ANNUAL REPORT
2010

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 68–136 and were prepared in compliance with International Financial Reporting Standards (IFRSs). The Report of the Directors encompasses pages 4–71 and 135–136.

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 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.

OPERATIONS

FINANCIAL REPORTS

Scania stronger after the crisis

The past year was characterised by clearly improved sales volume for vehicles, engines and service in most markets. Scania was well equipped for the upturn and is a stronger company today than before the deep economic downturn. We not only preserved our core competency in the company by avoiding lay-offs, but also enhanced the skills of our employees through extensive training programmes, both theoretical and practical, directly at workplaces. Our renewed product ranges – for trucks, buses, engines and services – were well received by our customers. When demand returned, we were quickly able to ramp up production, which helped us to deliver the best earnings and cash flow in the company's history.

Operating income rose to SEK 12,746 m. in 2010. Higher vehicle and service volume and significantly higher capacity utilisation were the main reasons for the sharp improvement compared to 2009. The global economic recovery led to increased activity in the transport industry during 2010, with a number of markets outside Europe quickly rebounding after the downturn. Latin America showed strong growth, and such countries as Brazil have been able to benefit greatly from Asian demand for agricultural products and minerals. Meanwhile middle-class consumption is growing rapidly, also increasing the need for transport. In addition, demand for trucks in Brazil has been supported by tax breaks and interest rate subsidies. Scania has taken advantage of the Group's common global product range and production structure, which has enabled the company to meet the strong demand for vehicles and parts in Latin America. Demand in the European truck market improved gradually during 2010. Hauliers' capacity utilisation improved and freight prices began to recover. The Russian truck market recovered strongly during the fourth quarter. Service volume in Europe gained momentum during the second half of 2010, leading to higher capacity utilisation in workshops.

Strong productivity growth

During the 2009/10 recession, Scania made very large investments in employee training. Above all, it improved the collective competency of the production network. This involved a majority of employees at Scania's production units.

When higher order bookings led to a sharp increase in the production rate, this occurred quickly without bottlenecks or disruptions. We were thus quickly able to regain the productivity that prevailed before the autumn 2008 downturn. During a recession as deep as in 2009/10, there is better openness and understanding about eliminating time-consuming, costly tasks and operations that do not contribute to customer value. During the period of four-day weeks, we also learned to work more efficiently in the company's administrative units.

Our flexible production structure enabled us to implement rapid production increases without lengthening delivery times. Scania customers must be able to count on quick delivery of the vehicle they have ordered, normally six to eight weeks from order date to chassis delivery. A large order backlog with long delivery times always represents a high risk of cancellations of existing orders.

Scania hired more employees in 2010 to meet increasing demand. To ensure flexibility, in many cases this was done using temporary contracts. I would also like to point out the impressive contribution made by Scania's sub-contractors during the rapid upturn, especially in the second half of 2010. Collaboration with our suppliers has been outstanding, despite the large and rapid fluctuations we have experienced over the past two years.

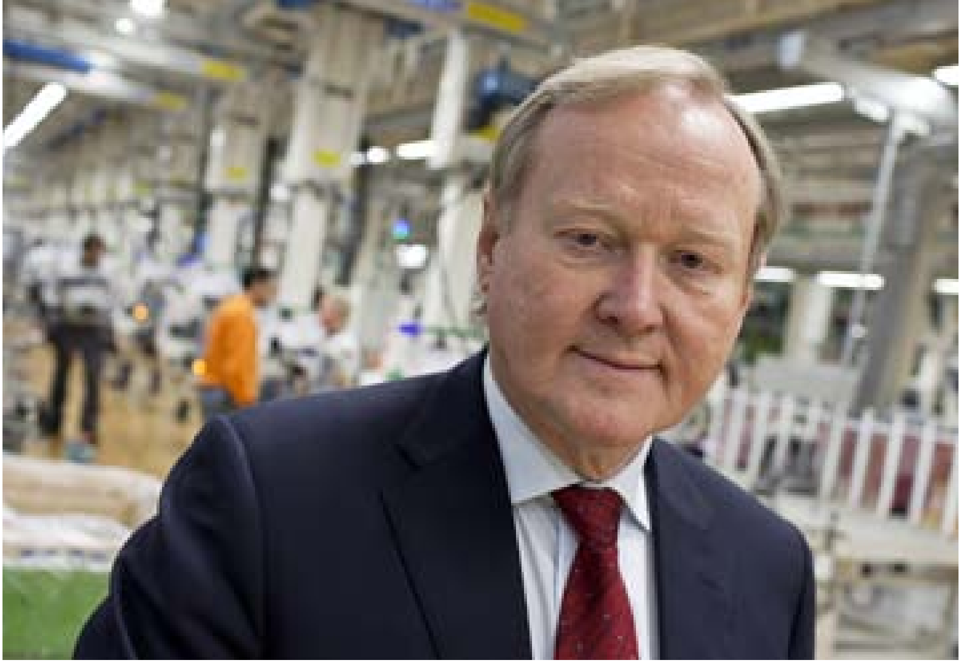
Successful new product ranges

Scania has launched a number of new products and services that have been well received in the market. Scania's R-series – International Truck of the Year 2010 – is built to meet high standards of fuel economy, driver appeal and reliability. The R-series is available with a very wide selection of powertrain alternatives and has been very well received by our customers.

Scania's new V8 features high torque and high output compared to its market competitors. Scania's V8 models enjoy a strong position in the high-output segment of the truck market, with a market share of about 30 percent in the output segment above 600 hp. Our V8 engines are highly appreciated by our customers who work under really tough operating conditions and require outstanding performance and functionality.

Reducing environmental impact, step by step

The step-by-step task of reducing the environmental impact of the vehicles we deliver and from Scania's industrial operations continued with undiminished intensity. Scania has the technical solutions in place for Euro 6, the next stage of European emission legislation. Technical development work until the end of 2013, when Euro 6 takes effect, will focus on making various technical solutions simpler and more robust, to ensure that we can deliver high-quality Euro 6 vehicles to our customers.



Scania implements continuous efficiency improvements in its industrial processes when it comes to the use of energy, water, chemicals and raw materials, in an effort to minimise all forms of waste.

Ecolution by Scania

Scania works closely with its customers to environmentally optimise their transport services. Ecolution by Scania is a new package of products and services that provides the customer with substantial savings. It includes fine-tuning the technical characteristics of vehicles, selecting the right fuel type, training drivers, providing driver support and designing service and maintenance in an optimal way.

The ambition is to create low carbon dioxide emissions by means of the best possible fuel economy, thus making it easier for a customer to achieve a profitable operation. Scania will continue working to refine the concept in partnership with its customers.

Long-term market expansion

Global economic development will lead to a constantly growing need to transport goods and people. Today 70 percent of all goods transport in Europe goes by road. This percentage has been stable since the early 1970s, and there is no indication that this situation will change. There is also good growth potential for buses and coaches. The environmental advantages of shifting urban passenger transport from cars to buses are obvious. In peak traffic, carbon dioxide emissions per passenger in a fully occupied bus are 15 grams per kilometre, compared to about 150 g/km for one person driving a car to work. In the mega-metropolises that are now emerging globally, public transport will be crucial in ensuring that traffic can flow at all. We can thus look forward to a very expansive global market for heavy commercial vehicle and service-related products.

Investigation of possible combination with MAN

Since 2010, Scania and German-based vehicle and engine manufacturer MAN have investigated projects in the industrial area, mainly related to commercial vehicles, which would make it possible for Scania and MAN to profit from synergies in research and development, manufacturing and sourcing. These investigations have shown that a full realisation of potential synergies requires closer cooperation by combining the two companies, while maintaining the unique brand values of each respective company. No decision has been made, since there are a number of outstanding issues of a commercial and legal nature.

Outlook for 2011

We saw a very sharp recovery in our earnings during 2010. In our assessment, the level of demand in early 2011 will be similar to the level prevailing during the second half of 2010. But at the same time, we must remember that the Swedish krona has continued to strengthen, increasing the importance of cost-effectiveness and improved productivity. The negative effects of the stronger Swedish krona, which impacted us in the fourth quarter of 2010, will be more pronounced during the first quarter of 2011. It is also important to continue our focus on delivery times. There is a continued risk of bottlenecks among both sub-contractors and bodybuilding companies.

Employee dedication invaluable

The major improvements that Scania has achieved throughout its operations – research and development, production, sales, service and administration – are based on the dedication of all employees and the day-to-day efforts of many people to implement continuous improvements.

I would like to thank all Scania employees for their impressive contributions.

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

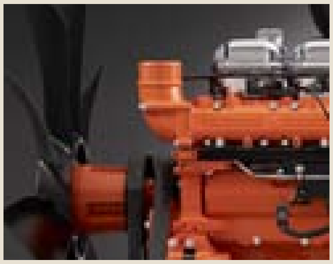
Scania develops, manufactures and sells trucks with a gross vehicle weight of more than 16 tonnes (Class 8), intended for long-distance, construction and distribution haulage as well as public services.

During 2010, Scania delivered 56,837 trucks.

BUSES AND COACHES

Scania delivers buses and coaches with high passenger capacity for use as tourist coaches and in scheduled intercity and urban service, often combined with services.

During 2010, Scania delivered 6,875 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 for generator sets, either for continuous electricity supply or as stand-by power.

During 2010, Scania delivered 6,526 engines.

SERVICES

Scania's service-related products ensure high customer uptime. They encompass everything from parts and maintenance agreements to other services such as driver training, Scania Assistance and Fleet Management.

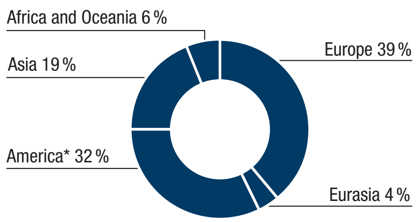
During 2010, net sales amounted to SEK 16,455 m.

KEY FIGURES

KEY FIGURES	2010	2009	2008
Deliveries, units			
Trucks	**56,837**	36,807	66,516
Buses and coaches	**6,875**	6,636	7,277
Engines	**6,526**	4,235	6,671
Net sales, Vehicles and Services, SEK m.	**78,168**	62,074	88,977
Operating income, SEK m.			
Vehicles and Services	**12,575**	2,648	12,098
Financial Services	**171**	–175	414
Total	**12,746**	2,473	12,512
Operating margin, percent	**16.3**	4.0	14.1
Income before taxes, SEK m.	**12,533**	1,602	11,978
Net income for the year, SEK m.	**9,103**	1,129	8,890
Earnings per share, SEK	**11.38**	1.41	11.11
Cash flow, Vehicles and Services, SEK m.	**11,880**	5,512	1,774
Return, percent			
on equity	**34.7**	5.1	38.3
on capital employed, Vehicles and Services	**39.5**	9.4	43.1
Net debt/equity ratio*, Vehicles and Services	**–0.30**	0.21	0.49
Equity/assets ratio, percent	**30.5**	23.7	19.9
Net capital expenditures, excluding acquisitions, Vehicles and Services, SEK m.	**2,753**	3,031	5,447
Research and development expenditures, SEK m.	**3,688**	3,234	3,955
Number of employees, 31 December	**35,514**	32,330	34,777

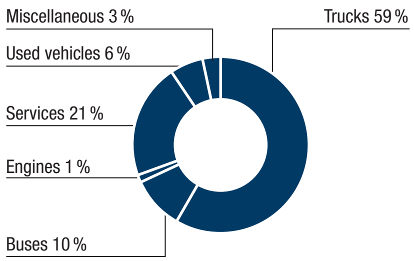
* Net debt (+), net surplus (–).

Vehicles delivered by region, 2010



* Refers to Latin America

Net sales by product area, 2010



The world of Scania

Scania operates in about 100 countries and has more than 35,500 employees. Of these, around 15,000 work with sales and services in Scania's own subsidiaries around the world. About 12,300 people work at production units in seven countries and delivery centres in six emerging markets. Research and development operations are concentrated in Södertälje, Sweden, and employ some 2,900 people. Scania's Head Office is located in Södertälje, the workplace of most of the 5,300 people who perform administrative and other tasks. Scania's corporate purchasing department in Södertälje is supplemented by local procurement offices in Poland, the Czech Republic, the United States, China and Russia.

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.

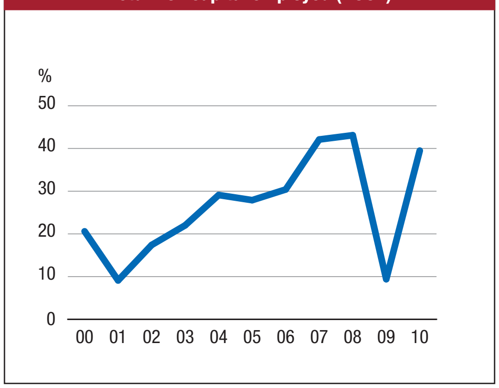
Number of employees*, 2010

Södertälje	10,070
São Paulo	3,246
Oskarshamn	1,706
Zwolle	1,576
Słupsk	697
Angers	635
Luleå	601
Tucumán	549

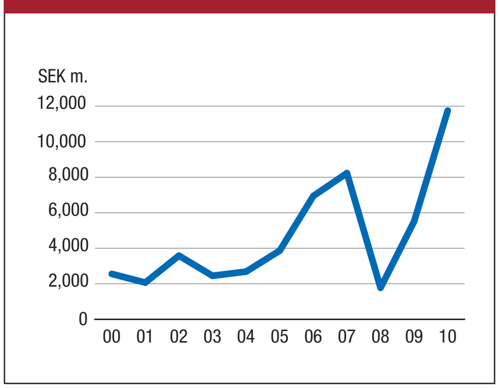
* Refers to the total number of employees at Scania's production sites.

VEHICLES AND SERVICES

Return on capital employed (ROCE)



Cash flow



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 services network.

Scania's operating income increased sharply during 2010, mainly as a result of increased demand for vehicle deliveries and significantly higher capacity utilisation in the production network, while capital employed during the year decreased somewhat.

Cash flow

Scania has historically had a strong increase in cash flow, mainly due to the strong upturn in earnings.

The economic slowdown during the second half of 2008 led to a greater need for working capital, mainly an increase in inventories. During 2009, the sharp decline in cash flow before changes in working capital was offset by a reduction in inventories and receivables. During 2010, cash flow was affected by the strong upturn in earnings as well as by increased liabilities as a consequence of the higher production rate and a reduced inventory of used vehicles.

Net investments during 2010 amounted to SEK 2,753 m. and were in line with depreciation, which totalled SEK 2,544 m.

Scania's strategy

Scania's objective is to deliver optimised heavy trucks and buses, engines and services that enable its customers to achieve the best earning capacity and operating economy – thereby becoming the leading company in its industry. Scania's core values are the basis for developing its working methods and ensuring the dedication of its employees.

CORE VALUES

Scania's core values permeate its entire corporate culture and influence its day-to-day work. *Customer first, respect for the individual* and *quality* are closely linked and are applied as a unified concept. These core values form the basis of Scania's corporate culture and are the point of departure for all business development.

Customer first

Through knowledge of its customers' business operations, Scania delivers solutions for sustainable profitability by means of high earning capacity and low operating costs. The customer is at the centre of the entire value chain: from research and development via procurement and production, to sales, financing and delivery of services.

Respect for the individual

All employees are stimulated to achieve continuous improvements in operations, since Scania utilises their knowledge and experience. Day-to-day work provides inspiration and new ideas, at the same time as employees enhance their skills. This results in improved quality and efficiency as well as job satisfaction.

Quality

Customer satisfaction and profitability require the delivery of high-quality solutions from Scania. Through knowledge of customers' needs, Scania continuously improves the quality of its products and services. Deviations from targets and standards are used as a valuable source of continuous improvement in Scania's processes in research and development, production, sales and services.

STRATEGIES

Continuous improvements

Scania makes use of the knowledge and experience gained through its improvement activities. There is a strong emphasis on working methods instead of traditional earnings targets. These principles have been developed since the 1990s and have spread and been adapted to different parts of the company. They have led to a way of thinking that is very important for the development of Scania's employees and organisation.

Modular product system

Scania's modular product system has been built up over several decades and makes it possible for the company to create individual specifications for a large number of different customers by using a limited number of components in its product range. This enables each customer to receive an optimised product, while keeping costs throughout the value chain at a more competitive level than otherwise possible.

Sales and services network

This network consists of both Scania-owned and independent units and gives Scania close contact with its customers. An extensive company-owned network provides better control of operations and the brand. The competition between captive and non-captive sales and services units stimulates creativity and entrepreneurship, leading to higher customer satisfaction.

Flexible production

Because Scania has short, stable lead times, customers can obtain fast delivery of their vehicles. This is possible thanks to a global production structure, a global product range, a flexible production cost structure and manning that preserves core competency, enabling Scania to quickly and efficiently adjust its production volume to changes in demand.

Cross-functional working methods

The co-location of sales, marketing, research, development, production and purchasing in Södertälje, Sweden is one reason why Scania is characterised by a holistic, cross-functional perspective. Employees are aware of the value of their delivery to the next stage in the work flow, reducing the risk of waste and shortening time-to-market for new products and services.

Long-term growth

Every customer is unique and performs different transport tasks. This is why Scania must be able to offer a large number of different technical solutions through a combination of products, services and financing.

Scania works to maximise customer revenue and minimise costs. To maximise revenue, the company optimises technical specifications, cargo capacity and vehicle uptime. To minimise costs, Scania delivers high quality, fuel efficiency and effective repairs and maintenance. This leads to a far-reaching collaboration between the customer and Scania that is profitable for both parties. It also supports Scania's long-term growth, which focuses on growing together with its customers in profitable markets and in profitable segments.

Customised solutions through the modular product system

Modularisation begins and ends with the customer. The starting point is the diverse operations and needs of customers – 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 total number of parts used in Scania products is limited due to modularisation, quality is high and production series longer, 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 provide customers with 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 expanding the number of parts included in the products.

Standardisation of interfaces

Modularisation is based on standardisation of the interfaces – connection points – between component series to ensure that they fit together in different combinations. 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. Examples of performance steps are different cab sizes, engine output steps and numbers of axles.

Customer needs may be the same despite different applications, in which case Scania uses the principle "same need, identical solution". The shortest cab variant may be needed in order to maximise cargo capacity both in light distribution service and in a heavy tipper truck operating in a mine. A powerful, high-torque engine may satisfy the need for maximum tractive power in a demanding operation or for maintaining high average speed during long highway journeys.

Vehicles for varying customer needs

Long-haul trucks are sometimes driven up to 300,000 km per year, or even more. Minimising fuel consumption by means of aerodynamic devices and economical gearing is thus an obvious customer choice, along with high uptime and availability of service at times that fit the vehicle's work schedule.

Scania's P-series featuring a low-mounted cab is suitable for urban and distribution traffic. This refuse collection truck featuring Scania's low-entry cab, which is extra low-mounted, is more comfortable to get in and out of during transport tasks with an extremely large number of stops per day. It is available with diesel-, ethanol- or gas-powered engines.

Choosing components based on performance needs

By understanding how a customer uses the vehicle, technically expressed in a set of user factors, the Scania sales person can recommend components with the right performance steps.

A vehicle is specified by choosing a combination of components when ordering. This enables Scania to work with order-controlled production.

The truck and bus variants that are being built are continuously evaluated, enabling Scania to have the smallest possible number of parts and the largest possible number of variants in its product portfolio. This is cost-effective both for customers and for Scania.

Optimised products profitable for customers

Modularisation increases customers' profitability by providing optimised vehicles with exactly the specification that they need. The modular product system contributes to high quality and less downtime, while requiring a smaller number of parts and providing more efficient servicing.

The modular product system also makes it possible to produce vehicles closer to the delivery date. The customer can thus make changes at a late stage, while Scania ties up less capital.

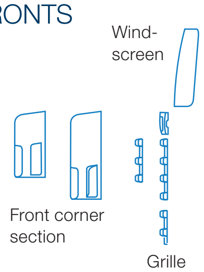
In addition, Scania's modular product system plays a key role in ensuring an efficient and profitable Scania. It strongly contributes to the corporate culture and is an approach shared throughout the company, from research and development through production to the sales and services network.

When ordered, each vehicle is tailored to customer wishes.

Heavy mining work requires components with robust dimensions and high uptime. This Scania R 580 in Indonesia has a powerful V8 engine and Scania Opticruise automated gearchanging. It pulls gross weights of up to 200 tonnes for 18–24 hours per day.

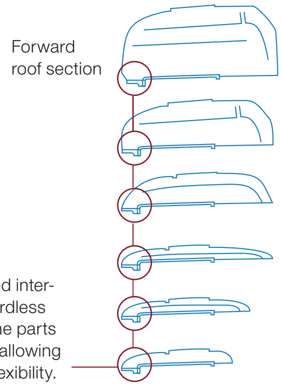
Even special-purpose trucks, such as this fire truck, take full advantage of the modular product system. The truck's factory-supplied Scania CrewCab is built as part of the normal production flow.

FRONTS



A few front components make it possible to compose the three cab families in the P-, G- and R-series with different heights, but using one common windscreen.

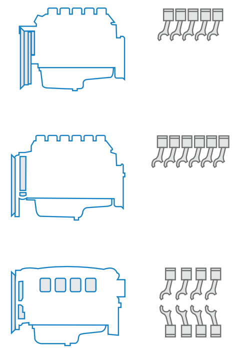
CABS

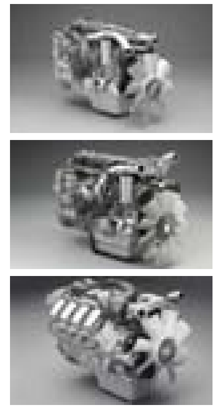


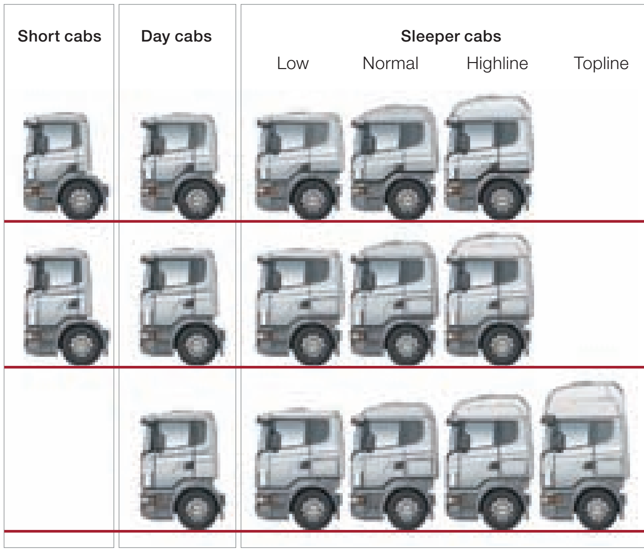
Standardised interfaces: Regardless of variant, the parts fit together, allowing maximum flexibility.

ENGINES

Many engine components are common to the entire engine range, regardless of the number of cylinders.

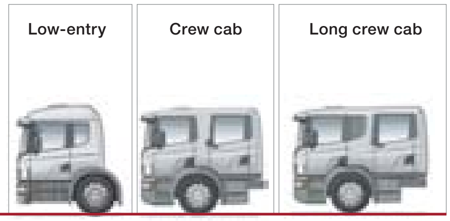






P-SERIES

Scania's P-series featuring a low-mounted cab is mainly used for distribution and construction haulage. The P-series is also the base for Scania's low-entry and crew cabs.



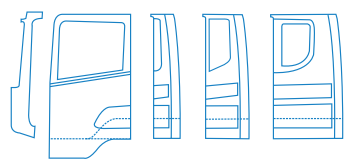
G-SERIES

Scania's G-series is a versatile model featuring a spacious cab for long-haulage and construction haulage and with more powerful engines than the P-series.

R-SERIES

Scania's R-series has the largest, most spacious cabs, featuring a high level of equipment. When equipped with a V8 engine, the R-series provides the highest performance and has become a legend in the road transport business.

DOORS AND SIDEWALLS



Doors and sidewalls in a few variants cover the entire cab range.

A tourist coach has many components in common with the truck range – for example the engine, transmission, axles, electronics and control systems, instruments and controls. This guarantees the availability of service and parts all over the world via the Scania network.

Like its tourist coaches, Scania's city and suburban buses are based on modularised components. This is also true of the bodywork, which can be tailor-built according to customer requirements in many different configuations, for example as a low-floor bus, a low-entry bus, or a two-axle, three-axle, double-decker or articulated bus with the help of the same set of components.

Methods aimed at maximising efficiency

Scania's entire organisation is strongly focused on refining its working methods. The customer's perspective is decisive, and work flows are designed to meet customer needs in an increasingly efficient way and to deliver custom-tailored vehicles and services.

Scania's working methodology developed first in its global production network, in the form of the Scania Production System (SPS). This same way of working has been adapted to the sales and services network – as the Scania Retail System (SRS) – and to research and development units as the R&D Factory concept.

Improvement activities are driven by Scania's employees, with the support of managers and Group executives. The focus is on cutting lead times by eliminating waste.

Everyone is responsible for improvements

Employee involvement is at the core of efforts to improve efficiency. Allocating time to working with continuous improvements is part of normal operations. This means that a large proportion of improvement efforts have shifted from staff and management levels to individual employees.

The result is broad involvement in these efforts, higher productivity, greater job satisfaction and higher attendance, as well as lower employee turnover.

Cross-functional working method

An important part of efficiency improvement work occurs in cross-functional (interdepartmental) groups including representatives from research and development, production and procurement, sales and services. This helps cut lead times and assure quality at an early stage.

Identifying and eliminating deviations

Scania's working methods are standardised. Employees are encouraged to find deviations from a normal situation, in the form of disruptions that prevent operations from working optimally.

By finding deviations, it is also possible to do something about them, but they must not be sent onward, either internally or to the customer. New solutions are tested and evaluated. When a new solution has been introduced at a unit, it is spread methodically to other units in the global Scania organisation to ensure that these deviations will not re-occur.

Continuous productivity improvements

SPS, SRS and R&D Factory are powerful instruments for boosting productivity at all levels. For example, with limited investments the same number of employees can build more vehicles. In a similar way, the service organisation can handle an increasing number of customers without an equally large growth in the workforce.

Working methods are of crucial importance to Scania's ability to continuously improve its productivity and grow within its existing structure. Scania's vision is to have the capacity to deliver 150,000 vehicles per year during the next cyclical peak, using the existing production structure.

Improvement groups are a natural part of regular operations at Scania.

Global recovery

Having a flexible production structure and preserving the company's core competency enabled Scania to meet rising demand without increasing delivery times. The new R-series from Scania was named International Truck of the Year 2010.

After a sharp downturn during 2008 and 2009, demand for trucks rebounded in most markets. However, the recovery was slow in Europe, and 2010 was the first year that Scania delivered more than half its truck production to customers outside Europe.

In the long term, transport systems will expand worldwide and will increasingly resemble those of the industrialised countries. Transport companies are focusing on profitability during the entire service life of vehicles and on cargo capacity. As a result, customers are prioritising such factors as optimised specification of each vehicle, reliability, productivity, access to service workshops, fuel efficiency, environmental characteristics, driver proficiency and resale value. Scania foresees very good opportunities to grow in a market that increasingly demands these types of vehicles and services.

Flexible delivery times and rising demand

Scania's truck deliveries increased by 54 percent to a total of 56,837 during 2010, compared to 2009. In Europe, deliveries increased by 24 percent, mainly related to Germany and France. In Eurasia, deliveries rose by 119 percent due to an increase in Russia. In Latin America, the delivery upturn was 89 percent, which was explained by very strong growth in Brazil. In Asia as well as in Africa and Oceania, Scania also noted increased deliveries during the full year 2010. By having a flexible production structure, Scania was able to meet rising demand without delivery times becoming longer. Rapid deliveries of vehicles on order enabled customers to respond to the increasing need for transport services. Scania avoided growth in its order backlog. Scania supplied Latin America, where sales grew the fastest, with components from its European production units, thereby meeting strong Latin American demand.

New V8 consolidates Scania's leading position

Scania's V8 models enjoy a strong position among customers who demand the highest standards of productivity and output. These trucks also project a strong brand image. Scania's new V8 truck range was launched in the spring of 2010. The most powerful engine version, with 730 hp and

3500 Nm, features the highest output and torque of all series-produced trucks. The new engine, which incorporates a number of innovations, raises the productivity standard for heavy trucks and provides increased revenue to customers who perform transport work in the most demanding areas of the world.

The new engine is based on the same modular platform and technology that are used in Scania's other engines.

Euro 6-compliant solutions in place

For the growing category of environmentally conscious customers, it is important to be able to incorporate vehicles with the best environmental technology in their fleets as early as possible. With the introduction of its new V8 range, Scania has the technical solutions and the complete engine platform needed to meet the requirements of the next step in European Union emission legislation, which goes into effect at the end of 2013 and is known as Euro 6. Compared to previous standards, particulate emissions must be halved and nitrogen oxide emissions must be reduced by about 80 percent.

Product segmentation a key success factor

Scania's truck sales mainly encompass three segments: long-haulage, which generally accounts for more than 70 percent of total truck deliveries; construction and distribution trucks, which account for some 25 percent; plus public service and special-purpose vehicles, which account for less than 5 percent.

In order to broaden its product range to encompass additional categories of truck buyers, in recent years Scania has implemented more pronounced market segmentation. Due to its modular product system, Scania has especially good potential to satisfy specialised needs.

In long-haulage, Scania's new R-series – named International Truck of the Year 2010 – has been much appreciated by customers. Because R-series trucks can be equipped with the new V8 engine, Scania has strengthened its dominance in the growing prestige area above 540 hp.

In construction haulage, Scania offers very robust products for the very heaviest tasks, for example in mines, where Scania trucks are a flexible alternative to traditional heavier dumpers – mainly due to their lower fuel and maintenance costs and substantially lower investment cost.

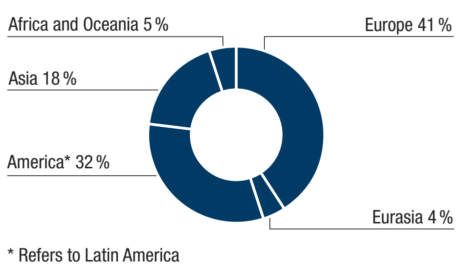
In recent years, Scania has increased its focus in many markets on urban goods distribution vehicles. Scania's ability to deliver and service vehicles, including bodywork, is a clear competitive advantage. Scania has also strengthened its position in the special-purpose vehicle area, for example refuse collection and fire trucks. Its ability to offer vehicles that run on alternative fuels such as biogas, biodiesel and ethanol is important to many customers.

Used vehicles a core business

For Scania, used trucks are a strategic business, both because of the actual sales transactions and the opportunity to provide continued service at Scania workshops. During 2010, used truck sales increased by 5 percent and the price level was higher than in 2009. The inventory of used trucks gradually shrank, reaching a normal level during the year.

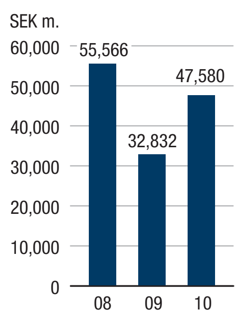
A used Scania truck is also a premium product, and its condition is important to the reputation of the Scania brand. Scania Approved is a formalised system for the handling of used vehicles: from trade-in, reconditioning, any upgrading (for example, with regard to environmental performance) – possible thanks to the Scania modular product system – to warranties for the new owner.

Scania truck deliveries by region, 2010



Scania delivered a total of 56,837 trucks during 2010.

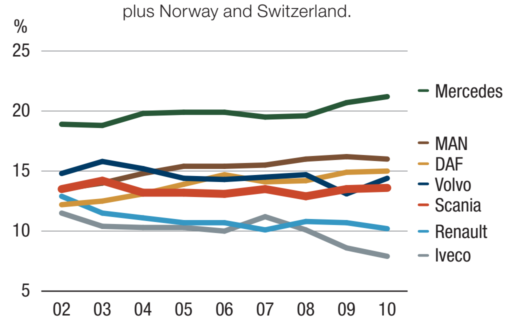
Trucks, net sales



In 2010, net sales increased by 45 percent.

Market shares

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



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

EUROPE
Slow recovery

The entire European truck market improved during 2010. The recovery was most pronounced in northern Europe. The year was characterised by improved capacity utilisation among hauliers as well as by somewhat higher freight prices towards the end of the year.

Order bookings rose by 102 percent to 29,176 trucks. Especially Germany, France, the Nordic countries, the Netherlands and Great Britain noted increased demand. Service volume in Europe gained momentum during the second half of 2010.

Scania also noted an upturn in short-term rentals in northern Europe and expanded its capacity.

LATIN AMERICA
Strong demand

In Latin America, demand was at a high level, with Brazil as the main growth engine. Order bookings increased by 68 percent compared to 2009.

In Brazil the truck market strengthened due to high economic activity. Sales were also supported by interest subsidies and tax cuts. In Brazil, customers continued to increase their use of Scania's workshops for servicing and repairs. By opening a finance company in Brazil, Scania further strengthened its customer offering. Towards the end of the year, demand stabilised at a high level.

Argentina, Chile and Peru also showed good demand.

ASIA AND OTHER MARKETS
Increased order bookings

In Asia a recovery occurred in all market areas, and order bookings rose by 192 percent. The largest increase occurred in the Middle East. Order bookings increased in both China and India, but from a low level. In other markets, including southern Africa, an upturn also occurred. Demand in Russia improved during 2010 from a very low level in 2009, with a sharp upturn in order bookings during the fourth quarter.

In Asia's biggest markets, the demand for the type of trucks that Scania produces is still limited, and local manufacturers supply most volume. As logistics systems evolve, however, such factors as reliability, fuel economy, cargo capacity, resale value and environmental performance are becoming increasingly important. This means that the portion of the market that requires vehicles of Scania's type is expanding.

One important element of Scania's strategy is proximity to customers. This is why the company is expanding its service network as the number of Scania vehicles in operation grows. Scania is also establishing delivery centres in emerging markets in order to move closer to its customers and cut delivery times.

Johannesburg, South Africa has an efficient Bus Rapid Transit (BRT) system. In such a system, high passenger capacity buses operate in dedicated lanes on existing streets. This reduces traffic congestion and contributes to fast, comfortable and environmentally sounder public transport.

Broadening the customer base

In the past few years, Scania has invested in a renewed bus and coach range that ensures the best operating economy, comfort and safety. This has resulted in an ever-broadening customer base. During 2010, for example, Scania made a breakthrough as a supplier of city buses in Germany.

Increased urbanisation is leading to more passenger traffic within and between urban areas. The demand for economically and environmentally sustainable passenger transport will increase in the rapidly growing cities of emerging market regions. There are major advantages in reallocating passenger transport from cars to buses, especially in terms of carbon dioxide emissions per passenger-kilometre.

Scania delivers buses and bus chassis with high passenger capacity for use as tourist coaches and in scheduled intercity and urban traffic. To an increasing extent, Scania is a supplier of comprehensive passenger transport solutions – providing complete buses including bodywork, services and other systems. Services include maintenance and repairs, driver training, financing and insurance.

Scania's modular product system means that the same main components and technology are used in different products, which allows sizeable economies of scale. A large proportion of the components in a bus chassis are shared with a truck chassis. This means major advantages in development, production, parts supply and servicing.

Higher demand in Latin America and Asia

The very sharp downturn that occurred in the truck market during late 2008 did not have an equivalent in the bus and coach market, but both order bookings and deliveries of buses and coaches fell somewhat during 2009. Demand increased during 2010, mainly in Asian and Latin American markets, while order bookings in Europe were stable. In Asia the upturn was related to the Middle East, while the order increase in Latin America occurred in a number of markets. In terms of the number of buses and coaches ordered, Latin America was the largest region and there is potential for continued good growth. Among other things, Brazil will host the 2014 football World Cup and the 2016 Olympic Games.

Scania vehicles can run on all available alternative fuels. During 2010, Scania launched a new, efficient methane gas engine intended for use in buses and local distribution trucks.

Scania's total deliveries of buses and bus chassis increased by 4 percent during 2010. In the European market, deliveries fell by 10 percent while in Latin America they increased by 48 percent. Deliveries in Asia increased by 13 percent, while they decreased by 37 percent in Eurasia and by 36 percent in Africa and Oceania.

Long-term strengthening of market position

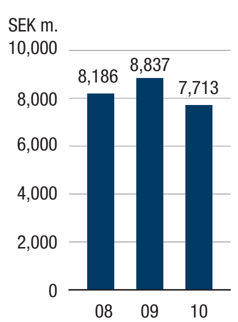
Over a number of years, Scania has gradually strengthened its position in the bus and coach market. Behind this is the development of new bus models for different areas, such as the OmniCity for passenger service in the urban core and the OmniLink for suburban traffic, as well as new services. Scania is increasingly supplying complete buses with its own bodywork. Because the customer thus does not need to order bodywork from independent suppliers, this greatly shortens the time from order to delivery of a finished bus or coach, and the customer has only a single supplier that assumes overall responsibility. Scania has also established close collaboration with a number of selected bodybuilding companies in order to improve the efficiency of deliveries to customers and assure quality.

Bus Rapid Transit (BRT) systems are a new concept for Scania for fast, efficient passenger transport as well as another example of segmentation. Scania foresees great potential in large cities that will have to improve their environment and offer efficient alternatives to automobile traffic.

Modern, efficient factory in Poland

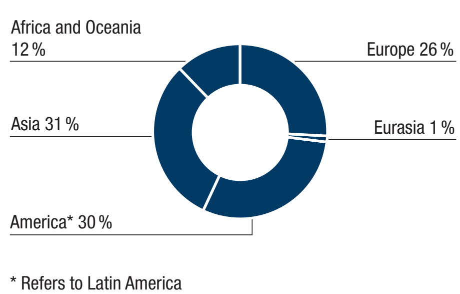
In September 2010, Scania re-inaugurated its production unit in Słupsk, Poland, which after an extensive upgrade has become a very modern, efficient bus factory. The plant, which has 700 employees, is Scania's main European production unit for fully built (bodyworked) public transport buses.

Buses and coaches, net sales



Net sales decreased by 13 percent during 2010.

Scania bus and coach deliveries by region, 2010



Scania delivered a total of 6,875 buses and coaches during 2010.

Fast, efficient public transport systems

Bus Rapid Transit (BRT), with dedicated public transport lanes and easy boarding and disembarking, allows faster traffic and a more efficient flow of passengers.

In the run-up to the 2010 World Cup, Johannesburg, South Africa chose Scania to supply all 143 buses: 41 articulated and 102 standard models. The articulated buses, 18 m long and with room for 112 passengers, are equipped with Scania's 9-litre, 310 hp Euro 4 engine. The other buses are 12 m long, carry 81 passengers and are equipped with Scania's 9-litre, 270 hp Euro 4 engine. A decisive factor in choosing Scania was its complete range of vehicles with good operating economy and environmental performance, plus a wide selection of services.

Breakthrough for city buses in Germany

The transport group Transdev, one of the largest bus operators in Europe, has ordered Scania OmniCity and Scania OmniLink buses to provide urban and suburban passenger services in greater Cologne, Germany. In evaluating the alternatives, Transdev attached great importance to overall operating and ownership costs as well as Scania's well-developed service network. The contract also includes servicing and repairs to ensure maximum vehicle uptime. The buses are equipped with Scania's adjustable dashboards to provide the best working environment for the drivers.

Scania Touring introduced

The first deliveries of the Scania Touring occurred late in 2010. This new coach, designed for occasional service, was jointly developed by Scania and the Chinese bus and coach manufacturer Higer. The coach was designed with typical Scania features by the styling department at Scania. This partnership is one element of Scania's efforts to industrialise its bus and coach production. Scania chassis are bodyworked at Higer's factory in China. Sales, including complete service and parts support, take place via the Scania network. This ensures quality at all stages.

Scania delivers engines for cargo handling equipment in harbours, as well as for other industrial applications.

Strong success for Scania as an engine supplier

Scania's long-term investment in sales of engines for generator sets, as well as industrial and marine applications, has paid off well in recent years. Industrial engines have showed especially good growth. Scania has established itself as an important supplier of engines to machinery manufacturers all over the world.

Scania focuses on diesel engines with 9- to 16-litre swept volume. The largest share of total engine deliveries, normally about 60 percent, is for generator sets (gensets), either for continuous electricity supply or as stand-by power. Deliveries for industrial applications comprise about 25 percent. The remaining 15 percent of engines are delivered to marine businesses. The largest single customer category is construction machinery manufacturers in the industrial segment.

The 2009 economic downturn adversely affected all geographic areas. The market recovered in 2010. Order bookings rose by 54 percent to 6,249 (4,064) engines. As with trucks and buses, Latin America showed a strong increase in demand. The Brazilian market was especially strong, with genset engines as the dominant area. In Europe, order bookings recovered from their low 2009 level. Overall deliveries increased by 54 percent to 6,526 (4,235) units.

Major US investments

Scania Engines is the only part of Scania that is active in North America. One important breakthrough was the agreement that Scania signed early in 2010 with Terex Corporation. Based in the United States, Terex is a leading global manufacturer of construction and materials handling machinery. The company is represented all over the world. Because of its global service network, Scania can fulfil the high standards of service and maintenance that Terex customers demand.

The agreement covers deliveries of engines for installation in machinery and other heavy equipment. In conjunction with the agreement, Scania has invested in strengthening its independent engine service network in North America by more than 120 new workshops. Deliveries to Terex are beginning during 2011.

More customers among machinery producers

In addition to its breakthrough with Terex, Scania has scored other successes among large machinery manufacturers. Like trucks in continuous operation, excavators, wheel loaders, dumpers, stone crushers and forklift trucks are exposed to heavy loads and require engines that provide powerful performance, good fuel efficiency and high reliability. This field of applications thus suits Scania's focus on giving customers the best possible operating economy throughout the service life of a product.

During 2010, Scania signed an agreement with South Korean-based Doosan Infracore to supply engines for construction machinery and other products.

Breakthrough in China

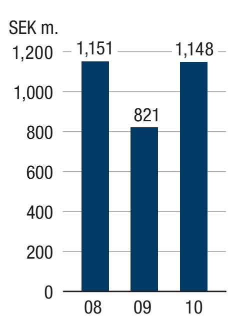
Scania Engines was also successful in China. This included signing an agreement with Shanghai Boden Engine Co, Ltd, a distributor of engines for gensets. During the year, Scania also delivered marine engines to the Chinese sea rescue service. Chinese equipment manufacturers, which have previously prioritised low prices, increasingly value reliability, fuel economy and long service life.

Scania engines ready for new emission standards

Rising environmental standards represent new opportunities for Scania. Tighter environmental requirements for industrial applications, Stage IIIB in the European Union and Tier4 Interim in the United States, take effect in 2011. As early as 2009, Scania was able to show its customers a new generation of engines that meet these new standards.

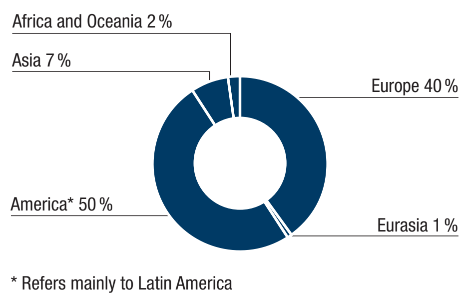
The next step for emission standards will occur in 2014 with Stage IV in the EU and Tier4 Final in the US. Scania has already developed technology that meets these new standards. Those customers that choose Scania engines today will not need to make major changes in their installation to comply with the next stage.

Engines, net sales



Net sales increased by 40 percent during 2010.

Scania engines delivered by region, 2010



Scania delivered a total of 6,526 engines during 2010.

Engines for power generation

During 2010, Scania launched its new range of engines for electric power generation. The engines have larger swept volume and improved stage loading. This provides better operating economy for the customer due to higher performance and 25 percent longer service intervals.

Brazil is one of the biggest markets for genset engines.

Engines for South Korean-based Doosan

South Korean-based Doosan Infracore, one of the world's largest manufacturers of construction machinery, has signed an agreement with Scania for delivery of engines to be installed in its products for the world market. Crucial to this choice were the high performance level of Scania engines and Scania's global service network.

The agreement with Doosan gives Scania a sharply improved position as a supplier of engines in the rapidly growing Asian market for construction machinery.

Agreement with Terex

Terex Corporation, a leading American manufacturer of construction and industrial machinery, chose Scania engines for its machinery. The agreement on engine deliveries to Terex means that the company's construction machinery and other heavy equipment will be powered by Scania's new industrial engines.

Scania's strategy is to continuously improve and expand its global service network in order to support users of machinery with Scania engines. Uptime is crucial to these customers' operations, as well as to their customers.

During 2010, Scania USA Inc. expanded its number of service points at a rapid pace. More than 120 new service workshops for industrial engines have joined the network. These service points have been selected to provide the best geographic coverage.

Knowledgeable, dedicated employees in Scania's service network ensure customers maximum vehicle uptime.

Services vital to the profitability of customers

Scania's service-related products are of great importance in enabling customers to achieve maximum operating time and low costs. Through its extensive workshop network and customised service-related products, Scania can perform the right servicing at the right time and in the right place, giving the customer maximum vehicle uptime. Service operations contribute substantially to Scania's profitability, and there is good potential to increase volume and improve efficiency.

Scania's workshops are strategically located close to important transport routes and logistics centres in order to ensure high uptime for the numerous Scania vehicles on the roads. This service network consists of more than 1,500 workshops, of which more than 1,000 are in Europe. About half of total service volume is performed in workshops owned by Scania. About 25 percent of all Group employees work in Scania-owned service workshops. Service sales are less sensitive to economic cycles than vehicle sales and stabilise Scania's earning capacity.

Accessibility, quality and efficiency

Scania's approach to the customer's business is to be dedicated all the way – from specifying and supplying the best custom-tailored vehicle to providing the best service and support for day-to-day transport work. Service workshops are the most important point of contact with customers and are thus of crucial importance to the overall image of Scania. More and more customers utilise authorised Scania workshops with well-trained service technicians and immediate access to parts, which is contributing to higher business volume.

To ensure that all customers receive the same high degree of service, Scania certifies the quality of the service network by means of the Scania Dealer Operating Standard. This standard is based on a number of customer pledges that must be met in order for a service facility to be authorised by Scania.

The service network implements continuous improvements by working with the Scania Retail System (SRS). All employees are involved in developing the best solution for customers, improving the way they and their team deal with customers, improving process flows and eliminating any waste of time and resources. Another important element of this process is improving ergonomics and the working environment.

A growing market again

The stabilisation of the economic situation during 2010 led to increased transport volume and higher utilisation of transport vehicles. Sales rose by 8 percent in local currencies, compared to a decline of 9 percent in 2009. The demand for service-related products is greatest in mature European markets, with Germany and the Nordic countries showing an especially clear increase during the year. In Great Britain, the Benelux countries and France, customers were still hesitant. In eastern and central Europe there was some recovery, while the situation of the transport industry in southern Europe remained very difficult.

In Latin America, service market demand was strong and Scania's share of maintenance of Scania vehicles is increasing as more and more transport companies focus on their core business. In Asian markets, demand increased – especially in those businesses that are especially sensitive to unplanned downtime.

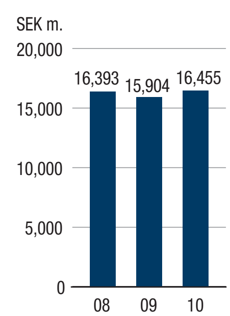
A broad range of service-related products

Every customer is unique, which is why Scania's range of services is organised in modules. Customers may choose a single service or a customised service contract that includes the particular services they need. Scania's range of services includes repairs and maintenance, roadside assistance in case of breakdowns, fleet management, driver training and financing.

By offering fixed-price service contracts, Scania can create a deeper customer relationship. Knowing the total cost from the day a vehicle goes into operation makes it even easier for customers to set the prices of their own transport assignments. In the course of regular, professional servicing at Scania, customers receive continuous advice on minimising downtime. Another important factor for the customer is that a vehicle that has been continuously serviced by a Scania workshop normally has a higher resale value.

The service network, combined with the Scania Assistance roadside repair service, enables Scania to offer maintenance and repairs 24 hours a day, 365 days a year all over Europe and in many other markets. Through Scania Assistance, customers in some 50 countries can maintain continuous contact with Scania in their own language via 17 assistance centres, summon help to start or repair a vehicle on the road, contact a workshop and have the vehicle towed. Scania can also set up mobile workshops that satisfy a customer's temporary servicing needs. Scania provides repairs, maintenance and parts for trailers and bodywork as well. For customers, having only a single provider of all services at one location represents a substantial efficiency improvement.

Services, net sales



Net sales increased by 3 percent in SEK, but by 8 percent in local currencies during 2010.

Driver training and support systems

Scania provides driver training in over 40 countries. During 2010, close to 12,000 truck and bus drivers received such training. For the customer, having highly skilled drivers mean improved fuel economy, lower repair and maintenance costs, better road safety and reduced environmental impact. Scania Driver Support is a unique electronic system that provides drivers with real-time on-the-job feedback and tips for refining their driving style. This can greatly benefit a transport company's bottom line as well as the environment, by saving up to 10 percent fuel.

Management systems for optimal fleet operation

To an increasing extent, customers are demanding operational data about their vehicles. Scania Fleet Management helps customers utilise their fleets optimally. Via e-mail or a web portal, the customer receives information about vehicles, driver performance and where the vehicles are located. Customers themselves can analyse this information and thereby better plan their operations. The information is also used as supporting documentation and for follow-up of driver training. Starting in 2011, an introductory Fleet Management package will become a standard feature in all Scania vehicles delivered in Europe.

Minimising downtime through efficient logistics

The task of parts management is to meet the highest market standards of efficiency and speed. In Europe, parts are delivered within 12 hours from the Scania Parts Centre in Opglabbeek, Belgium. Parts delivery reliability is very high. A central warehouse for Latin American markets is located in São Paulo, Brazil.

Customised service

The Finnish environmental management company Lassila & Tikanoja has been a Scania customer since the 1990s. Its latest repair and service contract was customised on the basis of its requirement that every vehicle must operate during two shifts. Servicing occurs only outside these work shifts. Lassila & Tikanoja continuously informs Scania of needs as they arise, so that Scania's technicians can take care of them before the next working day begins. Scania also repairs and maintains the company's vehicles of other makes. The work is performed at Lassila & Tikanoja's workshops in Helsinki and the Oulu area.

Service at mines an important new business

Scania's combined offering of vehicles and servicing enjoyed continued success among customers in the mining industry in Brazil, Indonesia, India and elsewhere. Scania's service technicians and the necessary equipment are stationed at the mine. They perform regular and preventive maintenance as well as repairs. In this way, Scania's customers avoid expensive stoppages and enjoy maximum vehicle uptime.

Door-to-door transport services

The global transport and logistics company TNT offers door-to-door transport services in a number of Asian countries. Efficient service along all its routes is essential to these operations. In South East Asia, Scania has partnered with TNT to develop a solution based on meeting high customer standards.

Andreas Söderström, Sweden, winner of YETD 2010.

The world's largest driver competition

Scania regularly organises the Scania Driver Competitions – the world's largest such event for heavy vehicles. Its purpose is to inspire fuel-efficient driving and heightened awareness of road safety as well as reduce the environmental impact of heavy vehicles. Competitions are organised in Europe, South America, Asia, Australia and South Africa. A total of nearly 45,000 drivers participated during 2010.

In Europe the competition is known as Young European Truck Driver and is endorsed by the European Commission. The final took place during two days in October 2010 and included such tests as defensive and fuel-efficient driving, cargo securing, pre-driving checklists and safety manoeuvring.

During 2010, Scania Financial Services started operations in several countries including Brazil, where Scania can now offer its customers most financial and insurance products.

Vital support to the customer's business

Financial services play a key role for customers and for Scania, since they enable customers to efficiently finance vehicles and machinery on good terms. Scania also offers vehicle insurance in more and more markets. Scania carries out financing operations in 49 countries.

The biggest markets for Scania's financial services are the Nordic region, Germany, the Benelux countries, Great Britain and France, which account for about 60 percent of the total financing portfolio. Countries like South Africa, Poland and Brazil are becoming increasingly important for financial service operations.

Scania's solutions are especially important to customers in emerging markets, since there are fewer local financing opportunities. In markets where Scania does not have its own financing operations, it offers export financing or financing in cooperation with local banks.

Experience shows that brand loyalty is higher among customers that have financing and maintenance contracts with Scania. The degree of service is high, and this close relationship allows room for Scania to take the initiative for additional offers.

The financing portfolio is well-diversified in terms of geography and types of customers as well as their size, economic sector and vehicle applications. Scania limits the risks in its financial service operations by means of good risk diversification in geographic terms and with regard to the size of individual loan commitments, conservative credit policies and a refinancing profile that matches borrowing to lending.

At the close of 2010, the portfolio was apportioned among 22,000 (21,600) customers, including 282 customers with a credit exposure exceeding SEK 15 m.

A partial market recovery

The deep slump in the transport industry continued to affect Scania's financial service operations in 2010. Banks have had a restrictive attitude towards vehicle financing. The recovery occurred relatively slowly in Europe. Scania Financial Services focused on managing its claims on customers with payment problems in order to actively restructure and strengthen the ability of these customers to meet their payment obligations to Scania.

During 2010 the value of Scania's financing portfolio fell by 10.6 percent to SEK 36,137 m. The company's share of Scania vehicle financing fell to 39 (42) percent in markets where Scania has its own financing operations, excluding Brazil. The corresponding figures including Brazil are 27 (31) percent.

Smaller credit losses – fewer repossessions

Operating income in the Financial Services business area increased to SEK 171 m. (–175). The cost of credit losses, including provisions to reserves, fell to SEK 493 m. (833), equivalent to 1.3 (1.9) percent of the average portfolio. Actual credit losses totalled SEK 500 m. (517). Past-due receivables fell to 1.46 (2.11) percent of the total portfolio at the end of 2010.

The number of vehicles repossessed during the year decreased to 3,579 (4,354), most of which were sold immediately thanks to higher demand for used vehicles as well as increasingly close collaboration between Scania Financial Services and the Scania sales organisation.

Financing companies in more markets

Scania has established a finance company in Brazil. Considering that Brazil is Scania's single largest market, the potential is significant. In addition, Scania has opened finance companies in Slovenia and Ireland.

Efficient insurance

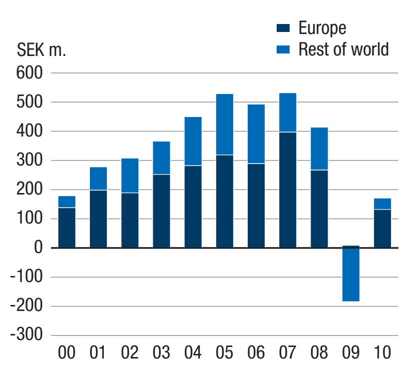
One important element of Scania's comprehensive customer solutions is Scania Insurance. This service offers the customer a package price that, aside from the vehicle, includes comprehensive insurance coverage and efficient claims management service as well as access to Scania's entire service network, all aimed at minimising downtime and lost revenue for the customer.

Diversified financing portfolio, December 2010

Customer category	Number of customers	% of total portfolio value
Exposure below SEK 15 m.	21,732	70.8
Exposure SEK 15 – 50 m.	222	14.2
Exposure over SEK 50 m.	60	15.0
Total	**22,014**	**100**

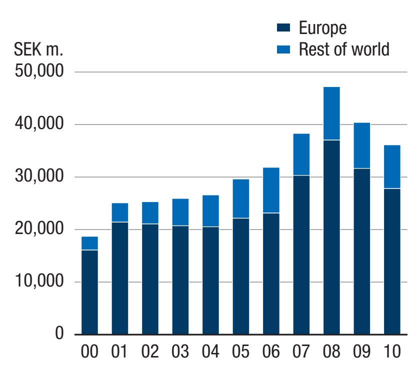
There are 222 customers with a credit exposure of SEK 15 to 50 m., and 60 customers have a credit exposure exceeding SEK 50 m.

Operating income



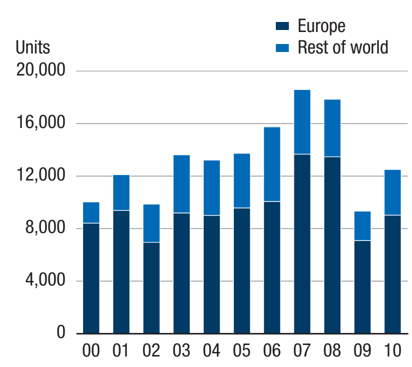
Operating income increased to SEK 171 m. during 2010.

Portfolio size



The customer financing portfolio decreased by SEK 4.3 billion during 2010.

Trucks financed



Scania financed 12,502 trucks during 2010. The company delivered a total of 56,837 trucks.

In September 2010, Scania re-inaugurated its production unit in Słupsk, Poland, which after an extensive upgrade has become a very modern, efficient bus factory.

Short, stable delivery times despite rapid fluctuations

The year was characterised by rapid transition to a higher production rate. Thanks to a global product range and production system, the preservation of its core competency and improvements in the production system, Scania was able to respond to rising demand while keeping delivery times to customers short.

During the deep slump in demand that prevailed between late 2008 and early 2010, Scania was committed to avoiding lay-off notices for permanent employees as much as possible, instead improving the core competency of the company. It did so by alternating production work with training.

This enabled production employees to assume a larger active role in the development of working methods. An improved level of skills as well as strong employee loyalty and dedication led to higher productivity, enabling Scania to maintain short, stable delivery times. The company has thus been able to limit its order backlog.

Increased flexibility

One important element of Scania's ability to respond to fluctuations in the economy is its long-term work to continually increased the flexibility of its production units. This flexibility is achieved in several ways: a common global Scania Production System (SPS), a high degree of variable costs and flexible employment agreements utilising time banks, short working weeks and fixed term temporary contracts.

Because of its common production system, Scania's production network is globally integrated. With the same working methods and quality standards, production can be allocated flexibly between Europe and Latin America to achieve optimal capacity utilisation.

The Scania Production System – SPS – is a never-ending process of continuous improvements to boost efficiency and flexibility, as well as to eliminate wastes of time and materials.

In addition to continued measures at Scania's own production units, flows throughout the logistics chain from supplier to customer are being improved. For example, there is potential to integrate bodybuilding companies in the chain. This can lead to substantial time savings for the customer from the order date until a vehicle is put into operation.

A large proportion of Scania's costs are directly dependent on volume produced, which means that the cost base is flexible. 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.

Flexible employment agreements make it easier to adapt to economic fluctuations without requiring large cutbacks in the company's core competency. During the first quarter of 2010, Scania phased out its four-day working week. During the year, Scania also increased its workforce in order to cope with production increases. Hiring has mainly been in the form of fixed term temporary contracts to ensure flexibility.

Delivery centres closer to the customer

An important part of Scania's future growth will come from markets outside Europe and Latin America. To reduce the distance to customers, for example in Asia, Scania has established delivery centres for final assembly of trucks and buses. This means that Scania is moving the factory gate closer to the customer, resulting in shorter delivery times and a major improvement in customer support. The delivery centre strategy is cost-effective, since the required investment is limited, and it strengthens Scania's position in important emerging markets.

During 2010 new delivery centres went into service in St. Petersburg, Russia and in Busan, South Korea. These facilities adapt vehicles to locally applicable requirements and operating conditions.

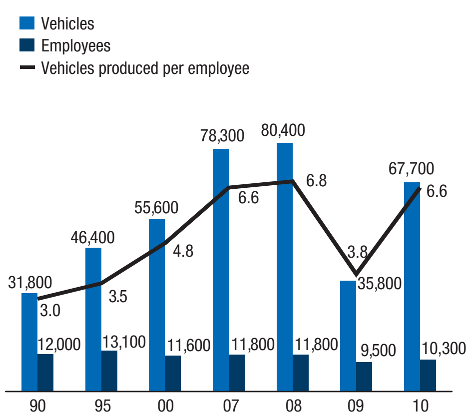
Aiming at a capacity of 150,000

During the recession, Scania laid the groundwork for a continued expansion of capacity. Thanks to continuous improvements in the production system, this can be achieved with limited investments at the existing production units. Scania is planning to increase its production capacity to 150,000 vehicles per year at the next peak in demand. At the same time, the company is continuing its work to increase flexibility in order to respond to fluctuations in demand.

Safety – health – environment

Safety, health, working environment and environmental conservation activities are important components of continuous improvement at production units. During the fourth quarter, Scania established a new, global, more efficient and more coordinated health organisation.

Number of vehicles produced per employee



During 2010, productivity approached its 2007–2008 levels. Scania carried out a number of training programmes during 2009 to strengthen employee skills and lay the groundwork for higher productivity in future years. In some of these projects, Scania was able to get financial support from the European Social Fund (ESF) via the County Council.


SCANIA

Specially designed pedals are part of the styling package in the new V8 trucks that Scania introduced during 2010.

Focusing on customer profitability

Customer productivity and profitability are the driving force behind 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 exactly the right specifications in a cost-effective way. High-priority areas are customer needs and potential earnings as well as how Scania can streamline the development, production and service.

Scania invests about 4 percent of its sales in research and development over an economic cycle. Scania has chosen to develop and manufacture strategically and competitively important components in-house or in strategic alliances with other leading manufacturers. One example is collaboration with US-based engine manufacturer Cummins on the Scania XPI fuel injection system. Possessing cutting-edge expertise in strategically important areas is the foundation for Scania's role as a leading brand. Co-location of resources for all product types generates major synergies. This is why research and development resources are concentrated at the Scania Technical Centre in Södertälje, Sweden.

Sustainable transport is a guiding principle for Scania's development work, which includes the least possible environmental impact from pre-production engineering, production, maintenance and end-of-life treatment, as well as during the service life of products.

About 60 percent of this R&D investment is related to engines and transmissions. This has enabled Scania to achieve a globally leading position in engine technology and fuel efficiency. Also of strategic importance is in-house development of electronic systems.

More efficient Scania products

During the slump in demand from late 2008 to early 2010, Scania continued to develop new products and services. Scania works with continuous introductions and product improvements. This always gives customers access to the latest technology and the opportunity to improve their operating economy.

Among innovations are a new engine platform for industrial applications that has immediately opened up attractive business opportunities. Scania's new R-series trucks, the new V8 range, the Scania Opticruise automated gearchanging system and Scania Driver Support help the company's customers to achieve better earning capacity and lower costs. The introduction of the Scania Touring long-distance coaches, built in partnership with the Chinese bus and coach manufacturer Higer, broadens the range of bodied buses and coaches with full service support from Scania.

By taking advantage of the potential for new performance steps in the modular product system, Scania has also been able to enter new transport segments, for example in construction and mining.

Focus on vehicle uptime

More and more customers require continuous access to their vehicles. The need to have vehicles in operations round the clock, 365 days a year is especially pronounced in such segments as long-haul transport and mining. Unplanned downtime must be avoided, which requires high standards of technology, logistics planning, maintenance and preventive measures.

Scania works with the concept of "design for uptime", which aims at clarifying customer demands starting from the development of vehicles and services. Intelligent service solutions, new electronic systems for faster and easier trouble-shooting and systems for preventive maintenance and component replacements are part of development work.

Further development of a unique communication system

Investing in its own electronics development has enabled Scania to devise a new fleet management concept that gives customers greater opportunities to continuously monitor how drivers and vehicles are performing. The system is based on a "black box" on board the vehicle – the Scania Communicator – that tracks vehicle and driver data and transmits information to the customer about such details as fuel consumption via e-mail or a web portal. It is also capable of performing remote diagnosis and giving the driver instructions about the most suitable location for refuelling or replacing tyres, brake linings or other components. The best-located Scania workshop will then be prepared for that particular job and have the parts that are needed. The vehicle can be on its way again after a minimum of downtime.

Euro 6 technology all in place

Starting on 31 December 2013, a strict new European norm for exhaust emissions from commercial vehicles – Euro 6 – will go into effect. It represents a major challenge to vehicle suppliers. Although it will be a while before this standard takes effect, Scania has all the technical solutions ready and the new engine platform that will be needed to meet the new emission standards.

Scania now has an integrated, modular range of five-, six- and eight-cylinder engines that provide the foundation for meeting the Euro 6 standards. Other continuous model changes have also been introduced in order to pave the way for Euro 6. For example, the new R-series truck range that Scania unveiled in the autumn of 2009 features substantially improved engine cooling capacity, which is essential to meet the new standards.

Ecolution by Scania

Scania has developed a package of products and services aimed at supporting customers' efforts to reduce the environmental impact of their transport services. These efforts are driven both by the customers' own needs and by the demands of their customers and public authorities. The new EU directive on the promotion of clean and energy-efficient road transport vehicles (2009/33/EC) is an example of this.

"Ecolution by Scania" includes an environmentally optimised vehicle specification – including the possibility of choosing vehicles powered by alternative fuels – Scania Driver Training, Scania Driver Follow-up and various types of service agreements designed to preserve the optimal performance that a vehicle offers from the outset. The solutions may vary between different customers and markets but have in common that they provide the best possible balance between reduced carbon dioxide emissions and fuel and operating economy.

Unique wind tunnel project

A unique advanced climatic wind tunnel for heavy vehicles will be built at the Scania Technical Centre in Södertälje, Sweden. The new facility will open up opportunities for Scania to simulate most of the world's climatic conditions. This means that during various stages of the development phase, Scania will be able to test vehicles and individual components independently of the seasons and type of transport. The facility is expected to be completed in 2013.

New V8 engine for the most demanding customers

The new version of Scania's 16.4 litre V8 offers the highest output and torque in the market: 730 hp and 3500 Nm. It is part of the new engine platform that will be used for Euro 6, the new set of European emission standards that goes into effect at the end of 2013.

Reduced fuel consumption

During 2010 Scania Transportlaboratorium AB (Scania Transport Laboratory) tested a rear air deflector known as a boat-tail. This aerodynamic spoiler can reduce fuel consumption by up to 2 percent, equivalent to an annual saving of almost 1,200 litres of fuel and 3 tonnes of carbon dioxide emissions per truck in this type of operation.

Scania Transportlaboratorium AB is a Scania-owned haulage company that tests and evaluates vehicle characteristics and performance in commercial road haulage.

Scania's core values mean sustainable entrepreneurship

Working towards a sustainable society is a natural element of Scania's day-to-day operations and one of the factors behind Scania's position as a leading company in its industry. Scania's presence in more than 100 markets, with 35,500 employees, creates opportunities to contribute to the advancement of these societies. Assuming environmental, social and economic responsibilities is thus important to Scania.

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. This sustainability work also includes a high standard of ethical behaviour in relation to employees, customers, business partners and society at large.

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

Customer first

Being a step ahead in environmental features and planning such improvements well in advance of environmental legislation are success factors for Scania. By virtue of its deep knowledge of customers' operations and working conditions, Scania can develop effective solutions in partnership with them. This increases the potential for sustainable and profitable development for both customers and Scania.

Scania works systematically to support the sustainability work of transport companies. One example of this is "Ecolution by Scania", which helps customers to reduce their carbon dioxide emissions while boosting their profitability.

Respect for the individual

Respect for the individual means recognising and utilising each person's knowledge, experience and ambition and improving their working methods. Inspiration, new ideas and continuous improvements are born out of the day-to-day work of Scania employees. The result is higher quality, efficiency and job satisfaction.

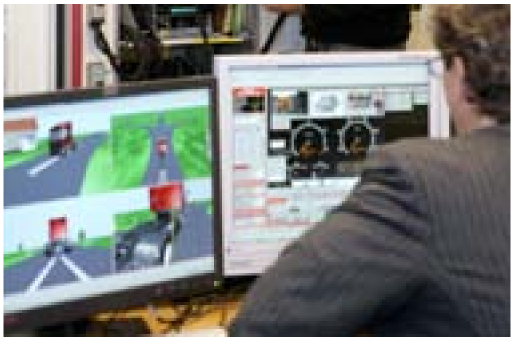
Respect for the individual is also a cornerstone of Scania's diversity work. The company has room for variety, and Scania is characterised by an open working climate. Working teams made up of employees with different backgrounds and experience expand the company's knowledge base. This enables Scania to respond better to the needs of different customers and to strengthen its position.

Quality

One 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 delivery times, reduce resource consumption and safeguard quality at an early stage. The goal is to reduce the environmental impact of Scania products and services in all phases throughout the period they are used, as well as to facilitate responsible end-of-life treatment of these products.

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

Research and development



By putting customers first and understanding their needs, Scania continuously develops new products and services 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.

End-of-life treatment

Through systematic material selection and identification of materials and by phasing out hazardous substances, Scania achieves high recyclability.

Operation

By working to achieve greater resource efficiency at all levels, Scania strengthens the competitiveness of its customers, among other things by reducing fuel consumption. In this work, the driver is a crucial player.

Service

By having a smoothly functioning service organisation, Scania can focus on optimising vehicles and increasing uptime for customers.

A sustainable transport system

Developing efficient transport solutions for customers helps reduce carbon dioxide emissions and strengthens Scania's long-term competitiveness. This is why Scania is strongly committed to the task of creating a transport system that will be sustainable in the long term. The company's vision is to halve carbon dioxide emissions related to the completion of a given transport task.

Scania's sustainability priorities include driver training, developing advanced engine and vehicle technology, renewable fuels and better logistics systems, as well as more efficient vehicle combinations. Another vital element of sustainability work concerns road safety. Scania develops vehicles that are designed to avoid accidents and minimise injuries and damage when accidents nevertheless occur.

In partnership with the customer

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

The demand for transport services will grow in the long term, along with calls for better environmental performance and road safety. Scania helps ensure that its customers can fulfil the standards imposed by their customers as well as by public authorities.

A free choice of different fuels

In Scania's judgement, the combustion engine will remain the dominant power source in vehicles for many years. Scania's diesel engines are well known for their high efficiency and have major development potential. They can also run on the available alternative fuels, such as biodiesel made from hydrogen-processed vegetable oils and rapeseed methyl ester.

For some twenty years, ethanol-powered Scania buses have helped diminish the environmental effects of public transport in a number of cities. Today Scania also offers ethanol-powered trucks, which reduce the environmental impact of urban distribution services. By using ethanol that meets sustainability criteria, 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.

During 2010 Scania launched an efficient new engine for methane gas, which meets strict EEV emission standards, a variant of the EU's Euro 5 emission requirements.

It is intended to be used in the bus and distribution truck segments. The engine achieves its best reduction of carbon dioxide emissions when operated on biogas, but using natural gas as a fuel also has a favourable effect on climate change.

Making transport services more efficient

Major environmental gains can be achieved by improving logistics systems. A substantial increase in transport work could occur with an unchanged environmental impact if vehicles and existing infrastructure were used more systematically.

Greater efficiency is also achieved, for example, through information technology (IT) 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 would be possible to increase the cargo capacity of each vehicle by 50 percent. This reduces its environmental impact – measured as emissions in relation to the quantity of goods transported – as well as overall transport costs.

More efficient passenger services

Scania also endeavours to find ways for buses and coaches to assume a larger role in both urban and highway transport. Shifting passenger transport from cars to buses in urban areas has major environmental advantages. Both congestion and emissions can be reduced considerably, even when using fossil fuel-powered buses. When public transport vehicles are powered by renewable fuels, net carbon dioxide emissions from passenger traffic can be reduced at almost negligible levels.

Scania is investing in the development of vehicles and support services for efficient, environmentally optimised bus networks. Bus Rapid Transit (BRT) systems that use dedicated bus lanes and that make boarding and disembarkation easier speed up traffic and streamline the flow of passengers.

Drivers as key individuals

Scania works with truck and bus drivers to reduce energy consumption and environmental impact as well as to improve road safety. Scania Driver Training and the computerised Scania Driver Support system are important contributions to this work. Drivers have the potential to reduce fuel consumption and lower transport costs about 10 percent by improving their driving style. Taking steps to improve the working environment and proficiency of drivers also increases the attractiveness of the driving profession.

Visions for the future

Photo montage

Platooning

Platooning means arranging vehicles in a convoy at short distances and connected by a wireless communication system that enables the convoy to be driven as a single unit. Scania is doing research on the platooning technique together with Stockholm's Royal Institute of Technology and is analysing the fuel savings and carbon dioxide reduction that are possible. The technique is considered to have major potential. Even with today's technology, fuel consumption and carbon dioxide emissions can be reduced by 7 percent. The project is also analysing how traffic flows and safety can be improved.

Electric roads

Today's electric vehicles often run on batteries, but due to their low storage capacity, such vehicles have a limited range. Scania is participating in a research project that is studying electric propulsion and methods for transmitting electricity between road and vehicle. Especially interesting is a project on inductive transmission via roadways, since this system is easier to make available to all road vehicles. With energy direct from the roadway, it would be possible to make road transport more or less independent of fossil oil.

Success based on dedicated employees

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 private life. During the recent recession, Scania invested in retaining its permanent employees and thus its core competency. This contributed to good relations in the company and enabled Scania to ramp up production quickly as demand rose.

Scania operates in about a hundred countries, and more than half of its employees work outside Sweden. For an international company like Scania, leadership is thus a strategically important tool for disseminating its corporate values, culture and working methods. Clear values and shared principles for both work and leadership permeate Scania's operations and tie together the organisation.

Scania regularly evaluates diversity and gender equality as important elements of leadership training. Scania views diversity as a success factor and strives to recruit a wide variety of employees. Greater diversity enables Scania to understand and respond better to the needs of different customers and thus strengthen its market position.

Global leadership programme an important platform

Scania's global leadership programme is aimed at all managers and executives throughout the organisation. Its purpose is to train managers and executives in how to apply Scania's culture, values and leadership principles in their day-to-day work.

Networks built between managers in Scania's global organisation disseminate best practice and knowledge about managing Scania's operations in different cultures. This expands the Group's knowledge base, providing better opportunities to meet the needs of different customer and strengthen Scania's position.

Training programmes in production paying off

During 2009 and early 2010, Scania chose to retain permanent employees to the greatest extent possible and provide further training to them. Maintaining and enhancing the company's core competency has proved to be a recipe for success at Scania. These training programmes enabled Scania to rapidly increase the rate of production and meet rising demand during 2010. Increased proficiency and employee involvement also laid the base for improvements in productivity.

Sustainability through dedication and well-being

Scania's employees are encouraged to contribute to continuous improvements, to live up to the company's core values and to take responsibility for their own health and professional development. A good, continuously improved working environment is not only essential for job satisfaction and professional development, but is also important for sustainable development and a profitable Scania.

Good profitability makes it possible to further empower employees through human resource development and continued training. The interactions between motivated employees who enjoy their jobs and company profitability thus become a positive spiral. By investing in its employees, Scania can improve its profitability, thereby generating resources to make the company an even more attractive employer.

SCANIA'S LEADERSHIP AND EMPLOYEESHIP PRINCIPLES

1. Coordinate but work independently – take responsibility
2. Work with details and understand the context
3. Act now – think long-term
4. Build know-how through continuous learning
5. Stimulate commitment through involvement

Global training programmes

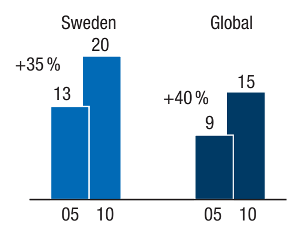
Scania's presence in more than 100 countries requires efficient ways of training and learning new things. The company has therefore developed web-based independent study courses and activities that Scania employees can pursue in their own local setting. This has many advantages. Training can be initiated exactly when the need arises, and such a system contributes to cost-effective training and less carbon dioxide emissions due to reduced travel.

New employees are offered Scania Global Introduction, a web-based programme. It includes an introduction to Scania's history, products and working methods and also conveys Scania's corporate culture and values. At an early stage, this enables new employees to see their own role in a larger context.

Growing share of women among managers

Scania works systematically to increase the share of managers who are women. Experience from and a feeling for Scania's corporate culture are very important to successful leadership. Recruitment to top management positions at Scania thus mainly occurs internally. Those Scania managers who are women will thus provide the foundation for achieving greater gender equality in Group management and the Executive Board as well.

Female managers, 2005–2010



At the end of 2010, 20 percent of managers and 21 percent of employees were women in Scania's Swedish operations.

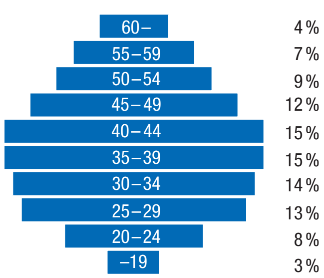
Assuming social responsibility

In South Africa, a health programme to increase knowledge of lifestyle issues has been under way for some years. HIV prevention is an important part of the programme. All Scania employees and their family members are invited to participate. The programme has resulted in improved employee health and has helped reduce the number of people contracting HIV/AIDS.

Everyday health promotion

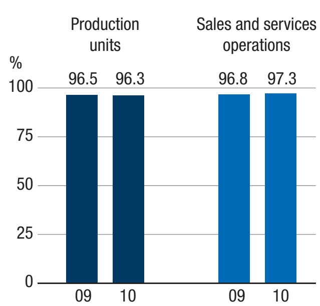
All Scania employees are involved in improving their working environment. There is a continuous effort to bring health issues into all processes in a long-term, systematic way – from development and production units to the sales and services network. For example, service technicians participate in the testing of equipment and tools. This is important in order to avoid repetitive stress injuries.

Age distribution



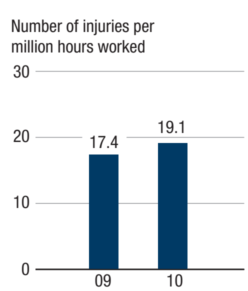
The age distribution among Scania's employees is well-balanced.

Global healthy attendance



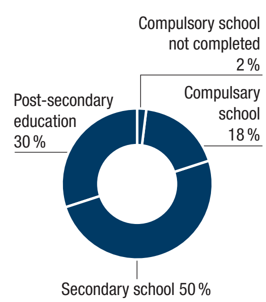
Global healthy attendance among employees at Scania's production units decreased by 0.2 percent. In sales and services operations, healthy attendance rose by 0.5 percentage points.

Global work-related injuries



Work-related injuries resulting in absences (Scania's global industrial operations) amounted to 19.1 per million hours worked during 2010.

Educational level



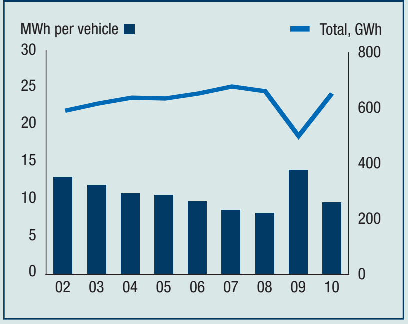
Scania's employees have a high level of education.

Environmental impact

USE OF RESOURCES

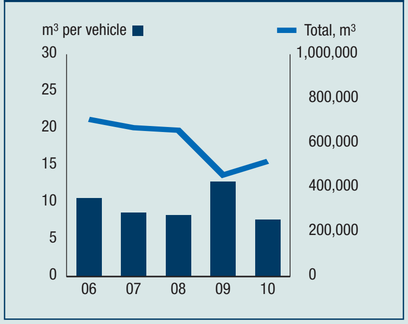
Scania's environmental work is proactive, based on a life cycle perspective and the principle of precaution. Scania is constantly working to achieve more efficient resource utilisation. Environmental aspects are taken into account right from the development and investment stage to ensure that Scania can meet future requirements with the best applicable technology, i.e. do the right thing from the start and eliminate waste. A focus on reducing the use of energy, materials and chemicals enables the company to minimise environmental impact in a resource-efficient and cost-effective way.

Energy



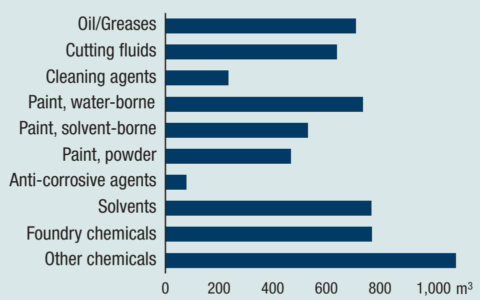
Energy use increased with higher production volume but fell to 9.7 MWh per vehicle produced. Total energy use was 652 GWh.

Water



The trend towards reduced water use per vehicle produced continued and stood at 7.7 m^3 per vehicle. Total water consumption increased to 519,000 m^3.

Chemicals



Chemical use totalled about 6,000 m^3. Consumption per vehicle amounted to 89 litres, a reduction of about 10 percent.

SCANIA'S OPERATIONS

Transforming raw materials and components into finished products is a fundamental element of Scania's operations. More efficient resource use is thus one of the company's foremost environmental objectives.

- More than half of Scania's R&D budget is spent on environmental improvements.
- Scania is working actively to replace hazardous substances and to avoid the use of such substances in product development, production and the service network.

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.

PRODUCTION AND SERVICE

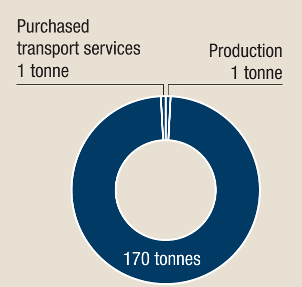
- Environmental work is integrated into day-to-day efforts to achieve continuous improvements through a strong connection to production units, in the form of the Scania Production System (SPS). In the sales and services network, this work occurs through the Scania Retail System (SRS).
- Production units are continuously evaluated in order to find examples of best practice and to identify areas for improvement.
- In working with chemicals, Scania focuses on reducing their use and transitioning to alternatives with lower environmental impact.
- Cross-functional (interdepartmental) teams focus on health and environmental issues.

IMPACT DURING A VEHICLE'S SERVICE LIFE

TOTAL LIFE CYCLE CO_2 EMISSIONS

Most of the environmental impact of Scania products occurs when vehicles and engines are in use. One way of describing environmental impact is to look at carbon dioxide emissions. The production of a Scania truck generates more than 1 tonne of carbon dioxide. Component haulage and vehicle delivery create another 1 tonne. A long-haulage truck that is driven fuel-efficiently for 200,000 km per year emits approximately 170 tonnes of carbon dioxide during one year of use. The big difference between the emissions from production and from use illustrates how important it is for Scania to support the environmental work of its customers.

Truck in operation for one year

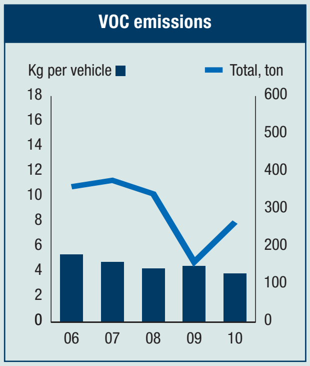


ECOLUTION BY SCANIA

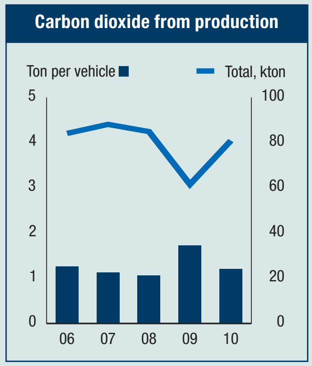
To support the sustainability efforts of its customers, Scania has developed "Ecolution by Scania", a package of environmentally adapted products and services such as driver training, active driver follow-up and guidance plus extra servicing. Biofuels are an important element of the ecolution package. Optimising the vehicle can reduce fuel consumption by up to 10 percent. Recurrent driver training can save an equal amount. The use of renewable fuels can further reduce carbon dioxide emissions.

EMISSIONS, RECYCLING AND WASTE SENT TO LANDFILLS

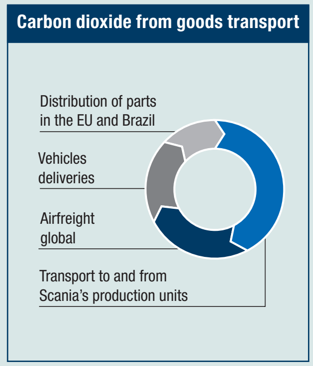
Scania is constantly reducing its emissions into the air and discharges into waterways in relation to production volume. The company endeavours to use closed production processes in order to avoid resource-intensive clean-up measures. By changing its painting processes, shortening test runs and replacing fossil fuels with renewable ones, Scania reduces its atmospheric emissions.



Volatile organic compound (VOC) emissions fell to 3.9 kg per vehicle produced. Total emissions were 266 tonnes.



Carbon dioxide emissions increased along with total production volume to 81 ktonnes, but fell to 1.2 tonnes per vehicle produced.



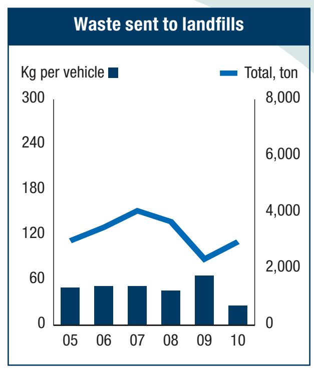
In 2010, Scania's goods transport-related emissions totalled 165,000 tonnes. This year's report also includes shipments by air, which were previously not fully reported.

CONTINUOUS IMPROVEMENTS

- Energy efficiency improvements are a high priority. There is continuous, systematic work with local energy surveys and action plans.
- Fossil fuels account for a steadily shrinking share of energy. All facilities in Sweden now use district heating systems for space heating. Use of fossil fuels, excluding testing, now accounts for less than 15 percent of total energy use.
- Water-based and powdered paint are mainly used for all painting, which has led to a significant reduction in emissions of volatile organic compounds (VOCs).
- Improvements in logistics have reduced transport work and thus atmospheric emissions. Focus areas for this work include:
  – Continuous efforts to increase the load factor for goods shipments.
  – Development of transport systems that support varied goods volume, making a higher load factor possible.
  – Increased use of intermodal shipments, that is, combinations of different modes of transport, resulting in lower carbon dioxide emissions.

RECYCLING FROM PRODUCTION UNITS

The trend towards greater recycling is continuing. During 2010, Scania disposed of 66,000 tonnes of waste (excluding foundry sand), of which nearly 85 percent was utilised for recycling of materials and recovery of energy. Waste to be sent for off-site disposal, and mainly classified as hazardous, totalled 7,000 tonnes in 2010.



RECYCLING

SCANIA'S CO_2 VISION

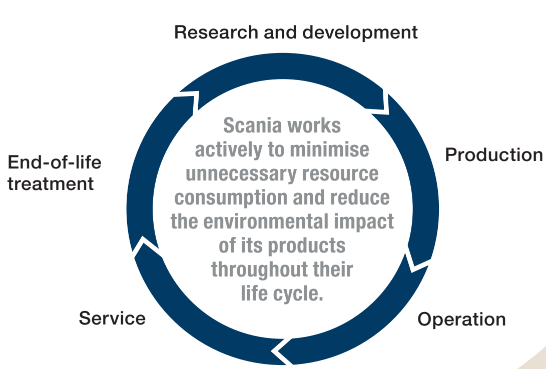
Scania's vision for the transport industry is to reduce CO_2 emissions per tonne transported by 50 percent between 2000 and 2020 by investing in:

- The driver
- Vehicle technology
- Biofuels
- Logistics

Achieving this will require cooperation among all parties in the road transport sector and lawmakers.

END-OF-LIFE TREATMENT

Scania's objective is to reduce waste quantities and to sort waste and residual products so they can be treated on the basis of their characteristics and recycled. Scania provides dismantling and disposal protocols to ensure proper end-of-life treatment of vehicles. A truck is 95 percent commercially recyclable.



SUMMARY OF ENVIRONMENTAL PERFORMANCE MEASURES

Performance in the production network

	2010	2009	2008
Number of vehicles produced	**67,567**	35,698	79,874
Net sales, SEK m.			
Scania products	**78,168**	62,074	88,977
Raw material consumption			
Per vehicle, kg	**2,500**	2,300	2,500
Total, tonnes	**168,000**	80,500	202,000
Total, SEK m.	**1,950**	970	2,540
Chemical consumption			
Per vehicle, m^3	**0.089**	0.098	0.086
Total, m^3	**6,000**	3,500	6,850
Total, SEK m.	**238**	133	249
Energy use			
Per vehicle, MWh	**9.7**	14.0	8.3
Total, GWh	**652**	500	660
Total, SEK m.	**385**	315	346
Carbon dioxide emissions			
Goods shipments, 1,000 tonnes	**102**	56	108
Fossil fuels, 1,000 tonnes	**35**	25	38
Purchased electricity, 1,000 tonnes	**37**	29	41
Purchased heat, 1,000 tonnes	**9.4**	7.0	5.8
Per vehicle, tonnes	**2.7**	3.3	2.4
Of which plant-related	**1.2**	1.7	1.1
Total 1,000 tonnes	**183**	117	193
Water use			
Per vehicle, m^3	**7.7**	12.8	8.3
Total, 1 000 m^3	**520**	460	660
Total, SEK m.	**6**	6	8
Solvent emissions			
Per vehicle, kg	**3.9**	4.5	4.3
Total, tonnes	**270**	160	341
Recycling of residual products and waste			
Per vehicle, kg	**830**	890	860
Total, tonnes	**56,000**	32,000	69,000
Revenue, SEK m.	**91**	29	112
Sent to landfills and other off-site disposal			
Per vehicle, kg	**150**	220	170
Total, tonnes	**9,900**	7,800	14,000
Total, SEK m.	**22**	16	25

Emissions from goods shipments were calculated as specified by the Network for Transport and 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.

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.

SCANIA'S ENVIRONMENTAL POLICY

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

THE OECD GUIDELINES IN BRIEF

Generally: Respect human rights.

Information: Disclose relevant information to all stakeholders.

Employees: Respect the union rights of employees and help eliminate child labour.

Environment: Strive for continuous improvement.

Corruption: Never offer, promise, give or demand 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.

Managing and monitoring sustainability work

Scania's sustainability work is wide-ranging – from environmental standards at production units and innovations in sustainable transport to investments in employee health and proficiency. It also includes a high standard of ethical behaviour in relation to employees, customers, business partners and society at large.

Scania's sustainability work is integrated into the company's management structure. It is based on Scania's core values, leadership philosophy and strategies. An ethical approach to work is the responsibility of all employees. 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 for the regulations in force at the company. Suggestions for improving sustainability work emerge from the regular process for continuous improvements.

Each Scania 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 yearly through the Scania Blue Rating Environment and Health & Work Environment systems. The same method is used to improve this work, disseminate best practice and assess risks (see "Risks and risk management", pages 53–56).

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 sales and services organisation, environmental work is part of the Scania Dealer Operating Standard (DOS), which is followed up in regular audits. For more information, see the Corporate Governance Report, pages 57–62.

Suppliers must meet same standards

Scania's values are also reflected in the requirements imposed on the Group's suppliers. Scania's procurement policy requires that suppliers meet strict ISO/TS 16949 quality management standards and ISO 14001 environmental management standards and live up to the United Nations Universal Declaration of Human Rights. 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 relevant 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 its 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.

Scania as a reliable partner

It is essential that a company lives up to high ethical standards in order for employees, business partners, customers and shareholders to feel confidence in it.

Scania 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.

Sharp upturn for Scania shares

The stock market moved in a positive direction during 2010. Share prices bottomed out late in 2008. Since then stock market performance has been choppy, though with a clear positive trend, supported by stabilisation in economic conditions. Share prices on the NASDAQ OMX Stockholm (Stockholm Stock Exchange) rose by 23 percent and Scania's Series B shares gained 68 percent in 2010.

After hitting bottom in 2009, world economic demand improved. Among other things, this benefited demand for transport equipment, providing the basis for strong stock market performance by truck manufacturers. Scania shares moved in a very positive direction in 2010 and performed significantly better than the exchange as a whole. The B share provided a total return of 69 percent, compared to the exchange's broad SIXRX index which provided a return of 27 percent. In the past five years, Scania's B share has provided an annual return averaging 34 percent. The corresponding SIXRX figure is 13 percent.

Share trading

Scania B trading volume averaged 1,224,300 shares per day in 2010. Volume was thus lower than in 2009. The turnover rate was 77 (84) percent, compared to 88 (108) percent for the NASDAQ OMX Nordic exchanges as a whole.

Dividend and financial targets

The proposed dividend of SEK 5.00 per share for 2010 is equivalent to 44 percent of 2010 net income. In the past five years, an average of 47 percent of net income has been distributed to the shareholders.

Scania's leadership philosophy is to take advantage of knowledge and experience gained from the company's improvement work. This means placing greater emphasis on methods than on traditional earnings targets. These principles, first applied at production units, have been disseminated and applied to various parts

The ten largest shareholders, 30 December 2010

Owner	Capital %	Votes %
Volkswagen AG[1]	45.66	70.94
MAN SE	13.35	17.37
Clearstream Banking	4.31	1.02
Swedbank Robur Funds	3.42	0.62
Alecta Pensionsförsäkring	2.37	0.43
Skandia Liv	1.15	0.42
AMF Insurance and Funds	1.55	0.41
Handelsbanken Funds	0.12	0.18
Nordea Investment Funds	0.94	0.17
SEB Investment Management	0.92	0.17
Total	73.79	91.73

Performance-based bonus foundation

Via the performance-based bonus foundation, employees own Scania shares that on 30 December 2010 amounted to the equivalent of 0.6 percent of share capital. Scania's performance-based bonus foundation may own shares equivalent to a maximum of 10 percent of the share capital of Scania.

1 Furthermore, additional shares in Scania held in 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.

Shareholder structure (capital), 30 December 2010

1 Furthermore, additional shares of Scania held in 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.

of the company. Scania thus does not set financial targets for the Group in the traditional sense. The capital needs of the Group are continuously evaluated and adapted to the investments required to safeguard Scania's growth.

Since 2010, Scania and MAN have investigated projects in the industrial area, mainly related to commercial vehicles, which would make it possible for the two companies to profit from synergies in research and development, manufacturing and sourcing. This process has shown that a full realisation of potential synergies requires closer cooperation by combining the two companies, while maintaining the unique brand values of the respective company. No decision has been made, since there are a number of outstanding issues of a commercial and legal nature.

About Scania shares

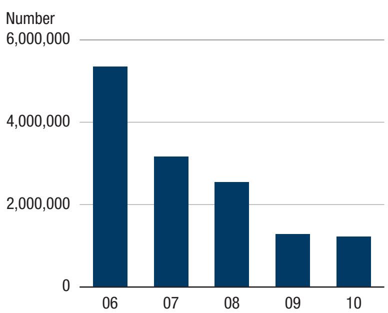
Scania has been quoted on the NASDAQ OMX Stockholm since 1 April 1996. Its share capital is divided into 400 million Series A shares and 400 million Series B shares, where each A share represents one vote and each B share one tenth of a vote. Otherwise there are no differences between these types of shares. The nominal value per share is SEK 2.50. Further information on Scania shares is available on www.scania.com, Investor Relations. Questions may be e-mailed to ir@scania.com.

Per share data

SEK (unless otherwise stated)	2010	2009	2008	2007	2006
Year-end market price, B share	**154.70**	92.30	77.75	145.01	107.37
Highest market price, B share	**160.00**	103.00	162.43	188.80	112.50
Lowest market price, B share	**88.40**	57.75	50.25	98.44	64.06
Change in market price, %, B share	**67.6**	18.7	– 46.4	35.1	67.3
Total return, %, B share	**69.1**	22.0	– 40.8	45.5	74.7
Market capitalisation, SEK m.	**122,440**	73,640	61,900	128,800	97,150
Earnings	**11.38**	1.41	11.11	10.69	7.42
Price/earnings ratio, B share	**14**	65	7	14	14
Dividend*	**5.00**	1.00	2.50	5.00	3.75
Redemption	**–**	–	–	7.50	8.75
Dividend yield, %**	**3.2**	1.1	3.2	3.4	3.5
Dividend payout ratio, %	**43.9**	70.9	22.5	46.8	50.5
Equity	**37.5**	29.1	27.4	31.0	32.7
Cash flow, Vehicles and Services	**14.85**	6.89	2.22	10.62	8.68
Number of shareholders***	**121,038**	119,973	130,020	124,413	107,487

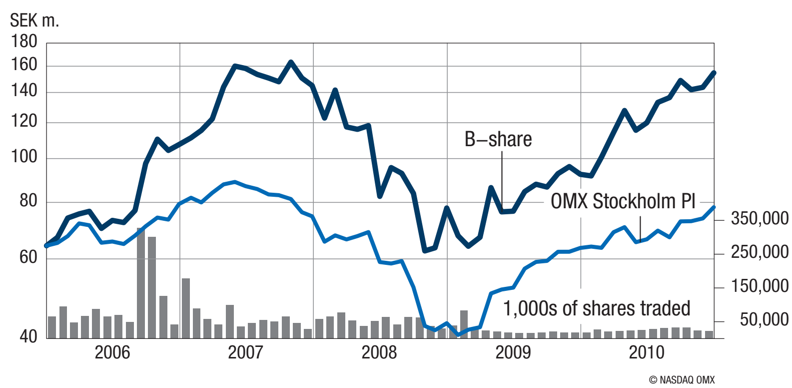
* For 2010: Proposed by the Board of Directors.
** Dividend divided by the market price of a B share at year-end.
*** On 30 December 2010.

Average daily trading, B shares



Aside from the NASDAQ OMX Stockholm, Scania shares are also traded in alternative marketplaces such as Chi-x, Bats Europe, Burgundy and Turquoise. During 2010, total trading averaged about 350,000 B shares per day in the largest alternative marketplaces.

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 61.

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, introduction or cessation of stimulus measures as well as changed requirements for vehicle specifications. Impositions of sanctions against certain countries may 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 in the sales and services network

Repair and maintenance contracts comprise one important element of sales and services 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 services 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 services organisation handles a large volume of used trucks and buses. Prices and sales figures may vary over economic cycles. However, due to Scania's high degree of integration into its sales and services network, the company has extensive knowledge about the price situation and price variations.

Sales and services 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.

Independent dealers may suffer problems that may 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. 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. In major markets, dealerships are generally owned by Scania.

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 Continuity Planning Principles, Scania 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. The Business Interruption Study identifies, quantifies and manages potential interruption risks. This also includes evaluating alternatives, methods and lead times for resuming normal operations.

Based on the results of this work, Scania regularly develops continuity plans, which 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 production units. Follow-up occurs by means of monitoring systems, reporting and response procedures. Yearly reports are submitted to Production and Logistics management.

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. Correspondingly, Scania's Blue Rating Environment system is a method for evaluating and developing environmental work as well as improving the company's ability to avoid environmental risks. Recurrent inspections are conducted at all major production units. See also the Sustainability Report, page 49.

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, supplier-dependent risks that may adversely affect the continuity of Scania's production are identified and managed. Yearly reports are submitted to Purchasing management.

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. The Scania Blue Rating Fire Safety system has also been used in order to conduct risk inspections of selected suppliers.

Human resource and talent recruitment

For its future success, Scania is dependent on its ability to attract and retain motivated employees with the right expertise for their assignments, in order to ensure that its operations can deliver the required product and service quality. Some of the important risks from a human resource and talent recruitment perspective that may affect deliveries are:

- Insufficient supply of the right expertise
- Inadequate expertise
- Faulty recruitment

To ensure its supply of key expertise, Scania has a well-established structure and working method for close collaboration with various universities and institutes of technology.

Since 1941, Scania has operated its own technical secondary school, which provides unique expertise in machining and assembly for current and future production.

Uniform structures, common and coordinated recruitment methods and tools as well as clearly described job requirements help minimise the risk of recruitment errors. 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 as well as by using development dialogues. Targeted action is taken as needed.

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 which may affect information management are that:

- Interruptions occur in critical information systems, regardless of cause
- Strategic or other sensitive information is revealed to unauthorised persons
- Strategic or 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.

Sustainability risks

The term "sustainability risks" refers to risks of undesirable consequences related to the environment, health and safety, human rights and business ethics in Scania's business operations. 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 production units. Follow-up occurs by means of monitoring systems, reporting and response procedures.

At its production units around the world, Scania has carried out orientation studies and risk assessments of buildings as well as soil and groundwater contamination. As needed, supplementary investigations and required actions have been undertaken. This work takes place in close cooperation with local or regional authorities. During 2010, no accidents occurred that caused significant environment 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, operations may also be subject to local requirements and rules. In connection with increased production, Scania applies for new permits covering the affected operations. For certain Scania operations, however, recurrent permit assessments are required.

Research and development risks

Research and product development occur in close contact with the production network and the sales and services 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 Euro 6 emission standards, which enter into force at the end of 2013.

Today there are two technologies for limiting nitrogen oxide 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 and has invested in strategic partnerships, for example 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.

Due to the remaining uncertainty about the details in the final wording of the Euro 6 legislation affecting On Board Diagnostics (OBD), Scania must be prepared for supplementary technical solutions. The company 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.

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 services units/workshops according to the standardised Scania Blue Rating Fire Safety system. This work maintains a high claim prevention level and a low incidence of claims.

LEGAL RISKS

Contracts and rights

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

Legal actions

Scania is affected by numerous legal proceedings as a consequence of the company's operating activities. This includes alleged breaches of contract, non-delivery of goods or services, producer liability, patent infringement or infringements related to other intellectual property. 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 57–62). Scania has also introduced a Legal Risk Reporting system, according to which risks are defined and reported. At least once a year, a report on such risks is submitted to the Audit Committee of the Board.

TAX RISKS

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 2 on page 86. 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 68 and Note 30 on page 118.

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 Annual Accounts Act, the rule book for issuers at the NASDAQ OMX Stockholm ("Stockholm Stock Exchange") and the Swedish Code of Corporate Governance ("the Code").

Governing documents at Scania

The most important governing documents at Scania are:

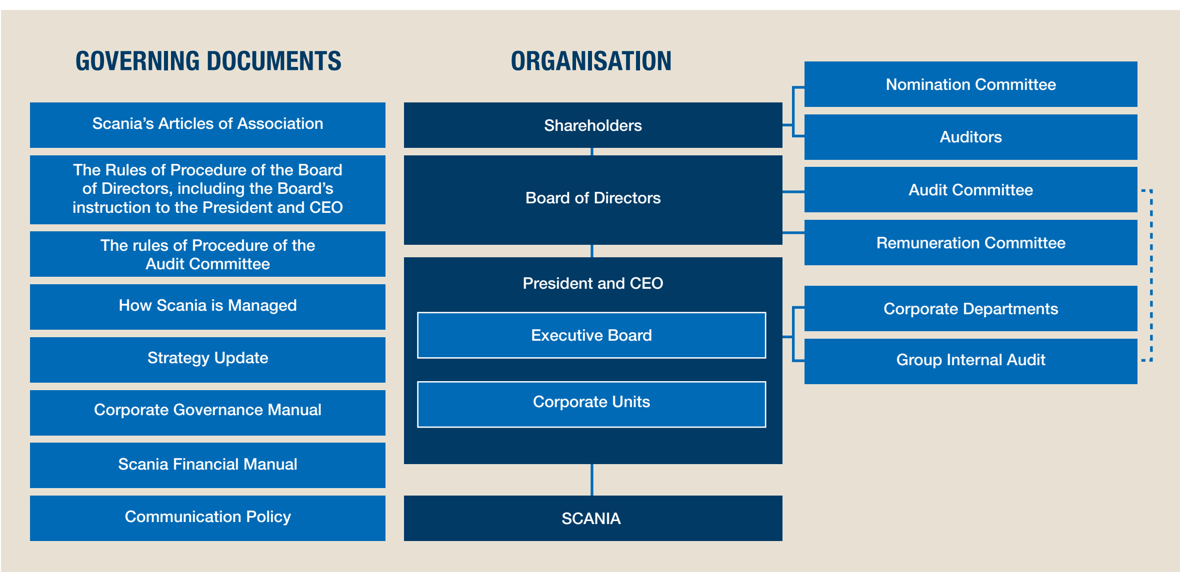
- Scania's Articles of Association (reproduced on page 52)
- The Rules of Procedure of the Board of Directors, including the Board's instruction to the President and CEO and guidelines for essential reporting processes at Scania
- The Rules of Procedure of the Audit Committee
- How Scania is Managed
- Strategy 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. Before the 2010 Annual General Meeting (AGM), two members resigned from the company's Nomination Committee. Because of this, from 19 March 2010 the Nomination Committee consisted of only two members during the period before the AGM. Aside from this deviation from the Code's rule that the Nomination Committee shall consist of at least three members, Scania complied with the Code in 2009 without exceptions.

THE SHAREHOLDERS

At the end of 2010, Scania had about 121,000 shareholders. Volkswagen AG was the largest shareholder, with a directly registered holding of 45.66 percent of shares and 70.94 percent of voting power. In addition, Scania shares equivalent to 0.87 percent of voting power and 3.63 percent of share capital, which are managed by credit institutions, must be counted as part of Volkswagen's holding. Including these shares, Volkswagen's total holding is 49.3 percent of shares and 71.8 percent of voting power. 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, the Swedbank Robur mutual funds,



Alecta Pensionsförsäkring, Skandia Liv, AMF Insurance and Funds, Handelsbanken Funds, Nordea Investment Funds and SEB Investment Management. Together, these ten shareholders had 73.8 percent of share capital and 91.7 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 three 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 9 meetings** in all
Martin Winterkorn, Chairman	2007		Chairman	YES	NO	6
Jochem Heizmann, Vice Chairman[1, 3]	2010			YES	NO	5
Helmut Aurenz	2008			YES	YES	9
Staffan Bohman, Vice Chairman[1]	2005	Chairman		YES	YES	3
Peggy Bruzelius[2]	1998		X	YES	YES	3
Börje Ekholm[1]	2007	Chairman		YES	YES	9
Francisco J. Garcia Sanz	2007		X	YES	NO	8
Gunnar Larsson[2]	2008	X	X	YES	YES	9
Hans Dieter Pötsch	2007	X		YES	NO	9
Åsa Thunman[3]	2010			YES	YES	5
Peter Wallenberg Jr	2005			YES	YES	6
Leif Östling	1994			NO	YES	9

1 Staffan Bohman was Vice Chairman of the Board and Chairman of the Audit Committee until the AGM on 6 May 2010, after which he left the Board and was succeeded as Vice Chairman of the Board by Jochem Heizmann and as Chairman of the Audit Committee by Börje Ekholm.

2 Peggy Bruzelius was a member of the Board and a member of the Remuneration Committee until the AGM on 6 May 2010, after which she left the Board and was succeeded on the Remuneration Committee by Gunnar Larsson.

3 Jochem Heizmann and Åsa Thunman were elected as new members of the Board at the AGM on 6 May 2010.

* The Nomination Committee's assessment of elected Board members' independence according to the Swedish Code of Corporate Governance and the rules of the NASDAQ OMX Stockholm that applied during 2010.

** During 2010, the Board held nine meetings: three board meetings before the AGM 2010 and six meetings after the AGM 2010.

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. The Articles of Association are amended through decisions by the AGM in compliance with the rules in the Swedish Companies Act.

Information about rules and practices at the annual general meetings of companies listed on the Stockholm Stock Exchange and other aspects of Swedish corporate governance is available on the Scania website at www.scania.com/scania-group/corporate-governance and is labelled "Special Features of Swedish Corporate Governance".

The Nomination Committee

The main task of the Nomination Committee is to propose candidates to the AGM for election to the Board of Directors and as 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 2010 the AGM decided that Scania shall have a Nomination Committee consisting of the Chairman of the Board and three to four additional members. In preparation for the AGM in 2011, the following individuals have served on the company's Nomination Committee:

Martin Winterkorn, Chairman of the Board
Gudrun Letzel, representing Volkswagen AG, Chairman of the Nomination Committee
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 6 May 2010, Scania's AGM elected ten Board members and no deputy members. They are:

Martin Winterkorn
Jochem Heizmann
Helmut Aurenz
Börje Ekholm
Francisco J. Garcia Sanz
Gunnar Larsson
Hans Dieter Pötsch
Åsa Thunman
Peter Wallenberg Jr
Leif Östling

The AGM elected Martin Winterkorn as Chairman and Jochem Heizmann 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 64–65.

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 December normally deals with long-term plans and 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 2010, the Board held nine 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 reduce 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 58.

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

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

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

Since 6 May 2010, the Audit Committee has consisted of Börje Ekholm (Chairman), Hans Dieter Pötsch and Gunnar Larsson. Until 6 May 2010, Staffan Bohman was the Chairman of the Committee, after which he was succeeded by Börje Ekholm. During 2010 the Audit Committee met a total of six times. Staffan Bohman participated in three meetings, Hans Dieter Pötsch in five meetings, Gunnar Larsson in six meetings and Börje Ekholm in three meetings.

The Audit Committee discusses and monitors issues related to administrative processes, refinancing, treasury operations, 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 Remuneration Committee

Since 6 May 2010, the Remuneration Committee has consisted of Martin Winterkorn (Chairman), Gunnar Larsson and Francisco J. Garcia Sanz. Until 6 May 2010, Peggy Bruzelius was a member of the committee, after which she was succeeded by Gunnar Larsson. During 2010, the Remuneration Committee met three times. Martin Winterkorn participated in two meetings, Gunnar Larsson in one meeting, Francisco J. Garcia Sanz in three meetings and Peggy Bruzelius in two meetings. 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

At Scania, the independent auditors are elected by the shareholders at the AGM, 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 "Strategy 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 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, Executive 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 2010 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 the Annual Accounts Act.

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. Corporate Control is responsible for continuous updating of accounting and reporting instructions, with due regard for external and internal requirements.

Risk assessment and control activities

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

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

Information and communication

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

Monitoring

Scania monitors compliance with the above-described governing documents and the effectiveness of the control structure. Monitoring and evaluation are performed by the company's corporate controller departments in industrial operations, all sales and services companies and finance companies. During the 2010 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 also 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.
Prof. Dr. rer. nat. Chairman since 2007. Chairman, Remuneration Committee. Member, Nomination Committee.

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

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

Shares in Scania: 0.

JOCHEM HEIZMANN

Born 1952.
Prof. Dr. Dr. E. h. Vice Chairman and member of the Board since 2010.

Other directorships:
Member of the Board of Management, Volkswagen AG. Member of the Supervisory Board, Lufthansa Technik AG.

Relevant work experience:
Member of the Board of Management, Volkswagen AG, responsible for Group Commercial Vehicles. Chairman or Board member of a number of subsidiaries in the Volkswagen Group. Various management positions at Karlsruhe University, Audi NSU AUTO UNION AG and Volkswagen AG.

Shares in Scania: 0.

LEIF ÖSTLING

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

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

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

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

HELMUT AURENZ

Born 1937.
Apprenticeship in horticulture, entrepreneur. 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. Member of the World Economic Forum in Geneva. Independent Board 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.

Shares in Scania: 0.

BÖRJE EKHOLM

Born 1963.
MSc and MBA. Member since 2007. Member, Audit Committee.

Other directorships:
Chairman of the Royal Institute of Technology. Board member of Chalmersinvest AB, EQT Partners AB, Husqvarna AB, Lindorff AB 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.

Shares in Scania: 2,000 B shares.

FRANCISCO J. GARCIA SANZ

Born 1957.
Dr. rer. pol. h. c. Member since 2007. Member, Remuneration Committee.

Other directorships:
Member of the Board of Management, Volkswagen AG. Board member of several companies in the Volkswagen Group.

Relevant work experience:
Member of the Board of Management, Volkswagen AG, with global responsibility for Procurement. Various positions at Adam Opel AG, various management positions at GM and Volkswagen AG.

Shares in Scania: 0.

GUNNAR LARSSON

Born 1942.
MSc. Member since 2008.
Member, Audit Committee and Remuneration 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 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.

Shares in Scania: 0.

HANS DIETER PÖTSCH

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

Other directorships:
Member of the Board of Management, Volkswagen AG. Member of the Board of Management, Porsche Automobil Holding SE. Chairman or member of several Supervisory Boards in the Volkswagen Group. Member of the following Supervisory Boards: Dr. Ing. h.c. F. Porsche AG, Porsche Holding GmbH, Porsche GmbH. and Allianz Versicherungs-AG.

Relevant work experience:
Member of the Board of Management, Volkswagen AG, responsible for Finance and Controlling. Member of the Board of Management, Porsche Automobil Holding SE (Chief Financial Officer). Chairman or member of the Board of Management, Dürr AG, General Manager for Finance and Administration at Trumpf GmbH & Co. Various positions at BMW.

Shares in Scania: 0.

ÅSA THUNMAN

Born 1969.
Law degree (LL.M.). Member since 2010.

Relevant work experience:
Senior legal counsel of Securitas AB since 2009. General Counsel of Elekta AB and secretary of the Board of Directors, secretary of the Nomination Committee and the Audit Committee at Elekta AB. President of Elekta Instrument AB and Vice President at the corporate office of Elekta AB.

Shares in Scania: 0.

PETER WALLENBERG JR

Born 1959.
MBA. 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 and the Knut and Alice Wallenberg Foundation. Board member of Investor AB, SEB Kort AB, Stockholm International Fairs and Aleris Holding AB.

Relevant work experience:
Various positions at Grand Hôtel.

Shares in Scania: 6,000 B shares.

HÅKAN THURFJELL

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

Relevant work experience:
Various managerial positions at Scania.

Shares in Scania: 0.

STEFAN U. KLINGBERG

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

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

Relevant work experience:
Various positions at Scania.

Shares in Scania: 0.

MIKAEL JOHANSSON

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

Relevant work experience:
Various positions at Scania.

Shares in Scania: 0.

Executive Board

1. 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.

2. CHRISTIAN LEVIN
Born 1967, MSc.
Joined Scania in 1994.
Executive Vice President, Head of Sales and Services Management.

Shares in Scania:
232 B shares.

3. ANDERS NIELSEN
Born 1962, MSc.
Joined Scania in 1987.
Executive Vice President, Head of Production and Logistics.

Shares in Scania:
7,210 B shares.

4. PER HALLBERG
Born 1952, MSc.
Joined Scania in 1977.
Executive Vice President, Head of Research and Development, Purchasing.

Shares in Scania:
13,767 B shares.

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

Shares in Scania:
10,512 B shares.

6. 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.

Urban Erdtman, Executive Vice President, retired on September 1, 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, 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.

JOHAN HAEGGMAN
Born 1960.
Joined Scania in 1989, employed until 1999.
Rejoined Scania in 2003.
Senior Vice President, Corporate Control.
Shares in Scania: 0.

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: 3,802 B shares.

JONAS HOFSTEDT
Born 1959.
Joined Scania in 1984.
Senior Vice President, Powertrain Development.
Shares in Scania: 664 A shares, 5,012 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.

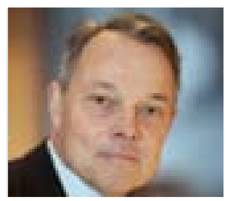
CLAES JACOBSSON
Born 1958.
Joined Scania in 1999.
Senior Vice President, Financial Services.
Shares in Scania: 6,001 B shares.

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 1989, employed until 2001.
Rejoined Scania 2002.
Senior Vice President, Buses and Coaches.
Shares in Scania: 4,454 B shares.

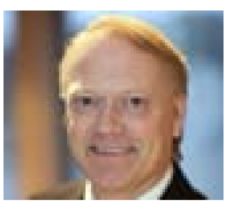
THOMAS KARLSSON
Born 1953.
Joined Scania in 1988.
Senior Vice President, Chassis and Cab Production.
Shares in Scania: 6,839 B shares.

ERIK LJUNGBERG
Born 1971.
Joined Scania in 1997, employed until 2006.
Rejoined Scania in 2008.
Senior Vice President, Corporate Relations.
Shares in Scania: 1,477 B shares.

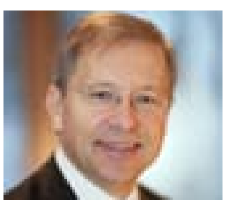


HANS NARFSTRÖM
Born 1951.
Joined Scania in 1977.
Senior Vice President, Corporate IT and SRS Office.
Shares in Scania: 6,796 B shares plus 40 B shares via related parties.

STEFAN PALMGREN
Born 1963.
Joined Scania in 1983.
Senior Vice President, Powertrain Production.
Shares in Scania: 1,400 B shares.



JOHAN P SCHLYTER
Born 1961.
Joined Scania in 1986.
Executive Regional Director, Latin America, Southern Africa, Asia and Oceania (AAA).
Shares in Scania: 2,901 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: 4,397 B shares.

MIKAEL SUNDSTRÖM
Born 1957.
Joined Scania in 2004.
Senior Vice President, Corporate Legal Affairs and Risk Management.
Shares in Scania: 1,000 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, Central, Northern and Eastern Europe (CNE).
Shares in Scania: 1,000 B shares via related parties.

Group financial review

NET SALES

The net sales of the Scania Group, in the Vehicles and Services segment, increased by 26 percent to SEK 78,168 m. (62,074). Currency rate effects excluding currency hedges had a negative impact on sales of 4 percent.

New vehicle sales revenue increased by 33 percent. Sales were influenced by the increased number of vehicles delivered. Service revenue rose by 3 percent to SEK 16,455 m. (15,904). Latin America and Asia noted good service demand throughout the year, while in Europe the increase was more pronounced during the second half of the year.

Interest and lease income in the Financial Services segment declined by 10 percent, mainly due to lower financing volume.

Net sales by product, SEK m.	**2010**	2009
Trucks	**47,580**	32,832
Buses	**7,713**	8,837
Engines	**1,148**	821
Service-related products	**16,455**	15,904
Used vehicles	**4,623**	4,403
Miscellaneous [1]	**2,590**	–208
Delivery sales value	**80,109**	62,589
Adjustment for lease income [2]	**–1,941**	–515
Total Vehicles and Services	**78,168**	62,074
Financial Services	**4,197**	4,666
Elimination [3]	**–1,797**	–1,842
Scania Group total	**80,568**	64,898

1 Includes about SEK 745 m. (–2,140) 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 2010 Scania delivered 56,837 (36,807) trucks, an increase of 54 percent. Bus chassis deliveries increased by 4 percent to 6,875 (6,636) units.

Vehicles delivered	**2010**	2009
Vehicles and Services		
Trucks	**56,837**	36,807
Buses	**6,875**	6,636
Total new vehicles	**63,712**	43,443
Used vehicles	**14,127**	13,026
Financial Services		
Number financed (new during the year)		
Trucks	**12,502**	9,332
Buses	**531**	605
Total new vehicles	**13,033**	9,937
Used vehicles	**5,573**	4,432
New financing, SEK m.	**17,675**	14,993
Portfolio, SEK m.	**36,137**	40,404

EARNINGS

Scania's operating income amounted to SEK 12,746 m. (2,473) during 2010. Operating margin amounted to 16.3 (4.0) percent.

Operating income in Vehicles and Services totalled SEK 12,575 m. (2,648) during 2010. Increased vehicle deliveries and significantly higher capacity utilisation had a positive impact on earnings. Measures initiated in 2009 to lower the cost level, as well as improved earnings for used vehicles, also had positive effects. A less favourable market mix had a somewhat negative impact on margins.

Scania's research and development expenditures amounted to SEK 3,688 m. (3,234). After adjusting for SEK 351 m. (282) in capitalised expenditures and SEK 168 m. (264) in depreciation of previously capitalised expenditures, recognised expenses increased to SEK 3,505 m. (3,216). During 2010, operating income was impacted positively by currency hedges. Compared to 2009, currency spot rate effects amounted to SEK –365 m. Currency hedging income totalled SEK 745 m. During 2009, currency hedging income totalled SEK –2,140 m. The overall currency rate effect was thus SEK 2,520 m. As of the end of 2010, Scania had no hedges of future currency flows.

Operating income in Financial Services amounted to SEK 171 m. (–175). This was equivalent to 0.5 (–0.4) percent of the average portfolio during the year. Bad debt expenses decreased but remained at a relatively high level. These expenses were mainly attributable to eastern Europe and Eurasia. The year was characterised by recovery and improved capacity utilisation among hauliers as well as by somewhat higher freight prices towards the end of the year.

At the end of 2010, the size of the customer finance portfolio amounted to SEK 36.1 billion, which represented a decrease of SEK 4.3 billion since the end of 2009. In local currencies, the portfolio shrank by 2 percent, equivalent to SEK 0.7 billion.

Operating income per segment, SEK m.	**2010**	2009
Vehicles and Services		
Operating income	**12,575**	2,648
Operating margin, %	***16.1***	*4.3*
Financial Services		
Operating income	**171**	–175
Operating margin, % [1]	***0.5***	*–0.4*
Operating income, Scania Group	**12,746**	2,473
Operating margin, %	***16.3***	*4.0*
Income before tax	**12,533**	1,602
Taxes	**–3,430**	–473
Net income	**9,103**	1,129
Earnings per share, SEK	**11.38**	1.41
Return on equity, %	**34.7**	5.1

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 –213 m. (–871). Net interest income amounted to SEK –193 m. (–722) and was positively impacted by an average net cash position, compared to an average net debt position during 2009. Other financial income and expenses amounted to SEK –20 m. (–149).

Income before taxes amounted to SEK 12,533 m. (1,602). The Scania Group's tax expense for 2010 was equivalent to 27.4 (29.5) percent of income before taxes.

Net income for the year totalled SEK 9,103 m. (1,129), corresponding to a net margin of 11.6 (1.8) percent. Earnings per share amounted to SEK 11.38 (1.41).

CASH FLOW

Cash flow in Vehicles and Services amounted to SEK 11,880 m. (5,512). Tied-up working capital decreased by SEK 1,708 m., mainly due to higher trade payables and lower inventories of used vehicles.

Net investments amounted to SEK 2,809 m. (3,149), including SEK 351 m. (287) in capitalisation of development expenses. At the end of 2010, the net cash position in Vehicles and Services amounted to SEK 7,700 m., compared to a net debt position of SEK 4,038 m. on the same date in 2009.

Cash flow in Financial Services amounted to SEK 1,143 m. (5,015). A reduction in the customer finance portfolio contributed to a positive cash flow during 2010.

NET DEBT

Net debt, SEK m.	**2010**	2009
Cash, cash equivalents and short-term investment	**–9,868**	–7,147
Current borrowings	**12,433**	19,928
Non-current borrowings	**21,973**	26,504
Net market value of derivatives for hedging of borrowings	**–1,057**	482
Total	**23,481**	39,767
of which, attributable to Vehicles and Services	**–7,700**	4,038
of which, attributable to Financial Services	**31,181**	35,729

The Group's net debt decreased by SEK 16.3 billion compared to the end of 2009, due to a positive cash flow after subtracting the dividend and taking into account currency rate effects atrributable to the stronger Swedish krona.

FINANCIAL POSITION

Financial ratios related to the balance sheet, SEK m.	**2010**	2009
Equity/assets (E/A) ratio, %	**30.5**	23.7
E/A ratio, Vehicles and Services, %	**41.1**	32.3
E/A ratio, Financial Services, %	**11.1**	10.4
Equity per share, SEK	**37.5**	29.1
Return on capital employed, Vehicles and Services, %	**39.5**	9.4
Net debt/equity ratio, Vehicles and Services	**–0.30**	0.21

During 2010, the equity of the Scania Group increased by SEK 6,733 m. and totalled SEK 30,036 m. (23,303) at year-end. Net income added SEK 9,103 m. (1,129), while the dividend to shareholders decreased equity by SEK 800 m. (2,000). Equity decreased by SEK –1,146 m. (188) because of exchange rate differences that arose when translating net assets outside Sweden. In addition, equity changed by SEK –461 m. (2,790) because of cash flow hedgings and actuarial losses on pension liabilities. Taxes attributable to items reported under "Other comprehensive income" totalled SEK 37 m. (–741).

The regular dividend for the 2010 financial year proposed by the Board of Directors is SEK 5.00 (1.00) per share.

NUMBER OF EMPLOYEES

The number of employees in the **Scania Group** at year-end 2010 was 35,514, compared to 32,330 at the end of 2009.

In **Vehicles and Services**, the number of employees at the end of December was 34,923 (31,789).

In **Financial Services**, the number of employees at year-end 2010 was 591 (541).

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. In addition, Scania secures a certain portion of its borrowing needs via four committed credit facilities: two in the international borrowing market and two in the Swedish market.

At year-end 2010, borrowings amounted to SEK 34.4 (46.4) billion. In addition to utilised borrowing, Scania had unutilised committed credit facilities equivalent to SEK 27.0 (25.7) 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 shall be 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 in operating income during 2010 totalled about SEK 26 (20) billion. The largest currency flows were in Brazilian real, euros and US dollars. Based on 2010 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 258 m. (198) on an annual basis.

According to Scania's policy, future cash flows may be hedged during a period that is allowed to vary between 0 and 12 months. The Board of Directors approves maturities of more than 12 months. At the end of 2010, no future cash flows were hedged.

At the end of 2010, Scania's net assets in foreign currencies amounted to SEK 13,150 m. (12,250). Net assets outside Sweden of Scania's subsidiaries are not hedged under normal circumstances. However, to the extent a foreign subsidiary has significant net monetary assets in local currency, they may be hedged. At the end of 2010, no foreign net assets were hedged.

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 581 m. (725), equivalent to 8.0 (9.9) percent of total receivables. The year's bad debt expenses amounted to SEK 55 m. (188).

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 493 m. (833), equivalent to 1.29 (1.90) percent of the average portfolio. The year's actual credit losses amounted to SEK 500 m. (517).

At year-end, the total reserve for bad debt expenses in Financial Services amounted to SEK 817 m. (924), equivalent to 2.2 (2.2) percent of the portfolio at the close of 2010.

The year-end credit portfolio amounted to SEK 36,137 m. (40,404), allocated among about 22,000 customers, of which 98.7 percent were 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 amount for residual value exposure at year-end was SEK 6,522 m. (6,306). Exposure rose by SEK 216 m., mainly due to an increased number of newly contracted obligations in Europe. The strong Swedish krona decreased the exposure somewhat. During 2010, the volume of new contracts was about 6,600 (4,800).

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 2010 by 2,900 and totalled 85,000 at year-end. Most of these are in the European market.

THE PARENT COMPANY

The Parent Company, Scania AB, is a public company whose assets consist of the shares in Scania CV AB. Otherwise the Parent Company runs no operations.

Scania CV AB is a public company and parent company of the Scania CV Group, which includes all production, sales and services and finance companies in the Scania Group.

Consolidated income statements

January – December, SEK m.	Note	2010	2009	2008
Vehicles and Services				
Net sales	4	**78,168**	62,074	88,977
Cost of goods sold	5	**–54,504**	–48,890	–64,516
Gross income		**23,664**	13,184	24,461
Research and development expenses [1]	5, 11	**–3,505**	–3,216	–4,228
Selling expenses	5	**–6,400**	–6,407	–7,002
Administrative expenses	5	**–1,200**	–918	–1,142
Share of income in associated companies and joint ventures	13	**16**	5	9
Operating income, Vehicles and Services		**12,575**	2,648	12,098
Financial Services	6			
Interest and lease income		**4,197**	4,666	4,772
Interest and depreciation expenses		**–3,026**	–3,514	–3,663
Interest surplus		**1,171**	1,152	1,109
Other income		**306**	306	357
Other expenses		**–240**	–262	–307
Gross income		**1,237**	1,196	1,159
Selling and administrative expenses	5	**–573**	–538	–518
Bad debt expenses		**–493**	–833	–227
Operating income, Financial Services		**171**	–175	414
Operating income		**12,746**	2,473	12,512
Interest income		**464**	407	458
Interest expenses		**–657**	–1,129	–833
Other financial income		**70**	227	135
Other financial expenses		**–90**	–376	–294
Total financial items	7	**–213**	–871	–534
Income before taxes		**12,533**	1,602	11,978
Taxes	8	**–3,430**	–473	–3,088
Net income		**9,103**	1,129	8,890

1 Total research and development expenditures during the year amounted to SEK 3,688 m. (3,234 and 3,955, respectively).

Consolidated income statements, continued

January – December, SEK m.	Note	2010	2009	2008
Other comprehensive income	16			
Exchange rate differences		**–1,146**	188	771
Hedge of net investments in foreign operations		**–**	–1	–222
Cash flow hedges				
change in value for the year		**634**	719	–2,762
reclassification to operating income		**–747**	2,155	209
Actuarial gains/losses on pensions	17	**–348**	–84	–625
Income tax relating to components of other comprehensive income		**37**	–741	868
Total other comprehensive income		**–1,570**	2,236	–1,761
Total comprehensive income for the year		**7,533**	3,365	7,129
Net income attributable to:				
Scania shareholders		***9,103***	*1,129*	*8,890*
Non-controlling (minority) interest		***0***	*0*	*0*
Total comprehensive income attributable to:				
Scania shareholders		***7,533***	*3,365*	*7,129*
Non-controlling (minority) interest		***0***	*0*	*0*
Operating income includes depreciation of [2]	10	***–2,565***	*–2,772*	*–3,257*
Earnings per share, SEK [3]	9	**11.38**	1.41	11.11

2 Value decrease in operational leases is not included.
3 There are no potential dilution effects.

Consolidated balance sheets

31 December, SEK m.	Note	**2010**	2009	2008
ASSETS				
Non-current assets				
Intangible assets	11	**2,343**	2,317	2,331
Tangible assets	12	**20,437**	22,049	21,172
Lease assets	12	**11,173**	11,117	11,660
Holdings in associated companies and joint ventures etc.	13	**482**	488	495
Long-term interest-bearing receivables	31	**16,514**	19,265	24,877
Other long-term receivables [1]	15, 17, 31	**1,454**	1,496	1,093
Deferred tax assets	8	**1,442**	819	668
Tax receivables		**77**	63	56
Total non-current assets		**53,922**	57,614	62,352
Current assets				
Inventories	14	**12,961**	11,762	15,550
Current receivables				
Tax receivables		**347**	503	668
Interest-bearing receivables	31	**11,389**	12,557	13,879
Non-interest-bearing trade receivables	31	**6,115**	6,062	7,498
Other current receivables [1]	15, 31	**3,827**	2,806	5,419
Total current receivables		**21,678**	21,928	27,464
Short-term investments	31	**61**	47	88
Cash and cash equivalents	31			
Short-term investments comprising cash and cash equivalents		**8,091**	6,064	3,474
Cash and bank balances		**1,716**	1,036	1,107
Total cash and cash equivalents		**9,807**	7,100	4,581
Total current assets		**44,507**	40,837	47,683
Total assets		**98,429**	98,451	110,035

1 Including fair value of derivatives for hedging of borrowings:	**2010**	2009	2008
Other non-current receivables, derivatives with positive value	**667**	848	517
Other current receivables, derivatives with positive value	**1,181**	175	483
Other non-current liabilities, derivatives with negative value	**430**	686	1,355
Other current liabilities, derivatives with negative value	**361**	819	780
Net amount	**1,057**	–482	–1,135

31 December, SEK m.	Note	2010	2009	2008
EQUITY AND LIABILITIES				
Equity				
Share capital		**2,000**	2,000	2,000
Contributed capital		**1,120**	1,120	1,120
Reserves		**377**	1,694	–604
Retained earnings		**26,538**	18,488	19,421
Equity attributable to Scania shareholders		**30,035**	23,302	21,937
Non-controlling (minority) interest		**1**	1	1
Total equity	16	**30,036**	23,303	21,938
Non-current liabilities				
Non-current interest-bearing liabilities	31	**21,973**	26,504	25,704
Provisions for pensions	17	**5,158**	4,983	4,621
Other non-current provisions	18	**2,360**	1,787	1,661
Accrued expenses and deferred income	19	**3,115**	2,530	2,806
Deferred tax liabilities	8	**1,085**	1,173	1,069
Other tax liabilities		**672**	322	278
Other non-current liabilities [1]	31	**439**	713	1,359
Total non-current liabilities		**34,802**	38,012	37,498
Current liabilities				
Current interest-bearing liabilities	31	**12,433**	19,928	27,942
Current provisions	18	**1,394**	1,100	1,315
Accrued expenses and deferred income	19	**6,751**	7,209	7,293
Advance payments from customers		**865**	525	732
Trade payables	31	**8,194**	5,358	6,783
Tax liabilities		**1,800**	482	561
Other current liabilities [1]	31	**2,154**	2,534	5,973
Total current liabilities		**33,591**	37,136	50,599
Total equity and liabilities		**98,429**	98,451	110,035
Net debt, excluding provisions for pensions, SEK m. [1]		**23,481**	39,767	50,112
Net debt/equity ratio		**0.78**	1.71	2.28
Equity/assets ratio, %		**30.5**	23.7	19.9
Equity per share, SEK		**37.5**	29.1	27.4
Capital employed, SEK m.		**68,453**	75,200	81,340

Consolidated statement of changes in equity

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

2010	**Share capital**	**Contributed capital**	**Hedge reserve**	**Currency translation reserve**	**Retained earnings**	**Total, Scania shareholders**	**Non-controlling (minority) interest**	**Total equity**
Equity, 1 January	2,000	1,120	43	1,651	18,488	23,302	1	23,303
Net income					9,103	9,103		9,103
Other comprehensive income			–83	–1,234	–253	–1,570		–1,570
Total comprehensive income			–83	–1,234	8,850	7,533		7,533
Change in non-controlling (minority) interest							0	0
Dividend to Scania AB shareholders					–800	–800		–800
Equity, 31 December	**2,000**	**1,120**	**–40**	**417**	**26,538**	**30,035**	**1**	**30,036**

2009	Share capital	Contributed capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania shareholders	Non-controlling (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 non-controlling (minority) interest							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 shareholders	Non-controlling (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 non-controlling (minority) interest							–1	–1
Redemption					–6,000	–6,000		–6,000
Dividend to Scania AB shareholders					–4,000	–4,000		–4,000
Dividend to non-controlling (minority) interest						0	–2	–2
Equity, 31 December	**2,000**	**1,120**	**–2,075**	**1,471**	**19,421**	**21,937**	**1**	**21,938**

Consolidated cash flow statements

January – December, SEK m.	Note	2010	2009	2008
Operating activities				
Income before tax	24 a	**12,533**	1,602	11,978
Items not affecting cash flow	24 b	**3,615**	3,626	4,187
Taxes paid		**–2,555**	–1,136	–3,803
Cash flow from operating activities before change in working capital		**13,593**	4,092	12,362
Change in working capital				
Inventories		**–1,711**	3,930	–3,802
Receivables		**–930**	3,338	77
Provisions for pensions		**–109**	212	4
Trade payables		**2,909**	–1,489	–375
Other liabilities and provisions		**1,549**	–911	–405
Total change in working capital		**1,708**	5,080	–4,501
Cash flow from operating activities		**15,301**	9,172	7,861
Investing activities				
Net investments through acquisitions/divestments of businesses	24 c	**–56**	–118	61
Net investments in non-current assets, Vehicles and Services	24 d	**–2,753**	–3,031	–5,447
Net investments in credit portfolio etc., Financial Services	24 d	**531**	4,504	–5,822
Cash flow from investing activities		**–2,278**	1,355	–11,208
Cash flow before financing activities		**13,023**	10,527	–3,347
Financing activities				
Change in debt from financing activities	24 e	**–9,389**	–6,549	14,652
Dividend		**–800**	–2,000	–4,000
Redemption		**–**	–	–6,000
Cash flow from financing activities		**–10,189**	–8,549	4,652
Cash flow for the year		**2,834**	1,978	1,305
Cash and cash equivalents, 1 January		**7,100**	4,581	3,455
Exchange rate differences in cash and cash equivalents		**–127**	541	–179
Cash and cash equivalents, 31 December	24 f	**9,807**	7,100	4,581

Cash flow statement, Vehicles and Services	2010	2009	2008
Cash flow from operating activities before change in working capital	**12,981**	3,581	11,661
Change in working capital etc.	**1,708**	5,080	–4,501
Cash flow from operating activities	**14,689**	8,661	7,160
Cash flow from investing activities	**–2,809**	–3,149	–5,386
Cash flow before financing activities	**11,880**	5,512	1,774
Cash flow per share, Vehicles and Services excluding acquisitions/divestments	**14.92**	7.04	2.14

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, 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, “Supplementary Accounting Rules for Groups” 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 2009, except as stated below.

Scania is applying the following new and revised standards starting in 2010:

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 is applied prospectively to acquisitions implemented after 1 January 2010. No substantial business combinations have occurred during this period, and the standard has thus not had any substantial effect on Scania’s financial reports.

Other changes in standards and interpretations that have entered into force during 2010 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. Transaction costs directly attributable to the acquisition are recognised directly in the income statement as they arise.

In case of acquisition of a business in which the acquisition cost exceeds the fair value of the company's identifiable 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. Non-controlling (minority) interests, that is, equity in a subsidiary not attributable to the Parent Company, are reported as an item under equity that is separate from share capital owned by the Parent Company's shareholders. A separate disclosure of the portion of the year's earnings that belongs to non-controlling (minority) interests is provided.

Associated companies and joint ventures

The term "associated companies" refers to companies in which Scania, directly or indirectly, has a significant influence. "Joint ventures" refers to companies in which Scania, through contractual cooperation with one or more parties, has a joint controlling influence on operational and financial management. 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.

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. 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,

NOTE 1 Accounting principles, continued

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 this operating segment encompass the assets that are directly used in its operations. Correspondingly, the operating segment's liabilities and provisions refer to those that are directly attributable to its operations.

BALANCE SHEET – CLASSIFICATIONS

Scania's operating cycle, that is, the time that elapses from the purchase of materials until payment for goods delivered is received, is less than twelve months. This means that 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 "Valuation principles", page 81.

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. As a result, the difference between the sales revenue and the cost of the leased asset is recognised as income. Lease payments received are recognised as payment of the financial receivable and as 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 fixed assets are carried at cost minus accumulated depreciation and any impairment losses. A non-current asset is divided up into components, each with a different useful life (depreciation period), and these are reported as separate assets.

Machinery and equipment as well as lease assets have useful lives of 3–12 years. The average useful life of buildings is 40 years, based on 50–100 years for frames, 20–40 years for frame supplements and inner walls, 20–40 years for installations, 20–30 years for exterior surface layers and 10–15 years for interior surface layers. Land is not depreciated. Depreciation occurs mainly on a straight-line basis over the estimated useful life of an asset, and in those cases where a residual value exists, the asset is depreciated down to this value. Useful life and depreciation methods are examined regularly and adjusted in case of changed circumstances.

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 three and ten years.

Capitalised software development expenditures

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

Impairment testing of non-current assets

The carrying amounts of Scania's intangible and tangible assets as well as its shareholdings are tested 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. 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. Scania has no financial instruments classified in this category.

c) Loan receivables and trade receivables
   These assets have predetermined or determinable payments. Scania's cash and cash equivalents, trade receivables and loan receivables belong to this category.

d) Financial assets available for sale
   This category consists of financial assets that have not been classified in any other category, such as shares and participations in both listed and unlisted companies. Scania has no financial instruments classified in this category.

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

Recognition 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.

NOTE 1 Accounting principles, continued

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

Exceptions from these principles apply to financial instruments included in hedging relationships. A more thorough description is provided for exceptions to the principles 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 fair value 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. 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-quality corporate bonds is used in those countries where there is a functioning market for such bonds. In other countries, the interest rate on government bonds is used instead. For plans that are funded, the fair value of the plan assets is subtracted from the estimated present value of the obligation. Changes in pension obligations and managed 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 affect income for the year.

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 are 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.

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 noncurrent 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.

NOTE 1 Accounting principles, continued

Administrative expenses

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

Financial income and expenses

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

INCOME STATEMENT – VALUATION PRINCIPLES

Revenue recognition

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 recognised 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 the 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 2011 have not been applied in advance. The following new and amended standards have not yet begun to be applied.

IFRS 9, "Financial Instruments" – This standard replaces the provisions of IAS 39, "Financial Instruments: Recognition and Measurement" that relate to classification and measurement. The standard is mandatory starting with the financial year 2013, but earlier adoption is permitted, provided that the EU has approved the standard. This has not yet occurred.

Other changes in standards and interpretations that enter into force on 1 January 2011 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, "Accounting for Legal Entities" of the Swedish Financial Reporting Board. RFR 2 implies that the Parent Company in the Annual Report of a legal entity shall apply all International Financial Reporting Standards and interpretations approved by the EU as far as this is possible within the framework of the Annual Accounts Act, and taking into account the 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 in other comprehensive income.

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 2010, obligations related to residual value or repurchase amounted to SEK 6,522 m. (6,306).

Credit risks

In its Financial Services operations, Scania has an exposure in the form of contractual payments. At the end of 2010, these amounted to SEK 36,137 m. (40,404). 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 2010, the reserve for doubtful receivables in Financial Services operations amounted to SEK 817 m. (924). 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 2010, Scania's goodwill amounted to SEK 1,167 m. (1,296). 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 1,074 m. (891) on 31 December 2010.

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 and 2009, the discount rate used was 4.0 percent. Changes in the above-mentioned actuarial parameters are 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 1,193 m. (1,075) on 31 December 2010.

Legal and tax risks

On 31 December 2010, provisions for legal and tax risks amounted to SEK 1,169 m. (1,037). 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.

During 2010 Scania became a subject of an investigation being carried out by a British public authority, the Office of Fair Trading (OFT), and during 2011 of an investigation being carried out by the European Commission, concerning alleged inappropriate exchange of information. This type of investigations is normally under way for several years. It is still too early to judge whether there is any risk of claims against Scania based on these investigations.

Tax risks

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

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

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.

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

OPERATING SEGMENT

Income statement	Vehicles and Services[4]			Financial Services[5]			Eliminations and other			Scania Group		
January – December	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Revenue from external customers[1]	**78,168**	62,074	88,977	**4,197**	4,666	4,772	**–1,797**	–1,842	–1,825	**80,568**	64,898	91,924
Expenses	**–65,609**	–59,431	–76,888	**–4,026**	–4,841	–4,358	**1,797**	1,842	1,825	**–67,838**	–62,430	–79,421
Income from holdings in associated companies	**16**	5	9	**–**	–	–	**–**	–	–	**16**	5	9
Operating income	**12,575**	2,648	12,098	**171**	–175	414	**–**	–	–	**12,746**	2,473	12,512
Interest income	**464**	407	458	**–**	–	–	**–**	–	–	**464**	407	458
Interest expenses	**–657**	–1,129	–833	**–**	–	–	**–**	–	–	**–657**	–1,129	–833
Other financial income and expenses[2]	**–20**	–149	–159	**–**	–	–	**–**	–	–	**–20**	–149	–159
Income before tax	**12,362**	1,777	11,564	**171**	–175	414	**–**	–	–	**12,533**	1,602	11,978
Taxes[2]	**–3,389**	–461	–2,977	**–41**	–12	–111	**–**	–	–	**–3,430**	–473	–3,088
Net income for the year	**8,973**	1,316	8,587	**130**	–187	303	**–**	–	–	**9,103**	1,129	8,890
Depreciation/amortisation included in operating income[3]	**–2,544**	–2,748	–3,235	**–21**	–24	–22	**–**	–	–	**–2,565**	–2,772	–3,257

1 Elimination refers to lease 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.	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Cash flow from operating activities	**12,981**	3,581	11,661	**612**	511	701	**13,593**	4,092	12,362
Change in working capital etc.	**1,708**	5,080	–4,501	**–**	–	–	**1,708**	5,080	–4,501
Cash flow from operating activities	**14,689**	8,661	7,160	**612**	511	701	**15,301**	9,172	7,861
Cash flow from investing activities	**–2,809**	–3,149	–5,386	**531**	4,504	–5,822	**–2,278**	1,355	–11,208
Cash flow before financing activities	**11,880**	5,512	1,774	**1,143**	5,015	–5,121	**13,023**	10,527	–3,347

Balance sheet	Vehicles and Services			Financial Services			Eliminations and other			Scania Group		
31 December	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Assets												
Intangible non-current assets	**2,323**	2,292	2,308	**20**	25	23	**–**	–	–	**2,343**	2,317	2,331
Tangible non-current assets	**20,401**	22,016	21,132	**36**	33	40	**–**	–	–	**20,437**	22,049	21,172
Lease assets [8, 10]	**4,148**	3,774	4,223	**8,497**	8,898	9,033	**–1,472**	–1,555	–1,596	**11,173**	11,117	11,660
Shares and participations in associated companies	**482**	488	495	**–**	–	–	**–**	–	–	**482**	488	495
Interest-bearing receivables, non-current [7]	**120**	168	283	**16,394**	19,097	24,594	**–**	–	–	**16,514**	19,265	24,877
Other receivables, non-current	**2,840**	2,243	1,766	**133**	135	51	**–**	–	–	**2,973**	2,378	1,817
Inventories	**12,961**	11,762	15,550	**–**	–	–	**–**	–	–	**12,961**	11,762	15,550
Interest-bearing receivables, current [7]	**143**	148	286	**11,246**	12,409	13,593	**–**	–	–	**11,389**	12,557	13,879
Other receivables, current [6]	**9,918**	8,779	13,119	**988**	1,212	1,403	**–617**	–620	–937	**10,289**	9,371	13,585
Short-term investments, cash and cash equivalents	**9,552**	6,648	4,345	**316**	499	324	**–**	–	–	**9,868**	7,147	4,669
Total assets	**62,888**	58,318	63,507	**37,630**	42,308	49,061	**–2,089**	–2,175	–2,533	**98,429**	98,451	110,035
Equity and liabilities												
Equity	**25,850**	18,885	17,204	**4,186**	4,418	4,734	**–**	–	–	**30,036**	23,303	21,938
Interest-bearing liabilities [9]	**2,909**	10,204	11,574	**31,497**	36,228	42,072	**–**	–	–	**34,406**	46,432	53,646
Provisions for pensions	**5,134**	4,963	4,601	**24**	20	20	**–**	–	–	**5,158**	4,983	4,621
Other non-current provisions	**2,358**	1,784	1,658	**2**	3	3	**–**	–	–	**2,360**	1,787	1,661
Other liabilities, non-current	**4,701**	4,038	4,805	**610**	700	707	**–**	–	–	**5,311**	4,738	5,512
Current provisions	**1,376**	1,097	1,313	**18**	3	2	**–**	–	–	**1,394**	1,100	1,315
Other liabilities, current [6, 8, 10]	**20,560**	17,347	22,352	**1,293**	936	1,523	**–2,089**	–2,175	–2,533	**19,764**	16,108	21,342
Total equity and liabilities	**62,888**	58,318	63,507	**37,630**	42,308	49,061	**–2,089**	–2,175	–2,533	**98,429**	98,451	110,035
Gross investment for the period in												
– Intangible non-current assets	**373**	310	213	**5**	5	8	**–**	–	–	**378**	315	221
– Tangible non-current assets	**1,663**	3,126	4,900	**22**	18	24	**–**	–	–	**1,685**	3,144	4,924
– Lease assets	**2,400**	1,362	1,584	**3,913**	3,789	4,370	**–378**	–	–	**5,935**	5,151	5,954

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.

10 Comparative figures for lease assets and other liabilities in Vehicles and Services have been adjusted to take into account a change in the method for elimination between segments.

NOTE 3 Operating segment reporting, continued

GEOGRAPHIC AREAS

	Europe			Eurasia			Asia		
	2010	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Vehicles and Services									
Net sales, January–December [1]	**39,611**	37,517	59,833	**2,413**	1,449	5,267	**9,035**	6,096	6,665
Assets, 31 December [2]	**46,110**	42,848	48,754	**1,609**	1,372	2,159	**1,766**	1,559	1,926
Gross investments [2]	**1,743**	2,995	4,404	**49**	125	166	**33**	24	90
Non-current assets	**25,071**	26,050	24,283	**569**	623	542	**309**	316	495
Financial Services									
Revenue, January–December [1]	**3,404**	3,750	3,935	**227**	256	280	**186**	218	168
Assets, 31 December [2]	**30,020**	33,396	39,361	**1,920**	2,573	3,336	**1,840**	2,325	2,404
New financing to customers	**13,152**	12,150	21,158	**631**	371	1,575	**778**	1,018	898
Non-current assets	**20,800**	23,346	28,363	**990**	1,432	1,825	**1,000**	1,231	1,353

1 Revenue from external customers is allocated by location of customers.
2 Assets and gross investments, respectively (excluding lease assets), by geographic location.
3 Refers mainly to Latin America.

GEOGRAPHIC AREAS

The business of the operating segments is monitored based on a geographic division of countries in which Sweden is part of the European market. The geographic division of Scania is based on where the customers are located. During 2010 changes occurred in the geographic areas, which now consists of five parts: Europe, Eurasia, Asia, America as well as Africa and Oceania. The countries within the "Europe" and "Eurasia" geographic areas were previously divided into "Western Europe" and "Central and Eastern Europe". The "Definitions" section 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 Sweden, Argentina, Brazil, France, the Netherlands, Poland and Russia.

NOTE 4 Revenue from external customers

Vehicles and Services	2010	2009	2008
Trucks	**47,580**	32,832	55,566
Buses	**7,713**	8,837	8,186
Engines	**1,148**	821	1,151
Service	**16,455**	15,904	16,393
Used vehicles	**4,623**	4,403	4,370
Other products [1]	**2,590**	–208	3,812
Total delivery value	**80,109**	62,589	89,478
Adjustment for lease income [2]	**–1,941**	–515	–501
Net sales, Vehicles and Services	**78,168**	62,074	88,977
Financial Services	**4,197**	4,666	4,772
Eliminations [3]	**–1,797**	–1,842	–1,825
Revenue from external customers	**80,568**	64,898	91,924

1 Currency hedging income amounted to SEK 745 m. (–2,140 and –210, respectively).
2 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 new trucks, SEK –1,598 m. (104 and –367, respectively) and new buses SEK –234 m. (–512 and –51, 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.
3 Elimination refers to lease income on operating leases.

America[3]			Africa and Oceania			Total		
2010	2009	2008	**2010**	2009	2008	**2010**	2009	2008
21,725	11,812	12,822	**5,384**	5,200	4,390	**78,168**	62,074	88,977
11,188	10,730	8,860	**2,215**	1,809	1,808	**62,888**	58,318	63,507
189	255	427	**22**	37	26	**2,036**	3,436	5,113
3,938	3,855	2,980	**427**	371	310	**30,314**	31,215	28,610
67	25	12	**313**	417	377	**4,197**	4,666	4,772
1,335	585	226	**2,515**	3,429	3,734	**37,630**	42,308	49,061
1,105	139	50	**2,009**	1,315	1,212	**17,675**	14,993	24,893
675	231	111	**1,615**	1,948	2,090	**25,080**	28,188	33,742

NOTE 5 Operating expenses

Vehicles and Services	2010	2009	2008
Cost of goods sold			
Cost of goods	**34,635**	31,230	41,719
Staff	**10,115**	9,124	10,377
Depreciation/amortisation	**1,874**	1,991	2,275
Other	**7,880**	6,545	10,145
Total	**54,504**	48,890	64,516
Research and development expenses			
Staff	**1,560**	1,418	1,616
Depreciation/amortisation	**420**	494	687
Other	**1,525**	1,304	1,925
Total	**3,505**	3,216	4,228
Selling expenses			
Staff	**3,363**	3,142	3,377
Depreciation/amortisation	**244**	255	257
Other	**2,793**	3,010	3,368
Total	**6,400**	6,407	7,002
Administrative expenses			
Staff	**566**	459	552
Depreciation/amortisation	**6**	8	16
Other	**628**	451	574
Total	**1,200**	918	1,142

Financial Services	2010	2009	2008
Selling and administrative expenses			
Staff	**367**	332	319
Depreciation/amortisation	**21**	24	22
Other	**185**	182	177
Total	**573**	538	518

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, 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.

	2010	2009	2008
Interest income	**1,916**	2,303	2,455
Lease income	**2,281**	2,363	2,317
Depreciation	**–1,797**	–1,842	–1,825
Interest expenses	**–1,229**	–1,672	–1,838
Net interest income	**1,171**	1,152	1,109
Other income and expenses	**66**	44	50
Gross income	**1,237**	1,196	1,159
Selling and administrative expenses	**–573**	–538	–518
Bad debt expenses [1]	**–493**	–833	–227
Operating income	**171**	–175	414

1 These expenses were equivalent to 1.29 (1.90 and 0.53, respectively) percent of the average credit portfolio.

Lease assets (operating leases)	2010	2009	2008
1 January	**8,898**	9,033	8,019
New contracts	**3,913**	3,789	4,370
Depreciation	**–1,797**	–1,842	–1,825
Terminated contracts	**–1,604**	–1,873	–2,109
Change in value adjustments	**–17**	57	–45
Exchange rate differences	**–896**	–266	623
Carrying amount, 31 December [2]	**8,497**	8,898	9,033

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)	2010	2009	2008
1 January	**31,506**	38,187	30,295
New receivables	**13,762**	11,204	20,523
Loan principal payments/ terminated contracts	**–14,684**	–16,336	–15,320
Change in value adjustments	**25**	–360	–4
Exchange rate differences	**–2,969**	–1,189	2,693
Carrying amount, 31 December	**27,640**	31,506	38,187
Total receivables and lease assets [3]	**36,137**	40,404	47,220

3 The number of contracts in the portfolio on 31 December totalled about 86,000 (88,000 and 94,000, respectively).

Net investments in financial leases	2010	2009	2008
Receivables related to future minimum lease payments	**22,039**	27,988	33,543
Less:			
Reserve for bad debts	**–756**	–891	–539
Imputed interest	**–2,039**	–2,589	–3,086
Net investment [4]	**19,244**	24,508	29,918

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

Future minimum lease payments [5]	Operating leases	Financial leases
2011	**1,721**	**9,393**
2012	**1,269**	**6,011**
2013	**868**	**3,961**
2014	**483**	**1,774**
2015	**224**	**636**
2016 and thereafter	**131**	**264**
Total	4,696	22,039

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

	2010	2009	2008
Interest income			
Bank balances and financial investments	**333**	320	372
Derivatives [1]	**53**	19	16
Expected return on pension assets	**78**	68	70
Total interest income	**464**	407	458
Interest expenses			
Borrowings	**–855**	–1,514	–1,866
Derivatives [1]	**–368**	–570	–126
Total borrowings and derivatives	**–1,223**	–2,084	–1,992
Less interest expenses recognised in Financial Services [2]	**883**	1,241	1,397
Pension liability	**–317**	–286	–238
Total interest expenses	**–657**	–1,129	–833
Total interest net	**–193**	–722	–375
Other financial income [3]	**70**	227	135
Other financial expenses [3]	**–90**	–376	–294
Total other financial income and expenses	**–20**	–149	–159
Net financial items	**–213**	–871	–534

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 Recognised in the operating income of Financial Services.

3 Refers to SEK 19 m. (–15 and –144, respectively) in market valuation of financial instruments for which hedge accounting is not applied, as well as exchange rate differences and bank-related costs.

NOTE 8 Taxes

Tax expense/income for the year	2010	2009	2008
Current tax [1]	**–3,831**	–1,178	–3,181
Deferred tax	**401**	705	93
Total	**–3,430**	–473	–3,088
1 Of which, taxes paid:	**–2,555**	–1,136	–3,803

Deferred tax is attributable to the following:	2010	2009	2008
Deferred tax related to temporary differences	**239**	–435	359
Deferred tax due to changes in tax rates and tax rules [2]	**7**	–14	144
Deferred tax income due to tax value of loss carry-forwards capitalised during the year	**454**	132	67
Deferred tax expense due to utilisation of previously capitalised tax value of tax loss carry-forwards	**–118**	–38	–308
Deferred tax related to change in provision to tax allocation reserve	**–178**	1,105	–142
Other deferred tax liabilities/assets	**–3**	–45	–27
Total	**401**	705	93

2 The effect of changes in tax rates mainly refers to Chile (during 2010), Russia (during 2009) and Sweden (during 2008).

NOTE 8 Taxes, continued

	2010		2009		2008	
Reconciliation of effective tax	**Amount**	**%**	Amount	%	Amount	%
Income before tax	**12,533**		1,602		11,978	
Tax calculated using Swedish tax rate	**–3,296**	**26,3**	–421	26,3	–3,354	28
Tax effect and percentage influence:						
Difference between Swedish and foreign tax rates	**–649**	**5**	–296	18	–339	3
Tax-exempt income	**291**	**–2**	354	–22	491	–4
Non-deductible expenses	**–148**	**1**	–161	10	–168	1
Utilisation of tax value of loss carry-forwards not previously recognised	**29**	**0**	27	–2	128	–1
Valuation of tax value of loss carry-forwards not previously recognised	**383**	**–3**	5	0	28	0
Adjustment for taxes pertaining to previous years	**–38**	**0**	23	–1	–26	0
Changed tax rates	**6**	**0**	–9	1	132	–1
Other	**–8**	**0**	5	0	20	0
Tax recognised	**–3,430**	**27**	–473	30	–3,088	26

Deferred tax assets and liabilities are attributable to the following:	**2010**	2009	2008
Deferred tax assets			
Provisions	**668**	551	563
Provisions for pensions	**871**	694	507
Non-current assets	**543**	597	775
Inventories	**556**	510	987
Unutilised tax loss carry-forwards [3]	**769**	286	190
Derivatives	**278**	30	759
Other	**865**	802	718
Offset within tax jurisdictions	**–3,108**	–2,651	–3,831
Total deferred tax assets [4]	**1,442**	819	668
Deferred tax liabilities			
Property, plant and equipment	**3,526**	3,225	3,238
Tax allocation reserve [5]	**593**	415	1,521
Other	**74**	184	141
Offset within tax jurisdictions	**–3,108**	–2,651	–3,831
Total deferred tax liabilities	**1,085**	1,173	1,069
Net deferred tax assets (–) / tax liabilities (+), net amount	**–357**	354	401

3 Of the deferred tax assets attributable to unutilised tax loss carry-forwards, SEK 661 m. may be utilised without time constraints.

4 Deferred tax assets related to tax loss carry-forwards are recognised to the extent that it is likely that the loss carry-forwards can be utilised to offset profits in future tax returns. Deferred tax assets related to unutilised tax loss carry-forwards of SEK 13,601 m. (108 and 139, respectively) were not assigned a value. During 2010, the Group accrued additional tax loss carry-forwards, most of which were not assigned a value because these tax loss carry-forwards may only be utilised in relation to a limited portion of operations. Tax loss carry-forwards with time limits totalled SEK 44 m., of which SEK 16 m. expire in 2014, SEK 4 m. expire in 2015 and the rest in 2016 or later.

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	2010	2009	2008
Carrying value on 1 January	**354**	401	1,281
Deferred taxes recognised in the year's income	**–401**	–705	–93
Exchange rate differences	**–17**	–83	81
Tax assets in acquired businesses	**–168**	–	–
Recognised in Other comprehensive income, changes attributable to:			
actuarial gains and losses on pensions	**–95**	–22	–165
currency translation reserve	**–**	7	–36
hedge reserve	**–30**	756	–667
Net deferred tax assets (–) / tax liabilities (+), 31 December	**–357**	354	401

NOTE 9 Earnings per share

Earnings per share	2010	2009	2008
Net income for the year attributable to Scania shareholders, SEK m.	**9,103**	1,129	8,890
Weighted average, millions of shares outstanding during the year	**800**	800	800
Earnings per share before/ after dilution, SEK	**11.38**	1.41	11.11

There are no financial instruments that can lead to dilution.

NOTE 10 Depreciation/amortisation

Vehicles and Services	2010	2009	2008
Intangible non-current assets			
Development expenses	**170**	268	481
Selling expenses	**37**	39	29
Total	**207**	307	510
Tangible non-current assets			
Costs of goods sold [1]	**1,874**	1,991	2,275
Research and development expenses	**250**	226	206
Selling expenses	**207**	216	228
Administrative expenses	**6**	8	16
Total	**2,337**	2,441	2,725
Total depreciation/amortisation, Vehicles and Services	**2,544**	2,748	3,235

1 Of which, a value decrease of SEK 181 m. (302 and 278, respectively) related to short-term leasing in Vehicles and Services. In addition, there was a value decrease of SEK 620 m. (568 and 748, respectively) in operating leases.

Financial Services	2010	2009	2008
Operating leases (payments of principal)	**1,797**	1,842	1,825
Other non-current assets	**21**	24	22
Total depreciation/amortisation, Financial Services	**1,818**	1,866	1,847

In the Group accounts, depreciation/amortisation was adjusted downward by SEK 461 m. to its consolidated value. In Note 12, depreciation/amortisation related to short-term rentals, capitalised repurchasing obligations and operating leases under the heading "Lease assets" thus amounted to SEK 2,137 m.

NOTE 11 Intangible non-current assets

2010	Goodwill	Development	Other intangibles[1]	Total
Accumulated cost				
1 January	1,311	2,768	504	**4,583**
Acquisitions/Divestment of subsidiaries	9	–	–	**9**
Additions	–	354	24	**378**
Divestments and disposals	–	–4	–2	**–6**
Exchange rate differences	–138	–	–28	**–166**
Total	**1,182**	**3,118**	**498**	**4,798**
Accumulated amortisation				
1 January	–	1,877	361	**2,238**
Amortisation for the year				
– Vehicles and Services	–	169	38	**207**
– Financial Services	–	–	9	**9**
Divestments and disposals	–	–2	–3	**–5**
Exchange rate differences	–	–	–22	**–22**
Total	**–**	**2,044**	**383**	**2,427**
Accumulated impairment losses				
1 January	15	–	13	**28**
Impairment loss for the year	–	–	–	**–**
Total	15	–	13	**28**
Carrying amount, 31 December	**1,167**	**1,074**	**102**	**2,343**
– of which capitalised expenditures for projects that have been placed in service		807		
– of which capitalised expenditures for projects under development		267		

2009	Goodwill	Development	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		

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.

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. The assumptions used in estimating recoverable amounts are disclosed in Note 2, "Key judgements and estimates".

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

NOTE 12 Tangible non-current assets

2010	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets [1, 3]	Total
Accumulated cost					
1 January	17,270	28,704	1,715	15,257	**62,946**
Acquisitions/divestments of subsidiaries	49	12	–	7	**68**
Additions	223	261	1,201	5,935	**7,620**
Divestments and disposals	–114	–938	–6	–4,705	**–5,763**
Reclassifications	562	953	–1,574	–64	**–123**
Exchange rate differences	–1,049	–643	–31	–2,113	**–3,836**
Total	**16,941**	**28,349**	**1,305**	**14,317**	**60,912**
Accumulated depreciation					
1 January	6,556	19,085	–	4,103	**29,744**
Acquisitions/divestments of subsidiaries	–	–	–	–	**–**
Depreciation for the year					
– Vehicles and Services	382	1,774	–	801	**2,957**
– Financial Services	–	12	–	1,797	**1,809**
– Elimination	–	–	–	–461	**–461**
Divestments and disposals	–51	–780	–	–2,454	**–3,285**
Reclassifications	1	–18	–	–6	**–23**
Exchange rate differences	–344	–458	–	–691	**–1,493**
Total	**6,544**	**19,615**	**–**	**3,089**	**29,248**
Accumulated impairment losses [2]					
1 January	–1	–	–	37	**36**
Change in value for the year	–	–	–	16	**16**
Exchange rate differences	–	–	–	2	**2**
Total	**–1**	**–**	**–**	**55**	**54**
Carrying amount, 31 December	**10,398**	**8,734**	**1,305**	**11,173**	**31,610**
– of which “Machinery”		7,726			
– of which “Equipment”		1,008			
– of which “Buildings”	7,937				
– of which “Land”	2,461				
– of which Financial Services		32		8,497	**8,529**

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.

3 Comparative figures for lease assets and other liabilities in Vehicles and Services have been adjusted to take into account a change in the method for elimination between segments.

2009	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets [1]	Total
Accumulated cost					
1 January	16,084	26,056	3,192	16,052	61,384
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	17,270	28,704	1,715	15,257	62,946
Accumulated depreciation					
1 January	6,186	17,975	–	4,299	28,460
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	6,556	19,085	–	4,103	29,744
Accumulated impairment losses [2]					
1 January	–1	–	–	93	92
Change in value for the year	–	–	–	–57	–57
Exchange rate differences	–	–	–	1	1
Total	–1	–	–	37	36
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.

NOTE 12 Tangible non-current assets, continued

2008	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets[1]	Total
Accumulated cost					
1 January	14,375	24,197	2,545	14,762	55,879
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	16,084	26,056	3,192	16,052	61,384
Accumulated depreciation					
1 January	5,445	17,148	–	4,019	26,612
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	6,186	17,975	–	4,299	28,460
Accumulated impairment losses[2]					
1 January	–1	–	–	35	34
Change in value for the year	–	–	–	45	45
Exchange rate differences	–	–	–	13	13
Total	–1	–	–	93	92
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.

	2010	2009	2008
Buildings in Sweden			
Tax assessment value	**1,514**	1,421	1,416
Equivalent carrying amount	**2,799**	2,737	2,201
Land in Sweden			
Tax assessment value	**573**	605	605
Equivalent carrying amount	**474**	448	448

NOTE 13 Holdings in associated companies, joint ventures etc.

	2010	2009	2008
Carrying amount, 1 January	**469**	473	242
Acquisitions, capital contributions, divestments and impairment losses during the year [1]	**13**	24	161
Exchange rate differences	**–31**	–32	73
Share in income for the year	**16**	5	9
Dividends	**–2**	–1	–12
Carrying amount, 31 December	**465**	469	473
Contingent liabilities	**–**	–	–

1 SEK 13 m. was related to the acquisition of Laxå Special Vehicles AB.
The 2008 and 2009 amounts were related to a capital contribution to Cummins-Scania XPI.

Share of assets, liabilities, revenue and income	2010	2009	2008
Non-current assets	**388**	372	342
Current assets	**191**	165	300
Non-current liabilities	**5**	8	9
Current liabilities	**109**	60	160
Scania's share of net assets	**465**	469	473
Sales revenue	**544**	490	481
Income before taxes	**20**	7	13
Taxes	**–4**	–2	–4
Net income for the year	**16**	5	9

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**		
			2010	2009	2008
Cummins-Scania HPI L.L.C; 043650113, USA	30	0	**15**	15	16
Bits Data AB, 556121-2613, Sweden	33	2	**8**	4	6
ScaMadrid S.A., ES A80433519, Spain	49	21	**23**	26	27
ScaValencia S.A., ES A46332995, Spain	26	14	**21**	24	25
Laxå Special Vehicles AB, 556548-4705, Sweden	30	13	**15**	–	–
Holdings in associated companies		50	**82**	69	74
Cummins-Scania XPI Manufacturing L.L.C; 20-3394999, USA	50	377	**376**	393	395
Other	50	2	**7**	7	4
Holdings in joint ventures		379	**383**	400	399
Holdings in associated companies and joint ventures			**465**	469	473
Other shares and participations			**17**	19	22
Total			**482**	488	495

NOTE 14 Inventories

	2010	2009	2008
Raw materials, components and supplies	**2,009**	1,285	1,417
Work in progress	**1,099**	1,223	1,125
Finished goods [1]	**9,853**	9,254	13,008
Total	**12,961**	11,762	15,550
1 Of which, used vehicles	**1,168**	1,884	1,763
Value adjustment reserve, 31 December	**–782**	–997	–880

NOTE 15 Other receivables

	2010	2009	2008
Prepaid expenses and accrued income	**121**	36	25
Derivatives with positive market value	**667**	848	517
Advance payments	**22**	26	1
Other receivables	**644**	586	550
Total other non-current receivables	**1,454**	1,496	1,093
Prepaid expenses and accrued income	**874**	863	1,920
Derivatives with positive market value [1]	**1,232**	468	1,147
Value-added tax	**817**	739	1,305
Advance payments	**322**	183	240
Other receivables	**582**	553	807
Total other current receivables	**3,827**	2,806	5,419
Total other receivables	**5,281**	4,302	6,512

1 Current derivatives included SEK 51 m. (293 and 664, respectively) worth of operational derivatives.

NOTE 16 Equity

The equity of the Scania Group has changed as follows:

2010	Share capital	Contributed capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania shareholders	Non-controlling (minority) interest	Total equity
Equity, 1 January	2,000	1,120	43	1,651	18,488	23,302	1	23,303
Exchange differences on translation				–1,146		–1,146		–1,146
Hedge reserve								
Change in value related to cash flow hedge recognised in other comprehensive income			634			634		634
Cash flow reserve transferred to sales revenue in income statement			–747			–747		–747
Actuarial gains/losses etc. related to pensions recognised in other comprehensive income					–348	–348		–348
Tax attributable to items recognised in other comprehensive income			30	–88	95	37		37
Total other comprehensive income	**–**	**–**	**–83**	**–1,234**	**–253**	**–1,570**	**0**	**–1,570**
Net income for the year					9,103	9,103		9,103
Non-controlling (minority) interest							0	0
Dividend to Scania AB shareholders					–800	–800		–800
Equity, 31 December	**2,000**	**1,120**	**–40**	**417**	**26,538**	**30,035**	**1**	**30,036**

NOTE 16 Equity, continued

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	Non-controlling (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
Non-controlling (minority) interest							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 shareholders	Non-controlling (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
Non-controlling (minority) interest							–1	–1
Redemption					–6,000	–6,000		–6,000
Dividend to Scania AB shareholders					–4,000	–4,000		–4,000
Dividend to non-controlling (minority) interest							–2	–2
Equity, 31 December	**2,000**	**1,120**	**–2,075**	**1,471**	**19,421**	**21,937**	**1**	**21,938**

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 currency translation reserve also includes currency rate differences related to monetary items for businesses outside Sweden deemed to be a part of the company's net investment. The negative exchange rate difference of SEK –1,146 m. arose as a result of the Swedish krona's appreciation against currencies important to Scania. The exchange rate differences were mainly due to the krona's appreciation against the euro, but also against the British pound and the Brazilian real.

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 dividend related to 2009 was SEK 800 m., equivalent to SEK 1.00 per share. The proposed dividend related to 2010 is SEK 4,000 m., equivalent to SEK 5.00 per share.

Non-controlling (minority) interest refers to the share of equity that belongs to external interests without a controlling influence in certain subsidiaries of the Scania Group.

The equity of the Scania Group consists of the sum of equity attributable to Scania's shareholders and equity attributable to non-controlling interests. At year-end 2010, the Group's equity totalled SEK 30,036 m. (23,303). 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 2010, 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 2010 was for:

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

During the 2009, 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	2010	2009	2008
Number of A shares outstanding, 1 January	400,000,000	400,000,000	400,000,000
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	400,000,000
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, Brazil and Germany, 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.

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 Forsakringsbolaget Pensionsgaranti (FPG), and are administered by a Swedish multi-employer institution, the Pension Registration Institute (PRI).

Premiums to Alecta amounted to SEK 267 m. (56 and 33, respectively). A surplus or deficit at Alecta may mean a refund to the Group or lower or higher future premiums. At year-end 2010, Alecta's surplus, in the form of a collective consolidation level, amounted to 143 (141 and 112, 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 29 m. (28 and 25, respectively) and to PVF Achmea SEK 38 m. (50 and 52, respectively). The consolidation level amounted to 96 percent (101 and 86, respectively) for MN Services. PVF Achmea had an A+ rating from Standard & Poors for 2010, (A+/Negative rating for 2009 and A+ rating for 2008). 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 236 m. for 2011 (250 for 2010 and 253 for 2009, 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	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Current service expenses	**–214**	–264	–170	**–7**	–6	–6	**–2**	–3	–3
Interest expenses	**–271**	–250	–205	**–39**	–31	–28	**–7**	–6	–6
Expected return on plan assets	**70**	62	65	**–**	–	–	**8**	6	5
Past service expenses	**6**	–5	–29	**–**	–	–	**–**	0	–
Net gains (+) and losses (–) due to curtailments and settlements	**39**	4	2	**–**	–	–	**–**	–	–
Curtailment in the valuation of net assets	**0**	6	–4	**–**	–	–	**–**	–	–
Total expense for defined-benefit obligations recognised in the income statement	**–370**	–447	–341	**–46**	–37	–34	**–1**	–3	–4

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 713 m. (565 and 437, respectively) during 2010.

Pension expenses and other defined-benefit payments are found in the income statement under the headings "Research and development expenses", SEK 88 m. (105 and 82, respectively), "Cost of goods sold", SEK 58 m. (69 and 50, respectively), "Selling expenses", SEK 51 m. (83 and 72, respectively) and "Administrative expenses", SEK 7 m. (8 and 6, respectively). The interest portion of pension expense is recognised as an interest expense, and return on plan assets is recognised as interest income.

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 2010	2009	2008	Expenses related to health care benefits 2010	2009	2008	Expenses related to other obligations 2010	2009	2008
Experience-based adjustments in pension liability	**–187**	–119	–292	**–30**	–20	48	**–2**	–2	10
Experience-based adjustments in plan assets	**38**	58	–146	**0**	1	–	**2**	2	–3
Effects of changes in actuarial assumptions	**–89**	–21	–229	**–**	–	–	**–1**	–1	–
Net actuarial gains (+) and losses (–) for the year	**–238**	–82	– 667	**–30**	– 19	48	**–1**	–1	7
Special payroll tax related to actuarial gains and losses	**–43**	–8	–134	**–**	–	–	**–**	–	–
Curtailment in valuation of net assets	**–36**	26	121	**–**	–	–	**–**	–	–
Total expense/revenue for defined-benefit obligations recognised in other comprehensive income	**–317**	–64	–680	**–30**	– 19	48	**–1**	– 1	7

The accumulated amount of actuarial losses in Other comprehensive income was SEK 2,282 m. (1,934 and 1,850, respectively) before taxes.

Recognised as provision for pensions in the balance sheet	Pension obligations 2010	2009	2008	Obligations related to health care 2010	2009	2008	Other obligations 2010	2009	2008
Present value of defined-benefit obligations, wholly or partly funded	**1,712**	1,676	1,526	**406**	353	–	**48**	47	33
Present value of defined-benefit obligations, unfunded	**4,464**	4,338	4,084	**–**	–	248	**31**	34	37
Present value of defined-benefit obligations	**6,176**	6,014	5,610	**406**	353	248	**79**	81	70
Fair value of plan assets	**–1,532**	– 1,471	–1,363	**–9**	–2	0	**–71**	–69	–49
Net assets not fully valued due to curtailment rule	**73**	35	53	**–**	–	–	**–**	–	–
Recognised in the balance sheet	**4,717**	4,578	4,300	**397**	351	248	**8**	12	21
– of which, pension liability recognised under the heading “Provisions for pensions”	**4,753**	4,620	4,352	**397**	351	248	**8**	12	21
– of which, pension asset recognised under the heading “Other long-term receivables”	**–36**	– 42	–52	**–**	–	–	**–**	–	–

Assumptions applied in actuarial calculation	Sweden (pension) 2010	2009	2008	Brazil (health care) 2010	2009	2008	Germany (pension) 2010	2009	2008	Other countries (pension etc.) 2010	2009	2008
Discount rate, %	**4.0**	4.0	4.0	**10.8**	11,3	11,0	**5.3**	5,7	5,7	**3.0–10.8**	3.0–11.3	2.9–11.0
Expected return on plan assets, %	**–**	–	–	**11.7**	11,7	10,8	**–**	–	–	**3.7–11.7**	3.7–11.7	3.7–10.8
Expected wage and salary increase, %	**3.0**	3.0	3.0	**–**	–	–	**2.5**	2,5	2,5	**3.0–8.7**	3.0–8.7	1.5–8.2
Change in health care costs, %	**–**	–	–	**7.6**	7,6	7,1	**–**	–	–	**–**	–	–
Employee turnover, %	**5.0**	5.0	5.0	**2.3**	2,1	2,0	**5.0**	5,0	5,0	**4.0–11.0**	2.0–18.0	2.0–12.0
Expected remaining years of service	**19.8**	20.2	21.9	**14.0**	14,5	16,8	**7.4**	11,0	11,0	**1.3–30.0**	2.3–29.0	1.0–22.1
Expected increase in pension (inflation), %	**2.0**	2.0	2.0	**–**	–	–	**1.5**	1,5	1,5	**0.8–3.8**	0.8–3.5	0.8–2.7

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 each country, taking into account that no changes in investment strategies are planned. The categories of plan assets in question are “Shares and participations”, “Other interest-bearing securities”, “Properties” and “Bank deposits”.

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		
	2010	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Present value of defined-benefit obligations, 1 January	**6,014**	5,610	4,761	**353**	248	316	**81**	70	78
Present value of reclassified obligations, 1 January	**0**	–	–11	**–**	–	–1	**–**	–	–3
Current service expenses	**214**	264	170	**7**	6	6	**2**	3	3
Interest expenses	**271**	250	205	**39**	31	28	**7**	6	6
Payments made by pension plan participants	**3**	1	1	**–**	–	–	**–**	–	–
Net actuarial gains and losses for the year	**261**	123	519	**30**	20	–48	**0**	3	–10
Exchange rate differences	**–118**	–16	110	**–8**	74	–37	**–6**	7	1
Disbursements of pension payments	**–230**	–219	–172	**–15**	–26	–16	**–5**	–8	–5
Past service expenses	**–6**	5	29	**–**	–	–	**–**	0	–
Settlements	**–200**	–	–	**–**	–	–	**–**	–	–
Gains and losses due to net settlements for the year	**–33**	–4	–2	**–**	–	–	**–**	–	–
Present value of defined-benefit obligations, 31 December	**6,176**	6,014	5,610	**406**	353	248	**79**	81	70

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		
	2010	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Fair value of plan assets, 1 January	**1,471**	1,363	1,277	**2**	–	–	**69**	49	54
Fair value of plan assets related to reclassified obligations	**–**	3	–	**–**	–	–	**–**	–	–
Expected return on plan assets	**70**	62	65	**0**	–	–	**8**	6	5
Net actuarial gains and losses for the year	**23**	41	–148	**0**	1	–	**–1**	2	–3
Exchange rate differences	**–56**	–17	124	**0**	0	–	**–2**	14	–6
Payments to pension plan	**65**	68	77	**22**	27	–	**–**	–	–
Payments made by pension plan participants	**9**	10	11	**–**	–	16	**–**	–	–
Disbursements of pension payments	**–56**	–59	–43	**–15**	–26	–16	**–3**	–2	–1
Gains and losses due to net settlements for the year	**6**	–	–	**–**	–	–	**–**	–	–
Fair value of plan assets, 31 December	**1,532**	1,471	1,363	**9**	2	0	**71**	69	49

Plan assets consist mainly of shares and interest-bearing securities with the following fair value on closing day:	2010 SEK m.	2009 SEK m.	2008 SEK m.	2010 %	2009 %	2008 %
Shares and participations, not Scania	**434**	455	397	**26.9**	29.5	28.1
Miscellaneous interest-bearing securities, not Scania	**577**	618	587	**35.8**	40.1	41.5
Properties leased to Scania companies	**29**	32	83	**1.8**	2.1	5.9
Investment properties	**201**	141	90	**12.5**	9.1	6.4
Bank deposits	**371**	296	255	**23.0**	19.2	18.1
Total	**1,612**	1,542	1,412	**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	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Actual return on plan assets	**108**	120	–81	**0**	1	–	**10**	8	2

	1% decrease		1% increase	
Sensitivity analysis concerning 1% change in health care expenses on:	**2010**	2009	**2010**	2009
Sum of cost for employment in current year and interest expense	**–2**	0	**14**	12
Sum of present value of the defined-benefit obligation	**–47**	–65	**81**	26

Multi-year summary recognised in balance sheet	**2010**	2009	2008	2007	2006
Present value of defined-benefit obligations	**6,661**	6,448	5,928	5,155	4,572
Fair value of plan assets	**–1,612**	–1,542	–1,412	–1,331	–1,148
Deficit	**5,049**	4,906	4,516	3,824	3,424
Net assets not valued in full due to curtailment rule	**73**	35	53	142	144
Recognised in balance sheet	**5,122**	4,941	4,569	3,966	3,568

Multi-year summary of expenses in other comprehensive income	**2010**	2009	2008	2007	2006
Experience-based adjustments in pension liability	**–219**	–141	–234	–223	–55
Experience-based adjustments in plan assets	**40**	61	–149	–18	22
Effects of changes in actuarial assumptions	**–90**	–22	–229	–31	–19
Net actuarial gains (+) and losses (–) for the year	**–269**	–102	–612	–272	–52
Special payroll tax related to actuarial gains and losses	**–43**	–8	–134	–58	–
Curtailment in value of net assets	**–36**	26	121	14	–16
Total expense/income for defined-benefit payments recognised in other comprehensive income	**–348**	–84	–625	–316	–68

NOTE 18 Other provisions

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

2010	Product obligations	Restructuring	Legal and tax risks	Other provisions [1]	Total
1 January	1,075	10	1,037	765	**2,887**
Provisions during the year	1,274	4	203	1,000	**2,481**
Provisions used during the year	–1,102	–8	–30	–250	**–1,390**
Provisions reversed during the year	–31	–4	–16	–77	**–128**
Exchange rate differences	–23	–	–25	–48	**–96**
31 December	**1,193**	**2**	**1,169**	**1,390**	3,754
– of which, current provisions	1,014	2	25	353	**1,394**
– of which, non-current provisions	179	–	1,144	1,037	**2,360**

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

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

	2010	2009	2008
Accrued employee-related expenses	**2,764**	2,467	2,586
Deferred income related to service and repair contracts	**1,807**	2,077	1,962
Deferred income related to repurchase obligations [1]	**3,653**	3,195	3,540
Accrued financial expenses	**70**	100	104
Other customary accrued expenses and deferred income	**1,572**	1,900	1,907
Total	**9,866**	9,739	10,099
– of which, current	**6,751**	7,209	7,293
– of which, non-current	**3,115**	2,530	2,806
Of the above total, the following was attributable to Financial Services operations	**287**	335	338

1 Of the above deferred income related to vehicles sold with repurchase obligations, SEK 539 m (665). is expected to be recognised as revenue within 12 months. SEK 134 m (52). is expected to be recognised as revenue after more than 5 years.

NOTE 20 Assets pledged and contingent liabilities

Assets pledged	2010	2009	2008
Real estate mortgages	**–**	–	28
Other [2]	**2,278**	1	1
Total [1]	**2,278**	1	29
1 Of which, assets pledged for:			
Non-current borrowings	**2,276**	–	26
Current borrowings	**–**	–	2
Liabilities of others	**2**	1	1

2 Refers mainly to pledged leases in Financial Services.

Contingent liabilities	2010	2009	2008
Contingent liability related to FPG credit insurance	**47**	46	43
Loan guarantees	**14**	29	24
Other guarantees	**411**	404	115
Total	**472**	479	182

In addition to the above contingent liabilities, the Group has issued vehicle repurchase guarantees worth SEK 37 m. (41 and 45, respectively) to customers' creditors.

NOTE 21 Lease obligations

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

Future payment obligations on non-cancellable operating leases

	2010		2009		2008	
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	**371**	**197**	339	200	292	167
Between one year and five years	**755**	**587**	856	617	607	433
Later than five years	**521**	**519**	604	602	426	425
Total [1]	**1,647**	**1,303**	1,799	1,419	1,325	1,025

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

Allocation of lease expenses	2010	2009	2008
Operating leases			
Fixed payments	**365**	345	296
Flexible payments	**5**	1	4
Payments related to sub-leased items	**–8**	–3	–8
Total [2]	**362**	343	292

2 Expenses for leases on premises were charged to income in the amount of SEK 196 m. (192 and 160, respectively).

NOTE 21 Lease obligations, continued

Future payment obligations on non-cancellable financial leases

Financial leases	2010 Future minimum lease payments	2010 Interest	2010 Present value of future lease payments	2009 Future minimum lease payments	2009 Interest	2009 Present value of future lease payments	2008 Future minimum lease payments	2008 Interest	2008 Present value of future lease payments
Within one year	**69**	**3**	**66**	44	1	43	28	1	27
Between one year and five years	**64**	**8**	**55**	150	18	132	105	14	91
Later than five years	**–**	**–**	**–**	2	1	1	7	1	6
Total [3]	**133**	**11**	**121**	196	20	176	140	16	124

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

Allocation of lease expenses	2010	2009	2008
Financial leases			
Fixed payments	**42**	45	64
Flexible payments	**–**	–	–
Payments related to sub-leased items	**–28**	–33	–14
Total	**14**	12	50

Financial lease assets in balance sheet

Carrying amount	2010	2009	2008
Vehicles for leasing	**128**	155	100
Buildings	**11**	14	34
Machinery	**0**	–	3
Other	**18**	16	12
Total	**157**	185	149

NOTE 22 Government grants and assistance

During 2010, the Scania Group received government grants amounting to SEK 65 m. (74 and 62, respectively) attributable to operating expenses of SEK 451 m. (342 and 138, respectively). During 2010 the Group received no government grants attributable to investments (SEK 9 m. and SEK 11 m., respectively, attributable to investments with a gross cost of SEK 110 m. and SEK 436 m., respectively). During the year, Scania did not arrange any new loans with the European Investment Bank (EUR 400 m. and EUR 315 m., respectively).

NOTE 23 Change in net debt

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

Scania Group total	2010	2009	2008
Total cash flow before financing activities	**13,023**	10,527	–3,347
Exchange rate effects in interest-bearing liabilities	**2,656**	1,227	–4,525
Businesses acquired	**–4**	–	–
Exchange rate effects in short-term investments	**–1**	6	–14
Exchange rate effects in cash and cash equivalents	**–127**	541	–179
Effect of carrying borrowings at fair value	**–**	–	314
Change in derivatives affecting net debt	**1,539**	44	–825
Dividend	**–800**	–2,000	–4,002
Redemption	**–**	–	–6,000
Change in net debt according to the balance sheet	**16,286**	10,345	–18,578

Vehicles and Services	2010	2009	2008
Total cash flow before financing activities	**11,880**	5,512	1,774
Exchange rate effects in interest-bearing liabilities	**742**	66	–1,254
Businesses acquired	**–4**	–	–
Exchange rate effects in short-term investments	**–1**	6	–14
Exchange rate effects in cash and cash equivalents	**–91**	541	–204
Effect of carrying derivatives at fair value	**–**	–	314
Change in derivatives affecting net debt	**144**	44	–825
Transfers between segments	**–132**	157	–55
Dividend	**–800**	–2,000	–4,002
Redemption	**–**	–	–6,000
Change in net debt according to the balance sheet	**11,738**	4,326	–10,266

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.

	2010	2009	2008
a. Interest and dividends received/paid			
Dividends received from associated companies	2	–1	12
Interest received	373	335	373
Interest paid	–552	–942	–383

	2010	2009	2008
b.1. Vehicles and Services: Items not affecting cash flow			
Depreciation/amortisation	2,544	2,748	3,235
Bad debts	55	188	98
Associated companies	–16	–6	3
Deferred profit recognition, lease assets	177	–181	310
Other	298	41	214
Total	3,058	2,790	3,860

	2010	2009	2008
b.2. Financial Services: Items not affecting cash flow			
Depreciation/amortisation	21	24	22
Bad debts	493	833	227
Other	43	–21	78
Total	557	836	327

	2010	2009	2008
c. Net investment through acquisitions/divestments of businesses[1]			
Divestments of businesses	–	–	46
Acquisitions of businesses	–56	–118	15
Total	–56	–118	61

1 See Note 25, “Businesses acquired/divested”.

	2010	2009	2008
d.1. Vehicles and Services: Acquisitions of non-current assets			
Investments in non-current assets[2]	–3,275	–3,717	–6,293
Divestments of non-current assets	522	686	846
Total	–2,753	–3,031	–5,447

2 Of which, SEK 351 m. (287 and 202, respectively) in capitalised research and development expenditures.

	2010	2009	2008
d.2. Financial Services: Acquisitions of non-current assets			
New financing[3]	–17,702	–15,016	–24,926
Payments of principal and completed contracts	18,233	19,520	19,104
Total	531	4,504	–5,822

3 Includes other tangible and intangible non-current assets.

	2010	2009	2008
e. Change in debt through financing activities			
Net change in current borrowings	–5,458	–7,451	9,378
Repayment of non-current borrowings	–10,234	–10,112	–5,924
Increase in non-current borrowings	6,303	11,014	11,198
Total	–9,389	–6,549	14,652

	2010	2009	2008
f. Cash and cash equivalents			
Cash and bank balances	1,716	1,036	1,107
Short-term investments comprising cash and cash equivalents	8,091	6,064	3,474
Total	9,807	7,100	4,581

NOTE 25 Businesses acquired/divested

Acquired/divested assets and liabilities	Businesses acquired 2010 Carrying amounts upon acquisition	Businesses acquired 2009 Carrying amounts upon acquisition	Businesses acquired 2008 Carrying amounts upon acquisition	Businesses divested 2010 No divestment	Businesses divested 2009 No divestment	Businesses divested 2008 Carrying amounts upon divestment
Tangible and intangible non-current assets	**68**	73	2	**–**	–	–2
Inventories	**40**	52	8	**–**	–	–29
Receivables	**36**	–	–	**–**	–	–
Cash and cash equivalents	**0**	–	–	**–**	–	–
Borrowings	**–4**	–	–1	**–**	–	–
Other liabilities and provisions	**–93**	–7	–2	**–**	–	5
Net identifiable assets and liabilities	**47**	118	7	**–**	–	–26
Goodwill in consolidation	**9**	–	–22	**–**	–	–
Purchase price	**56**	118	–15	**–**	–	–46
Cash and cash equivalents in companies acquired/divested	**0**	–	–	**–**	–	–
Impact on consolidated cash and cash equivalents	**–56**	–118	15	**–**	–	46
Number of employees	**157**	185	–	**–**	–	73

During 2010 Scania acquired dealerships in France, Switzerland and Italy. 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. Acquired businesses have the following accumulated effect on the 2010 accounts: "Net sales" minus intra-Group sales, SEK +150 m.; "Gross income", SEK +18 m.; "Expenses", SEK –17 m.; "Operating income, SEK +1 m.; and "Income before taxes", SEK +1 m.

If the acquisitions had occurred at the beginning of the year, the acquired businesses would have had the following impact on the 2010 financial statements: "Net sales" minus intra-Group sales, SEK +339 m.; "Gross income", SEK +85 m.; "Expenses", SEK –87 m.; "Operating income", SEK –2 m.; and "Income before taxes", SEK –3 m.

During 2008 Scania divested a business in Finland. During 2010 and 2009 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 (excluding personnel on hire)	2010	2009	2008
Operations in Sweden			
Boards of Directors, Presidents and Executive (or Group) Vice Presidents [1]	**190**	76	138
– of which bonuses	**102**	0	62
Other employees	**4,789**	4,146	4,897
Operations outside Sweden			
Boards of Directors, Presidents and Executive Vice Presidents [2]	**211**	188	228
– of which bonuses	**36**	26	55
Other employees	**6,538**	6,345	6,222
Subtotal [3]	**11,728**	10,755	11,485
Pension expenses and other mandatory payroll fees	**3,933**	3,640	4,153
– of which pension expenses [4]	**1,036**	1,127	1,183
Total	**15,661**	14,395	15,638

1 The number of Board members and executive officers in Sweden was 90 (120 and123, respectively).

2 The number of Board members and executive officers outside Sweden was 365 (369 and 393, respectively).

3 Including non-monetary remuneration.

4 Of the pension expense in the Group, SEK 33 m. (36 and 49, respectively) was for Boards of Directors and executive officers in the Scania Group. At year-end, the total pension obligation was SEK 135 m. (137 and 124, 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 region	2010			2009			2008		
	Wages, salaries and other remuneration	Mandatory payroll fees (of which pensions)		Wages, salaries and other remuneration	Mandatory payroll fees (of which pensions)		Wages, salaries and other remuneration	Mandatory payroll fees (of which pensions)	
Sweden	**4,979**	**2,344**	**(626)**	4,222	2,069	(682)	5,035	2,624	(747)
Europe (excluding Sweden)	**4,395**	**1,020**	**(342)**	4,509	1,045	(364)	4,440	1,083	(385)
Eurasia	**147**	**17**	**(14)**	132	16	(12)	164	26	(17)
America	**1,555**	**504**	**(17)**	1,354	466	(38)	1,325	379	(7)
Asia	**254**	**14**	**(8)**	225	15	(9)	206	11	(8)
Africa and Oceania	**398**	**34**	**(29)**	313	29	(22)	315	30	(19)
Total	**11,728**	**3,933**	**(1,036)**	10,755	3,640	(1,127)	11,485	4,153	(1,183)

Average number of employees (excluding personnel on hire)	2010		2009		2008	
	Total	Women	Total	Women	Total	Women
Sweden	**10,727**	**19%**	11,083	19%	11,950	19%
Europe (excluding Sweden)	**12,246**	**12%**	12,304	12%	12,800	12%
Eurasia	**650**	**25%**	718	24%	879	21%
America	**4,713**	**11%**	4,189	11%	4,571	12%
Asia	**1,029**	**17%**	935	18%	928	19%
Africa and Oceania	**1,196**	**15%**	1,160	15%	1,184	14%
Total	**30,561**	**15%**	30,389	15%	32,312	15%

Gender distribution	2010	2009	2008
Board members in subsidiaries and the Parent Company	**359**	387	408
– of whom, men	**354**	382	398
– of whom, women	**5**	5	10
Presidents/Managing Directors of subsidiaries and the Parent Company, plus the Group's Executive Board	**96**	102	108
– of whom, men	**96**	101	107
– of whom, women	**–**	1	1

Number of employees, 31 December	2010	2009	2008
Vehicles and Services			
Production and corporate units	**17,006**	14,672	16,264
Research and development	**2,930**	2,642	2,922
Sales and service companies	**14,987**	14,475	15,079
Subtotal	**34,923**	31,789	34,265
Financial Services	**591**	541	512
Total	**35,514**	32,330	34,777
– of whom, on temporary contracts and on hire	**4,502**	1,798	2,533

NOTE 27 Related party transactions

	Sales to			Purchases from			Receivables from			Liabilities to		
	2010	2009	2008	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Associated companies and joint ventures												
ScaValencia S.A.	**88**	120	221	**42**	67	138	**8**	8	6	**2**	3	2
ScaMadrid S.A.	**101**	78	157	**30**	36	32	**13**	8	28	**1**	2	2
Cummins-Scania HPI L.L.C	**–**	–	–	**120**	78	242	**–**	–	–	**27**	16	25
Cummins-Scania XPI Manufacturing L.L.C	**58**	21	–	**302**	255	33	**18**	7	16	**23**	16	5
Bits Data i Södertälje AB	**–**	–	–	**16**	15	12	**–**	–	–	**2**	1	2
Laxå Special Vehicles AB	**12**	–	–	**66**	–	–	**8**	–	–	**31**	–	–
Others	**1**	13	10	**23**	10	5	**–**	1	1	**–**	–	–

During 2010, Scania acquired 30 percent of Laxå Special Vehicles AB 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 and leases of company cars have not been taken into account in the above table. In addition, there are bank deposits and borrowings through the Volkswagen Group. All transactions with Volkswagen and Porsche occur on market terms.

NOTE 28 Compensation to executive officers

REMUNERATION TO THE BOARD

According to the decision of the Annual General Meeting (AGM), remuneration during 2010 to be paid to the external members of the Board of Directors elected by the AGM totalled SEK 2,031,250 (2,656,250), with SEK 406,250 (406,250) to each Board member elected by the AGM who is not an employee of the company or of Volkswagen AG.

For work performed in the Audit Committee, the AGM approved remuneration of SEK 200,000 to the Chairman of the Audit Committee and SEK 100,000 each to 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.

NOTE 28 Compensation to executive officers

FIXED SALARY FOR THE PRESIDENT AND CEO

The fixed salary of the President and CEO amounted to SEK 7,500,000 per year for the first 6 month of the year and SEK 10,000,000 per year as from 1 July 2010.

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 2010 AGM and constitute a programme with the same parameters that were in force during 2009. 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 2010, the Remuneration Committee of the Board of Directors fixed RNI on the basis of a factor of equity amounting to 8 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 2011.

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 1997–2010 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 80 percent for Part 2. The outcome for the period 1997–2010 has, on average, amounted to 79 percent of annual fixed salary with regard to Part 1 and 29 percent of annual fixed salary with regard to Part 2. The 2010 outcome for the President and CEO was 109 percent for Part 1 and 80 percent for Part 2.

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.

Full access to the amount is granted four calendar years from the commencement of the incentive year. The Board is authorised, in whole or part, to waive the requirement to use 50 percent to purchase Scania B-share, if on the payment date there is a risk that participants are regarded as possessing insider information or there are some other circumstance that makes a payment to purchase Scania B-shares difficult or impossible.

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 15–31 percent of fixed salary. The premium for Heads of Corporate Units varies between 16–30 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 2010 amounted to SEK 3,072,500. The agreement also prescribes an extra annual pension provision, amounting to SEK 5,205,000 for 2010.

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.

2010, SEK thousand	Fixed salary	Board remu-neration[1]	Variable salary of Part 1	Variable salary 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										
President and CEO	8,750		9,501	7,000	12	**25,263**	8,297	820	**9,117**	7,856
Rest of Executive Board (5 persons)	15,300		14,189	10,453	951	**40,893**	8,494	2,389	**10,883**	9,353
Heads of Corporate Units (22 persons)	42,380		27,309	31,781	3,291	**104,761**	9,274	11,742	**21,016**	41,450

1 Other Board members' total fees: Hans Dieter Pötsch 0; Francisco J. Garcia Sanz 0; Börje Ekholm 506,250; Helmut Aurenz 406,250; Gunnar Larsson 581,750; Peter Wallenberg Jr. 406,250; Jochen Heizmann 0; Åsa Thunman 203,125; Peggy Bruzelius 228,125; Staffan Bohman 387,500. Peggy Bruzelius and Staffan Bohman resigned at the Annual General Meeting on 6 May 2010.

2009, SEK thousand	Fixed salary	Board remu-neration[3]	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[2]				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

2 Board fee, plus fee for Remuneration Committee work.

3 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 Boman 775,000; Peggy Bruzelius 456,250; Peter Wallenberg Jr. 406,250.

Pension expenses, defined-contribution system: annual premiums according to a defined contribution pension system and ITPK (defined contribution portion of the ITP occupational pension).

Pension expenses, defined-benefit system (ITP): risk insurance premiums and the increase of retirement pension liability according to the ITP occupational pension plan.

Other remuneration: taxable portion of car allowance, newspaper subscriptions and other perquisites.

Retirement age: the retirement age according to agreements is 60 for the 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. Remuneration for consultations is reported in cases where the same public accountancy firm has the assignment to audit an individual company. "Auditing assignments" refers to statutory examination of the annual accounts as well as the administration of the Board of Directors and the President and CEO. "Auditing activities beyond auditing assignments" refers to examination of administration or financial information that shall be performed in accordance with laws, articles of association, statutes or agreements that is also intended for parties other than the client, and which is not included in the auditing assignment. "Tax consultancy" is consultation on matters of tax law. "Other services" refers to consultancy that cannot be attributed to any of the other categories. Auditing expenses that have arisen because Scania is a subsidiary of Volkswagen have been reinvoiced.

	2010		2009		2008	
Auditing firm	**Ernst & Young**	**Other auditors**	Ernst & Young	Other auditors	Ernst & Young	Other auditors
Auditing assignments	**45**	**1**	52	1	48	2
Auditing activities beyond auditing assignments	**4**	**–**	12	–	1	–
Tax consultancy	**2**	**0**	0	–	0	–
Other services	**2**	**1**	6	0	2	1
Total	**53**	**2**	70	1	51	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 2010, 94 (93 and 95, 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 2010, total net revenue in foreign currencies amounted to about SEK 25,800 m. (19,800 and 31,600, respectively). The largest currencies in this flow were BRL, EUR and USD. The table on the next page shows currency exposure in Scania's operating income in the most commonly occurring currencies.

Hedging of currency flows	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 [1]	Rate [2]	Volume [1]	Rate [2]	Volume [1]	Rate [2]
31 December, 2010	–		–		–		–		–		–	
31 December, 2009	52	1.43	667	10.66	–		114	0.24	9	7.68	–	
31 December, 2008	609	1.3	1,531	9.83	51	12.29	700	0.26	32	7.74	62	0.79

1 Volume is expressed in millions of local currency units.

2 Average forward price and lowest redemption price for currency options.

Currency exposure in operating income, Vehicles and Services	2010	2009	2008
Brazilian real (BRL)	**7,100**	2,500	1,000
Euro (EUR)	**4,700**	5,800	11,200
US dollar (USD)	**4,200**	3,400	3,500
British pound (GBP)	**2,500**	2,700	4,000
Russian rouble (RUB)	**1,500**	700	3,800
Norwegian krone (NOK)	**1,200**	1,400	2,000
Australian dollar (AUD)	**1,000**	900	900
Danish krone (DKK)	**900**	1,100	1,800
Korean won (KRW)	**800**	600	500
Swiss franc (CHF)	**600**	700	900
South African rand (ZAR)	**600**	500	400
Polish zloty (PLN)	**100**	–300	600
Argentine peso (ARS)	**–1,100**	–700	–1,200
Other currencies	**1,500**	800	1,800
Total currency exposure in operating income	**25,600**	20,100	31,200

Currency exposure in operating income, Financial Services	2010	2009	2008
Euro (EUR)	**100**	–300	200
Other currencies	**100**	0	200
Total currency exposure in operating income	**200**	–300	400

Based on revenue and expenses in foreign currencies during 2010, a one percentage point change in the Swedish krona against other currencies, excluding currency hedges, has an impact on operating income of about SEK 258 m. (198 and 316, respectively) on an annual basis.

In Vehicles and Services, compared to 2009, currency spot rate effects totalled about SEK –365 m. Currency hedging income in 2010 amounted to about SEK 745 m. During 2009, currency hedging had an impact of about SEK –2,140 m. on income. Compared to 2009, the total positive currency rate effect was thus SEK 2,520 m.

According to Scania's policy, Scania's Management may hedge future currency flows with a hedging period varying between 0 and 12 months. Maturity over 12 months is decided by the Board of Directors. When currency risks are hedged, currencies are mainly sold by means of forward contracts, but currency options may also be used. As of 31 December 2010, no currency flows related to future deliveries were hedged.

To ensure efficiency and risk control, borrowings in Scania's subsidiaries largely occur through the corporate treasury unit, mainly in EUR and SEK, and are then transferred to 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 2010, Scania's net assets in foreign currencies amounted to SEK 13,150 m. (12,250 and 14,650, 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 2010 no foreign net assets were hedged (EUR 0 m. and 211, respectively).

Net assets, Vehicles and Services	2010	2009	2008
Euro (EUR)	**2,900**	3 ,400	4,250
Brazilian real (BRL)	**1,900**	1,500	1,500
Russian rouble (RUB)	**700**	600	800
Argentine peso (ARS)	**650**	450	550
British pound (GBP)	**450**	450	600
South African rand (ZAR)	**400**	150	350
Swiss franc (CHF)	**350**	250	250
Polish zloty (PLN)	**300**	350	200
Norwegian krone (NOK)	**300**	300	250
Mexican peso (MXN)	**250**	200	300
Danish krone (DKK)	**150**	150	250
Peruvian sol (PEN)	**150**	100	300
US dollar (USD)	**–350**	–350	–250
Other currencies	**1,400**	1,300	1,000
Total net assets in foreign currencies, Vehicles and Services	**9,550**	8,850	10,350

Net assets, Financial Services	2010	2009	2008
Euro (EUR)	**2,000**	1,800	3,000
Other currencies	**1,600**	1,600	1,300
Total net assets in foreign currencies, Financial Services	**3,600**	3,400	4,300
Total net assets in foreign currencies, Scania Group	**13,150**	12,250	14,650

NOTE 30 Financial risk management, continued

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:

	2010	2009	2008
Operating income	6	–55	261
Financial income and expenses	–3	–53	–8
Taxes	2	–1	–10
Effect on net income for the year	5	–109	243

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 2010, 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 cash in Vehicles and Services was SEK 7,700 m. (–4,038 and –8,364, respectively) at year-end 2010. The borrowing portfolio amounted to SEK 2,909 m. (10,204 and 11,574, 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 9,552 m. (6,648 and 4,345, respectively) and the average interest rate refixing period on these assets was less than 1 (1 and 1, respectively) month. The net cash also includes derivatives that hedge borrowings with a net value of SEK 1,057 m. (–482 and –1,135, respectively).

Given the same loan liabilities, short-term investments, cash and cash equivalents and interest rate refixing periods as at year-end 2010, 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 30 m. (85 and 85, respectively) and interest income by about SEK 95 m. (65 and 45, 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 2010:

Interest rate refixing in Financial Services, 31 December 2010	Interest-bearing portfolio [1]	Interest-bearing liabilities [2]
2011	21,404	20,218
2012	6,443	5,638
2013	4,708	3,593
2014	2,403	1,437
2015	965	513
2016 and later	214	98
Total	**36,137**	**31,497**

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

1 Including operating leases.

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

Scania's total borrowing portfolio amounted to SEK 34,406 m. (46,432 and 53,646, respectively) at year-end 2010.

Borrowings, 31 December 2010	Borrowings including currency swap agreements	Borrowings excluding currency swap agreements
EUR	18,884	21,661
SEK	2,516	7,354
ZAR	2,236	1,852
BRL	1,753	1,760
GBP	1,542	0
USD	1,201	414
NOK	918	0
RUB	871	23
DKK	732	0
KRW	571	42
CLP	401	401
THB	368	83
AUD	338	0
PLN	294	128
CZK	148	66
CHF	1	1
Other currencies	1,369	358
Total [1]	**34,143**	**34,143**
Accrued interest and fair value adjustments	263	263
Total	**34,406**	**34,406**

1 Total borrowings excluded SEK 263 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 in Vehicles and Services

In the Vehicles and Services segment, carried receivables from customers totalled SEK 6,677 m. (6,587 and 8,470, respectively), most of which consisted of receivables from independent dealerships and end customers. The total estimated fair value of collateral was SEK 2,008 m. Most of the collateral consisted of repossession rights and bank guarantees. During the year, collateral valued at SEK 240 m. was repossessed.

Timing analysis of portfolio assets past due but not recognised as impairment losses	Past-due payments 2010	Past-due payments 2009	Past-due payments 2008
< 30 days	**839**	963	1,271
30–90 days	**246**	314	682
91–180 days	**52**	128	156
> 180 days	**170**	82	138
Total	**1,307**	1,487	2,247

Provisions for bad debts amounted to SEK 581 m. (725 and 711, respectively), equivalent to 8.0 (9.9 and 7.7, respectively) percent of total receivables. The year's bad debt expense amounted to SEK 55 m. (188 and 102, respectively). Provisions for bad debts changed as follows:

Provisions for bad debts	2010	2009	2008
Provisions, 1 January	**725**	711	619
Provisions for potential losses	**–7**	155	71
Withdrawals due to actual credit losses	**–89**	–147	–55
Currency rate effects	**–48**	13	54
Other	**0**	–7	21
Provisions, 31 December	**581**	725	711

Credit risk in Financial Services

The credit portfolio including operating leases in the Financial Services segment can be seen in the table below:

Credit portfolio	2010	2009	2008
Exposure	**36,954**	41,328	47,855
– of which, operating leases	**8,545**	8,931	9,126
Credit risk reserve	**817**	924	635
Carrying amount	**36,137**	40,404	47,220
– of which, operating leases	**8,497**	8,898	9,033

To maintain a controlled level of credit risk in the segment, the process of issuing credit is supported by a credit policy as well as credit instructions. Credit risks are limited by active credit assessment, management of the loan portfolio and its underlying assets as well as an intensive focus and constructive dialogue with those customers who do not follow the agreed payment plan. Collateral in Financial Services operations mainly exists in the form of the products being financed.

NOTE 30 Financial risk management, continued

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 2010			
Exposure < SEK 15 m.	21,732	98.7	70.8
Exposure SEK 15–50 m.	222	1.0	14.2
Exposure > SEK 50 m.	60	0.3	15.0
Total	**22,014**	**100.0**	**100.0**

The credit risk concentration in 2010 was equivalent to that of 2009 and 2008. The table shows that most customers are in the segment with exposure < SEK 15 m. This segment included 98.7 (98.4 and 98.3, respectively) percent of the total number of customers, equivalent to 70.8 (67.7 and 66.0, respectively) percent of the portfolio. The segment with exposure of SEK 15–50 m. included 1.0 (1.3 and 1.4, respectively) percent of the total number of customers, equivalent to 14.2 (17.4 and 18.1, 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 15.0 (14.9 and 15.9, respectively) percent of the portfolio.

Accounts with past-due receivables ordinarily lead to relatively quick repossession of the item being financed. Renegotiation only occurs in those cases where, after a new credit evaluation, Financial Services deems the customer's payment problems to be of a short-term, temporary nature and where renegotiation can take place without greatly worsening its risk position. Since the financial situation of most Scania customers improved during 2010, the carrying amount of financial assets whose terms had been renegotiated declined, amounting to SEK 5,352 m. (7,372) at year-end. Contracts are regarded as bad debts when payment is more than 90 days past due or when there is information that causes Scania to terminate the contracts early.

During 2010, the resale market normalised for repossessed and used vehicles, after having been non-functional during the crisis years.

During the year, 3,579 (4,354 and 2,146, respectively) financed vehicles were repossessed. At year-end, the number of repossessed but not yet sold vehicles amounted to 677 (1,223 and 720, respectively), with a total carrying amount of SEK 274 m. (447 and 310, 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.

Timing analysis of portfolio assets

	2010			2009			2008		
Past due but not recognised as impairment losses	**Past-due payments**	**Total exposure [1]**	**Estimated fair value of collateral**	Past-due payments	Total exposure [1]	Estimated fair value of collateral	Past-due payments	Total exposure [1]	Estimated fair value of collateral
< 30 days	**87**	**3,489**	**3,277**	104	3,814	3,484	202	5,217	5,040
30–90 days	**111**	**1,704**	**1,608**	157	2,603	2,360	220	3,208	3,185
Past due and recognised as impairment losses									
91–180 days	**84**	**751**	**649**	197	1,592	1,355	152	1,598	1,426
> 180 days	**245**	**1,029**	**764**	396	2,108	1,652	129	1,046	899
Completed contracts	**256**	**1,064**	**733**	345	1,343	985	99	731	573
Total	**783**	**8,037**	**7,031**	1,199	11,460	9,836	802	11,800	11,123

1 Exposure is defined as maximum potential loss, without regard to the value of any collateral.

Provisions for bad debts from customers amounted to SEK 817 m. (924 and 635, respectively), equivalent to 2.2 (2.2 and 1.3, respectively) percent of the total Financial Services portfolio. Provisions for bad debts changed as follows:

Provisions for bad debts	2010	2009	2008
Provisions, 1 January	**924**	635	567
Provisions for potential losses	**371**	604	237
Withdrawals due to actual credit losses	**–378**	–303	–176
Currency rate effects	**–100**	–12	7
Provisions, 31 December	**817**	924	635

The year's expenses for actual and potential credit losses amounted to SEK 493 m. (833 and 227, 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. Net exposure to counterparty risk related to derivatives trading amounted to SEK 1,106 m. (–259 and –3,721, respectively) at the end of 2010. Estimated gross exposure to counterparty risks related to derivatives trading totalled SEK 1,899 m. (1,316 and 1,687, respectively). Estimated gross exposure to cash and cash equivalents and short-term investments amounted to SEK 9,868 m. (7,147 and 4,669, 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 8,152 m. (6,111 and 3,562, respectively), of which SEK 8,091 m. (6,064 and 3,474, respectively) consists of investments with a maturity of less than 90 days and SEK 61 m. (47 and 88, respectively) consisted of investments with a maturity of 91–365 days. In addition to short-term investments, Scania had bank balances worth SEK 1,716 m. (1,036 and 1,107, 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 2010, Scania's liquidity reserve, consisting of unutilised credit facilities, cash and cash equivalents and short-term investments, amounted to SEK 36,872 m. (32,853 and 31,540 respectively).

Scania's credit facilities include customary change in control clauses, which means that the counterparty could demand early payment in case of significant changes in ownership involving a change in control of the company.

At year-end, Scania had borrowings, in some cases with related ceilings, as follows:

Borrowings, 2010	Total borrowings	Ceiling
Medium Term Note Programme	**360**	13,000
European Medium Term Note Programme	**13,933**	31,507
Other bonds [3]	**9,928**	–
Credit facility (EUR)	**–**	27,004
Commercial paper, Sweden	**320**	10,000
Commercial paper, Belgium	**–**	3,601
Bank loans	**9,602**	–
Total [1]	**34,143 [2]**	**85,112**

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

1 Of the total ceiling, SEK 27,004 m. (25,706 and 26,871, respectively) consisted of guaranteed revolving credit facilities.

2 Total borrowings excluded SEK 263 m. (385 and 421, respectively) related to accrued interest and fair value adjustments on bonds where hedge accounting was previously applied.

3 Including European Investment Bank (EIB) loans.

NOTE 30 Financial risk management, continued

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

1 Of the total ceiling, SEK 27,004 m. (25,706 and 26,871, respectively) consisted of guaranteed revolving credit facilities.

2 Total borrowings excluded SEK 263 m. (385 and 421, respectively) related to accrued interest and fair value adjustments on bonds where hedge accounting was previously applied.

3 Including European Investment Bank (EIB) loans.

Controlling Scania's refinancing risk includes safeguarding access to credit facilities and ensuring that the maturity structure of borrowings is diversified. At year-end, Scania's total borrowings had the following maturity structure:

Maturity structure of Scania's borrowings	2010	2009	2008
2009	–	–	27,439 [1]
2010	–	19,531 [1]	9,216
2011	12,171 [1]	8,568	8,874
2012	14,479	9,900	3,883
2013	639	632	348
2014 and later	334	16	3,465
2015 and later	2,922	7,400	–
2016 and later	3,598	–	–
Total	34,143 [2]	46,047 [2]	53,225 [2]

1 Borrowings with a maturity date within one year excluded accrued interest worth SEK 263 m. (398 and 503, respectively).

2 Total borrowings excluded SEK 263 m. (385 and 421, 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 2010	Derivatives with positive value	Derivatives with negative value
2011	1,006	227
2012	527	151
2013	67	103
2014	22	37
2015	33	20
2016 and later	6	3
Total [1)]	1,661	541

Maturity structure of derivatives attributable to borrowings 2009	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 future commercial payments to functional currency.
- To a lesser extent, converting 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 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 assets and liabilities are not traded in an active market, fair value has been established by discounting future payment flows at current market interest rates and then converting to SEK at the current exchange rate.

Fair value of financial instruments such as trade receivables, trade payables and other non-interest-bearing financial assets and liabilities that are recognised at accrued cost minus any impairment losses, is regarded as coinciding with the carrying amount.

Impairment losses on assets occur only when there is reason to believe that the counterparty will not fulfil its contractual obligations, not as a consequence of changes in market interest rates.

Scania Group, 2010, 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			16,514				16,514	16,646
Current interest-bearing receivables			11,389				11,389	11,470
Non-interest-bearing trade receivables			6,115				6,115	6,115
Short-term investments and Cash and cash equivalents	1,047		8,821				9,868	9,868
Other non-current receivables [1]	667		493				1,160	1,160
Other current receivables [2]	1,232		15				1,247	1,247
Total assets	**2,946**	**–**	**43,347**	**–**	**–**	**–**	**46,293**	**46,506**
Non-current interest-bearing liabilities				21,973			21,973	22,202
Current interest-bearing liabilities				12,433			12,433	12,497
Trade payables				8,194			8,194	8,194
Other non-current liabilities [3]	339					91	430	430
Other current liabilities [4]	357					7	364	364
Total liabilities	**696**	**–**	**–**	**42,600**	**–**	**98**	**43,394**	**43,687**

1 Financial instruments included in the balance sheet under "Other long-term receivables", SEK 1,454 m.
2 Financial instruments included in the balance sheet under "Other current receivables", SEK 3,827 m.
3 Financial instruments included in the balance sheet under "Other non-current liabilities", SEK 439 m.
4 Financial instruments included in the balance sheet under "Other current liabilities", SEK 2,154 m.

NOTE 31 Financial instruments, continued

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
Short-term investments and 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 long-term receivables", 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.

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
Short-term investments and 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 long-term receivables", 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.

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 2010, see Note 16, "Equity".
- To a minor extent, 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 2010	Fixed interest rate % 2010
Maturity Q1, 2011		
Maturity Q2, 2011		
Maturity Q3, 2011		
Maturity Q4, 2011	253	4.29
Maturity 2012	1,154	4.46
Maturity 2013	243	4.48

- During 2010, Scania stopped hedging the costs of its electricity consumption, and at year-end 2010 there were no electricity derivatives.
- At year-end 2010, the effect on income of inefficient cash flow hedges amounted to SEK 0 m. (0 and 16, respectively).
- At the end of 2010, no foreign net assets were hedged (0 and EUR 211 m., 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 hedge accounting is applied.

Net gains/losses	2010	2009	2008
Financial assets and liabilities held for trading, carried at fair value	660	–2,354	–1,092
Loan and trade receivables [1]	–3,195	–1,345	2,690
Other financial liabilities	3,336	1,496	–1,810
Total	801	–2,203	–212

1 Also includes operating leases.

Gains and losses due to currency rate differences related to derivatives, loan receivables and borrowings mainly arise in Scania's treasury unit. Most of the loan receivables that give rise to currency rate differences comprise the treasury unit's receivables from Group companies.

INTEREST INCOME AND EXPENSES ON FINANCIAL INSTRUMENTS

The table below shows interest income and interest expenses for all of Scania's financial assets and financial liabilities:

	2010	2009	2008
Interest income on financial assets [1, 2]	2,253	2,535	2,893
Interest expenses on financial liabilities [2, 3]	–1,663	–2,531	–2,527
Total	590	4	366

1 SEK 59 m. (–78 and 103, 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 386 m. (488 and 201, 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				
Svenska Mektek AB	556616-7747	Enköping	Sweden	100
Fastighetsaktiebolaget Vindbron	556040-0938	Gothenburg	Sweden	100
Ferruform AB	556528-9120	Luleå	Sweden	100
Scania Real Estate Lund AB	556791-9823	Lund	Sweden	100
Fastighetsaktiebolaget Flygmotorn	556528-9112	Malmö	Sweden	100
Fastighetsaktiebolaget Hjulnavet	556084-1198	Stockholm	Sweden	100
Stockholms Industriassistans AB	556662-3459	Stockholm	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
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 Holding Europe AB	556017-7825	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 AB	556084-1180	Södertälje	Sweden	100
Scania Real Estate Services AB	556593-3024	Södertälje	Sweden	100
Scania Trade Development AB	556013-2002	Södertälje	Sweden	100
Scania Transportlaboratorium AB	556528-9294	Södertälje	Sweden	100
Scania Treasury AB	556528-9351	Södertälje	Sweden	100
Scania Used Vehicles AB	556548-4713	Södertälje	Sweden	100
Scania-Bilar Sverige AB	556051-4621	Södertälje	Sweden	100
Vabis Försäkrings AB	516401-7856	Södertälje	Sweden	100
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	100
Scania Services S.A.	33-70784693-9	Buenos Aires	Argentina	100
Automotores del Atlantico S.A.	30-70709795-3	Mar del Plata	Argentina	100
Aconcagua Vehiculos Comerciales S.A.	30-70737179-6	Mendoza	Argentina	100
Automotores Pesados S.A.	30-55137605-9	Tucumán	Argentina	99.38
Scania Australia Pty Ltd	537333	Melbourne	Australia	100
Scania Finance Pty Ltd	52006002428	Melbourne	Australia	100
Scania Österreich GmbH	AT 43324602	Brunn am Gebirge	Austria	100
Scania Bus Belgium N.V.-S.A.	BE0460.870.259	Brussels	Belgium	100
Conimco NV	BE0423.251.481	Neder-Over-Heembeek	Belgium	100
Scania Belgium SA-NV	BE0402.607.507	Neder-Over-Heembeek	Belgium	100
Scania Group Treasury Belgium N.V.	BE0809.445.796	Neder-Over-Heembeek	Belgium	100
Scania Treasury Belgium NV	BE0888.285.319	Neder-Over-Heembeek	Belgium	100
Scania Bosnia Hertzegovina d.o.o.	4,20036E+12	Sarajevo	Bosnia-Hercegovina	100
Scania Botswana (Pty) Ltd	CO.2000/6045	Gaborone	Botswana	100
Scania Administradora de Consórcios Ltda	96.479.258/0001-91	Cotia	Brazil	99.99
Suvesa Super Veics Pesados LTDA	88.301.668/0001-10	Eldorado do Sul	Brazil	99.98
Codema Coml Import LTDA	60.849.197/0001-60	Guarulhos	Brazil	99.99
Scania Latin America Ltda	59.104.901/0001-76	São Bernardo do Campo	Brazil	100
Scania Bulgaria EOOD	BG121796861	Sofia	Bulgaria	100
Scania Chile S.A.	96.538.460-K	Santiago	Chile	100
Scania Sales (China) Co Ltd	1,10106E+14	Beijing	China	100
Scania (Hong Kong) Limited	1205987	Hong Kong	China	100
Scania Colombia S.A.	900.353.873-2	Bogota	Colombia	100
Scania Hrvatska d.o.o.	80213913	Zagreb	Croatia	100
Scania Czech Republic s.r.o.	CZ61251186	Prague	Czech Republic	100
Scania Danmark A/S	DK17045210	Herlev	Denmark	100
Scania Danmark Eiendom Aps	33156332	Ishøj	Denmark	100
Scania Biler A/S	DK21498033	Kolding	Denmark	100
Scania Eesti AS	10238872	Tallinn	Estonia	100

Company	Corporate ID no.	Registered office	Country	% Ownership
Oy Scan-Auto Ab	FI0202014-4	Helsinki	Finland	100
Oy Maakunnan Auto Ab	1568951-7	Seinäjoki	Finland	100
Scania France S.A.S.	307166934	Angers	France	100
Scania IT Angers S.A.S	412282626	Angers	France	100
Scania Production Angers S.A.S.	378442982	Angers	France	100
Scania Danmark GmbH	DE 15 295 18862	Flensburg	Germany	100
Scania Flensburg GmbH	15 295 18587	Flensburg	Germany	100
Scania Vertrieb und Service GmbH, Kerpen	DE178753117	Kerpen	Germany	100
B+V Grundstücks- und Verwertungs-GmbH	22/651/1242/2	Koblenz	Germany	100
B+V Grundstücksverwertungs-GmbH & Co KG	22/201/0480/0	Koblenz	Germany	100
Scania Deutschland GmbH	DE148787117	Koblenz	Germany	100
Scania Vertrieb und Service GmbH, Koblenz	DE812180098	Koblenz	Germany	100
Scania Great Britain Ltd	831 017	Milton Keynes	Great Britain	100
Griffin Automotive Ltd	656978	Road Town	Great Britain	100
Scania Hungaria KFT	10 415 577	Biatorbágy	Hungary	100
Italscania SPA	11749110158	Trento	Italy	100
Scania Commerciale SPA	IT 01184460226	Trento	Italy	100
Scania Milano Spa	IT 02170120220	Trento	Italy	100
Scania Japan Limited	0104-01-083452	Tokyo	Japan	100
Scania Central Asia LLP	84931-1910-TOO	Almaty	Kazakhstan	100
Scania Latvia SIA	50003118401	Riga	Latvia	100
UAB Scania Lietuva	123873025	Vilnius	Lithuania	100
Scania Treasury Luxembourg S.àr.l	B72.450	Luxembourg	Luxembourg	100
Scania Luxembourg S.A.	B53.044	Münsbach	Luxembourg	99.90
Scania (Malaysia) SDN BHD	518606-D	Kuala Lumpur	Malaysia	100
Scania Comercial, S.A. de C.V.	SCO031124MF5	Querétaro	Mexico	99.99
Scania Servicios, S.A. de C.V.	SSE031124C26	Querétaro	Mexico	99.99
Scania Maroc S.A.	6100472	Casablanca	Morocco	100
Truck Namibia (Pty) Ltd	2004/438	Windhoek	Namibia	100
Beers N.V.	27051589	Breda	The Netherlands	100
Scania Beers B.V.	27136821	Breda	The Netherlands	100
Scania Real Estate The Netherlands B.V.	506872921	Breda	The Netherlands	100
Scania Production Meppel B.V.	5046846	Meppel	The Netherlands	100
Scania Networks B.V.	27146579	The Hague	The Netherlands	100
Scania Infomate	5062402	Zwolle	The Netherlands	100
Scania Production Zwolle B.V.	5020370	Zwolle	The Netherlands	100
Norsk Scania AS	879 263 662	Oslo	Norway	100
Norsk Scania Eindom AS	996036545	Oslo	Norway	100
Scania del Peru S.A.	101-36300	Lima	Peru	100
Scania Production Slupsk S.A.	839-000-53-10	Slupsk	Poland	100
Scania Polska S.A.	521-10-14-579	Warsaw	Poland	100
Scania Portugal S.A.	PT 502 929 995	Santa Iria da Azóia	Portugal	100
Scania Investimentos Imobiliários S.A.	508948118	Santa Iria de Azóla	Portugal	100
Scania Romania SRL	J40/10908/1999	Bucharest	Romania	100
Scania Driver Training SRL	26.858.190	Ilfov	Romania	100
OOO Scania Service	5 032 052 145	Golitsino	Russia	100
OOO Scania-Rus	5 032 073 106	Moscow	Russia	100
OOO Petroscan	7 816 097 078	St. Petersburg	Russia	100
Scania Peter OOO	7 811 115 825	St. Petersburg	Russia	100
Scania Real Estate Doo Belgrad	20659874	Belgrade	Serbia	100
Scania Srbia d.o.o.	17333321	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 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	1995/001275/07	Sandton	South Africa	100
Scania Korea Ltd	120111-0122515	Seoul	South Korea	100
Scania Hispania S.A.	ESA59596734	Madrid	Spain	100

NOTE 32 Subsidiaries, continued

Company	Corporate ID no.	Registered office	Country	% Ownership
Proarga, S.L.	ESB36682003	Pontevedra	Spain	100
GB&M Garage et Carrosserie SA	CH-660.0.046.966-0	Geneva	Switzerland	100
Scania Schweiz AG	CH 218687	Kloten	Switzerland	100
FMF Fahrzeug Miet und Finanz AG	CH-020.3.029.174-1	Seuzach	Switzerland	100
Garage Vetterli AG	CH-020.3.909.930-2	Seuzach	Switzerland	100
Scania Real Estate Schweiz AG	CH-020.3.035.714-4	Zurich	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	3030112774	Bangkok	Thailand	99.99
Scania Thailand Co Ltd	3011041239	Bangkok	Thailand	99.99
Scania Ukraine LLC	30 107 866	Kiev	Ukraine	100
Kiev-Scan LLC	357 064 310 147	Makariv	Ukraine	100
Donbas-Scan-Service LLC	345 167 305 920	Makeevka	Ukraine	100
Lauken International S.A.	2,14906E+11	Montevideo	Uruguay	100
Scanexpo International S.A.	2,14906E+11	Montevideo	Uruguay	100
Scania USA Inc	06-1288161	San Antonio, TX	USA	100
Scania de Venezuela S.A.	J-30532829-3	Valencia	Venezuela	100
Financial Services				
Scania Credit AB	556062-7373	Södertälje	Sweden	100
Scania Finans AB	556049-2570	Södertälje	Sweden	100
Scania Leasing Österreich Ges.m.b.H	ATU57921547	Brunn am Gebrige	Austria	100
Scania Insurance Belgium N.V-SA	BE0819.368.007	Brussels	Belgium	100
Scania Finance Belgium N.V-S.A.	BE0413.545.048	Neder-Over-Heembeek	Belgium	100
Scania Banco Brazil	11.417.016/0001-10	São Paolo	Brazil	100
Scania Finance Bulgaria EOOD	BG175108126	Sofia	Bulgaria	100
Scania Finance Chile S.A.	76.574.810-0	Santiago	Chile	100
Scania Credit Hrvatska d.o.o.	1923269	Rakitje	Croatia	100
Scania Finance Czech Republic Spol. s.r.o.	CZ25657496	Prague	Czech Republic	100
Scania Finance France S.A.S.	350890661	Angers	France	100
Scania Locations S.A.S.	402496442	Angers	France	100
Scania Finance Deutschland GmbH	DE811292425	Koblenz	Germany	100
Scania Finance Great Britain Ltd	2173954	London	Great Britain	100
Scania Finance Magyarország zrt.	13-10-040959	Biatorbágy	Hungary	100
Scania Lízing KFT	13-09-107823	Biatorbágy	Hungary	100
Scania Finance Ireland Ltd.	482137	Dublin	Ireland	100
Scania Finance Italy S.p.A	3333020158	Milan	Italy	100
Scania Finance Luxembourg S.A.	B82.907	Münsbach	Luxembourg	100
Scania Finance Nederland B.V.	27004973	Breda	The Netherlands	100
Scania Insurance Nederland B.V.	27005076	Middelharnis	The Netherlands	100
Scania Finance Polska Sp.z.o.o.	521 15 79 028	Nadarzyn	Poland	100
SCANRENT - Alguer de Viaturas sem Condutor, S.A	PT 502631910	Lisbon	Portugal	100
Scania Credit Romania IFN SA	J23/1818/2005	Ciorogarla	Romania	100
Scania Rent Romania SRL	J23/1669/2008	Ciorogarla	Romania	100
OOO Autobusnaya Leasingovaya Compania Scania	7 705 207 520	Moscow	Russia	100
Scania Leasing OOO	7705392920	Moscow	Russia	100
Scania Finance Slovak Republic s.r.o.	43874746	Senec	Slovakia	100
Scania Leasing d.o.o	356.417.700	Ljubliana	Slovenia	100
Scania Finance Southern Africa (Pty) Ltd.	2000/025215/07	Aerton Gauteng	South Africa	100
Scania Finance Korea Ltd	6 138 12 7 196	Kyoung Sang Nam-Do	South Korea	100
Scania Commercial Vehicles Renting S.A.	ESA82853995	Madrid	Spain	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 Siam Leasing Co. Ltd.	3032741750	Bangkok	Thailand	100
Scania Tüketici Finansmani A.S.	7 570 328 278	Istanbul	Turkey	100
Scania Credit Ukraine Ltd	33 052 443	Kiev	Ukraine	100

Parent Company financial statements, Scania AB

Income statement

January – December, SEK m.	Note	2010	2009	2008
Administrative expenses		0	–11	0
Operating income		0	–11	0
Financial income and expenses	1	5,016	2,017	2,944
Income after financial items		5,016	2,006	2,944
Withdrawal from tax allocation reserve		–	814	–
Income before taxes		5,016	2,820	2,944
Taxes	2	–4	–209	–47
Net income		5,012	2,611	2,897

Statement of other comprehensive income

January – December, SEK m.	2010	2009	2008
Net income	5,012	2,611	2,897
Other comprehensive income			
Group contributions, net	–12	–608	–122
Total comprehensive income	5,000	2,003	2,775

Balance sheet

31 December, SEK m.	Note	2010	2009	2008
ASSETS				
Financial non-current assets				
Shares in subsidiaries	3	8,401	8,401	8,401
Current assets				
Due from subsidiaries	4	8,000	3,800	4,611
Total assets		16,401	12,201	13,012
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity	5	16,401	12,201	12,198
Untaxed reserves	6	–	–	814
Total shareholders' equity and liabilities		16,401	12,201	13,012
Assets pledged		–	–	–
Contingent liabilities	7	27,026	36,494	44,669

Statement of changes in equity

	Restricted equity		Unrestricted	
2010	**Share capital**	**Statutory reserve**	**Unrestricted share-holders' equity**	**Total**
Equity, 1 January	2,000	1,120	9,081	12,201
Total comprehensive income for the year			5,000	5,000
Dividend			–800	–800
Equity, 31 December 2010	2,000	1,120	13,281	16,401

	Restricted equity		Unrestricted	
2009	Share capital	Statutory reserve	Unrestricted share-holders' equity	Total
Equity, 1 January	2,000	1,120	9,078	12,198
Total comprehensive income for the year			2,003	2,003
Dividend			–2,000	–2,000
Equity, 31 December 2009	2,000	1,120	9,081	12,201

	Restricted equity		Unrestricted	
2008	Share capital	Statutory reserve	Unrestricted share-holders' equity	Total
Equity, 1 January	2,000	1,120	16,303	19,423
Total comprehensive income for the year			2,775	2,775
Redemption of shares			–6,000	–6,000
Dividend			–4,000	–4,000
Equity, 31 December 2008	2,000	1,120	9,078	12,198

Parent Company financial statements, Scania AB, continued

Cash flow statement

January – December, SEK m.	Note	2010	2009	2008
Operating activities				
Income after financial items		**5,016**	2,006	2,944
Items not affecting cash flow	8	**–5,000**	–2,000	–2,800
Taxes paid		**–**	8	–8
Cash flow from operating activities before change in working capital		**16**	14	136
Cash flow from change in working capital				
Due from/liabilities to subsidiaries		**784**	1,986	9,864
Total change in working capital		**784**	1,986	9,864
Cash flow from operating activities		**800**	2,000	10,000
Total cash flow before financing activities		**800**	2,000	10,000
Financing activities				
Dividend to shareholders		**–800**	–2,000	–4,000
Redemption of shares		**–**	–	–6,000
Cash flow from financing activities		**–800**	–2,000	–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

	2010	2009	2008
Interest income from subsidiaries	16	16	144
Dividend from Scania CV AB	5,000	2,000	2,800
Other	–	1	0
Total	**5,016**	2,017	2,944

NOTE 2 Taxes

Tax expense/income for the year	2010	2009	2008
Current tax	–4	–209	–47
Total	**–4**	–209	–47

	2010		2009		2008	
Reconciliation of effective tax	Amount	%	Amount	%	Amount	%
Income before tax	5,016		2,820		2,944	
Tax calculated using Swedish tax rate	–1,319	26.3	–742	26.3	–824	28
Tax effect and percentage influence:						
Tax-exempt dividends	1,315	26	526	19	784	27
Non-deductible expenses	–	–	0	0	0	0
Tax on standard income related to tax allocation reserves	–	–	–4	0	–7	0
Adjustment of tax related to previous years	–	–	11	0	–	–
Effective tax	**–4**	**0**	–209	7	–47	1

NOTE 3 Shares in subsidiaries

Subsidiary / Corporate ID number / registered office	Ownership, %	Thousands of shares	Carrying amount 2010	2009	2008
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

	2010	2009	2008
Current interest-bearing receivable from Scania CV AB	**3,000**	1,800	1,811
Current non-interest-bearing receivable from Scania CV AB[1]	**5,000**	2,000	2,800
Total	**8,000**	3,800	4,611

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 131.

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	2010	2009	2008
2005 assessment	**–**	–	814
Total	**–**	–	814

SEK 214 m. of "Untaxed reserves" in 2008 consists of a deferred tax liability, which is part of the Scania Group's deferred tax liabilities.

NOTE 7 Contigent liabilities

	2010	2009	2008
Contingent liabilities related to FPG credit insurance, mainly on behalf of subsidiaries	**2,483**	2,502	2,353
Loan guarantees on behalf of borrowings in Scania CV AB	**24,541**	33,990	42,314
Other loan guarantees on behalf of subsidiaries	**2**	2	2
Total	**27,026**	36,494	44,669

NOTE 8 Cash flow statement

Items not affecting cash flow are mainly attributable to anticipated dividends. Interest received was SEK 16 m. (16 and 144, 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 10 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. 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 Annual General Meeting, AGM approve the following:

BACKGROUND

The proposed principles have mainly been used since 1997. 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.

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 (AGM).

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. In order to promote a personal holding of shares in the company, the programme shall be designed so that a part of the annual total outcome, after deduction of applicable tax, is used by the employee for the purchase of Scania B shares at market price.

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.

Members of the Executive Board, are entitled to severance pay equivalent to a maximum of 18 months' salary, in addition to their salary during the six-month notice period, if the company terminates their employment. If they obtain new employment within 18 months, counting from their termination date, the severance pay ceases. If a member of the Executive Board resigns of his own volition, he is entitled to his salary for a six-month period. Otherwise there shall be no notice periods longer than six months.

According to his existing employment contract, the President and CEO is entitled to his salary for a six-month period if he resigns of his own volition. 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 remaining time of his employment contract, plus annual compensation equivalent to the average of variable remuneration for the previous three years.

Other members of the Executive Board, with employment contracts entered into before 1 July 2010, are entitled to severance pay equivalent to a maximum of 24 months' salary in addition to their salary during the six months' notice period, if the company terminates their employment.

The Board of Directors shall be able to diverge from these guidelines, should there be specific circumstances in an individual case.

Guidelines approved by the 2010 AGM

The guidelines for salary and other remuneration of the President and CEO as well as other executive officers that were approved by the 2010 Annual General Meeting, plus the outcome of these guidelines related to 2010, are presented in Note 28.

Proposed distribution of earnings

The Board of Directors proposes that the following earnings at the disposal of the Annual General Meeting:

Amounts in SEK m.	
Retained earnings	8,281
Net income for the year	5,012
Other comprehensive income for the year	–12
Total	13,281
Shall be distributed as follows:	
To the shareholders, a dividend of SEK 5.00 per share	4,000
To be carried forward	9,281
Total	13,281

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	9,281
Total	12,401

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 9 February 2011. 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 5 May 2011.

Södertälje, 9 February 2011

Martin Winterkorn
Chairman of the Board

Jochem Heizmann
Vice Chairman

Helmut Aurenz
Board member

Åsa Thunman
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 14 February 2011

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 financial year 2010. The annual accounts and the consolidated accounts are presented in the printed version of this document on pages 4–136. 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.

Report on the corporate governance report

It is the Board of Directors and the President who are responsible for the corporate governance report on pages 57-62 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the corporate governance report has been prepared and is consistent with the other parts of the annual accounts and the consolidated accounts, we have read the corporate governance report and assessed its statutory content based on our knowledge of the company.

A corporate governance report has been prepared and its statuory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Södertälje, 14 February 2011

Ernst & Young AB

Lars Träff
Authorised Public Accountant

Quarterly data, units by geographic area

	2010					2009				
	Full year	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Order bookings, trucks										
Europe	**29,176**	9,432	6,095	7,197	6,452	14,473	5,436	3,638	3,348	2,051
Eurasia	**3,861**	1,892	1,126	393	450	739	444	191	69	35
America [2]	**18,868**	3,879	4,356	6,194	4,439	11,214	4,324	3,668	1,563	1,659
Asia	**12,295**	3,866	1,810	3,968	2,651	4,208	1,415	945	1,263	585
Africa and Oceania	**3,136**	636	674	1,193	633	2,374	693	567	661	453
Total	**67,336**	**19,705**	**14,061**	**18,945**	**14,625**	33,008	12,312	9,009	6,904	4,783
Trucks delivered										
Europe	**23,315**	7,976	5,375	5,679	4,285	18,824	5,197	3,804	4,150	5,673
Eurasia	**2,369**	1,267	398	312	392	1,084	456	187	122	319
America [2]	**18,056**	5,143	4,478	4,685	3,750	9,566	3,649	2,026	1,778	2,113
Asia	**10,179**	3,142	2,760	2,966	1,311	4,843	1,720	939	947	1,237
Africa and Oceania	**2,918**	840	757	787	534	2,490	606	605	684	595
Total	**56,837**	**18,368**	**13,768**	**14,429**	**10,272**	36,807	11,628	7,561	7,681	9,937
Order bookings, buses [1]										
Europe	**1,720**	652	368	384	316	1,679	504	269	333	573
Eurasia	**72**	72	0	0	0	33	5	24	4	0
America [2]	**2,358**	733	518	642	465	1,538	477	517	312	232
Asia	**2,110**	528	275	757	550	1,718	410	705	417	186
Africa and Oceania	**614**	68	202	149	195	826	176	110	253	287
Total	**6,874**	**2,053**	**1,363**	**1,932**	**1,526**	5,794	1,572	1,625	1,319	1,278
Buses delivered [1]										
Europe	**1,760**	416	299	613	432	1,954	563	380	489	522
Eurasia	**82**	28	22	25	7	130	70	34	11	15
America [2]	**2,104**	714	403	499	488	1,421	587	304	232	298
Asia	**2,120**	395	492	592	641	1,876	617	534	440	285
Africa and Oceania	**809**	242	244	216	107	1,255	288	210	510	247
Total	**6,875**	**1,795**	**1,460**	**1,945**	**1,675**	6,636	2,125	1,462	1,682	1,367

1 Including body-built buses and coaches.
2 Refers mainly to Latin America.

Quarterly data, earnings

	2010					2009				
SEK m. unless otherwise stated	**Full year**	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Vehicles and Services										
Net sales	**78,168**	22,505	18,558	20,602	16,503	62,074	18,360	13,426	14,429	15,859
Cost of goods sold	**–54,504**	–15,704	–12,571	–14,397	–11,832	–48,890	–14,023	–10,587	–11,691	–12,589
Gross income	**23,664**	6,801	5,987	6,205	4,671	13,184	4,337	2,839	2,738	3,270
Research and development expenses	**–3,505**	–993	–821	–881	–810	–3,216	–802	–670	–820	–924
Selling expenses	**–6,400**	–1,771	–1,563	–1,608	–1,458	–6,407	–1,789	–1,393	–1,612	–1,613
Administrative expenses	**–1,200**	–400	–270	–267	–263	–918	–226	–186	–232	–274
Share of income in associated companies and joint ventures	**16**	8	4	4	0	5	4	–2	0	3
Operating income, Vehicles and Services	**12,575**	**3,645**	**3,337**	**3,453**	**2,140**	2,648	1,524	588	74	462
Financial Services										
Interest and leasing income	**4,197**	1,096	1,029	1,044	1,028	4,666	1,131	1,086	1,192	1,257
Interest and depreciation expenses	**–3,026**	–769	–738	–761	–758	–3,514	–852	–824	–884	–954
Interest surplus	**1,171**	327	291	283	270	1,152	279	262	308	303
Other income	**306**	72	85	74	75	306	57	87	67	95
Other expenses	**–240**	–58	–69	–64	–49	–262	–54	–77	–61	–70
Gross income	**1,237**	341	307	293	296	1,196	282	272	314	328
Selling and administrative expenses	**–573**	–154	–147	–143	–129	–538	–137	–130	–138	–133
Bad debt expenses	**–493**	–107	–108	–101	–177	–833	–238	–211	–233	–151
Operating income, Financial Services	**171**	**80**	**52**	**49**	**–10**	–175	–93	–69	–57	44
Operating income	**12,746**	3,725	3,389	3,502	2,130	2,473	1,431	519	17	506
Interest income	**464**	194	112	85	73	407	99	97	100	111
Interest expenses	**–657**	–160	–166	–164	–167	–1,129	–238	–266	–291	–334
Other financial income	**70**	34	–11	24	23	227	–74	36	28	237
Other financial expenses	**–90**	–17	28	–49	–52	–376	18	–3	–35	–356
Total financial items	**–213**	51	–37	–104	–123	–871	–195	–136	–198	–342
Income before taxes	**12,533**	3,776	3,352	3,398	2,007	1,602	1,236	383	–181	164
Taxes	**–3,430**	–776	–1,045	–1,026	–583	–473	–414	–105	31	15
Net income	**9,103**	**3,000**	**2,307**	**2,372**	**1,424**	1,129	822	278	–150	179
Attributable to:										
Scania shareholders	***9,103***	*3,000*	*2,307*	*2,372*	*1,424*	*1,129*	*822*	*278*	*–150*	*179*
Non-controlling (minority) interest	***0***	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Earnings per share, SEK [1, 2]	**11.38**	3.75	2.88	2.97	1.78	1.41	1.03	0.35	–0.19	0.22
Operating margin, %	**16.3**	16.6	18.3	17.0	12.9	4.0	7.8	3.9	0.1	3.2

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		
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Scania Group										
Operating margin, %	**16.3**	4.0	14.1	14.4	12.4	10.8	11.6	10.1	9.3	4.6
Earnings per share, SEK [2]	**11.38**	1.41	11.11	10.69	7.42	5.83	5.40	3.79	3.42	1.30
Equity per share, SEK [2]	**37.5**	29.1	27.4	31.0	32.7	29.7	26.8	22.8	21.2	20.0
Return on equity, %	**34.7**	5.1	38.3	35.0	24.1	20.8	21.8	17.4	17.2	6.5
Dividend, SEK per share [2, 3]	**5.00**	1.00	2.50	5.00	3.75	3.75	3.75	1.50	1.37	0.87
Dividend as percentage of net income	**43.9**	70.9	22.5	46.8	50.5	64.3	69.5	39.6	40.2	66.8
Redemption, SEK per share [2, 3]	**–**	–	–	7.50	8.75	–	–	–	–	–
Equity/assets ratio, %	**30.5**	23.7	19.9	27.1	29.7	30.3	30.3	27.7	25.6	23.4
Net debt, excluding provisions for pensions, SEK m.	**23,481**	39,767	50,112	31,534	23,297	25,476	23,115	24,291	25,108	29,305
Net debt/equity ratio	**0.78**	1.71	2.28	1.27	0.89	1.07	1.08	1.33	1.48	1.83
Vehicles and Services										
Operating margin, %	**16.1**	4.3	13.6	13.8	11.7	10.0	10.8	9.4	7.5	4.1
Capital employed, SEK m.	**32,836**	34,534	34,514	26,749	32,898	27,012	23,876	21,859	24,363	27,311
Operating capital, SEK m.	**23,284**	27,886	30,169	22,859	22,226	24,396	21,680	20,080	20,356	23,380
Profit margin, %	**16.8**	5.3	14.3	14.4	12.8	11.6	11.6	10.0	9.2	4.7
Capital turnover rate, times	**2.35**	1.77	3.02	2.92	2.38	2.43	2.50	2.21	1.89	1.93
Return on capital employed, %	**39.5**	9.4	43.1	42.1	30.4	27.9	29.1	22.0	17.4	9.1
Return on operating capital, %	**49.4**	9.0	47.3	49.9	35.2	26.8	29.0	23.1	16.6	9.1
Net debt, excluding provisions for pensions, SEK m. [4]	**–7,700**	4,038	8,364	–1,902	–4,335	269	854	2,647	4,308	7,790
Net debt/equity ratio [4]	**–0.30**	0.21	0.49	–0.09	–0.19	0.01	0.05	0.17	0.31	0.58
Interest coverage, times	**17.5**	2.2	11.3	15.0	9.6	6.8	8.6	6.2	4.6	2.0
Financial Services										
Operating margin, %	**0.5**	–0.4	1.0	1.5	1.6	1.9	1.7	1.4	1.2	1.2
Equity/assets ratio, %	**11.1**	10.4	9.6	10.1	9.6	10.0	11.2	11.5	11.9	9.5

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 non-controlling (previously minority) interests divided by average number of shares.

Equity per share
Equity excluding non-controlling (previously minority) interests 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, net surplus 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, net surplus 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.

Operating 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.

Geographic areas
Europe: Austria, Belgium, Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Macedonia, the Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland.

Eurasia: Azerbaijan, Belarus, Georgia, Kazakhstan, Russia, 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.

Africa and Oceania: 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.

Multi-year statistical review

	According to IFRSs[1]							According to Swedish GAAP		
SEK m. unless otherwise stated	**2010**	2009	2008	2007	2006	2005	2004	2003	2002	2001
Delivery value by market area										
Europe	**41,533**	37,988	60,360	59,553	53,117	47,712	43,384	41,198	38,525	38,823
Eurasia	**2,413**	1,449	5,267	5,126	2,534	1,731	1,339	1,121	741	533
America[6]	**21,725**	11,812	12,822	10,573	8,420	7,575	5,655	3,836	3,542	5,576
Asia	**9,035**	6,097	6,665	5,699	4,603	4,137	3,997	3,936	3,123	2,898
Africa and Oceania	**5,403**	5,243	4,364	4,511	3,953	3,943	3,404	2,896	2,529	2,364
Adjustment for lease income[2]	**–1,941**	–515	–501	–976	–1,889	–1,770	–991	–2,406	–1,175	–1,884
Net sales, Scania products	**78,168**	62,074	88,977	84,486	70,738	63,328	56,788	50,581	47,285	48,310
Divested car operations[3]	**–**	–	–	–	–	–	–	–	–	4,755
Total	**78,168**	62,074	88,977	84,486	70,738	63,328	56,788	50,581	47,285	53,065
Operating income										
Vehicles and Services	**12,575**	2,648	12,098	11,632	8,260	6,330	6,149	4,759	3,548	2,089
Financial Services	**171**	–175	414	532	493	529	450	366	308	278
Divested car operations[3]	**–**	–	–	–	–	–	–	–	550	100
Total	**12,746**	2,473	12,512	12,164	8,753	6,859	6,599	5,125	4,406	2,467
Operating margin, %										
Vehicles and Services	**16.1**	4.3	13.6	13.8	11.7	10.0	10.8	9.4	7.5	4.3
Divested car operations[3]	**–**	–	–	–	–	–	–	–	–	2.1
Total[4]	**16.3**	4.0	14.1	14.4	12.4	10.8	11.6	10.1	9.3	4.6
Net financial items	**–213**	–871	–534	–258	–170	–94	–323	–521	–684	–926
Net income	**9,103**	1,129	8,890	8,554	5,939	4,665	4,316	3,034	2,739	1,048
Specification of research and development expenses										
Expenditures	**–3,688**	–3,234	–3,955	–3,214	–2,842	–2,479	–2,219	–2,151	–2,010	–1,955
Capitalisation	**351**	282	202	289	180	278	316	660	573	–
Amortisation	**–168**	–264	–475	–418	–361	–283	–84	–2	–	–
Research and development expenses	**–3,505**	–3,216	–4,228	–3,343	–3,023	–2,484	–1,987	–1,493	–1,437	–1,955
Net investments through acquisitions/ divestments of businesses	**56**	118	–61	268	–	205	49	26	–1,165	929
Net investments in non-current assets	**2,753**	3,031	5,447	4,277	3,810	3,597	2,798	3,285	2,921	1,878
Portfolio, Financial Services operations	**36,137**	40,404	47,220	38,314	31,841	29,634	26,601	25,926	25,303	25,091
Cash flow, Vehicles and Services	**11,880**	5,512	1,774	8,229	6,942	3,865	2,685	2,450	3,583	2,066
Inventory turnover rate, times[5]	**6.4**	4.5	6.5	7.5	6.9	6.0	6.0	5.8	6.1	6.0

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).

6 Refers mainly to Latin America.

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Number of vehicles produced										
Trucks	**60,963**	29,573	72,656	71,017	60,867	53,368	53,051	45,985	41,433	43,487
Buses	**6,700**	6,236	7,709	7,314	5,870	6,141	5,621	5,291	3,712	4,664
Total	**67,663**	35,809	80,365	78,331	66,737	59,509	58,672	51,276	45,145	48,151
Number of trucks delivered by market area										
Europe	**23,315**	18,824	41,184	44,433	40,349	35,493	34,346	32,453	30,624	32,416
Eurasia	**2,369**	1,084	5,455	5,765	2,877	1,592	1,238	1,017	810	579
America[9]	**18,056**	9,566	10,775	9,790	7,957	7,776	7,604	4,739	3,633	6,181
Asia	**10,179**	4,843	6,721	6,061	5,546	5,415	5,464	5,317	3,486	2,994
Africa and Oceania	**2,918**	2,490	2,381	2,605	2,615	2,291	1,911	1,519	1,342	1,489
Total	**56,837**	36,807	66,516	68,654	59,344	52,567	50,563	45,045	39,895	43,659
Number of buses and coaches delivered by market area										
Europe	**1,760**	1,954	2,412	2,212	2,426	2,390	2,311	2,421	1,689	1,811
Eurasia	**82**	130	194	235	284	275	270	152	55	17
America[9]	**2,104**	1,421	2,009	2,344	1,679	1,727	1,472	1,072	958	1,595
Asia	**2,120**	1,876	1,721	1,495	879	616	947	631	440	666
Africa and Oceania	**809**	1,255	941	938	669	808	519	634	632	583
Total	**6,875**	6,636	7,277	7,224	5,937	5,816	5,519	4,910	3,774	4,672
Total number of vehicles delivered	**63,712**	43,443	73,793	75,878	65,281	58,383	56,082	49,955	43,669	48,331
Number of industrial and marine engines delivered by market area										
Europe	**2,634**	1,834	3,019	3,538	3,578	3,417	2,824	1,894	1,918	1,906
America	**3,281**	1,775	2,798	2,537	2,245	2,073	1,648	881	631	2,217
Other markets	**611**	626	854	1,153	723	214	542	390	642	549
Total	**6,526**	4,235	6,671	7,228	6,546	5,704	5,014	3,165	3,191	4,672
Total market for heavy trucks and buses, units										
Europe (EU27)[7]										
Trucks	**178,100**	161,100	316,000	326,200	299,300	277,300	256,400	230,700	226,800	249,400
Buses	**25,400**	26,500	28,700	28,100	25,900	23,800	22,500	21,800	22,800	23,500
Number of employees December 31[8]										
Production and corporate units	**17,006**	14,672	16,264	17,291	16,517	15,174	15,260	15,498	15,067	14,987
Research and development	**2,930**	2,642	2,922	2,528	2,174	2,058	1,924	1,833	1,681	1,435
Sales and service companies	**14,987**	14,475	15,079	14,797	13,682	13,128	12,455	11,460	11,173	11,868
Total Vehicles and Services	**34,923**	31,789	34,265	34,616	32,373	30,360	29,639	28,791	27,921	28,290
Financial Services companies	**591**	541	512	480	447	405	354	321	309	251
Total	**35,514**	32,330	34,777	35,096	32,820	30,765	29,993	29,112	28,230	28,541

7 Twentyfive of the European Union member countries (all EU countries except Greece and Malta) plus Norway and Switzerland.
8 Including employees with temporary contracts and employees on hire.
9 Refers to Latin America.

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, 5 May 2011 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 Friday, 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 Friday, 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 Friday, 29 April 2011.

Dividend

The Board of Directors proposes Tuesday, 10 May 2011 as the record date for the annual dividend. The last day for trading shares that include the dividend is Thursday, 5 May 2011. Provided that the AGM approves this proposal, the dividend can be expected to be sent on Friday, 13 May 2011.

Calendar

Interim Report, January–March, on 27 April 2011.
Interim Report, January–June, on 21 July 2011.
Interim Report, January–September, on 21 October 2011.

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 Stockholm, if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

Annual Report and financial information

Scania shareholders are the main target group for the Annual Report, which is sent only to those who have ordered it.

All new shareholders receive a letter welcoming them to Scania's shareholder services, where they may personally order the information they want, in the format and quantity they wish. They may subscribe to the Interim Reports, the Annual Reports, the shareholder magazine *Scania Value*, invitations to the Annual General Meeting and press releases via e-mail. They may also choose to receive printed Annual Reports, Interim Reports and Scania Value by post.

In addition, other stakeholders have the opportunity to subscribe to financial information via Scania's website, where it is also possible to order printed information in single copies and have them sent by post.

Financial information is available in Swedish and English and may be ordered from:

Scania AB, Investor Relations, SE-151 87 Södertälje, Sweden
Phone: +46 8 553 810 00
www.scania.com/shareholder
www.scania.com/subscribe
www.scania.com/printedmaterial

Website

On Scania's website, www.scania.com, it is easy to follow events at the company during the year. You can monitor Scania's share price and compare its performance with that of competitors, as well as see the latest transactions, share price history, dividend history and other share data. Shareholders can easily calculate the return on their own holdings. The website also provides historical financial data, truck registration statistics, key financial ratios and much more.

Photographers: Karl-Erik Andersson, Peggy Bergman, Dan Boman, Gilmare Gomes, Fred Lorca, Wagner Menezes, Jonas Nordin, Silvio Serber, Göran Wink, Brian Winstanley, Lassila & Tikanoja, Scania and Terex.

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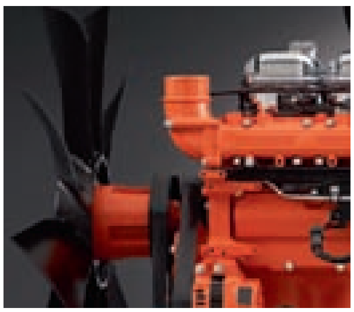
TRUCKS

BUSES AND COACHES



ENGINES

SERVICES

FINANCIAL SERVICES

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For more information:
www.scania.com

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