ANNUAL REPORT 2007

PRIDE QUALITY DRIVER APPEAL PRODUCTIVITY SUSTAINABLE DEVELOPMENT

SCANIA

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

The English version of Scania's Annual Report is a translation of the Swedish-language original, which is the binding version and shall prevail in case of discrepancies. Translation: Victor Kayfetz, Scan Edit. The Financial Report encompasses pages 60–123 and was prepared in compliance with International Financial Reporting Standards. The Report of the Directors encompasses pages 4–48, 55–62 and 122–123. 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.

VEHICLES AND SERVICES

TRUCKS

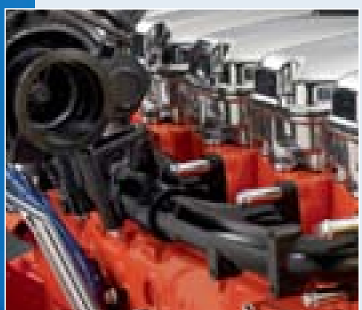
Scania develops, manufactures and sells trucks with a gross vehicle weight of more than 16 tonnes (Class 8), intended for long-distance, construction and distribution haulage as well as public services.

During 2007, Scania delivered 68,654 new trucks to customers at a value of SEK 52,599 million.

BUSES AND COACHES

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

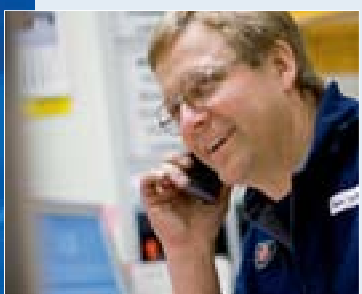
During 2007, Scania delivered 7,224 buses and coaches.



ENGINES

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

During 2007, Scania delivered 7,228 engines.



SERVICES

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

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

FINANCIAL SERVICES

FINANCIAL SERVICES

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

CONTENTS

OPERATIONS

FINANCIAL REPORTS

A record year for Scania

In 2007 Scania had a successful year. We reported record earnings as well as the highest volume and strongest cash flow ever.

We launched a number of innovations: engines with cutting-edge technology, products and services that strengthen the competitiveness of our customers. The new G-series will increase our expansion potential in important fast-growing markets and in the construction vehicle segment.

During 2007 there was strong demand for transport equipment in most of Scania's markets. Major infrastructure, production and housing investments are under way in the new European Union member countries and in Russia. Consumption patterns in these countries are moving towards those of western Europe and North America.

In Russia, the market for western truck makes has grown rapidly. Scania enjoys a leading market position, and we are expanding our service network as the fleet of Scania trucks grows. If this trend continues, within a year or so Russia will become Scania's largest single market.

During 2007 the size of the truck market was determined by the delivery capacity of manufacturers, since demand was significantly larger than capacity. During 2007, Scania produced 78,300 vehicles at very high capacity utilisation.

But capacity is a dynamic concept, and we are working constantly to remove bottlenecks. With investments of about SEK 2 billion over three years, by late 2008 we can achieve an annual capacity of some 90,000 vehicles and by late 2009 a capacity of 100,000 vehicles.

The Scania Production System (SPS) plays an important role in the company's constant efficiency increase. We implement continuous improvements and have created a learning organisation with a focus on quality and efficiency. Scania's target is to improve efficiency by 6–8 percent annually.

In the sales and service organisation, we are streamlining our network in mature markets. We are expanding so that we can meet increased demand from our customers. Our range of service products is becoming ever more important in ensuring that our customers will derive maximum value from their vehicle investment.

Since the 1970s, Scania has annually invested the equivalent of about four percent of sales in research and development. We are continuing to concentrate intensively on engine technology. During 2007 we were the first truck manufacturer to launch engines that meet the EU's Euro 5 environmental standards without exhaust gas aftertreatment. The reception from customers has been very positive.

In addition, Scania already has in place the technology to meet future Euro 6 regulations, which are expected to enter into force around 2013. Euro environmental standards focus on nitrogen oxide and particulate emissions, but Scania is working concurrently to curb carbon dioxide emissions.

From 2000 until 2020, we expect to halve the carbon dioxide emissions associated with transporting a tonne of cargo. We will achieve this by means of engine development, driver training, reduced air drag and rolling resistance as well as better payload capacity per vehicle. Hybrid technology and biofuels will also play an important role.

All our modern Scania engines can run on renewable biofuels. We have 20 years' experience of ethanol-powered engines, and in 2007 we launched an ethanol engine with the same efficiency as a diesel engine. We are starting tests of our hybrid technology in regular traffic in Stockholm during 2008.

We were proud when the Clinton Climate Initiative declared that Scania's ethanol buses are one of the best available solutions for reducing carbon dioxide emissions from urban traffic.

An important environmental factor is the driver. An experienced driver can improve fuel economy by 10–15 percent. By offering expanded driver training, we can help improve fuel economy, reduce vehicle wear and repairs and thereby raise the efficiency of our customers.

We launched a new driver training programme in 2007. And we organised our Scania driver competitions for the third time, with 40,000 participants. The competitions, focusing on efficient, safe driving, are now organised not only in Europe but all over the world.

Our outlook for 2007–2009 represents annual sales growth for the Scania Group averaging more than 10 percent. Return on capital employed is expected to surpass 30 percent. We expect our research and development expenditures to remain at their current level in relation to sales.

R&D investments will lay the groundwork for our future sales and our business expansion. Investments, including research and development, will also remain at a constant level of eight to nine percent of sales over the years. The operating margin will be in the range of 12–15 percent.

Scania's success is a result of our employees' dedication. By constantly reassessing and improving their work, with the customer and quality as top priorities, they are the reason why Scania is a very strong company today. I would like to express my sincere gratitude to our employees for a successful year.

Leif Östling
President and CEO

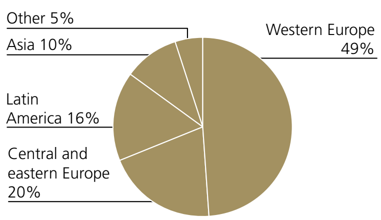
"Scania's success is a result of our employees' dedication. By constantly reassessing and improving their work, with the customer and quality as top priorities, they are the reason why Scania is a very strong company today."

LEIF ÖSTLING
President and CEO

Scania in figures

Scania had a record year in 2007, selling more vehicles than ever before. Cash flow has never been stronger. Net income for the year increased by 44 percent to SEK 8,554 m., resulting in earnings per share of SEK 10.69. Order bookings for vehicles increased by 26 percent. Service-related sales rose by 11 percent, reflecting very high activity among Scania's customers.

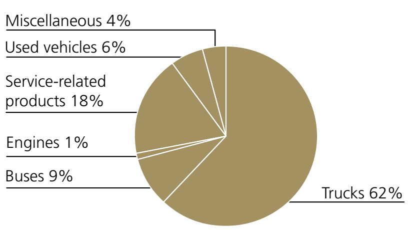
Vehicles delivered by market area, 2007



Net sales in Scania's ten largest markets

Vehicles and Services, SEK m.	2007	2006	Change in %
Great Britain	8,683	7,909	10
Brazil	6,965	5,337	31
Germany	4,913	4,281	15
France	4,842	4,168	16
Sweden	4,679	4,633	1
Russia	4,560	2,253	102
Spain	4,050	3,655	11
Norway	3,908	3,148	24
The Netherlands	3,791	4,179	– 9
Italy	3,401	3,427	– 1

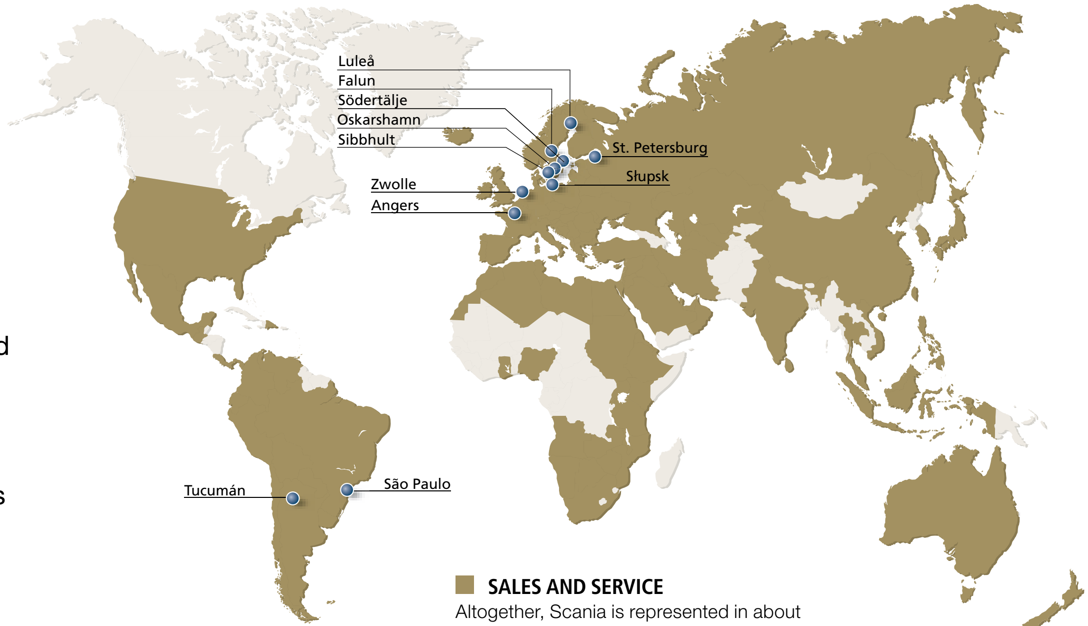
Net sales by product area, 2007



KEY FIGURES	2007	2006	2005
Deliveries, units			
Trucks	68,654	59,344	52,567
Buses	7,224	5,937	5,816
Engines	7,228	6,546	5,704
Net sales, SEK m. Vehicles and Services	84,486	70,738	63,328
Operating income, SEK m.			
Vehicles and Services	11,632	8,260	6,330
Financial Services	532	493	529
Total	12,164	8,753	6,859
Operating margin, percent	14.4	12.4	10.8
Income before taxes, SEK m.	11,906	8,583	6,765
Net income for the year, SEK m.	8,554	5,939	4,665
Earnings per share, SEK	10.69	7.42	5.83
Cash flow, Vehicles and Services, SEK m.	8,229	6,942	3,865
Return, percent			
of equity	35.0	24.1	20.8
of capital employed, Vehicles and Services	42.1	30.4	27.9
Net debt/equity ratio, Vehicles and Services	– 0.09	– 0.19	0.01
Equity/assets ratio, percent	27.1	29.7	30.3
Net capital expenditures, excl acquisitions, Vehicles and Services, SEK m.	4,277	3,810	3,597
Research and development expenditures, SEK m.	3,214	2,842	2,479
Number of employees, 31 December	35,096	32,820	30,765

The world of Scania

Scania operates in about 100 countries and has more than 35,000 employees. Of these, 2,400 work with research and development mainly in Sweden, close to production units. Scania's corporate purchasing department is supplemented by local procurement offices in Poland, the Czech Republic, the United States and China. Production takes place in Europe and Latin America.



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

Scania's global production network

Scania has a global production network, into which all production units around the world are integrated. This allows great flexibility and cost-effective production.

TRUCKS

ASSEMBLY
- Södertälje, Sweden
- Angers, France
- São Paulo, Brazil
- Zwolle, the Netherlands

MANUFACTURING

CABS
- Oskarshamn, Sweden
- São Paulo, Brazil

AXLES
- Falun*, Sweden
- São Paulo, Brazil

FRAME MEMBERS
- Luleå, Sweden

GEARBOXES
- Sibbhult*, Södertälje, Sweden
- Tucumán, Argentina

ENGINES
- Södertälje, Sweden
- São Paulo, Brazil

BUSES AND COACHES

CHASSIS ASSEMBLY
- Södertälje, Sweden
- São Paulo, Brazil

BODYBUILDING
- Słupsk, Poland
- St. Petersburg, Russia

ENGINES

ASSEMBLY
- Södertälje, Sweden
- São Paulo, Brazil

* Operations are being moved to Södertälje during 2008.

Broadened product and service range

In 2007, Scania launched products and services that improve customer productivity and take steps along the way to more sustainable transport. This included launching new engines with better performance and lower emissions as well as a professional driver training programme.

Wider truck range means 50 percent larger selection

During 2007, Scania broadened its truck range with the new G-series and an extension of the P-series.

With the wider range provided by the P-, G- and R-series, customers will have a greater opportunity to choose vehicles that exactly fit their needs. The broadened truck range, which represents a 50 percent larger selection, strengthens Scania's product portfolio, especially in the construction segment and in important fast-growing markets. Together with the new engine series, it secures a base for Scania's continued volume growth.

The first Euro 5 engines without aftertreatment

In September, Scania was the first to launch engines that meet Euro 5 environmental standards without exhaust aftertreatment and with unchanged fuel economy, two years before Euro 5 standards become mandatory in the EU. This development is possible thanks to the path-breaking Scania XPI fuel injection system. Scania's new engine platform is optimised for exhaust gas recirculation (EGR), a technology that reduces emissions and improves driveability, which together result in the lowest possible operating cost to the customer. Scania also launched its third-generation ethanol engines, as well as engines complying with the extra-tough enhanced environmental friendly vehicle (EEV) standards.

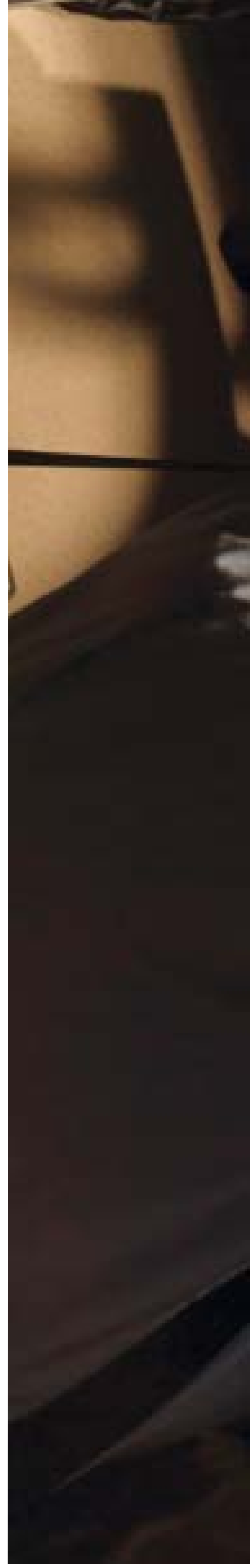
Hybrid bus soon in service

In May, Scania unveiled its hybrid concept for buses operating in urban settings. The hybrid bus saves at least 25 percent of fuel. If the bus is ethanol-powered, this also reduces fossil carbon dioxide emissions by up to 90 percent. Scania's concept bus is designed to be part of a sustainable bus service system that requires no purchasing or operating subsidies. It was tested and evaluated during 2007. During 2008 and 2009, ethanol-powered buses equipped with Scania's hybrid propulsion system will be tested in day-to-day service in Stockholm, in partnership with the regional transport company Storstockholms Lokaltrafik (SL).

New Scania coaches in rapidly growing segments

Scania is investing in an expanded presence in the rapidly growing intercity and express coach market through the new Scania Irizar i4 and Scania OmniExpress models.

The two models are available in several different variants for regular and occasional service. There is growing demand for coaches that can handle a wider variety of applications. With these new launches, Scania has a product range suitable for many different needs.



Scania has been working with driver training for many years. Well-trained drivers are the key to a safer traffic environment, better fuel economy and higher profitability for transport companies.

New driver training platform

The driver is of crucial importance to vehicle operating economy, road safety and environmental impact. During 2007, Scania launched a new global platform for truck and bus driver training. Targeted to experienced professional drivers, it is based on the EU driver training directive, which applies to bus drivers from September 2008 and trucks drivers one year later. The directive stipulates that drivers in EU countries must undergo 35 hours of mandatory driver training within a five-year period.

Scania's training course consists of theoretical and practical exercises in safe, economical driving. Experience from Scania's driver training courses in nearly 40 countries throughout the world for several decades shows that investments in driver training pay off, due to the extensive savings that can be achieved.

Even experienced drivers can improve their fuel economy by 10 to 15 percent. This means that an investment in driver training pays off in less than one month, assuming an annual mileage of 200,000 kilometres. Better fuel economy naturally also has a positive effect on the environment. A 10 percent improvement in fuel economy reduces carbon dioxide emissions by 19 tonnes per year, given the same driving distance.

Scania's core values

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

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

Customer first

By understanding its customers' business operations, Scania can generate added value. The customer is at the centre of the entire value chain: from research and development via production and procurement, to sales, financing and delivery of services.

Respect for the individual

Respect for the individual is built by recognising and using all employees' knowledge, experience and attitude of continuously seeking to improve their work. New ideas and inspiration are born out of day-to-day operations, where Scania's employees enhance their skills. This lays the groundwork for continuous improvements in quality, efficiency and job satisfaction.

Quality

High quality is essential in ensuring the satisfaction and profitability of Scania's customers. By understanding customers' needs, Scania continuously improves the quality of its products. Deviations are used as a valuable source of information for further improvements, and are handled in well-established processes.

Scania's strategy

Scania's strategy can be summarised in two words: profitable growth. Scania is the leading company in its industry, both in terms of profitability and brand. This can only be achieved by collaboration throughout the value chain, while preserving Scania's strategic focus.

Heavy transport vehicles

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

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

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

Modular product system

Scania's modular product system enables the company to offer its customers optimised vehicles. The more closely vehicles and services can be adapted to a given transport task, the better the customer's operating economy will be. The modular system provides a carefully balanced number of main components with standardised interfaces. This results in great flexibility, which is important for Scania's cross-functional product development and global production. The modular system allows considerably longer production runs than are possible in conventional product systems. It also simplifies parts management, contributes to higher service availability and makes it easier to train service technicians.

Integrated business – vehicles, services and financing

Scania offers vehicles, services and financing. An understanding of customer needs and the ability to offer combined solutions of unique value to each customer are vital to Scania's success.

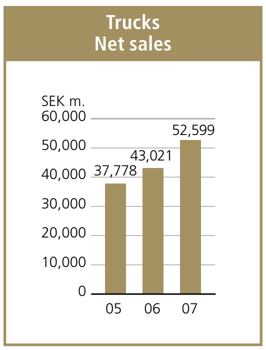
Scania's customers often use their vehicles round-the-clock and need quick access to maintenance and repairs from Scania's service network at all hours of the day and night. Comprehensive solutions that include vehicles, services and financing are becoming ever more important.

Selective growth

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

TRUCKS

Demand higher than ever

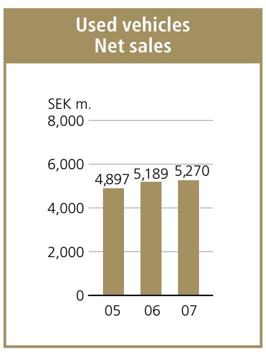


During 2007 the demand for road transport rose sharply, which was clearly noticeable in the truck market. There was robust demand in most of Scania's markets.

Scania operates in more than 100 countries, and its strategy is to grow within segments where it is possible to achieve sustainable, profitable growth. This means that Scania may have a large share of the market for the most advanced trucks, even if its share of the total market is small. This is especially clear in such high-growth markets as Russia, where Scania has a large share of the market for the most advanced vehicles. In relation to the total Russian market, including domestic makes, this is a small but rapidly growing segment.

Good economic growth during 2007 led to expanding global trade and an increased need for transport. This created a shortage situation, especially in Europe, where all truck manufacturers produced at full capacity during the year.

Scania's order bookings rose by 26 percent to 85,939 trucks during 2007. The company delivered a total of 68,654 trucks to customers, an increase of 16 percent.



EUROPE

Great need for trucks in Europe

In Europe, Scania's main market, road transport expanded faster than the economy as a whole, due to growing cross-border trade.

The great need for trucks led to very strong growth in the European market during 2007. Demand for both new and used trucks was high.

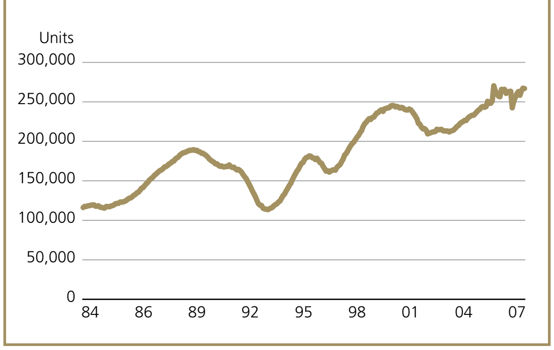
This trend was driven by major investments in infrastructure and industry as well as rising consumption in the new European Union member countries, Russia and the other countries of the Commonwealth of Independent States or CIS (the former Soviet republics except for the three Baltic countries). This is a region where investments and growth are expected to remain high for many years to come. In Europe, truck transport operations are expected to increase by 60 to 75 percent during the coming decade.

Scania's order bookings were strong throughout 2007. The negative effect that was feared as a consequence of pre-buying in the run-up to the new environmental regulations that went into effect in the autumn of 2006 did not materialise.

In western Europe, order bookings increased by 25 percent to 48,343 trucks during 2007. Scania's investment in exhaust gas recirculation (EGR) engines and in construction segment sales contributed to strong order bookings.

The total market for heavy trucks in 24 EU countries and Norway and Switzerland rose by 9 percent to about 323,000 vehicles. Scania truck registrations totalled 43,700 units, equivalent to a market share of approximately 13.5 percent, compared to 13.1 percent in 2006. Scania retained its market-leading position in the Nordic countries.

The truck market in western Europe

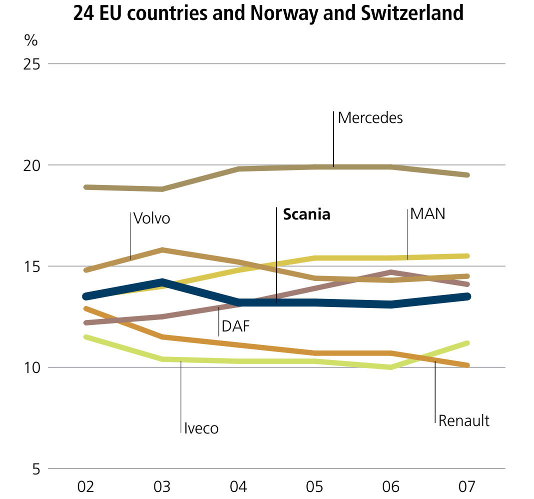


During the past ten years, the truck market in western Europe has grown by more than 55 percent.

In western Europe, Scania's foremost competitors are Mercedes, Volvo, MAN, DAF, Renault and Iveco. These manufacturers have varying shares of different markets. In recent years, market shares in western Europe have changed only marginally.

Market shares

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



There is keen competition for market share in western Europe, with Mercedes as the clear leader, although its share is lower today than some years ago. Scania has maintained its position as the most profitable manufacturer.

In Europe, truck transport operations are expected to increase by 60 to 75 percent during the coming decade.

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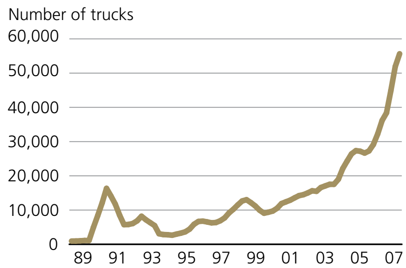
>> In the emerging markets of central and eastern Europe, positions have not yet stabilised when it comes to market shares of imported quality vehicles. Scania has a strong position due to having entered these markets early and having built up a broad service network, which is now paying off. Last year the region accounted for 22 (15) percent of Scania truck deliveries.

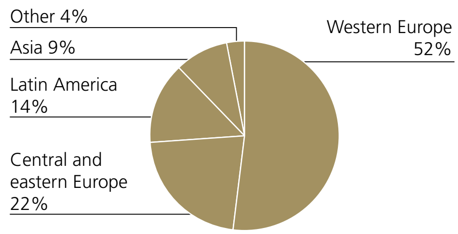
The region is becoming more and more important. Scania's order bookings rose by 49 percent to 17,216 trucks. Deliveries totalled 14,789 units, an increase of 67 percent. Demand strengthened in most markets, with continued vigorous expansion in Poland and Russia. Russia is now Scania's third largest market measured in Scania trucks delivered and the company's fastest growing market.

The truck market in the new EU countries



The growth of the truck market in the new EU countries remained at a high level during 2007. The robust expansion in truck deliveries is being driven by large investments in infrastructure and production facilities as well as rising consumption in the new European Union member countries.

Scania truck deliveries by region, 2007



Scania's ten largest truck markets, vehicles delivered

Rank		Country	2007	2006	Change in %
1	(2)	Brazil	**6,451**	5,063	**27**
2	(1)	Great Britain	**5,315**	5,440	**– 2**
3	(8)	Russia	**5,161**	2,565	**101**
4	(4)	Germany	**4,584**	4,243	**8**
5	(3)	France	**4,367**	4,259	**3**
6	(5)	Spain	**3,904**	3,673	**6**
7	(7)	Italy	**3,028**	3,097	**– 2**
8	(6)	The Netherlands	**2,885**	3,499	**– 18**
9	(11)	Poland	**2,837**	1,763	**61**
10	(9)	Sweden	**2,387**	2,338	**2**

The ten largest markets accounted for 60 percent of Scania's total truck deliveries.

Truck transport volume increased rapidly during 2007, especially in western Europe, which is Scania's most important market. Growing cross-border trade is contributing to this trend.

At an early stage Scania entered the Russian market, which has experienced enormous growth in recent years. Among foreign truck companies, Scania is the market leader.

EUROPE

Russian market growing rapidly

Scania's truck sales in Russia are surging. This growth is driven by increased trade, which is growing faster than the economy as a whole.

During 2007 Scania's deliveries rose by more than 100 percent to 5,161 trucks. Growth is expected to remain strong.

Scania normally measures its market share as the number of truck registrations, except in Russia, where registration statistics are incomplete. There, market share is expressed as a percentage of imported new trucks from Europe, Japan and the United States. In terms of these statistics, Scania achieved a market share of approximately 27 percent in Russia during 2007. Scania was thus the largest imported truck make in Russia.

Scania's position is strong in all segments. Its extensive service network is a competitive advantage. In the next several years, the network will be further expanded and the number of service points will double.

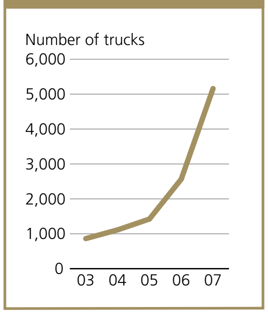
In area, Russia is as large as South America and stretches across eleven time zones. It is more like a continent than a country – a continent in the midst of a very rapid transformation. This means that the need for road transport will increase very sharply. There is a need for transport in the raw materials sector and for infrastructure projects around the country, as well as for the increasingly well-developed merchandise trade within the country.

International transport operations previously dominated, but today the need for domestic transport capacity is driving expansion. The trend is that Russians are buying a larger share of their goods at shopping centres and big department stores instead of at markets and small kiosks as previously.

In addition, foreign companies have begun moving production to Russia. Eventually, this will contribute to an increased need for transport. Local manufacturers, such as Kamaz and Maz, dominate the market in terms of the number of trucks sold, but in Scania's judgement, trucks of western standard will continue to gain market share.

Professional buyers in the Russian market are increasingly turning to manufacturers of high-quality trucks such as Scania, since these can be driven longer distances without needing maintenance and repairs.

Scania truck deliveries in Russia



Russia is now Scania's third largest and fastest-growing market.

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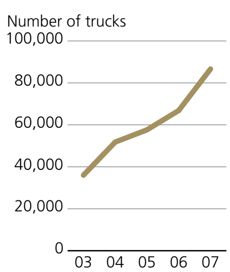
LATIN AMERICA

Strong order bookings in Latin America

Scania's sales developed favourably in Latin America during the year. Robust demand for raw materials from the mining industry and ethanol from sugar cane plantations resulted in strong sales to those sectors.

The truck market in Latin America



Since 2003, the truck market in Latin America has shown growth.

Order bookings rose by 21 percent in Latin America during 2007, and the positive trend from 2006 thus continued. Scania traditionally enjoys a strong position in the region, where long distances lead to great demand for the high-quality trucks that Scania can offer. During the year, demand was especially strong in the mining industry and agriculture, not least as a consequence of greater demand for ethanol made from sugar cane. The mining industry is experiencing a continued strong market, thanks to high raw material prices.

In the largest market, Brazil, Scania's market share fell somewhat to 22 percent, measured in registrations of trucks with a gross vehicle weight of over 16 tonnes. Scania was thus the second largest make after Mercedes, which had a 27 percent market share. Volvo's market share was 20 percent. During the year, Scania delivered 6,451 trucks in Brazil, and the country is thus Scania's largest truck market, ahead of Great Britain.

By launching the P-, G- and R-series, Scania broadened its product range, which should contribute to a continued strong position in Latin American markets.

ASIA, MIDDLE EAST AND AFRICA

Good demand due to major investments

Selective growth is the way forward for Scania in Asia, the Middle East and Africa. Major infrastructure investments are under way, while demand from the mining sector is high.

In the Middle East, there is intensive construction activity in the countries around the Gulf. Growth is especially strong in Dubai as well as elsewhere in the United Arab Emirates.

Scania has operated in the region for many years, which provides an advantage when there is a market upturn. Scania's strategy is to focus on the most advanced vehicle segments. The largest market in the Middle East is Turkey, where 2,174 (2,099) Scania trucks were registered during 2007.

In Asia, China and India are attractive markets in a longer perspective. They are not yet showing the same strong expansion as the emerging markets of eastern Europe, but it is important to establish a position early.

During the year, Scania established a wholly-owned importing company in China and appointed eight dealerships. The structure is in place to take advantage of the opportunities that will open up when demand for high-quality heavy trucks rises.

Order bookings from Asian markets rose by 16 percent during 2007.

Scania establishes partnership in India

During 2007, Scania took a step into the Indian market through a partnership with Larsen & Toubro Limited (L&T). This is in line with Scania's strategy of selective growth. The partnership with L&T gives Scania access to an extensive service and distribution network from day one, without large initial investments. In India, Scania will begin by focusing on the mining and construction segment, where there is a demand for robust trucks with high technology content. The first trucks were delivered around the beginning of 2008.

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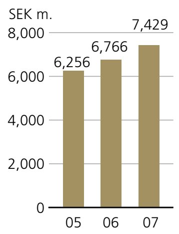
>> BUSES AND COACHES

New bus and coach range, higher order bookings

Buses and coaches Net sales



Order bookings for buses and coaches that run on renewable fuels rose during 2007. Scania launched a new range that meets stricter requirements for reduced exhaust emissions in ordinary buses and coaches. The trend towards cleaner vehicles benefits Scania, which landed a number of major orders in 2007.

During the autumn, Scania launched a comprehensive new bus and coach range, featuring engines that meet Euro 5 environmental standards without aftertreatment of exhaust gases. This is possible thanks to Scania's exhaust gas recirculation (EGR) technology. In addition to Euro 5, the new engines for urban traffic meet EEV standards, an EU concept for promotion of the best possible technology for sensitive environments.

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

Total order bookings during 2007 rose by 26 percent to 8,154 units. Scania delivered 7,224 buses and coaches.

In Latin America, order bookings increased by 54 percent. Brazil was Scania's largest bus and coach market, with 1,017 vehicles.

In Europe, order bookings rose by 12 percent. Great Britain was Scania's largest bus and coach market in Europe, with 508 delivered vehicles.

In Asia, Africa and the Pacific, order bookings increased by 20 percent and Scania delivered 2,433 buses and coaches.

Environmental awareness is growing worldwide, and consequently so is interest in public transport. Scania is in the forefront of efforts to develop more efficient transport, resulting in a number of major orders during 2007.

Environment and operating economy important factors

Stronger presence in Spain

Scania strengthened its presence in the Spanish city bus market by selling 110 buses to the municipal bus company Empresa Municipal de Transportes (EMT) in Madrid. EMT is a driving force in the development of more environmentally sound vehicles and today also has Scania ethanol buses in test operation. EMT, which runs a fleet of 2,000 buses, works hard to improve public transport and thereby contributes to a better urban environment in Madrid.

Record deal in Singapore

Environmental awareness is increasing in all countries. This benefits the growth potential of Scania Buses and Coaches. During the year, Scania signed its largest bus and coach deal in Asia to date, selling 500 city buses to the leading public transport company SBS Transit in Singapore. Crucial to the choice of Scania was the environmental performance and operating economy of the buses, which feature Euro 4 engines and EGR technology as well as attractive service support.

When Scania developed the OmniExpress, the guiding word was “flexibility”. The result was a bus as comfortable as a long-distance coach and as versatile as a commuter.

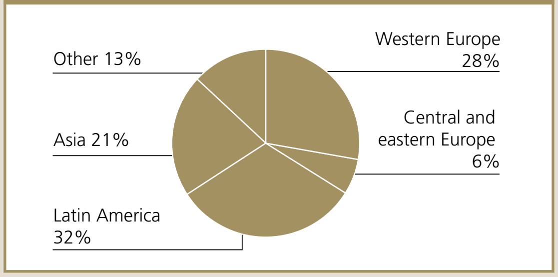
Largest order in Great Britain

Scania also received its largest single order to date for buses and coaches in Great Britain when National Express Group chose Scania to supply 300 vehicles. The order strengthens Scania’s position as one of the leading bus and coach suppliers in Great Britain. National Express is a high-profile company with a market-leading position in the country.

Breakthrough in New Zealand

During the year, Scania made a major breakthrough in the New Zealand city bus market when the country’s largest city bus operator, NZ Bus, placed an order for 150 city buses for delivery during 2007 to 2009. Such factors as engines with advanced technology and high passenger capacity were crucial to the choice of Scania.

Bus and coach deliveries by region, 2007



Deliveries increased mainly in Asia and Latin America.

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

Rank		Country	2007	2006	Change in %
1	(1)	Brazil	**1,017**	694	**47**
2	(4)	Iran	**878**	385	**128**
3	(2)	Great Britain	**508**	559	**– 9**
4	(3)	Spain	**475**	482	**–1**
5	(7)	Mexico	**426**	244	**75**
6	(8)	Australia	**338**	217	**56**
7	(10)	South Africa	**315**	191	**65**
8	(14)	Peru	**311**	124	**151**
9	(9)	Italy	**245**	199	**23**
10	(5)	Russia	**233**	280	**–17**

The ten largest markets accounted for 66 percent of Scania’s total bus deliveries.

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The machine that harvests Brazilian sugar cane is powered by a Scania engine. Brazil is the world leader in production of ethanol from sugar cane. Net carbon dioxide emissions from an engine fuelled by this type of ethanol are up to 90 percent lower than those from a similar engine powered by fossil fuel.

>> ENGINES

Stricter standards an opportunity for Scania

Stricter environmental standards for engines are expected to benefit the growth of the Scania Engines business area. They are tougher than the Euro 5 standards for trucks.

Scania focuses on diesel engines in the 9– to 16-litre displacement segment. Most deliveries consist of industrial engines for electricity generation (gensets). They may also be used to generate power using alternative fuels. In Germany, Scania engines are at the heart of the small biogas-driven gensets that the HJ Schnell company sells to German farmers. HJ Schnell switched to Scania when engine efficiency requirements became stricter. Today nine of the ten engine types that HJ Schnell supplies are based on Scania's 12-litre diesel engine.

The market for industrial engines is generally characterised by low mobility among customers, which rarely change suppliers. The new environmental standards are an opportunity for Scania to successfully market new engines that lower the customer's costs and create greater customer value. This will give Scania a major opportunity to increase its market share.

When it comes to marine engines for pleasure boats, Scania has had a strategic alliance with the Japanese company Yanmar for some years. Scania's heavier engines complement Yanmar's lighter ones well. Via Yanmar, Scania gains access to a well-developed sales and service network in the marine engine field.

Scania delivered 7,228 industrial and marine engines during 2007, an upturn of 10 percent.

Scania Engines is the only part of the Scania Group that sells in the US, a market that is becoming increasingly important. During 2007 the business area changed its name from Scania Industrial and Marine Engines to Scania Engines.

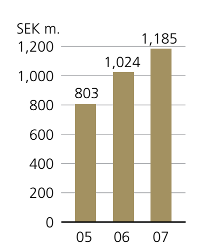
Among other applications, Scania engines are used in rescue boats, where performance and reliability standards are extra high.

Scania's ten largest engine markets, engines delivered

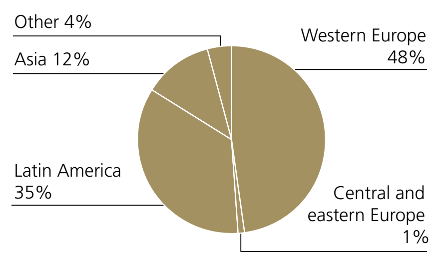
Rank		Country	2007	2006	Change in %
1	(1)	Brazil	2,271	1,933	17
2	(6)	Iran	737	401	84
3	(2)	Germany	709	944	– 25
4	(3)	Spain	669	571	17
5	(4)	Great Britain	550	473	16
6	(8)	The Netherlands	363	274	32
7	(7)	Sweden	343	278	23
8	(5)	Norway	319	464	– 31
9	(11)	South Africa	230	158	46
10	(10)	Argentina	223	169	32

More than 30 percent of Scania's engine deliveries go to Brazil.

Engines Net sales



Engine market by region, 2007

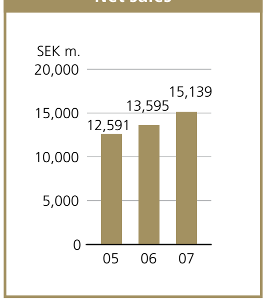


Deliveries increased mainly in Latin America and Asia.

An efficient logistics chain requires a combination of different modes of transport. Trucks are important as the last link in the chain that delivers goods to end customers.

Truck transport – key link in the logistics chain

Services Net sales



Due to globalisation and increased trade, competition is intensifying. Flexible, efficient goods transport is becoming a key competitive tool, with trucks fulfilling an important function.

Efficient logistics enables companies to reduce their costs, while more easily adapting to the demands of their customers and improving service to them. This is important when production is driven directly by customer orders.

Due to the increased demands in the transport industry, market players are becoming larger and larger. Efficient logistics requires skilled drivers. They must deliver their cargo intact and at the agreed time, and they must manage technology that is more advanced than previously. Large international terminal networks and the ability to manage different modes of transport in the same logistics chain are common methods of improving efficiency. Meanwhile the demand for specialised transport is increasing.

Container traffic is increasing three times faster than world trade. Containers are transferred to other vessels or to other modes of transport, such as trucks or trains. The final journey to the warehouse, shop or consumer is almost always by truck.

Growing demand for Scania's services

The high quality of Scania's service-related offering is becoming increasingly important in ensuring that customers enjoy the greatest possible value from their investment in each vehicle. If transport companies are to meet today's demands for efficient transport, their vehicles have to be continuously available.

Scania is working on a broad front to develop its service business by expanding its service network and offering. Today more than 40 percent of all Scania employees work in sales and service companies, compared to 10 percent in the early 1990s. Service revenue rose by 11 percent till SEK 15,139 m. during 2007, reflecting very high activity among customers. The largest markets in terms of service sales were Great Britain, Sweden, Norway and Germany. Their closer proximity to the transport work of customers ensures high uptime for the roughly 600,000 Scania vehicles that are in operation.

Shorter lead times – higher uptime

The shorter the time that a vehicle stands still, the more profitable it can be. A vehicle that is tied up by body-building, repairs or maintenance is inactive and cannot earn money for its owner. By systematically shortening lead times at every level, Scania helps boost customer productivity.

The Scania Dealer Operating Standards (DOS) include the highest requirements in the market. DOS is based on a number of customer pledges that must be met in order for a service workshop to be certified by Scania.

Close to customers via Scania's own service network

Over the past decade, Scania has invested heavily in its service network in order to increase vehicle uptime and its own proximity to customers.

During 2007, Scania expanded its service network to about 1,000 workshops in Europe. The network now consists of a total of 1,500 workshops around the world. This service network, combined with Scania Assistance roadside repair service, enables Scania to offer vehicle

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Continuous improvements

Scania's service organisation is upgrading its operations. During 2007, Scania introduced a systematic method for working with continuous improvements – the Scania Retail System (SRS).

SRS is based on the same fundamental principles as the Scania Production System (SPS). Improvement efforts are carried out on the workshop floor by employees, with strong support from management. The aim is to engage all employees in the task of eliminating waste and improving working methods.

The workshop in Drongen, Belgium, was one of the first to begin working according to the Scania Retail System. Employees have made sure that the most common electrical components needed to make a truck ready for delivery are available at every workstation. The result is that customers receive their vehicles faster than previously.

servicing and repairs 24 hours a day and 365 days a year throughout Europe and in a number of other markets.

Through Scania Assistance, customers can maintain contact in their own language via 17 Scania customer centres in 40 countries. In case of a breakdown, customers can summon help to start or repair a vehicle on the road, contact a workshop or tow the vehicle.

Efficiency at all levels

One important element of vehicle uptime and proximity to customers is Scania's parts management, which has the highest standards of efficiency and speed in the market. Scania's distribution structure enables it to deliver parts throughout Europe within 12 hours.

Even if a truck works perfectly, other portions of the vehicle may experience problems, for example crane and tanker bodywork or refrigeration units delivered by body-builders. Scania also offers its customers the opportunity to obtain repairs, maintenance and parts even for portions of the vehicle that Scania did not deliver, in order to secure maximum uptime.

New driver training platform

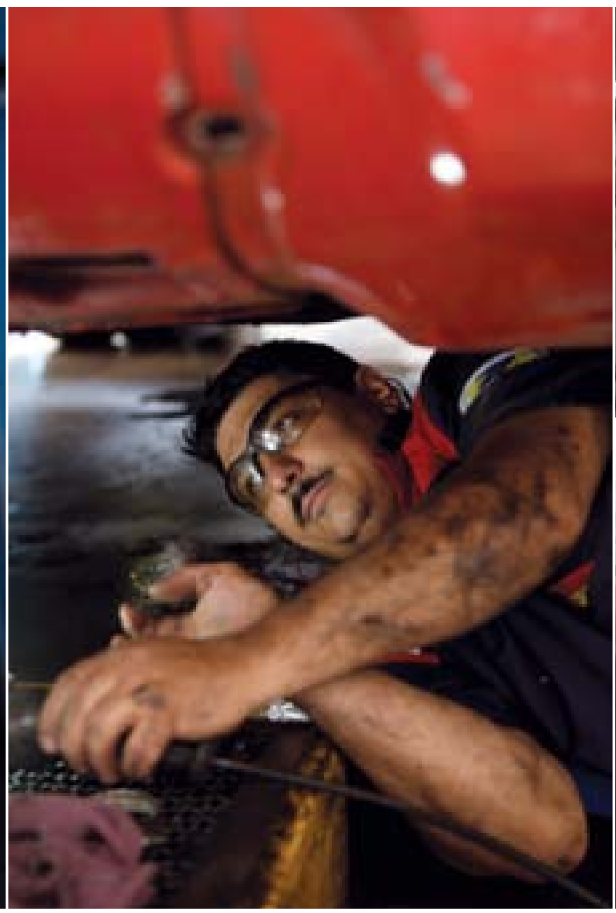
Scania is continually upgrading its service portfolio and support systems to ensure that it can deliver solutions that enable customers to use their vehicles optimally.

During 2007, Scania launched a new global driver training platform intended for professional truck and bus drivers. Training courses are based on the new EU directive on driver training. They include both theoretical and practical topics ranging from daily vehicle maintenance to economical, safe driving.

Scania provides driver training in over 30 countries. During 2007, more than 9,500 (7,000) truck and bus drivers received such training. Well-trained drivers mean improved fuel economy, lower repair and maintenance costs, better road safety and reduced environmental impact.

IT support for efficient transport

Scania's customers are often links in complex logistics chains. Drivers and hauliers thus increasingly require good information technology (IT) support. Scania Fleet Management is one example of a tool that makes transport management and vehicle monitoring easier, enabling a transport operator to utilise its fleet more efficiently and give its own customers better service. The system also helps transport companies keep track of when it is time for maintenance and which drivers may need training to learn how to handle vehicles more efficiently. Hauliers can monitor their costs in an efficient way.

In its service business, Scania is working on a broad front to make continuous improvements that shorten lead times for customers. Scania must optimise its organisation in such a way that each unit adds as much customer value as possible, among other things through an expanded range of services and greater focus on the driver.

FINANCIAL SERVICES

Growth drives demand for financing

Scania's financing and insurance solutions are an integral element of Scania's customer offering. By providing competitive financial services as part of a complete solution, Scania enables customers to focus on their own business.

Financial services strengthen Scania's main business – supplying customers with high-quality vehicles and services for advanced transport of goods and passengers by road.

By the close of 2007, the value of Scania's financing portfolio had increased to SEK 38,300 m. from SEK 31,800 m. on 31 December 2006. The financing portfolio is well diversified. At year-end the portfolio was divided among about 21,700 customers, of which more than 300 were customers representing a credit exposure exceeding SEK 15 m.

Number of trucks financed rose 18 percent in 2007

In all, Scania financed about 18,600 new trucks during 2007. This was an increase of 18 percent compared to the preceding year. This was equivalent to 35 (35) percent of sales in markets where Scania has its own financing operations.

Scania has wholly owned finance companies for customer financing that cover 40 markets. In markets where Scania does not have its own finance company, financing is offered through export financing solutions or through collaboration with local banks.

The geographic dispersion of Scania's financing is increasing as eastern and central Europe as well as other markets outside western Europe grow. The five largest portfolios at the end of 2007 were the Nordic region, Germany, Benelux, Great Britain and France.

Financing important in emerging markets

Growth is high in Scania's largest markets in western Europe, but it is even higher in such emerging markets as Russia, Poland, Turkey and South Africa. In emerging markets, Scania's solutions are extra important, since local financial markets are not so developed.

Customers are offered financing solutions tailored to fit their needs. They can choose between loan financing and various forms of leases. Financial services may also include both insurance and various types of service contracts.

Spreading the risks with a well-balanced portfolio

Scania's strategy is to minimise risks by have a well-balanced portfolio. Aside from broad geographic dispersion, this means that Scania apportions risks among different types of customers, both in terms of size and economic sectors. Scania's knowledge in this field and its proximity to customers facilitates the assessment of customer creditworthiness and the value of the collateral, in the form of the vehicle being financed. Due to improved economic conditions among transport companies, provisions for bad debts remain at a low level. In case of very large individual credit exposures, Scania uses syndication with other financial institutions as an instrument for reducing the individual credit risk.

The year's total bad debt expenses, including provisions to the reserve for bad debts, amounted to SEK 90 m. (63), which was equivalent to 0.26 (0.20) percent of the average portfolio. Of this, actual credit losses totalled SEK 46 m. (59).

Diversified financing portfolio, December 2007

Customer category	Number of customers	% of total portfolio value
Exposure <SEK 15 m.	21,405	68 %
Exposure SEK 15–50 m.	260	18 %
Exposure >SEK 50 m.	57	14 %
Total	**21,722**	**100 %**

With most customers, Scania has an exposure of less than SEK 15 m.

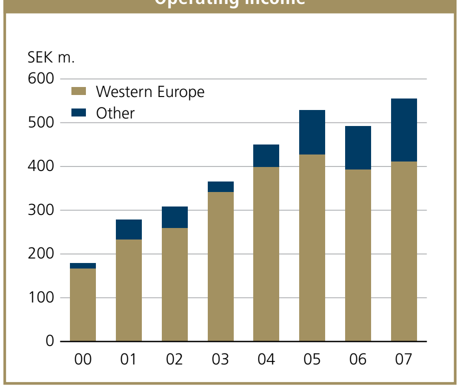
Broadened insurance offering

Since the beginning of the 21st century Scania has offered truck-related insurance in a number of the markets where it provides financing. To meet its customers' need for comprehensive protection, Scania recently broadened its offering by adding loan insurance, gap insurance (covering the differential between any remaining debt and the current value of the truck in case of an accident where the truck must be sold), and insurance connected to goods transport. The local finance companies develop their own specific insurance product range. Scania's ambition is to provide insurance that is tailored to customer needs.

The key concepts in this approach are:

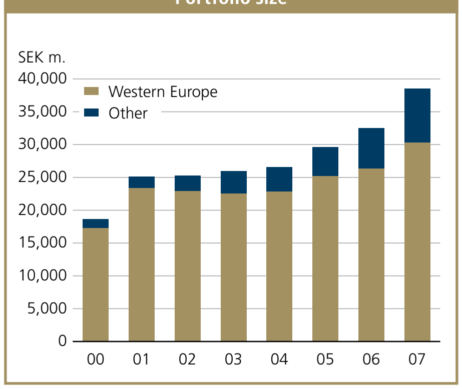
- A clear and comprehensive range of insurance that guarantees broad protection at an affordable price. As a professional insurance agent, it is up to Scania to identify customers' risks and suggest suitable insurance solutions.
- First-class claims service, driven by the customer's need to maximise uptime and based on professional repair work performed at authorised Scania workshops.
- Long-term insurance programmes with selected insurance companies, based on sound claims statistics. Scania devotes extensive effort to damage-prevention work, which leads to reduced insurance premiums for customers.

Operating income



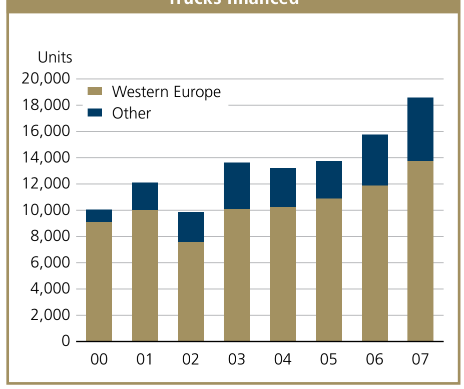
Operating income rose to SEK 532 m. during 2007. Bad debt expenses remained at a low level.

Portfolio size



The customer financing portfolio increased by SEK 6.5 billion during 2007.

Trucks financed



Scania financed about 18,600 trucks during 2007. A total of 68,654 trucks were delivered.

Product development in dialogue with customers

The need for efficient, sustainable transport solutions is the starting point for Scania's research and development. By being a leader in vehicle development, even today Scania can foresee how the potential of technology can yield future improvements for customers.

Scania had an intensive year in 2007. Vehicle manufacturers are under great pressure to devise long-term, sustainable solutions for tomorrow's transport needs. One important step towards that goal is the transition to renewable fuels that do not increase carbon dioxide emissions into the atmosphere.

Scania's target is to reduce carbon dioxide emissions per tonne-kilometre by 50 percent during the period 2000 to 2020. This will materialise not only through the use of renewable fuels, but also by means of such innovations as hybridisation and continuous vehicle improvements. Legislation also needs to be re-examined in order to allow longer, more efficient vehicle combinations.

Scania engines are adapted to operate on all the fuels available in the market. Customers wishing to reduce their oil dependence can begin the transition now. Scania is in the forefront of engine development and unveiled a new generation of engines during 2007 that meets Euro 5 environmental standards without exhaust aftertreatment. This engine platform can be further refined to meet the even stricter emission standards that will apply in the future.

Euro 5 does not go into effect until the autumn of 2009, but even today Scania customers have access to engines that meet Euro 5 standards.

Important to predict future transport needs

Euro 5 does not take effect until the autumn of 2009, but even today Scania customers have access to engines that meet its standards. Scania can also deliver engines that meet the even lower enhanced environmentally friendly vehicle (EEV) emission standards. One important starting point for Scania's research and development work is to predict future needs of customers in different segments and develop products and services that meet these needs.

Research and development work takes place in close contact with the sales and service organisation, in order to incorporate customer needs and foresee the future needs of various transport segments. Product development also takes place in close collaboration with production units, so that products and production engineering can develop concurrently.

Scania's R&D competitive now and in the future

Scania invests about four percent of annual sales in research and development. This level is stable over time. It enables Scania to be a leader in strategically important fields, for example heavy diesel engines, and to maintain its future competitiveness.

Scania develops and manufactures all strategically and competitively important components in-house, or in strategic alliances with other leading market players. Together with the American engine manufacturer Cummins, Scania has developed such products as a new extra high pressure fuel injection system (Scania XPI). This is part of Scania's Euro 5-compliant engine platform. Through this strategic alliance, Scania has secured access to the necessary technology to meet such future standards as the EU's Euro 6 environmental legislation, which is expected to take effect in 2013.

Research and development resources are concentrated in Södertälje, Sweden. The work encompasses the entire product development chain – from analysis of customer needs, macroeconomic factors and the competition through basic research programmes, pre-production engineering, customer clinics and long-term testing, to quality monitoring and environmental considerations. It also includes the development of new production methods.

Keys to greater productivity

The profitability of transport companies is greatly influenced by vehicle characteristics that can boost productivity. The powertrain is of central importance, greatly affecting a vehicle's character and performance. It also provides the basis for fuel economy, environmental characteristics and the long service life of Scania's products. In terms of fuel economy and cargo capacity, Scania has been in a leading position for many years.

Maintenance costs and uptime also weigh heavily in the customer's transport accounting. If vehicles are well matched to their tasks, they last longer and do not need to make unscheduled workshop visits.

That unique Scania feeling

Customers expect Scania to be among the leaders in technical performance. Scania also works deliberately to build in numerous other values that customers have learned to appreciate during more than a century of vehicle development.

Scania's customers must feel proud of their choice of vehicle – that they have chosen something beyond the ordinary. And the customer's customers – the buyers of transport services – must feel that the transport company they contract knows its business and employs the best conceivable equipment.

Ergonomics

Behind the wheel, a driver perceives the Scania experience via several senses and channels. All systems and functions are designed to give drivers the best possible support in their work.

Scania's curved dashboard with its controls at arm's length distance has been a tradition since the late 1980s. Many important controls are gathered on and around the steering wheel, enabling the driver to manoeuvre most of them without letting go of the steering wheel.

Feeling

The feeling of the steering wheel, pedals and controls is as important as their placement. The movements of the steering wheel should be reflected directly in the vehicle's position on the road. Via the steering wheel and suspension, the driver feels exactly what the vehicle's front wheels are being subjected to in the form of road irregularities and tracks. Steering and suspension are designed to convey a maximum of road feel.

Great care is devoted to the climate and sound level in the cab, in order to support the driver's work. Scania wants the driver to experience certain noises in order to do a good job. Subdued engine noise and certain sounds from the suspension and wheels convey how hard the vehicle is being pushed.

Support systems and functions

Numerous support systems make the driver's job in a modern truck or bus easier. Scania Opticruise handles gearchanging and optimises fuel economy without intervention by the driver. The Scania Retarder takes care of downhill speed control in a safe manner, while avoiding wear on the wheel brakes and working together with the gearchanging system to maximise engine braking as well.

Scania Ecocruise is a savings programme that facilitates fuel-efficient driving by employing several patented solutions. The system enables a vehicle to pass the top of a hill as economically as possible without acceleration, and it takes advantage of the speed after a downhill slope to save fuel.

The cruise control can be supplemented with adaptive cruise control, which automatically maintains the gap to the vehicle in front. Scania's lane departure warning system is designed to react only to abnormal driver behaviour and thus not be perceived by the driver as intrusive.

Visual impressions

Scania's styling reflects tradition while providing an active, powerful impression and fostering confidence among drivers, transport companies and other road users.

Continued reduction in emissions per vehicle

For nearly two decades, lower exhaust emissions have been an environmental target of Scania's engine development work.

Emissions from heavy vehicles have fallen sharply since the early 1990s. The transition to Euro 4 standards meant that nitrogen oxide emissions were lowered by 55 percent and particulate (soot) emissions by 95 percent, compared to their 1990 levels. For Euro 5 engines, the corresponding reduction is 75 and 95 percent, respectively. Enhanced environmentally friendly vehicle (EEV) standards are tighter when it comes to hydrocarbons and particulates, for example.

A reduction in particulate or nitrogen oxide emissions normally impairs fuel economy. Due to successful product development, Scania has managed to combine sharply lower emission levels from trucks and buses with better fuel economy than 15 years ago. For example, the new Euro 5 engines use no more fuel than Euro 4 or Euro 3 engines.

Scania knows both EGR and SCR

In the industry, two technologies are used to lower emissions from Euro 3 to Euro 4 or Euro 5 levels: EGR and SCR. Scania has developed engines for both technologies, but regards EGR as more convenient for the customer.

EGR (exhaust gas recirculation) means that nitrogen oxide and particulate levels are curbed during the actual combustion process. No exhaust aftertreatment or additives are needed. This means less hassle and requires no extra tanks that reduce cargo capacity. EGR also works well in urban traffic and other types of driving where the exhaust temperature is comparatively low. With Scania EGR, some of the exhaust gases are fed back into the combustion chamber, lowering combustion temperature and reducing the level of nitrogen oxides in the exhaust gases. Meanwhile the high fuel injection pressure in Scania engines reduces the amount of particulates.

SCR (selective catalytic reduction) is an aftertreatment system that reduces nitrogen oxides by injecting a urea and water solution into the exhaust gases following combustion. Scania has chosen to develop SCR technology for its powerful V8 engines in Euro 4 and Euro 5 guise to ensure engine and cooling performance under all driving conditions.

Hybrid drive for heavy vehicles

Scania is working with hybrid drive for heavy vehicles and expects it to be in regular production five years from today.

The hybrid technology that Scania is developing is based on robust technology from today's vehicles, supplemented by electric propulsion. The electric motor also serves as a generator when braking, and supercapacitors or batteries are used for storing energy. The power source may be a diesel, ethanol or gas-powered engine.

Scania is now performing extensive testing of hybrid-driven ethanol buses for urban traffic. They yield fuel savings of at least 25 percent and reduce fossil carbon dioxide emissions by up to 90 percent. Scania's development target is that hybrid drive should be profitable for the customer, without subsidies.

Scania engines can run on renewable fuels

With minor adjustments, Scania engines can run on renewable fuels, but the transition to renewable fuels must takes place in an economically and environmentally sustainable way.

ETHANOL

Ethanol is usually produced from sugar cane or sugar beets, but the raw material can also be cereals or other biological materials. With limited technical adjustments, ethanol can be used in petrol-powered vehicles. For 20 years, Scania has used diesel combustion principle in its ethanol engines, which yields substantially higher efficiency. Net carbon dioxide emissions into the atmosphere are reduced by up to 90 percent by using ethanol made from sugar cane in Brazil.

BIODIESEL

Rapeseed methyl ester (RME) is a biodiesel which is produced from rapeseed (canola) oil and can be mixed with diesel. All Scania engines can run on diesel fuel with an admixture of up to five percent RME. Scania's diesel engines with unit injectors can run on 100 percent RME at temperatures down to –10 degrees Celsius. The reduction in carbon dioxide emissions may amount to as much as 70 percent.

SYNTHETIC DIESEL

Another alternative fuel is synthetic diesel, which can be produced from natural gas or biological wastes, among other sources. Synthetic diesel can be mixed successively into regular diesel, providing a smooth transition to alternative fuels. One advantage is that this is also suitable for older vehicles. Synthetic diesel produced from biomass can lower carbon dioxide emissions by up to 80 percent.

GAS

Gaseous fuel is bulky and is thus most suitable for stationary plants that generate heat and power. The fuel yields low emissions of hazardous substances and can be used for vehicles in city traffic, where the operating range is limited and the fuel supply can be ensured. Such fuel may consist of natural gas or biogas. Using biogas, carbon dioxide emissions can be eliminated.

EGR good for transport company efficiency

Kowloon Motor Bus Company (KMB), with 4,400 buses, demands high standards of efficiency. Every night, 1,200 buses are serviced at the company's main terminal. Filling tanks with urea solution would involve an extra step. With Scania's EGR technology this is not needed, and KMB can thus improve its bottom line while contributing to a better environment.

Scania applies for more than 100 patents per year

At Scania's research and development units, 2,400 specialists work with everything from mechanics, electronics, ergonomics, design and aerodynamics to social sciences.

Every year, Scania's research and development work yields a number of patented inventions, something that the Group strongly encourages. Today Scania applies for more than 100 patents per year, compared to about 40 a decade ago.

Higher production and major restructuring

To compete in an increasingly tough market, Scania must continuously improve its operations. For many years, Scania has worked persistently to boost efficiency in a systematic way.

The introduction of the P-, G- and R-series in Latin America will mean optimal utilisation of Scania's global production system.

Never has the demand for Scania's products been as high as in 2007. Despite major restructuring and new product ranges, Scania was able to work at top capacity all year. A large part of the reason why is the Scania Production System (SPS).

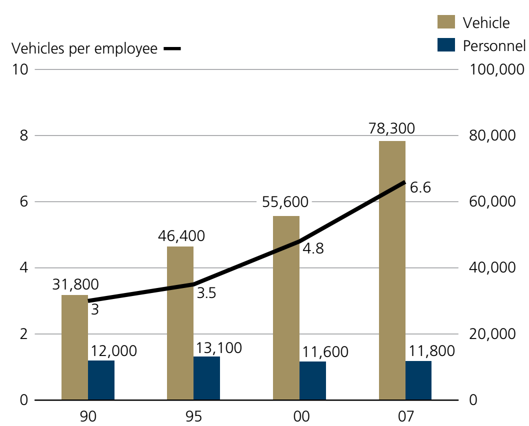
SPS is based on principles and methods that encourage to identify deviations. A deviation is something that prevents production from running optimally. By identifying deviations, Scania can also do something about them and continuously become better. Scania applies this common system at all production units around the world. The production network is globally integrated. Working methods and quality and environmental standards are the same at all Scania plants.

Employee dedication is important in improving efficiency. One element of Scania's work instruction is to set aside time to work with continuous improvements. This leads to new solutions, which are then tested and evaluated. Once a new solution has been introduced at one production unit, it is methodically spread to the other plants in the global production structure.

SPS has existed at Scania since the early 1990s, and this far-reaching change in working methods has now become genuinely ingrained in the organisation. Without abnormal disruptions, Scania has been able to step up its volume at the same time as restructuring has been under way in the production network. The company's overall annual production rate exceeded 80,000 vehicles at the end of 2007. Annual capacity will be increased to 90,000 by the end of 2008 and 100,000 by the end of 2009. To achieve this, Scania is investing about SEK 2 billion over a three-year period.

As one element in the task of raising its total production capacity, during 2007 Scania acquired GM Powertrain's production plant in Södertälje, Sweden. This acquisition will enable Scania to increase its production capacity for machining of engine components and to start production of fuel injection systems for engines. It will also mean that production and product development will be in close proximity to each other.

Number of vehicles produced per employee



Scania's productivity has increased by an average of six to eight percent annually

One measure of increased production efficiency is how many vehicles are manufactured per production employee. In 1990, 12,000 employees produced 31,800 vehicles. In 2007, Scania's 11,800 production employees turned out 78,300 vehicles.

At the beginning of 2008, production started at the new axle and gearbox assembly shops in Södertälje. Towards the end of the year, the moves will have been completed.

Continued restructuring of production

During 2007, the process of moving the production of strategic axle and gearbox components from Falun and Sibbhult to Södertälje continued. Non-strategic production was taken over by outside companies, which together have created more than 400 replacement jobs in the two Swedish towns.

At the beginning of 2008, production began at the new axle and gearbox workshops in Södertälje. Towards the end of the year the moves will have been completed.

More than 200 people from the affected towns have accepted Scania's offer of continued employment and have chosen to move to Södertälje.

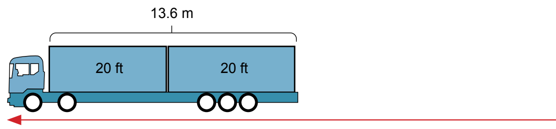
The annual corporate saving is expected to be more than SEK 300 m., with full effect during 2009.

More efficient production with continuous improvements

Scania is continuously developing new ways of doing things, enabling it to boost capacity. Among guiding principles have also been that production should take place close to research and development, while final assembly is best located close to the end customer.

As one element of this, Scania is continuing to concentrate its European production of strategic components in Södertälje. Those portions of operations not deemed strategic should be exposed to competition. If an external supplier can do the same job more resource-efficiently, that portion of production should be outsourced. Meanwhile it is important to always have at least two suppliers for every critical component, in order to minimise the risk of component shortages in production.

Scania products are based on the company's pioneering modular system. This means that components may be elements of many different combinations, which contributes to greater production efficiency. In this way, with a limited number of components, it is possible to make many different vehicle variants, buses as well as trucks. Customers get a vehicle tailored to their specific transport operations.



Sustainable transport increasingly important

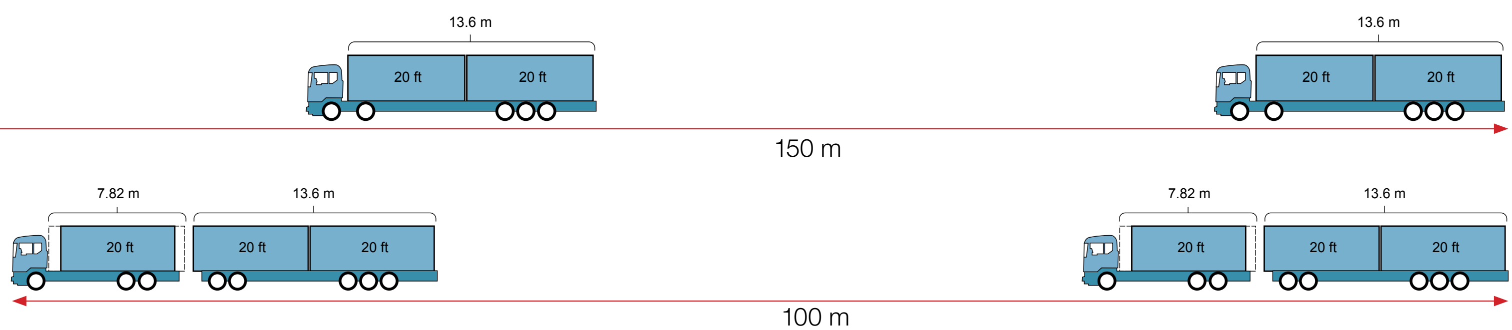
Transport is vital to society, and Scania plays an important part in providing it. Hauling goods from one place to another is essential to greater prosperity in large parts of the world. To ensure that economic growth is sustainable, transport operations must be as efficient as possible.

Scania assumes its responsibility

Scania works actively to deal with the side effects of transport, by reducing resource waste at all levels, both in the development of new products and their use.

Scania strives to develop products and services that give customers better operating economy while reducing resource consumption and environmental impact. Scania also works to promote the best possible road

Modern infrastructure and good vehicles are required for the efficient transport of the future. The flexibility of trucks is unsurpassed, and Scania has the solutions that make them a natural element of a sustainable transport system.



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

Scania also makes social, environmental and road safety demands on its suppliers, aside from requiring high standards of quality, product development, cost-effectiveness and delivery reliability.

Longer trucks occupy less space on the road and require fewer trips. By using longer vehicle combinations, two trucks can replace three.

In Sweden and Finland, there is a long tradition of haulage using long vehicle combinations. When three vehicles arrive at the border of Sweden, only two vehicles are needed to haul the same quantity of goods onward across the country. This increases transport efficiency and reduces environmental impact.

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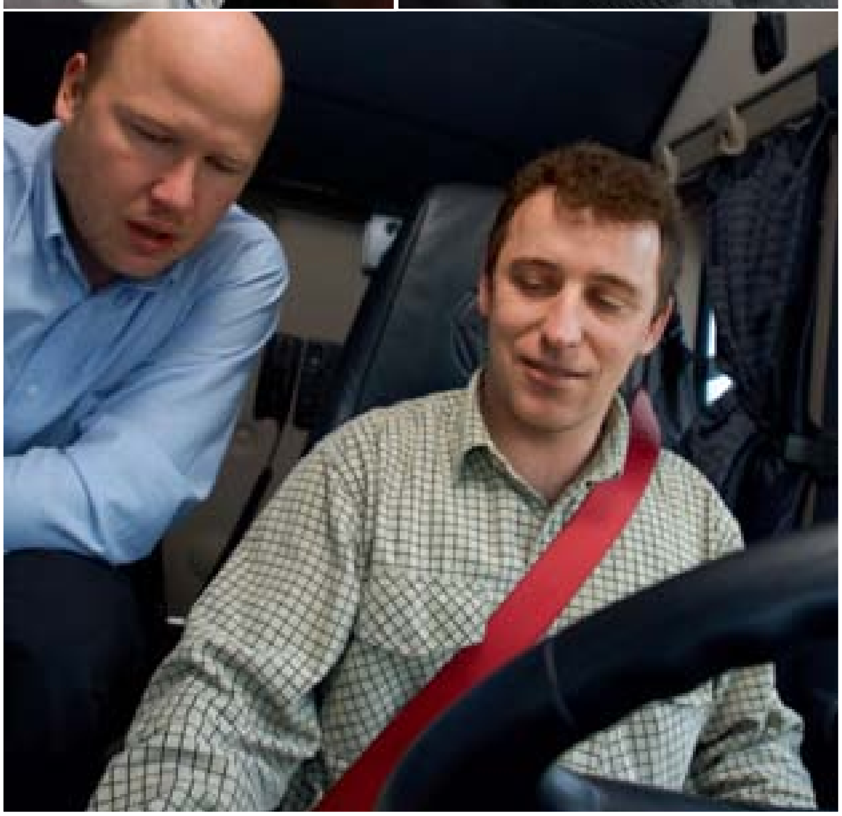

Safer roads mean more efficient transport

In a safe traffic environment, transport operations run more smoothly. Scania is working in various ways to improve road safety. One important part of this task is driver training, which Scania provides in nearly 40 countries. Such training contributes to safer driving, with less environmental impact and better vehicle economy.

As one element of its road safety work, Scania also organises driver competitions, with the endorsement of the European Commission. These competitions give professional drivers the opportunity to show their knowledge, both through practical and theoretical tests, in line with the EU's directive on mandatory driver training. Scania works to make vehicles safer by increasing both their active and passive safety. Active safety prevents accidents, and passive safety minimises the damage when accidents occur.

Worldwide, about 1.2 million people die in road accidents each year and 50 million more are injured. At the turn of the 21st century, the EU established the goal of halving the deaths on EU roads by 2010. Creating an efficient, sustainable transport system that ensures the safety of road users is a major challenge. One step along the way is that road safety issues are being viewed as increasingly important at both the national and international level. The World Health Organisation (WHO) was assigned the task of coordinating the road safety work of the United Nations. Scania has participated in this task since 2005.

An urgent international issue

Drivers are a vital element of road safety work, and driver training is thus important. During the past decade, Scania has helped ensure that more than 20,000 Brazilian truck drivers received training. In South Africa each year some 1,000 truck drivers are trained at the Scania Driver Academy. In Europe, Scania trained about 5,500 drivers in 2007. During the year, Scania launched a new global platform for driver training.

In 2007 Scania trained about 400 drivers in Poland, providing both theoretical discussions and hands-on driving practice.

Even experienced drivers can improve their fuel efficiency by 10–15 percent.

Continuous environmental work throughout the organisation

Environmental work is integrated with Scania's other improvement efforts, ensuring that benefits to the company's business go hand in hand with benefits to the environment.

Scania's environmental work takes place with a holistic perspective. Its objective is to reduce the environmental impact of products throughout their life cycle.

Scania's goal is to develop technology that is as resource-efficient as possible. This reduces the environmental impact of its products both during manufacturing and use – which is good for both business and the environment.

Scania's environmental work has a life cycle perspective. Scania works continuously with research and development concerning the environmental impact of its products and of its own internal operations. The product development stage is of fundamental importance, since it determines the conditions for resource use and environmental impact during both production and the entire life cycle of vehicles. During the production phase, the Scania Production System (SPS) leads to resource-efficient management of raw materials and energy. When products are in use, their environmental impact is the greatest. This is why it is important to work continuously to make vehicles more efficient. Another important dimension is to make the final dismantling of products easier.

Part of Scania's day-to-day work

Scania's environmental policy applies to the entire Group. Each production unit has overall environmental objectives that provide the basis for detailed targets at the local level. The Scania Executive Board makes overall and strategic decisions, and operational decisions are made in Scania's line organisation, where all managers have environmental responsibility for their operations.

Environmental and health work at production units is evaluated by the Scania Blue Rating Health & Environment system, which is also used to improve such work and disseminate best practice.

Scania's production units, as well as its research and development units, sales and service organisation and corporate units, are certified according to ISO 14001 and 9001 international environmental and quality management standards. In the sales and service organisation, environmental work is part of the Dealer Operating Standards (DOS), which are followed up in regular audits.

Scania's continuous improvement work is based on employee involvement. By encouraging the reporting of deviations, Scania has developed an organisation where shortcomings are remedied quickly. This is an important success factor.

Scania's environmental performance

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

Environment and economics

The overall direction of Scania's environmental work includes energy use, organic solvent emissions and waste. Efforts should focus on energy-saving. The aim is to steadily reduce energy use per vehicle produced at comparable production volume and in the existing production structure. Based on overall targets, detailed local targets are established.

During 2007, Scania's costs for raw materials, chemicals, energy and water totalled SEK 3,268 m. This was equivalent to 3.9 percent of Scania's sales. Use of raw materials and energy declined somewhat per vehicle produced. Total costs increased modestly. However, transport costs increased sharply, from SEK 1,900 m. to SEK 2,600 m.

Carbon dioxide emissions from production units amounted to 88.2 kilotonnes. In relation to Scania's sales, this represented 1 g/SEK. Emissions per vehicle produced decreased from 1.26 tonnes the year before to 1.13 tonnes in 2007, which clearly shows how resource efficiency is positively affected by production volume. Two heat supply units in Oskarshamn and Södertälje, Sweden are included in the EU trading system for carbon dioxide emissions allowances. During 2007, Scania bought no extra emissions allowances.

Scania is pursuing the task of reducing climate-affecting emissions with the support of the principle of continuous improvements. A detailed account of measures and outcomes, as well as a summary of environmental performance by production unit, can be found on Scania's website, www.scania.com (the website has not been reviewed by the company's auditors).

Environmental investments

As defined in the European Commission's recommendations on voluntary environmental reporting and elsewhere, an environmental investment is an investment carried out

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>> only for environmental reasons and aimed at reducing external environmental impact.

Scania does not regard high environmental investment costs according to this definition as a goal in itself or as a good yardstick of environmental commitment. An investment is often motivated by several different reasons, of which environmental impact may be one. Scania prefers to take the environment into account when making all new investments instead of subsequently investing in filters and separate purification units. This investment strategy yields a high return in the form of environmental improvement per SEK invested.

During 2007, Scania invested a total of SEK 3,819 m. in units. Of this, SEK 24.5 m. was classified as environmental investments. Compared to the year before, this represented a decline of approximately SEK 6 m. Since total investments increased, the need for purely environmental investments decreased.

Operating permits

The operations at Scania's production units around the world have permits that comply with national legislation. The environmental impact from these units mainly consists of emissions to air, discharges to water, waste products and noise. In addition to legal requirements and the conditions included in the permits, there are also internal requirements and rules for these operations.

New permits were issued for the new paint shop in Meppel, the Netherlands, which went into service in 2007, and for the production unit in São Paulo, Brazil.

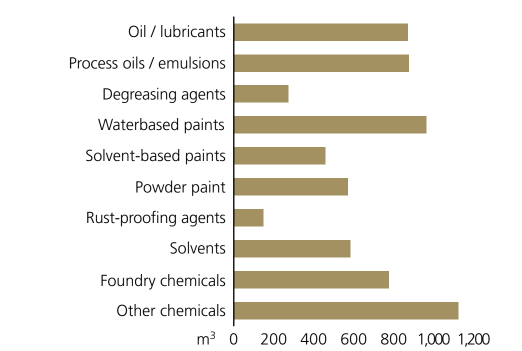
The authorities are currently examining Scania's applications for new permits related to expanded operations in Södertälje, Sweden; Zwolle, the Netherlands; and Angers, France.

During 2007 there were no known violations of the existing permits. No incidents occurred that caused significant environmental impact or led to major clean-up expenses.

Environmental performance in the production network

	2007	2006	2005
No. of vehicles produced	**78,331**	66,737	59,503
Net sales, SEK m.			
Scania products	**84,486**	70,738	63,328
Raw material consumption			
Per vehicle, kg	**2,900**	3,100	3,100
Total, tonnes	**228,000**	207,000	187,000
Total, SEK m.	**2,510**	2,310	1,890
Chemical consumption			
Per vehicle, m^3	**0.085**	0.084	0.087
Total, m^3	**6,600**	5,600	5,200
Total, SEK m.	**212**	163	151
Energy use			
Per vehicle, MWh	**9**	10	11
Total, GWh	**677**	652	635
Total, SEK m.	**313**	279	238
Carbon dioxide emissions			
Per vehicle, kg	**1,100**	1,300	1,200
Total, tonnes	**88,200**	84,200	69,000
Water use			
Per vehicle, m^3	**9**	11	11
Total, 1,000 m^3	**671**	705	660
Total, SEK m.	**8**	7	7
Solvent emissions			
Per vehicle, kg	**4.8**	5.4	5.5
Total, tonnes	**377**	360	330
Recycling of residual products and waste			
Per vehicle, kg	**1,000**	1,000	1,000
Total, tonnes	**77,000**	64,000	60,000
Revenue, SEK m.	**106**	71	46
Sent to landfills and other off-site disposal			
Per vehicle, kg	**180**	170	180
Total, tonnes	**14,000**	12,000	11,000
Total, SEK m.	**25**	20	22

Chemical use



Consumption of chemicals totalled about 6,600 m^3.

Carbon dioxide emissions related to energy use

	Energy use, GWh		Carbon dioxide emissions, ktonnes*	
	2007	1997	**2007**	1997
Electricity	**437**	368	**41**	22
District heating	**68**	100	**5**	7
Fossil fuels	**171**	188	**42**	48
Total	**677** 1)	656 1)	**88**	78
	kWh		tonnes	
Per vehicle	**8,600**	13,600	**1.1**	1.9

1) Sub-totals and totals have been rounded off.
* In 2006, Scania is applying a new recalculation factor for emissions from electricity generation.

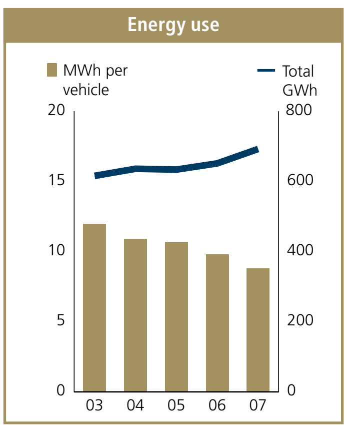
Carbon dioxide emissions amounted to 1.1 tonnes per vehicle and totalled 88,200 tonnes.

SCANIA'S ENVIRONMENTAL POLICY

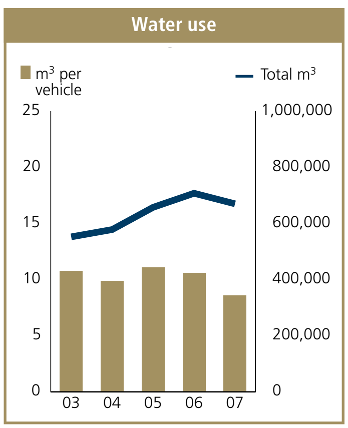
Scania continuously improves the environmental performance of its products, processes and service. Business demands and other requirements form the basis for improvements, where fulfilment of legislation is fundamental.

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

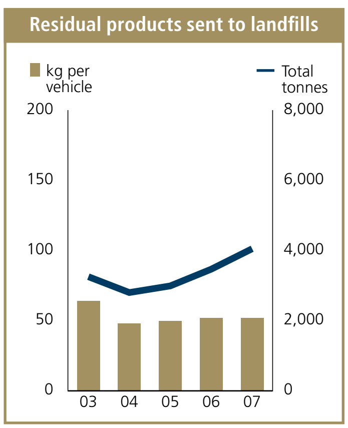
Scania offers environmentally adapted, efficient vehicles that meet the refuse collection standards of a modern society.



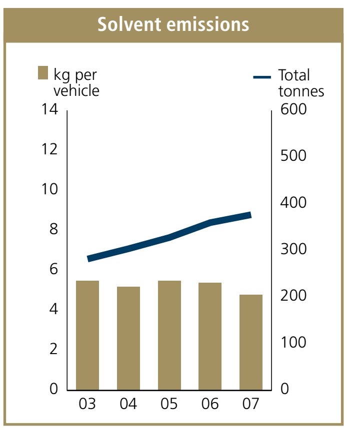
Energy use increased with production volume but decreased to 8.6 MWh per vehicle produced.



After a few years of increased water consumption, the trend reversed.



Residual products sent to landfills totalled about 4,100 tonnes (excluding foundry sand), equivalent to 52 kg per vehicle.



Solvent emissions from painting and rust-proofing decreased to 4.8 kg per vehicle.

Employee dedication – the key to success

Clear leadership, employee participation and continuous human resource development make Scania employees dedicated. Employee dedication is the key in enabling Scania successfully to meet external expectations.

Internal recruitment and training open opportunities for all employees in Scania's global organisation.

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.

Employee dedication is predicated on Scania's simple, clear core values – customer first, respect for the individual and quality – which tie together the whole organisation. Based on these values, Scania strives for clear leadership, employee participation and good working environment. Every year, Scania conducts employee surveys, which provide the basis for continuously ongoing improvement work.

At Scania, all managers are responsible both for their operations and personnel. The company applies five common leadership 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

Scania invests in training

Scania utilises the capabilities of employees and their desire for professional development through regularly recurring human resource development discussions. The idea is that operational and human resource development should go hand in hand. Scania combines traditional training programmes with the ambition to be a learning organisation, where people learn at their own workplace from colleagues, participate in projects and switch job assignments within a working team.

Scania supplements this by offering training programmes each year. In Sweden more than 20,000 employees, both from Sweden and other parts of the world, participate in some form of training each year, and about 200 internal lecturers are at work. This includes leadership training at all levels.

Internal recruitment and training are important in Scania's long-term management and talent recruitment. They also open opportunities for all employees in Scania's global organisation. The Personnel Exchange Programme (PEP) enables employees to work for Scania in other countries or other fields of expertise for a certain period of time.

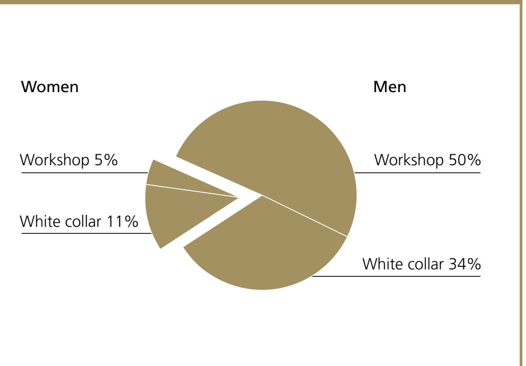
The employees of the future

Scania regards the education system in the communities around it as one of its most important partners. Scania works actively to promote future recruitment of dedicated employees among students at all educational levels.

Scania also encourages women to apply for technically oriented education at the university level. The proportion of women in senior management positions at the company is gradually increasing. Among students in Scania's trainee programme – which for many people is the start of a future management career – the proportion of women has climbed to 33 percent, compared to 14 percent in 1997.

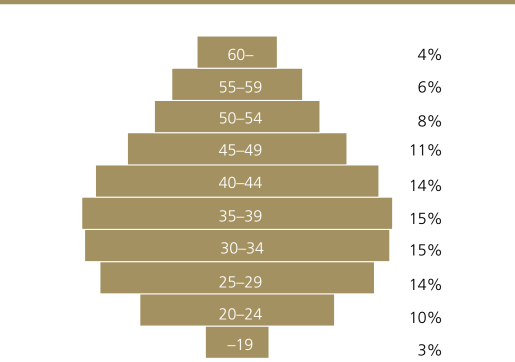
The Royal Institute of Technology in Stockholm will

Gender distribution



The gender imbalance in workshop jobs is greater than among white collar employees.

Age distribution



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

"Scaniamilen" is a 10K fitness run in Södertälje for employees and their families which attracts several thousands participants every year.

move most of its three-year BSc in Engineering programmes to Södertälje from 2008. This gives Scania great potential for educational collaboration and contacts with future employees.

Scania also collaborates with several other universities, institutes of technology and organisations in order to ensure a long-term supply of well-educated employees globally.

Scania operates its own technical upper secondary school, which accepts about 50 students per year. The programme has existed for more than 60 years. To date, more than 1,500 students have been trained. All students become regular employees from their first day and earn a salary throughout their period of training.

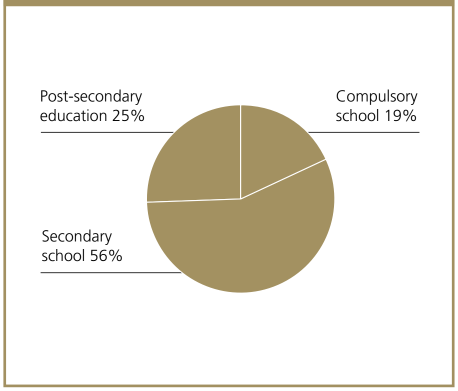
Scania also carries out training of technicians in its service network. This training programme is extensive. Scania has 52 service schools globally, with 100 full-time instructors. All of Scania's 12,500 technicians undergo yearly training.

Occupational health care important to well-being

Scania works to improve employee health and safety as well as job content. The company is also investing in expanded occupational health care, aimed at promoting good health and a rapid return to work after illnesses.

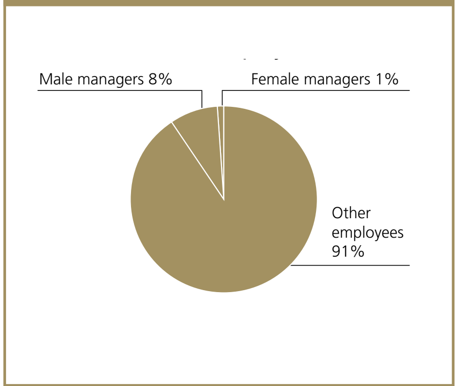
Early in 2006, Scania began a two-year trial in Södertälje where employees and their families were given access to the company's own health care facilities. This has been so successful that Scania has now received permission to start its own district health centre. This has contributed to a decline in health-related absences at Scania in Sweden.

Educational level



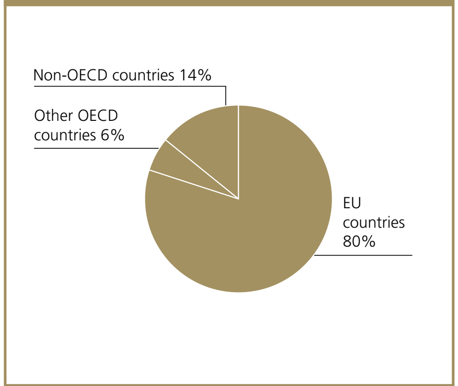
81 percent of employees have an education equivalent to a secondary school diploma or higher.

Percentage of managers and other employees



Nine percent of Scania employees are managers. No changes occurred during the year in the proportion of male to female managers.

Salaries and mandatory social insurance fees, by region



Scania communicates regularly with investors at its Capital Markets Days. In this photo from September 2007 Leif Östling, President and CEO, presents Scania's view of the outlook for the company and the industry.

Strong trend for truck shares

Scania's share price rose sharply during 2007, even though the year ended with a general stock market downturn. Including the dividend, Scania's B share provided a total return of 38 percent during 2007.

The market price of the Scania B share peaked at just below SEK 200 in mid-July. During the autumn, the stock market was adversely affected by worries about American economic growth due to major credit losses related to home mortgages. At the end of 2007, a Scania B share stood at SEK 154, or 35 percent higher than a year earlier.

The upturn for shares in the truck sector was explained by strong sales and earnings growth during the year, as well as a generally positive future outlook for the European truck industry. There is a shortage of transport capacity, which benefited the truck market. The growth of private consumption in eastern Europe, together with relocation of goods production from elsewhere and other infrastructure investments in these countries, are important forces driving the demand for transport. During the year, virtually all European truck manufacturers have produced vehicles at full capacity, but in spite of this they have been unable to meet the high demand.

MAN's offer withdrawn

Germany's MAN AG withdrew its public offer for Scania late in January 2007 after both Volkswagen and Investor had rejected the offer. Scania shares showed a positive price trend after the offer was withdrawn. Including the dividend, the B share provided a total return of 38 percent during 2007. This can be compared to the dividend-adjusted SIXRX index, which provided a return equivalent to –3 percent. Scania's market capitalisation rose to SEK 128,800 m. In the past five years, Scania's B share has provided an annual total return averaging 37 percent. This can be compared with the SIXRX index, which provided the equivalent of 23 percent.

Share trading

Scania B share trading volume averaged 3,241,600 shares per day during 2007. Volume was thus lower than during 2006, when it was abnormally high due to MAN's public offer for Scania. The turnover rate was 189 (344) percent, compared to 139 (147) percent for the OMX Nordic Exchange Stockholm as a whole.

The 2007 share split and redemption

In May each Scania share, both the A and B share, was divided into five shares – four regular shares and one redemption share, with the latter being redeemed at a value of SEK 35 per share. This redemption programme meant that SEK 7 billion was repaid to the shareholders, and together with the regular dividend, the shareholders received a total of SEK 10 billion during 2007.

Redemption of shares for shareholders in Sweden is treated as a sale of the redeemed shares and gives rise to capital gains taxation. A sale of redemption shares on the Exchange also gives rise to capital gains taxation. The capital gain or loss is calculated as the difference between the redemption amount or sales consideration (after subtracting any selling costs) and the "cost amount" of the shares redeemed or sold. The Swedish Tax Agency recommends the following:

- Of the cost of an original Series A share in Scania AB, 94.9 percent should be attributed to the remaining shares in the same series and 5.1 percent to the redemption share.
- Of the cost of an original Series B share in Scania AB, 94.8 percent should be attributed to the remaining shares in the same series and 5.2 percent to the redemption share.

Information on tax issues for foreign shareholders is available on www.scania.com, information about 2007 share split and redemption.

Dividend and dividend policy

The proposed regular dividend of SEK 5,00 per share is equivalent to 46.8 percent of 2007 net income. In the past five years, an average of 54,1 percent of net income has been distributed to the shareholders, excluding the 2007 redemption programme.

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

About Scania shares

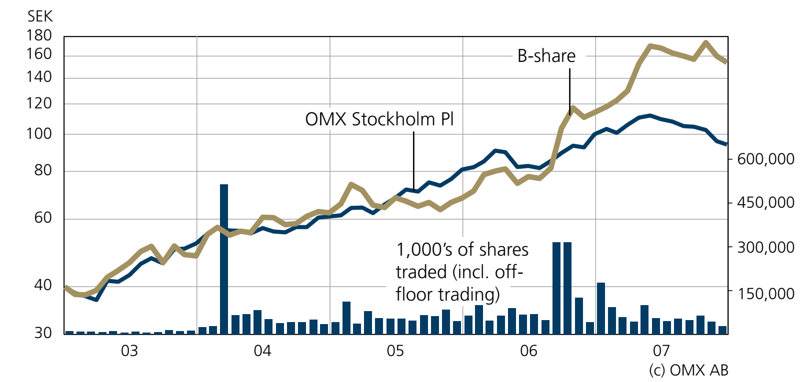
Scania has been quoted on the OMX Nordic Exchange Stockholm since 1 April 1996. Its share capital is divided into 400 million Series A shares and 400 million Series B shares, where each A share represents one vote and each B share represents one tenth of a vote. Otherwise there are no differences between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

The ten largest shareholders, 31 January 2008

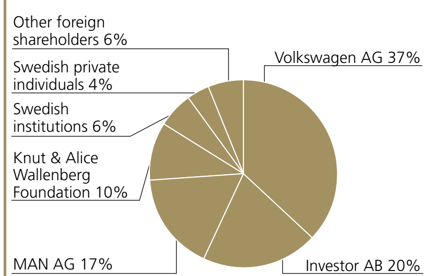
Owner	Capital %	Shares %
Volkswagen AG	20.59	37.44
Investor AB	11.00	20.01
MAN AG	13.23	17.01
Knut & Alice Wallenbergs Foundation	5.32	9.67
JP Morgan Chase Bank	4.21	1.10
Swedbank Robur mutual funds	2.90	0.53
Marianne & Marcus Wallenberg Foundation	0.26	0.48
Citibank	0.25	0.45
Marcus & Amalia Wallenberg Foundation	0.25	0.45
AMF Pensionsförsäkring AB	2.23	0.41
Total	60.24	87.55

Performance-based bonus foundation
Via foundations, employees own Scania shares that on 31 January 2008 amounted to the equivalent of 0.67 percent of share capital. The foundation may own shares equivalent to a maximum of 10 percent of the share capital in Scania.

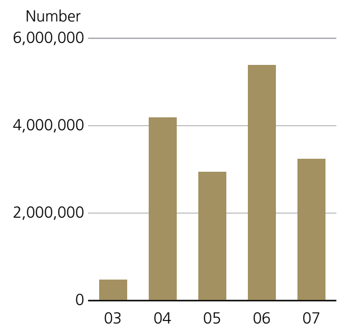
Share price performance



Shareholder structure (votes), 31 January 2008



Average daily trading, B shares



Per share data

SEK (unless otherwise stated)	2007	2006	2005	2004	2003
Year-end market price, B share	**154.00**	114.02	68.15	62.35	48.12
Highest market price, B share	**199.50**	117.34	75.50	66.38	53.34
Lowest market price, B share	**107.51**	68.75	60.69	49.31	35.56
Change in market price, %, B share	**35.1**	67.3	9.3	29.6	20.5
Total return, %, B share	**38.3**	74.7	15.6	32.9	24.2
Market capitalisation, SEK m.	**128,800**	92,150	54,351	49,893	38,415
Earnings	**10.69**	7.42	5.83	5.40	3.79
Price/earnings ratio, B share	**14**	15	12	12	13
Dividend*	**5.00**	3.75	3.75	3.75	1.50
Redemption*	**7.50**	8.75	–	–	–
Dividend yield, %**	**3.2**	3.3	5.5	6.0	3.1
Dividend payout ratio, %	**46.8**	50.5	64.3	69.5	39.6
Equity	**31.0**	32.7	29.7	26.8	22.8
Cash flow, Vehicles and Services	**10.62**	8.68	5.09	3.42	3.10
Number of shareholders***	**124,413**	107,487	109,400	46,400	39,000

* For 2007: Proposed by the Board of Directors.
** Dividend divided by the market price of a B share at year-end.
*** On 31 January 2008.

Recalculated price
The recalculated closing market price on 16 May, after the share split and redemption, was (684–35)/4=SEK 162.25 for the A share and (676–35)/4=SEK 160.25 for the B share. The first trading day after the split was 18 May.

Articles of Association

Adopted at the Annual General Meeting on 3 May 2007.

§ 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 eight billion (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 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 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. 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, both internal and performed by third parties.

For a more detailed description of Scania's management structure, see the section entitled "The management of the company" in the Corporate Governance Report on page 53.

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. Truck sales also undergo more temporary variations around their long-term growth trend and the ten-year cycle just described. During the past decade, for example, exports of used trucks from western Europe to central and eastern Europe have led to high demand for new replacement vehicles in western Europe.

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

In individual markets, substantial changes may occur in the business environment, such as the introduction or raising of customs duties and taxes as well as changes in vehicle specifications. Impositions of sanctions against certain countries may make it impossible to market Scania's products. In addition, shortcomings in national legal systems may substantially impair Scania's ability to carry out operations and sales. Scania monitors all its markets continuously in order to spot warning signals early and be able to take action and implement changes in its marketing strategy.

Risks associated with independent distributors

Independent distributors may suffer problems that have an adverse effect on Scania's operations. This may include shortcomings in management and investment capacity or problems related to generational shifts in family businesses. Scania may consequently experience

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>> a volume downturn before the dealer, or a new dealer, has fully restored operations.

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

Production risks

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

According to the Scania Contingency Planning Principles, Scania's ability to maintain delivery assurance to its customers must not be adversely affected.

Scania has a shared risk management model, with corporate-level responsibility for coordination and support to line management. This model was further developed during 2007. Risk identification and contingency planning are part of every manager's responsibilities and include contingency planning adapted to each operating unit. Training and drills occur with all employees and service providers at Scania's facilities. Follow-up occurs by means of monitoring systems, reporting and response procedures.

Scania's Blue Rating Fire Safety Programme is a standardised method for carrying out risk inspections, with a focus on physical risks and for being able to present Scania's risks in the reinsurance market. Yearly risk inspections are conducted at all production units and numerous Scania-owned distributors/workshops.

Scania's Blue Rating Health Programme was developed from the company's Blue Rating Fire Safety Programme and focuses on workplace health and safety issues. Inspections were conducted at all major production units during 2007.

Information risks

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

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

Scania has a corporate unit for global IS/IT management and coordination, which is responsible for implementation 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 in this respect. Follow-up occurs by means of monitoring systems as well as and security procedures. One high-priority area is to ensure that work at Scania can continue with a minimum of disturbance in case of major IT interruptions and to make managers and other employees aware of their responsibilities in the risk and security field.

Supplier risks

Before signing new contracts, Scania verifies the ability of suppliers to meet Scania's quality, financial, logistic, environmental and ethical requirements. In order to minimise the impact of production 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-to-day monitoring, then prioritises and classifies deviations. In case of repeated deviations, an escalation model is used in order to create greater focus and quickly restore a normal situation. The Scania Blue Rating risk management model has also been used for selected suppliers. The financial status of suppliers is monitored continuously.

Environmental risks

At Scania there are procedures for regularly and systematically identifying and assessing environmental risks. Environmental risk management is coordinated with other risk management and is mainly intended to prevent accidents, operational abnormalities and soil pollution. Orientation studies and risk assessments of soil and groundwater contamination have been completed at all production units. Based on these inventories, risk areas have been identified and the necessary actions have been taken or initiated.

Scania's Blue Rating Environment Programme was developed from the Scania Blue Rating Fire Safety Programme and provides a new and effective tool to gradually improve Scania's ability to avoid environmental risks. See also the section entitled ”Environmental work at all levels” on page 36.

Human resource and talent recruitment

For its future success, Scania is dependent on its ability to attract and retain competent, motivated employees. Human resource and talent recruitment occur with the help of a coordinated methodology. In this way, Scania achieves quality assurance and continuous improvement in its human resource activities. Trends are continuously monitored, for example by using key figures for absences due to illness, employee turnover, age structure, professional development dialogues and job satisfaction. Targeted action is taken as needed. Close collaboration with the Royal Institute of Technology in Stockholm makes it easier for Scania to recruit key technological expertise.

Research and development risks

Research and product development occur in close contact with the production network and the sales and service organisation in order 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, mainly reduction in exhaust emissions. Whereas product modifications are often relatively simple and intended for local markets, the technical standards in emission legislation are very complicated and common to whole regions. Scania's ability to meet future emission requirements is of great importance to its future.

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

Product launch risks

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

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

Product liability

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

Risks in the sales and service network

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

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

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

Insurable risks

Scania works continuously with the identification, analysis and administration of insurable risks, both at Group at 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 professional 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 distributors/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 considerable amount of intangible licensing agreements, patents and other intellectual property. Scania also concludes numerous commercial and financial contracts, which is normal for a company of Scania's scale and type. Scania's operations are not dependent on any single commercial or financial contract, patent, licensing agreement or similar right.

Legal actions

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

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

Administration of contracts, essential rights and legal risks occurs in the normal course of operations in accordance with the instructions described in Scania's Corporate Governance Report (see pages 49-54). Scania has also introduced a Legal Risk Reporting system, according to which risks are defined and reported. At least once a year, a report on such risks is submitted to the Audit Committee of the Board.

Tax risk

Scania and its subsidiaries are the object of a large number of tax cases, as a consequence of the company's operating activities. These cases are essentially related to the fields of value-added tax, internal pricing and deduction of foreign tax. For more information, see also Note 8. 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 60 and Note 30 on page 106.

Corporate governance at Scania

CORPORATE GOVERNANCE REPORT

Corporate governance at Scania is based on Swedish legislation, especially the Swedish Companies Act, the listing agreement with the OMX Nordic Exchange Stockholm ("Stockholm Stock Exchange") and the Swedish Code of Corporate Governance ("the Code").

The Code is part of the listing requirements for the Stockholm Stock Exchange, that is, the requirements that a company must live up to in order to be listed on the Exchange.

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

This Corporate Governance Report has not been subjected to review by Scania's auditors.

Internal governing documents

The most important governing documents at Scania are:

- Scania's Articles of Association (reproduced on page 44)
- The Rules of Procedure of the Board of Directors, including the Board's instruction to the President and CEO and guidelines for essential reporting processes at Scania
- The Rules of Procedure of the Audit Committee
- How Scania is Managed
- Strategic Update
- Scania Corporate Governance Manual
- Scania Financial Manual and
- Communication Policy

Application and deviations

This Corporate Governance Report has been prepared in compliance with the Swedish Code of Corporate Governance. Companies that apply the Code may deviate from individual rules but, in such cases, must issues explanations reporting the reasons for each deviation. Scania complies with the wording of the Code and the recommendations stated in the Code with the following exceptions: The Nomination Committee of Scania includes a representative of MAN AG. Aside from being one of Scania's four largest shareholders in terms of voting power, this company is also one of Scania's main competitors. In accordance with a decision of the Annual General Meeting, MAN AG utilised its opportunity to appoint a member of Scania's Nomination Committee. At year-end 2007, some members of the Board of Directors had also not yet had time to complete their planned introductory training course due to planning problems. All introductory training for the current Board is expected to be completed no later than during the first quarter of 2008.

The Annual General Meeting

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

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

Notice convening the AGM shall be issued no earlier than six and no later than four weeks before the Meeting. Notice convening an Extraordinary General Meeting (EGM) shall be issued no earlier than six and no later than two weeks before the Meeting. Notice convening an AGM and an EGM is published 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.

In order to participate in decisions, a shareholder is required to attend the AGM, in person or via 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.

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>> A shareholder may utilise all votes that correspond to the shareholder's shareholding and that are duly represented at the AGM.

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

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

In 2007 the AGM decided that the members of the Nomination Committee shall be appointed by the four largest shareholders in voting power, no later than six months before the AGM.

In preparation for the AGM in 2008, the following persons have served on the company's Nomination Committee:

Gudrun Letzel, representing Volkswagen AG
Lennart Johansson, representing Investor AB – Chairman
Ekkehard D. Schultz, representing MAN AG
Marcus Wallenberg, representing the Knut and Alice Wallenberg Foundation

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 3 May 2007, Scania's AGM elected nine Board members and no deputy members. They are:

Vito H. Baumgartner
Staffan Bohman
Peggy Bruzelius
Börje Ekholm
Francisco J. Garcia Sanz
Hans Dieter Pötsch
Peter Wallenberg Jr
Martin Winterkorn
Leif Östling

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

Board Member	Audit committee	Remuneration committee	Independent in relation to the company and its management	Independent in relation to the company's major shareholders
Vito H. Baumgartner	X		YES	YES
Staffan Bohman	X		YES	YES
Peggy Bruzelius		X	YES	YES
Börje Ekholm, Vice Chairman		X	YES	NO
Francisco J. Garcia Sanz			YES	NO
Hans Dieter Pötsch	X		YES	NO
Peter Wallenberg Jr			YES	NO
Martin Winterkorn, Chairman		X	YES	NO
Leif Östling			NO	YES

The AGM elected Martin Winterkorn as Chairman and Börje Ekholm as Vice Chairman.

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

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

The work of the Board

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

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

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

During 2007, the Board held a total of eight meetings.

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

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

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

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. The remuneration decided by the AGM is reported in Note 28 of the Annual Report, Compensation to executive officers.

Board meetings, 2007

Board Member	Attendance out of 8 meetings in all
Vito H. Baumgartner	8
Staffan Bohman	8
Peggy Bruzelius	8
Börje Ekholm [1]	4
Hans Dieter Pötsch [1]	4
Francisco J. Garcia Sanz [1]	2
Peter Wallenberg Jr	7
Martin Winterkorn [1]	4
Leif Östling	8
Kjell Wallin	8
Jan Westberg	8
Johan Järvklo	7
Stefan U. Klingberg	8

1) Newly elected at the AGM in 2007. Only four Board meetings since then.

Evaluation of the work of the Board

A written evaluation is performed annually, in which all Board members are given the opportunity to present their opinions about the Board, including the Chairman, and its work.

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

The committees of the Board

The Board currently has two committees: the Audit Committee and the Remuneration Committee. The Board appoints the members of the committees from among its own members.

The Audit Committee

The Audit Committee consists of Staffan Bohman (Chairman), Vito H. Baumgartner and Hans Dieter Pötsch, who replaced Lothar Sander at the Board meeting after the AGM in 2007. In 2007 the Audit Committee met a total of five times. All members participated in all meetings

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>> through attendance, except that Lothar Sander, who was a member of the Audit Committee until the end of the AGM in 2007, did not participate in the meeting the day before the AGM. In addition, Hans Dieter Pötsch did not attend one of the meetings of the Audit Committee after he had become a member of it.

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

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

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

The Remuneration Committee

The Remuneration Committee consists of Martin Winterkorn (Chairman), Peggy Bruzelius and Börje Ekholm. Until the end of the AGM, the Remuneration Committee consisted of Bernd Pischetsrieder (Chairman), Peggy Bruzelius and Sune Carlsson. During 2007 the Remuneration Committee met three times. All members participated in all meetings through attendance.

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 Group Vice Presidents.

Auditors

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

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

The auditors have no assignments for companies 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

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

The corporate units are responsible for carrying out the established strategies. Each corporate unit reports to one of the members of the Executive Board.

The strategy meetings of the Executive Board take place four to six times per year. These strategies are summarised from a global perspective and updated, taking into account market developments. The implementation of strategies is an initial agenda item at subsequent meetings between the Executive Board and the heads of 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. 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 later be presented for decision at the meetings of the Executive Board.

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

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

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

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

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

Management compensation

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

The principles for 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 2007 also states the compensation to the heads of corporate units.

Internal control of financial reporting at Scania

The description below has been prepared in compliance with the Swedish Code of Corporate Governance and according to the instruction issued by the Swedish Corporate Governing Board in September 2006.

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. The Finance and Business Control unit is responsible for continuous updating of accounting and reporting instructions, with due regard for external and internal requirements. During 2007, the Group reporting system was upgraded, thereby strengthening the control environment. 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.

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

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

Monitoring

Scania monitors compliance with the above-described governing documents and the effectiveness of the control structure. Monitoring and evaluation are performed by the company's corporate controller departments in industrial operations, all sales and service companies and finance companies. During the 2007 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. 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.

In preparation for 2007, Scania established an Internal Control unit within Finance and Business Control. One task of this unit is to monitor and review internal control of the company's financial reporting. The independence of the Internal Control unit is ensured by its reporting to the Audit Committee. Functionally, the Internal Control unit reports to the CFO of Scania.

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.

Board of Directors, Executive Board and Corporate Units

AUDITORS: Ernst & Young AB, Lars Träff and Jan Birgerson

Board of Directors

LEIF ÖSTLING

Born 1945.
Member since 1994. President and CEO of Scania.
Other directorships: AB SKF, ISS A/S, Confederation of Swedish Enterprise and Association of Swedish Engineering Industries.
Relevant work experience: Various management positions at Scania since 1972, President and CEO of Scania since 1994.
Education: MBA and MSc.
Shares in Scania: 540,000 plus 160,000 via related companies.

MARTIN WINTERKORN

Born 1947.
Chairman of the Board since 2007. Chairman, Remuneration Committee.
Other directorships: Chairman of the Board of Management, Volkswagen AG. Chairman or Board member of a number of subsidiaries of the Volkswagen Group. Board member of FC Bayern München AG, Infineon Technologies AG and Salzgitter AG.
Relevant work experience: Chairman of the Board of Management, Volkswagen AG; member, Board of Management, Volkswagen AG; responsible for Group Research and Development, Volkswagen AG; Chairman of the Board of Management of the Volkswagen Brand.
Education: Prof. Dr. rer. nat.
Shares in Scania: 0.

PEGGY BRUZELIUS

Born 1949.
Member since 1998. Member, Remuneration Committee.
Other directorships: Chairman of Lancelot Asset Management AB. Deputy Chairman of Electrolux AB. Board member of Industry and Commerce Stock Exchange Committee, Stockholm School of Economics, Axel Johnson AB, Axfood AB, Syngenta AG, Husqvarna AB and Akzo Nobel N.V.; Chairman, Swedish National Agency for Higher Education.
Relevant work experience: Various management positions at ABB.
Education: MBA.
Shares in Scania: 8,000.

BÖRJE EKHOLM

Born 1963.
Vice Chairman since 2007. Member, Remuneration Committee.
Other directorships: Board member of Chalmersinvest AB, Husqvarna 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.
Education: MSc and MBA.
Shares in Scania: 0.

HANS DIETER PÖTSCH

Born 1951.
Member since 2007. Member, Audit Committee.
Other directorships: Member of the Board of Management, Volkswagen AG; responsible for Finance and Controlling, Volkswagen AG. Chairman or Board member of several companies in the Volkswagen Group. Chairman of the Supervisory Board of Bizerba GmbH since January 2007. Board member of Allianz Versicherungs-AG and BASF AG.
Relevant work experience: Various positions at BMW, General Manager for Finance and Administration at Trumpf GmbH & Co; Chairman of the Board of Management, Traub AG. Various management positions at Volkswagen AG.
Education: MSc.
Shares in Scania: 0.

VITO H. BAUMGARTNER

Born 1940.
Member since 2004. Member, Audit Committee.
Other directorships: AB SKF, PartnerRE Ltd. and Northern Trust Global Services.
Relevant work experience: Group President Caterpillar Inc., retired.
Education: MBA.
Shares in Scania: 2,400.

PETER WALLENBERG Jr

Born 1959.
Member since 2005.
Other directorships: Chairman of Foundation Asset Management Sweden AB, The Grand Group AB and the Marcus and Amalia Wallenberg Foundation. Vice Chairman of the Royal Swedish Automobile Club and Knut and Alice Wallenberg Foundation. Board member of Investor AB, SEB Kort AB, General Motors Norden AB, Stockholmsmässan AB, Stockholm Chamber of Commerce and SimBin Studios AB.
Relevant work experience: Various positions at Grand Hôtel.
Education: MBA.
Shares in Scania: 6,000.

STAFFAN BOHMAN

Born 1949.
Member since 2005. Chairman, Audit Committee.
Other directorships: Board member of Atlas Copco AB, Boliden AB, Trelleborg AB, OSM AB, InterIKEA Holding SA and Ratos AB. Vice Chairman of EDB Business partner ASA and of SwedFund International AB.
Relevant work experience: Former CEO of DeLaval AB, Gränges AB and Sapa AB.
Education: MBA.
Shares in Scania: 20,000.

FRANCISCO J. GARCIA SANZ

Born 1957.
Member since 2007.
Other directorships: Member of the Board of Management, Volkswagen AG. Globally responsible for Supply at Volkswagen AG. Board member of several companies in the Volkswagen Group.
Relevant work experience: Various positions at Adam Opel AG, various management positions at GM and Volkswagen AG.
Education: MSc.
Shares in Scania: 0.

KJELL WALLIN

Born 1943.
Member since 1998.
Representative of the Swedish Metal Workers' Union at Scania.
Relevant work experience: Various positions at Scania.
Shares in Scania: 100.

STEFAN U. KLINGBERG

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

JOHAN JÄRVKLO

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

JAN WESTBERG

Born 1944.
Member since 1996.
Representative of the Federation of Salaried Employees in Industry and Services (PTK) at Scania. Relevant work experience: Various positions at Scania since 1975, former local Chairman of Metal Workers' Union and Swedish Association of Supervisors (Ledarna), currently Chairman of Swedish Union of Clerical and Technical Employees in Industry (SIF).
Shares in Scania: 100.

Executive Board

1. HASSE JOHANSSON
Born 1949, MSc.
Joined Scania in 2001.
Group Vice President, Head of Research and Development.
Shares in Scania: 7,104.

2. JAN YTTERBERG
Born 1961, BSc.
Joined Scania in 1987.
Group Vice President, Chief Financial Officer (CFO).
Shares in Scania: 3,688.

3. LEIF ÖSTLING
Born 1945, MBA and MSc.
Joined Scania in 1972.
President and CEO.
Shares in Scania: 540,000 plus 160,000 via related companies.

4. URBAN ERDTMAN
Born 1945, MBA.
Joined Scania in 1989, employed until 2001.
Rejoined Scania in 2005.
Group Vice President, Head of Sales and Services Management.
Shares in Scania: 4,664.

5. PER HALLBERG
Born 1952, MSc.
Joined Scania in 1977.
Group Vice President, Head of Production and Procurement.
Shares in Scania: 6,124.

6. MARTIN LUNDSTEDT
Born 1967, MSc.
Joined Scania in 1992.
Group Vice President, Head of Franchise and Factory Sales.
Shares in Scania: 2,284.

Corporate Units

ROBERT SOBOCKI
Born 1952.
Joined Scania in 1978, employed until 1997. Re-joined Scania in 2002.
Senior Vice President, Franchise and Factory Sales, Scania Engines.
Shares in Scania: 4,712.

CECILIA EDSTRÖM
Born 1966.
Joined Scania in 1995.
Senior Vice President, Corporate Relations.
Shares in Scania: 2,840.

ANDERS NIELSEN
Born 1962.
Joined Scania in 1987.
Senior Vice President, Chassis and Cab Production.
Shares in Scania: 1,140.

PER-OLOV SVEDLUND
Born 1955.
Joined Scania in 1976.
Senior Vice President, Global Purchasing.
Shares in Scania: 4,500.

THOMAS KARLSSON
Born 1953.
Joined Scania in 1988.
Senior Vice President, Powertrain Production.
Shares in Scania: 3,172.

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

HANS NARFSTRÖM
Born 1951.
Joined Scania in 1977.
Senior Vice President,
Corporate IT.
Shares in Scania: 3,228.

CLAES JACOBSSON
Born 1958.
Joined Scania in 1999.
Senior Vice President,
Financial Services.
Shares in Scania: 2,772.

JONAS HOFSTEDT
Born 1959.
Joined Scania in 1984.
Senior Vice President,
Powertrain Development.
Shares in Scania: 1,880.

TOMMY SJÖÖ
Born 1946.
Joined Scania in 1995.
Senior Vice President,
Vehicle Sales and
Logistics Support.
Shares in Scania: 764.

LARS OREHALL
Born 1947.
Joined Scania in 1974.
Senior Vice President,
Truck, Cab and Bus
Chassis Development.
Shares in Scania: 12,408.

ANDERS GUSTAFSSON
Born 1961.
Joined Scania in 1991,
employed until 2001.
Rejoined Scania in 2006.
Senior Vice President, Sales
and Services Management,
Service Operations.
Shares in Scania: 1,484.

MAGNUS HAHN
Born 1955.
Joined Scania in 1985.
Senior Vice President,
Human Resources
Support.
Shares in Scania: 2,504.

LARS STENQVIST
Born 1967.
Joined Scania in 1992.
Senior Vice President,
Vehicle Definition and
Product Quality.
Shares in Scania: 1,000.

MELKER JERNBERG
Born 1968.
Joined Scania in 2002.
Senior Vice President,
Franchise and Factory
Sales, Buses and
Coaches.
Shares in Scania: 1,032.

PETER HÄRNWALL
Born 1955.
Joined Scania in 1983.
Senior Vice President, Sales
and Services Management,
Business Support.
Shares in Scania: 3,556.

HENRIK HENRIKSSON
Born 1970.
Joined Scania in 1997.
Senior Vice President,
Franchise and Factory
Sales, Trucks.
Shares in Scania: 800.

MIKAEL SUNDSTRÖM
Born 1957.
Joined Scania in 2004.
Senior Vice President,
Corporate Legal Affairs and
Risk Management.
Shares in Scania: 3,464.

Group financial review

NET SALES

The net sales of the Scania Group, in the Vehicles and Services segment, rose by 19 percent to SEK 84,486 m. (70,738), due to higher volume. Currency rate effects had a negative impact on sales of approximately SEK 300 m.

New vehicle sales revenue rose by 21 percent. Sales were positively influenced by a higher share of vehicles with Euro 4 and Euro 5 engines and price increases. Service revenue increased by 11 percent in Swedish kronor to SEK 15,139 m. (13,595). Revenue increased by 12 percent in local currencies.

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

Net sales by product, SEK m.	2007	2006
Trucks	52,599	43,021
Buses	7,429	6,766
Engines	1,185	1,024
Service-related products	15,139	13,595
Used vehicles	5,270	5,189
Miscellaneous	3,840	3,032
Delivery sales value	85,462	72,627
Adjustment for lease income [1]	–976	–1,889
Total Vehicles and Services	84,486	70,738
Financial Services	4,070	3,527
Elimination	–1,686	–1,643
Scania Group total	86,870	72,622

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

NUMBER OF VEHICLES

During 2007 Scania delivered 68,654 (59,344) trucks, an increase of 16 percent. Bus chassis deliveries totalled 7,224 (5,937) units.

Vehicles delivered, SEK m.	2007	2006
Vehicles and Services		
Trucks	68,654	59,344
Buses	7,224	5,937
Total new vehicles	75,878	65,281
Used vehicles	15,016	16,322
Financial Services		
Number financed (new during the year)		
Trucks	18,593	15,747
Buses	343	487
Total new vehicles	18,936	16,234
Used vehicles	4,530	5,402
New financing, SEK m.	21,122	17,215
Portfolio, SEK m.	38,314	31,841

EARNINGS

Scania's operating income rose by 39 percent to SEK 12,164 m. (8,753) during 2007. Operating margin amounted to 14.4 (12.4) percent.

Operating income in Vehicles and Services increased by 41 percent to SEK 11,632 m. (8,260) during 2007. Higher vehicle volume, a higher share of vehicles with Euro 4 and Euro 5 engines, to some extent higher prices and improved capacity utilisation, as well as higher service revenue contributed to the earnings improvement. This was offset somewhat by a negative market mix and higher costs for restructuring of axle and gearbox production.

Scania's research and development expenditures amounted to SEK 3,214 m. (2,842). After adjusting for SEK 289 m. (180) in capitalised expenditures and SEK 418 m. (361) in amortisation of previously capitalised expenditures, recognised expenses increased to SEK 3,343 m. (3,023). Compared to 2006, currency spot rate effects totalled about SEK –180 m. Currency hedging income amounted to SEK –130 m. During 2006, the impact of currency hedgings on earnings was SEK 110 m. Compared to 2006, the total currency rate effect was thus SEK –420 m.

Operating income in Financial Services amounted to SEK 532 m. (493). This was equivalent to 1.5 (1.6) percent of the average portfolio during the year. The positive effects of portfolio growth were partly offset by lower interest rate margins and increased operating expenses due to continued expansion, especially in emerging markets. Bad debt expenses remained at a low level. At the end of December, the size of the customer finance portfolio amounted to about SEK 38.3 billion, representing an increase of SEK 6.5 billion since the end of 2006. In local currencies, the portfolio increased by 17 percent, equivalent to SEK 5.5 billion.

Operating income per segment, SEK m.	2007	2006
Vehicles and Services		
Operating income	**11,632**	8,260
Operating margin, %	**13.8**	11.7
Financial Services		
Operating income	**532**	493
Operating margin, % [1]	**1.5**	1.6
Operating income, Scania Group	**12,164**	8,753
Operating margin, %	**14.4**	12.4
Income before tax	**11,906**	8,583
Taxes	**–3,352**	–2,644
Net income	**8,554**	5,939
Earnings per share, SEK	**10.69**	7.42
Return on equity, %	**35.0**	24.1

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 –258 m. (–170). Net interest items amounted to SEK –214 m. (–231). Other financial income and expenses amounted to SEK –44 m. (61). This included SEK –38 m. (80) in valuation effects related to financial instruments where hedge accounting was not applied.

Income before taxes amounted to SEK 11,906 m. (8,583). The Scania Group's tax expenses for 2007 were equivalent to 28.2 (30.8) percent of income before taxes. Tax expenses were to some extent positively influenced by nonrecurring items. These items refer to positive tax effects related to loss carry-forwards and provisions for tax litigation.

Net income increased by 44 percent and amounted to SEK 8,554 m. (5,939), corresponding to a net margin of 10.1 (8.4) percent. Earnings per share amounted to SEK 10.69 (7.42).

CASH FLOW

Cash flow in Vehicles and Services amounted to SEK 8,229 m. (6,942). Tied-up working capital decreased by SEK 986 m. (1,879), despite higher volume and longer lead times among manufacturers of superstructures and trailers. Net investments amounted to SEK 4,545 m. (3,810), including SEK 289 m. (180) in capitalisation of development expenditures. During 2007 net investments were affected by acquisitions totalling SEK 268 m. (–). The net cash position at year-end was SEK 1,902 m., compared to a net cash position of SEK 4,335 m. at the end of 2006.

Cash flow in Financial Services amounted to SEK –5,169 m. (–3,120). Net investments in customer finance contracts totalled SEK 5,698 m. (3,514).

NET DEBT

Net debt, SEK m.	2007	2006
Cash, cash equivalents and short-term investments	**–4,134**	–10,845
Current borrowings	**15,492**	16,350
Non-current borrowings	**19,866**	17,918
Net market value of derivatives for hedging of borrowings	**310**	–126
Total	**31,534**	23,297
of which, attributable to Vehicles and Services	**–1,902**	–4,335
of which, attributable to Financial Services	**33,436**	27,632

As a result of the year's cash flow in Vehicles and Services, SEK 8,229 m., after subtracting dividends and redemptions as well as the influence of currency rate effects, the net cash position declined by SEK 2,433 m. to SEK 1,902 m.

FINANCIAL POSITION

Financial ratios related to the balance sheet, SEK m.	2007	2006
Equity/assets (E/A) ratio, percent	**27.1**	29.7
E/A ratio, Vehicles and Services, percent	**38.6**	40.1
E/A ratio, Financial Services, percent	**10.1**	9.6
Equity per share, SEK	**31.0**	32.7
Return on capital employed, Vehicles and Services, percent	**42.1**	30.4
Net debt/equity ratio, Vehicles and Services	**–0.09**	–0.19

During 2007, the equity of the Scania Group decreased by SEK 1,322 m. and totalled SEK 24,812 m. (26,134) at year-end. Net income added SEK 8,554 m. (5,939), while the dividend to shareholders decreased equity by SEK 3,000 m. (3,000). During 2007, Scania carried out a 5 to 1 share split with mandatory redemption of the fifth share at a price of SEK 35 per share, which decreased equity by SEK 7,000 m. (–). Beyond this, equity increased by SEK 642 m. because of exchange rate differences that arose when translating net assets outside Sweden and decreased by SEK 518 m. because of cash flow hedgings and actuarial losses on net pension liabilities after taxes.

The regular dividend for the 2007 financial year proposed by the Board of Directors is SEK 5.00 (3.75) per share. In addition, the Board proposes a 2 to 1 share split with mandatory redemption of the second share at a price of SEK 7.50 per share.

NUMBER OF EMPLOYEES

The number of employees in the **Scania Group** at year-end 2007 was 35,096, compared to 32,820 at the end of 2006.

In **Vehicles and Services**, the number of employees at the end of December was 34,616 (32,373). Higher volume of vehicles and services was the main reason behind the increase.

In **Financial Services**, the number of employees at year-end 2007 was 480, compared to 447 at the end of 2006. The increase was mainly due to continued expansion in central and eastern Europe.

FINANCIAL RISKS

Borrowing and refinancing risk

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

At year-end 2007, borrowings amounted to SEK 35.2 (33.8) billion. In addition to utilised borrowing, Scania had unutilised committed credit facilities equivalent to SEK 14.2 (10.0) billion.

Interest rate risk

Scania's policy concerning interest rate risks is that the interest rate refixing period on its net debt should normally be 6 months, but divergences may be allowed within the 0-24 month range. One exception is Scania's customer finance, in which the interest rate refixing period on borrowings is matched with the interest rate refixing period on assets. To manage interest rate risks in the Scania Group, derivative instruments are used.

Currency risk

Currency transaction exposure during 2007 totalled about SEK 32 (26) billion. The largest currency flows were in euro, British pounds and American dollars. Based on 2007 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 320 m. (260) on an annual basis.

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

At the end of 2007, Scania's net assets in foreign currencies amounted to SEK 11,400 m. (9,750). Net assets outside Sweden of Scania's subsidiaries are not hedged under normal circumstances. To the extent a foreign subsidiary has significant monetary assets in local currency, however, they may be hedged.

Credit risk

The management of credit 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 619 m. (626), equivalent to 6.7 (6.5) percent of total receivables. The year's bad debt expenses amounted to SEK 92 m. (125).

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 bad debt expenses totalled SEK 90 m. (63), equivalent to 0.26 (0.20) percent of the average portfolio. The year's actual credit losses amounted to SEK 46 m. (59).

At year-end, the total reserve for bad debt expenses in Financial Services amounted to SEK 567 m. (521), equivalent to 1.5 (1.6) percent of the portfolio at the close of 2007.

The year-end credit portfolio amounted to SEK 38,314 m. (31,841), allocated among about 21,700 customers, of which 98.5 percent were small customers with lower credit exposure per customer than SEK 15 m.

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

OTHER CONTRACTUAL RISKS

Residual value exposure

Some of Scania's sales occur with repurchase obligations or guaranteed residual value. The value of all obligations outstanding at year-end was SEK 6,257 m. (6,084). Obligations outstanding increased somewhat, mainly due to a weaker krona and somewhat higher pricing of new and used vehicles, which results in higher residual values. During 2007, the volume of new contracts was about 4,800 (5,200).

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 2007 by 9,800 and totalled 73,800 at year-end. Most of these are in the European market.

THE PARENT COMPANY

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

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

Consolidated income statement

January – December, SEK m.	Note	2007	2006	2005
Vehicles and Services				
Net sales	4	**84,486**	70,738	63,328
Cost of goods sold	5	**–61,810**	–52,255	–47,835
Gross income		**22,676**	18,483	15,493
Research and development expenses [1]	5, 11	**–3,343**	–3,023	–2,484
Selling expenses	5	**–6,438**	–6,016	–5,829
Administrative expenses	5	**–1,259**	–1,189	–858
Share of income in associated companies and joint ventures	13	**–4**	5	8
Operating income, Vehicles and Services		**11,632**	8,260	6,330
Financial Services	6			
Interest and lease income		**4,070**	3,527	3,518
Interest and depreciation expenses		**–3,057**	–2,608	–2,575
Interest surplus		**1,013**	919	943
Other income		**283**	232	178
Other expenses		**–204**	–179	–138
Gross income		**1,092**	972	983
Selling and administrative expenses	5	**–470**	–416	–374
Bad debt expenses		**–90**	–63	–80
Operating income, Financial Services		**532**	493	529
Operating income		**12,164**	8,753	6,859
Interest income		**479**	632	679
Interest expenses		**–693**	–863	–866
Other financial income		**74**	142	299
Other financial expenses		**–118**	–81	–206
Total financial items	7	**–258**	–170	–94
Income before taxes		**11,906**	8,583	6,765
Taxes	8	**–3,352**	–2,644	–2,100
Net income		**8,554**	5,939	4,665
Attributable to:				
Scania shareholders		***8,554***	*5,939*	*4,665*
Minority interest		***0***	*0*	*0*
Depreciation/amortisation included in operating income	10	***–3,121***	*–3,023*	*–2,707*
Earnings per share, SEK [2]	9	**10,69**	7,42	5,83

1 Total research and development expenditures during the year amounted to SEK 3,214 m. (2,842 and 2,480, respectively).
2 There are no dilution effects.

Consolidated balance sheet

31 December, SEK m.	Note	2007	2006	2005
ASSETS				
Non-current assets				
Intangible non-current assets	11	**2,511**	2,464	2,698
Tangible non-current assets	12	**18,525**	17,130	16,715
Lease assets	12	**10,708**	9,666	9,883
Holdings in associated companies and joint ventures etc.	13	**264**	173	96
Long-term interest-bearing receivables	30	**20,590**	16,599	15,543
Other long-term receivables [1]	15, 17, 30	**707**	1,023	1,393
Deferred tax assets	8	**528**	649	565
Tax receivables		**0**	34	0
Total non-current assets		**53,833**	47,738	46,893
Current assets				
Inventories	14	**11,242**	10,100	9,949
Current receivables				
Tax receivables		**252**	370	206
Interest-bearing trade receivables	30	**10,565**	8,600	7,847
Non-interest-bearing trade receivables	30	**7,540**	7,379	8,008
Other current receivables [1]	15, 30	**3,888**	3,046	2,522
Total current receivables		**22,245**	19,395	18,583
Short-term investments	30	**679**	911	1,194
Cash and cash equivalents				
Short-term investments comprising cash and cash equivalents	30	**933**	8,808	493
Cash and bank balances		**2,522**	1,126	1,106
Total cash and cash equivalents		**3,455**	9,934	1,599
Total current assets		**37,621**	40,340	31,325
Total assets		**91,454**	88,078	78,218

		2007	2006	2005
1 Including fair value of derivatives for hedging of borrowings:				
Other non-current receivables, derivatives with positive value		**120**	99	640
Other current receivables, derivatives with positive value		**177**	365	148
Other non-current liabilities, derivatives with negative value		**211**	213	276
Other current liabilities, derivatives with negative value		**396**	125	107
Net amount		**-310**	126	405

31 December, SEK m.	Note	2007	2006	2005
EQUITY AND LIABILITIES				
Equity				
Share capital		**2,000**	2,000	2,263
Contributed capital		**1,120**	1,120	1,120
Reserves		**697**	330	820
Retained earnings		**20,991**	22,679	19,524
Equity attributable to Scania shareholders		**24,808**	26,129	23,727
Minority interest		**4**	5	9
Total equity	16	**24,812**	26,134	23,736
Non-current liabilities				
Non-current interest-bearing liabilities	30	**19,866**	17,918	19,323
Provisions for pensions	17	**4,005**	3,605	3,458
Other non-current provisions	18	**1,053**	1,473	1,310
Accrued expenses and deferred income	19	**3,088**	1,861	2,126
Deferred tax liabilities	8	**1,809**	2,278	2,140
Other tax liabilities		**68**	170	195
Other non-current liabilities [1]		**216**	536	621
Total non-current liabilities		**30,105**	27,841	29,173
Current liabilities				
Current interest-bearing liabilities	30	**15,492**	16,350	9,351
Current provisions	18	**2,024**	1,125	962
Accrued expenses and deferred income	19	**6,986**	7,283	6,836
Advance payments from customers		**735**	449	593
Trade payables	30	**7,068**	6,011	4,901
Tax liabilities		**931**	946	645
Other current liabilities [1]	30	**3,301**	1,939	2,021
Total current liabilities		**36,537**	34,103	25,309
Total equity and liabilities		**91,454**	88,078	78,218
Net debt, excluding provisions for pensions, SEK m. [1]		**31,534**	23,297	25,476
Net debt/equity ratio		**1.27**	0.89	1.07
Equity/assets ratio, %		**27.1**	29.7	30.3
Equity per share, SEK		**31.0**	32.7	29.7
Capital employed, SEK m.		**64,485**	63,881	55,463

Consolidated statement of recognised income and expense as well as changes in equity

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

January – December, SEK m.	2007	2006	2005
Exchange difference on translation	**642**	–661	1,304
Hedge reserve			
Fair value changes on cash flow hedging recognised directly in equity	**–521**	340	–607
Cash flow reserve transferred to sales revenue in income statement	**137**	–103	415
Actuarial gains/losses etc. related to pension liabilities recognised directly in equity	**–316**	–68	–770
Taxes attributable to items recognised directly in equity	**182**	–46	271
Total income and expenses recognised directly in equity	**124**	–538	613
Net income for the year	**8,554**	5,939	4,665
Total income and expenses for the year	**8,678**	5,401	5,278
Of which, attributable to:			
Scania AB shareholders	***8,679***	*5,402*	*5,272*
Minority interest	***–1***	*–1*	*6*

	2007	2006	2005
Equity, 1 January	**26,134**	23,736	21,433
Change in accounting principles	**–**	–	22
Adjusted opening balance	**26,134**	23,736	21,455
Total recognised income and expenses for the year	**8,678**	5,401	5,278
Change in minority share related to Ainax	**–**	–3	3
Dividend to shareholders	**–3,000**	–3,000	–3,000
Redemption	**–7,000**	–	–
Equity, 31 December	**24,812**	26,134	23,736
Of which, attributable to:			
Scania AB shareholders	***24,808***	*26,129*	*23,727*
Minority interest	***4***	*5*	*9*

Consolidated cash flow statement

January – December, SEK m.	Note	2007	2006	2005
Operating activities				
Income before tax	24 a	**11,906**	8,583	6,765
Items not affecting cash flow	24 b	**3,643**	3,236	2,953
Taxes paid		**– 3,232**	–2,552	–2,450
Cash flow from operating activities before change in working capital		**12,317**	9,267	7,268
Cash flow from change in working capital				
Inventories		**–772**	–627	284
Receivables		**–170**	8	439
Provisions for pensions		**31**	96	124
Trade payables		**765**	1,276	646
Other liabilities and provisions		**1,132**	1,126	–731
Total change in working capital		**986**	1,879	762
Cash flow from operating activities		**13,303**	11,146	8,030
Investing activities				
Net investments through acquisitions/divestments of businesses	24 c	**–268**	–	–205
Net investments in non-current assets	24 d	**–4,277**	–3,810	–3,597
Net investments in credit portfolio etc., Financial Services	24 d	**–5,698**	–3,514	–1,410
Cash flow from investing activities		**–10,243**	–7,324	–5,212
Cash flow before financing activities		**3,060**	3,822	2,818
Financing activities				
Change in net debt from financing activities	24 e	**303**	7,591	62
Dividend to shareholders		**–3,000**	–3,000	–3,000
Redemption		**–7,000**	–	–
Cash flow from financing activities		**–9,697**	4,591	–2,938
Cash flow for the year		**–6,637**	8,413	–120
Cash and cash equivalents, 1 January		**9,934**	1,599	1,589
Exchange rate differences in cash and cash equivalents		**158**	–78	130
Cash and cash equivalents, 31 December	24 f	**3,455**	9,934	1,599

Cash flow statement, Vehicles and Services

	2007	2006	2005
Cash flow from operating activities before change in working capital	**11,788**	8,873	6,905
Change in working capital etc.	**986**	1,879	762
Cash flow from operating activities	**12,774**	10,752	7,667
Cash flow from investing activities	**–4,545**	–3,810	–3,802
Cash flow after investing activities	**8,229**	6,942	3,865
Cash flow per share, Vehicles and Services excluding acquisitions/divestments	**10.62**	8.68	5.09

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

Notes to the consolidated financial statements

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

NOTE 1 Accounting principles

The consolidated accounts of the Scania Group 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, the Swedish Financial Reporting Board's Recommendation RFR 1.1, "Supplementary Rules for Consolidated Financial Statements", has been applied.

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

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

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. Actual outcomes 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.

CHANGING IN ACCOUNTING PRINCIPLES

Accounting principles and calculation methods are unchanged from those applied in the Annual Report for 2006. New IFRS standards during 2007 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, liabilities that have arisen or are assumed and equity instruments issued as payment in exchange for the acquired net assets as well as transaction costs directly attributable to the acquisition. In case of acquisition of a business in which the acquisition cost exceeds the fair value of the company's identified assets, liabilities assumed and contingent liabilities, the difference is reported as goodwill. When the difference is negative, this is recognised directly in the income statement. Only earnings arising after the date of acquisition are included in the equity of the Group. Divested companies are included in the consolidated financial statements until and including the date when controlling influence ceases.

Intra-Group receivables and liabilities, revenue or expenses and unrealised gains or losses that arise from intra-Group transactions between Group companies are eliminated in their entirety during the preparation of the consolidated financial statements. Unrealised gains that arise from transactions with associated companies and joint ventures are eliminated to the extent that corresponds to the Group's percentage of ownership in the company.

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

Associated companies and joint ventures

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

Foreign currencies – translation

Transactions in foreign currencies are translated to the functional currency at the exchange rate on the transaction date. Functional currency is the currency in the primary economic environment where the company carries out its operations. Monetary receivables and liabilities in foreign currencies are translated at the exchange rate on the balance sheet date, and exchange rate differences that arise are recognised in the income statement. Non-monetary items are recognised at historic cost using the exchange rate on the transaction date.

When preparing the consolidated financial statements, the income statements and balance sheets of foreign subsidiaries are translated to the Group's reporting currency, Swedish kronor. All items in the income statements of foreign subsidiaries are translated using the average exchange rates during the year. All balance sheet items are translated using the exchange rates on the balance sheet date (closing day rate). The changes in the equity of the Group that arise due to different exchange rates on the closing day compared to the exchange rate on the preceding closing day are recognised directly in equity. All subsidiaries use the local currency as their functional currency, aside from some markets in eastern Europe for which the euro is the functional currency.

Hyperinflationary economies – adjustment of financial reports

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

Segment reporting

The operations of the Scania Group are managed and reported primarily by line of business and secondarily by geographic market. Scania's primary segments are Vehicles and 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 segments. Only overall analyses are conducted at the geographic level. Financial expenses and taxes are reported at the segment level in order to better reflect the Financial Services line of business. For reasons of comparability, equivalent information for Vehicles and Services has been included in the note on segment reporting.

The Vehicles and Services line of business encompasses trucks, buses and engines, including the services associated with these products. All products are built using common basic components, with coordinated development and production. Products and services are also organised under common areas of responsibility.

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

BALANCE SHEET – CLASSIFICATIONS

Scania's operating cycle, that is, the time that elapses from the purchase of materials until payment for goods delivered is received, is less than twelve months. This means that 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 71.

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

Other lease contracts are classified as operating leases and are carried among tangible non-current assets. If a transaction is combined with a repurchase obligation or a residual value guarantee, the transaction is carried as an operating lease, provided that important risks remain with Scania.

NOTE 1 Accounting principles, continued

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.

All borrowing costs are charged to earnings in the period to which they are attributable.

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.

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, the average useful life is currently estimated at five years.

Capitalised software development expenditures

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

Impairment testing of non-current assets

The carrying amounts of Scania's intangible 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. If there is any indication that a non-current asset has an impairment loss, the recoverable amount of the asset is estimated. The carrying amounts for goodwill and intangible assets that have not yet gone into service are tested at the end of every year regardless of whether there is an indication of impairment loss or not.

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

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

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 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. The main purpose of Scania's derivative trading is to hedge the Group's currency and interest rate risks.
   - ii) Financial assets and financial liabilities that were determined from the beginning to belong to this category. Scania has no financial instruments classified in this sub-category.

b) Held-to-maturity investments
   This category includes financial assets with predetermined or determinable payments and predetermined maturity that Scania has the intention and ability to hold until maturity.

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

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

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

Recognition and carrying amounts

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

Below are the main accounting principles that Scania applies to financial assets and financial liabilities. The exceptions from these principles that are applied concern 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.

d) Financial assets available for sale are carried continuously at fair value, with changes in value recognised 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

Cash flow hedging

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

NOTE 1 Accounting principles, continued

Fair value hedging

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

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

Provisions

Provisions are reported if an obligation, legal or informal, exists as a consequence of events that occur. It must also be deemed likely that an outflow of resources will be required to settle the obligation and that the amount can be reliably estimated. Provisions for warranties for vehicles sold during the year are based on warranty conditions and the estimated quality situation. Provisions on service contracts are related to expected future expenses that exceed contractual future revenue. Provisions for residual value obligations arise as a consequence either of an operating lease (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 directly in equity, such as changes in actuarial gains/losses, is recognised together with the underlying item directly in equity.

Employee benefits

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

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

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

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

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

INCOME STATEMENT — CLASSIFICATIONS

Research and development expenses

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

Administrative expenses

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

Financial income and expenses

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

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.
- Residual value obligation – in case of delivery of vehicles on which Scania has a repurchase obligation at a guaranteed residual value, revenue is allocated on a straight-line basis until the repurchase date, as with an operating lease, provided that substantial risks remain with Scania.
- Short-term rental – in case of short-term rental of vehicles, revenue is allocated on a straight-line basis over the contract period. Leasing and rentals mainly involve new trucks and buses. In such cases, the asset is recognised in the balance sheet as a lease asset.

Service-related products

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

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. As appropriate, contingent liabilities are carried at discounted value.

Earnings per share

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

Incentive programmes and share-based payment

The outcome of the incentive programme for executive officers is recognised as a salary expense in the year the payment is related to. Part of the programme is payable in such a way that the employee him/herself acquires shares in Scania AB at market price (see Note 28 "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

IFRS is the object of continuous updating, but at present there are no rule changes that are deemed to have an impact on Scania's financial reports during 2008.

Starting in the financial year 2009, IFRS 8, "Operating Segments", and the revised IAS 23, "Borrowing Costs" will be applied. Scania will not apply these in advance.

NOTE 1 Accounting principles, continued

IFRS 8, "Operating Segments"

This standard sets out requirements for disclosure of information about the Group's operating segments and replaces the requirement to define primary and secondary segments based on lines of business and geographic areas. The standard will be applied starting with the financial year 2009, and the Scania Group's preliminary assessment is that the effects of introducing IFRS 8 will not substantially affect its financial reports.

Revised IAS 23, "Borrowing Costs"

This standard requires capitalisation of borrowing costs when these are attributable to assets that necessarily take a substantial period of time to get ready for their intended use or sale. The standard will be applied starting with the financial year 2009 and is not expected to have any substantial effect on Scania's financial reports.

PARENT COMPANY

Parent Company accounting principles

The Parent Company has prepared its Annual Report in compliance with Sweden's Annual Accounts Act (1995:1554) and Recommendation RFR 2.1, "Accounting for Legal Entities" of the Swedish Financial Reporting Board. RFR 2.1 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".

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 to the extent they are attributable to profits earned after the acquisition. Dividends that exceed profits earned are recognised as a repayment of the investment and reduce the carrying amount.

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

NOTE 2 Key judgements and estimates

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

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

Revenue recognition

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

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

At the end of 2007, obligations related to residual value or repurchase amounted to about SEK 6,300 m.

Credit risks

In its Financial Services operations, Scania has an exposure in the form of contractual payments. At the end of 2007, these amounted to SEK 38,300 m.

In all essential respects, Scania has collateral in the form of the right to repossess the underlying vehicle. In case the market value of the collateral does not cover the exposure to the customer, Scania has a risk of loss. On 31 December 2007, the reserve for doubtful receivables in Financial Services operations amounted to SEK 567 m. 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 2007, Scania's goodwill amounted to SEK 1,221 m. The impairment tests that were carried out showed that there are ample margins before an impairment loss will arise.

Scania's development costs are capitalised in the phase of product development where decisions are made on future production and market introduction. In this case there is future predicted revenue and a corresponding production cost. In case future volume or the price and cost trend diverges negatively from the preliminary calculation, an impairment loss may arise. Scania's capitalised development costs amounted to SEK 1,143 m. on 31 December 2007.

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, the discount rate was left raised by 0.5 percentage points to 4.5 percent during 2007, while in 2006 it was unchanged. Such a change in the above-mentioned actuarial parameters is recognised directly in equity, net after taxes.

Product obligations

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

For each vehicle sold, Scania makes a warranty provision. For extended warranties and campaigns, a provision is made at the time of the decision. Provisions are dependent on the estimated quality situation and the degree of utilisation in the case of campaigns. An essential change in the quality situation may require an adjustment in earlier provisions. Scania's product obligations can be seen in Note 18 "Other provisions" and amounted to SEK 1,233 m. on 31 December 2007.

Legal and tax risks

On 31 December 20076, provisions for legal and tax risks amounted to SEK 787 m. See Note 18 "Other provisions".

Legal risks

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

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

Tax risks

The Group is party to tax proceedings. However, Scania's management has made the assessment, based on individual examination, that the final outcome of these proceedings will not have any material impact on the financial position of the Group, beyond the recognised reserves. In October 2007, the County Administrative Court approved Scania's appeal of its 2002 tax assessment. The ruling granted Scania a deduction of a loss of SEK 2.9 billion. The ruling has become legally binding. The ruling coincides with Scania's previous judgement and therefore has no effect on Scania's earnings and financial position.

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

Scania recognised deferred net tax liabilities totalling SEK 1,281 m. at the end of 2007. In addition, at the end of 2007 the Group had deferred tax receivables related to unutilised tax loss carry-forwards of about SEK 143 m. that were not carried in the financial statements after assessment of the potential for utilising the tax loss carry-forwards. This judgement may affect income both negatively and positively.

NOTE 3 Segment reporting

The Vehicles and Services line of business encompasses the following products: trucks, buses and marine engines, including the services associated with these products. All products are based on shared basic components. Products and services are, moreover, organised into shared areas of responsibility at both the industrial and sales levels.

The Financial Services line of business provides financial solutions to Scania customers, such as loan financing, lease contracts and insurance solutions. Scania's internal pricing is determined according to market principles, at "arm's length distance".

PRIMARY SEGMENTS (LINES OF BUSINESS)

	Vehicles and Services			Financial Services			Eliminations and other			Scania Group		
Income statement	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Revenue from external customers [1]	**84,486**	70,738	63,328	**4,070**	3,527	3,518	**–1,686**	–1,643	–1,742	**86,870**	72,622	65,104
Expenses	**–72,850**	–62,483	–57,006	**–3,538**	–3,034	–2,989	**1,686**	1,643	1,742	**–74,702**	–63,874	–58,253
Income from holdings in associated companies	**–4**	5	8	**–**	–	–	**–**	–	–	**–4**	5	8
Operating income	**11,632**	8,260	6,330	**532**	493	529	**–**	–	–	**12,164**	8,753	6,859
Financial income and expenses [2]	**–258**	–170	–94	**–**	–	–	**–**	–	–	**–258**	–170	–94
Income before tax	**11,374**	8,090	6,236	**532**	493	529	**–**	–	–	**11,906**	8,583	6,765
Taxes [2]	**–3,241**	–2,499	–1,938	**–111**	–145	–162	**–**	–	–	**–3,352**	–2,644	–2,100
Net income for the year	**8,133**	5,591	4,298	**421**	348	367	**–**	–	–	**8,554**	5,939	4,665
Depreciation/ amortisation included in operating income [3]	**–3,121**	–3,023	–2,707	**–17**	–14	–15	**–**	–	–	**–3,138**	–3,037	–2,722

	Vehicles and Services			Financial Services			Scania Group		
Cash flow statement by segment	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Cash flow from operating activities	**11,788**	8,873	6,905	**529**	394	363	**12,317**	9,267	7,268
Change in working capital etc.	**986**	1,879	762	**–**	–	–	**986**	1,879	762
Cash flow from operating activities	**12,774**	10,752	7,667	**529**	394	363	**13,303**	11,146	8,030
Cash flow from investing activities	**–4,545**	–3,810	–3,802	**–5,698**	–3,514	–1,410	**–10,243**	–7,324	–5,212
Cash flow after investing activities	**8,229**	6,942	3,865	**–5,169**	–3,120	–1,047	**3,060**	3,822	2,818

Balance sheet	Vehicles and Services 2007	2006	2005	Financial Services 2007	2006	2005	Eliminations and other 2007	2006	2005	Scania Group 2007	2006	2005
31 December												
Assets												
Intangible non-current assets	**2,498**	2,452	2,685	**13**	12	13	**–**	–	–	**2,511**	2,464	2,698
Tangible non-current assets	**18,487**	17,104	16,692	**38**	26	23	**–**	–	–	**18,525**	17,130	16,715
Lease assets [5]	**4,269**	3,775	3,981	**8,019**	7,379	7,269	**–1,580**	–1,488	–1,367	**10,708**	9,666	9,883
Shares and participations in associated companies	**264**	173	96	**–**	–	–	**–**	–	–	**264**	173	96
Interest-bearing receivables, non-current [4]	**410**	241	531	**20,180**	16,358	15,012	**–**	–	–	**20,590**	16,599	15,543
Other receivables, non-current	**1,211**	1,485	1,842	**24**	221	116	**–**	–	–	**1,235**	1,706	1,958
Inventories	**11,242**	10,100	9,949	**–**	–	–	**–**	–	–	**11,242**	10,100	9,949
Interest-bearing receivables, current [4]	**450**	496	494	**10,115**	8,104	7,353	**–**	–	–	**10,565**	8,600	7,847
Other receivables, current [3]	**11,149**	10,737	10,942	**1,295**	590	496	**–764**	–532	–702	**11,680**	10,795	10,736
Short-term investments, cash and cash equivalents	**3,890**	10,672	2,616	**244**	173	177	**–**	–	–	**4,134**	10,845	2,793
Total assets	**53,870**	57,235	49,828	**39,928**	32,863	30,459	**–2,344**	–2,020	–2,069	**91,454**	88,078	78,218
Equity and liabilities												
Equity	**20,776**	22,971	20,682	**4,036**	3,163	3,054	**–**	–	–	**24,812**	26,134	23,736
Interest-bearing liabilities [6]	**1,678**	6,463	3,290	**33,680**	27,805	25,384	**–**	–	–	**35,358**	34,268	28,674
Provisions for pensions	**3,985**	3,590	3,445	**20**	15	13	**–**	–	–	**4,005**	3,605	3,458
Other non-current provisions	**2,248**	3,174	2,872	**614**	577	578	**–**	–	–	**2,862**	3,751	3,450
Other liabilities, non-current	**3,372**	2,554	2,940	–	13	2	**–**	–	–	**3,372**	2,567	2,942
Current provisions	**2,024**	1,123	962	–	2	–	**–**	–	–	**2,024**	1,125	962
Other liabilities, current [5]	**19,787**	17,360	15,637	**1,578**	1,288	1,428	**–2,344**	–2,020	–2,069	**19,021**	16,628	14,996
Total equity and liabilities	**53,870**	57,235	49,828	**39,928**	32,863	30,459	**–2,344**	–2,020	–2,069	**91,454**	88,078	78,218
Gross investment for the period in												
– Intangible non-current assets	**458**	224	375	**7**	8	3	**–**	–	–	**465**	232	378
– Tangible non-current assets	**3,795**	3,523	2,969	**24**	16	13	**–**	–	–	**3,819**	3,539	2,982
– Lease assets	**2,054**	1,712	1,522	**3,642**	3,474	3,221	**–**	–	–	**5,696**	5,186	4,743

1 Elimination refers mainly to income on operating leases.

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

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

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

5 Elimination refers to deferred profit on lease assets.

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

NOTE 3 Segment reporting, continued

SECONDARY SEGMENTS (GEOGRAPHIC AREAS)

	Western Europe			Central and eastern Europe			Asia		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Vehicles and Services									
Net sales, January–December [1]	**49,452**	45,475	42,027	**14,146**	8,293	5,586	**5,699**	4,603	4,138
Assets, 31 December [2, 3]	**37,416**	44,359	36,282	**4,359**	3,404	3,022	**1,482**	1,150	1,090
Gross investments [2]	**3,464**	3,074	2,812	**328**	169	213	**35**	25	28
Financial Services									
Revenue, January–December [1]	**2,935**	2,933	2,859	**618**	397	415	**186**	184	160
Assets, 31 December [2]	**26,268**	23,498	22,785	**8,592**	6,106	5,108	**2,149**	2,271	1,804
Gross investments [2]	**18**	12	8	**9**	9	5	**2**	2	4

1 Revenue from external customers, by location of customers.
2 Assets and gross investments, respectively (excluding lease assets), by geographic location.
3 Starting in 2007, assets in each region are reported on a net basis after eliminating intra-Group receivables.

GEOGRAPHIC AREAS

Scania is geographically divided into five parts: western Europe, central and eastern Europe, Asia, America and other markets. The list below shows what countries are included in each of these areas. Sales of Scania's products occur in all five geographic areas. Financial Services is found mainly in the European markets and to a lesser extent in the others. Most of Scania's research and development occurs in Sweden. Manufacturing of buses, trucks and marine and industrial engines occurs in a number of locations in Sweden as well as in Argentina, Brazil, France, the Netherlands, Poland and Russia.

COMPOSITION OF GEOGRAPHIC SEGMENTS

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

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

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

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

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

NOTE 4 Net sales

Vehicles and Services	**2007**	2006	2005
Trucks	**52,599**	43,021	37,778
Buses	**7,429**	6,766	6,256
Engines	**1,185**	1,024	803
Service-related products	**15,139**	13,595	12,591
Used vehicles	**5,270**	5,189	4,897
Other products	**3,840**	3,032	2,773
Total delivery value	**85,462**	72,627	65,098
Adjustment for lease income [1]	**–976**	–1,889	–1,770
Net sales	**84,486**	70,738	63,328

1 Refers to the difference between sales value based on deliveries and revenue recognised as income. This difference arises when a lease or sale, combined with a residual value guarantee or a repurchase obligation, is recognised as an operating lease, provided that significant risks remain. Refers mainly to trucks, SEK –1,090 m. (–1,666 and –1,618, respectively) and buses SEK +182 m. (–83 and –152, 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.

America			Other markets			Eliminations			Total		
2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005
10,573	8,420	7,575	**4,616**	3,947	4,002	**–**	0	0	**84,486**	70,738	63,328
9,082	7,331	8,866	**1,531**	2,112	2,131	**–**	–1,121	–1,563	**53,870**	57,235	49,828
397	367	266	**29**	112	25	**–**	0	0	**4,253**	3,747	3,344
16	1	1	**315**	12	83	**–**	0	0	**4,070**	3,527	3,518
172	140	14	**2,747**	848	748	**–**	0	0	**39,928**	32,863	30,459
1	0	0	**1**	1	0	**–**	0	0	**31**	24	17

NOTE 5 Operating expenses

Vehicles and Services	2007	2006	2005
Cost of goods sold			
Cost of goods	**40,343**	34,187	31,272
Staff	**9,283**	8,182	7,669
Depreciation/amortisation	**2,233**	2,210	1,992
Other	**9,951**	7,676	6,902
Total	**61,810**	52,255	47,835
Research and development expenses			
Staff	**1,372**	1,259	1,072
Depreciation/amortisation	**613**	529	419
Other	**1,358**	1,235	993
Total	**3,343**	3,023	2,484
Selling expenses			
Staff	**2,846**	2,638	2,530
Depreciation/amortisation	**257**	266	280
Other	**3,335**	3,112	3,019
Total	**6,438**	6,016	5,829
Administrative expenses			
Staff	**623**	531	417
Depreciation/amortisation	**18**	18	16
Other	**618**	640	425
Total	**1,259**	1,189	858

Financial Services	2007	2006	2005
Selling and administrative expenses			
Staff	**280**	258	222
Depreciation/amortisation	**17**	14	15
Other	**173**	144	137
Total	**470**	416	374

Cost of goods includes new trucks, buses and engines, but also used vehicles, bodywork and cars. Beyond this, the size of the cost of goods is also dependent on the degree of integration in different markets. Capitalised product development expenditures have reduced the expense categories “Staff” and “Other”.

NOTE 6 Financial Services

	2007	2006	2005
Interest income	**1,934**	1,513	1,375
Lease income	**2,136**	2,014	2,143
Depreciation	**–1,686**	–1,620	–1,725
Interest expenses	**–1,371**	–988	–850
Net interest income	**1,013**	919	943
Other income and expenses	**79**	53	40
Gross income	**1,092**	972	983
Operating expenses	**–470**	–416	–374
Bad debt expenses [1]	**–90**	–63	–80
Operating income	**532**	493	529

1 This was equivalent to 0.26 (0.20 and 0.29, respectively) percent of the average credit portfolio.

Lease assets (operating leases)	2007	2006	2005
1 January	**7,379**	7,269	7,043
New contracts	**3,642**	3,474	3,221
Depreciation	**–1,686**	–1,620	–1,725
Terminated contracts	**–1,543**	–1,537	–1,676
Change in value adjustments	**29**	45	30
Exchange rate differences	**198**	–252	376
Carrying amount, 31 December [2]	**8,019**	7,379	7,269

2 Refers to carrying amount after subtracting deferred profit recognition and internal gains.

Financial receivables (hire purchase contracts and financial leases)	2007	2006	2005
1 January	**24,462**	22,365	19,558
New receivables	**16,091**	14,659	12,892
Loan principal payments/ terminated contracts	**–11,737**	–11,708	–11,190
Change in value adjustments	**–101**	–18	–74
Exchange rate differences	**770**	–836	1,179
Carrying amount, 31 December	**30,295**	24,462	22,365
Total receivables and lease assets [3]	**38,314**	31,841	29,634

3 The number of contracts in the portfolio on 31 December totalled about 87,000 (75,000 and 70,000, respectively)

Net investments in financial leases	2007	2006	2005
Receivables related to future minimum lease payments	**26,944**	21,320	19,196
Less:			
Reserve for bad debts including executory costs	**–789**	–647	–568
Imputed interest	**–2,344**	–1,777	–1,527
Net investment [4]	**23,811**	18,896	17,101

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

Future minimum lease payments [5]	Operating leases	Financial leases
2008	**1,954**	**10,896**
2009	**1,372**	**7,027**
2010	**1,020**	**4,912**
2011	**640**	**2,801**
2012	**283**	**1,024**
2013 and thereafter	**96**	**284**
Total	**5,365**	**26,944**

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

	2007	2006	2005
Financial income (Interest income)			
Bank balances and financial investments	**333**	342	332
Derivatives [1]	**83**	239	281
Expected return on pension assets	**63**	51	44
Other	**0**	0	22
Total financial income	**479**	632	679
Financial expenses (Interest expenses)			
Borrowings	**–349**	–539	–618
Pension liability	**–206**	–188	–143
Derivatives [1]	**–138**	–136	–105
Total financial expenses	**–693**	–863	–866
Other financial income [2]	**74**	142	299
Other financial expenses [2]	**–118**	–81	–206
Net financial items	**–258**	–170	–94

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

2 Refers primarily to SEK -38 m. (80 and 74, respectively) in market value effects of financial instruments as well as exchange rate differences and bank-related costs. In 2005 the item included SEK 47 m. in negative goodwill from the acquisition of Ainax recognised as revenue.

NOTE 8 Taxes

Tax expense/income for the year	2007	2006	2005
Current tax [1]	**–3,410**	–2,647	–2,263
Deferred tax	**58**	3	163
Total	**–3,352**	–2,644	–2,100
1 Of which, taxes paid:	**–3,232**	–2,552	–2,450

Deferred tax is attributable to the following:	2007	2006	2005
Deferred tax related to temporary differences	**285**	277	265
Deferred tax due to changes in tax rates and tax rules [2]	**–67**	6	10
Deferred tax income due to tax value of loss carry-forwards capitalised during the year	**204**	28	60
Deferred tax expense due to utilisation of previously capitalised tax value of tax loss carry-forwards	**–39**	–59	–141
Other changes in deferred tax liabilities/assets	**–325**	–249	–31
Total	**58**	3	163

2 During 2007, the tax rate changed in the following countries, among others: Germany, Spain and the Czech Republic.

NOTE 8 Taxes, continued

Reconciliation of effective tax	2007 Amount	2007 %	2006 Amount	2006 %	2005 Amount	2005 %
Income before tax	**11,906**		8,583		6,765	
Tax calculated using Swedish tax rate	**–3,334**	**–28**	–2,403	–28	–1,894	–28
Tax effect and percentage influence:						
Difference between Swedish and foreign tax rates	**–166**	**–1**	–183	–2	–155	–2
Tax-exempt income	**233**	**2**	176	2	127	2
Non-deductible expenses	**–102**	**–1**	–167	–2	–149	–2
Utilisation/valuation of tax loss carry-forwards	**181**	**2**	–11	0	46	0
New valuation of other deferred tax	**15**	**0**	15	0	–18	0
Adjustment for taxes pertaining to previous years	**–90**	**–1**	3	0	–6	0
Changed tax rates	**–69**	**–1**	4	0	5	0
Other	**–20**	**0**	–78	–1	–56	–1
Effective tax	**–3,352**	**–28**	–2,644	–31	–2,100	–31

Deferred tax assets and liabilities are attributable to the following:	2007	2006	2005
Deferred tax assets			
Provisions	**639**	526	460
Provisions for pensions	**430**	391	371
Non-current assets	**871**	573	677
Inventories	**550**	496	478
Unutilised tax loss carry-forwards [3]	**399**	129	187
Other	**664**	663	487
Offset within tax jurisdictions	**–3,025**	–2,129	–2,095
Total deferred tax assets	**528**	649	565
Deferred tax liabilities			
Property, plant and equipment	**3,333**	3,170	3,230
Tax allocation reserve [4]	**1,468**	1,146	943
Other	**33**	91	62
Offset within tax jurisdictions	**–3,025**	–2,129	–2,095
Total deferred tax liabilities	**1,809**	2,278	2,140
Net deferred tax liabilities	**1,281**	1,629	1,575

3 Unutilised tax loss carry-forwards in 2007 stemmed mainly from Sweden, Germany and Latin America. Of the deferred tax assets attributable to unutilised tax loss carry-forwards, SEK 381 m. may be utilised without time constraints.

4 In Sweden, tax laws permit provisions to an untaxed reserve called a tax allocation reserve. Deductions for provisions to this reserve are allowed up to a maximum of 25 percent of taxable profits. Each provision to this reserve may be freely withdrawn and face taxation, and must be withdrawn no later than the sixth year after the provision was made.

Reconciliation of net deferred tax liabilities	2007	2006	2005
Carrying value on 1 January	**1,629**	1,575	1,922
Deferred taxes recognised in the year's income	**–58**	–3	–163
Exchange rate differences	**10**	–9	36
Reclassifications	**–**	20	–
Tax assets/tax liabilities in acquired businesses	**–118**	–	60
Recognised in equity, changes attributable to:			
actuarial gains and losses on pensions	**–74**	–21	–217
hedge reserve	**–108**	67	–63
Net deferred tax liabilities, 31 December	**1,281**	1,629	1,575

Recognised tax assets related to subsidiaries that reported a loss during 2007 were valued on the basis of an assessment that future earnings capacity in each respective company made a valuation possible. In the Scania Group, deferred tax assets related to unutilised tax loss carry-forwards of SEK 143 m. (225 and 245, respectively) were not assigned a value after assessment of the potential for utilising the tax loss carry-forwards.

Expiration structure of deferred tax assets related to tax loss carry-forwards not recognised	2007
2008	0
2009	0
2010	6
2011	27
2012	4
2013 and thereafter	61
No expiration date	45
Total	**143**

NOTE 9 Earnings per share

Earnings per share	2007	2006	2005
Net income for the year attributable to Scania shareholders, SEK m.	**8,554**	5,939	4,665
Weighted average, millions of shares outstanding during the year	**800**	800	800
Earnings per share before/ after dilution, SEK [1]	**10,69**	7,42	5,83

There are no financial instruments that might lead to dilution. During 2007, Scania carried out a 5 to 1 share split with mandatory redemption of the fifth share. The number of shares thus increased from 200 to 800 million. Amounts for prior years have been adjusted accordingly.

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

NOTE 10 Depreciation/amortisation

Vehicles and Services	2007	2006	2005
Intangible non-current assets			
Development expenses	**–421**	–361	–283
Selling expenses	**–38**	–38	–33
Total	**–459**	–399	–316
Tangible non-current assets			
Costs of goods sold [1]	**–2,233**	–2,210	–1,992
Research and development expenses	**–192**	–168	–136
Selling expenses	**–219**	–228	–247
Administrative expenses	**–18**	–18	–16
Total	**–2,662**	–2,624	–2,391
Total depreciation/amortisation, Vehicles and Services	**–3,121**	–3,023	–2,707

1 Of which, a value decrease of SEK m. –256 (–230 and –210, respectively) related to short-term leasing in Vehicles and Services. In addition, there was a value decrease of SEK –929 m. (–582 and –578, respectively) in operating leases as well as an accrual of capitalised repurchasing obligations, which was charged to the cost of goods sold.

Financial Services	2007	2006	2005
Operating leases (payments of principal)	**–1,686**	–1,620	–1,725
Other non-current assets	**–17**	–14	–15
Total depreciation/amortisation, Financial Services	**–1,703**	–1,634	–1,740

NOTE 11 Intangible non-current assets

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

2006				
Accumulated cost				
1 January	1,095	1,825	331	3,251
Additions	–	186	46	232
Divestments and disposals	–	–10	–9	–19
Reclassifications	–	–	8	8
Exchange rate differences	–54	–	–13	–67
Total	1,041	2,001	363	3,405
Impairment loss				
1 January	–	–	–	–
Impairment loss for the year	–	–	3	3
Total	–	–	3	3

2006	Goodwill	Development	Software [1]	Total
Accumulated amortisation				
1 January	–	369	184	553
Amortisation for the year				
– Vehicles and Services	–	361	38	399
– Financial Services	–	–	5	5
Divestments and disposals	–	–4	–7	–11
Exchange rate differences	–	–	–8	–8
Total	–	726	212	938
Carrying amount, 31 December	**1,041**	**1,275**	**148**	**2,464**

2005				
Accumulated cost				
1 January	1,012	1,547	280	2,839
Acquisitions/divestments of businesses	–	–	13	13
Additions	63	291	24	378
Divestments and disposals	–	–13	–32	–45
Reclassifications	–	–	25	25
Exchange rate differences	20	–	21	41
Total	1,095	1,825	331	3,251
Accumulated amortisation				
1 January	–	86	127	213
Amortisation for the year				
– Vehicles and Services	–	283	33	316
– Financial Services	–	–	5	5
Divestments and disposals	–	–	–5	–5
Reclassifications	–	–	10	10
Exchange rate differences	–	–	14	14
Total	–	369	184	553
Carrying amount, 31 December	**1,095**	**1,456**	**147**	**2,698**

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

1 Software is purchased externally in its entirety.

NOTE 12 Tangible non-current assets

2007	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets[1]	Total
Accumulated cost					
1 January	13,054	23,398	2,323	14,288	**53,063**
Acquisitions/divestments of subsidiaries	74	64	–	–	**138**
Additions	305	827	2,687	5,696	**9,515**
Divestments and disposals	–203	–2,277	–40	–4,721	**–7,241**
Reclassifications	762	1,687	–2,469	293	**273**
Exchange rate differences for the year	410	631	44	436	**1,521**
Total	**14,402**	**24,330**	**2,545**	**15,992**	**57,269**
Accumulated depreciation					
1 January	5,068	16,577	–	4,558	**26,203**
Acquisitions/divestments of subsidiaries	12	41	–	–	**53**
Depreciation for the year					
– Vehicles and Services	328	2,078	–	1,185	**3,591**
– Financial Services	–	10	–	1,686	**1,696**
Divestments and disposals	–73	–1,902	–	–2,276	**–4,251**
Reclassifications	–2	–1	–	–8	**–11**
Exchange rate differences for the year	138	478	–	104	**720**
Total	**5,471**	**17,281**	**–**	**5,249**	**28,001**
Accumulated impairment losses[2]					
1 January	–	–	–	64	**64**
Change in value for the year	–	–	–	–29	**–29**
Total	**–**	**–**	**–**	**35**	**35**
Carrying amount, 31 December	**8,931**	**7,049**	**2,545**	**10,708**	**29,233**
– of which “Machinery”		5,976			
– of which “Equipment”		1,074			
– of which “Buildings”	6,736				
– of which “Land”	2,195				
– of which Financial Services		34		8,019	**8,053**

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

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 potential credit losses.

NOTE 12 Tangible non-current assets, continued

2005	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets[1]	Total
Accumulated cost					
1 January	11,387	20,366	1,141	13,794	46,688
Acquisitions/divestments of subsidiaries	275	35	–	–	310
Additions	207	734	2,041	4,743	7,725
Divestments and disposals	–54	–1,029	–	–4,498	–5,581
Reclassifications	507	1,248	–1,693	–73	–11
Exchange rate differences for the year	718	1,428	31	872	3,049
Total	13,040	22,782	1,520	14,838	52,180
Accumulated depreciation					
1 January	4,038	14,090	–	4,512	22,640
Depreciation for the year					
– Vehicles and Services	361	1,820	–	788	2,969
– Financial Services	–	10	–	1,725	1,735
Divestments and disposals	–8	–911	–	–2,384	–3,303
Reclassifications	90	–100	–	–45	–55
Exchange rate differences for the year	221	1,016	–	248	1,485
Total	4,702	15,925	–	4,844	25,471
Accumulated impairment losses[2]					
1 January	–	–	–	138	138
Change in value for the year	–	–	–	–27	–27
Total	–	–	–	111	111
Carrying amount, 31 December	**8,338**	**6,857**	**1,520**	**9,883**	**26,598**
– of which “Machinery”		6,024			
– of which “Equipment”		833			
– of which “Buildings”	6,252				
– of which “Land”	2,086				
– of which Financial Services		23		7,269	7,292

	2007	2006	2005
Buildings in Sweden			
Tax assessment value	**1,292**	920	950
Equivalent carrying amount	**2,279**	2,136	2,284
Land in Sweden			
Tax assessment value	**520**	346	397
Equivalent carrying amount	**456**	448	448

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 potential credit losses.

NOTE 13 Holdings in associated companies, joint ventures etc.

	2007	2006	2005
Carrying amount, 1 January	**148**	71	66
Acquisitions, capital contributions, divestments and impairment losses during the year [1]	**106**	83	–6
Reclassifications	**–**	–	1
Exchange rate differences	**–3**	–5	7
Share in income for the year	**–4**	5	8
Dividends	**–5**	–6	–5
Carrying amount, 31 December	**242**	148	71
Contingent liabilities	**0**	0	0

1 SEK 106 m. refers to a capital contribution to Cummins-Scania XPI, which was started in 2006. Scania has entered into a joint venture agreement with Cummins Inc. related to development projects.

Share of assets, liabilities, revenue and income	2007	2006	2005
Non-current assets	**172**	104	47
Current assets	**145**	120	76
Non-current liabilities	**13**	11	14
Current liabilities	**62**	65	37
Scania's share of net assets	**242**	148	72
Sales revenue	**663**	736	464
Income before taxes	**–6**	7	11
Taxes	**2**	–2	–3
Net income for the year	**–4**	5	8

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**		
			2007	2006	2005
Cummins-Scania HPI L.L.C; 043650113, USA	30	26	**18**	23	32
BitsData AB, 556112-2613, Sweden	33	1	**5**	4	3
ScaMadrid S.A., ES A80433519, Spain	49	1	**25**	21	22
ScaValencia S.A., ES A46332995, Spain	26	12	**20**	14	13
Holdings in associated companies			**68**	62	70
Cummins-Scania XPI Manufacturing L.L.C; 20-3394999, USA	50	185	**169**	83	–
Other	–	2	**5**	3	1
Holdings in joint ventures			**174**	86	1
Holdings in associated companies and joint ventures			**242**	148	71
Other shares and participations			**22**	25	25
Total			**264**	173	96

NOTE 14 Inventories

	2007	2006	2005
Raw materials, components and supplies	**885**	960	970
Work in progress	**1,736**	1,392	1,114
Finished goods [1]	**8,621**	7,748	7,865
Total	**11,242**	10,100	9,949
1 Of which, used vehicles	**853**	861	1,251
Change in value adjustment	**18**	31	-24

NOTE 15 Other receivables

	2007	2006	2005
Prepaid expenses and accrued income	**30**	266	86
Derivatives with positive market value	**120**	99	640
Value-added tax	**–**	63	169
Other receivables	**557**	595	498
Total other non-current receivables	**707**	1,023	1,393
Prepaid expenses and accrued income	**1,429**	767	792
Derivatives with positive market value	**177**	365	148
Value-added tax	**1,178**	1,100	739
Other receivables	**1,104**	814	843
Total other current receivables	**3,888**	3,046	2,522
Total other receivables	**4,595**	4,069	3,915

NOTE 16 Equity

The equity of the Scania Group has changed as follows:

2007	Share capital	Contributed capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania shareholders	Minority interest	Total equity
Equity, 1 January	2,000	1,120	87	243	22,679	26,129	5	26,134
Exchange differences on translation				643		643	–1	642
Hedge reserve								
Change in value related to cash flow hedge recognised directly in equity			–521			–521		–521
Cash flow reserve transferred to sales revenue in income statement			137			137		137
Actuarial gains/losses etc. related to pensions recognised directly in equity					–316	–316		–316
Tax attributable to items recognised directly in equity			108		74	182		182
Total changes in assets recognised directly in equity excluding transactions with the company's owners	**–**	**–**	**–276**	**643**	**–242**	**125**	**–1**	**124**
Net income for the year					8,554	8,554		8,554
Total changes in assets excluding transactions with the company's owners	**–**	**–**	**–276**	**643**	**8,312**	**8,679**	**–1**	**8,678**
Dividend to shareholders					–3,000	–3,000		–3,000
Redemption					–7,000	–7,000		–7,000
Equity, 31 December	**2,000**	**1,120**	**–189**	**886**	**20,991**	**24,808**	**4**	**24,812**

NOTE 16 Equity, continued

2006	Share capital	Contributed capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania shareholders	Minority interest	Total equity
Equity, 1 January	2,263	1,120	–83	903	19,524	23,727	9	23,736
Exchange differences on translation				–660		–660	–1	–661
Hedge reserve								
Change in value related to cash flow hedge recognised directly in equity			340			340		340
Cash flow reserve transferred to sales revenue in income statement			–103			–103		–103
Actuarial gains/losses etc. related to pensions recognised directly in equity					–68	–68		–68
Tax attributable to items recognised directly in equity			–67		21	–46		–46
Total changes in assets recognised directly in equity excluding transactions with the company's owners	–	–	170	–660	–47	–537	–1	–538
Net income for the year					5,939	5,939		5,939
Total changes in assets excluding transactions with the company's owners	–	–	170	–660	5,892	5,402	–1	5,401
Reduction due to liquidation of Ainax	–263				263	0		0
Change in minority share related to Ainax						–	–3	–3
Dividend to shareholders					–3,000	–3,000		–3,000
Equity, 31 December	**2,000**	**1,120**	**87**	**243**	**22,679**	**26,129**	**5**	**26,134**

2005	Share capital	Contributed capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania shareholders	Minority interest	Total equity
Equity, 1 January	2,000	1,120	–	–400	18,708	21,428	5	21,433
Change in accounting principle (IAS 39)			55		–33	22		22
Adjusted equity, 1 January	2,000	1,120	55	–400	18,675	21,450	5	21,455
Exchange differences on translation				1,303		1,303	1	1,304
Hedge reserve								
Change in value related to cash flow hedge recognised directly in equity			–607			–607		–607
Cash flow reserve transferred to sales revenue in income statement			415			415		415
Actuarial gains/losses etc. related to pensions recognised directly in equity					–770	–770		–770
Tax attributable to items recognised directly in equity			54		217	271		271
Total changes in assets recognised directly in equity excluding transactions with the company's owners	–	–	–138	1,303	–553	612	1	613
Net income for the year					4,665	4,665		4,665
Total changes in assets excluding transactions with the company's owners	–	–	–138	1,303	4,112	5,277	1	5,278
New share issue in conjunction with acquisition of Ainax	263				–263	0		0
Change in minority share related to Ainax						–	3	3
Dividend to shareholders					–3,000	–3,000		–3,000
Equity, 31 December	**2,263**	**1,120**	**–83**	**903**	**19,524**	**23,727**	**9**	**23,736**

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.

Currency translation reserve arises when translating net assets outside Sweden according to the current method of accounting. The positive exchange rate difference of SEK 642 m. during 2007 arose as a consequence of the weakening of the Swedish krona against currencies important to Scania. The exchange rate differences were mainly attributable to the weakening of the krona against the Brazilian real and the euro.

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 directly in equity. Regarding changes in actuarial assumptions, see also Note 17, "Provisions for pensions and similar commitments." The Parent Company's dividend for 2007 was SEK 3,000 m., equivalent to SEK 3.75 per share. In addition, during 2007 Scania carried out a 5 to 1 share split with mandatory redemption of the fifth share at a price of SEK 35 per share, which was equivalent to SEK 7,000 m. The proposed regular dividend for 2008 is SEK 4,000 m., equivalent to SEK 5.00 per share. The Board of Directors also proposes a 2 to 1 share split with mandatory redemption of the second share at a price of SEK 7.50 per share. Together with the regular dividend, this means that shareholders will receive SEK 10 billion, or SEK 12.50 per share, provided that the Annual General Meeting approves the Board's proposal.

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

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

The equity of the Scania Group consists of the sum of equity attributable to Scania's shareholders and equity attributable to minority interest. At year-end 2007, the Group's equity totalled SEK 24,812 m. (26,134). 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 seven companies that are subject to oversight by national financial inspection authorities. In some countries, Scania must comply with local capital adequacy requirements. During 2007, 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 2007 was for:

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

During the year, the rating outlook was changed from negative to stable.

Reconciliation of change in number of shares outstanding	**2007**	2006	2005
Number of A shares outstanding, 1 January	**100,000,000**	126,296,508	100,000,000
New share issue in conjunction with acquisition of Ainax			26,296,508
Reduction in share capital related to shares owned by Ainax		–26,296,508	
Share split 5 to 1 with mandatory redemption of the fifth share	**300,000,000**		
Number of A shares outstanding, 31 December	**400,000,000**	100,000,000	126,296,508
Number of B shares outstanding, 1 January	**100,000,000**	100,000,000	100,000,000
5 to 1 share split with mandatory redemption of the fifth share	**300,000,000**		
Number of B shares outstanding, 31 December	**400,000,000**	100,000,000	100,000,000

NOTE 17 Provisions for pensions and similar commitments

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

The commitment that is recognised in the balance sheet stems from the defined-benefit plans. The largest plans are found in Sweden, Great Britain and Brazil. The plans are safeguarded via re-insured provisions in the balance sheet, foundations and funds. Calculations are performed according to the "projected unit credit method", using the assumptions presented in the table below, also taking into account any revocability. Starting in 2005, actuarial gains and losses are recognised directly in equity.

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

Premiums to Alecta amounted to SEK 64 m. (76 and 72, respectively). A surplus or deficit at Alecta may mean a refund to the Group or lower or higher future premiums. At year-end 2007, Alecta's surplus, in the form of a collective consolidation level, amounted to 152 (144 and 128, 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 24 m. (24 and 22, respectively) and to PVF Achmea SEK 48 m. (51 and 55, respectively). The consolidation level amounted to 148 (135 and 126, respectively) percent for MN Services and 133 (129 and 127, respectively) percent for PVF Achmea.

Scania's forecasted disbursement in 2008 of pensions to defined-benefit plans, both funded and unfunded, is SEK 198 m. (151 and 170, 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	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Current service expenses	**–131**	–129	–117	**–4**	–3	–2	**–3**	–11	–10
Interest expenses	**–173**	–157	–143	**–29**	–26	–21	**–4**	–5	–4
Expected return on plan assets	**58**	46	44	**–**	–	–	**5**	5	3
Past service expenses	**–**	–	–	**–**	–	–8	**–**	–	–
Net gains (+) and losses (–) due to curtailments and settlements	**2**	–14	10	**–**	–	–	**–**	–	–
Curtailment in the valuation of net assets	**–10**	–10	–	**–**	–	–	**–**	–	–
Total expense for defined-benefit obligations recognised in the income statement	**–254**	–264	–206	**–33**	–29	–31	**–2**	–11	–11

For defined-contribution plans, Scania makes continuous payments to public authorities and independent organisations, which thus take over obligations towards employees. The Group's expenses for defined-contribution plans amounted to SEK 479 m. (542 and 488, respectively) during 2007.

Pension expenses and other defined-benefit payments are found in the income statement under the headings "Cost of goods sold", SEK 17 (41 and 72, respectively), "Selling expenses", SEK 58 m. (62 and 54, respectively) and "Administrative expenses", SEK 71 m. (64 and 23, respectively). The interest portion of pension expenses, along with the return on plan assets, is found under "Financial expenses and income".

NOT 17 Provisions for pensions and similar commitments, continued

Expenses for pensions and other defined-benefit obligations recognised in equity	Expenses related to pension obligations			Expenses related to health care benefits			Expenses related to other obligations		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Experience-based adjustments in pension liability	**–228**	–56	–32	**1**	–	–6	**4**	1	–1
Experience-based adjustments in plan assets	**–13**	22	40	**–**	–	–	**–5**	–	14
Effects of changes in actuarial assumptions	**–31**	–19	–771	**–**	–	–	**–**	–	–2
Net actuarial gains (+) and losses (–) for the year	**–272**	–53	–763	**1**	–	–6	**–1**	1	11
Special payroll tax related to actuarial gains and losses	**–58**	–	–	**–**	–	–	**–**	–	–
Curtailment in valuation of net assets	**14**	–16	–12	**–**	–	–	**–**	–	–
Total expense/revenue for defined-benefit obligations recognised in equity	**–316**	–69	–775	**1**	–	–6	**–1**	1	11

The accumulated amount of actuarial losses in equity was SEK 1,223 m. (907 and 842, respectively) before taxes.

Recognised as provision for pensions in the balance sheet	Pension obligations			Obligations related to health care			Other obligations		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Present value of defined-benefit obligations, wholly or partly funded	**1,074**	1,216	1,258	**–**	–	–	**46**	41	40
Present value of defined-benefit obligations, unfunded	**3,687**	3,004	2,827	**316**	261	258	**32**	50	50
Present value of defined-benefit obligations	**4,761**	4,220	4,085	**316**	261	258	**78**	91	90
Fair value of plan assets	**–1,277**	–1,100	–1,048	**–**	–	–	**–54**	–48	–47
Net assets not fully valued due to curtailment rule	**142**	144	81	**–**	–	–	**–**	–	–
Recognised in the balance sheet	**3,626**	3,264	3,118	**316**	261	258	**24**	43	43
Of which, pension liability recognised under the heading “Provisions for pensions”	**3,665**	3,301	3,157	**316**	261	258	**24**	43	43
Of which, pension asset recognised under the heading “Other non-current receivables”	**–39**	–37	–39	**–**	–	–	**–**	–	–

Assumptions applied in actuarial calculation	Sweden (pension)			Great Britain (pension)			Brazil (health care)			Other countries (pension etc.)		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Discount rate (%)	**4.5**	4.0	4.0	**6.0**	5.1	5.0	**9.2**	10.3	10.3	**2.9–5.3**	2.3–5.0	2.0–4.5
Expected return on plan assets (%)	**–**	–	–	**6.8**	6.0	5.5	**11.4**	10.3	10.3	**3.7–6.0**	3.7–5.0	2.3–5.0
Expected wage and salary increase (%)	**3.0**	3.0	3.0	**0.0**	0.0	0.0	**–**	–	–	**2.0–13.0**	1.5–4.4	1.5–4.4
Change in health care costs (%)	**–**	–	–	**–**	–	–	**7.1**	8.6	8.6	**–**	–	–
Employee turnover (%)	**5.0**	5.0	5.0	**0.0**	0.0	0.0	**–**	–	–	**2.0–13.0**	1.0–6.4	1.0–8.0
Expected remaining years of service	**21.5**	21.7	22.0	**8.0**	9.0	10.0	**15.1**	18.2	18.7	**4.5–22.9**	8.3–33.0	8.5–33.0
Expected increase in pension (%)	**2.0**	2.0	2.0	**3.3**	3.0	2.8	**–**	–	–	**0.8–2.3**	0.8–3.0	0.8–2.0

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

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

Present value of defined-benefit commitments changed during the year as follows:	Liabilities related to pension obligations			Liabilities related to health care benefits			Liabilities related to other obligations		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Present value of defined-benefit obligations, 1 January	**4,220**	4,085	2,684	**261**	258	167	**91**	90	64
Present value of reclassified obligations, 1 January [1]	**118**	–44	401	**–**	–	–	**–19**	–	–
Current service expenses	**131**	129	117	**4**	3	2	**3**	11	10
Interest expenses	**173**	157	143	**29**	26	21	**4**	5	4
Payments made by pension plan participants	**1**	–	–	**–**	–	–	**–**	–	–
Net actuarial gains and losses for the year	**259**	74	785	**–1**	–	6	**–3**	–1	5
Exchange rate differences	**19**	–68	62	**39**	–15	65	**6**	–5	16
Disbursements of pension payments	**–154**	–127	–113	**–16**	–11	–11	**–4**	–9	–9
Past service expenses	**–**	–	–	**–**	–	8	**–**	–	–
Present value of defined-benefit obligations in companies bought/sold	**–**	–	1	**–**	–	–	**–**	–	–
Gains and losses due to net settlements for the year	**–6**	14	5	**–**	–	–	**–**	–	–
Present value of defined-benefit obligations, 31 December	**4,761**	4,220	4,085	**316**	261	258	**78**	91	90

1 2007: a reclassification of a defined-contribution plan to a defined-benefit plan in the Netherlands. 2006: a reclassification of a defined-benefit plan to a defined-contribution plan in Switzerland. 2005: a change in legislation in Switzerland as of 1 January 2005, which compels employers to participate in restructuring into foundations in the event of deficits in financing, is leading to a reclassification of the plan from defined-contribution to defined-benefit.

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		
	2007	2 006	2005	**2007**	2006	2005	**2007**	2006	2005
Fair value of plan assets, 1 January	**1,100**	1,048	395	**–**	–	–	**48**	47	21
Fair value of plan assets related to reclassified obligations [2]	**112**	–	503	**–**	–	–	**–**	–	–
Expected return on plan assets	**58**	46	44	**–**	–	–	**5**	5	3
Net actuarial gains and losses for the year	**–13**	21	22	**–**	–	–	**–4**	–	16
Exchange rate differences	**11**	–58	51	**–**	–	–	**7**	–3	9
Payments to pension plan	**46**	57	47	**–**	–	–	**–**	–	–
Payments made by pension plan participants	**8**	8	7	**–**	11	–	**–**	–	–
Disbursements of pension payments	**–41**	–22	–21	**–**	–11	–	**–2**	–1	–2
Gains and losses due to net settlements for the year	**–4**	–	–	**–**	–	–	**–**	–	–
Fair value of plan assets, 31 December	**1,277**	1,100	1,048	**–**	0	–	**54**	48	47

2 2007: a reclassification of a defined-contribution plan to a defined-benefit plan in the Netherlands. 2005: a change in legislation in Switzerland as of 1 January 2005, which compels employers to participate in restructuring into foundations in the event of deficits in financing, is leading to a reclassification of the plan from defined-contribution to defined-benefit.

Plan assets consist mainly of shares and interest-bearing securities with the following fair value on closing day:	**2007 SEK m.**	2006 SEK m.	2005 SEK m.	**2007 %**	2006 %	2005 %
Miscellaneous shares and participations	**475**	424	339	**35.7**	37.0	31.0
Miscellaneous interest-bearing securities	**628**	512	506	**47.2**	44.6	46.2
Properties leased to Scania companies	**66**	67	74	**5.0**	5.8	6.8
Investment properties	**71**	69	64	**5.3**	6.0	5.8
Bank deposits etc.	**91**	76	112	**6.8**	6.6	10.2
Total	**1,331**	1,148	1,095	**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	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Actual return on plan assets	**45**	68	84	**–**	–	–	**1**	5	17

	1% decrease		1% increase	
Sensitivity analysis concerning 1% change in health care expenses on:	**2007**	2006	**2007**	2006
Sum of cost for employment in current year and interest expense	**–8**	–2	**1**	7
Sum of present value of the defined-benefit obligation	**–56**	–21	**25**	54

Multi-year summary recognised in balance sheet [3]	**2007**	2006	2005	2004
Present value of defined-benefit obligations	**5,155**	4,572	4,433	2,915
Fair value of plan assets	**–1,331**	–1,148	–1,095	–416
Deficit	**3,824**	3,424	3,338	2,499
Net assets not valued in full due to curtailment rule	**142**	144	81	–
Recognised in balance sheet	**3,966**	3,568	3,419	2,499

Multi-year summary of expenses in equity [3]	**2007**	2006	2005	2004
Experience-based adjustments in pension liability	**–223**	–55	–39	–
Experience-based adjustments in plan assets	**–18**	22	54	–
Effects of changes in actuarial assumptions	**–31**	–19	–773	–72
Net actuarial gains (+) and losses (–) for the year	**–272**	–52	–758	–72
Special payroll tax related to actuarial gains and losses	**–58**	–	–	–
Curtailment in value of net assets	**14**	–16	–12	–
Total expense/income for defined-benefit payments recognised in equity	**–316**	–68	–770	–72

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

NOTE 18 Other provisions

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

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

2006	Product obligations	Restructuring	Legal and tax disputes	Other provisions [1]	Total
1 January	1,028	45	397	802	2,272
Provisions during the year	1,339	14	141	449	1,943
Provisions used during the year	–1,056	–18	–16	–152	–1,242
Provisions reversed during the year	–230	–2	–36	–46	–314
Exchange rate differences	–24	–1	–29	–7	–61
31 December	**1,057**	**38**	**457**	**1,046**	**2,598**
of which, current provisions					1,125
of which, non-current provisions					1,473

2005	Product obligations	Restructuring	Legal and tax disputes	Other provisions [1]	Total
1 January	1,513	66	264	759	2,602
Provisions during the year	1,146	27	109	348	1,630
Provisions used during the year	–1,182	–45	–53	–200	–1,480
Provisions reversed during the year	–64	–5	–11	–117	–197
Reclassification to prepaid income	–450	–	–	–	–450
Exchange rate differences	65	2	88	12	167
31 December	**1,028**	**45**	**397**	**802**	**2,272**
of which, current provisions					962
of which, non-current provisions					1,310

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

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

NOTE 19 Accrued expenses and deferred income

	2007	2006	2005
Accrued employee-related expenses	**2,597**	2,268	2,019
Deferred income related to service and repair contracts	**1,945**	1,801	1,676
Deferred income related to repurchase obligations	**3,549**	2,993	3,311
Accrued financial expenses	**102**	133	67
Other customary accrued expenses and deferred income	**1,881**	1,949	1,889
Total	**10,074**	9,144	8,962
– of which, current	**6,986**	7,283	6,836
– of which, non-current	**3,088**	1,861	2,126
Of the above total, the following was attributable to Financial Services operations	**331**	289	263

Of the above deferred income related to vehicles sold with repurchase obligations, SEK 462 m. is expected to be recognised as revenue within 12 months. SEK 92 m. is expected to be recognised as revenue after more than 5 years.

NOTE 20 Assets pledged and contingent liabilities

Assets pledged	2007	2006	2005
Real estate mortgages	**26**	27	29
Other	**0**	4	1
Total [1]	**26**	31	30
1 Of which, assets pledged for:			
Non-current borrowings	**25**	25	28
Current borrowings	**1**	4	1
Liabilities of others	**0**	2	1

Contingent liabilities	2007	2006	2005
Contingent liability related to FPG credit insurance	**39**	37	34
Loan guarantees	**30**	31	36
Discounted bills and contracts	**0**	1	3
Other guarantees	**135**	131	136
Total	**204**	200	209

In addition to the above contingent liabilities, the Group has issued vehicle repurchase guarantees worth SEK 131 m. (188 and 350, respectively) to customers' creditors.

NOTE 21 Lease obligations

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

Future payment obligations on non-cancellable operating leases

	2007		2006		2005	
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	**229**	**134**	204	111	194	111
Between one year and five years	**537**	**389**	377	310	371	293
Later than five years	**471**	**469**	507	506	440	439
Total [1]	**1,237**	**992**	1,088	927	1,005	843

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

Allocation of lease expenses	2007	2006	2005
Operating leases			
Fixed payments	**251**	203	200
Flexible payments	**3**	16	10
Payments related to sub-leased items	**–5**	–4	–4
Total [2]	**249**	215	206

2 Expenses for leases on premises were charged to income in the amount of SEK 131 m. (113 and 95, respectively).

NOTE 21 Lease obligations, continued

Future payment obligations on non-cancellable financial leases

Financial leases	2007 Future minimum lease payments	2007 Interest	2007 Present value of future lease payments	2006 Future minimum lease payments	2006 Interest	2006 Present value of future lease payments	2005 Future minimum lease payments	2005 Interest	2005 Present value of future lease payments
Within one year	21	1	20	53	1	52	58	4	54
Between one year and five years	53	6	47	69	5	64	142	23	119
Later than five years	11	4	7	0	0	0	0	0	0
Total [3]	85	11	74	122	6	116	200	27	173

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

Allocation of lease expenses	2007	2006	2005
Financial leases			
Fixed payments	44	57	75
Flexible payments	–	–	–
Payments related to sub-leased items	–13	–20	–29
Total	31	37	46

Financial lease assets in balance sheet

Carrying amount	2007	2006	2005
Vehicles for leasing	27	74	79
Buildings	34	34	71
Machinery	6	18	27
Other	10	6	6
Total	77	132	183

NOTE 22 Government grants and EU grants

During 2007, the Scania Group received government grants and EU grants amounting to SEK 57 m. (41 and 27, respectively) attributable to operating expenses of SEK 158 m. (135 and 105, respectively). It also received government grants of SEK 50 m. (61 and 17, respectively) attributable to investments with a gross cost of SEK 793 m. (992 and 702, 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	2007	2006
Total cash flow before financing activities	3,061	3,822
Exchange rate effects in interest-bearing liabilities	–1,498	1,405
Businesses acquired	–152	–
Exchange rate effects in short-term investments	232	–55
Exchange rate effects in cash and cash equivalents	158	–78
Effect of carrying borrowings at fair value	398	364
Change in derivatives affecting net debt	–436	–279
Dividend to shareholders	–3,000	–3,000
Redemption	–7,000	–
Change in net debt according to the balance sheet	–8,237	2,179
Vehicles and Services		
Total cash flow before financing activities	8,229	6,942
Exchange rate effects in interest-bearing liabilities	–491	553
Businesses acquired	–152	–
Exchange rate effects in short-term investments	232	–55
Exchange rate effects in cash and cash equivalents	150	–61
Effect of carrying borrowings at fair value	398	364
Change in derivatives affecting net debt	–436	–279
Transfers between segments	–363	140
Dividend to shareholders	–3,000	–3,000
Redemption	–7,000	–
Change in net debt according to the balance sheet	–2,433	4,604

NOTE 24 Cash flow statement

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

	2007	2006	2005
a. Interest and dividends received/paid			
Dividends received from associated companies	**5**	6	4
Interest received	**718**	550	635
Interest paid	**–711**	–564	–533
b.1. Vehicles and Services: Items not affecting cash flow			
Depreciation/amortisation	**3,121**	3,023	2,707
Bad debts	**92**	126	196
Associated companies	**9**	1	–4
Deferred profit recognition, lease assets	**222**	104	65
Other	**123**	–100	–81
Total	**3,567**	3,154	2,883
b.2. Financial Services: Items not affecting cash flow			
Depreciation/amortisation	**17**	14	15
Bad debts	**90**	63	80
Other	**–31**	5	–25
Total	**76**	82	70
c. Net investment through acquisitions/divestments of businesses [1]			
Divestments of businesses	**–**	–	7
Acquisitions of businesses	**–268**	–	–212
Total	**–268**	–	–205

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

	2007	2006	2005
d.1. Vehicles and Services: Acquisitions of non-current assets			
Investments in non-current assets [2]	**–5,058**	–4,618	–4,027
Divestments of non-current assets	**781**	808	430
Total	**–4,277**	–3,810	–3,597
d.2. Financial Services; Acquisitions of non-current assets			
New financing	**–9,032**	–6,713	–4,768
Payments of principal and completed contracts	**3,334**	3,199	3,358
Total	**–5,698**	–3,514	–1,410

2 Of which, SEK 289 m. (180 and 279, respectively) in capitalised research and development expenditures.

	2007	2006	2005
e. Change in net debt through financing activities			
Net change in current borrowings	**–1,755**	8,827	912
Repayment of non-current borrowings	**–7,369**	–6,554	–4,351
Increase in non-current borrowings	**9,427**	5,318	3,501
Total	**303**	7,591	62
f. Cash and cash equivalents			
Cash and bank balances	**2,522**	1,126	1,106
Short-term investments comprising cash and cash equivalents	**933**	8,808	493
Total	**3,455**	9,934	1,599

NOTE 25 Businesses acquired/divested

Businesses acquired

Assets and liabilities acquired	2007 Carrying amounts upon acquisition	2007 Fair value adjustment	2007 Total	2006 No acquisitions	2005 Carrying amounts upon acquisition	2005 Fair value adjustment	2005 Total
Tangible and intangible non-current assets	**81**	**–**	**81**	–	125	176	301
Inventories	**109**	**–**	**109**	–	68	4	72
Receivables	**264**	**–**	**264**	–	86	0	86
Cash and cash equivalents	**1**	**–**	**1**	–	144	0	144
Borrowings	**–152**	**–**	**–152**	–	–23	0	–23
Other liabilities and provisions	**–165**	**–**	**–165**	–	–145	–59	–204
Net identifiable assets and liabilities	**138**	**–**	**138**	–	255	121	376
Goodwill in consolidation			**131**	–			66
Withdrawal of negative goodwill			**–**	–			–86
Purchase price			**269**	–			356
Cash and cash equivalents in companies acquired			**1**	–			144
Impact on consolidated cash and cash equivalents			**–268**	–			–212
Number of employees			**318**	–			424

During 2007 Scania acquired businesses in Portugal, Austria and Poland. During 2005, it acquired Ainax as well as businesses in Belgium, Switzerland, Taiwan, France, Poland and Namibia.

The final purchase price for the acquisition in Portugal has not been fixed. The goodwill acquired during 2007 is related to the acquisition in Portugal. Scania took over distribution of its trucks and buses in the Portuguese market starting in April 2007. This transaction opens the way for greater coordination with the rest of Scania's European distributor network and thus for greater synergies.

Acquired businesses have the following accumulated effect on the 2007 accounts: "Net sales" minus intra-Group sales, SEK +270 m.; "Gross income", SEK +47 m.; "Expenses", SEK –83 m.; "Operating income, SEK –36 m.; and "Income before taxes", SEK –41 m. The effect on the Scania Group's earnings of the fact that the acquisitions did not occur at the beginning of the financial year is marginal.

Businesses divested

During 2007 and 2006, no divestments occurred. During 2005, Scania decreased its holding in a dealership in Spain from 38% to 26%. The sale proceeds amounted to SEK 7 m.

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

Wages, salaries and other remuneration, pension expenses and other mandatory payroll fees	2007	2006	2005
Operations in Sweden			
Boards of Directors, Presidents and Executive (or Group) Vice Presidents	**160**	133	124
of which bonuses	***94***	*70*	*63*
Other employees	**4,608**	4,035	3,790
Operations outside Sweden			
Boards of Directors, Presidents and Executive Vice Presidents	**193**	171	138
of which bonuses	***69***	*24*	*22*
Other employees	**5,583**	5,181	4,721
Subtotal [1]	**10,544**	9,520	8,773
Pension expenses and other mandatory payroll fees	**3,580**	3,348	3,137
of which pension expenses [2]	***910***	*830*	*827*
Total	**14,124**	12,868	11,910

1 Including non-monetary remuneration.

2 Of the pension expense in the Group, SEK 38 m. (28 and 34, respectively) was for Boards of Directors and executive officers in the Scania Group. At year-end, the total pension obligation was SEK 120 m. (108 and 119, respectively) for this category.

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

Wages, salaries and other remuneration, pension expenses and other mandatory payroll fees by country	2007			2006			2005		
	Wages, salaries and other remuneration [3]	Mandatory payroll fees (of which pensions)		Wages, salaries and other remuneration [3]	Mandatory payroll fees (of which pensions)		Wages, salaries and other remuneration [3]	Mandatory payroll fees (of which pensions)	
Operations in Sweden	**4,768**	**2,203**	**(521)**	4,168	2,108	(452)	3,914	2,001	(517)
Operations outside Sweden									
Brazil	**907**	**304**	**(32)**	845	243	(29)	667	227	(22)
The Netherlands	**767**	**180**	**(81)**	760	175	(82)	754	162	(67)
Great Britain	**614**	**120**	**(50)**	647	106	(40)	626	101	(36)
Norway	**401**	**85**	**(8)**	357	72	(21)	302	69	(18)
France	**348**	**222**	**(66)**	325	200	(62)	298	181	(52)
Germany	**345**	**64**	**(6)**	318	68	(9)	305	63	(5)
Finland	**251**	**67**	**(50)**	231	52	(36)	228	60	(42)
Denmark	**237**	**19**	**(16)**	221	17	(15)	220	15	(14)
Belgium	**225**	**80**	**(10)**	205	82	(7)	181	65	(2)
Austria	**183**	**11**	**(0)**	180	8	(3)	181	9	(1)
Poland	**150**	**13**	**(12)**	108	17	(17)	84	14	(12)
Switzerland	**128**	**23**	**(5)**	143	24	(6)	139	22	–
Australia	**125**	**8**	**(8)**	106	9	(9)	105	8	(8)
Russia	**119**	**18**	**(12)**	104	19	(12)	66	14	(7)
Argentina	**115**	**33**	**–**	117	35	–	92	29	–
South Korea	**104**	**3**	**(3)**	89	11	(11)	84	9	(9)
South Africa	**102**	**8**	**(8)**	80	13	(7)	86	13	(7)
34 countries with < 100 SEK m. [4]	**655**	**119**	**(22)**	516	89	(12)	441	75	(8)
Total operations outside Sweden	**5,776**	**1,377**	**(389)**	5,352	1,240	(378)	4,859	1,136	(310)
Total	**10,544**	**3,580**	**(910)**	9,520	3,348	(830)	8,773	3,137	(827)

3 Including non-monetary remuneration.

4 In 2006 and 2005, 37 countries had less than SEK 100 m. in wages, salaries and other remuneration.

Gender distribution	**2007**	2006	2005
Board members in subsidiaries and the Parent Company	**465**	483	476
– Of whom, men	**436**	468	467
– Of whom, women	**29**	15	9
Presidents/Managing Directors of subsidiaries and the Parent Company, plus the Group's Executive Board	**116**	111	105
– Of whom, men	**114**	109	104
– Of whom, women	**2**	2	1

Number of employees, 31 December	**2007**	2006	2005
Vehicles and Services			
Production and corporate units	**17,413**	16,517	15,174
Research and development	**2,406**	2,174	2,058
Sales and service companies	**14,797**	13,682	13,128
Sub-total	**34,616**	32,373	30,360
Financial Services	**480**	447	405
Total	**35,096**	32,820	30,765
– Of whom, employed on temporary contracts	**4,244**	3,405	1,996

Average number of employees (excluding employees on temporary contracts)	2007			2006			2005		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Operations in Sweden	**12,881**	**10,458**	**2,423**	12,577	10,363	2,214	12,147	10,097	2,050
Operations outside Sweden									
Brazil	**3,235**	**2,887**	**348**	3,160	2,812	348	2,990	2,665	325
The Netherlands	**2,061**	**1,929**	**132**	2,076	1,935	141	2,043	1,907	136
Great Britain	**1,629**	**1,409**	**220**	1,614	1,393	221	1,645	1,400	245
Poland	**1,112**	**1,016**	**96**	1,022	947	75	720	655	65
France	**1,102**	**938**	**164**	1,065	900	165	1,003	853	150
Germany	**975**	**852**	**123**	940	814	126	942	818	124
Belgium	**961**	**757**	**204**	809	647	162	760	614	146
Norway	**905**	**838**	**67**	795	733	62	779	722	57
Argentina	**854**	**787**	**67**	872	806	66	1,094	1,034	60
Russia	**699**	**565**	**134**	666	550	116	620	514	106
Finland	**654**	**585**	**69**	659	583	76	652	575	77
Denmark	**578**	**543**	**35**	556	492	64	500	456	44
South Africa	**439**	**365**	**74**	429	357	72	346	279	67
Austria	**432**	**380**	**52**	421	370	51	435	381	54
Czech Republic	**354**	**312**	**42**	303	265	38	272	239	33
Switzerland	**347**	**308**	**39**	337	301	36	327	292	35
Australia	**307**	**270**	**37**	276	239	37	272	240	32
Portugal	**242**	**214**	**28**	–	–	–	–	–	–
South Korea	**232**	**207**	**25**	249	221	28	257	225	32
Italy	**206**	**165**	**41**	196	160	36	197	159	38
Slovakia	**195**	**161**	**34**	164	130	34	143	119	24
Taiwan	**181**	**158**	**23**	151	131	20	0	0	0
Hungary	**179**	**148**	**31**	172	143	29	156	131	25
Spain	**168**	**130**	**38**	167	127	40	157	120	37
Chile	**153**	**126**	**27**	154	125	29	125	110	15
Malaysia	**138**	**112**	**26**	121	100	21	116	97	19
Latvia	**126**	**118**	**8**	119	112	7	115	107	8
Thailand	**122**	**88**	**34**	133	97	36	129	94	35
Estonia	**113**	**108**	**5**	103	96	7	98	93	5
Morocco	**113**	**103**	**10**	103	96	7	101	94	7
Mexico	**112**	**95**	**17**	102	86	16	120	95	25
20 countries with <100 employees [5]	**887**	**716**	**171**	684	553	131	608	476	132
Total outside Sweden	**19,811**	**17,390**	**2,421**	18,618	16,321	2,297	17,722	15,564	2,158
Total, average number of employees	**32,692**	**27,848**	**4,844**	31,195	26,684	4,511	29,869	25,661	4,208

5 In 2006, 28 countries (in 2005, 21) had fewer than 100 employees.

NOTE 27 Related party transactions

Associated companies and joint ventures	Sales to 2007	2006	2005	Purchases from 2007	2006	2005	Receivables from 2007	2006	2005	Liabilities to 2007	2006	2005
ScaValencia S.A.	**273**	234	160	**109**	55	34	**13**	38	35	**2**	2	3
ScaMadrid S.A.	**146**	157	144	**47**	28	38	**14**	37	20	**1**	1	2
Cummins-Scania HPI L.L.C	**–**	–	–	**308**	265	167	**–**	–	–	**42**	47	37
Cummins-Scania XPI Manufacturing L.L.C	**–**	–	–	**5**	–	–	**–**	–	–	**1**	–	–
Bitsdata i Södertälje AB	**10**	1	–	**–**	7	10	**5**	–	–	**1**	–	1
Others	**11**	14	–	**4**	3	–	**2**	1	–	**–**	–	–

Disclosures of relationships with related parties that include a controlling influence is provided in the list of subsidiaries. See also the presentation of Scania's Board of Directors and Executive Board as well as Note 28, "Compensation to executive officers". Disclosures of dividends from, and capital contributions to, associated companies and joint ventures are provided in Note 13. Disclosures of pension plans are provided in Note 17, "Provisions for pensions and similar commitments" and Note 26, "Wages, salaries and number of employees". Scania has two main owners, Investor and Volkswagen. There were no transactions with Investor in 2007. In the case of Volkswagen, purchases of company cars have not been taken into account. These company cars are purchased at market value.

NOTE 28 Compensation to executive officers

REMUNERATION TO THE BOARD

According to the decision of the Annual General Meeting (AGM), remuneration during 2007 to the external members of the Board of Directors elected by the Annual General Meeting amounted to SEK 4,312,500, with SEK 1,250,000 to be paid to the Chairman of the Board, SEK 625,000 to the Vice Chairman of the Board and SEK 406,250 to each of the other Board members elected by the AGM who are not employees of the company. In addition, an amount of SEK 300,000 for work in the Audit Committee – SEK 150,000 to the Chairman and SEK 75,000 each to the two other members – and an amount of SEK 150,000 for work in the Remuneration Committee, consisting of SEK 50,000 to each member. Only Board members who are elected by the AGM and are not employed by the company received compensation. Beyond the customary remuneration to the Board, no compensation from Scania was paid to the members of the Board who are not employees of the company.

The AGM in 2007 approved extra remuneration for the 2006 financial year of SEK 225,000 each to Vito H. Baumgartner, Staffan Bohman, Peggy Bruzelius, Sune Carlsson and Peter Wallenberg Jr for the large number of extra Board meetings during 2006 that were caused by MAN's public offer to the shareholders in Scania. This remuneration is not included in the account below.

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, but for members of the Executive Board every second year. The size of the variable salary is dependent on Scania's earnings. The pension comprises a premium-based pension system that applies in addition to the public pension and the ITP occupational pension.

FIXED SALARY FOR THE PRESIDENT AND CEO

The fixed salary for the President and CEO for the period until 31 March 2009 amounts to SEK 7,500,000 per year.

VARIABLE SALARY

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

The principles for variable salary to executive officers, including the President and CEO, were approved by the 2007 AGM and constitute a programme with the same parameters that were in force during 2006. The programme covers a maximum of 150 senior managers.

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

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

Short term incentive (STI) is related to actual ability to generate a return during the year in question, all provided that RNI according to the preceding paragraph is positive, and is also determined as a cash amount (maximum 45 to 150 percent of fixed salary depending on position). The outcome of both these components will be disbursed during 2008.

Of the total STI and LTI outcome for 2007, 60 percent shall be paid in cash as salary and 40 percent shall be determined as a cash amount that, after subtracting applicable tax, is used by the employee for purchase of B shares in Scania AB at market value via the Stockholm Stock Exchange. These shares are then locked into custody of a bank during a period of two years from the acquisition date, but the return on the shares acquired is at the participants' disposal.

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 flexible salary programme for the period 1997–2007 for the members of the Executive Board, among them the President and CEO, has varied from 0 to 75 percent for the LTI programme

NOTE 28 Compensation to executive officers, continued

and from 0 to 150 percent for the STI programme. The outcome for the period 1997–2007 has, on average, amounted to 27 percent of annual fixed salary with regard to the LTI programme and 82 percent of annual fixed salary with regard to the STI programme. The 2007 outcome for the President and CEO was 150 percent for STI and 75 percent for LTI.

PENSION SYSTEM FOR EXECUTIVE OFFICERS

The President and CEO, 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 15–41 percent of fixed salary. The premium for the Heads of Corporate units varies between 12–24 percent of fixed salary.

OTHER CONDITIONS FOR THE PRESIDENT AND CEO

Until 31 March 2009, in addition to his fixed salary, the incentive programme in force for the Executive Board shall apply to the President and CEO. The annual company-paid pension premium for the President and CEO according to his pension agreement amounts to 35 percent of his fixed salary for as long as the President and CEO remains an employee of the company. The premium for 2007 amounted to SEK 2,625,000. The agreement also prescribes that an extra annual pension provision of SEK 4,410,000 will be made during each of these years.

If the President and CEO 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 2009, during the remaining time to said date the President and CEO shall be entitled to his fixed salary in an unchanged amount per year, plus annual compensation equivalent to the average of three years' variable salary.

TERMINATION CONDITIONS FOR THE EXECUTIVE BOARD

If the company terminates their employment, the other members of the Executive Board are entitled to severance pay equivalent to a maximum of two years' salary, in addition to their salary during the six-month notice period. If they obtain new employment within 18 months, counting from their termination date, the severance pay ceases. In case of a substantial change in the ownership structure of Scania, two of the members of the Executive Board are entitled to resign of their own volition with severance pay amounting to two years' salary.

2007, SEK th.	**Fixed salary**	**Board remu-neration**	**Outcome of STI pro-gramme**	**Outcome of LTI pro-gramme**	**Other remu-neration**	**Total salary and remu-neration**	**Pension expenses, defined contribution system**	**Pension expenses, defined benefit system**	**Total pension expenses**	**Pension obligations**
Chairman of the Board		1,300 [1]				**1,300**				
President and CEO	7,500		11,250	5,625	38	**24,413**	7,075	674	**7,749**	5,352
Executive Board (5 persons)	13,750		19,995	10,125	787	**44,657**	3,629	1,537	**5,166**	6,106
Heads of Corporate Units (18 persons)	29,704		30,748	19,217	1,857	**81,526**	4,241	5,882	**10,123**	26,778

1 Board fee, plus fee for Remuneration Committee work.

2006, SEK th.	Fixed salary	Board remu-neration	Outcome of STI pro-gramme	Outcome of LTI pro-gramme	Other remu-neration	Total salary and remu-neration	Pension expenses, defined contribution system	Pension expenses, defined benefit system)	Total pension expenses	Pension obligations
Chairman of the Board		1,300 [1]				1,300				
President and CEO	7,500		10,875	2,233	13	20,621	6,986	588	7,574	4,782
Executive Board (5 persons)	11,725		10,995	3,635	823	27,178	3,769	1,751	5,520	4,975
Heads of Corporate Units (18 persons)	27,557		35,484	7,396	1,862	72,299	9,557	7,679	17,236	23,154

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

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

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

Other remuneration: taxable portion of car allowance, newspaper subscriptions and other perquisites. Amounts excluding employer payroll fees.

Retirement age: the retirement age according to agreements is 60 for the Executive Board excluding the President and CEO and 62 for other heads of Corporate Units. The retirement age for the ITP occupational pension is 65.

NOTE 29 Fees and other remuneration to auditors

Fees for auditing and other assignments recognised as expenses during the year, in those cases where the same auditing company has the auditing assignment in that particular company. "Auditing assignments" refers to examination of the annual accounts as well as the administration of the Board of Directors and the President and CEO. Everything else is "Other assignments". Scania's Annual General Meeting on 3 May 2007 elected the authorised public accountancy firm of Ernst & Young as global auditors of Scania. For the 2007 accounts, Ernst & Young is thus responsible for the auditing of all Scania companies in the world, with only a few exceptions.

SEK m.	2007		2006		2005	
Auditing firm	Auditing assignments	Other assignments	Auditing assignments	Other assignments	Auditing assignments	Other assignments
Ernst & Young	**37**	**3**	9	1	8	1
KPMG	**–**	**–**	21	2	21	4
Other auditors	**1**	**–**	14	7	12	6
Total	**38**	**3**	44	10	41	11

NOTE 30 Financial instruments and financial risk management

Financial assets in the Scania Group mainly consist of financial leases and hire purchase receivables that have arisen in the Financial Services segment due to financing of customers' vehicle purchases. Other financial assets of significance are trade receivables from independent dealerships and end customers in the Vehicles and Services segment plus short-term investments and cash and cash equivalents. Scania's financial liabilities consist largely of loans, mainly taken out to fund Financial Services' lending and leasing to customers and, to a lesser extent, to fund capital employed in Vehicles and Services. Financial assets and liabilities give rise to various kinds of risks, which are largely managed by means of various derivative instruments.

Scania uses derivative instruments, mainly for the purpose of:

- Transforming corporate-level borrowings in a limited number of currencies to the currencies in which the financed assets are denominated.
- Transforming the interest rate refixing period for borrowings in Financial Services as well as achieving the desired interest rate refixing period for other borrowings.
- Converting expected future commercial payments in foreign currencies to SEK.
- To a lesser extent, converting projected surplus liquidity in foreign currencies to SEK.

	AUD/SEK		CHF/SEK		DKK/SEK		EUR/SEK		GBP/SEK
	Volume [1]	**Rate [2]**	**Volume [1]**	**Rate [2]**	**Volume [1]**	**Rate [2]**	**Volume [1]**	**Rate [2]**	**Volume [1]**
Hedging of currency flows, 31 December 2007									
Q1, 2008	43	5.70	21	5.71	275	1.24	425	9.24	60
Q2, 2008	46	5.82	26	5.75	322	1.25	367	9.31	40
Q3, 2008	12	5.55	23	5.72	232	1.26	282	9.33	–
Q4, 2008	–		13	5.67	405	1.26	401	9.38	–
Total	**101**	**5.74**	**83**	**5.72**	**1,234**	**1.25**	**1,475**	**9.31**	**100**
Closing day rate, 31 Dec 2007		5.66		5.70		1.27		9.47	
Unrealised gain/loss (SEK m.)[3] recognised in hedge reserve, 31 Dec 2007		8		2		–24		–238	
Hedging of currency flows, 31 Dec 2006									
Total	36	5.46	15	6.16	212	1.24	390	9.25	40
Hedging of currency flows, 31 Dec 2005									
Total	46	5.82	64	6.06	480	1.24	735	9.28	65

1 Volume is expressed in millions of local currency units.
2 Average forward price and lowest redemption price for currency options.
3 Fair value recognised in a fair value reserve in equity for cash flow hedgings where hedge accounting is applied.

NOTE 30 Financial instruments and financial risk management, continued

FINANCIAL RISK MANAGEMENT IN THE SCANIA GROUP

In addition to business risks, Scania is exposed to various financial risks in its operations. The financial risks that are of the greatest importance are currency, interest rate, refinancing and credit risks, which are regulated by a Financial Policy adopted by Scania's Board of Directors.

Credit risk related to customer commitments is managed, within established limits, on a decentralised basis by means of local credit assessments. Decisions on major credit commitments are made in corporate credit committees. Other risks are managed primarily at corporate level by Scania's treasury unit. Scania's Financial Policy states that financial risks shall be minimised and access to liquidity shall be safeguarded. On a daily basis, the corporate treasury unit measures the risks of outstanding positions, which are managed within established limits in compliance with the Financial Policy.

CURRENCY RISK

Currency risk is the risk that changes in currency exchange rates will adversely affect cash flow. Changes in exchange rates also affect Scania's income statement and balance sheet as follows:

- Earnings are affected when income and expenses in foreign currencies are translated to Swedish kronor.
- The balance sheet is affected when assets and liabilities in foreign currencies are translated to Swedish kronor.

During 2007, 94 (93 and 94, respectively) percent of Scania's sales occurred in countries outside Sweden. Since a large proportion of production occurs in Sweden, at costs denominated in Swedish kronor, this means that Scania has large net inflows of foreign currencies. During 2007, total net revenue in foreign currencies amounted to about SEK 30,800 m. (24,300 and 20,400, respectively). The largest currencies in this flow were EUR, GBP and USD. Note 32 shows currency exposure in operating income in the most commonly occurring currencies.

Based on revenue and expenses in foreign currencies during 2007, a one percentage point change in the Swedish krona against other currencies, excluding currency hedging, has an impact on operating income of about SEK 308 m. (243 and 204, respectively) on an annual basis.

Scania's policy is to hedge its currency flows during a period of time equivalent to the projected orderbook until the date of payment. However, the hedging period is allowed to vary between 0 and 12 months. In dealing with currency risk, Scania uses forecasted future cash flows. Hedging of currency risks mainly occurs by selling currencies on forward contracts, but also by means of currency options.

The effect of currency derivatives on operating income totalled SEK -130 m. (110 and -410, respectively). The value of outstanding contracts not recognised in earnings can be seen in the table below. Changes in value are recognised in equity, see Note 1, "Accounting principles".

	KRW/SEK		NOK/SEK		RUB/SEK		SGD/SEK		USD/SEK		ZAR/SEK	
Rate [2]	Volume [1]	Rate [2]	Volume [1]	Rate [2]	Volume [1]	Rate [2]	Volume [1]	Rate [2]	Volume [1]	Rate [2]	Volume [1]	Rate [2]
13.61	16,435	0.0070	353	1.14	4,258	0.26	13	4.42	71	6.42	124	0.95
13.17	–		340	1.17	5,011	0.26	15	4.42	15	6.50	–	
	–		231	1.19	3,362	0.26	11	4.43	–		–	
	–		200	1.19	1,000	0.26	–		–		–	
13.43	**16,435**	**0.0070**	**1,124**	**1.17**	**13,631**	**0.26**	**39**	**4.42**	**86**	**6.43**	**124**	**0.95**
12.91		0.0069		1.19		0.26		4.47		6.47		0.94
53		1		–20		–40				–3		1
13.78	16,100	0.0076	388	1.14							119	0.97
13.66	22,432	0.0075	495	1.16					40	7.95	294	1.22

NOTE 30 Financial instruments and financial risk management, continued

To ensure efficiency and risk control, borrowings in Scania's subsidiaries largely occur through the corporate treasury unit, mainly in EUR and SEK, and are then transferred to the subsidiaries in the form of internal loans in the local currencies of the subsidiaries. By means of derivative contracts, corporate-level borrowings are converted to lending currencies. In 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".

At the end of 2007, Scania's net assets in foreign currencies amounted to SEK 11,400 m. (9,750 and 10,850, respectively), see Note 31 "Net assets in foreign currencies". The net foreign assets of subsidiaries are normally not hedged. To the extent subsidiaries have significant net monetary assets in local currencies, however, they may be hedged. At year-end 2007, as well as at the close of 2006 and 2005, no foreign net assets were hedged.

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect cash flow or the fair value of financial assets and liabilities. For Scania's assets and liabilities that carry variable interest rates, a change in market interest rates has a direct effect on cash flow, while for fixed-interest assets and liabilities, the fair value of the portfolio is instead affected. To manage interest rate risks, Scania primarily uses interest rate derivatives in the form of interest rate swap agreements.

At year-end 2007, 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 capital employed 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 loan portfolio should normally be 6 months, but that divergences are allowed in the range between 0 and 24 months.

Net cash surplus in Vehicles and Services was SEK 1,902 m. (4,335 and –269, respectively) at year-end 2007. The borrowing portfolio amounted to SEK 1,678 m. (6,463 and 3,290, 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 3,890 m. (10,672 and 2,616, respectively) and the average interest rate refixing period on this was about 1 (1 and 1, respectively) months. The net cash surplus also includes derivatives that hedge borrowings with a net value of SEK –310 m. (126 and 405, respectively).

Given the same loan liabilities, short-term investments, cash and cash equivalents and interest rate refixing periods as at year-end 2007, 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 10 m. (35 and 15, respectively) and interest income by about SEK 35 m. (95 and 25, respectively) on an annual basis.

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 2007:

Interest rate refixing in Financial Services, 31 December 2007	**Interest-bearing portfolio [1]**	**Interest-bearing liabilities (including interest rate derivatives) [2]**
2008	20,845	19,435
2009	7,213	6,007
2010	5,479	4,486
2011	3,239	2,822
2012	1,246	809
2013 and later	292	121
Total	**38,314**	**33,680**

Interest rate refixing in Financial Services, 31 December 2006	Interest-bearing portfolio [1]	Interest-bearing liabilities (including interest rate derivatives) [2]
2007	17,920	16,946
2008	5,806	5,063
2009	4,339	3,333
2010	2,480	1,987
2011	1,062	438
2012 and later	234	38
Total	31,841	27,805

Interest rate refixing in Financial Services, 31 December 2005	Interest-bearing portfolio [1]	Interest-bearing liabilities (including interest rate derivatives) [2]
2006	16,473	15,442
2007	5,452	5,288
2008	3,966	2,369
2009	2,458	1,624
2010	936	517
2011 and later	349	144
Total	29,634	25,384

1 Including operating leases.
2 Other funding consists mainly of equity.

Scania's total borrowing portfolio amounted to SEK 35,201 m. (33,798 and 27,854, respectively) at year-end 2007.

Borrowings, 31 December 2007	Borrowings including currency swap agreements	Borrowings excluding currency swap agreements
EUR	23,804	22,136
GBP	1,702	51
BRL	1,617	1,617
DKK	1,133	26
ZAR	1,046	666
RUB	1,042	0
KRW	937	62
PLN	910	403
NOK	864	475
CZK	307	462
AUD	259	25
THB	221	37
CHF	207	–
HKD	30	415
USD	29	6
SEK	25	8,138
Other currencies	1,068	682
Total [1]	**35,201**	**35,201**

1 Total borrowings excluded SEK 158 m. related to fair value adjustments on bonds for which hedge accounting is 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.

FINANCIAL SERVICES

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

Credit portfolio	2007	2006	2005
Exposure	**38,881**	32,362	30,166
of which, operating leases	**8,054**	7,434	7,335
Credit risk reserve	**567**	521	532
of which, operating leases	**35**	55	66
Carrying amount	**38,314**	31,841	29,634
of which, operating leases	**8,019**	7,379	7,269

To maintain a controlled level of credit risk in the segment, the process of issuing credit is supported by a credit policy as well as credit instructions. Credit risks are managed by active credit assessment as well as administration of customers who do not follow the agreed payment plan. Collateral in Financial Services operations mainly exists in the form of the products being financed.

The portfolio mainly consists of financing of trucks, buses and trailers for small and medium-sized companies. A description of credit risk exposure can be seen in the table below:

Concentration of credit risk	Number of customers	Percentage of total number of customers	Percentage of portfolio value
On 31 December 2007			
Exposure < SEK 15 m.	21,405	98.5	67.9
Exposure SEK 15–50 m.	260	1.2	17.7
Exposure > SEK 50 m.	57	0.3	14.4
Total	**21,722**	**100.0**	**100.0**

The credit risk concentration in 2007 was equivalent to that of 2006 and 2005. The table shows that most customers are in the segment with exposure < SEK 15 m. This segment included 98.5 (98.8 and 98.8, respectively) percent of the total number of customers, equivalent to 67.9 (69.1 and 66.9, respectively) percent of the portfolio. The segment with exposure of SEK 15-50 m. included 1.2 (1.0 and 1.0, respectively) percent of the total number of customers, equivalent to 17.7 (16.8 and 18.2, respectively) percent of the portfolio. The segment with exposure > SEK 50 m. included 0.3 (0.2 and 0.2, respectively) percent of the total number of customers, equivalent to 14.4 (14.1 and 14.9, respectively) percent of the portfolio.

Obligations with past-due receivables ordinarily lead to relatively quick repossession of the item being financed, unless the customer's payment problems can be deemed to be of a short-term, temporary nature. Since most countries have a smoothly functioning second-hand market for the products being financed, these can be sold relatively quickly. Financing contracts whose conditions have been materially renegotiated, and that would otherwise be recognised as past due or that have been the object of impairment losses, thus represent an extremely limited portion of the total.

NOTE 30 Financial instruments and financial risk management, continued

Timing analysis of portfolio assets

	2007			2006			2005		
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	**102**	**4,079**	**4,145**	89	2,930	2,985	64	2,081	2,082
30–90 days	**101**	**2,316**	**2,252**	71	1,484	1,370	88	1,109	1,063
Past due and recognised as impairment losses									
91–180 days	**53**	**537**	**493**	50	395	343	43	403	341
> 180 days	**71**	**441**	**403**	74	376	269	56	254	204
Completed contracts	**65**	**443**	**282**	62	408	262	47	317	210
Total	**392**	**7,816**	**7,575**	346	5,593	5,229	298	4,164	3,900

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

The contracts are regarded as bad debts when payment is more than 90 days past due or when there in information that causes Scania to terminate the contracts early.

During 2007, 895 (958 and 1,092, respectively) financed vehicles were repossessed. At year-end, the number of repossessed but not yet sold vehicles amounted to 239 (208 and 175, respectively), with a total carrying amount of SEK 129 m. (111 and 87, respectively). Repossessed vehicles are sold off by means of a new financing contract with another customer, direct sale to an end customer or sale via Scania's dealership network.

Provisions for bad debts from customers amounted to SEK 567 m. (521 and 532, respectively), equivalent to 1.5 (1.6 and 1.8, respectively) percent of the total Financial Services portfolio. Provisions for bad debts changed as follows:

Provisions for bad debts	2007	2006	2005
Provisions, 1 January	**521**	532	500
Provisions for potential losses	**100**	58	60
Withdrawals due to actual credit losses	**–60**	–55	–62
Currency rate effects	**7**	–14	32
Other	**–1**	0	2
Provisions, 31 December	**567**	521	532

The year's bad debt expense amounted to SEK 90 m. (63 and 80, respectively).

VEHICLES AND SERVICES

In the Vehicles and Services segment, receivables from customers totalled SEK 9,289 m. (9,048 and 9,319, respectively), most of which consisted of receivables from independent dealerships and end customers. The total estimated fair value of collateral was SEK 1,501 m. Most of the collateral consisted of repossession rights and bank guarantees. During the year, collateral valued at SEK 89 m. was repossessed.

Timing analysis of portfolio assets past due but not recognised as impairment losses	Past-due payments 2007	Past-due payments 2006	Past-due payments 2005
< 30 days	**1,228**	1,101	1,041
30–90 days	**433**	418	451
91–180 days	**198**	144	182
> 180 days	**694**	801	849
Total	**2,553**	2,464	2,523

Provisions for bad debts amounted to SEK 619 m. (626 and 642, respectively), equivalent to 6.7 (6.5 and 6.4, respectively) percent of total receivables. The year's bad debt expense amounted to SEK 92 m. (125 and 196, respectively). Provisions for bad debts changed as follows:

Provisions for bad debts	2007	2006	2005
Provisions, 1 January	**626**	642	607
Provisions for potential losses	**34**	91	159
Withdrawals due to actual credit losses	**–82**	–74	–138
Currency rate effects	**–13**	–57	69
Other	**54**	24	–55
Provisions, 31 December	**619**	626	642

Financial credit risks

The administration of the financial credit risks that arise primarily in corporate treasury operations, among other things when investing liquidity and in derivatives trading, is regulated in Scania's Financial Policy. Transactions occur only within established limits and with selected, creditworthy counterparties. "Creditworthy counterparty" means that the counterparty has received an approved credit rating (at least A or the equivalent) from Standard and Poor's and/or Moodys. 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.

The corporate treasury unit is responsible for ensuring compliance with the rules of Scania's Financial Policy. Overall counterparty exposure related to derivatives trading, calculated as a net receivable per counterparty, amounted to SEK -573 m. (249 and 290, respectively) at the end of 2007. Estimated gross exposure to counterparty risks related to derivatives trading totalled SEK 405 m. (597 and 833, respectively). Estimated gross exposure to cash and cash equivalents and short-term investments amounted to SEK 4,134 m. (10,845 and 2,793, 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 Moodys.

Scania had short-term investments worth SEK 1,612 m. (9,719 and 1,687, respectively), of which SEK 933 m. (8,808 and 493, respectively) consisted of investments with a maturity of less than 90 days and SEK 679 m. (911 and 1,194, respectively) consisted of investments with a maturity of 91-365 days. In addition to short-term investments, Scania had bank balances worth SEK 2,522 m. (1,126 and 1,106, 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 of the Scania Group, excluding Financial Services, 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 2007, Scania's liquidity reserve, consisting of unutilised credit facilities, cash and cash equivalents and short-term investments, amounted to SEK 18,344 m. (20,800 and 16,938 respectively).

At year-end, Scania had borrowings, in some cases with related ceilings, as follows (in SEK m.):

Borrowings, 2007	**Total borrowings**	**Ceiling**
Medium Term Note Programme	1,831	13,000
European Medium Term Note Programme	18,911	23,684
Other bonds	2,257	–
Credit facility (EUR)	–	14,210
Commercial paper, Sweden	3,587	6,000
Commercial paper, Belgium	379	3,789
Bank loans	8,236	–
Total [1]	**35,201 [2]**	**60,683**

Borrowings, 2006	Total borrowings	Ceiling
Medium Term Note Programme	3,260	13,000
European Medium Term Note Programme	18,272	22,625
Other bonds	590	–
Credit facility (EUR)	3,620	13,575
Commercial paper, Sweden	1,000	6,000
Commercial paper, Belgium	–	3,620
Bank loans	7,056	–
Total [1]	33,798 [2]	58,820

Borrowings, 2005	Total borrowings	Ceiling
Medium Term Note Programme	6,215	13,000
European Medium Term Note Programme	14,340	23,575
Other bonds	1,263	–
Credit facility (EUR)	–	14,145
Commercial paper, Sweden	–	6,000
Commercial paper, Belgium	141	3,772
Bank loans	5,895	–
Total [1]	27,854 [2]	60,492

1 Of the total ceiling, SEK 14,210 m. (13,575 and 14,145, respectively) consisted of guaranteed revolving credit facilities.

2 Total borrowings excluded SEK 158 m. (470 and 820, respectively) related to fair value adjustments on bonds where hedge accounting was applied.

NOTE 30 Financial instruments and financial risk management, continued

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

Maturity structure of Scania's borrowings	2007	2006	2005
2006	**–**	–	8 871 [1]
2007	**–**	15 768 [1]	8 635
2008	**15,137** [1]	8 750	7 912
2009	**7,725**	1 501	708
2010	**3,195**	1 726	1 213
2011 and later	**6,603**	5 672	515
2012 and later	**2,525**	381	–
2013 and later	**16**	–	–
Total	**35,201** [2]	33 798 [2]	27 854 [2]

1 Borrowings with a maturity date within one year excluded accrued interest worth SEK 354 m. (581 and 480, respectively).

2 Total borrowings excluded SEK 158 m. (470 and 820, respectively) in fair value adjustments on bonds for which hedge accounting was applied.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of interest-bearing assets and liabilities in the balance sheet may diverge from their fair value, among other things as a consequence of changes in market interest rates. To establish the fair value of financial assets and liabilities, official market quotations have been used for those assets and liabilities that are traded in an active market.

In those cases where market quotations do not exist, fair value has been established by discounting future payment flows at current market interest rates and 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. Financial assets and liabilities already determined from the beginning as belonging to the fair value category are not shown in the table, since Scania has no instruments classified in this category.

The main reason why the fair value of interest-bearing assets and liabilities was less than the carrying amount is that general interest rates were higher at year-end than when the contracts were entered into. Impairment losses for these assets occur only when there is reason to believe that the counterparty will not fulfil its contractual obligations, not as a consequence of changes in market interest rates.

The fair value and carrying amount of financial liabilities for which hedge accounting is applied will differ. The reason for this is that Scania applies hedge accounting on interest rate risk excluding Scania's credit risk premium, whereas the fair value calculation takes the credit risk premium into account.

Financial instruments recognised at fair value in the balance sheet

Scania Group, 2007, SEK m.	Financial assets and financial liabilities carried at fair value via the income statement ("through profit and loss")	Held-to-maturity investments	Loan receivables and trade receivables	Other financial liabilities	Cash flow hedges	Fair value hedges	Total carrying amount	Total fair value
Non-current interest-bearing receivables			20,590				20,590	20,250
Current interest-bearing receivables			10,565				10,565	10,959
Non-interest-bearing trade receivables			7,540				7,540	7,540
Cash and cash equivalents			4,134				4,134	4,134
Other non-current receivables [1]	120		574				694	694
Other current receivables [2]	182				107		289	280
Total assets	**302**		**43,403**		**107**		**43,812**	**43,857**
Non-current interest-bearing liabilities				14,225		5,641	19,866	19,942
Current interest-bearing liabilities				10,278		5,214	15,492	16,347
Trade payables			7,068				7,068	7,068
Other non-current liabilities [3]	211						211	211
Other current liabilities [4]	282				369	116	767	767
Total liabilities	**493**		**7,068**	**24,503**	**369**	**10,971**	**43,404**	**44,335**

1 Financial instruments included in the balance sheet under "Other non-current assets", SEK 707 m.

2 Financial instruments included in the balance sheet under "Other current receivables", SEK 3,888 m.

3 Financial instruments included in the balance sheet under "Other non-current liabilities", SEK 216 m.

4 Financial instruments included in the balance sheet under "Other current liabilities", SEK 3,301 m.

Scania Group, 2006, SEK m.	Financial assets and financial liabilities carried at fair value via the income statement ("through profit and loss")	Held-to-maturity investments	Loan receivables and trade receivables	Other financial liabilities	Cash flow hedges	Fair value hedges	Total carrying amount	Total fair value
Non-current interest-bearing receivables			16,599				16,599	15,931
Current interest-bearing receivables			8,600				8,600	8,581
Non-interest-bearing trade receivables			7,379				7,379	7,379
Cash and cash equivalents	475	32	10,338				10,845	10,840
Other non-current receivables [1]	90		559			24	673	673
Other current receivables [2]	56				131	296	483	483
Total assets	621	32	43,475		131	320	44,579	43,887
Non-current interest-bearing liabilities				7,469		10,449	17,918	18,359
Current interest-bearing liabilities				11,986		4,364	16,350	16,122
Trade payables				6,011			6,011	6,011
Other non-current liabilities [3]	169					44	213	213
Other current liabilities [4]	122				10	4	136	136
Total liabilities	291			25,466	10	14,861	40,628	40,841

1 Financial instruments included in the balance sheet under "Other non-current assets", SEK 1,023 m.
2 Financial instruments included in the balance sheet under "Other current receivables", SEK 3,046 m.
3 Financial instruments included in the balance sheet under "Other non-current liabilities", SEK 536 m.
4 Financial instruments included in the balance sheet under "Other current liabilities", SEK 1,939 m.

Scania Group, 2005, SEK m.	Financial assets and financial liabilities carried at fair value via the income statement ("through profit and loss")	Held-to-maturity investments	Loan receivables and trade receivables	Other financial liabilities	Cash flow hedges	Fair value hedges	Total carrying amount	Total fair value
Non-current interest-bearing receivables			15,543				15,543	15,372
Current interest-bearing receivables			7,847				7,847	8,125
Non-interest-bearing trade receivables			8,008				8,008	8,008
Cash and cash equivalents		29	2,764				2,793	2,786
Other non-current receivables [1]	110		397			530	1,037	1,037
Other current receivables [2]	150				45		195	195
Total assets	260	29	34,559		45	530	35,423	35,523
Non-current interest-bearing liabilities				9,268		10,055	19,323	19,886
Current interest-bearing liabilities				9,351			9,351	9,420
Trade payables				4,901			4,901	4,901
Other non-current liabilities [3]	245					31	276	276
Other current liabilities [4]	140				161		301	301
Total liabilities	385			23,520	161	10,086	34,152	34,784

1 Financial instruments included in the balance sheet under "Other non-current assets", SEK 1,393 m.
2 Financial instruments included in the balance sheet under "Other current receivables", SEK 2,522 m.
3 Financial instruments included in the balance sheet under "Other non-current liabilities", SEK 621 m.
4 Financial instruments included in the balance sheet under "Other current liabilities", SEK 2,021 m.

NOTE 30 Financial instruments and financial risk management, continued

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 2007, see Note 16, “Equity”.
- Fair value hedge accounting is applied to bond loans.
- Hedge accounting is applied to foreign net investments. At the end of 2007 as well as 2006 and 2005, Scania had no hedged net investments abroad.

For more detailed information on accounting of hedging instruments and hedged items, see Note 1, “Accounting principles”.

The table below shows the results of the loans and interest rate swap agreements that were recognised at fair value:

Fair value hedge accounting	Net income 2007	Net income 2006	Net income 2005
Financial liabilities (hedged item)	104	420	199
Interest rate-related derivatives (hedging instruments)	–111	–426	–211
Total (inefficiency)	–7	–6	–12

Scania has no inefficient cash flow hedges.

NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS RECOGNISED IN THE INCOME STATEMENT

The table below shows the following items that are recognised in the income statement:

- Gains and losses related to currency rate differences, including gains and losses attributable to cash flow hedge accounting.
- Gains and losses related to financial instruments for which fair value hedge accounting is applied.

Net gains/losses	2007	2006	2005
Financial assets and liabilities held for trading, carried at fair value	–279	438	–1 009
Loan and trade receivables [1]	1,201	–1,595	1,946
Other financial liabilities	–795	1,181	–992
Total	127	24	–55

1 Also includes operating leases.

Gains and losses due to currency rate differences related to derivatives, loan receivables and borrowings mainly arise in Scania’s treasury unit. An overwhelming proportion of loan receivables that give rise to 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:

	2007	2006	2005
Interest income on financial assets	2,405 [1, 2]	2,535 [1, 2]	2,457 [1, 2]
Interest expenses on financial liabilities	–2,038 [2, 3]	–1,752 [2, 3]	–1,747 [2, 3]
Total	367	783	710

1 SEK 179 m. (257 and 281, respectively) consisted of interest income generated from financial investments carried at fair value.

2 Also includes operating leases as well as other interest income and interest expenses related to Financial Services that were recognised in the income statement.

3 SEK 288 m. (201 and 166, respectively) consisted of interest expenses generated from financial liabilities carried at fair value.

The reason why income diverges from recognised interest income in net financial items is largely that Financial Services is included in the table and that interest income and interest expenses attributable to pensions are excluded in the table.

NOTE 31 Net assets in foreign currencies

Foreign net assets in subsidiaries are normally not hedged. To the extent a subsidiary has sizeable monetary net assets in local currency, however, hedging may be used.

Net assets, Vehicles and Services	2007	2006	2005
Euro (EUR)	**2,250**	2,200	1,850
Brazilian real (BRL)	**1,600**	1,700	2,200
Argentine peso (ARS)	**500**	500	600
Polish zloty (PLN)	**500**	350	150
South African rand (ZAR)	**300**	200	600
British pound (GBP)	**250**	100	400
Norwegian krone (NOK)	**200**	250	250
Swiss franc (CHF)	**200**	200	200
Danish krone (DKK)	**150**	100	200
Mexican peso (MXN)	**150**	250	300
Peruvian sol (PEN)	**150**	50	–
US dollar (USD)	**–150**	–50	150
Other currencies	**1,000**	650	700
Total net assets in foreign currencies, Vehicles and Services	**7,100**	6,500	7,600

Net assets, Financial Services	2007	2006	2005
Euro, (EUR)	**3,000**	2,150	2,250
Other currencies	**1,300**	1,100	1,000
Total net assets in foreign currencies, Financial Services	**4,300**	3,250	3,250
Total net assets in foreign currencies, Scania Group	**11,400**	9,750	10,850

NOTE 32 Currency rate effects

In Vehicles and Services, compared to 2006, currency spot rate effects totalled about SEK –180 m. Currency hedging income in 2007 amounted to SEK –130 m. During 2006, currency hedging had an impact of SEK 110 m. on income. Compared to 2006, the total negative currency rate effect was thus SEK –420 m.

CURRENCY EXPOSURE IN OPERATING INCOME

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

Operating income, Vehicles and Services	2007	2006	2005
Euro (EUR)	**16,200**	12,000	9,400
British pound (GBP)	**3,600**	3,700	3,300
US dollar (USD)	**2,700**	3,100	2,200
Norwegian krone (NOK)	**1,800**	1,600	1,400
Danish krone (DKK)	**1,500**	1,300	1,100
Australian dollar (AUD)	**1,000**	800	800
Polish zloty (PLN)	**1,000**	300	400
Korean won (KRW)	**800**	800	900
Swiss franc (CHF)	**500**	600	500
South African rand (ZAR)	**500**	600	400
Brazilian real (BRL)	**–1,400**	–2,500	–900
Argentine peso (ARS)	**–800**	–700	–700
Other currencies	**3,400**	2,700	1,600
Currency exposure in operating income	**30,800**	24,300	20,400

Operating income, Financial Services	2007	2006	2005
Euro (EUR)	**400**	300	400
Other currencies	**100**	200	100
Currency exposure in operating income	**500**	500	500

EFFECT OF EXCHANGE RATE DIFFERENCES ON NET INCOME

Net income for the year was affected by exchange rate differences (excluding flow-related forward contracts) as shown in the following table:

	2007	2006	2005
Operating income	**–159**	–242	199
Financial income and expenses	**12**	5	11
Taxes	**–4**	0	0
Effect on net income for the year	**–151**	–237	210

For information on net assets in foreign currencies, see Note 31 “Net assets in foreign currencies”. For accumulated exchange rate differences that are recognised directly in equity, see Note 16 “Equity”.

NOTE 33 Subsidiaries

Company	Corporate ID no.	Registered office	Country	% Ownership
Vehicles and Services				
Scania CV AB	556084-0976	Södertälje	Sweden	100
Dynamate AB	556070-4818	Södertälje	Sweden	100
Dynamate IntraLog AB	556718-5409	Södertälje	Sweden	100
Fastighets AB Katalysatorn	556070-4826	Södertälje	Sweden	100
Fastighetsaktiebolaget Flygmotorn	556528-9112	Malmö	Sweden	100
Fastighetsaktiebolaget Hjulnavet	556084-1198	Stockholm	Sweden	100
Fastighetsaktiebolaget Vindbron	556040-0938	Gothenburg	Sweden	100
Ferruform AB	556528-9120	Luleå	Sweden	100
Hedenlunda Fastighet AB	556147-5871	Flen	Sweden	100
Scania Omni AB	556060-5809	Södertälje	Sweden	100
Scania Asset Management AB	556528-9088	Södertälje	Sweden	100
Scania IT AB	556084-1206	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	Katrineholm	Sweden	100
Scania Real Estate Services AB	556593-3024	Södertälje	Sweden	100
Scania Sverige AB	556051-4621	Södertälje	Sweden	100
Scania Sverige Bussar AB	556060-0586	Katrineholm	Sweden	100
Scania Trade Development AB	556013-2002	Södertälje	Sweden	100
Scania Treasury AB	556528-9351	Södertälje	Sweden	100
Stockholms Industriassistans AB	556662-3459	Stockholm	Sweden	100
Svenska Mektek AB	556616-7747	Södertälje	Sweden	100
Vabis Försäkrings AB	516401-7856	Södertälje	Sweden	100
Aconcagua Vehiculos Com. S.A.	30-70737179-6	Mendoza	Argentina	100
Automotores del Atlantico S.A.	30-70709795-3	Mar del Plata	Argentina	100
Automotores Pesados S.A.	30-55137605-9	Tucuman	Argentina	99.38
Motorcam S.A.	33-70791031-9	Buenos Aires	Argentina	100
Scania Argentina S.A.	30-51742430-3	Buenos Aires	Argentina	100
Scania Plan S.A.	30-61086492-5	Buenos Aires	Argentina	80
Scania Service S.A.	33-70784693-9	Buenos Aires	Argentina	100
Scania Australia Pty Ltd	537333	Melbourne	Australia	100
Scania Österreich GmbH	AT 43324602	Brunn am Gebirge	Austria	100
Scania Belgium NV-S.A.	BE402.607.507	Diegem	Belgium	100
Scania Bus Belgium NV-S.A.	BE460.870.259	Diegem	Belgium	100
Scania Bus NV	BE460.870.259	Neder Over Heembeek	Belgium	99.9
Scania Hainaut S.A.	BE439.418.908	Mons	Belgium	99.9
Scania Vlaanderen NV	453331478	Drongen	Belgium	99.9
Scania Bosnia Hertzegovina d.o.o.	1-23174	Sarajevo	Bosnia-Hercegovina	100
Scania Botswana (Pty) Ltd	CO.2000/6045	Gaborone	Botswana	100
Codema Coml Import LTDA	60849197/001-60	Guarulhos	Brazil	99.99
Scania Administradora de Consórcios Ltda	96.479.258/0001-91	Cotia	Brazil	99.99
Scania Latin America Ltda	635 010 727 112	Saõ Bernardo do Campo	Brazil	100
Suvesa Super Veics Pesados LTDA	88301668/0001-10	Canoas	Brazil	99.99
Griffin Automotive Limited	656978	Road Town	British Virgin Islands	100
Scania Bulgaria EOOD	2 220 100 629	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 Hrvatska d.o.o.	1 351 923	Zagreb	Croatia	100
Scania Czech Republic s.r.o.	CZ61251186	Prague	Czech Republic	100
UL Scantrak s.r.o.	CZ27271196	Ústí nad Labem	Czech Republic	100
Scania Biler A/S	DK21498033	Kolding	Denmark	100

NOTE 33 Subsidiaries, continued

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania Danmark A/S	DK 17045210	Herlev	Denmark	100
Scania Eesti AS	10 238 872	Tallinn	Estonia	100
Oy Autokuvio Ab	1505472-2	Hämeenlinna	Finland	100
Oy Autolinna Ab	1568949-6	Jyväskylä	Finland	100
Oy Maakunnan Auto Ab	1568951-7	Seinäjoki	Finland	100
Oy Scan-Auto Ab	FI0202014-4	Helsinki	Finland	100
Scania France S.A.S.	38307166934	Angers	France	100
Scania Ile de France S.A.	648 204 139	Goussainville	France	100
Scania IT France S.A.	FR17412 282 626	Angers	France	100
Scania Locations S.A.S	67402496442	Angers	France	100
Scania Production Angers S.A.S.	378 442 982	Angers	France	100
Scania Deutschland GmbH	DE148787117	Koblenz	Germany	100
Scania Danmark GmbH	1 529 518 862	Flensburg	Germany	100
Scania Vertrieb und Service GmbH	DE812180098	Koblenz	Germany	100
Scania Great Britain Ltd	831017	Milton Keynes	Great Britain	100
Scania Hungaria KFT	10415577	Biatorbagy	Hungary	100
Italscania SPA	IT 01632920227	Trento	Italy	100
Scania Central Asia LLP	84931-1910-TOO	Almaty	Kazakhstan	100
SIA Scania Latvia	LV000311840	Riga	Latvia	100
UAB Scania Lietuva	2 387 302	Vilnius	Lithuania	100
Scania Luxembourg S.A.	LU165291-18	Münsbach	Luxembourg	99.9
Scania Treasury Luxembourg S.A	LU202907-76	Luxembourg	Luxembourg	100
Scania Malaysia SDN BHD	518606-D	Kuala Lumpur	Malaysia	100
Scania Comercial, S.A de C.V.	SCO-031124-MF5	Queretaro	Mexico	100
Scania Servicios S.A. de C.V	SSE-031124-C26	Queretaro	Mexico	100
Scania de Mexico S.A. de CV	SME-930629-JT3	Queretaro	Mexico	100
Scania Maroc S.A.	6100472	Casablanca	Morocco	100
Truck Namibia (Pty) Ltd	3864704-015	Windhoek	Namibia	100
Beers N.V.	NL003779439B01	The Hague	Netherlands	100
Scania Beers B.V.	27136821	The Hague	Netherlands	100
Scania Beers Rayon II B.V.	27146580	The Hague	Netherlands	100
Scania Group Treasury B.V.	27269640	The Hague	Netherlands	100
Scania IT Nederland	8073.08.432.B01	Zwolle	Netherlands	100
Scania Insurance Nederland B.V.	27005076	The Hague	Netherlands	100
Scania Nederland B.V.	NL800564364B04	Zwolle	Netherlands	100
Scania Networks B.V.	NL802638429B01	The Hague	Netherlands	100
Scania Productie Meppel B.V.	NL800564364B06	Meppel	Netherlands	100
Scania Production Zwolle B.V.	NL800564364B04	Zwolle	Netherlands	100
Scania Treasury Netherland B.V.	27269639	The Hague	Netherlands	100
Norsk Lastebilutleie AS	875346822	Drammen	Norway	100
Norsk Scania AS	879 263 662	Oslo	Norway	100
Scania del Peru S.A.	101-36300	Lima	Peru	100
Scania Polska S.A.	521-10-14-579	Warsaw	Poland	100
Scania Production Słupsk S.A.	839-000-53-10	Słupsk	Poland	100
Scania Cimpomovel SA	PT502929995	Santa Iria da Azóia	Portugal	100
Scania Romania SRL	J40/10908/1999	Bucharest	Romania	100
OOO Scania Russia	5 032 073 106	Moscow	Russia	100
Scania Peter OOO	78:111158:25	St Petersburg	Russia	100
OOO Petroscan	7816097078	St Petersburg	Russia	100
OOO Scania Service	5032052145	Golitsino	Russia	100
Scania Srbia d.o.o.	SR100014375	Belgrade	Serbia	100
Scania Singapore Pte Ltd	200309593R	Singapore	Singapore	100

NOTE 33 Subsidiaries, continued

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania Slovakia s.r.o.	0035826649/801	Bratislava	Slovakia	100
Scania East Adriatic Region d.o.o.	1 605 810	Ljubliana	Slovakia	100
Scania Slovenija d.o.o.	1 124 773	Ljubliana	Slovakia	100
Scania South Africa Pty Ltd	95/0 1275/07	Sandton	South Africa	100
Scania Korea Ltd	136-81-15441	Seoul	South Korea	100
Scania Hispania S.A.	ESA59596734	Madrid	Spain	100
Proarga, S.L.	ESB36682003	Pontevedra	Spain	100
Scagalicia, S.L.	ESB36625044	Pontevedra	Spain	100
GB&M Garage et Carrosserie SA	CH-660-0046966-0	Geneva	Switzerland	100
Scania Schweiz AG	218687	Kloten	Switzerland	100
Thommen Nutzfahrzeuge AG	CH-280.3.001.323-2	Rümlingen	Switzerland	100
Scania Tanzania Ltd	39320	Dar Es Salaam	Tanzania	100
Scan Siam Service Co. Ltd	3030522108	Bangkok	Thailand	73.98
Scania Siam Co Ltd	865/2543	Bangkok	Thailand	100
Scania Thailand Co Ltd	9802/2534	Bangkok	Thailand	99.99
Donbas-Scan-Service LLC	3,45167E+11	Makeevka	Ukraine	99
Scania Ukraine LLC	30 107 866	Kiev	Ukraine	100
Lauken S.A.	21.150044.0016	Montevideo	Uruguay	100
Scanexpo S.A.	21.173422.0012	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 Finans AB	556049-2570	Södertälje	Sweden	100
Scania Credit AB	556062-7373	Södertälje	Sweden	100
Scania Finance Pty Ltd	52006002428	Melbourne	Australia	100
Scania Leasing Ges.m.b.H	ATU 57921547	Brunn am Gebrige	Austria	100
Scania Finance Belgium N.V. S.A.	BE 413 545 048	Neder-Over Heembeek	Belgium	99.9
Scania Finance Bulgaria EOOD	BG 175108126	Sofia	Bulgaria	100
Scania Finance Chile S.A.	76.574.810-0	Santiago	Chile	100
Scania Credit Hrvatska d.o.o.	80 516 047	Rakitje	Croatia	100
Scania Finance Czech Republic spol s.r.o.	CZ 25657496	Prague	Czech Republic	100
Scania Finance France S.A.S.	350 890 661	Angers	France	100
Scania Finance Deutschland GmbH	DE811292425	Koblenz	Germany	100
Scania Finance Great Britain Ltd	581 016 364	Milton Keynes	Great Britain	100
Scania Lízing KFT	13-09-107823	Biatorbagy	Hungary	100
Scania Finance Italy S.p.A	1204290223	Trento	Italy	100
Scania Finance Luxembourg S.A.	20 012 217 359	Luxembourg	Luxembourg	100
Scania Finance Nederland B.V.	27004973	The Hague	Netherlands	100
Scania Finance Polska Sp.z.o.o.	521 15 79 028	Warsaw	Poland	100
Scania Credit Romania SRL	17 996 167	Ciorogarla	Romania	100
OOO Scania Leasing	7705392920	Moscow	Russia	100
Scania Finance Southern Africa (Pty) Ltd	2000/025215/07	Johannesburg	South Africa	100
Scania Finance Korea Ltd	6 138 127 196	Seoul	South Korea	100
Scania Finance Hispania EFC S.A.	ESA82853987	Madrid	Spain	100
Scania Finance Switzerland Ltd	CH-020.3.029.627-6	Kloten	Switzerland	100
Scania Tüketici Finansmani A.S.	7570328278	Istanbul	Turkey	100
Scania Credit Ukraine Ltd	33 052 443	Kiev	Ukraine	100

Dormant companies and holding companies with operations of negligible importance are not included.

Parent Company financial statements, Scania AB

Income statement

January – December, SEK m.	Note	2007	2006	2005
Administrative expenses		**–41**	0	0
Operating income		**–41**	0	0
Financial income and expenses	1	**7,695**	10,110	3,561
Income after financial items		**7,654**	10,110	3,561
Withdrawal from tax allocation reserve		**326**	634	705
Taxes		**–154**	–224	–234
Net income		**7,826**	10,520	4,032

Balance sheet

31 December, SEK m.	Note	2007	2006	2005
Assets				
Financial non-current assets				
Shares in subsidiaries	2	**8,401**	8,401	8,484
Current assets				
Due from subsidiaries		**11,844**	14,722	8,306
Total assets		**20,245**	23,123	16,790
Shareholders' equity and liabilities				
Equity	3	**19,423**	21,972	14,997
Untaxed reserves	4	**814**	1,140	1,774
Current liabilities				
Tax liabilities		**8**	11	19
Total shareholders' equity and liabilities		**20,245**	23,123	16,790
Assets pledged		**–**	–	–
Contingent liabilities	5	**27,112**	25,311	24,105

Statement of changes in equity

January – December, SEK m.	2007	2006	2005
Equity, 1 January	**21,972**	14,997	14,433
New share issue	**–**	–	83
Net income	**7,826**	10,520	4,032
Group contributions	**–520**	–757	–766
Tax attributable to Group contributions	**145**	212	215
Dividends paid/received	**–3,000**	–3,000	–3,000
Redemption	**–7,000**	–	–
Equity, 31 December	**19,423**	21,972	14,997

Cash flow statement

January – December, SEK m.	Note	2007	2006	2005
Operating activities				
Income after financial items		**7,654**	10,110	3,561
Items not affecting cash flow	6	**–7,500**	–9,987	–3,500
Taxes paid		**–11**	–21	–684
Cash flow from operating activities before change in working capital		**143**	102	–623
Cash flow from change in working capital				
Due from/liabilities to subsidiaries		**9,857**	2,828	3,623
Total change in working capital		**9,857**	2,828	3,623
Cash flow from operating activities		**10,000**	2,930	3,000
Investing activities				
Liquidation of subsidiaries		**–**	70	–
Cash flow from investing activities		**–**	70	–
Total cash flow before financing activities		**10,000**	3,000	3,000
Financing activities				
Dividend to shareholders		**–3,000**	–3,000	–3,000
Redemption		**–7,000**	–	–
Cash flow from financing activities		**–10,000**	–3,000	–3,000
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 consist exclusively of share ownership in Group companies, aside from the notes below the Scania Group's Report of the Directors and notes otherwise apply where appropriate.

NOTE 1 Financial income and expenses

	2007	2006	2005
Interest income from subsidiaries	**195**	123	100
Dividend/Group contribution from Scania CV AB	**7,500**	10,000	3,500
Other	**0**	–13	–39
Total	**7,695**	10,110	3,561

NOTE 2 Shares in Group companies

Subsidiary/Corporate ID number/registered office	**% Ownership**	**Carrying amount 2007**	2006	2005
Scania CV AB, 556084-0976, Södertälje	**100.0**	**8,401**	8,401	8,401
Ainax AB, 556579-4459, Stockholm	**–**	**–**	–	83
Total		**8,401**	8,401	8,484

Scania CV AB is a public company and parent company of the Scania CV Group, which includes all production, sales and service and finance companies in the Scania AB Group. The company is a subsidiary of Scania AB, whose shares are listed on the Stockholm Stock Exchange. Regarding Ainax AB, see Note 3, "Equity".

NOTE 3 Equity

2007	**Restricted equity: Share capital**	**Restricted equity: Statutory reserve**	**Unrestricted shareholders' equity**	**Total**
Equity, 1 January	2,000	1,120	18,852	**21,972**
Redemption			–7,000	**–7,000**
Dividend to shareholders			–3,000	**–3,000**
Group contribution			–520	**–520**
Tax attributable to Group contribution			145	**145**
Net income for 2007			7,826	**7,826**
Equity, 31 December 2007	**2,000**	**1,120**	**16,303**	**19,423**

2006	Restricted equity: Share capital	Restricted equity: Statutory reserve	Unrestricted shareholders' equity	Total
Equity, 1 January	2,263	1,120	11,614	14,997
Reduction in share capital	–263		263	0
Dividend to shareholders			–3,000	–3,000
Group contribution			–757	–757
Tax attributable to Group contribution			212	212
Net income for 2006			10,520	10,520
Equity, 31 December 2006	2,000	1,120	18,852	21,972

2005	Restricted equity: Share capital	Restricted equity: Statutory reserve	Restricted equity: Share premium fund	Unrestricted shareholders' equity	Total
Share capital	2,000	1,120	–	11,313	14,433
New share issue to Ainax	263		7,560	–7,740	83
Reduction in share premium reserve			–7,560	7,560	0
Dividend to shareholders				–3,394	–3,394
Dividend received from Ainax				394	394
Group contribution				–766	–766
Tax attributable to Group contribution				215	215
Net income for 2005				4,032	4,032
Equity, 31 December 2005	2,263	1,120	0	11,614	14,997

NOTE 3 Equity, continued

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 4 Untaxed reserves

Tax allocation reserve	2007	2006	2005
2001 assessment	**–**	–	634
2002 assessment	**–**	326	326
2005 assessment	**814**	814	814
Total	**814**	1,140	1,774

SEK 228 m. (319 and 497, respectively) of "Untaxed reserves" consists of a deferred tax liability, which is part of the Scania Group's deferred tax liabilities.

NOTE 5 Contingent liabilities

	2007	2006	2005
Contingent liabilities related to FPG credit insurance, mainly on behalf of subsidiaries	**2,143**	2,187	2,143
Loan guarantees on behalf of borrowings in Scania CV AB	**24,967**	23,122	21,959
Other loan guarantees on behalf of subsidiaries	**2**	2	3
Total	**27,112**	25,311	24,105

Aside from the dividend from Scania CV AB, there were no related party transactions.

NOTE 6 Cash flow statement

Items not affecting cash flow were mainly attributable to anticipated dividends. Interest received was SEK 195 m. (123 and 100, respectively).

NOTE 7 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 Scania Group Notes 26 "Wages, salaries and other remuneration and number of employees", 27 "Related party transactions" and 28 "Compensation to executive officers". Compensation of SEK 69,000 (0 and 15,000, respectively) was paid to auditors with respect to the Parent Company.

Proposed guidelines for salary and other remuneration of the President and CEO as well as other executive officers

BACKGROUND

The proposed principles have mainly been used since 1998. The motive for their introduction was to be able to offer employees a market-related remuneration package that will enable the company to recruit and retain executive officers.

The proposal of the Board of Directors to the Annual General Meeting on 5 May 2008 stated below is, in all essential respects, consistent with the principles for the remuneration that executive officers have received in prior years and is based on existing employment agreements between Scania and each respective executive officer. Remuneration to executive officers in 2007 can be seen in Note 28.

Preparation of remuneration issues is handled as follows. With regard to the President and CEO, the Remuneration Committee of the Board of Directors proposes a fixed salary, criteria for variable remuneration and other employment conditions, which are then adopted by the Board of Directors. For other Executive Board members, the President and CEO proposes the equivalent employment conditions, which are then adopted by the Remuneration Committee of the Board of Directors and reported to the Board – all in compliance with the remuneration principles approved by the Annual General Meeting (AGM).

Share-related incentive programmes for executive officers are decided by the AGM.

PROPOSAL

Scania shall endeavour to offer competitive overall remuneration that will enable the company to recruit and retain executive officers. Remuneration to executive officers shall consist of fixed salary, variable remuneration in the form of the Scania Incentive Programme, pension and other remuneration.

Total remuneration shall take into account the individual's performance, area of responsibility and experience.

The fixed salary of Executive Board officers shall be re-assessed every second year, except for the President and CEO. The fixed salary of the President and CEO has been set by an agreement for the period 31 March 2006 to 31 March 2009 and amounts to SEK 7,500,000 per year. Otherwise, fixed salary shall be reviewed annually.

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 one of the incentive programme shall be related to 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 two of the incentive programme shall be related to Scania's ability to increase RNI from one year to another, and the outcome shall be determined as a cash amount that may vary between 0–80 percent of fixed salary.

The Board shall also be authorised to approve transitional compensation in individual cases due to negative changes in certain parameters of the incentive programme. Such compensation may not exceed 75 percent of the difference between the outcome according to these parameters for the preceding year and according to the parameters for the year in question and may apply only to one year.

The Board's proposal for the incentive programme will be stated in its entirety in a complete proposal to the AGM for the 2008 incentive programme.

Executive officers 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, through a special agreement with the company, during the period 31 March 2006 to 31 March 2009 the President and CEO has an extra annual pension provision of SEK 4,410,000. The retirement age of the President and CEO as well as other executive officers shall be no lower than 60.

Other remuneration and benefits shall be competitive and help facilitate the executive officer's ability to fulfil his or her duties.

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

If the company terminates their employment, the other members of the Executive Board are entitled to severance pay equivalent to a maximum of two years' salary, in addition to their salary during the six-month notice period. If they obtain new employment within 18 months, counting from their termination date, the severance pay ceases. In case of a substantial change in the ownership structure of Scania, two members of the Executive Board are entitled to resign of their own volition with severance pay amounting to two years' salary. Otherwise there shall be no notice periods longer than six months.

If it finds that there are special reasons in an individual case, the Board of Directors shall be able to diverge from these guidelines.

The Board of Directors proposes that the AGM approve the above guidelines for salary and other remuneration of the President and CEO as well as other executive officers of the company.

Proposed distribution of earnings

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

Amounts in SEK m.	
Retained earnings	8,477
Net income for the year	7, 826
Total	16,303
Shall be distributed as follows:	
To the shareholders, a dividend of SEK 5 per share	4,000
To be carried forward	12,303
Total	16,303

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	12,303
Total	15,423

Extra refund to the shareholders

As indicated above, the regular dividend proposed by the Board of Directors amounts to SEK 5.00 per share. In addition, the Board is proposing that the Annual General Meeting approve an extra refund of SEK 6 billion to the shareholders. The Board proposes that this refund should occur by means of a 2 to 1 share split, with mandatory redemption of the second share at a price of SEK 7.50 per share. Together with the regular dividend, this means that the shareholders will receive a total of SEK 10 billion or SEK 12.50 per share.

After completing the proposed distribution of earnings and the refund to the shareholders, retained earnings and total equity in the Parent Company, Scania AB, will amount to SEK 6,303 m. and SEK 9,423 m., respectively.

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 give 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 6 February 2008. 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 2008.

Södertälje, 6 February 2008

Martin Winterkorn
Chairman of the Board

Vito H. Baumgartner
Board member

Staffan Bohman
Board member

Peggy Bruzelius
Board member

Börje Ekholm
Vice Chairman

Hans Dieter Pötsch
Board member

Peter Wallenberg Jr
Board member

Kjell Wallin
Board member

Jan Westberg
Board member

Francisco J. Garcia Sanz
Board member

Leif Östling
Board member
President and CEO

Our auditors' report was submitted on 15 February 2008

Ernst & Young AB

Lars Träff
Authorised Public Accountant

Jan Birgerson
Authorised Public Accountant

Audit Report

To the Annual General Meeting of shareholders of Scania AB (publ)
Corporate identity number 556184-8564

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Scania AB (publ) for the year 2007. The annual accounts and the consolidated accounts are presented in the printed version of this document on pages 4-48, 55-123. 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.

Stockholm, 15 February 2008

Ernst & Young AB

Lars Träff
Authorised Public Accountant

Jan Birgerson
Authorised Public Accountant

Quarterly data, units by geographic area

	2007					2006				
	Full year	**Q4**	**Q3**	**Q2**	**Q1**	Full year	Q4	Q3	Q2	Q1
Order bookings, trucks										
Western Europe	**48,343**	12,210	9,910	12,023	14,200	38,642	13,437	6,447	8,155	10,603
Central and eastern Europe	**17,216**	4,903	3,449	3,853	5,011	11,568	4,475	2,156	2,686	2,251
Latin America	**10,904**	3,375	1,924	2,611	2,994	9,036	2,755	1,977	2,217	2,087
Asia	**7,387**	2,355	1,307	1,547	2,178	6,389	1,770	1,030	1,642	1,947
Other markets	**2,089**	558	240	295	996	2,774	767	592	789	626
Total	**85,939**	**23,401**	**16,830**	**20,329**	**25,379**	68,409	23,204	12,202	15,489	17,514
Trucks delivered										
Western Europe	**35,409**	10,472	7,197	9,092	8,648	34,396	9,708	7,295	8,545	8,848
Central and eastern Europe	**14,789**	3,991	3,175	4,091	3,532	8,830	3,177	2,062	2,014	1,577
Latin America	**9,790**	2,780	2,292	2,772	1,946	7,957	2,042	2,196	1,991	1,728
Asia	**6,061**	1,862	1,347	1,632	1,220	5,546	1,359	1,348	1,660	1,179
Other markets	**2,605**	758	568	677	602	2,615	606	630	661	718
Total	**68,654**	**19,863**	**14,579**	**18,264**	**15,948**	59,344	16,892	13,531	14,871	14,050
Order bookings, buses [1]										
Western Europe	**2,484**	998	473	585	428	1,999	655	458	390	496
Central and eastern Europe	**399**	110	89	93	107	569	251	126	130	62
Latin America	**2,534**	534	491	589	920	1,643	358	365	509	411
Asia	**1,686**	643	226	312	505	1,462	725	185	268	284
Other markets	**1,051**	321	155	277	298	816	224	208	136	248
Total	**8,154**	**2,606**	**1,434**	**1,856**	**2,258**	6,489	2,213	1,342	1,433	1,501
Buses delivered [1]										
Western Europe	**1,987**	564	471	455	497	2,282	538	513	641	590
Central and eastern Europe	**460**	156	119	123	62	428	161	100	109	58
Latin America	**2,344**	695	677	575	397	1,679	313	509	470	387
Asia	**1,495**	438	211	393	453	879	433	121	223	102
Other markets	**938**	289	238	185	226	669	161	185	133	190
Total	**7,224**	**2,142**	**1,716**	**1,731**	**1,635**	5,937	1,606	1,428	1,576	1,327

1 Including body-built buses and coaches.

Quarterly data, earnings

SEK m. unless otherwise stated	2007 Full year	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2006 Full year	2006 Q4	2006 Q3	2006 Q2	2006 Q1
Vehicles and Services										
Net sales	**84,486**	24,539	19,907	20,911	19,129	70,738	19,007	16,507	17,978	17,246
Cost of goods sold	**–61,810**	–17,967	–14,846	–15,367	–13,630	–52,255	–13,752	–12,128	–13,521	–12,854
Gross income	**22,676**	6,572	5,061	5,544	5,499	18,483	5,255	4,379	4,457	4,392
Research and development expenses	**–3,343**	–967	–690	–905	–781	–3,023	–798	–705	–791	–729
Selling expenses	**–6,438**	–1,751	–1,616	–1,581	–1,490	–6,016	–1,608	–1,466	–1,514	–1,428
Administrative expenses	**–1,259**	-315	–295	–340	–309	–1,189	–381	–322	–251	–235
Share of income in associated companies and joint ventures	**–4**	29	–34	2	–1	5	2	–3	6	0
Operating income, Vehicles and Services	**11,632**	3,568	2,426	2,720	2,918	8,260	2,470	1,883	1,907	2,000
Financial Services										
Interest and leasing income	**4,070**	1,115	1,002	1,010	943	3,527	910	880	871	866
Interest and depreciation expenses	**–3,057**	–833	–747	–768	–709	–2,608	–675	–661	–636	–636
Interest surplus	**1,013**	282	255	242	234	919	235	219	235	230
Other income	**283**	58	98	60	67	232	70	65	43	54
Other expenses	**–204**	-39	–74	–32	–59	–179	–53	–49	–35	–42
Gross income	**1,092**	301	279	270	242	972	252	235	243	242
Selling and administrative expenses	**–470**	–138	–114	–113	–105	–416	–119	–98	–101	–98
Bad debt expenses	**–90**	–9	–39	–26	–16	–63	–14	–3	–16	–30
Operating income, Financial Services	**532**	154	126	131	121	493	119	134	126	114
Operating income	**12,164**	3,722	2,552	2,851	3,039	8,753	2,589	2,017	2,033	2,114
Interest income	**479**	138	100	105	136	632	234	103	133	162
Interest expenses	**–693**	–194	–197	–133	–169	–863	–292	–169	–195	–207
Other financial income	**74**	40	–66	84	16	142	56	–30	54	62
Other financial expenses	**–118**	–65	–14	–12	–27	–81	–9	–9	–41	–22
Total financial items	**–258**	–81	–177	44	–44	–170	–11	–105	–49	–5
Income before taxes	**11,906**	3,641	2,375	2,895	2,995	8,583	2,578	1,912	1,984	2,109
Taxes	**–3,352**	–934	–621	–887	–910	–2,644	–754	–631	–597	–662
Net income	**8,554**	2,707	1,754	2,008	2,085	5,939	1,824	1,281	1,387	1,447
Attributable to:										
Scania shareholders	***8,554***	*2,707*	*1,754*	*2,008*	*2,085*	*5,939*	*1,824*	*1,281*	*1,387*	*1,447*
Minority interest	***0***	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Earnings per share, SEK [1, 2]	**10.69**	3.38	2.19	2.51	2.61	7.42	2.28	1.60	1.73	1.81
Operating margin, percent	**14.4**	15.2	12.8	13.6	15.9	12.4	13.6	12.2	11.3	12.3

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					
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Scania Group										
Operating margin, %	**14.4**	12.4	10.8	11.6	10.1	9.3	4.6	10.5	12	8.7
Earnings per share, SEK[5]	**10.69**	7.42	5.83	5.40	3.79	3.42	1.30	3.85	3.92	2.82
Equity per share, SEK[5]	**31.0**	32.7	29.7	26.8	22.8	21.2	20.0	19.6	16.9	14.8
Return on equity, %	**35.0**	24.1	20.8	21.8	17.4	17.2	6.5	21.6	25.1	20.7
Dividend, SEK per share[2, 3, 5]	**5.00**	3.75	3.75	3.75	1.50	1.37	0.87	1.75	1.75	1.62
Dividend as percentage of net income	**46.8**	50.5	64.3	69.5	39.6	40.2	66.8	45.5	44.5	57.8
Redemption, SEK per share[2, 3, 5]	**7.50**	8.75	–	–	–	–	–	–	–	–
Equity/assets ratio, %	**27.1**	29.7	30.3	30.3	27.7	25.6	23.4	25.8	25.3	25.8
Net debt, excluding provisions for pensions, SEK m.	**31,534**	23,297	25,476	23,115	24,291	25,108	29,305	23,777	21,677	17,505
Net debt/equity ratio	**1.27**	0.89	1.07	1.08	1.33	1.48	1.83	1.51	1.60	1.48
Vehicles and Services										
Operating margin, %	**13.8**	11.7	10.0	10.8	9.4	7.5	4.1	9.5	10.4	7.7
Capital employed, SEK m.	**26,749**	32,898	27,012	23,876	21,859	24,363	27,311	27,278	26,239	22,294
Operating capital, SEK m.	**22,859**	22,226	24,396	21,680	20,080	20,356	23,380	23,810	23,696	20,584
Profit margin, %	**14.4**	12.8	11.6	11.6	10.0	9.2	4.7	10.5	12.0	8.7
Capital turnover rate, times	**2.92**	2.38	2.43	2.50	2.21	1.89	1.93	1.96	1.77	1.99
Return on capital employed, %	**42.1**	30.4	27.9	29.1	22.0	17.4	9.1	20.6	21.2	17.3
Return on operating capital, %	**49.9**	35.2	26.8	29.0	23.1	16.6	9.1	21.5	22.2	17.6
Net debt, excluding provisions for pensions, SEK m.[4]	**–1,902**	-4,335	269	854	2,647	4,308	7,790	7,781	8,309	6,522
Net debt/equity ratio	**–0.09**	-0.19	0.01	0.05	0.17	0.31	0.58	0.50	0.61	0.55
Interest coverage, times	**15.0**	9.6	6.8	8.6	6.2	4.6	2.0	4.8	5.7	5.9
Financial Services										
Operating margin, %	**1.5**	1.6	1.9	1.7	1.4	1.2	1.2	1.1	1.0	0.9
Equity/assets ratio, %	**10.1**	9.6	10.0	11.2	11.5	11.9	9.5	8.2	7.6	6.5

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 Dividend proposed by the Board of Directors or adopted by the Annual General Meeting.

3 In addition to the regular dividend, the Board proposed an extra refund for 2007 to the shareholders totalling SEK 6 (7) billion, equivalent to SEK 7.50 (8.75) per share.

4 Net debt (+) and net surplus (–).

5 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.

Definitions

Operating margin
Operating income as a percentage of net sales.

Earnings per share
Net income for the year excluding minority interest divided by average number of shares.

Equity per share
Equity excluding minority interest divided by the total number of shares.

Return on equity
Net income for the year as a percentage of total equity. [1]

Equity/assets ratio
Total equity as a percentage of total assets on each respective balance sheet date.

Net debt, excluding provision for pensions
Current and non-current borrowings (excluding pension liabilities) minus cash and cash equivalents and net fair value of derivatives for hedging borrowings.

Net debt/equity ratio
Net debt as a percentage of total equity.

Capital employed
Total assets minus operating liabilities.

Operating capital
Total assets minus cash, cash equivalents and operating liabilities.

Profit margin
Operating income plus financial income as a percentage of net sales.

Capital turnover
Net sales divided by capital employed.

Return on capital employed
Operating income plus financial income as a percentage of capital employed.

Return on operating capital
Operating income plus financial income divided by financial expenses.

Interest coverage
Operating income plus financial income divided by financial expenses.

Gross margin, Financial Services
Operating income as a percentage of average portfolio.

1 Measures of return are based on average equity, capital employed and operating capital for the five most recent quarters.

Multi-year statistical review

SEK m. unless otherwise stated	According to IFRSs[1] 2007	2006	2005	2004	According to Swedish GAAP 2003	2002	2001	2000	1999	1998
Delivery value by market area										
Western Europe	**50,381**	47,196	43,559	39,566	38,073	36,031	36,617	36,393	33,139	28,893
Central and eastern Europe	**14,298**	8,455	5,884	5,157	4,246	3,235	2,739	1,922	1,440	1,883
Europe, total	**64,679**	*55,651*	*49,443*	*44,723*	*42,319*	*39,266*	*39,356*	*38,315*	*34,579*	*30,776*
America	**10,573**	8,420	7,575	5,655	3,836	3,542	5,576	5,529	4,247	5,974
Asia	**5,699**	4,603	4,137	3,997	3,936	3,123	2,898	2,390	1,118	1,018
Other markets	**4,511**	3,953	3,943	3,404	2,896	2,529	2,364	2,050	1,784	1,907
Adjustment for lease income[2]	**–976**	–1,889	–1,770	–991	–2,406	–1,175	–1,884	–2,425	–3,066	–2,166
Net sales, Scania products	**84,486**	70,738	63,328	56,788	50,581	47,285	48,310	45,859	38,662	37,509
Divested car operations[3]	**–**	–	–	–	–	–	4,755	5,539	5,382	5,637
Total	**84,486**	70,738	63,328	56,788	50,581	47,285	53,065	51,398	44,044	43,146
Operating income										
Vehicles and Services	**11,632**	8,260	6,330	6,149	4,759	3,548	2,089	4,623	4,655	3,251
Financial Services	**532**	493	529	450	366	308	278	179	140	91
Divested car operations[3]	**–**	–	–	–	–	550	100	277	250	250
Total	**12,164**	8,753	6,859	6,599	5,125	4,406	2,467	5,079	5,045	3,592
Operating margin, %										
Vehicles and Services	**13.8**	11.7	10.0	10.8	9.4	7.5	4.3	10.1	12.0	8.7
Divested car operations[3]	**–**	–	–	–	–	–	2.1	5.0	4.6	4.4
Total[4]	**14.4**	12.4	10.8	11.6	10.1	9.3	4.6	9.9	11.5	8.3
Net financial items	**–258**	–170	–94	–323	–521	–684	–926	–630	–545	–378
Net income	**8,554**	5,939	4,665	4,316	3,034	2,739	1,048	3,080	3,146	2,250
Specification of research and development expenses										
Expenditures	**–3,214**	–2,842	–2,479	–2,219	–2,151	–2,010	–1,955	–1,621	–1,267	–1,168
Capitalisation	**289**	180	278	316	660	573	–	–	–	–
Amortisation	**–418**	–361	–283	–84	–2	–	–	–	–	–
Research and development expenses	**–3,343**	–3,023	–2,484	–1,987	–1,493	–1,437	–1,955	–1,621	–1,267	–1,168
Net investments through acquisitions/ divestments of businesses	**268**	–	205	49	26	–1,165	929	457	1,121	–5
Net investments in non-current assets	**4,277**	3,810	3,597	2,798	3,285	2,921	1,878	1,521	1,654	1,817
Portfolio, Financial Services operations	**38,314**	31,841	29,634	26,601	25,926	25,303	25,091	18,522	15,262	12,342
Cash flow, Vehicles and Services	**8,229**	6,942	3,865	2,685	2,450	3,583	2,066	2,557	476	1,797
Inventory turnover rate, times[5]	**7.5**	6.9	6.0	6.0	5.8	6.1	6.0	6.2	5.6	5.3

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 increased the value of the assets, c) that decreased depreciation on tangible non-current assets has affected taxes accordingly, d) that actuarial gains/losses related to pensions are 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).

Multi-year statistical review (continued)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Number of vehicles produced										
Trucks	**71,017**	60,867	53,368	53,051	45,985	41,433	43,487	51,409	45,779	45,546
Buses	**7,314**	5,870	6,141	5,621	5,291	3,712	4,664	4,172	3,703	4,515
Total	**78,331**	66,737	59,509	58,672	51,276	45,145	48,151	55,581	49,482	50,061
Number of trucks delivered by market area										
Western Europe	**35,409**	34,396	31,392	30,312	29,322	28,229	30,272	38,347	35,942	32,595
Central and eastern Europe	**14,789**	8,830	5,693	5,272	4,148	3,205	2,723	2,416	1,715	2,328
Europe, total	***50,198***	*43,226*	*37,085*	*35,584*	*33,470*	*31,434*	*32,995*	*40,763*	*37,657*	*34,923*
Latin America	**9,790**	7,957	7,776	7,604	4,739	3,633	6,181	6,777	6,253	7,621
Asia	**6,061**	5,546	5,415	5,464	5,317	3,486	2,994	3,438	1,481	1,410
Other markets	**2,605**	2,615	2,291	1,911	1,519	1,342	1,489	1,340	1,260	1,599
Total	**68,654**	59,344	52,567	50,563	45,045	39,895	43,659	52,318	46,651	45,553
Number of buses and coaches delivered by market area										
Western Europe	**1,987**	2,282	2,271	2,157	2,224	1,612	1,696	1,617	1,935	1,721
Central and eastern Europe	**460**	428	394	424	349	132	132	85	67	116
Europe, total	***2,447***	*2,710*	*2,665*	*2,581*	*2,573*	*1,744*	*1,828*	*1,702*	*2,002*	*1,837*
Latin America	**2,344**	1,679	1,727	1,472	1,072	958	1,595	1,843	1,237	1,697
Asia	**1,495**	879	616	947	631	440	666	278	160	78
Other markets	**938**	669	808	519	634	632	583	351	364	505
Total	**7,224**	5,937	5,816	5,519	4,910	3,774	4,672	4,174	3,763	4,117
Total number of vehicles delivered	**75,878**	65,281	58,383	56,082	49,955	43,669	48,331	56,492	50,414	49,670
Number of industrial and marine engines delivered by market area										
Western Europe	**3,480**	3,514	3,404	2,819	1,886	1,907	1,893	1,915	2,071	1,903
Latin America	**2,537**	2,245	2,073	1,648	881	631	2,217	823	825	764
Other markets	**1,211**	787	227	547	398	653	562	565	387	169
Total	**7,228**	6,546	5,704	5,014	3,165	3,191	4,672	3,303	3,283	2,836
Total market for heavy trucks and buses, units										
Western Europe:										
Trucks	**267,000**	261,000	251,000	231,000	213,000	211,700	235,000	243,700	235,900	207,300
Buses	**24,700**	23,900	23,300	22,400	21,700	22,500	23,500	23,500	22,400	21,000
Number of employees [6]										
Production and corporate units	**17,413**	16,517	15,174	15,260	15,498	15,067	14,987	15,984	15,818	15,913
Research and development	**2,406**	2,174	2,058	1,924	1,833	1,681	1,435	1,159	944	921
Sales and service companies	**14,797**	13,682	13,128	12,455	11,460	11,173	11,868	10,029	9,431	6,559
Total Vehicles and Services	**34,616**	32,373	30,360	29,639	28,791	27,921	28,290	27,172	26,193	23,393
Financial Services companies	**480**	447	405	354	321	309	251	194	166	144
Total	**35,096**	32,820	30,765	29,993	29,112	28,230	28,541	27,366	26,359	23,537

6 Including employees with temporary contracts.

Annual General Meeting and financial information

Annual General Meeting

The Annual General Meeting of Shareholders will be held at 14.00 CET (2 p.m.) on Monday, 5 May 2008 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 VPC AB (the Swedish Central Securities Depository and Clearing Organisation) no later than Monday, 28 April 2008. They must also register with the company by post at Scania AGM, Box 47011, SE-100 74 Stockholm, Sweden or by telephone at +46 8 775 01 10, or via Scania's website www.scania.com no later than 16.00 CET on Monday, 28 April 2008.

Nominee shares

To be entitled to participate in the AGM, shareholders whose shares have been registered in the name of a nominee through the trust department of a bank or brokerage house must temporarily reregister their shares in their own name with VPC. Shareholders who wish to reregister their shares in this way must inform their nominees accordingly in sufficient time before Friday, 25 April 2008.

Dividend

The Board of Directors proposes Thursday, 8 May 2008 as the record date for the annual dividend. The last day for trading shares that include the dividend is Monday, 5 May 2008. Provided that the AGM approves this proposal, the dividend can be expected to be sent on Tuesday, 13 May 2008.

Information from Scania

Interim Report, January–March, on 28 April 2008.
Interim Report, January–June, on 25 July 2008.
Interim Report, January–September, on 7 November 2008.

Financial reports

The Annual Report is posted on the company's website, www.scania.com, where Scania's Interim Reports are also found. Financial reports may also be ordered from:
Scania AB, SE-151 87 Södertälje, Sweden
Phone: +46 8 55 38 10 00
Website: www.scania.com

Updated facts

Addresses and updated facts can be found at www.scania.com

The Annual Report contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Such forward-looking statements involve risks and uncertainties that could significantly alter potential results. The statements are based on certain assumptions, including assumptions related to general economic and financial conditions in the company's markets and the level of demand for the company's products. This report does not imply that the company has undertaken to revise these forward-looking statements, beyond what is required under the company's registration contract with the OMX Nordic Exchange Stockholm if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

TRUCKS

BUSES

ENGINES

SERVICES

FINANCIAL SERVICES

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More information:
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