,100**	1,315	2,024
Other liabilities, current [6, 8]	**17,581**	22,687	19,787	**936**	1,523	1,578	**–2,409**	–2,868	–2,344	**16,108**	21,342	19,021
Total equity and liabilities	**58,552**	63,842	53,870	**42,308**	49,061	39,928	**–2,409**	–2,868	–2,344	**98,451**	110,035	91,454
Gross investment for the period in												
– Intangible non-current assets	**310**	213	458	**5**	8	7	**–**	–	–	**315**	221	465
– Tangible non-current assets	**3,126**	4,900	3,795	**18**	24	24	**–**	–	–	**3,144**	4,924	3,819
– Lease assets	**1,362**	1,584	2,054	**3,789**	4,370	3,642	**–**	–	–	**5,151**	5,954	5,696

6 Elimination refers to intra-Group receivables and liabilities between the two segments.

7 Interest-bearing receivables in the Financial Services segment mainly consist of hire purchase receivables and financial lease receivables.

8 Elimination refers to deferred profit on lease assets.

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

NOTE 3 Operating segment reporting, continued

GEOGRAPHIC AREAS

	Western Europe			Central and eastern Europe			Asia		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Vehicles and Services									
Net sales, January–December [1]	**33,498**	51,319	49,452	**5,468**	13,781	14,146	**6,096**	6,665	5,699
Assets, 31 December [2,]	**40,171**	45,410	37,416	**4,283**	5,838	4,359	**1,559**	1,926	1,482
Gross investments [2]	**2,859**	4,120	3,464	**261**	450	328	**24**	90	35
Non-current assets	**24,559**	22,614	19,670	**2,114**	2,211	1,768	**316**	495	355
Financial Services									
Revenue, January–December [1]	**3,292**	3,313	2,935	**714**	902	618	**218**	168	186
Assets, 31 December [2]	**27,679**	31,902	26,268	**8,290**	10,795	8,592	**2,325**	2,404	2,149
New financing to customers	**10,663**	18,142	14,041	**1,858**	4,591	4,739	**1,018**	898	861
Non-current assets	**20,180**	23,653	19,986	**4,598**	6,535	5,477	**1,231**	1,353	1,184

1 Revenue from external customers is allocated by location of customers.

2 Assets and gross investments, respectively (excluding lease assets), by geographic location.

GEOGRAPHIC AREAS

The business of the operating segments is monitored based on a geographic division of countries in which Sweden is part of the western European market. The geographic division of Scania is based on where customers are located and consists of five parts: western Europe, central and eastern Europe, Asia, America and other markets. The list below shows what countries are included in each of these areas. Sales of Scania's products occur in all five geographic areas. Financial Services is found mainly in the European markets and to a lesser extent in the others. Most of Scania's research and development work occurs in Sweden. Manufacturing of trucks, buses and industrial and marine engines occurs in a number of locations in Sweden, Argentina, Brazil, France, the Netherlands, Poland and Russia.

COMPOSITION OF GEOGRAPHIC AREAS

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

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

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

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

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

NOTE 4 Revenue from external customers

Vehicles and Services	**2009**	2008	2007
Trucks	**32,832**	55,566	52,599
Buses	**8,837**	8,186	7,429
Engines	**821**	1,151	1,185
Service	**15,904**	16,393	15,139
Used vehicles	**4,403**	4,370	5,270
Other products [3]	**–208**	3,812	3,840
Total delivery value	**62,589**	89,478	85,462
Adjustment for lease income [1]	**–515**	–501	–976
Net sales Vehicles and Services	**62,074**	88,977	84,486
Financial Services	**4,666**	4,772	4,070
Eliminations [2]	**–1,842**	–1,825	–1,686
Revenue from external customers	**64,898**	91,924	86,870

1 Refers to the difference between sales value based on deliveries and revenue recognised as income. This difference arises when a lease or delivery, combined with a residual value guarantee or a repurchase obligation, which means that significant risks remain, is recognised as an operating lease. Refers mainly to trucks, SEK 104 m. (–367 and –1,090, respectively) and buses SEK –512 m. (–51 and 182, respectively). The adjustment from delivery value to net sales in operating leases occurs in two steps. First the entire delivery value of vehicles delivered during the period is subtracted from sales. Then the portion of delivery value attributable to the period in question for vehicles delivered during this and earlier periods is added to sales.

2 Elimination refers mainly to lease income on operating leases.

3 Currency hedging income amounted to SEK –2,140 m. (–210 and –130, respectively).

	America			Other markets			Total		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
	11,812	12,822	10,573	**5,200**	4,390	4,616	**62,074**	88,977	84,486
	10,730	8,860	9,082	**1,809**	1,808	1,531	**58,552**	63,842	53,870
	255	427	397	**37**	26	29	**3,436**	5,113	4,253
	3,855	2,980	3,398	**371**	310	368	**31,215**	28,610	25,559
	25	12	16	**417**	377	315	**4,666**	4,772	4,070
	585	226	172	**3,429**	3,734	2,747	**42,308**	49,061	39,928
	139	50	131	**1,315**	1,212	771	**14,993**	24,893	20,543
	231	111	88	**1,948**	2,090	1,539	**28,188**	33,742	28,274

NOTE 5 Operating expenses

Vehicles and Services	2009	2008	2007
Cost of goods sold			
Cost of goods	**31,230**	41,719	40,343
Staff	**9,124**	10,377	9,623
Depreciation/amortisation	**1,991**	2,275	2,233
Other	**6,545**	10,145	9,611
Total	**48,890**	64,516	61,810
Research and development expenses			
Staff	**1,418**	1,616	1,372
Depreciation/amortisation	**494**	687	613
Other	**1,304**	1,925	1,358
Total	**3,216**	4,228	3,343
Selling expenses			
Staff	**3,142**	3,377	2,846
Depreciation/amortisation	**255**	257	257
Other	**3,010**	3,368	3,335
Total	**6,407**	7,002	6,438
Administrative expenses			
Staff	**706**	816	623
Depreciation/amortisation	**8**	16	18
Other	**204**	310	618
Total	**918**	1,142	1,259

Financial Services	2009	2008	2007
Selling and administrative expenses			
Staff	**332**	319	280
Depreciation/amortisation	**24**	22	17
Other	**182**	177	173
Total	**538**	518	470

Cost of goods includes new trucks, buses, engines, parts, used vehicles, bodywork and cars. The cost of goods may vary, depending on the degree of integration in different markets. Capitalised product development expenditures have reduced the expense categories “Staff” and “Other”.

NOTE 6 Financial Services

Financial Services offers various forms of financing solutions in which it provides loans, ordinarily with maturities of between 3–5 years, with the vehicle as underlying collateral. Market conditions as well as civil law and tax rules in each country often determine what financing solution is offered. Financing consists mainly of financial leases, in which the right of ownership of the vehicle remains with Scania until the receivable is paid in its entirety. If hire purchase contracts are offered, this means that the right of ownership is transferred to the customer on the date of sale, but Financial Services receives collateral in the form of a lien on the vehicle. If Financial Services offers a lease when delivering vehicles for which substantial risks remain with Scania, primarily attributable to guaranteed residual values, the contract is recognised as an operating lease.

	2009	2008	2007
Interest income	**2,303**	2,455	1,934
Lease income	**2,363**	2,317	2,136
Depreciation	**–1,842**	–1,825	–1,686
Interest expenses	**–1,672**	–1,838	–1,371
Net interest income	**1,152**	1,109	1,013
Other income and expenses	**44**	50	79
Gross income	**1,196**	1,159	1,092
Selling and administrative expenses	**–538**	–518	–470
Bad debt expenses [1]	**–833**	–227	–90
Operating income	**–175**	414	532

1 These expenses were equivalent to 1.90 (0.53 and 0.26, respectively) percent of the average credit portfolio.

Lease assets (operating leases)	2009	2008	2007
1 January	**9,033**	8,019	7,379
New contracts	**3,789**	4,370	3,642
Depreciation	**–1,842**	–1,825	–1,686
Terminated contracts	**–1,873**	–2,109	–1,543
Change in value adjustments	**57**	–45	29
Exchange rate differences	**–266**	623	198
Carrying amount, 31 December [2]	**8,898**	9,033	8,019

2 The carrying amount in the consolidated balance sheet also includes elimination of deferred profit recognition and internal gains. See Note 3.

Financial receivables (hire purchase contracts and financial leases)	2009	2008	2007
1 January	**38,187**	30,295	24,462
New receivables	**11,204**	20,523	16,901
Loan principal payments/ terminated contracts	**–16,336**	–15,320	–11,737
Change in value adjustments	**–360**	–4	–101
Exchange rate differences	**–1,189**	2,693	770
Carrying amount, 31 December	**31,506**	38,187	30,295
Total receivables and lease assets [3]	**40,404**	47,220	38,314

3 The number of contracts in the portfolio on 31 December totalled about 88,000 (94,000 and 87,000, respectively).

Net investments in financial leases	2009	2008	2007
Receivables related to future minimum lease payments	**27,988**	33,543	26,686
Less:			
Reserve for bad debts	**–891**	–539	–531
Imputed interest	**–2,589**	–3,086	–2,344
Net investment [4]	**24,508**	29,918	23,811

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

Future minimum lease payments [5]	Operating leases	Financial leases
2010	1,834	11,490
2011	1,431	7,713
2012	945	5,070
2013	465	2,522
2014	216	885
2015 and thereafter	153	308
Total	**5,044**	**27,988**

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 lease payment for these contracts.

NOTE 7 Financial income and expenses

	2009	2008	2007
Interest income			
Bank balances and financial investments	**320**	372	333
Derivatives [1]	**19**	16	83
Expected return on pension assets	**68**	70	63
Total financial income	**407**	458	479
Interest expenses			
Borrowings	**–273**	–469	–349
Derivatives [1]	**–570**	–126	–138
Pension liability	**–286**	–238	–206
Total financial expenses	**–1,129**	–833	–693
Other financial income [2]	**227**	135	74
Other financial expenses [2]	**–376**	–294	–118
Net financial items	**–871**	–534	–258

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 to SEK –15 m. (–144 and –38, respectively) in market valuation of financial instruments as well as exchange rate differences and bank-related costs.

NOTE 8 Taxes

Tax expense/income for the year	2009	2008	2007
Current tax [1]	**–1,178**	–3,181	–3,410
Deferred tax	**705**	93	58
Total	**–473**	–3,088	–3,352
1 Of which, taxes paid:	**–1,136**	–3,803	–3,232

Deferred tax is attributable to the following:	2009	2008	2007
Deferred tax related to temporary differences	**–435**	359	285
Deferred tax due to changes in tax rates and tax rules [2]	**–14**	144	–67
Deferred tax income due to tax value of loss carry-forwards capitalised during the year	**132**	67	204
Deferred tax expense due to utilisation of previously capitalised tax value of tax loss carry-forwards	**–38**	–308	–39
Deferred tax related to change in provision to tax allocation reserve	**1,105**	–142	–327
Other deferred tax liabilities/assets	**–45**	–27	2
Total	**705**	93	58

2 The effect of changes in tax rates during 2009 mainly refers to Russia and in 2008 mainly refers to Sweden. During 2007, the tax rate changed in the following countries, among others: Germany, Spain and the Czech Republic.

NOTE 8 Taxes, continued

	2009		2008		2007	
Reconciliation of effective tax	**Amount**	**%**	Amount	%	Amount	%
Income before tax	**1,602**		11,978		11,906	
Tax calculated using Swedish tax rate	**–421**	**26,3**	–3,354	28	–3,334	28
Tax effect and percentage influence:						
Difference between Swedish and foreign tax rates	**–296**	**18**	–339	3	–166	1
Tax-exempt income	**354**	**–22**	491	–4	233	–2
Non-deductible expenses	**–161**	**10**	–168	1	–102	1
Utilisation of tax value of loss carry-forwards not previously recognised	**27**	**–2**	128	–1	179	–2
Valuation of tax value of loss carry-forwards not previously recognised	**5**	**0**	28	0	24	0
Adjustment for taxes pertaining to previous years	**23**	**–1**	–26	0	–90	1
Changed tax rates	**–9**	**1**	132	–1	–69	1
Other	**5**	**0**	20	0	–27	0
Tax recognised	**–473**	**30**	–3,088	26	–3,352	28

Deferred tax assets and liabilities are attributable to the following:	**2009**	2008	2007
Deferred tax assets			
Provisions	**551**	563	639
Provisions for pensions	**694**	507	430
Non-current assets	**597**	775	871
Inventories	**510**	987	550
Unutilised tax loss carry-forwards [3]	**286**	190	399
Derivatives	**30**	759	53
Other	**802**	718	611
Offset within tax jurisdictions	**–2,651**	–3,831	–3,025
Total deferred tax assets [4]	**819**	668	528
Deferred tax liabilities			
Property, plant and equipment	**3,225**	3,238	3,333
Tax allocation reserve [5]	**415**	1,521	1,468
Other	**184**	141	33
Offset within tax jurisdictions	**–2,651**	–3,831	–3,025
Total deferred tax liabilities	**1,173**	1,069	1,809
Net deferred tax liabilities	**354**	401	1,281

3 Unutilised tax loss carry-forwards in 2009 stemmed mainly from Latin America, Germany, Belgium and Spain. Of the deferred tax assets attributable to unutilised tax loss carry-forwards, SEK 205 m. may be utilised without time constraints.

4 Deferred tax assets related to subsidiaries that reported a loss during 2009 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 108 m. (139 and 143, respectively) were not assigned a value after assessment of the potential for utilising the tax loss carry-forwards.

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.

NOTE 8 Taxes, continued

Reconciliation of net deferred tax liabilities	2009	2008	2007
Carrying value on 1 January	**401**	1,281	1,629
Deferred taxes recognised in the year's income	**–705**	–93	–58
Exchange rate differences	**–83**	81	10
Tax assets/tax liabilities in acquired businesses	**–**	–	–118
Recognised in Other comprehensive income, changes attributable to:			
actuarial gains and losses on pensions	**–22**	–165	–74
currency translation reserve	**7**	–36	–
hedge reserve	**756**	–667	–108
Net deferred tax liabilities, 31 December	**354**	401	1,281

Expiration structure of deferred tax assets related to tax loss carry-forwards not recognised	2009
2010	**–**
2011	**–**
2012	**–**
2013	**0**
2014	**2**
2015 and thereafter	**61**
No expiration date	**45**
Total	**108**

NOTE 9 Earnings per share

Earnings per share	2009	2008	2007
Net income for the year attributable to Scania shareholders, SEK m.	**1,129**	8,890	8,554
Weighted average, millions of shares outstanding during the year	**800**	800	800
Earnings per share before/ after dilution, SEK	**1.41**	11.11	10.69

There are no financial instruments that can lead to dilution.

NOTE 10 Depreciation/amortisation

Vehicles and Services	2009	2008	2007
Intangible non-current assets			
Development expenses	**268**	481	421
Selling expenses	**39**	29	38
Total	**307**	510	459
Tangible non-current assets			
Costs of goods sold [1]	**1,991**	2,275	2,233
Research and development expenses	**226**	206	192
Selling expenses	**216**	228	219
Administrative expenses	**8**	16	18
Total	**2,441**	2,725	2,662
Total depreciation/amortisation, Vehicles and Services	**2,748**	3,235	3,121

1 Of which, a value decrease of SEK 302 m. (278 and 256, respectively) related to short-term leasing in Vehicles and Services. In addition, there was a value decrease of SEK 568 m. (748 and 929, respectively) in operating leases as well as a value decrease of capitalised repurchasing obligations, which was charged to the cost of goods sold.

Financial Services	2009	2008	2007
Operating leases (payments of principal)	**1,842**	1,825	1,686
Other non-current assets	**24**	22	17
Total depreciation/amortisation, Financial Services	**1,866**	1,847	1,703

NOTE 11 Intangible non-current assets

2009	Goodwill	Development[1]	Other intangibles[1]	Total
Accumulated cost				
1 January	1,320	2,489	479	**4,288**
Additions	–	287	28	**315**
Divestments and disposals	–	–8	–13	**–21**
Exchange rate differences	–9	–	10	**1**
Total	**1,311**	**2,768**	**504**	**4,583**
Accumulated amortisation				
1 January	–	1,617	314	**1,931**
Amortisation for the year				
– Vehicles and Services	–	264	43	**307**
– Financial Services	–	–	9	**9**
Divestments and disposals	–	–4	–13	**–17**
Exchange rate differences	–		8	**8**
Total	**–**	**1,877**	**361**	**2,238**
Accumulated impairment losses				
1 January	13	–	13	**26**
Impairment loss for the year	2	–	–	**2**
Total	15	–	13	**28**
Carrying amount, 31 December	**1,296**	**891**	**130**	**2,317**
– of which capitalised expenditures for projects that have been placed in service		727		
– of which capitalised expenditures for projects under development		164		

2008	Goodwill	Development	Other intangibles[1]	Total
Accumulated cost				
1 January	1,221	2,288	419	3,928
Additions[2]	–22	202	41	221
Divestments and disposals	–	–1	–5	–6
Reclassifications	–	–	20	20
Exchange rate differences	121	–	4	125
Total	1,320	2,489	479	4,288
Accumulated amortisation				
1 January	–	1,143	271	1,414
Amortisation for the year				
– Vehicles and Services	–	474	36	510
– Financial Services	–	–	9	9
Divestments and disposals	–	–	–5	–5
Reclassifications	–	–	2	2
Exchange rate differences	–	–	1	1
Total	–	1,617	314	1,931
Accumulated impairment losses				
1 January	–	–	3	3
Impairment loss for the year	13	–	10	23
Total	13	–	13	26
Carrying amount, 31 December	**1,307**	**872**	**152**	**2,331**
– of which capitalised expenditures for projects that have been placed in service		682		
– of which capitalised expenditures for projects under development		190		

2007	Goodwill	Development	Other intangibles [1]	Total
Accumulated cost				
1 January	1,041	2,001	363	3,405
Additions	131	293	41	465
Divestments and disposals	–	–6	–2	–8
Reclassifications	–	–	7	7
Exchange rate differences	49	–	10	59
Total	1,221	2,288	419	3,928
Accumulated amortisation				
1 January	–	726	212	938
Amortisation for the year				
– Vehicles and Services	–	418	41	459
– Financial Services	–	–	7	7
Divestments and disposals	–	–1	–	–1
Exchange rate differences	–	–	11	11
Total	–	1,143	271	1,414
Accumulated impairment losses				
1 January	–	–	3	3
Impairment loss for the year	–	–	–	–
Total	–	–	3	3
Carrying amount, 31 December	**1,221**	**1,145**	**145**	**2,511**

Scania tests the value of goodwill and other intangible assets at least yearly. Impairment testing is carried out for cash-generating units, which usually correspond 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. 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".

Intangible assets are essentially attributable to capitalised product development expenditures and "acquisition goodwill". All goodwill items are attributable to acquisitions of previously independent importers/dealers that comprise separate cash-generating units.

1 Refers mainly to software, which is purchased externally in its entirety.

2 Goodwill additions in 2008 refer to the adjusted purchase price for the acquisition in Portugal in 2007.

NOTE 12 Tangible non-current assets

2009	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets[1]	Total
Accumulated cost					
1 January	16,111	26,189	3,192	17,282	**62,774**
Acquisitions/divestments of subsidiaries	23	78	–	–	**101**
Additions	212	768	2,164	5,151	**8,295**
Divestments and disposals	–68	–1,556	–23	–5,547	**–7,194**
Reclassifications	1,150	2,482	–3,617	32	**47**
Exchange rate differences	–131	876	–1	–431	**313**
Total	**17,297**	**28,837**	**1,715**	**16,487**	**64,336**
Accumulated depreciation					
1 January	6,212	18,108	–	5,529	**29,849**
Acquisitions/divestments of subsidiaries	7	5	–	–	**12**
Depreciation for the year					
– Vehicles and Services	370	1,769	–	870	**3,009**
– Financial Services	–	15	–	1,842	**1,857**
Divestments and disposals	–28	–1,374	–	–2,814	**–4,216**
Reclassifications	19	–19	–	2	**2**
Exchange rate differences	2	714	–	–96	**620**
Total	**6,582**	**19,218**	**–**	**5,333**	**31,133**
Accumulated impairment losses[2]					
1 January	–	–	–	93	**93**
Change in value for the year	–	–	–	–57	**–57**
Exchange rate differences	–	–	–	1	**1**
Total	**–**	**–**	**–**	**37**	**37**
Carrying amount, 31 December	**10,715**	**9,619**	**1,715**	**11,117**	**33,166**
– of which "Machinery"		8,239			
– of which "Equipment"		1,380			
– of which "Buildings"	8,170				
– of which "Land"	2,545				
– of which Financial Services		33		8,898	**8,931**

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 credit losses.

2008	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets [1]	Total
Accumulated cost					
1 January	14,402	24,330	2,545	15,992	57,269
Acquisitions/divestments of subsidiaries	5	–7	–	–	–2
Additions	356	951	3,617	5,954	10,878
Divestments and disposals	–201	–1,411	–3	–5,534	–7,149
Reclassifications	713	2,396	–2,994	–330	–215
Exchange rate differences	836	–70	27	1,200	1,993
Total	16,111	26,189	3,192	17,282	62,774
Accumulated depreciation					
1 January	5,471	17,281	–	5,249	28,001
Acquisitions/divestments of subsidiaries	5	–7	–	–	–2
Depreciation for the year					
– Vehicles and Services	396	2,050	–	1,027	3,473
– Financial Services	–	13	–	1,825	1,838
Divestments and disposals	–52	–1,157	–	–2,476	–3,685
Reclassifications	132	51	–	–330	–147
Exchange rate differences	260	–123	–	234	371
Total	6,212	18,108	–	5,529	29,849
Accumulated impairment losses [2]					
1 January	–	–	–	35	35
Change in value for the year	–	–	–	45	45
Exchange rate differences	–	–	–	13	13
Total	–	–	–	93	93
Carrying amount, 31 December	**9,899**	**8,081**	**3,192**	**11,660**	**32,832**
– of which “Machinery”		6,886			
– of which “Equipment”		1,195			
– of which “Buildings”	7,359				
– of which “Land”	2,540				
– of which Financial Services		40		9,033	9,073

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 credit losses.

NOTE 12 Tangible non-current assets, continued

2007	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets[1]	Total
Accumulated cost					
1 January	13,054	23,398	2,323	14,288	53,063
Acquisitions/divestments of subsidiaries	74	64	–	–	138
Additions	305	827	2,687	5,696	9,515
Divestments and disposals	–203	–2,277	–40	–4,721	–7,241
Reclassifications	762	1,687	–2,469	293	273
Exchange rate differences	410	631	44	436	1,521
Total	14,402	24,330	2,545	15,992	57,269
Accumulated depreciation					
1 January	5,068	16,577	–	4,558	26,203
Acquisitions/divestments of subsidiaries	12	41	–	–	53
Depreciation for the year					
– Vehicles and Services	328	2,078	–	1,185	3,591
– Financial Services	–	10	–	1,686	1,696
Divestments and disposals	–73	–1,902	–	–2,276	–4,251
Reclassifications	–2	–1	–	–8	–11
Exchange rate differences	138	478	–	104	720
Total	5,471	17,281	–	5,249	28,001
Accumulated impairment losses[2]					
1 January	–	–	–	64	64
Change in value for the year	–	–	–	–29	–29
Total	–	–	–	35	35
Carrying amount, 31 December	**8,931**	**7,049**	**2,545**	**10,708**	**29,233**
– of which "Machinery"		5,975			
– of which "Equipment"		1,074			
– of which "Buildings"	6,736				
– of which "Land"	2,195				
– of which Financial Services		38		8,019	8,057

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 credit losses.

	2009	2008	2007
Buildings in Sweden			
Tax assessment value	**1,421**	1,416	1,292
Equivalent carrying amount	**2,737**	2,201	2,126
Land in Sweden			
Tax assessment value	**605**	605	520
Equivalent carrying amount	**448**	448	448

NOTE 13 Holdings in associated companies, joint ventures etc.

	2009	2008	2007
Carrying amount, 1 January	**473**	242	148
Acquisitions, capital contributions, divestments and impairment losses during the year [1]	**24**	161	106
Exchange rate differences	**–32**	73	–3
Share in income for the year	**5**	9	–4
Dividends	**–1**	–12	–5
Carrying amount, 31 December	**469**	473	242
Contingent liabilities	**–**	–	–

1 SEK 24 m (161). refers to a capital contribution to Cummins-Scania XPI. Scania has a joint venture agreement with Cummins Inc.

Share of assets, liabilities, revenue and income	2009	2008	2007
Non-current assets	**372**	342	172
Current assets	**165**	300	145
Non-current liabilities	**8**	9	13
Current liabilities	**60**	160	62
Scania's share of net assets	**469**	473	242
Sales revenue	**490**	481	663
Income before taxes	**7**	13	–6
Taxes	**–2**	–4	2
Net income for the year	**5**	9	–4

Associated company or joint venture/ corporate ID number/country of registration	**Ownership %**	**Carrying amount in Parent Company financial statements**	**Value of Scania's share in consolidated financial statements**		
			2009	2008	2007
Cummins-Scania HPI L.L.C; 043650113, USA	30	0	**15**	16	18
BitsData AB, 556112-2613, Sweden	33	2	**4**	6	5
ScaMadrid S.A., ES A80433519, Spain	49	23	**26**	27	25
ScaValencia S.A., ES A46332995, Spain	26	16	**24**	25	20
Holdings in associated companies			**69**	74	68
Cummins-Scania XPI Manufacturing L.L.C; 20-3394999, USA	50	367	**393**	395	169
Other	–	2	**7**	4	5
Holdings in joint ventures			**400**	399	174
Holdings in associated companies and joint ventures			**469**	473	242
Other shares and participations			**19**	22	22
Total			**488**	495	264

NOTE 14 Inventories

	2009	2008	2007
Raw materials, components and supplies	**1,285**	1,417	1,409
Work in progress	**1,223**	1,125	1,212
Finished goods [1]	**9,254**	13,008	8,621
Total	**11,762**	15,550	11,242
1 Of which, used vehicles	**1,884**	1,763	853
Value adjustment reserve, 31 December	**–997**	–880	–500

NOTE 15 Other receivables

	2009	2008	2007
Prepaid expenses and accrued income	**36**	25	30
Derivatives with positive market value	**848**	517	120
Value-added tax	**1**	3	–
Advance payments	**26**	1	0
Other receivables	**585**	547	557
Total other non-current receivables	**1,496**	1,093	707
Prepaid expenses and accrued income	**863**	1,920	1,429
Derivatives with positive market value	**468**	1,147	285
Value-added tax	**739**	1,305	1,178
Advance payments	**183**	240	209
Other receivables	**553**	807	787
Total other current receivables	**2,806**	5,419	3,888
Total other receivables	**4,302**	6,512	4,595

NOTE 16 Equity

The equity of the Scania Group has changed as follows:

2009	Share capital	Contributed capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania shareholders	Minority interest	Total equity
Equity, 1 January	2,000	1,120	–2,075	1,471	19,421	21,937	1	21,938
Exchange differences on translation				188		188		188
Hedging of net assets in operations outside Sweden				–1		–1		–1
Hedge reserve								
Change in value related to cash flow hedge recognised in other comprehensive income			719			719		719
Cash flow reserve transferred to sales revenue in income statement			2,155			2,155		2,155
Actuarial gains/losses etc. related to pensions recognised in other comprehensive income					–84	–84		–84
Tax attributable to items recognised in other comprehensive income			–756	–7	22	–741		–741
Total other comprehensive income	**–**	**–**	**2,118**	**180**	**–62**	**2,236**	**0**	**2,236**
Net income for the year					1,129	1,129		1,129
Change in minority share							0	0
Dividend to Scania AB shareholders					–2,000	–2,000		–2,000
Equity, 31 December	**2,000**	**1,120**	**43**	**1,651**	**18,488**	**23,302**	**1**	**23,303**

NOTE 16 Equity, continued

2008	Share capital	Contributed capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania shareholders	Minority interest	Total equity
Equity, 1 January	2,000	1,120	–189	886	20,991	24,808	4	24,812
Exchange differences on translation				771		771		771
Hedging of net assets in operations outside Sweden				–222		–222		–222
Hedge reserve								
Change in value related to cash flow hedge recognised in other comprehensive income			–2,762			–2,762		–2,762
Cash flow reserve transferred to sales revenue in income statement			209			209		209
Actuarial gains/losses etc. related to pensions recognised in other comprehensive income					–625	–625		–625
Tax attributable to items recognised in other comprehensive income			667	36	165	868		868
Total other comprehensive income	–	–	–1,886	585	–460	–1,761	0	–1,761
Net income for the year					8,890	8,890		8,890
Change in minority share							–1	–1
Redemption					–6,000	–6,000		–6,000
Dividend to Scania AB shareholders					–4,000	–4,000		–4,000
Dividend to minority interest							–2	–2
Equity, 31 December	**2,000**	**1,120**	**–2,075**	**1,471**	**19,421**	**21,937**	**1**	**21,938**

2007	Share capital	Contributed capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania shareholders	Minority interest	Total equity
Equity, 1 January	2,000	1,120	87	243	22,679	26,129	5	26,134
Exchange differences on translation				643		643	–1	642
Hedge reserve								
Change in value related to cash flow hedge recognised in other comprehensive income			–521			–521		–521
Cash flow reserve transferred to sales revenue in income statement			137			137		137
Actuarial gains/losses etc. related to pensions recognised in other comprehensive income					–316	–316		–316
Tax attributable to items recognised in other comprehensive income			108		74	182		182
Total other comprehensive income	–	–	–276	643	–242	125	–1	124
Net income for the year					8,554	8,554		8,554
Redemption					–7,000	–7,000		–7,000
Dividend to Scania AB shareholders					–3,000	–3,000		–3,000
Equity, 31 December	**2,000**	**1,120**	**–189**	**886**	**20,991**	**24,808**	**4**	**24,812**

NOTE 16 Equity, continued

The share capital of Scania AB consists of 400,000,000 Series A shares outstanding with voting rights of one vote per share and 400,000,000 Series B shares outstanding with voting rights of 1/10 vote per share. A and B shares carry the same right to a portion of the company's assets and profit. The nominal value of both A and B shares is SEK 2.50 per share. All shares are fully paid and no shares are reserved for transfer of ownership. No shares are held by the company itself or its subsidiaries.

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, "Financial Instruments: Recognition and Measurement".

The currency translation reserve arises when translating net assets outside Sweden according to the current method of accounting. The positive exchange rate difference of SEK 188 m. during 2009 arose as a result of the Swedish krona's depreciation against currencies important to Scania. The exchange rate differences were mainly due to the depreciation of the krona against the Brazilian real, which was partly offset by the appreciation of the krona against the euro. The currency translation reserve also includes currency rate differences related to monetary items for businesses outside Sweden deemed to be a part of the company's net investment, as well as currency rate differences attributable to a change in the market value of hedging of net assets in the business outside Sweden.

Retained earnings consist not only of accrued profits but also of the change in pension liability attributable to changes in actuarial gains and losses etc. recognised in "Total other comprehensive income". Regarding changes in actuarial assumptions, see also Note 17, "Provisions for pensions and similar commitments". The Parent Company's regular dividend related to 2008 was SEK 2,000 m., equivalent to SEK 2.50 per share.

The proposed regular dividend related to 2009 is SEK 800 m., equivalent to SEK 1.00 per share.

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

The equity of the Scania Group consists of the sum of equity attributable to Scania's shareholders and equity attributable to minority interest. At year-end 2008, the Group's equity totalled SEK 23,303 m. (21,938). According to the Group's Financial Policy, the Group's financial position shall meet the requirements of the business objectives it has established. At present, this is deemed to presuppose a financial position equivalent to the requirements for obtaining at least an A– credit rating from the most important rating institutions.

In order to maintain the necessary capital structure, the Group may adjust the amount of its dividend to shareholders, distribute capital to the shareholders or sell assets and thereby reduce debt.

Financial Services includes eleven companies that are subject to oversight by national financial inspection authorities. In some countries, Scania must comply with local capital adequacy requirements. During 2009, these units met their capital adequacy requirements.

The Group's Financial Policy contains targets for key ratios related to the Group's financial position. These coincide with the ratios used by credit rating institutions. Scania's credit rating according to Standard and Poor's at the end of 2009 was for:

- long-term borrowing: A–
- outlook: Negative
- short-term borrowing: A–2
- short-term borrowing, Sweden: K–1.

During the year, the parent company Volkswagen AG's credit rating was changed from Stable to Negative. As a result of this, Scania's credit rating was changed from Stable to Negative.

Reconciliation of change in number of shares outstanding	**2009**	2008	2007
Number of A shares outstanding, 1 January	**400,000,000**	400,000,000	100,000,000
Share split in 2008 and 2007 (2 to 1 and 5 to 1, respectively) with mandatory redemption of the second and fifth share, respectively	**–**	0	300,000,000
Number of A shares outstanding, 31 December	**400,000,000**	400,000,000	400,000,000
Number of B shares outstanding, 1 January	**400,000,000**	400,000,000	100,000,000
Share split in 2008 and 2007 (2 to 1 and 5 to 1, respectively) with mandatory redemption of the second and fifth share, respectively	**–**	0	300,000,000
Number of B shares outstanding, 31 December	**400,000,000**	400,000,000	400,000,000
Total number of shares, 31 December	**800,000,000**	800,000,000	800,000,000

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 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. The largest plans are found in Sweden, Great Britain and Brazil, among other countries. The plans 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.

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 Metalektro, 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 56 m. (33 and 64, respectively). A surplus or deficit at Alecta may mean a refund to the Group or lower or higher future premiums. At year-end 2009, Alecta's surplus, in the form of a collective consolidation level, amounted to 141 (112 and 152, respectively) percent. The collective consolidation level consists of the market value of Alecta's assets as a percentage of its insurance obligations calculated according to Alecta's actuarial assumptions.

In the Dutch plans, both companies and employees contribute to the plan. The companies' premiums to MN Services amounted to SEK 28 m. (25 and 24, respectively) and to PVF Achmea SEK 50 m. (52 and 48, respectively). The consolidation level amounted to 101 percent (86 and 148, respectively) for MN Services. PVF Achmea had an A+/Negative rating from Standard & Poors for 2009 (A+ rating for 2008, and the consolidation level was 133 percent for 2007). PVF Achmea did not disclose its consolidation level for 2009 and 2008.

Scania's forecasted disbursement of pensions related to defined-benefit plans, both funded and unfunded, is SEK 231 m. for 2010 (253 for 2009 and 198 for 2008, respectively).

	Expenses related to pension obligations			Expenses related to health care benefits			Expenses related to other obligations		
Expenses for pensions and other defined-benefit obligations recognised in the income statement	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Current service expenses	**–264**	–170	–131	**–6**	–6	–4	**–3**	–3	–3
Interest expenses	**–250**	–205	–173	**–31**	–28	–29	**–6**	–6	–4
Expected return on plan assets	**62**	65	58	**–**	–	–	**6**	5	5
Past service expenses	**–5**	–29	–	**–**	–	–	**0**	–	–
Net gains (+) and losses (–) due to curtailments and settlements	**4**	2	2	**–**	–	–	**–**	–	–
Curtailment in the valuation of net assets	**6**	–4	–10	**–**	–	–	**–**	–	–
Total expense for defined-benefit obligations recognised in the income statement	**–447**	–341	–254	**–37**	–34	–33	**–3**	–4	–2

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 565 m. (437 and 479, respectively) during 2009.

Pension expenses and other defined-benefit payments are found in the income statement under the headings "Cost of goods sold", SEK 193 m. (143 and 88, respectively) and "Selling expenses", SEK 76 m. (67 and 58, respectively). The interest portion of pension expenses, along with the return on plan assets, is found under "Financial interest income" and "Financial interest expenses".

NOT 17 Provisions for pensions and similar commitments, continued

Expenses for pensions and other defined-benefit obligations recognised in other comprehensive income	Expenses related to pension obligations			Expenses related to health care benefits			Expenses related to other obligations		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Experience-based adjustments in pension liability	**–119**	–292	–228	**–20**	48	1	**–2**	10	4
Experience-based adjustments in plan assets	**58**	–146	–13	**1**	–	–	**2**	–3	–5
Effects of changes in actuarial assumptions	**–21**	–229	–31	**–**	–	–	**–1**	–	–
Net actuarial gains (+) and losses (–) for the year	**–82**	– 667	–272	**–19**	48	1	**–1**	7	–1
Special payroll tax related to actuarial gains and losses	**–8**	–134	–58	**–**	–	–	**–**	–	–
Curtailment in valuation of net assets	**26**	121	14	**–**	–	–	**–**	–	–
Total expense/revenue for defined-benefit obligations recognised in other comprehensive income	**–64**	–680	–316	**–19**	48	1	**–1**	7	–1

The accumulated amount of actuarial losses in Other comprehensive income was SEK 1,934 m. (1,850 and 1,223, respectively) before taxes.

Recognised as provision for pensions in the balance sheet	Pension obligations			Obligations related to health care			Other obligations		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Present value of defined-benefit obligations, wholly or partly funded	**1,676**	1,526	1,450	**353**	–	–	**47**	33	46
Present value of defined-benefit obligations, unfunded	**4,338**	4,084	3,311	**–**	248	316	**34**	37	32
Present value of defined-benefit obligations	**6,014**	5,610	4,761	**353**	248	316	**81**	70	78
Fair value of plan assets	**–1,471**	–1,363	–1,277	**–2**	0	0	**–69**	–49	–54
Net assets not fully valued due to curtailment rule	**35**	53	142	**–**	–	–	**–**	–	–
Recognised in the balance sheet	**4,578**	4,300	3,626	**351**	248	316	**12**	21	24
– of which, pension liability recognised under the heading “Provisions for pensions”	**4,620**	4,352	3,665	**351**	248	316	**12**	21	24
– of which, pension asset recognised under the heading “Other long-term receivables”	**–42**	–52	–39	**–**	–	–	**–**	–	–

Assumptions applied in actuarial calculation	Sweden (pension)			Great Britain (pension)			Brazil (health care)			Other countries (pension etc.)		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Discount rate (%)	**4.0**	4.0	4.5	**5.7**	6.1	6.0	**11.3**	11.0	9.2	**3.0–11.3**	2.3–6.7	2.9–5.3
Expected return on plan assets (%)	**–**	–	–	**6.4**	5.4	6.8	**11.7**	10.8	11.4	**3.7–11.7**	3.7–6.7	3.7–6.0
Expected wage and salary increase (%)	**3.0**	3.0	3.0	**0.0**	0.0	0.0	**–**	–	–	**1.5–8.7**	1.5–4.5	2.0–13.0
Change in health care costs (%)	**–**	–	–	**–**	–	–	**7.6**	7.1	7.1	**–**	–	–
Employee turnover (%)	**5.0**	5.0	5.0	**0.0**	0.0	0.0	**2.1**	2.0	2.1	**2.0–18.0**	2.0–12.0	2.0–13.0
Expected remaining years of service	**20.2**	21.9	21.5	**11.0**	7.0	8.0	**14.5**	16.8	15.1	**2.3–29.0**	1.0–22.1	4.5–22.9
Expected increase in pension (inflation) (%)	**2.0**	2.0	2.0	**3.5**	2.7	3.3	**–**	–	–	**0.8–2.0**	0.8–2.3	0.8–2.3

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 Great Britain, Brazil 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.

Starting in 2005, the plan in Great Britain has been closed to new beneficiaries and additional vesting. As a result, liability is not affected by future salary increases and any employee turnover.

Present value of defined-benefit commitments changed during the year as follows:	Liabilities related to pension obligations			Liabilities related to health care benefits			Liabilities related to other obligations		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Present value of defined-benefit obligations, 1 January	**5,610**	4,761	4,220	**248**	316	261	**70**	78	91
Present value of reclassified obligations, 1 January [1]	**–**	–11	118	**–**	–1	–	**–**	–3	–19
Current service expenses	**264**	170	131	**6**	6	4	**3**	3	3
Interest expenses	**250**	205	173	**31**	28	29	**6**	6	4
Payments made by pension plan participants	**1**	1	1	**–**	–	–	**–**	–	–
Net actuarial gains and losses for the year	**123**	519	259	**20**	–48	–1	**3**	–10	–3
Exchange rate differences	**–16**	110	19	**74**	–37	39	**7**	1	6
Disbursements of pension payments	**–219**	–172	–154	**–26**	–16	–16	**–8**	–5	–4
Past service expenses	**5**	29	–	**–**	–	–	**0**	–	–
Gains and losses due to net settlements for the year	**–4**	–2	–6	**–**	–	–	**–**	–	–
Present value of defined-benefit obligations, 31 December	**6,014**	5,610	4,761	**353**	248	316	**81**	70	78

1 2007: a reclassification of a defined-contribution plan to a defined-benefit plan in the Netherlands.

Fair value of plan assets changed as follows during the year:	Plan assets related to pension obligations			Plan assets related to health care benefits			Plan assets related to other obligations		
	2009	2 008	2007	**2009**	2008	2007	**2009**	2008	2007
Fair value of plan assets, 1 January	**1,363**	1,277	1,100	**–**	–	–	**49**	54	48
Fair value of plan assets related to reclassified obligations [2]	**3**	–	112	**–**	–	–	**–**	–	–
Expected return on plan assets	**62**	65	58	**–**	–	–	**6**	5	5
Net actuarial gains and losses for the year	**41**	–148	–13	**1**	–	–	**2**	–3	–4
Exchange rate differences	**–17**	124	11	**0**	–	–	**14**	–6	7
Payments to pension plan	**68**	77	46	**27**	–	–	**–**	–	–
Payments made by pension plan participants	**10**	11	8	**–**	16	–	**–**	–	–
Disbursements of pension payments	**–59**	–43	–41	**–26**	–16	–	**–2**	–1	–2
Gains and losses due to net settlements for the year	**–**	–	–4	**–**	–	–	**–**	–	–
Fair value of plan assets, 31 December	**1,471**	1,363	1,277	**2**	0	–	**69**	49	54

2 2007: a reclassification of a defined-contribution plan to a defined-benefit plan in the Netherlands.

Plan assets consist mainly of shares and interest-bearing securities with the following fair value on closing day:	**2009 SEK m.**	2008 SEK m.	2007 SEK m.	**2009 %**	2008 %	2007 %
Miscellaneous shares and participations, not Scania	**455**	397	475	**29.5**	28.1	35.7
Miscellaneous interest-bearing securities, not Scania	**618**	587	628	**40.1**	41.5	47.2
Properties leased to Scania companies	**32**	83	66	**2.1**	5.9	5.0
Investment properties	**141**	90	71	**9.1**	6.4	5.3
Bank deposits etc.	**296**	255	91	**19.2**	18.1	6.8
Total	**1,542**	1,412	1,331	**100.0**	100.0	100.0

NOTE 17 Provisions for pensions and similar commitments, continued

	Plan assets related to pension obligations			Plan assets related to health care benefits			Plan assets related to other obligations		
Actual return	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Actual return on plan assets	**120**	–81	45	**1**	–	–	**8**	2	1

	1% decrease		1% increase	
Sensitivity analysis concerning 1% change in health care expenses on:	**2009**	2008	**2009**	2008
Sum of cost for employment in current year and interest expense	**0**	–4	**12**	4
Sum of present value of the defined-benefit obligation	**–65**	0	**26**	61

Multi-year summary recognised in balance sheet	**2009**	2008	2007	2006	2005
Present value of defined-benefit obligations	**6,448**	5,928	5,155	4,572	4,433
Fair value of plan assets	**–1,542**	–1,412	–1,331	–1,148	–1,095
Deficit	**4,906**	4,516	3,824	3,424	3,338
Net assets not valued in full due to curtailment rule	**35**	53	142	144	81
Recognised in balance sheet	**4,941**	4,569	3,966	3,568	3,419

Multi-year summary of expenses in other comprehensive income	**2009**	2008	2007	2006	2005
Experience-based adjustments in pension liability	**–141**	–234	–223	–55	–39
Experience-based adjustments in plan assets	**61**	–149	–18	22	54
Effects of changes in actuarial assumptions	**–22**	–229	–31	–19	–773
Net actuarial gains (+) and losses (–) for the year	**–102**	–612	–272	–52	–758
Special payroll tax related to actuarial gains and losses	**–8**	–134	–58	–	–
Curtailment in value of net assets	**26**	121	14	–16	–12
Total expense/income for defined-benefit payments recognised in other comprehensive income	**–84**	–625	–316	–68	–770

NOTE 18 Other provisions

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

2009	Product obligations	Restructuring	Legal and tax risks	Other provisions [1]	Total
1 January	1,316	6	813	841	**2,976**
Provisions during the year	1,191	131	94	301	**1,717**
Provisions used during the year	–1,373	–127	–23	–187	**–1,710**
Provisions reversed during the year	–103	–1	–24	–186	**–314**
Exchange rate differences	44	1	177	–4	**218**
31 December	**1,075**	**10**	**1,037**	**765**	**2,887**
– of which, current provisions	858	10	29	203	**1,100**
– of which, non-current provisions	217	–	1,008	562	**1,787**

2008	Product obligations	Restructuring	Legal and tax risks	Other provisions [1]	Total
1 January	1,233	34	787	1,023	3,077
Provisions during the year	1,629	5	152	375	2,161
Provisions used during the year	–1,443	–23	–20	–400	–1,886
Provisions reversed during the year	–104	–11	–89	–191	–395
Exchange rate differences	1	1	–17	34	19
31 December	**1,316**	**6**	**813**	**841**	**2,976**
– of which, current provisions	1,068	5	13	229	1,315
– of which, non-current provisions	248	1	800	612	1,661

2007	Product obligations	Restructuring	Legal and tax risks	Other provisions [1]	Total
1 January	1,057	38	457	1,046	2,598
Provisions during the year	1,490	13	338	370	2,211
Provisions used during the year	–1,276	–15	–46	–322	–1,659
Provisions reversed during the year	–63	–3	–21	–88	–175
Exchange rate differences	25	1	59	17	102
31 December	**1,233**	**34**	**787**	**1,023**	**3,077**
– of which, current provisions	1,171	–	462	391	2,024
– of which, non-current provisions	62	34	325	632	1,053

1 "Other provisions" include provisions for potential losses on service agreements.

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 the future outflow is relatively close in time. For a description of the nature of the obligations, see also Note 1, "Accounting principles", and Note 2, "Key judgements and estimates".

NOTE 19 Accrued expenses and deferred income

	2009	2008	2007
Accrued employee-related expenses	**2,467**	2,586	2,597
Deferred income related to service and repair contracts	**2,077**	1,962	1,945
Deferred income related to repurchase obligations [1]	**3,195**	3,540	3,549
Accrued financial expenses	**100**	104	102
Other customary accrued expenses and deferred income	**1,900**	1,907	1,881
Total	**9,739**	10,099	10,074
– of which, current	**7,209**	7,293	6,986
– of which, non-current	**2,530**	2,806	3,088
Of the above total, the following was attributable to Financial Services operations	**335**	338	331

1 Of the above deferred income related to vehicles sold with repurchase obligations, SEK 665 m (734). is expected to be recognised as revenue within 12 months. SEK 52 m (145). is expected to be recognised as revenue after more than 5 years.

NOTE 20 Assets pledged and contingent liabilities

Assets pledged	2009	2008	2007
Real estate mortgages	**–**	28	26
Other	**1**	1	0
Total [1]	**1**	29	26
1 Of which, assets pledged for:			
Non-current borrowings	**–**	26	25
Current borrowings	**–**	2	1
Liabilities of others	**1**	1	0

Contingent liabilities	2009	2008	2007
Contingent liability related to FPG credit insurance	**46**	43	39
Loan guarantees	**29**	24	30
Other guarantees	**404**	115	135
Total	**479**	182	204

In addition to the above contingent liabilities, the Group has issued vehicle repurchase guarantees worth SEK 41 m. (45 and 131, respectively) to customers' creditors. Contingent receivables are found to a limited extent in the group.

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

	2009		2008		2007	
Operating leases	Future minimum lease payments	Of which, related to premises	Future minimum lease payments	Of which, related to premises	Future minimum lease payments	Of which, related to premises
Within one year	**339**	**200**	292	167	229	134
Between one year and five years	**856**	**617**	607	433	537	389
Later than five years	**604**	**602**	426	425	471	469
Total [1]	**1,799**	**1,419**	1,325	1,025	1,237	992

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

Allocation of lease expenses	2009	2008	2007
Operating leases			
Fixed payments	**345**	296	251
Flexible payments	**1**	4	3
Payments related to sub-leased items	**–3**	–8	–5
Total [2]	**343**	292	249

2 Expenses for leases on premises were charged to income in the amount of SEK 192 m. (160 and 131, respectively).

NOTE 21 Lease obligations, continued

Future payment obligations on non-cancellable financial leases:

	2009			2008			2007		
Financial leases	Future minimum lease payments	Interest	Present value of future lease payments	Future minimum lease payments	Interest	Present value of future lease payments	Future minimum lease payments	Interest	Present value of future lease payments
Within one year	44	1	43	28	1	27	21	1	20
Between one year and five years	150	18	132	105	14	91	53	6	47
Later than five years	2	1	1	7	1	6	11	4	7
Total [3]	196	20	176	140	16	124	85	11	74

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

Allocation of lease expenses	2009	2008	2007
Financial leases			
Fixed payments	45	64	44
Flexible payments	–	–	–
Payments related to sub-leased items	–33	–14	–13
Total	12	50	31

Financial lease assets in balance sheet:

Carrying amount	2009	2008	2007
Vehicles for leasing	155	100	27
Buildings	14	34	34
Machinery	–	3	6
Other	16	12	10
Total	185	149	77

NOTE 22 Government grants and assistance

During 2009, the Scania Group received government grants amounting to SEK 74 m. (62 and 57, respectively) attributable to operating expenses of SEK 342 m. (138 and 158, respectively). It also received government grants of SEK 9 m. (11 and 6, respectively) attributable to investments with a gross cost of SEK 110 m. (436 and 346, respectively). Scania also received subsidies from central government authorities to compensate employees for lower pay due to reduction of working hours. During the year, Scania has arranged a loan of EUR 400 m. (315 and 218, respectively) with the European Investment Bank (EIB).

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	2009	2008	2007
Total cash flow before financing activities	10,527	–3,347	3,061
Exchange rate effects in interest-bearing liabilities	1,227	–4,525	–1,498
Businesses acquired	–	–	–152
Exchange rate effects in short-term investments	6	–14	232
Exchange rate effects in cash and cash equivalents	541	–179	158
Effect of carrying borrowings at fair value	–	314	398
Change in derivatives affecting net debt	44	–825	–436
Dividend	–2,000	–4,002	–3,000
Redemption	–	–6,000	–7,000
Change in net debt according to the balance sheet	10,345	–18,578	–8,237

Vehicles and Services			
Total cash flow before financing activities	5,512	1,774	8,229
Exchange rate effects in interest-bearing liabilities	66	–1,254	–491
Businesses acquired	–	–	–152
Exchange rate effects in short-term investments	6	–14	232
Exchange rate effects in cash and cash equivalents	541	–204	150
Effect of carrying derivatives at fair value	–609	314	398
Change in derivatives affecting net debt	653	–825	–436
Transfers between segments	157	–55	–363
Dividend	–2,000	–4,002	–3,000
Redemption	–	–6,000	–7,000
Change in net debt according to the balance sheet	4,326	–10,266	–2,433

NOTE 24 Cash flow statement

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

	2009	2008	2007
a. Interest and dividends received/paid			
Dividends received from associated companies	**–1**	12	5
Interest received	**335**	373	718
Interest paid	**–942**	–383	–711
b.1. Vehicles and Services: Items not affecting cash flow			
Depreciation/amortisation	**2,748**	3,235	3,121
Bad debts	**188**	98	92
Associated companies	**–6**	3	9
Deferred profit recognition, lease assets	**–181**	310	222
Other	**40**	214	123
Total	**2,789**	3,860	3,567
b.2. Financial Services: Items not affecting cash flow			
Depreciation/amortisation	**24**	22	17
Bad debts	**833**	227	90
Other	**–21**	78	–31
Total	**836**	327	76
c. Net investment through acquisitions/divestments of businesses [1]			
Divestments of businesses	**–**	46	–
Acquisitions of businesses	**–118**	15	–268
Total	**–118**	61	–268

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

	2009	2008	2007
d.1. Vehicles and Services: Acquisitions of non-current assets			
Investments in non-current assets [2]	**–3,717**	–6,293	–5,058
Divestments of non-current assets	**686**	846	781
Total	**–3,031**	–5,447	–4,277

2 Of which, SEK 287 m. (202 and 293, respectively) in capitalised research and development expenditures.

	2009	2008	2007
d.2. Financial Services: Acquisitions of non-current assets			
New financing [3]	**–15,016**	–24,926	–20,574
Payments of principal and completed contracts	**19,520**	19,104	14,876
Total	**4,504**	–5,822	–5,698

3 Includes other intangible and tangible non-current assets.

	2009	2008	2007
e. Change in net debt through financing activities			
Net change in current borrowings	**–7,451**	9,378	–1,755
Repayment of non-current borrowings	**–10,112**	–5,924	–7,369
Increase in non-current borrowings	**11,014**	11,198	9,427
Total	**–6,549**	14,652	303
f. Cash and cash equivalents			
Cash and bank balances	**1,036**	1,107	2,522
Short-term investments comprising cash and cash equivalents	**6,064**	3,474	933
Total	**7,100**	4,581	3,455

NOTE 25 Businesses acquired/divested

Acquired/divested assets and liabilities	Businesses acquired 2009 Carrying amounts upon acquisition	2008 Carrying amounts upon acquisition	2007 Carrying amounts upon acquisition	Businesses divested 2009 No divestment	2008 Carrying amounts upon divestment	2007 No divestment
Tangible and intangible non-current assets	**73**	2	81	**–**	–2	–
Inventories	**52**	8	109	**–**	–29	–
Receivables	**–**	–	264	**–**	–	–
Cash and cash equivalents	**–**	–	1	**–**	–	–
Borrowings	**–**	–1	–152	**–**	–	–
Other liabilities and provisions	**–7**	–2	–165	**–**	5	–
Net identifiable assets and liabilities	**118**	7	138	**–**	–26	–
Goodwill in consolidation	**–**	–22	131	**–**	–	–
Purchase price	**118**	–15	269	**–**	–46	–
Cash and cash equivalents in companies acquired/divested	**–**	–	1	**–**	–	–
Impact on consolidated cash and cash equivalents	**–118**	15	–268	**–**	46	–
Number of employees	**185**	–	318	**–**	73	–

During 2009 Scania acquired dealerships in Denmark and France. During 2008 Scania acquired a business in Hong Kong. A final settlement for the acquisition in Portugal was reached in 2008, leading to a repayment of SEK 22 m., which reduced the goodwill in the consolidated accounts. During 2007 Scania acquired businesses in Portugal, Austria and Poland. Besides the goodwill identified in the consolidated accounts, the carrying amount in acquired businesses was deemed to be in accordance with fair value.

Acquired businesses have the following accumulated effect on the 2009 accounts: "Net sales" minus intra-Group sales, SEK +21 m.; "Gross income", SEK +10 m.; "Expenses", SEK –10 m.; "Operating income, SEK 0 m.; and "Income before taxes", SEK 0 m. The effect on the Scania Group's earnings of the fact that the acquisitions did not occur at the beginning of the financial year is marginal.

If the acquisitions had occurred at the beginning of the year, the acquired businesses would have had the following impact on the 2009 financial statements: "Net sales" minus intra-Group sales, SEK +312 m.; "Gross income", SEK +95 m.; "Expenses", SEK –116 m.; "Operating income", SEK –21 m.; and "Income before taxes", SEK –20 m.

During 2008 Scania divested a business in Finland. During 2009 and 2007 no divestments occurred. No fair value adjustment was required.

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

Wages, salaries and other remuneration, pension expenses and other mandatory payroll fees	2009	2008	2007
Operations in Sweden			
Boards of Directors, Presidents and Executive (or Group) Vice Presidents	**76**	138	160
– of which bonuses	**0**	62	94
Other employees	**4,146**	4,897	4,608
Operations outside Sweden			
Boards of Directors, Presidents and Executive Vice Presidents	**188**	228	193
– of which bonuses	**26**	55	69
Other employees	**6,345**	6,222	5,583
Subtotal [1]	**10,755**	11,485	10,544
Pension expenses and other mandatory payroll fees	**3,640**	4,153	3,580
– of which pension expenses [2]	**1,127**	1,183	910
Total	**14,395**	15,638	14,124

1 Including non-monetary remuneration.

2 Of the pension expense in the Group, SEK 36 m. (49 and 38, respectively) was for Boards of Directors and executive officers in the Scania Group. At year-end, the total pension obligation was SEK 137 m. (124 and 120, respectively) for this category.

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

Wages, salaries and other remuneration, pension expenses and other mandatory payroll fees by country	2009 Wages, salaries and other remuneration [3]	2009 Mandatory payroll fees (of which pensions)		2008 Wages, salaries and other remuneration [3]	2008 Mandatory payroll fees (of which pensions)		2007 Wages, salaries and other remuneration [3]	2007 Mandatory payroll fees (of which pensions)	
Operations in Sweden	4,222	2,069	(682)	5,035	2,624	(747)	4,768	2,203	(521)
Operations outside Sweden									
Brazil	1,122	403	(35)	1,048	320	(5)	907	304	(32)
The Netherlands	819	198	(88)	811	196	(86)	767	180	(81)
Great Britain	556	94	(36)	631	141	(75)	614	120	(50)
Norway	526	102	(38)	489	92	(30)	401	85	(8)
France	376	240	(74)	389	253	(77)	348	222	(66)
Germany	341	75	(5)	371	73	(9)	345	64	(6)
Belgium	286	75	(28)	323	69	(7)	225	80	(10)
Denmark	272	30	(23)	247	19	(15)	237	19	(16)
Finland	254	54	(40)	237	56	(42)	251	67	(50)
Austria	215	6	(2)	192	6	(1)	183	11	(–)
Poland	185	29	(14)	197	31	(17)	150	13	(12)
Switzerland	154	27	(1)	140	27	(9)	128	23	(5)
Australia	154	10	(10)	135	9	(9)	125	8	(8)
Argentina	142	60	(1)	184	54	(1)	115	33	(–)
Russia	114	12	(9)	141	22	(13)	119	18	(12)
South Africa	102	10	(10)	130	14	(8)	102	8	(8)
Countries with < 100 SEK m. [4]	915	146	(31)	785	147	(32)	759	122	(25)
Total operations outside Sweden	6,533	1,571	(445)	6,450	1,529	(436)	5,776	1,377	(389)
Total	10,755	3,640	(1,127)	11,485	4,153	(1,183)	10,544	3,580	(910)

3 Including non-monetary remuneration.
4 The number of countries with less than SEK 100 m. in wages, salaries and other remuneration was 35 (37 and 34, respectively).

Gender distribution	2009	2008	2007
Board members in subsidiaries and the Parent Company	387	408	465
– of whom, men	382	398	436
– of whom, women	5	10	29
Presidents/Managing Directors of subsidiaries and the Parent Company, plus the Group's Executive Board	102	108	116
– of whom, men	101	107	114
– of whom, women	1	1	2

Number of employees, 31 December	2009	2008	2007
Vehicles and Services			
Production and corporate units	14,672	16,264	17,291
Research and development	2,642	2,922	2,528
Sales and service companies	14,475	15,079	14,797
Subtotal	31,789	34,265	34,616
Financial Services	541	512	480
Total	32,330	34,777	35,096
– of whom, on temporary contracts and on hire	1,798	2,533	4,244

Average number of employees (excluding employees on hire)	2009			2008			2007		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Operations in Sweden	**12,412**	**9,872**	**2,540**	13,199	10,535	2,664	12,881	10,458	2,423
Operations outside Sweden									
Brazil	**3,067**	**2,717**	**350**	3,295	2,905	390	3,235	2,887	348
The Netherlands	**2,059**	**1,920**	**139**	2,119	1,978	141	2,061	1,929	132
Great Britain	**1,400**	**1,202**	**198**	1,520	1,305	215	1,629	1,409	220
Poland	**1,276**	**1,162**	**114**	1,378	1,256	122	1,112	1,016	96
France	**1,114**	**959**	**155**	1,120	960	160	1,102	938	164
Germany	**923**	**819**	**104**	1,026	905	121	975	852	123
Belgium	**877**	**711**	**166**	760	605	155	961	757	204
Norway	**841**	**783**	**58**	876	823	53	905	838	67
Argentina	**780**	**727**	**53**	877	813	64	854	787	67
Denmark	**573**	**514**	**59**	573	514	59	578	543	35
Russia	**572**	**430**	**142**	733	580	153	699	565	134
Finland	**569**	**510**	**59**	586	524	62	654	585	69
South Africa	**525**	**431**	**94**	493	407	86	439	365	74
Austria	**418**	**363**	**55**	422	374	48	432	380	52
Czech Republic	**384**	**338**	**46**	406	359	47	354	312	42
Switzerland	**340**	**306**	**34**	343	311	32	347	308	39
Australia	**309**	**272**	**37**	338	296	42	307	270	37
South Korea	**253**	**222**	**31**	274	235	39	232	207	25
Taiwan	**199**	**173**	**26**	207	181	26	181	158	23
Italy	**198**	**168**	**30**	202	166	36	206	165	41
Slovakia	**187**	**172**	**15**	210	172	38	195	161	34
Portugal	**184**	**159**	**25**	237	206	31	242	214	28
Spain	**177**	**143**	**34**	193	150	43	168	130	38
Malaysia	**164**	**137**	**27**	148	121	27	138	112	26
Chile	**158**	**127**	**31**	159	124	35	153	126	27
Hungary	**152**	**124**	**28**	170	139	31	179	148	31
Thailand	**141**	**96**	**45**	126	91	35	122	88	34
Ukraine	**129**	**102**	**27**	134	108	26	92	72	20
Morocco	**117**	**106**	**11**	114	103	11	113	103	10
Lithuania	**116**	**107**	**9**	135	126	9	126	118	8
Estonia	**105**	**97**	**8**	125	116	9	113	108	5
Total countries with <100 employees [5]	**999**	**810**	**189**	1,063	860	203	907	739	168
Total outside Sweden	**19,306**	**16,907**	**2,399**	20,362	17,813	2,549	19,811	17,390	2,421
Total average number of employees	**31,718**	**26,779**	**4,939**	33,561	28,348	5,213	32,692	27,848	4,844

5 The number of countries with fewer than 100 employees was 20 (18 and 20, respectively).

NOTE 27 Related party transactions

	Sales to			Purchases from			Receivables from			Liabilities to		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Associated companies and joint ventures												
ScaValencia S.A.	**120**	221	273	**67**	138	109	**8**	6	13	**3**	2	2
ScaMadrid S.A.	**78**	157	146	**36**	32	47	**8**	28	14	**2**	2	1
Cummins-Scania HPI L.L.C	**–**	–	–	**78**	242	308	**–**	–	–	**16**	25	42
Cummins-Scania XPI Manufacturing L.L.C	**21**	–	–	**255**	33	5	**7**	16	–	**16**	5	1
BitsData i Södertälje AB	**–**	–	10	**15**	12	–	**–**	–	5	**1**	2	1
Others	**13**	10	11	**10**	5	4	**1**	1	2	**–**	–	–

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, "Holdings in associated companies and joint ventures etc". Disclosures of pension plans are provided in Note 17, "Provisions for pensions and similar commitments" and Note 26, "Wages, salaries and number of employees".

The Scania Group's transactions with its parent company, Volkswagen, and with Porsche, are reported in the above table under "Others". Purchases of company cars have not been taken into account. These company cars are leased or 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 2009 to be paid to the external members of the Board of Directors elected by the AGM totalled SEK 2,656,250 (4,718,750), with SEK 625,000 (625,000) to be paid to the Vice Chairman of the Board, SEK 406,250 (406,250) to each of the other Board members elected by the AGM who are not employees of the company or of Volkswagen AG.

For work performed in the Audit Committee, the AGM approved remuneration of SEK 150,000 to the Chairman of the Audit Committee and SEK 75,000 each of the other Audit Committee members who are not employees of Volkswagen AG. For work performed in the Remuneration Committee, the AGM approved remuneration of SEK 50,000 each to the Remuneration Committee members who are not employees of Volkswagen AG. 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 executive officers 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 executive officers consists of the following parts:

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

The fixed salary of executive officers shall be competitive in relation to position, individual qualifications and performance. The fixed salary is reviewed annually. The size of the variable salary is dependent on Scania's earnings. The pension comprises a premium-based pension system that applies in addition to the public pension and the ITP occupational pension.

Fixed salaries were frozen for 2009. In addition, executive officers including the President and CEO were covered by a gross salary reduction of 10 percent during a six-month period due to the prevailing economic situation. For 2009, no variable compensation was paid.

FIXED SALARY FOR THE PRESIDENT AND CEO

The fixed salary of the President and CEO amounts to SEK 7,500,000 per year.

VARIABLE SALARY

Variable salary is dependent on Scania's earnings and consists of a two-part incentive programme, Part 1 and Part 2.

The principles for variable salary to executive officers – including the President and CEO – were approved by the 2009 AGM and constitute a programme with the same parameters that were in force during 2008. 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. For 2009, the Remuneration Committee of the Board of Directors fixed RNI on the basis of a factor of equity amounting to 9 percent.

Part 1 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 determined as a cash amount (maximum 45 to 150 percent of fixed salary depending on position). Part 2 is related to Scania's ability to increase RNI as defined above from one year to another, and the outcome is also determined as a cash amount (maximum 35 to 80 percent of annual fixed salary). The outcome of both these components will be disbursed during 2010.

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 1997–2009 for the members of the Executive Board, among them the President and CEO, has varied from 0 to 150 percent for Part 1 and from 0 to 75 percent for Part 2. The outcome for the period 1997–2009 has, on average, amounted to 82 percent of annual fixed salary with regard to Part 1 and 27 percent of annual fixed salary with regard to Part 2. The 2009 outcome for the President and CEO as well as Executive Officers was 0 percent for Part 1 and 0 percent for Part 2.

NOTE 28 Compensation to executive officers, continued

When generating a payout, 50 percent of the total outcome of Part 1 and Part 2 shall be paid in cash as salary and the remaining 50 percent shall be determined as a cash amount that, after subtracting the applicable tax, is used by the employee for the purchase of Series B shares in Scania AB at market value through a third party designated by the company, on a day determined by the company. A purchase of Series B shares in Scania AB shall be carried out with one third of the cash amount each year over a three year period. The participants shall not have the right of disposal over the shares during a period of one year from the respective date of purchase. These payments will be made on the condition that the participant is employed in the Scania Group at the close of the calendar year or that employment has ended through agreed retirement. The return on the shares is at the participants' disposal and participants shall be entitled to purchase shares for a pension according to a pension obligation, secured through endowment insurance.

PENSION SYSTEM FOR EXECUTIVE OFFICERS

The President and CEO, other Executive Board and Heads of Corporate Units are covered by a defined contribution pension system in addition to the public pension and the ITP occupational pension. According to this defined contribution system, benefits accrue by means of annual payment of premiums by the company. Added to this is the value of annual individual employee co-payments, amounting to 5 percent of fixed salary.

The annual company-paid premium for members of the Executive Board, excluding the President and CEO, varies between 17–33 percent of fixed salary. The premium for Heads of Corporate Units varies between 15–30 percent of fixed salary.

OTHER CONDITIONS FOR THE PRESIDENT AND CEO

In addition to the 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 2009 amounted to SEK 2,625,000. The agreement also prescribes that an extra annual pension provision of SEK 4,410,000 will be made each year according to applicable employment contract.

If the President and CEO resigns 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 2012, 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 according to applicable employment contract.

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.

2009, SEK thousand	**Fixed salary**	**Board remu-neration**	**Outcome of Part 1**	**Outcome of Part 2**	**Other remu-neration**	**Total salary and remu-neration**	**Pension expenses, defined contribution system**	**Pension expenses, defined benefit system**	**Total pension expenses**	**Pension obligations**
Chairman of the Board		650 [1]				**650**				
President and CEO	7,125		0	0	12	**7,137**	7,074	1,115	**8,189**	7,125
Rest of Executive Board (5 persons)	15,485		0	0	1,100	**16,585**	4,100	1,811	**5,911**	8,919
Heads of Corporate Units (21 persons)	35,387		0	0	2,815	**38,202**	7,649	8,423	**16,072**	34,599

Other Board members' total fees: Hans Dieter Pötsch 240,625; Francisco J. Garcia Sanz 228,125; Börje Ekholm 406,250; Helmut Aurenz 406,250; Gunnar Larsson 481,250; Staffan Bohman 775,000; Peggy Bruzelius 456,250; Peter Wallenberg Jr. 406,250.

1 Board fee, plus fee for Remuneration Committee work.

Since the Annual General Meeting in 2009, no fee has been paid to Board members employed by Volkswagen AG. The above Board fee for these members was related to the period before the 2009 AGM.

2008, SEK thousand	Fixed salary	Board remu-neration	Outcome of Part 1	Outcome of Part 2	Other remu-neration	Total salary and remu-neration	Pension expenses, defined contribution system	Pension expenses, defined benefit system	Total pension expenses	Pension obligations
Chairman of the Board		1,300 [1]				1,300				
President and CEO	7,500		7,210	1,404	13	16,127	7,076	898	7,974	6,178
Rest of Executive Board (5 persons)	16,300		14,444	2,812	1,171	34,727	4,225	1,684	5,909	7,537
Heads of Corporate Units (21 persons)	31,295		20,994	7,300	2,598	62,187	6,055	8,606	14,661	35,413

1 Board fee, plus fee for Remuneration Committee work.

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 heads of Corporate Units. The retirement age for the ITP occupational pension is 65.

NOTE 29 Fees and other remuneration to auditors

Fees and other remuneration to auditors that were expensed during the year are reported below. "Auditing assignments" refers to examination of the annual accounts as well as the administration of the Board of Directors and the President and CEO. Everything else is "Other assignments", which is reported in cases where the same public accountancy firm has the assignment to audit an individual company. In June 2009, additional auditing costs in conjunction with the annual financial statements of Scania's majority owner Porsche were reported under "Other assignments".

	2009		2008		2007	
Auditing firm	**Auditing assignments**	**Other assignments**	Auditing assignments	Other assignments	Auditing assignments	Other assignments
Ernst & Young	**52**	**18**	48	3	37	3
Other auditors	**1**	**0**	2	1	1	–
Total	**53**	**18**	50	4	38	3

NOTE 30 Financial risk management

FINANCIAL RISK MANAGEMENT IN THE SCANIA GROUP

In addition to business risks, Scania is exposed to various financial risks in its operations. The financial risks that are of the greatest importance are currency, interest rate, credit and refinancing risk, which are regulated by a Financial Policy adopted by Scania's Board of Directors.

Credit risk related to customer commitments is managed, within established limits, on a decentralised basis by means of local credit assessments. Decisions on major credit commitments are made in corporate credit committees. Other risks are managed primarily at corporate level by Scania's treasury unit. On a daily basis, the corporate treasury unit measures the risks of outstanding positions, which are managed within established limits in compliance with the Financial Policy.

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:

- An individual company may have monetary assets and liabilities in a currency other than its functional currency, which are translated to the functional currency using the exchange rate on the balance sheet date. When settling monetary assets and liabilities, an exchange rate difference arises between the exchange rate on the balance sheet date and on the payment date. All changes in exchange rates attributable to translation or settlement of monetary items are recognised in the income statement. (Transaction effect).
- Revenue, expenses, assets and liabilities in a functional currency other than the reporting currency of the Parent Company (SEK) are translated at the average exchange rate during the year and the exchange rate on the balance sheet date, respectively. The effect that arises because the exchange rate on the balance sheet date is changed from the beginning of the year and the average exchange rate of the year deviates from the balance sheet rate is recognised in the translation reserve in other comprehensive income. (Translation effect.)

During 2009, 93 (95 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 2009, total net revenue in foreign currencies amounted to about SEK 19,800 m. (31,600 and 31,300, respectively). The largest currencies in this flow were EUR, USD and GBP. The table on the next page shows currency exposure in Scania's operating income in the most commonly occurring currencies.

Hedging of currency flows 31 December 2009 [1]	DKK/SEK		EUR/SEK		GBP/SEK		RUB/SEK		USD/SEK		ZAR/SEK	
	Volume [1]	Rate [2]	Volume [1]	Rate [2]	Volume [1]	Rate [2]	Volume [2]	Rate [3]	Volume [2]	Rate [3]	Volume [2]	Rate [3]
Q1, 2010	52	1.43	268	10.44			114	0.24	9	7.68		
Q2, 2010			162	10.74								
Q3, 2010			115	11.02								
Q4, 2010			122	10.70								
Total	**52**	**1.43**	**667**	**10.66**			**114**	**0.24**	**9**	**7.68**		
Closing day rate, 31 Dec 2009		1.39		10.35				0.24		7.21		
Unrealised gain/loss (SEK m.) recognised in hedge reserve, 31 Dec 2009 [3]		2		219				0		4		
Hedging of currency flows 31 December 2008												
Total	609	1.30	1,531	9.83	51	12.29	700	0.26	32	7.74	62	0.79
Hedging of currency flows 31 December 2007												
Total	1,234	1.25	1,475	9.31	100	13.43	13,631	0.26	86	6.43	124	0.95

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 the fair value reserve in equity for cash flow hedgings where hedge accounting is applied.

NOTE 30 Financial risk management, continued

Currency exposure in operating income, Vehicles and Services	2009	2008	2007
Euro (EUR) [1]	**5,800**	11,200	16,200
US dollar (USD)	**3,400**	3,500	2,700
British pound (GBP)	**2,700**	4,000	3,600
Brazilian real (BRL)	**2,500**	1,000	–1,400
Norwegian krone (NOK)	**1,400**	2,000	1,800
Danish krone (DKK)	**1,100**	1,800	1,500
Australian dollar (AUD)	**900**	900	1,000
Russian rouble (RUB) [1]	**700**	3,800	0
Swiss franc (CHF)	**700**	900	500
Korean won (KRW)	**600**	500	800
South African rand (ZAR)	**500**	400	500
Polish zloty (PLN)	**–300**	600	1,000
Argentine peso (ARS)	**–700**	–1,200	–800
Other currencies	**800**	1,800	3,400
Total currency exposure in operating income	**20,100**	31,200	30,800

Currency exposure in operating income, Financial Services	2009	2008	2007
Euro (EUR)	**–300**	200	400
Other currencies	**0**	200	100
Total currency exposure in operating income	**–300**	400	500

1 During 2008, Scania switched from invoicing its customers in Russia in euros to invoicing them in roubles.

Based on revenue and expenses in foreign currencies during 2009, a one percentage point change in the Swedish krona against other currencies, excluding currency hedges, has an impact on operating income of about SEK 198 m. (316 and 313, respectively) on an annual basis.

In Vehicles and Services, compared to 2008, currency spot rate effects totalled about SEK 1,580 m. Currency hedging income in 2009 amounted to about SEK –2,140 m. During 2008, currency hedging had an impact of about SEK –210 m. on income. Compared to 2008, the total negative currency rate effect was thus SEK –350 m.

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. Maturity over 12 months is decided by the Board of Directors. 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 to some extent currency options.

The value of contracts not recognised in earnings can be seen in the previous spread. Changes in value on effective hedges are recognised in Other comprehensive income. See Note 1, "Accounting principles".

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 Vehicles and Services 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 Financial Services, assets should be financed by liabilities in the same currency. Scania's borrowings in various currencies excluding and including currency derivatives can be seen in the table "Borrowings" in the section on interest rate risk.

At the end of 2009, Scania's net assets in foreign currencies amounted to SEK 12,250 m. (14,650 and 11,400, respectively). The net foreign assets of subsidiaries are normally not hedged. To the extent subsidiaries have significant net monetary assets in functional currencies, however, they may be hedged. At year-end 2009 no foreign net assets were hedged (EUR 211 m. and 0, respectively).

Net assets, Vehicles and Services	2009	2008	2007
Euro (EUR) [1]	**3 ,400**	4,250	2,250
Brazilian real (BRL)	**1,500**	1,500	1,600
Russian rouble (RUB) [1]	**600**	800	0
British pound (GBP)	**450**	600	250
Argentine peso (ARS)	**450**	550	500
Polish zloty (PLN)	**350**	200	500
Norwegian krone (NOK)	**300**	250	200
Swiss franc (CHF)	**250**	250	200
Mexican peso (MXN)	**200**	300	150
South African rand (ZAR)	**150**	350	300
Danish krone (DKK)	**150**	250	150
Peruvian sol (PEN)	**100**	300	150
US dollar (USD)	**–350**	–250	–150
Other currencies	**1,300**	1,000	1,000
Total net assets in foreign currencies, Vehicles and Services	**8,850**	10,350	7,100

Net assets, Financial Services	2009	2008	2007
Euro, (EUR)	**1,800**	3,000	3,000
Other currencies	**1,600**	1,300	1,300
Total net assets in foreign currencies, Financial Services	**3,400**	4,300	4,300
Total net assets in foreign currencies, Scania Group	**12,250**	14,650	11,400

1 During 2008, the functional currency in a number of Scania's Russian companies was changed from euros to roubles.

Effect on exchange rate differences on net income

Net income for the year was affected by carried exchange rate differences (excluding flow-related forward contracts) as shown in the following table:

	2009	2008	2007
Operating income	**–55**	261	–159
Financial income and expenses	**–53**	–8	12
Taxes	**–1**	–10	–4
Effect on net income for the year	**–109**	243	–151

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, Scania primarily uses interest rate derivatives in the form of interest rate swap agreements.

At year-end 2009, Scania's interest-bearing assets mainly consisted of assets in Financial Services and of short-term investments and cash and cash equivalents. Interest-bearing liabilities consisted mainly of loans, to a great extent intended to fund lending in Financial Services operations and to a lesser extent to fund working capital in Vehicles and Services.

Interest rate risk in Vehicles and Services

Borrowings in Vehicles and Services are mainly used for funding of working capital. To match the turnover rate of working capital, a short interest rate refixing period is used in the borrowing portfolio. Scania's policy concerning interest rate risks in the Vehicles and Services segment is that the interest rate refixing period on its net debt should normally be 6 months, but that divergences are allowed in the range between 0 and 24 months.

Net debt in Vehicles and Services was SEK –4,038 m. (–8,364 and 1,902, respectively) at year-end 2009. The borrowing portfolio amounted to SEK 10,204 m. (11,574 and 1,678, respectively) and the average interest rate refixing period for this portfolio was less than 6 (6 and 6, respectively) months. Short-term investments and cash and cash equivalents amounted to SEK 6,648 m. (4,345 and 3,890, respectively) and the average interest rate refixing period on these assets was less than 1 (1 and 1, respectively) month. The net debt also includes derivatives that hedge borrowings with a net value of SEK –482 m. (–1,135 and –310, respectively).

Given the same loan liabilities, short-term investments, cash and cash equivalents and interest rate refixing periods as at year-end 2009, 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 85 m. (85 and 10, respectively) and interest income by about SEK 65 m. (45 and 35, respectively) on an annual basis.

Interest rate risk in Financial Services

Scania's policy regarding interest rate risks in the Financial Services 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 Financial Services had the following structure as of 31 December 2009:

Interest rate refixing in Financial Services, 31 December 2009	**Interest-bearing portfolio [1]**	**Interest-bearing liabilities [2]**
2010	22,604	22,361
2011	7,887	7,536
2012	5,543	4,064
2013	2,990	1,654
2014	1,084	495
2015 and later	296	118
Total	**40,404**	**36,228**

Interest rate refixing in Financial Services, 31 December 2008	Interest-bearing portfolio [1]	Interest-bearing liabilities [2]
2009	25,082	23,690
2010	9,172	8,609
2011	6,931	5,747
2012	3,993	2,801
2013	1,613	1,016
2014 and later	429	209
Total	47,220	42,072

Interest rate refixing in Financial Services, 31 December 2007	Interest-bearing portfolio [1]	Interest-bearing liabilities [2]
2008	20,845	19,435
2009	7,213	6,007
2010	5,479	4,486
2011	3,239	2,822
2012	1,246	809
2013 and later	292	121
Total	38,314	33,680

1 Including operating leases.

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

NOTE 30 Financial risk management, continued

Scania's total borrowing portfolio amounted to SEK 46,432 m. (53,646 and 35,358, respectively) at year-end 2009.

Borrowings, 31 December 2009	Borrowings including currency swap agreements	Borrowings excluding currency swap agreements
EUR	28,895	27,329
GBP	2,896	0
SEK	2,475	13,321
BRL	2,389	2,389
ZAR	1,985	1,408
NOK	1,150	0
USD	1,087	76
DKK	801	0
RUB	654	25
CHF	584	3
KRW	540	0
PLN	469	181
CLP	350	350
AUD	329	0
THB	283	37
CZK	198	496
Other currencies	962	432
Total [1]	**46,047**	**46,047**
Accrued interest and fair value adjustments	385	385
Total	**46,432**	**46,432**

1 Total borrowings excluded SEK 385 m. related to accrued interest and fair value adjustments on bonds for which hedge accounting was previously applied.

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.

Credit risk, Vehicles and Services

In the Vehicles and Services segment, carried receivables from customers totalled SEK 6,587 m. (8,470 and 8,670, respectively), most of which consisted of receivables from independent dealerships and end customers. The total estimated fair value of collateral was SEK 2,335 m. Most of the collateral consisted of repossession rights and bank guarantees. During the year, collateral valued at SEK 398 m. was repossessed.

Timing analysis of portfolio assets past due but not recognised as impairment losses	Past-due payments 2009	Past-due payments 2008	Past-due payments 2007
< 30 days	**963**	1,271	1,278
30–90 days	**314**	682	456
91–180 days	**128**	156	146
> 180 days	**82**	138	226
Total	**1,487**	2,247	2,106

Provisions for bad debts amounted to SEK 725 m. (711 and 619, respectively), equivalent to 9.9 (7.7 and 6.7, respectively) percent of total receivables. The year's bad debt expense amounted to SEK 188 m. (102 and 92, respectively). Provisions for bad debts changed as follows:

Provisions for bad debts	2009	2008	2007
Provisions, 1 January	**711**	619	626
Provisions for potential losses	**155**	71	34
Withdrawals due to actual credit losses	**–147**	–55	–82
Currency rate effects	**13**	54	–13
Other	**–7**	21	54
Provisions, 31 December	**725**	711	619

Credit risk, Financial Services

The credit portfolio including operating leases in the Financial Services segment can be seen in the table below:

Credit portfolio	2009	2008	2007
Exposure	**41,328**	47,855	38,881
– of which, operating leases	**8,931**	9,126	8,054
Credit risk reserve	**924**	635	567
Carrying amount	**40,404**	47,220	38,314
– of which, operating leases	**8,898**	9,033	8,019

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 Financial Services 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 value
On 31 December 2009			
Exposure < SEK 15 m.	21,285	98.4	67.7
Exposure SEK 15–50 m.	280	1.3	17.4
Exposure > SEK 50 m.	64	0.3	14.9
Total	**21,629**	**100.0**	**100.0**

Timing analysis of portfolio assets

Past due but not recognised as impairment losses	2009 Past-due payments	2009 Total exposure [1]	2009 Estimated fair value of collateral	2008 Past-due payments	2008 Total exposure [1]	2008 Estimated fair value of collateral	2007 Past-due payments	2007 Total exposure [1]	2007 Estimated fair value of collateral
< 30 days	**104**	**3,814**	**3,484**	202	5,217	5,040	102	4,079	4,145
30–90 days	**157**	**2,603**	**2,360**	220	3,208	3,185	101	2,316	2,252
Past due and recognised as impairment losses									
91–180 days	**197**	**1,592**	**1,355**	152	1,598	1,426	53	537	493
> 180 days	**396**	**2,108**	**1,652**	129	1,046	899	71	441	403
Completed contracts	**345**	**1,343**	**985**	99	731	573	65	443	282
Total	**1,199**	**11,460**	**9,836**	802	11,800	11,123	392	7,816	7,575

1 Exposure is defined as maximum potential loss, without regard to the value of any collateral.

The credit risk concentration in 2009 was equivalent to that of 2008 and 2007. The table shows that most customers are in the segment with exposure < SEK 15 m. This segment included 98.4 (98.3 and 98.5, respectively) percent of the total number of customers, equivalent to 67.7 (66.0 and 67.9, respectively) percent of the portfolio. The segment with exposure of SEK 15–50 m. included 1.3 (1.4 and 1.2, respectively) percent of the total number of customers, equivalent to 17.4 (18.1 and 17.7, respectively) percent of the portfolio. The segment with exposure > SEK 50 m. included 0.3 (0.3 and 0.3, respectively) percent of the total number of customers, equivalent to 14.9 (15.9 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. Under normal circumstances there is a smoothly functioning resale market for the objects being financed and the objects can then be sold relatively quickly. Since the resale market deteriorated during 2009 due to economic developments, the terms of financing contracts were renegotiated to a greater extent than in prior years. At the end of 2009, the carrying amount of financial assets whose terms were renegotiated and that would otherwise be recognised as past due for payment or as impairment losses, totalled SEK 7,372 m. (2,977). Renegotiation will only occur in cases when, in the judgement of Financial Services, the customer's liquidity problems are of a temporary nature and when renegotiation can take place without greatly worsening its risk position. 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 2009, 4,354 (2,146 and 895, respectively) financed vehicles were repossessed. At year-end, the number of repossessed but not yet sold vehicles amounted to 1,223 (720 and 239, respectively), with a total carrying amount of SEK 447 m. (310 and 129, 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 924 m. (635 and 567, respectively), equivalent to 2.2 (1.3 and 1.5, respectively) percent of the total Financial Services portfolio. Provisions for bad debts changed as follows:

Provisions for bad debts	2009	2008	2007
Provisions, 1 January	**635**	567	521
Provisions for potential losses	**604**	237	100
Withdrawals due to actual credit losses	**–303**	–176	–60
Currency rate effects	**–12**	7	6
Provisions, 31 December	**924**	635	567

The year's expenses for actual and potential credit losses amounted to SEK 833 m. (227 and 90, respectively).

Other credit risks at Scania

The administration of the financial credit risks that arise primarily in corporate treasury operations, among other things when investing liquidity and in derivatives trading, is regulated in Scania's Financial Policy. Transactions occur only within established limits and with selected, creditworthy counterparties. "Creditworthy counterparty" means that the counterparty has received an approved credit rating (at least A or the equivalent) from the credit institutes 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 International Swaps and Derivatives Association (ISDA) netting contracts with most of its counterparties. Derivative transactions occurring in Nordpool are regarded as being risk-free, since it is owned by the Swedish and Norwegian governments.

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 –259 m. (–3,721 and –573, respectively) at the end of 2009. Estimated gross exposure to counterparty risks related to derivatives trading totalled SEK 1,316 m. (1,687 and 405, respectively).

NOTE 30 Financial risk management, continued

Estimated gross exposure to cash and cash equivalents and short-term investments amounted to SEK 7,147 m. (4,669 and 4,134, respectively). Short-term investments are deposited with various banks. These banks normally have at least an A rating with Standard and Poor's and/or the equivalent with Moody's.

Scania had short-term investments worth SEK 6,111 m. (3,562 and 1,612, respectively), of which SEK 6,064 m. (3,474 and 933, respectively) consists of investments with a maturity of less than 90 days and SEK 47 m. (88 and 679, respectively) consisted of investments with a maturity of 91–365 days. In addition to short-term investments, Scania had bank balances worth SEK 1,036 m. (1,107 and 2,522, respectively).

REFINANCING RISK

Refinancing risk is the risk of not being able to meet the need for future funding. Scania applies a conservative policy concerning refinancing risk. For Vehicles and Services, there shall be a liquidity reserve consisting of available cash and cash equivalents as well as unutilised credit facilities which exceeds the funding needs for the next two years.

For Financial Services, there shall be dedicated funding that covers the estimated demand for funding during the next year. There shall also always be borrowings that safeguard the refinancing of the existing portfolio.

At the end of 2009, Scania's liquidity reserve, consisting of unutilised credit facilities, cash and cash equivalents and short-term investments, amounted to SEK 32,853 m. (31,540 and 18,344 respectively).

Scania's credit facilities include customary change control clauses, which means that the counterparty could demand early payment in case of significant changes in ownership involving a change in control of the company.

At year-end, Scania had borrowings, in some cases with related ceilings, as follows (in SEK m.):

Borrowings, 2009	Total borrowings	Ceiling
Medium Term Note Programme	**1,055**	13,000
European Medium Term Note Programme	**18,685**	36,236
Other bonds [3]	**11,965**	–
Credit facility (EUR)	**–**	25,706
Commercial paper, Sweden	**2,075**	10,000
Commercial paper, Belgium	**465**	4,141
Bank loans	**11,802**	–
Total [1]	**46,047 [2]**	**89,083**

Borrowings, 2008	Total borrowings	Ceiling
Medium Term Note Programme	1,753	13,000
European Medium Term Note Programme	22,514	38,274
Other bonds [3]	6,371	–
Credit facility (EUR)	–	26,871
Commercial paper, Sweden	9,611	10,000
Commercial paper, Belgium	1,849	4,374
Bank loans	11,127	–
Total [1]	53,225 [2]	92,519

Borrowings, 2007	Total borrowings	Ceiling
Medium Term Note Programme	1,831	13,000
European Medium Term Note Programme	18,911	23,684
Other bonds [3]	2,257	–
Credit facility (EUR)	–	14,210
Commercial paper, Sweden	3,587	6,000
Commercial paper, Belgium	379	3,789
Bank loans	8,236	–
Total [1]	35,201 [2]	60,683

1 Of the total ceiling, SEK 25,706 m. (26,871 and 14,210, respectively) consisted of guaranteed revolving credit facilities.

2 Total borrowings excluded SEK 385 m. (421 and 158, respectively) related to accrued interest and fair value adjustments on bonds where hedge accounting was previously applied.

3 Including a European Investment Bank (EIB) loan.

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 (in SEK m.):

Maturity structure of Scania's borrowings	2009	2008	2007
2008	**–**	–	15,137 [1]
2009	**–**	27,439 [1]	7,725
2010	**19,531 [1]**	9,216	3,195
2011	**8,568**	8,874	6,603
2012	**9,900**	3,883	2,525
2013 and later	**632**	348	16
2014 and later	**16**	3,465	–
2015 and later	**7,400**	–	–
Total	**46,047 [2]**	53,225 [2]	35,201 [2]

1 Borrowings with a maturity date within one year excluded accrued interest worth SEK 398 m. (503 and 354, respectively).

2 Total borrowings excluded SEK 385 m. (421 and 158, respectively) related to accrued interest and fair value adjustments on bonds for which hedge accounting was previously applied.

Maturity structure of derivatives attributable to borrowings	Derivatives with positive value	Derivatives with negative value
2010	66	623
2011	463	245
2012	158	155
2013	11	67
2014	7	32
2015 and later	1	7
Total [1]	**706**	**1,129**

1 Does not include accrued interest.

NOTE 31 Financial instruments

Financial assets in the Scania Group mainly consist of financial leases and hire purchase receivables that have arisen in the Financial Services segment due to financing of customers' vehicle purchases. Other financial assets of significance are trade receivables from independent dealerships and end customers in the Vehicles and Services segment plus short-term investments and cash and cash equivalents. Scania's financial liabilities consist largely of loans, mainly taken out to fund Financial Services' lending and leasing to customers and, to a lesser extent, to fund capital employed in Vehicles and Services. Financial assets and liabilities give rise to various kinds of risks, which are largely managed by means of various derivative instruments. Scania uses derivative instruments, mainly for the purpose of:

- Transforming corporate-level borrowings in a limited number of currencies to the currencies in which the financed assets are denominated.
- Transforming the interest rate refixing period for borrowings in Financial Services as well as achieving the desired interest rate refixing period for other borrowings.
- Converting expected future commercial payments in foreign currencies to SEK.
- To a lesser extent, converting projected surplus liquidity in foreign currencies to SEK.
- To safeguard the price level of future electricity consumption.

FAIR VALUE OF FINANCIAL INSTRUMENTS

In Scania's balance sheet, most items carried at fair value via the income statement (IFRS term: "through profit and loss") are derivatives. For derivatives for which hedge accounting is not applied, fair value adjustment is carried via the income statement. Derivatives attributable to cash flow hedging are carried at fair value via "Other comprehensive income". These are carried at fair value based on directly or indirectly observable market data.

For financial instruments that are carried at accrued cost, fair value disclosures are provided in the table below. The carrying amounts of interest-bearing assets and liabilities in the balance sheet may diverge from their fair value, among other things as a consequence of changes in market interest rates. To establish the fair value of financial assets and liabilities, official market quotations have been used for those assets and liabilities that are traded in an active market.

In those cases where reliable market quotations do not exist, fair value has been established by discounting future payment flows at current market interest rates and then converting to SEK at the current exchange rate. Fair value of financial instruments such as trade receivables, trade payables and other non-interest-bearing financial assets and liabilities that are recognised at accrued cost minus any impairment losses, is regarded as coinciding with the carrying amount.

Impairment losses on assets occur only when there is reason to believe that the counterparty will not fulfil its contractual obligations, not as a consequence of changes in market interest rates.

Scania Group, 2009, SEK m.	Financial assets and financial liabilities carried at fair value via the income statement ("through profit and loss")	Held-to-maturity investments	Loan receivables and trade receivables	Other financial liabilities	Net investment hedges	Cash flow hedges	**Total carrying amount**	**Total fair value**
Non-current interest-bearing receivables			19,265				19,265	19,575
Current interest-bearing receivables			12,557				12,557	12,580
Non-interest-bearing trade receivables			6,062				6,062	6,062
Cash and cash equivalents			7,147				7,147	7,147
Other non-current receivables [1]	848		426				1,274	1,274
Other current receivables [2]	181		29			287	497	497
Total assets	**1,029**	**–**	**45,486**	**–**	**–**	**287**	**46,802**	**47,135**
Non-current interest-bearing liabilities				26,504			26,504	26,979
Current interest-bearing liabilities				19,928			19,928	19,966
Trade payables				5,358			5,358	5,358
Other non-current liabilities [3]	503					200	703	703
Other current liabilities [4]	791					81	872	872
Total liabilities	**1,294**	**–**	**–**	**51,790**	**–**	**281**	**53,365**	**53,878**

1 Financial instruments included in the balance sheet under "Other non-current assets", SEK 1,496 m.

2 Financial instruments included in the balance sheet under "Other current receivables", SEK 2,806 m.

3 Financial instruments included in the balance sheet under "Other non-current liabilities", SEK 713 m.

4 Financial instruments included in the balance sheet under "Other current liabilities", SEK 2,534 m.

NOTE 31 Financial instruments, continued

Scania Group, 2008, SEK m.	Financial assets and financial liabilities carried at fair value via the income statement (“through profit and loss”)	Held-to-maturity investments	Loan receivables and trade receivables	Other financial liabilities	Net investment hedges	Cash flow hedges	Total carrying amount	Total fair value
Non-current interest-bearing receivables			24,877				24,877	24,672
Current interest-bearing receivables			13,879				13,879	13,765
Non-interest-bearing trade receivables			7,498				7,498	7,498
Cash and cash equivalents			4,669				4,669	4,669
Other non-current receivables [1]	517		550				1,067	1,067
Other current receivables [2]	493				23	654	1,170	1,170
Total assets	1,010	–	51,473	–	23	654	53,160	52,841
Non-current interest-bearing liabilities				25,704			25,704	25,086
Current interest-bearing liabilities				27,942			27,942	27,706
Trade payables				6,783			6,783	6,783
Other non-current liabilities [3]	1,182					173	1,355	1,355
Other current liabilities [4]	758					3,295	4,053	4,053
Total liabilities	1,940	–	–	60,429	–	3,468	65,837	64,983

1 Financial instruments included in the balance sheet under “Other non-current assets”, SEK 1,093 m.
2 Financial instruments included in the balance sheet under “Other current receivables”, SEK 5,419 m.
3 Financial instruments included in the balance sheet under “Other non-current liabilities”, SEK 1,359 m.
4 Financial instruments included in the balance sheet under “Other current liabilities”, SEK 5,973 m.

Scania Group, 2007, SEK m.	Financial assets and financial liabilities carried at fair value via the income statement (“through profit and loss”)	Held-to-maturity investments	Loan receivables and trade receivables	Other financial liabilities	Cash flow hedges	Fair value hedges	Total carrying amount	Total fair value
Non-current interest-bearing receivables			20,590				20,590	20,250
Current interest-bearing receivables			10,565				10,565	10,959
Non-interest-bearing trade receivables			7,540				7,540	7,540
Cash and cash equivalents			4,134				4,134	4,134
Other non-current receivables [1]	120		574				694	694
Other current receivables [2]	182				107		289	280
Total assets	302	–	43,403	–	107	–	43,812	43,857
Non-current interest-bearing liabilities				19,866			19,866	19,942
Current interest-bearing liabilities				15,492			15,492	16,347
Trade payables				7,068			7,068	7,068
Other non-current liabilities [3]	211						211	211
Other current liabilities [4]	282				369	116	767	767
Total liabilities	493	–	–	42,426	369	116	43,404	44,335

1 Financial instruments included in the balance sheet under “Other non-current assets”, SEK 707 m.
2 Financial instruments included in the balance sheet under “Other current receivables”, SEK 3,888 m.
3 Financial instruments included in the balance sheet under “Other non-current liabilities”, SEK 216 m.
4 Financial instruments included in the balance sheet under “Other current liabilities”, SEK 3,301 m.

HEDGE ACCOUNTING

Scania applies hedge accounting according to IAS 39 as follows:

– Cash flow hedge accounting is applied to 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 2009, see Note 16, “Equity”.
– During 2008 Scania ended fair value hedge accounting on bond loans. The difference between fair value and accrued cost on bond loans is allocated in the income statement over the remaining maturity of the loan. In 2009, Scania did not apply fair value hedge accounting on bond loans.
– Scania applies cash flow hedge accounting on interest rate derivatives to transform variable interest rates on loans to fixed rates.

The table below shows the nominal amounts and the fixed rates on interest rate swaps that are included in cash flow hedges.

Interest rate swaps in cash flow hedges	Nominal amount 2009	Fixed interest rate % 2009
Maturity Q1, 2010		
Maturity Q2, 2010	538	4.51
Maturity Q3, 2010	207	3.99
Maturity Q4, 2010		
Maturity 2011	521	4.38
Maturity 2012	1,476	4.46
Maturity 2013	683	4.46
Maturity 2014		
Maturity 2015		

– Cash flow hedge accounting is applied to electricity derivatives used for setting the price of Scania’s electricity consumption in Sweden. Scania’s expected purchases of electric power in 2010 amount to 317 GWh. During the period 2010–2012, the Group has hedged 517 GWh at an average price of EUR 47.85/MWh.
– At year-end 2009, the effect on income of inefficient cash flow hedges amounted to SEK 0 m. (16 and 0, respectively).
– At the end of 2009, no foreign net assets were hedged (EUR 211 m. and 0 respectively).

For more detailed information on accounting of hedging instruments and hedged items, see Note 1, “Accounting principles”.

NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS RECOGNISED IN THE INCOME STATEMENT

The table below shows the following items that are recognised in the income statement:

– Gains and losses related to currency rate differences, including gains and losses attributable to cash flow hedge accounting.
– Gains and losses related to financial instruments for which fair value hedge accounting is applied.

Net gains/losses	2009	2008	2007
Financial assets and liabilities held for trading, carried at fair value	–2,354	–1,092	–279
Loan and trade receivables [1]	–1,345	2,690	1,201
Other financial liabilities	1,496	–1,810	–1,160
Total	–2,203	–212	–238

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 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:

	2009	2008	2007
Interest income on financial assets [1, 2]	2,535	2,893	2,405
Interest expenses on financial liabilities [2, 3]	–2,531	–2,527	–2,038
Total	4	366	367

1 SEK –78 m. (103 and 179, respectively) consists 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 Financial Services that were recognised in the operating income.
3 SEK 488 m. (201 and 288, respectively) consists of interest expenses generated from financial liabilities carried at fair value.

The reason why income diverges from recognised interest income in net financial items is largely that Financial Services is included in the table and that interest income and interest expenses attributable to pensions are excluded.

NOTE 32 Subsidiaries

Company	Corporate ID no.	Registered office	Country	% Ownership
Vehicles and Services				
Hedenlunda Fastighet AB	556147-5871	Flen	Sweden	100
Fastighetsaktiebolaget Vindbron	556040-0938	Gothenburg	Sweden	100
Scania Real Estate AB	556084-1180	Katrineholm	Sweden	100
Ferruform AB	556528-9120	Luleå	Sweden	100
Fastighetsaktiebolaget Flygmotorn	556528-9112	Malmö	Sweden	100
Dynamate AB	556070-4818	Södertälje	Sweden	100
Dynamate Industrial Services AB	556528-9286	Södertälje	Sweden	100
Dynamate IntraLog AB	556718-5409	Södertälje	Sweden	100
Fastighets AB Katalysatorn	556070-4826	Södertälje	Sweden	100
Fastighetsaktiebolaget Motorblocket	556716-6698	Södertälje	Sweden	100
Scania CV AB	556084-0976	Södertälje	Sweden	100
Scania Delivery Center AB	556593-2976	Södertälje	Sweden	100
Scania IT AB	556084-1206	Södertälje	Sweden	100
Scania Omni AB	556060-5809	Södertälje	Sweden	100
Scania Overseas AB	556593-2984	Södertälje	Sweden	100
Scania Parts Logistics AB	556528-9104	Södertälje	Sweden	100
Scania Real Estate Services AB	556593-3024	Södertälje	Sweden	100
Scania Sverige AB	556051-4621	Södertälje	Sweden	100
Scania Trade Development AB	556013-2002	Södertälje	Sweden	100
Scania Treasury AB	556528-9351	Södertälje	Sweden	100
Svenska Mektek AB	556616-7747	Södertälje	Sweden	100
Vabis Försäkrings AB	516401-7856	Södertälje	Sweden	100
Transportlaboratorium AB	556528-9294	Södertälje	Sweden	100
Fastighetsaktiebolaget Hjulnavet	556084-1198	Stockholm	Sweden	100
Stockholms Industriassistans AB	556662-3459	Stockholm	Sweden	100
Aconcagua Vehiculos Com. S.A.	30-70737179-6	Mendoza	Argentina	100
Automotores del Atlantico S.A.	30-70709795-3	Mar del Plata	Argentina	100
Automotores Pesados S.A.	30-55137605-9	Tucumán	Argentina	99.38
Motorcam S.A.	33-70791031-9	Buenos Aires	Argentina	100
Scania Argentina S.A.	30-51742430-3	Buenos Aires	Argentina	100
Scania Plan S.A.	30-61086492-5	Buenos Aires	Argentina	96.66
Scania Services S.A.	33-70784693-9	Buenos Aires	Argentina	100
Scania Australia Pty Ltd	000537333	Melbourne	Australia	100
Scania Österreich GmbH	AT 43324602	Brunn am Gebirge	Austria	100
Scania Insurance Belgium BVBA	BE0819368007	Brussels	Belgium	100
Scania Belgium NV-S.A.	BE402.607.507	Diegem	Belgium	100
Scania Bus Belgium NV-S.A.	BE460.870.259	Diegem	Belgium	100
Scania Group Treasury Belgium NV	0809.445.796	Neder-Over-Heembeek	Belgium	100
Scania Treasury Belgium NV	BE200012217359	Neder-Over-Heembeek	Belgium	100
Conimco NV	423251481	Neder-Over-Heembeek	Belgium	99.90
Scania Bosnia Hertzegovina d.o.o.	1-23174	Sarajevo	Bosnia-Hercegovina	100
Scania Botswana (Pty) Ltd	CO.2000/6045	Gaborone	Botswana	99.90
Suvesa Super Veics Pesados LTDA	88301668/0001-10	Canoas	Brazil	99.99
Scania Administradora de Consórcios Ltda	96.479.258/0001-91	Cotia	Brazil	99.99
Codema Coml Import LTDA	60849197/001-60	Guarulhos	Brazil	99.99
Scania Latin America Ltda	635 010 727 112	Saõ Bernardo do Campo	Brazil	100
Scania Banco Brazil	11417016/0001-10	Sao Paolo	Brazil	100
Griffin Automotive Limited	656978	Road Town	British Virgin Islands	100
Scania Bulgaria EOOD	BG121796861	Sofia	Bulgaria	100
Scania Chile S.A.	96.538.460-K	Santiago	Chile	100
Scania (Hong Kong) Ltd	1205987	Hong Kong	China	100
Scania Sales (China) Co Ltd	110105717867816	Beijing	China	100
Scania Hrvatska d.o.o.	1 351 923	Zagreb	Croatia	100
Scania Czech Republic s.r.o.	CZ61251186	Prague	Czech Republic	100
Scania Biler A/S	DK21498033	Kolding	Denmark	100
Scania Danmark A/S	DK 17045210	Herlev	Denmark	100
Scania Eesti AS	10 238 872	Tallinn	Estonia	100

Company	Corporate ID no.	Registered office	Country	% Ownership
Oy Maakunnan Auto Ab	1568951-7	Seinäjoki	Finland	100
Oy Scan-Auto Ab	FI0202014-4	Helsinki	Finland	100
Scania France S.A.S.	FR38307166934	Angers	France	100
Scania IT France S.A.S.	FR17412 282 626	Angers	France	100
Scania Locations S.A.S	FR67402496442	Angers	France	100
Scania Production Angers S.A.S.	FR24378 442 982	Angers	France	100
Scania Danmark GmbH	DE1 529 518 862	Flensburg	Germany	100
Scania Flensburg GmbH	15 295 18587	Flensburg	Germany	100
Scania Vertrieb und Service GmbH, Kerpen	DE812180098	Kerpen	Germany	100
Scania Deutschland GmbH	DE148787117	Koblenz	Germany	100
Scania Vertrieb und Service GmbH, Koblenz	DE178753117	Koblenz	Germany	100
Scania Great Britain Ltd	831017	Milton Keynes	Great Britain	100
Scania Hungaria KFT	10415577	Biatorbagy	Hungary	100
Italscania SPA	IT 01632920227	Trento	Italy	100
Scania Commerciale SPA	IT 01184460226	Trento	Italy	100
Scania Japan Limited	0104-01-083452	Tokyo	Japan	100
Scania Central Asia LLP	84931-1910-TOO	Almaty	Kazakhstan	100
SIA Scania Latvia	LV000311840	Riga	Latvia	100
UAB Scania Lietuva	2 387 302	Vilnius	Lithuania	100
Scania Luxembourg S.A.	LU165291-18	Münsbach	Luxembourg	99.9
Scania Malaysia SDN BHD	518606-D	Kuala Lumpur	Malaysia	100
Scania Comercial, S.A de C.V.	SCO-031124-MF5	Querétaro	Mexico	100
Scania Servicios S.A. de C.V	SSE-031124-C26	Querétaro	Mexico	100
Scania de Mexico S.A. de CV	SME-930629-JT3	Querétaro	Mexico	100
Scania Maroc S.A.	6100472	Casablanca	Morocco	100
Truck Namibia (Pty) Ltd	3864704-015	Windhoek	Namibia	100
Beers N.V.	NL003779439B01	The Hague	Netherlands	100
Scania Beers B.V.	27136821	The Hague	Netherlands	100
Scania Beers Rayon II B.V.	27146580	The Hague	Netherlands	100
Scania Group Treasury B.V.	27269640	The Hague	Netherlands	100
Scania Infomate Zwolle	8073.08.432.B01	Zwolle	Netherlands	100
Scania Insurance Nederland B.V.	27005076	The Hague	Netherlands	100
Scania Networks B.V.	NL802638429B01	The Hague	Netherlands	100
Scania Productie Meppel B.V.	NL800564364B06	Meppel	Netherlands	100
Scania Production Zwolle B.V.	NL800564364B04	Zwolle	Netherlands	100
Scania Treasury Netherland B.V.	27269639	The Hague	Netherlands	100
Norsk Scania AS	879 263 662	Oslo	Norway	100
Scania del Peru S.A.	101-36300	Lima	Peru	100
Scania Polska S.A.	521-10-14-579	Warsaw	Poland	100
Scania Production Słupsk S.A.	839-000-53-10	Słupsk	Poland	100
Scania Portugal SA	PT502929995	Santa Iria da Azóia	Portugal	100
Scania Investimentos Imobiliários S.A.	508948118	Santa Iria de Azóia	Portugal	100
Scania Romania SRL	J40/10908/1999	Bucharest	Romania	100
Scania Rent Romania SRL	23975772	Ciorogarla	Romania	100
OOO Scania-Rus	5 032 073 106	Moscow	Russia	100
Scania Peter OOO	78:111158:25	St Petersburg	Russia	100
OOO Petroscan	7816097078	St Petersburg	Russia	100
OOO Scania Service	5032052145	Golitsino	Russia	100
Scania Srbia d.o.o.	SR100014375	Belgrade	Serbia	100
Scania Singapore Pte Ltd	200309593R	Singapore	Singapore	100
Scania Real Estate s.r.o.	44767668	Bratislava	Slovakia	100
Scania Slovakia s.r.o.	35826649	Bratislava	Slovakia	100
Scania Leasing d.o.o	356.417.700	Ljubliana	Slovenia	100
Scania East Adriatic Region d.o.o.	1 605 810	Ljubliana	Slovenia	100
Scania Slovenija d.o.o.	1 124 773	Ljubliana	Slovenia	100
Scania South Africa Pty Ltd	95/0 1275/07	Sandton	South Africa	100
Scania Korea Ltd	136-81-15441	Seoul	South Korea	100
Scania Commercial Vehicles Renting S.A.	ESA82853995	Madrid	Spain	

NOTE 32 Subsidiaries, continued

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania Hispania S.A.	ESA59596734	Madrid	Spain	100
Scania Malaga S.L.	ESB85525459	Malaga	Spain	100
Proarga, S.L.	ESB36682003	Pontevedra	Spain	100
Scagalicia, S.L.	ESB36625044	Pontevedra	Spain	100
Scaramancha S.L.	B85368421	Zaragosa	Spain	100
GB&M Garage et Carrosserie SA	CH-660-0046966-0	Geneva	Switzerland	100
Scania Schweiz AG	CH218687	Kloten	Switzerland	100
Thommen Nutzfahrzeuge AG	CH-280.3.001.323-2	Rümlingen	Switzerland	100
Scania Tanzania Ltd	39320	Dar Es Salaam	Tanzania	100
Power Vehicle Co. Ltd.	3031560468	Bangkok	Thailand	100
Scan Siam Service Co. Ltd	3030522108	Bangkok	Thailand	100
Scania Siam Co Ltd	865/2543	Bangkok	Thailand	99.99
Scania Siam Leasing Co. Ltd.	3 032 741 750	Bangkok	Thailand	100
Scania Thailand Co Ltd	9802/2534	Bangkok	Thailand	99.99
Scania Ukraine LLC	30 107 866	Kiev	Ukraine	100
Kiev-Scan LLC	357 064 310 147	Makarov, Kiev region	Ukraine	100
Donbas-Scan-Service LLC	3,45167E+11	Makeevka	Ukraine	100
Lauken International S.A.	214905900017	Montevideo	Uruguay	100
Scanexpo International S.A.	214905910012	Montevideo	Uruguay	100
Scania USA Inc	06-1288161	San Antonio, Texas	USA	100
Scania de Venezuela S.A.	J-30532829-3	Valencia	Venezuela	100
Financial Services				
Scania Finans AB	556049-2570	Södertälje	Sweden	100
Scania Credit AB	556062-7373	Södertälje	Sweden	100
Scania Finance Pty Ltd	52006002428	Melbourne	Australia	100
Scania Leasing Ges.m.b.H	ATU 57921547	Brunn am Gebrige	Austria	100
Scania Finance Belgium N.V. S.A.	BE 413 545 048	Neder-Over Heembeek	Belgium	100
Scania Finance Bulgaria EOOD	BG 175108126	Sofia	Bulgaria	100
Scania Finance Chile S.A.	76.574.810-0	Santiago	Chile	100
Scania Credit Hrvatska d.o.o.	80 516 047	Rakitje	Croatia	100
Scania Finance Czech Republic spol s.r.o.	CZ 25657496	Prague	Czech Republic	100
Scania Finance France S.A.S.	350 890 661	Angers	France	100
Scania Finance Deutschland GmbH	DE811292425	Koblenz	Germany	100
Scania Finance Great Britain Ltd	581 016 364	Milton Keynes	Great Britain	100
Scania Lízing KFT	13-09-107823	Biatorbágy	Hungary	100
Scania Finance Magyarország zrt.	HU14111440	Biatorbágy	Hungary	100
Scania Finance Italy S.p.A	1204290223	Trento	Italy	100
Scania Finance Luxembourg S.A.	20 012 217 359	Luxembourg	Luxembourg	100
Scania Finance Nederland B.V.	27004973	The Hague	Netherlands	100
Scania Finance Polska Sp.z.o.o.	521 15 79 028	Warsaw	Poland	100
Scanrent S.A.	PT502631910	Lisbon	Portugal	100
Scania Credit Romania SRL	17 996 167	Ciorogarla	Romania	100
OOO Autobusnaya Leasingovaya Compania Scania	7705207520	Moscow	Russia	100
OOO Scania Leasing	7705392920	Moscow	Russia	100
Scania Finance Slovak Republic	43874746	Bratislava	Slovakia	100
Scania Finance Southern Africa (Pty) Ltd	2000/025215/07	Johannesburg	South Africa	100
Scania Finance Korea Ltd	6 138 127 196	Seoul	South Korea	100
Scania Finance Hispania EFC S.A.	ESA82853987	Madrid	Spain	100
Scania Finance Schweiz AG	CH-020.3.029.627-6	Kloten	Switzerland	100
Scania Tüketici Finansmani A.S.	7570328278	Istanbul	Turkey	100
Scania Credit Ukraine Ltd	33 052 443	Kiev	Ukraine	100

Dormant companies and holding companies with operations of negligible importance are not included.

Parent Company financial statements, Scania AB

Income statement

January – December, SEK m.	Note	2009	2008	2007
Administrative expenses		**–11**	0	–41
Operating income		**–11**	0	–41
Financial income and expenses	1	**2,017**	2,944	7,695
Income after financial items		**2,006**	2,944	7,654
Withdrawal from tax allocation reserve		**814**	–	326
Income before taxes		**2,820**	2,944	7,980
Taxes	2	**–209**	–47	–154
Net income		**2,611**	2,897	7,826

Balance sheet

31 December, SEK m.	Note	2009	2008	2007
Assets				
Financial non-current assets				
Shares in subsidiaries	3	**8,401**	8,401	8,401
Current assets				
Due from subsidiaries	4	**3,800**	4,611	11,844
Total assets		**12,201**	13,012	20,245
Shareholders' equity and liabilities				
Equity	5	**12,201**	12,198	19,423
Untaxed reserves	6	**–**	814	814
Current liabilities				
Tax liabilities		**–**	–	8
Total shareholders' equity and liabilities		**12,201**	13,012	20,245
Assets pledged		**–**	–	–
Contingent liabilities	7	**36,494**	44,669	27,112

Statement of changes in equity

	Restricted equity		Unrestricted	
2009	**Share capital**	**Statutory reserve**	**shareholders' equity**	**Total**
Equity, 1 January	2,000	1,120	9,078	**12,198**
Dividends			–2,000	**–2,000**
Group contributions			–825	**–825**
Tax attributable to Group contributions			217	**217**
Net income			2,611	**2,611**
Equity, 31 December 2009	2,000	1,120	9,081	**12,201**

	Restricted equity		Unrestricted	
2008	Share capital	Statutory reserve	shareholders' equity	Total
Equity, 1 January	2,000	1,120	16,303	19,423
Redemption			–6,000	–6,000
Dividends			–4,000	–4,000
Group contributions			–169	–169
Tax attributable to Group contributions			47	47
Net income			2,897	2,897
Equity, 31 December 2008	2,000	1,120	9,078	12,198

	Restricted equity		Unrestricted	
2007	Share capital	Statutory reserve	shareholders' equity	Total
Equity, 1 January	2,000	1,120	18,852	21,972
Reduction in share capital			–7,000	–7,000
Dividends			–3,000	–3,000
Group contributions			–520	–520
Tax attributable to Group contributions			145	145
Net income			7,826	7,826
Equity, 31 December 2007	2,000	1,120	16,303	19,423

Parent Company financial statements, Scania AB, continued

Cash flow statement

January – December, SEK m.	Note	2009	2008	2007
Operating activities				
Income after financial items		**2,006**	2,944	7,654
Items not affecting cash flow	8	**–2,000**	–2,800	–7,500
Taxes paid		**8**	–8	–11
Cash flow from operating activities before change in working capital		**14**	136	143
Cash flow from change in working capital				
Due from/liabilities to subsidiaries		**1,986**	9,864	9,857
Total change in working capital		**1,986**	9,864	9,857
Cash flow from operating activities		**2,000**	10,000	10,000
Investing activities		**–**	–	–
Total cash flow before financing activities		**2,000**	10,000	10,000
Financing activities				
Dividend to shareholders		**–2,000**	–4,000	–3,000
Redemption of shares		**–**	–6,000	–7,000
Cash flow from financing activities		**–2,000**	–10,000	–10,000
Cash flow for the year		**–**	–	–
Cash and cash equivalents, 1 January		**–**	–	–
Cash and cash equivalents, 31 December		**–**	–	–

Notes to the Parent Company financial statements

Amounts in the tables are reported in millions of Swedish kronor (SEK m.), unless otherwise stated. A presentation of the Parent Company's accounting principles is found in Note 1 to the consolidated financial statements. Taking into account that the operations of the Parent Company consists exclusively of share ownership in Group companies, aside from the notes below, the Scania Group's Report of the Directors and notes otherwise apply where appropriate.

NOTE 1 Financial income and expenses

	2009	2008	2007
Interest income from subsidiaries	16	144	195
Dividend from Scania CV AB	2,000	2,800	7,500
Other	1	0	0
Total	2,017	2,944	7,695

NOTE 2 Taxes

Tax expense for the year	2009	2008	2007
Current tax	–209	–47	–154
Total	–209	–47	–154

	2009		2008		2007	
Reconciliation of effective tax	**Amount**	**%**	Amount	%	Amount	%
Income before tax	2,820		2,944		7,980	
Tax calculated using Swedish tax rate	–742	26.3	–824	28	–2,234	28
Tax effect and percentage influence:						
Tax-exempt dividends	526	19	784	27	2,100	26
Non-deductible expenses	0	0	0	0	–12	0
Tax on standard income related to tax allocation reserves	–4	0	–7	0	–8	0
Adjustment of tax related to previous years	11	0	–	0	–	0
Effective tax	–209	7	–47	1	–154	2

NOTE 3 Shares in subsidiaries

Subsidiary/Corporate ID number/ registered office	Ownership, %	Thousands of shares	Carrying amount 2009	2008	2007
Scania CV AB, 556084-0976, Södertälje	100.0	1,000	8,401	8,401	8,401
Total			8,401	8,401	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 Nasdaq OMX Stockholm.

Notes to the Parent Company financial statements, continued

NOTE 4 Due from subsidiaries

	2009	2008	2007
Current interest-bearing receivable from Scania CV AB	**1,800**	1,811	4,344
Current non-interest-bearing receivable from Scania CV AB [1]	**2,000**	2,800	7,500
Total	**3,800**	4,611	11,844

1 Refers to anticipated dividend. The receivable is in SEK, so there is no currency risk.

NOTE 5 Equity

For changes in equity, see the equity report, page 125.

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 400,000,000 Series A shares outstanding with voting rights of one vote per share and 400,000,000 Series B shares outstanding with voting rights of 1/10 vote per share. A and B shares carry the same right to a portion of the company's assets and profit. The nominal value of both A and B shares is SEK 2.50 per share. All shares are fully paid and no shares are reserved for transfer of ownership. No shares are held by the company itself or its subsidiaries.

NOTE 6 Untaxed reserves

Tax allocation reserve	2009	2008	2007
2005 assessment	**–**	814	814
Total	**–**	814	814

SEK – m. (214 and 228, respectively) of "Untaxed reserves" consists of a deferred tax liability, which is part of the Scania Group's deferred tax liabilities.

NOTE 7 Contigent liabilities

	2009	2008	2007
Contingent liabilities related to FPG credit insurance, mainly on behalf of subsidiaries	**2,502**	2,353	2,143
Loan guarantees on behalf of borrowings in Scania CV AB	**33,990**	42,314	24,967
Other loan guarantees on behalf of subsidiaries	**2**	2	2
Total	**36,494**	44,669	27,112

NOTE 8 Cash flow statement

Items not affecting cash flow are mainly attributable to anticipated dividends. Interest received was SEK 16 m. (144 and 195, respectively).

NOTE 9 Salaries and remuneration to executive officers and auditors

The President and CEO of Scania AB and the other executive officers hold identical positions in Scania CV AB. Wages, salaries and other remuneration are paid by Scania CV AB. The reader is therefore referred to the notes to the consolidated financial statements: Notes 26, "Wages, salaries and other remuneration and number of employees" and note 28, "Compensation to executive officers". Compensation of SEK 10 thousand (10 and 69 respectively) was paid to auditors with respect to the Parent Company.

NOTE 10 Transactions with related parties

Scania AB is a subsidiary of Volkswagen AG, corporate ID number HRB 100484 and with its registered office in Wolfsburg, Germany.

The consolidated Annual Report of Scania's foreign parent company is available on the website www.volkswagenag.com. The consolidated Annual Report of Volkswagen's majority shareholder Porsche is available on the website www.porsche-se.com.

Transactions with related parties consist of dividends paid to Volkswagen AG.

Proposed guidelines for salary and other remuneration of the President and CEO as well as other executive officers

The Board of Directors proposes that the AGM approve the following:

BACKGROUND

The proposed principles have mainly been used since 1998. The motive for their introduction was to be able to offer employees a market-related remuneration package that will enable the company to recruit and retain executive officers.

The proposal of the Board of Directors to the Annual General Meeting stated below is, in all essential respects, consistent with the principles for the remuneration that executive officers have received in prior years and is based on existing employment agreements between Scania and each respective executive officer. Remuneration to executive officers in 2009 can be seen in Note 28.

Preparation of remuneration issues is handled as follows. With regard to the President and CEO, the Remuneration Committee of the Board of Directors proposes a fixed salary, criteria for variable remuneration and other employment conditions, which are then adopted by the Board of Directors. For other Executive Board members, the President and CEO proposes the equivalent employment conditions, which are then adopted by the Remuneration Committee of the Board of Directors and reported to the Board – all in compliance with the remuneration principles approved by the Annual General Meeting (AGM).

Share-related incentive programmes for executive officers are decided by the AGM.

PROPOSAL

Scania shall endeavour to offer competitive overall remuneration that will enable the company to recruit and retain executive officers. Remuneration to executive officers shall consist of fixed salary, variable remuneration in the form of the Scania Incentive Programme, pension and other remuneration. Total remuneration shall take into account the individual's performance, areas of responsibility and experience.

The fixed salary for the President and CEO as well as for the members of the Executive Board can be re-assessed on a yearly basis.

Variable salary shall be dependent on Scania's earnings and consist of an incentive programme that is divided into two parts. The outcome shall be calculated on the basis of operating return, defined as Scania Group net income after subtracting the cost of equity, Residual Net Income (RNI) and be adopted by the Board's Remuneration Committee.

Part 1 of the incentive programme shall be related to the actual ability to generate a return during the year in question, all provided that RNI is positive, and shall be determined as a cash amount that may vary between 0–150 percent of fixed salary. Part 2 of the incentive programme shall be related to Scania's ability to increase RNI from one year to another, and the outcome shall be determined as a cash amount that may vary between 0–80 percent of fixed salary.

The Board's proposal for the incentive programme will be stated in its entirety in a complete proposal to the AGM.

The President and CEO as well as the members of the Executive Board may be covered by a defined contribution pension system in addition to the public pension and the ITP occupational pension. In addition to the above mentioned pension principle, the President and CEO can, after decision by the Board, be covered by an extra annual pension provision. The retirement age of the President and CEO as well as other executive officers shall be no lower than age 60.

Other remuneration and benefits shall be competitive and help facilitate the executive officer's ability to fulfil his or her duties.

If the President and CEO resigns of his own volition, he is entitled to his salary for a six-month period. The applicable outcome of variable remuneration shall be proportional to the length of his period of employment during the year in question. In case of termination by the company, the President and CEO shall be entitled to his fixed salary in an unchanged amount per year during the time of his employment contract, plus annual compensation equivalent to the average of variable remuneration for the previous three years.

If the company terminates their employment, the other members of the Executive Board are entitled to severance pay equal 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 members of the Executive Board are entitled to resign of their own volition with severance pay amounting to two years' salary. Otherwise there shall be no notice period longer than six months.

If it finds that there are special reasons in an individual case, the Board of Directors shall be able to diverge from these guidelines.

Proposed distribution of earnings

The Board of Directors [1] proposes that the following earnings at the disposal of the Annual General Meeting:

Amounts in SEK m.	
Retained earnings	6,470
Net income for the year	2,611
Total	9,081
Shall be distributed as follows:	
To the shareholders, a dividend of SEK 1.00 per share	800
To be carried forward	8,281
Total	9,081

1 One of the employee representatives on Scania's Board of Directors, Johan Järvklo, registered his dissent from the Board's proposed distribution of earnings.

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	8,281
Total	11,401

The undersigned certify that the consolidated accounts and the annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted for use in the European Union, and generally accepted accounting principles respectively, and give a true and fair view of the financial positions and results of the Group and the Parent Company, and that the Report of the Directors for the Group and the Parent Company gives a true and fair review of the development of the operations, financial positions and results of the Group and the Parent Company and describes substantial risks and uncertainties faced by the companies in the Group. The annual accounts and the consolidated financial statements were approved for issuance by the Board of Directors on 11 February 2010. 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 6 May 2010.

Södertälje, 11 February 2010

Martin Winterkorn
Chairman of the Board

Staffan Bohman
Vice Chairman

Helmut Aurenz
Board member

Peggy Bruzelius
Board member

Börje Ekholm
Board member

Francisco J. Garcia Sanz
Board member

Gunnar Larsson
Board member

Hans Dieter Pötsch
Board member

Peter Wallenberg Jr
Board member

Johan Järvklo
Board member
Employee representative

Håkan Thurfjell
Board member
Employee representative

Leif Östling
Board member
President and CEO

Our Audit Report was submitted on 17 February 2010

Ernst & Young AB

Lars Träff
Authorised Public Accountant

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 2009. The annual accounts and the consolidated accounts are presented in the printed version of this document on pages 4–50, 57–130. 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 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 Report of the Directors 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 Report of the Directors and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Södertälje, 17 February 2010

Ernst & Young AB

Lars Träff
Authorised Public Accountant

Quarterly data, units by geographic area

	2009					2008				
	Full year	**Q4**	**Q3**	**Q2**	**Q1**	Full year	Q4	Q3	Q2	Q1
Order bookings, trucks										
Western Europe	**12,644**	4,773	3,014	3,001	1,856	19,684	1,921	3,077	6,209	8,477
Central and eastern Europe	**2,568**	1,107	815	416	230	7,473	–665	1,907	2,518	3,713
Latin America	**11,214**	4,324	3,668	1,563	1,659	9,026	–724	3,099	3,777	2,874
Asia	**4,208**	1,415	945	1,263	585	4,835	–341	1,046	2,098	2,032
Other markets	**2,374**	693	567	661	453	2,825	377	798	615	1,035
Total	**33,008**	**12,312**	**9,009**	**6,904**	**4,783**	43,843	568	9,927	15,217	18,131
Trucks delivered										
Western Europe	**16,669**	4,461	3,354	3,723	5,131	34,065	8,076	6,931	9,646	9,412
Central and eastern Europe	**3,239**	1,192	637	549	861	12,574	1,987	2,942	3,949	3,696
Latin America	**9,566**	3,649	2,026	1,778	2,113	10,775	3,194	2,412	2,903	2,266
Asia	**4,843**	1,720	939	947	1,237	6,721	1,851	1,613	1,489	1,768
Other markets	**2,490**	606	605	684	595	2,381	838	558	557	428
Total	**36,807**	**11,628**	**7,561**	**7,681**	**9,937**	66,516	15,946	14,456	18,544	17,570
Order bookings, buses [1]										
Western Europe	**1,609**	492	229	326	562	1,905	515	213	440	737
Central and eastern Europe	**103**	17	64	11	11	373	98	71	120	84
Latin America	**1,538**	477	517	312	232	1,858	230	364	618	646
Asia	**1,718**	410	705	417	186	1,924	671	491	455	307
Other markets	**826**	176	110	253	287	1,131	341	290	179	321
Total	**5,794**	**1,572**	**1,625**	**1,319**	**1,278**	7,191	1,855	1,429	1,812	2,095
Buses delivered [1]										
Western Europe	**1,851**	555	366	457	473	2,188	637	482	643	426
Central and eastern Europe	**233**	78	48	43	64	418	106	101	118	93
Latin America	**1,421**	587	304	232	298	2,009	493	477	534	505
Asia	**1,876**	617	534	440	285	1,721	528	458	423	312
Other markets	**1,255**	288	210	510	247	941	265	270	246	160
Total	**6,636**	**2,125**	**1,462**	**1,682**	**1,367**	7,277	2,029	1,788	1,964	1,496

1 Including body-built buses and coaches.

Quarterly data, earnings

SEK m. unless otherwise stated	2009 Full year	Q4	Q3	Q2	Q1	2008 Full year	Q4	Q3	Q2	Q1
Vehicles and Services										
Net sales	**62,074**	18,360	13,426	14,429	15,859	88,977	22,658	20,434	23,894	21,991
Cost of goods sold	**–48,890**	–14,023	–10,587	–11,691	–12,589	–64,516	–17,300	–14,826	–16,880	–15,510
Gross income	**13,184**	4,337	2,839	2,738	3,270	24,461	5,358	5,608	7,014	6,481
Research and development expenses	**–3,216**	–802	–670	–820	–924	–4,228	–1,172	–933	–1,068	–1,055
Selling expenses	**–6,407**	–1,789	–1,393	–1,612	–1,613	–7,002	–1,960	–1,652	–1,753	–1,637
Administrative expenses	**–918**	–226	–186	–232	–274	–1,142	– 220	–292	–295	–335
Share of income in associated companies and joint ventures	**5**	4	–2	0	3	9	3	5	3	–2
Operating income, Vehicles and Services	**2,648**	**1,524**	**588**	**74**	**462**	12,098	2,009	2,736	3,901	3,452
Financial Services										
Interest and leasing income	**4,666**	1,131	1,086	1,192	1,257	4,772	1,383	1,177	1,114	1,098
Interest and depreciation expenses	**–3,514**	–851	–825	–884	–954	–3,663	–1,086	–894	–843	–840
Interest surplus	**1,152**	280	261	308	303	1,109	297	283	271	258
Other income	**306**	57	87	67	95	357	58	119	86	94
Other expenses	**–262**	–54	–77	–61	–70	–307	–84	–116	–42	–65
Gross income	**1,196**	282	272	314	328	1,159	271	286	315	287
Selling and administrative expenses	**–538**	–137	–130	–138	–133	–518	–133	–130	–128	–127
Bad debt expenses	**–833**	–238	–211	–233	–151	–227	–90	–72	–57	–8
Operating income, Financial Services	**–175**	**–93**	**–69**	**–57**	**44**	414	48	84	130	152
Operating income	**2,473**	1,431	519	17	506	12,512	2,057	2,820	4,031	3,604
Interest income	**407**	99	97	100	111	458	130	116	124	88
Interest expenses	**–1,129**	–238	–266	–291	–334	–833	–303	–245	–168	–117
Other financial income	**227**	–74	36	28	237	135	35	–148	221	27
Other financial expenses	**–376**	18	–3	–35	–356	–294	–211	–36	39	–86
Total financial items	**–871**	–195	–136	–198	–342	–534	–349	–313	216	–88
Income before taxes	**1,602**	1,236	383	–181	164	11,978	1,708	2,507	4,247	3,516
Taxes	**–473**	–414	–105	31	15	–3,088	–187	–689	–1,209	–1,003
Net income	**1,129**	**822**	**278**	**–150**	**179**	8,890	1,521	1,818	3,038	2,513
Attributable to:										
Scania shareholders	***1,129***	*822*	*278*	*–150*	*179*	*8,890*	*1,521*	*1,818*	*3,038*	*2,513*
Minority interest	***0***	*0*	*0*	*0*	*0*	0	0	0	0	0
Earnings per share, SEK [1, 2]	**1.41**	1.03	0.35	–0.19	0.22	11.11	1.90	2.27	3.80	3.14
Operating margin, percent	**4.0**	7.8	3.9	0.1	3.2	14.1	9.1	13.8	16.9	16.4

1 Attributable to Scania shareholders' portion of earnings.

2 There are no dilution effects.

Key financial ratios and figures

	According to IFRSs[1]						According to Swedish GAAP			
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Scania Group										
Operating margin, %	**4.0**	14.1	14.4	12.4	10.8	11.6	10.1	9.3	4.6	10.5
Earnings per share, SEK[2]	**1.41**	11.11	10.69	7.42	5.83	5.40	3.79	3.42	1.30	3.85
Equity per share, SEK[2]	**29.1**	27.4	31.0	32.7	29.7	26.8	22.8	21.2	20.0	19.6
Return on equity, %	**5.1**	38.3	35.0	24.1	20.8	21.8	17.4	17.2	6.5	21.6
Dividend, SEK per share[2, 3]	**1.00**	2.50	5.00	3.75	3.75	3.75	1.50	1.37	0.87	1.75
Dividend as percentage of net income	**70.9**	22.5	46.8	50.5	64.3	69.5	39.6	40.2	66.8	45.5
Redemption, SEK per share[2, 3]	**–**	–	7.50	8.75	–	–	–	–	–	–
Equity/assets ratio, %	**23.7**	19.9	27.1	29.7	30.3	30.3	27.7	25.6	23.4	25.8
Net debt, excluding provisions for pensions, SEK m.	**39,767**	50,112	31,534	23,297	25,476	23,115	24,291	25,108	29,305	23,777
Net debt/equity ratio	**1.71**	2.28	1.27	0.89	1.07	1.08	1.33	1.48	1.83	1.51
Vehicles and Services										
Operating margin, %	**4.3**	13.6	13.8	11.7	10.0	10.8	9.4	7.5	4.1	9.5
Capital employed, SEK m.	**34,534**	34,514	26,749	32,898	27,012	23,876	21,859	24,363	27,311	27,278
Operating capital, SEK m.	**27,886**	30,169	22,859	22,226	24,396	21,680	20,080	20,356	23,380	23,810
Profit margin, %	**5.3**	14.3	14.4	12.8	11.6	11.6	10.0	9.2	4.7	10.5
Capital turnover rate, times	**1.77**	3.02	2.92	2.38	2.43	2.50	2.21	1.89	1.93	1.96
Return on capital employed, %	**9.4**	43.1	42.1	30.4	27.9	29.1	22.0	17.4	9.1	20.6
Return on operating capital, %	**9.0**	47.3	49.9	35.2	26.8	29.0	23.1	16.6	9.1	21.5
Net debt, excluding provisions for pensions, SEK m.[4]	**4,038**	8,364	–1,902	–4,335	269	854	2,647	4,308	7,790	7,781
Net debt/equity ratio	**0.21**	0.49	–0.09	–0.19	0.01	0.05	0.17	0.31	0.58	0.50
Interest coverage, times	**2.2**	11.3	15.0	9.6	6.8	8.6	6.2	4.6	2.0	4.8
Financial Services										
Operating margin, %	**–0.4**	1.0	1.5	1.6	1.9	1.7	1.4	1.2	1.2	1.1
Equity/assets ratio, %	**10.4**	9.6	10.1	9.6	10.0	11.2	11.5	11.9	9.5	8.2

1 Financial reporting is in compliance with International Financial Reporting Standards (IFRSs) 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 The number of shares outstanding was 200 million until 2006. By means of a share split, the number increased to 800 million starting in 2007. For years prior to 2007, the above key financial ratios and figures have been recalculated accordingly.

3 Dividend proposed by the Board of Directors or adopted by the Annual General Meeting.

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. [1]

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. [1]

Return on capital employed
Operating income plus financial income as a percentage of capital employed. [1]

Return on operating capital
Operating income as a percentage of operating capital. [1]

Interest coverage
Operating income plus financial income divided by financial expenses.

Gross margin, Financial Services
Operating income as a percentage of average portfolio.

1 Calculations are based on average equity, capital employed and operating capital for the five most recent quarters.

Multi-year statistical review

	According to IFRSs[1]						According to Swedish GAAP			
SEK m. unless otherwise stated	**2009**	2008	2007	2006	2005	2004	2003	2002	2001	2000
Delivery value by market area										
Western Europe	**36,591**	50,544	50,381	47,196	43,559	39,566	38,073	36,031	36,617	36,393
Central and eastern Europe	**5,151**	13,743	14,298	8,455	5,884	5,157	4,246	3,235	2,739	1,922
Europe, total	***41,742***	*64,287*	*64,679*	*55,651*	*49,443*	*44,723*	*42,319*	*39,266*	*39,356*	*38,315*
America	**11,812**	12,822	10,573	8,420	7,575	5,655	3,836	3,542	5,576	5,529
Asia	**6,097**	6,665	5,699	4,603	4,137	3,997	3,936	3,123	2,898	2,390
Other markets	**2,938**	5,704	4,511	3,953	3,943	3,404	2,896	2,529	2,364	2,050
Adjustment for lease income[2]	**–515**	–501	–976	–1,889	–1,770	–991	–2,406	–1,175	–1,884	–2,425
Net sales, Scania products	**62,074**	88,977	84,486	70,738	63,328	56,788	50,581	47,285	48,310	45,859
Divested car operations[3]	**–**	–	–	–	–	–	–	–	4,755	5,539
Total	**62,074**	88,977	84,486	70,738	63,328	56,788	50,581	47,285	53,065	51,398
Operating income										
Vehicles and Services	**2,648**	12,098	11,632	8,260	6,330	6,149	4,759	3,548	2,089	4,623
Financial Services	**–175**	414	532	493	529	450	366	308	278	179
Divested car operations[3]	**–**	–	–	–	–	–	–	550	100	277
Total	**2,473**	12,512	12,164	8,753	6,859	6,599	5,125	4,406	2,467	5,079
Operating margin, %										
Vehicles and Services	**4.3**	13.6	13.8	11.7	10.0	10.8	9.4	7.5	4.3	10.1
Divested car operations[3]	**–**	–	–	–	–	–	–	–	2.1	5.0
Total[4]	**4.0**	14.1	14.4	12.4	10.8	11.6	10.1	9.3	4.6	9.9
Net financial items	**–871**	–534	–258	–170	–94	–323	–521	–684	–926	–630
Net income	**1,129**	8,890	8,554	5,939	4,665	4,316	3,034	2,739	1,048	3,080
Specification of research and development expenses										
Expenditures	**–3,234**	–3,955	–3,214	–2,842	–2,479	–2,219	–2,151	–2,010	–1,955	–1,621
Capitalisation	**282**	202	289	180	278	316	660	573	–	–
Amortisation	**–264**	–475	–418	–361	–283	–84	–2	–	–	–
Research and development expenses	**–3,216**	–4,228	–3,343	–3,023	–2,484	–1,987	–1,493	–1,437	–1,955	–1,621
Net investments through acquisitions/ divestments of businesses	**118**	–61	268	–	205	49	26	–1,165	929	457
Net investments in non-current assets	**3,031**	5,447	4,277	3,810	3,597	2,798	3,285	2,921	1,878	1,521
Portfolio, Financial Services operations	**40,404**	47,220	38,314	31,841	29,634	26,601	25,926	25,303	25,091	18,522
Cash flow, Vehicles and Services	**5,512**	1,774	8,229	6,942	3,865	2,685	2,450	3,583	2,066	2,557
Inventory turnover rate, times[5]	**4.5**	6.5	7.5	6.9	6.0	6.0	5.8	6.1	6.0	6.2

1 Financial reporting is in compliance with International Financial Reporting Standards (IFRSs) 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 decreased accumulated depreciation, c) that decreased depreciation on tangible non-current assets has affected taxes accordingly, d) that actuarial gains/losses related to pensions are not recognised directly in equity and e) that tax related to associated companies is included in operating income.

2 Refers to the difference between sales value based on delivery and revenue recognised as income. See also Note 4.

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

4 Includes Financial Services.

5 Calculated as net sales divided by average inventory (adjusted for divested car operations).

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Number of vehicles produced										
Trucks	**29,573**	72,656	71,017	60,867	53,368	53,051	45,985	41,433	43,487	51,409
Buses	**6,236**	7,709	7,314	5,870	6,141	5,621	5,291	3,712	4,664	4,172
Total	**35,809**	80,365	78,331	66,737	59,509	58,672	51,276	45,145	48,151	55,581
Number of trucks delivered by market area										
Western Europe	**16,669**	34,065	35,409	34,396	31,392	30,312	29,322	28,229	30,272	38,347
Central and eastern Europe	**3,239**	12,574	14,789	8,830	5,693	5,272	4,148	3,205	2,723	2,416
Europe, total	***19,908***	*46,639*	*50,198*	*43,226*	*37,085*	*35,584*	*33,470*	*31,434*	*32,995*	*40,763*
Latin America	**9,566**	10,775	9,790	7,957	7,776	7,604	4,739	3,633	6,181	6,777
Asia	**4,843**	6,721	6,061	5,546	5,415	5,464	5,317	3,486	2,994	3,438
Other markets	**2,490**	2,381	2,605	2,615	2,291	1,911	1,519	1,342	1,489	1,340
Total	**36,807**	66,516	68,654	59,344	52,567	50,563	45,045	39,895	43,659	52,318
Number of buses and coaches delivered by market area										
Western Europe	**1,851**	2,188	1,987	2,282	2,271	2,157	2,224	1,612	1,696	1,617
Central and eastern Europe	**233**	418	460	428	394	424	349	132	132	85
Europe, total	***2,084***	*2,606*	*2,447*	*2,710*	*2,665*	*2,581*	*2,573*	*1,744*	*1,828*	*1,702*
Latin America	**1,421**	2,009	2,344	1,679	1,727	1,472	1,072	958	1,595	1,843
Asia	**1,876**	1,721	1,495	879	616	947	631	440	666	278
Other markets	**1,255**	941	938	669	808	519	634	632	583	351
Total	**6,636**	7,277	7,224	5,937	5,816	5,519	4,910	3,774	4,672	4,174
Total number of vehicles delivered	**43,443**	73,793	75,878	65,281	58,383	56,082	49,955	43,669	48,331	56,492
Number of industrial and marine engines delivered by market area										
Western Europe	**1,750**	2,896	3,480	3,514	3,404	2,819	1,886	1,907	1,893	1,915
Latin America	**1,775**	2,798	2,537	2,245	2,073	1,648	881	631	2,217	823
Other markets	**710**	977	1,211	787	227	547	398	653	562	565
Total	**4,235**	6,671	7,228	6,546	5,704	5,014	3,165	3,191	4,672	3,303
Total market for heavy trucks and buses, units										
Western Europe:										
Trucks	**145,600**	265,000	267,000	261,000	251,000	231,000	213,000	211,700	235,000	243,700
Buses	**23,400**	24,500	24,700	23,900	23,300	22,400	21,700	22,500	23,500	23,500
Number of employees December 31 [6]										
Production and corporate units	**14,672**	16,264	17,291	16,517	15,174	15,260	15,498	15,067	14,987	15,984
Research and development	**2,642**	2,922	2,528	2,174	2,058	1,924	1,833	1,681	1,435	1,159
Sales and service companies	**14,475**	15,079	14,797	13,682	13,128	12,455	11,460	11,173	11,868	10,029
Total Vehicles and Services	**31,789**	34,265	34,616	32,373	30,360	29,639	28,791	27,921	28,290	27,172
Financial Services companies	**541**	512	480	447	405	354	321	309	251	194
Total	**32,330**	34,777	35,096	32,820	30,765	29,993	29,112	28,230	28,541	27,366

6 Including employees with temporary contracts and employees on hire.

Annual General Meeting and financial information

Annual General Meeting

The Annual General Meeting of Shareholders (AGM) will be held at 14.00 CET (2 p.m.) on Thursday, 6 May 2010 in Scaniarinken, AXA Sports Center, Södertälje, Sweden.

Participation

Shareholders who wish to participate in the AGM must be recorded in the shareholder list maintained by Euroclear Sweden AB (formerly VPC AB) no later than Thursday, 29 April. They must also register with the company by post at Scania AB, AGM, Box 7832, SE-103 98 Stockholm, Sweden or by telephone at +46 8 402 90 55, or via Scania's website www.scania.com no later than 16.00 CET (4 p.m.) on the same date, Thursday, 29 April.

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 Euroclear Sweden AB. Shareholders who wish to reregister their shares in this way must inform their nominees accordingly in sufficient time before Thursday, 29 April 2010.

Dividend

The Board of Directors proposes Tuesday, 11 May 2010 as the record date for the annual dividend. The last day for trading shares that include the dividend is Thursday, 6 May 2010. Provided that the AGM approves this proposal, the dividend can be expected to be sent on Monday, 17 May 2010.

Preliminary dates for financial reports

Interim Report, January–March, on 28 April 2010.
Interim Report, January–June, on 23 July 2010.
Interim Report, January–September, on 25 October 2010.
Interim Report, January-December, on 2 February 2011.

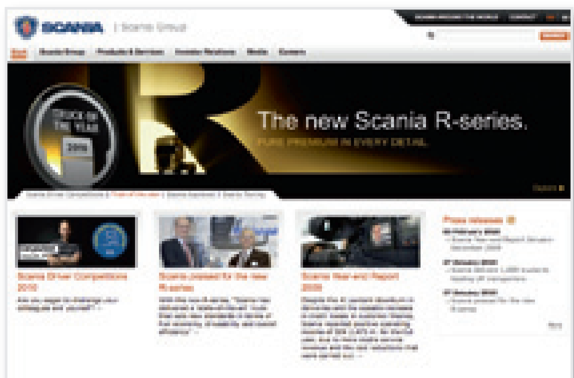
Financial information

On the website www.scania.com, you may subscribe to the Annual Report, the shareholder magazine Scania Value, interim reports and press release via e-mail or SMS (mobile phone). Here you may also subscribe to or order individual printed Annual Reports, interim reports and Scania Value. Financial information may be ordered from:

Scania AB, SE-151 87 Södertälje, Sweden
Phone: +46 8 553 810 00
www.scania.com/subscribe
www.scania.com/printedmaterial

Updated information

Scania addresses and updated facts can be found at www.scania.com



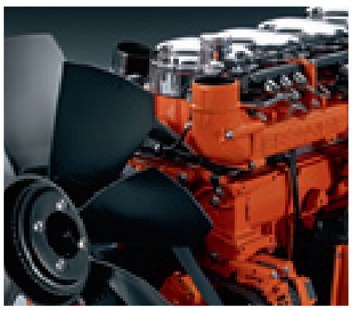
The Annual Report contains forward-looking statements that reflect Management's current views with respect to certain future events and potential financial performance. Such forward-looking statements in the Annual Report involve risks and uncertainties that could significantly alter potential results. The statements are based on 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 rule book for issuers at the NASDAQ OMX Nordic, if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

Photographers: Stefan Almers, Carl-Erik Andersson, Stefan Bohlin, Dan Boman, Oupa Nkosi, Jonas Nordin, Silvio Serber, Tedd Soost, Göran Wink and Bryan Winstanley.

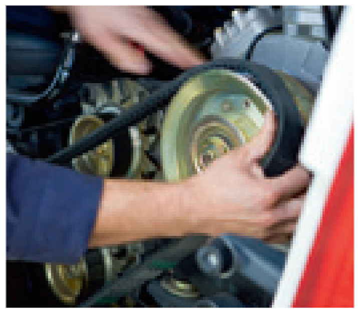
Illustrations: Carl Berge and Semcon Informatic Graphic Solutions.

TRUCKS

BUSES



ENGINES



SERVICES

FINANCIAL SERVICES

Scania AB (publ), SE-151 87 Södertälje, Sweden. Tel: +46 8 55 38 10 00. Fax: +46 8 55 38 10 37

For more information:
www.scania.com

1598286/4/Kreab Gavin Anderson/Trosa Tryckeri, 2010