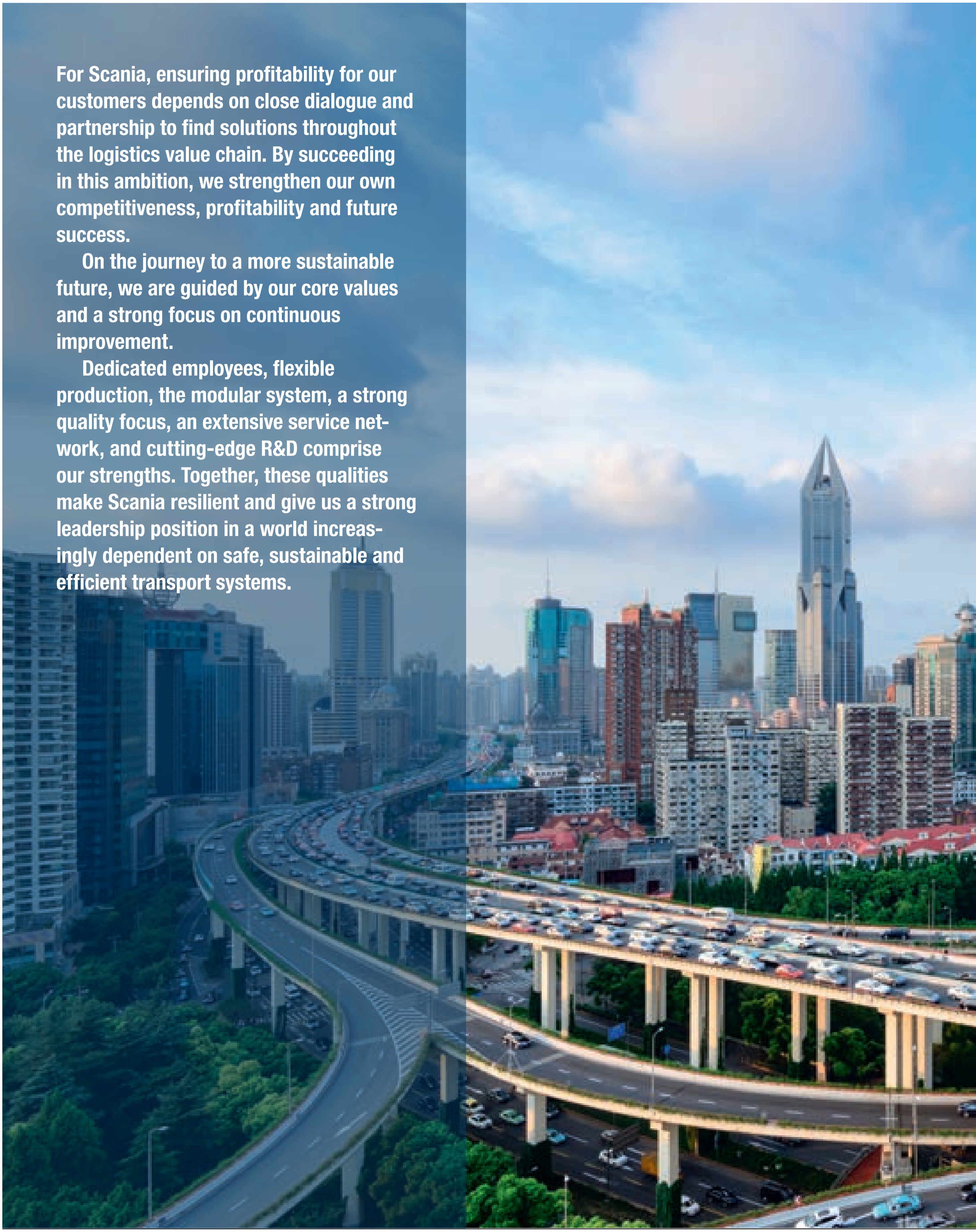
# ANNUAL REPORT 2014

SCANIA

For Scania, ensuring profitability for our customers depends on close dialogue and partnership to find solutions throughout the logistics value chain. By succeeding in this ambition, we strengthen our own competitiveness, profitability and future success.

On the journey to a more sustainable future, we are guided by our core values and a strong focus on continuous improvement.

Dedicated employees, flexible production, the modular system, a strong quality focus, an extensive service network, and cutting-edge R&D comprise our strengths. Together, these qualities make Scania resilient and give us a strong leadership position in a world increasingly dependent on safe, sustainable and efficient transport systems.



# CONTENTS

# SCANIA AT A GLANCE

With the aim to be the leader in sustainable transport, at Scania we are building our business while creating value for our customers, employees and society. Delivering customised heavy trucks, buses, engines and services, our focus is on efficient, low-carbon solutions that enhance customer profitability.

With 42,000 employees in 100 countries, we are strategically placed where our customers need us, wherever they operate. Scania's head office, with 5,000 employees, is located in Södertälje, Sweden.

R&D operations are mainly located in Södertälje, Sweden, with some 3,500 employees. Our aim is to develop high-quality products and solutions for the specific customer demand with short lead times from idea to launch.

About 12,400 people work at production units in seven countries in Europe and Latin America. The modular product system and the global interchange of both components and vehicles create flexibility.

We strengthen our position in emerging markets through Regional Product Centres located in six emerging markets, with about 640 employees. These employees work with assembly, body-work, and fitting out locally-adapted vehicles.

With parts supply facilities, located in Opglabbeek, Belgium, Singapore and Vinhedo, Brazil, we are able to be closer to our customers and thereby improve their vehicle uptime.

We take a coordinated approach to our supply chain with an emphasis on high quality and increased focus on sustainability. Central purchasing is based in Södertälje, with local offices in Latin America, India, Russia and China.

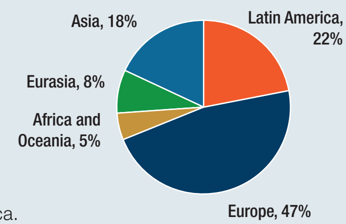
About 18,400 employees work with sales and services globally. Our network and mobile service solutions enable us to be close to the customer in order to provide support on site where the products are used.

Some 760 employees work with Financial Services, supporting customers in many markets worldwide by providing finance solutions and vehicle insurance. By offering financing on good terms together with an efficient claims management service and rapid repairs, with access to Scania's entire service network, we minimise downtime and lost revenue for our customers.

## SALES AND DELIVERIES, 2014

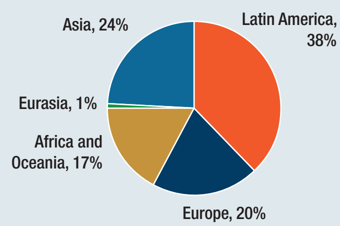
### TRUCKS

Scania truck deliveries amounted to 73,015 units in 2014. The deliveries in Europe increased due to higher market share. Deliveries in Asia rose sharply due to increased demand in the Middle East, whereas deliveries decreased in Latin America.

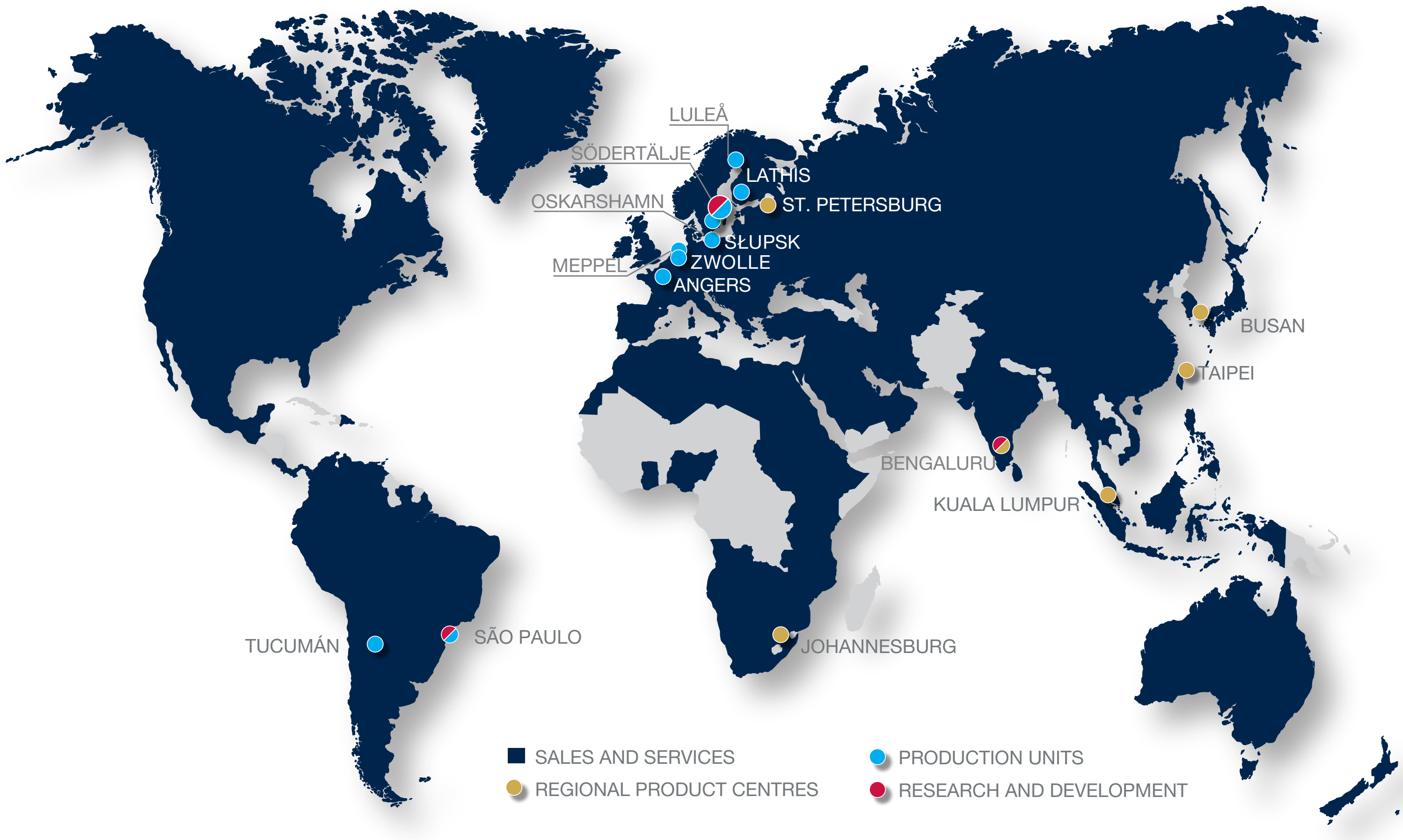



### BUSES AND COACHES

Scania bus and coach deliveries amounted to 6,767 units in 2014. In Europe deliveries rose from a low level and deliveries in Eurasia decreased due to one large order in 2013. Deliveries increased in Asia and Africa and Oceania.

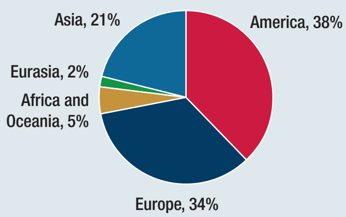


# A GLOBAL PRESENCE



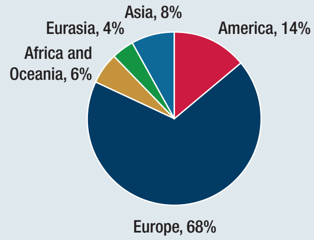

## ENGINES

Scania engines deliveries rose to an all-time high level of 8,287 units. Deliveries increased strongly in Asia.




## SERVICES

Service revenue totalled SEK 18.8 billion in 2014, which was a record high. Revenue increased in all regions.

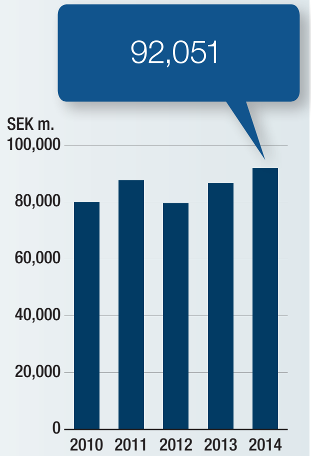


# OVERVIEW OF 2014

In 2014, net sales reached an all-time high and operating income improved. More people were employed to strengthen Scania's position. Deliveries of connected vehicles showed strong growth, one important enabler for sustainable transport.

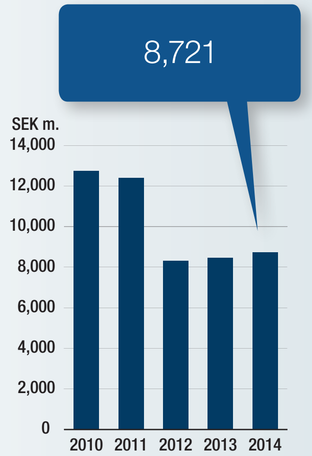
## NET SALES

Global economic growth has been slow in recent years. Scania has compensated for this by increasing market share in some regions and expansion to new markets. This has made it possible to keep deliveries at a stable level. A growing fleet of Scania vehicles, more repair and maintenance contracts, new tailored service packages, and expansion in emerging markets has boosted service revenue.



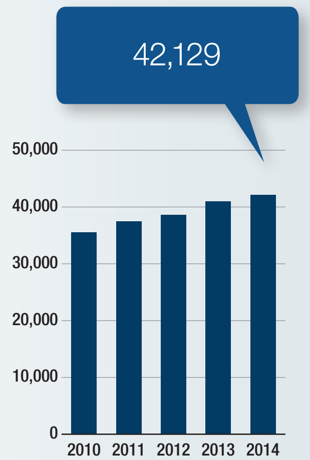

## OPERATING INCOME

Scania has invested over the past few years to position the company for future growth. Despite this higher investment level and a muted business climate, operating income has been above SEK 8 billion the past three years. Operating income in 2014 was slightly better than 2013. Record service volume, record earnings in Financial Services and currency effects were partly offset by a weaker market mix.



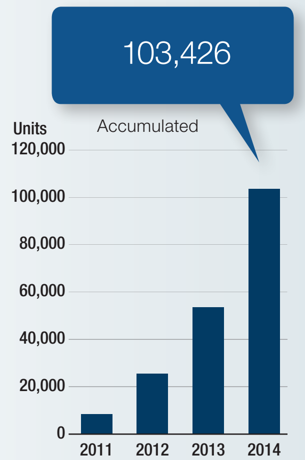

## NUMBER OF EMPLOYEES

In the past few years, Scania has employed more people in sales, marketing and services to support growth in emerging markets. The number of employees in Research and Development has also increased to further strengthen the product and service portfolio to achieve growth and profitability ambitions.




## CONNECTED VEHICLES

There has been strong growth in deliveries of connected vehicles. This enables Scania to increase the support to customers. Benefits include lower fuel consumption and emissions, improved traffic safety and optimization of filling rates and transport routes.



## TRUCKS

■ Scania managed the transition to Euro 6 as the leader in the industry, with improved fuel efficiency and quality, as well as a full range of engines.

■ British transport companies Eddie Stobart and A.W. Jenkinson Forest Products ordered 1,500 Scania Euro 6 trucks.

■ The Austrian public procurement organisation Bundesbeschaffungs GmbH (BBG) signed an agreement for the delivery of up to 485 Scania Euro 6 trucks.

## BUSES AND COACHES

■ During the third quarter, the Scania Citywide LE bus was presented, featuring Scania's own hybrid technology.

■ Scania will deliver 62 buses for Mexico City's public transport system and will also provide workshop services for the entire fleet, vehicle follow-up as well as driver training and coaching.

■ Scania has signed an agreement with Ghana's Ministry for Transport to supply 300 buses and equipment for the Bus Rapid Transit System under implementation in Accra.

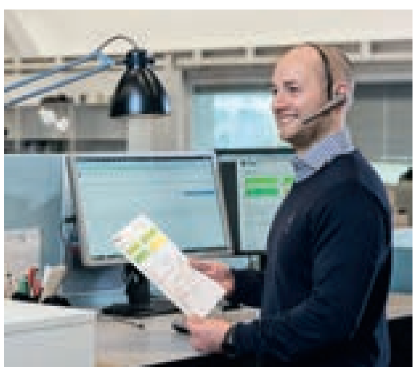
## ENGINES

■ Atlas Copco opted for Scania engines for their portable air compressors. The partnership covers deliveries of Scania's 9-, 13- and 16-litre engines.

■ Scania and the South Korean equipment manufacturer, Doosan Infracore, agreed to further deepen their cooperation. Scania is delivering engines for articulated dump trucks and large wheel loaders. From 2014 Scania will supply engines for Doosan Large Excavators intended for Europe and North America.

## SERVICES

■ Service revenue reached an all-time high during 2014 with SEK 18,828 m. Scania has invested in increased capacity in the service network, especially in emerging markets. By combining vehicles and services, customers benefit from tailored solutions. Scania can provide more advanced services due to a growing number of connected vehicles.



## FINANCIAL SERVICES

■ Operating income in Scania Financial Services rose to a record of over SEK 1 billion during 2014. Customers are increasingly choosing Scania as their long-term partner in vehicle financing. Scania also noted significant increase in demand for insurance solutions. By offering customers insurance solutions, Scania can contribute to a quicker insurance claims process and thereby minimise the negative effects of unplanned downtime.

# OUR CORE VALUES

Scania's core values define our company culture. Closely linked, they guide our actions and create value for Scania's stakeholders. With a common way of thinking and working, every individual contributes by strengthening and improving how our company operates with a strong focus on continuous improvement.

## CUSTOMER FIRST

Understanding our customers' business leads to solutions that enhance customer profitability by means of high earning capacity and low operating cost, while promoting sustainability. The customer's operations and resource efficiency are at the centre of the value chain: from research and development, sourcing and production to delivery and financing of vehicles, engines and services.

## RESPECT FOR THE INDIVIDUAL

From drivers of vehicles to our employees on the production line, the individual stands at the centre in all that we do. We seek to capture the knowledge, experience and ambition of each individual to continuously improve and develop our working methods. Inspiration and new ideas emerging from our daily work lead to higher quality, efficiency and job satisfaction.

## QUALITY

High-quality solutions are essential for our customers' profitability. Knowledge of our customers' needs and requirements ensures that our products and services meet the highest demands. Deviations from targets and standards are used as a valuable source of continuous improvement. We seize every opportunity to eliminate waste and inefficiencies.


SCANIA

# TAKING THE LEAD IN SUSTAINABLE TRANSPORT

Change is on the horizon for the transport industry in the shift to a low-carbon economy. In 2014, our strong growth in connected vehicles, Ecolution by Scania contracts and service revenue showed that Scania is well equipped to make a significant contribution to this transformation.

The demand for mobility of goods and people will continue to grow in light of an expanding population, increasing urbanisation and growing economies. The great challenge for our industry is to manage growth while reducing emissions and tackling climate change. In emerging markets, there have been substantial improvements in manufacturing efficiency, but in many cases the transport sector is lagging behind. One of the results is the severe air pollution in some of Asia's major cities. Elsewhere, for example in Europe, large retail and logistics companies are setting ambitious targets to reduce $CO_2$.

## Optimised logistics flow

The logistics flow is often highly complex and involves many actors, including cross-border transport, and this adds to the challenge. The good news is that the potential to increase the efficiency of today's transport services is huge and creates several new business opportunities for Scania. We are well-positioned to leverage our strength in working with continuous improvement in order to optimise logistics flows — not only for our customers but for their customers as well.

This will require new ways of working that reflect a deep understanding of the logistics flow from production to distribution and sales — an approach that is firmly established at Scania.

Working close to our customers is also part of our heritage. In partnership which is based on trust and transparency, we can work together with all actors in the value chain to create continuous improvements in every step of the flow.

## A change of mindset

I am confident that Scania, together with other like-minded companies, can lead the way in taking a more holistic approach to logistics efficiency that sets us firmly on the path towards a more sustainable transport system. We have the technical leadership to provide the right vehicle with the right powertrain, irrespective of whether it involves diesel, biofuels or future electrical solutions.

By combining vehicles and engines with services, we maximise performance and uptime. Ecolution by Scania is a great example of this; it's about a change of mindset from just selling vehicles to offering value-added services throughout the product life cycle.

But we can do more to accelerate this evolving business model. With our experience of working in partnership with the vehicle manufacturer, transport company and the buyer of transport services, we can take the lead in the shift towards a more sustainable transport system. Our own improvement in internal logistics shows the impressive results that can be achieved with this new way of working. We generated $CO_2$ reductions of 17 percent. For me, this is the hallmark of sustainable transport: more efficient transport services that benefits people and society, reduce emissions and contribute to a better environment, all while achieving improved profitability.

## 2014 highlights

I look back with pride at a number of milestones achieved in 2014. We now have more than 100,000 connected vehicles on the road. Connected vehicles will open up great opportunities. It will enable all aspects of sustainable transport – lower fuel consumption and emissions, improved traffic safety as well as optimisation of filling rates and transport routes. Maximising the benefits of connectivity will require partnership on many levels including cooperation with customers, strategic partners and academia.

The volume of sales of our Ecolution by Scania concept continued to grow. We are achieving 11 percent lower fuel consumption on average for customers.

*With our knowledge, products and services, and insight into the trends shaping our industry and society, we can make a strong contribution towards a more holistic approach to transport.*

**Martin Lundstedt**
President and CEO

Scania delivered 1,500 Euro 6 trucks in Europe that can run on up to 100 percent biodiesel. Ten years ago we first introduced biofuels in our vehicles, and now we see that it is really taking off. That's an encouraging sign for sustainable transport.

We increased our market share in Europe. This positive trend was partly due to taking the lead in the transition to Euro 6, which provides a substantial reduction of emissions compared to Euro 5.

Scania Engines had a great year, with an all-time high in order bookings and deliveries. Our agreements with large OEMs like Atlas Copco, Doosan and Terex are yielding results.

We introduced a new bus, Scania Citywide LE, featuring Scania's own hybrid technology.

Service revenue reached a new record, and we will build on that trend towards our 2020 ambition that service-related products should make up 25 to 30 percent of Scania's total sales.

Customers are increasingly choosing Scania as their long-term partner in vehicle financing. Financial Services reached more than SEK 1 billion in operating income.

In 2014, Scania became a wholly-owned subsidiary of Volkswagen Group, giving us a clear, stable and long-term ownership situation. We can benefit from common resources and competencies in the Volkswagen Group, one of the world's leading automobile manufacturers. It also opens new carreer opportunities for our employees. We have initiated extensive cooperation with MAN regarding gearboxes. By using common components that are not critical for the Scania brand identity, we are strengthening our customer offering while achieving significant synergies.

## The road ahead

In 2015, our ambitions will continue to shape our priorities. We know that there will be challenges during the coming year. With uncertainty in the short-term outlook for Latin America and Eurasia, we will continue to be prepared and flexible in responding to shifting market demands due to the business cycle or geopolitical factors. Growth with profitability is key. Scania will remain the benchmark in the industry regarding profitability.

I am proud of our employees' achievements in 2014, where all have contributed to putting us on the path towards more sustainable transport. An emphasis on continuous improvement, our core values, a robust corporate governance framework and high ethical standards helps safeguard our brand when increasing our global presence. We will continue to bring value to our customers and partners. In remaining a consistent, transparent and true partner in the logistics flow, I am confident we will reach our aim.

Martin Lundstedt
President and CEO

# A NEW TRANSPORT AGENDA

Advancing a new transport agenda is part of the mandate of the Executive Board. With their combined strengths, each member has a vital role to play in guiding the way forward towards sustainable transport.

From left: Jan Ytterberg, Henrik Henriksson and Christian Levin.

## Industry under transformation

Our role in the logistics flow is expanding and can't be built on product performance alone; it must also be built on services, solutions, understanding customers, and developing new business models. Both our customers, and buyers of transport services, are focusing more and more on reducing logistics costs. We tailor our solutions to the customer, with our understanding of total operating economy along with other aspects of sustainability.

Ecolution by Scania is an example of how we work. We are achieving 11 percent lower fuel consumption on average for customers. Connected vehicles have strong potential to be a game changer that can enable to take big steps towards our ambitions and this journey has only just begun.

**Henrik Henriksson,** Head of Sales and Marketing

## Innovations for sustainable solutions

More than 30 percent of the total operational cost of a long haulage truck is related to fuel. Therefore, Scania's R&D are focused on continuous work to increase efficiency in the powertrain. Ecolution by Scania is further enhanced by our leading position in connected vehicles. We combine Fleet Monitoring and Driver Coaching with product performance and daily follow up. The Scania modular system enables individual vehicle specifications, including alternative fuels.

Vehicles, infrastructure and users will be even more connected in the future. This new dimension of connectivity linking road conditions, environment and actual road data will allow us to optimise operation and vehicles in a more integrated approach, to further advance sustainable transport. ECO-Roll, cruise control with adaptive prediction, platooning and dynamic route optimisation represent improvement steps. Scania founded the Integrated Transport and Research Laboratory (ITRL) together with the Royal Institute of Technology (KTH) in Stockholm to research new methods for future logistics and to develop new technologies.

**Harald Ludanek,** Head of Research and Development

## Efficient, sustainable production

Efficiency and high quality are the hallmark of Scania's production units. The Scania Production System facilitates growing production volume with efficient use of resources. Applying that philosophy in logistics will be key to realising our role in sustainable transport. Our NILE project, aimed at creating more efficient inbound logistics, is leading the way. We cut costs and reduced carbon emissions by 17 percent.

Being sustainable also means managing the business cycle. That's why flexibility is key to our success. I would say Scania is the best in the industry in this field.

**Per Hallberg,** Head of Production and Logistics

From left: Harald Ludanek, Kent Conradson, Andrea Fuder and Per Hallberg.

## Bringing our suppliers on board

To have credibility in our sustainable transport role, we need to involve our supply chain. Scania is highly dependent on choosing the right suppliers that must follow our high standards in all aspects. We seek collaboration with suppliers on new technologies, for example in the areas of hybrids and electrification, which will be important in the future. We expect excellent quality and delivery precision, and will not compromise on our sustainability requirements. Together with other European automotive manufacturers, Scania is playing an active role in defining guiding principles and methods in the area of Corporate Social Responsibility (CSR).

**Andrea Fuder,** Head of Purchasing

## Scania customers are shaping the market

With Ecolution by Scania, we work with continuous improvements in partnership with our customers. We are leveraging what makes Scania unique, which is our close customer contact, so that we better understand their needs. Leadership in sustainable transport is about delivering the right solution to each customer, so they can perform better and with lower environmental impact. This comprises everything from delivering a filter to a genset in a remote location to supporting a large fleet of vehicles in a just-in-time flow with repair and maintenance, driver training and other services.

**Christian Levin,** Head of Commercial Operations

## Building competencies for the future

To make us stronger and overcome challenges in accessing talent, we need to ensure we have the capacity to capture the skills required to become the leader in sustainable transport. The competencies we have today will not be exactly the same ones we need in the future. We must build on existing competencies and channel them into new roles. A diverse workforce is also integral to our success. We will continue to strengthen our efforts with activities targeted to attracting a diverse employee base, which will significantly improve our future performance.

**Kent Conradson,** Head of Human Resources

## Growth with profitability

A strong financial position is key to long-term thinking. We are able to continue to invest in research and development and more efficient and sustainable production. This also makes Scania resilient in a fast-changing marketplace. Understanding what drives our customer's bottom line in new segments is vital to ensuring our own profitability. Growth in service revenue is not only an important part of our role in sustainable transport, it is also central to meeting our profitability goals, as service revenue is more stable over the business cycle than vehicle sales.

**Jan Ytterberg,** Chief Financial Officer

# THE CUSTOMER AT THE CENTRE

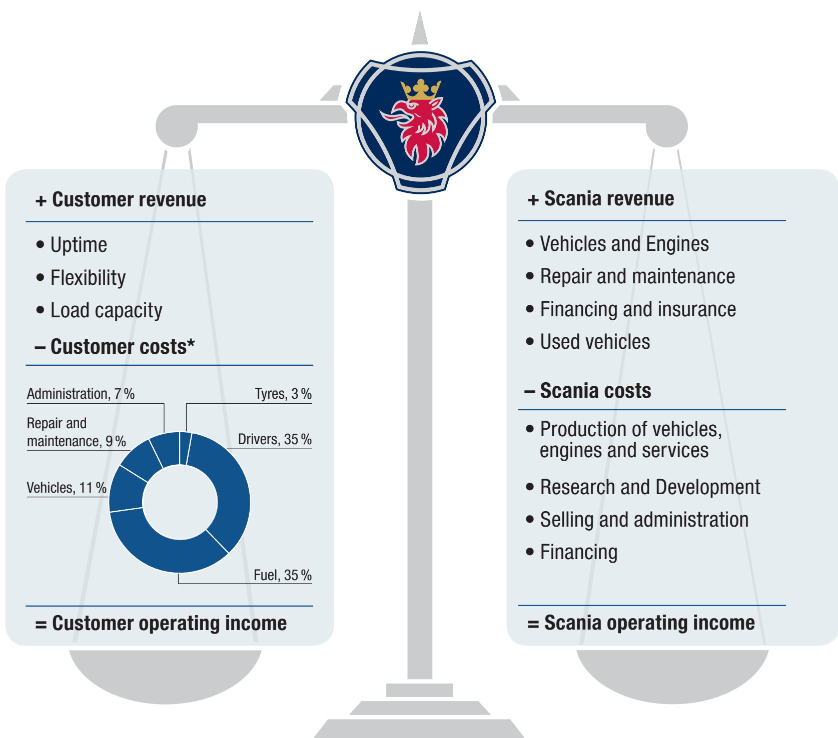
Scania's profitability depends on our core value: Customer first. Our business model focuses on how we can improve our customer's profitability. Through close dialogue, Scania builds partnerships with transport companies and buyers of transport services – the entire logistics flow.

Long-term relationships with profitable customers are the basis for a profitable Scania. By delivering the right products and the right services at the right time, we support our customers in improving their operating income. High-quality vehicles and services maximise customer profit and uptime (the time the vehicle is in operation and thus generating revenue). Maximum load capacity and flexibility are also important for the customer to ensure a stable stream of revenue. Our business model, illustrated below, takes into account our customers' revenue potential and total operating cost. Scania has greatest influence on these factors: fuel, repair and maintenance costs, vehicle resale value of the vehicle, and cost and availability of financing. In these aspects, it is critical that we continue to be best in class. Delivering on this business model defines our brand and ensures a profitable Scania.

## OUR BUSINESS MODEL

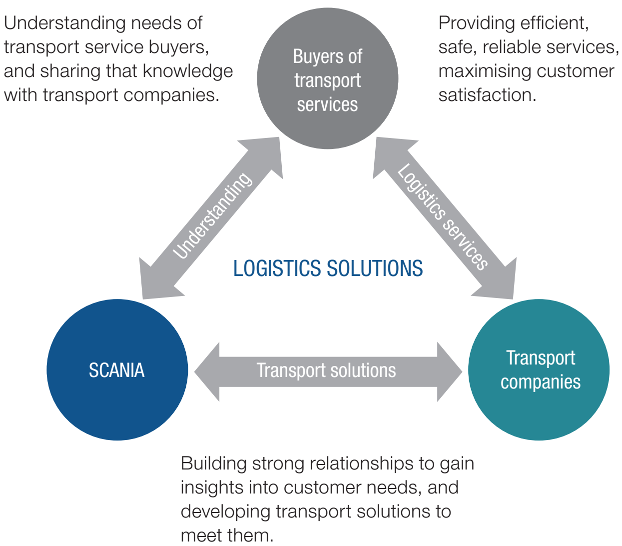
Scania can influence several of the factors driving our customers' revenue and costs. By delivering the right products and the right services at the right time, we support our customers in improving their operating income. Long-term relationships with profitable customers form the basis for a profitable Scania.

* European long haulage.



## A holistic view

In our aim to lead in sustainable transport, and be the industry's logistics experts, Scania takes a holistic view of logistics. With this approach we gain insights from our customers – transport companies – and their customers – buyers of transport services. Transport service buyers are increasingly setting ambitious carbon reduction goals. This affects our customers and Scania. Above all, transport companies value cost efficiency and reliability. Transport companies want to avoid unplanned stoppages, searches for freight and waiting times, all of which increase operating costs. In short, they want their fleet to operate smoothly, efficiently and on time.




With a holistic view, we seek to optimise solutions that improve the profitability of all actors in the value chain. Understanding the cost and revenue aspects of the different applications or industries in which our customers operate allows us to tailor solutions for vehicles and services that improve our customers' profitability.

While important, it is not enough to simply understand our customer's business challenges. We also need to understand the demands of their customers, and the cost implications for the entire transport flow in order to eliminate waste and improve efficiencies.

## GROWTH STRATEGY

Scania's ambitions for 2020 are to achieve sales of 120,000 trucks, 15,000 buses and 20,000 engines. The share of service revenue will increase to 25–30 percent of total revenues. The modular system, efficient and flexible production and a stronger service business will safeguard profitability and the ability to meet short-term volatility in demand. The growth strategy rests on five pillars.

### 1. Increasing sales of services per vehicle

There are several drivers behind the increasing demand for services. Transport companies are focusing more on logistics services, which means a growing need to outsource servicing of vehicles. Tailored packages can increase fuel efficiency and uptime.

### 2. Grow with the market

Scania's ability to maintain market share depends on understanding customers' needs, so that we can support their growth and profitability by providing the right solutions. We are flexible and resilient in relation to regional differences and changing market and economic conditions.

### 3. Increase market share

In selected markets and segments, Scania targets a higher market share. Short lead times are important in bringing new products to market that improve customer efficiency and uptime. A flexible production system means quick adjustments to demand volatility and potential to increase market share when the opportunity arises.

### 4. New markets

Scania has ambitions to further strengthen our presence in new markets. There is a growing need globally for cost-efficient sustainable transport solutions. We understand local conditions and are gradually increasing local sourcing.

### 5. New customer segments

Scania has a systematic approach to judging the potential in each segment and assess if the modular system can be applied to suit that segment´s specific demands. This ensures that Scania's revenue potential in each segment will compensate for the cost of adapting products and services.

# OPPORTUNITIES IN A CHANGING WORLD

Scania is well-positioned to meet the transport needs of a rapidly changing world. Leveraging our deep knowledge of the industry and taking major trends into account in decision-making, Scania will continue to build a robust brand that our customers trust and society values.

The world is changing rapidly and with it the business landscape. Climate change is an increasingly important driver for companies and their operations, underscoring the need for collective action to address complex challenges. A strained ecosystem is putting limits on growth based on fossil fuels, with long-term implications for access to raw materials. The transport sector, one of the major contributors to increased carbon emissions, is in the midst of a paradigm shift. We need to decouple economic growth and the demand for transport from negative environmental impacts and increased emissions.

Demand for sustainable transport and mobility will increase to meet the needs of a growing population and rising middle class. Globalisation is leading to greater collaboration, stimulating product innovation, and is imposing higher demands for transparency. Scania works together with customers, transport industry partners, public authorities and civil society, because collective action is the only way forward to address these complex societal drivers. We are actively engaged in dialogue with all our stakeholders to define the future of sustainable transport.

By creating efficient low-carbon transport systems, Scania is helping to provide solutions to the challenges faced by our sector. Thanks to our way of working, aimed at continuous improvement, eliminating waste in all processes and a focus on flow thinking, we have the potential to create new solutions through innovation.

## MACRO TRENDS IMPACTING SCANIA AND OUR INDUSTRY

### Economic fluctuations

Economic cycles cause volatility, shifts in demand and currency fluctuations, and are affected by crisis. Scania can mitigate the effects of short-term fluctuations in demand and ensure long-term growth by increased flexibility and efficiency while building greater capacity.

### Access to energy

More sustainable alternatives are emerging to replace fossil fuels in order to meet energy demands, such as renewable fuels, hybridisation and electrification. Scania aims to reduce $CO_2$ emissions by 25 percent for our inbound traffic in Europe between 2010 and 2018.

### Urbanisation

Almost 60 percent of the global population will live in cities in 2030 (most in emerging markets). This creates demand for innovative and resource-efficient mobility solutions. Scania provides cities with efficient, high-capacity transport solutions with low environmental impact.

### Digitalisation

Connected vehicles are part of the next wave of innovation. With our leadership in this area, Scania is well positioned to provide intelligent mobility solutions. One example is remote diagnostics which enable greater customer profitability through quicker repairs.

## NEW TRENDS

### Rise of emerging markets

Most of the nearly 5 billion people who will belong to the middle class by 2030 will live in emerging markets. These people will require efficient, affordable and sustainable transport. Political instability and protectionism may add to the complexity. Risk assessment and mitigation will be increasingly be part of our approach in markets where ethical and human rights standards are not well enforced.

### Transparency and accountability

Forty percent of the world's population has Internet access, making communication seamless and instant. This imposes strict requirements on transparency and accountabilitiy for companies like Scania that attach great importance to conducting business ethically, openly, honestly and responsibly. This applies throughout the world and across the entire supply chain. Our stakeholders also expect us to engage on issues of mutual concern.

### Changing legislation

A range of policies and regulations impact the transport industry, from climate change, air and water quality to safety and congestion. Many countries and regions have introduced stricter emission standards and legislation on chemicals, anti-corruption and labor practices. Scania is proactive in response to changing legislation.

### Access to competence

The competencies we have today will not be the same as the ones needed in 2020. As we move from being a product-focused to a solutions-focused company, Scania is preparing for a shift in competencies and the need for a broader and more diverse perspective to meet future challenges. Collaboration with academic institutions is one way to tap into new competencies.

Sources include: World Energy Outlook 2013 and Energy Technology Perspectives, 2014, The International Energy Agency; UN-Habitat; the Organisation for Economic Co-operation and Economic Development (OECD); International Telecommunications Institute (ITU).

# PATH TO SUSTAINABLE TRANSPORT

In a world dependent on safe, sustainable and efficient transport, a holistic view of the logistics flow is required. Our solutions are shaping this path by boosting efficiencies and eliminating waste.

## INDUSTRY-TAILORED SOLUTIONS

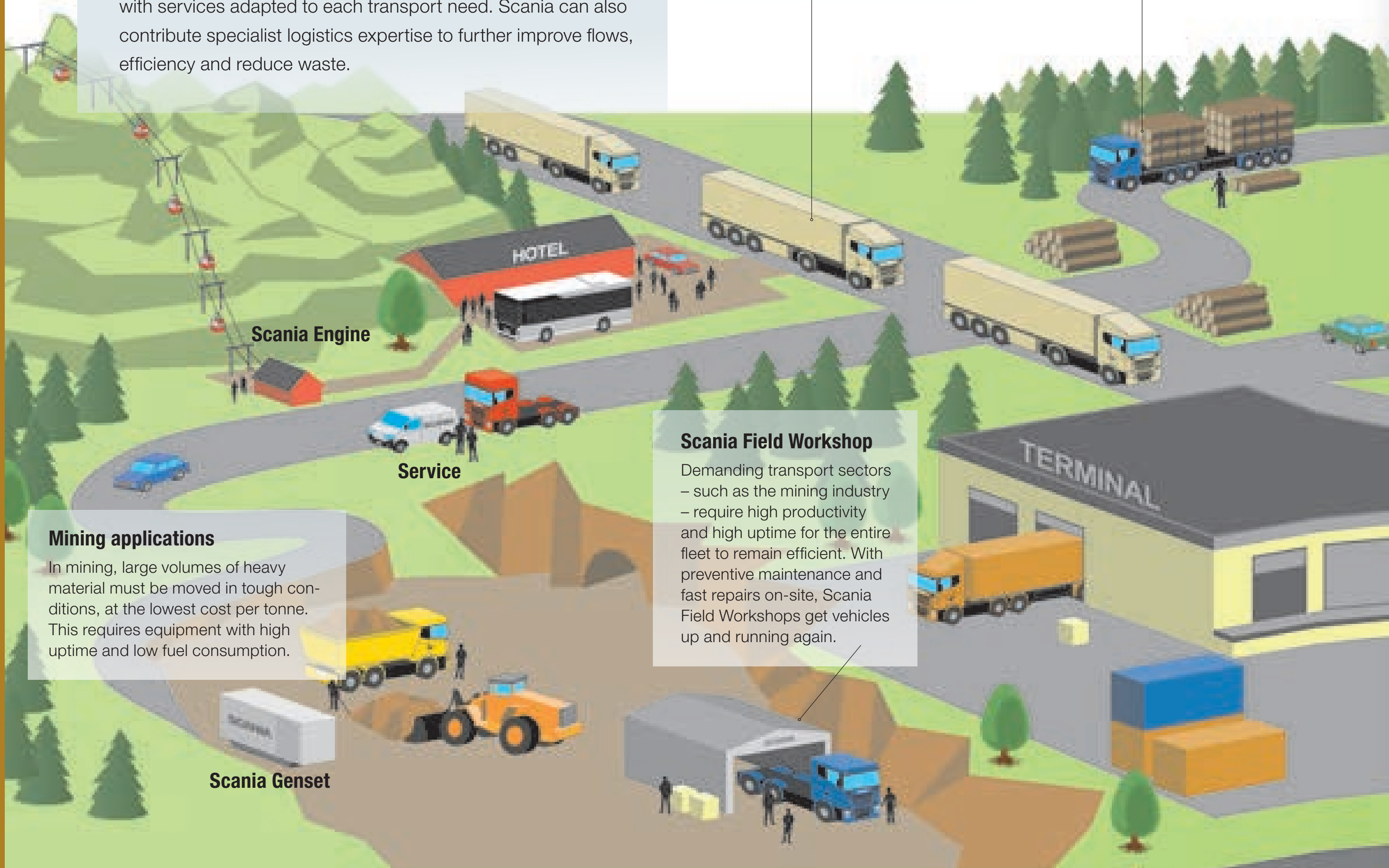
Scania works with an application focus. This allows us to meet specific demands of a range of industries, from mining, forestry, manufacturing, bus systems (BRT), to distribution. With Scania's modular system as our starting point, we optimise trucks, buses and engines for a range of applications. This is complemented with services adapted to each transport need. Scania can also contribute specialist logistics expertise to further improve flows, efficiency and reduce waste.

### Platooning

Scania is leading a three-year European research project to develop a system for implementing road-based truck platooning. Heavy vehicles are able to drive in close formation with gaps of just 0.5 to 1 second in order to reduce air drag.

### Timber applications

Fuel comprises about one third of the total operating cost for a timber haulier. Robustness and high-performance engines are needed to meet the demands.




### Scania Field Workshop

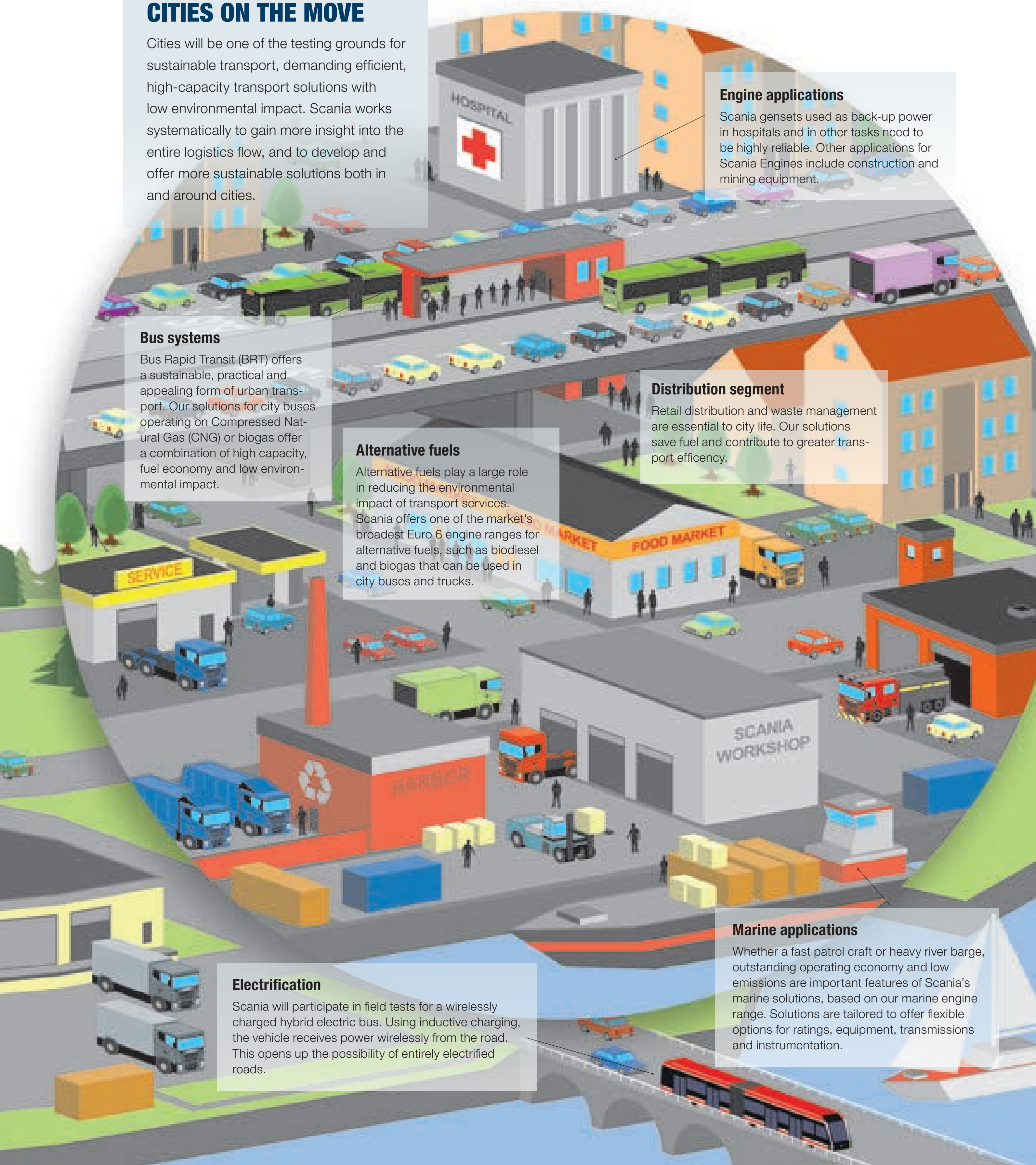
Demanding transport sectors – such as the mining industry – require high productivity and high uptime for the entire fleet to remain efficient. With preventive maintenance and fast repairs on-site, Scania Field Workshops get vehicles up and running again.

### Mining applications

In mining, large volumes of heavy material must be moved in tough conditions, at the lowest cost per tonne. This requires equipment with high uptime and low fuel consumption.

# CITIES ON THE MOVE

Cities will be one of the testing grounds for sustainable transport, demanding efficient, high-capacity transport solutions with low environmental impact. Scania works systematically to gain more insight into the entire logistics flow, and to develop and offer more sustainable solutions both in and around cities.




### Engine applications

Scania gensets used as back-up power in hospitals and in other tasks need to be highly reliable. Other applications for Scania Engines include construction and mining equipment.

### Bus systems

Bus Rapid Transit (BRT) offers a sustainable, practical and appealing form of urban transport. Our solutions for city buses operating on Compressed Natural Gas (CNG) or biogas offer a combination of high capacity, fuel economy and low environmental impact.

### Distribution segment

Retail distribution and waste management are essential to city life. Our solutions save fuel and contribute to greater transport efficency.

### Alternative fuels

Alternative fuels play a large role in reducing the environmental impact of transport services. Scania offers one of the market's broadest Euro 6 engine ranges for alternative fuels, such as biodiesel and biogas that can be used in city buses and trucks.

### Marine applications

Whether a fast patrol craft or heavy river barge, outstanding operating economy and low emissions are important features of Scania's marine solutions, based on our marine engine range. Solutions are tailored to offer flexible options for ratings, equipment, transmissions and instrumentation.

### Electrification

Scania will participate in field tests for a wirelessly charged hybrid electric bus. Using inductive charging, the vehicle receives power wirelessly from the road. This opens up the possibility of entirely electrified roads.

# TAILOR-MADE SOLUTIONS

Scania's unique modular product system, developed over several decades, is one of our most important success factors. It is integral to our approach to flexibility and lies at the heart of our business model.

The modular product system enables Scania to provide individual specifications for each customer with a limited number of components in its product range. The modular system, which results in a relatively low number of parts and components, enables Scania to achieve economies of scale in research and development, production and service operations. With this strategic approach, Scania gains the flexiblity to tailor solutions to different transport needs in the context of changing market demands.

Through Scania's modularised system, each vehicle is tailored to its specific purpose and new, high-quality technologies are brought to market quickly and efficiently. Customers benefit through a tailor-made vehicle with high uptime, reduced fuel consumption and optimised load capacity.

## Standardised interfaces

Standard interfaces are the foundation of modularisation. They are designed in such a way that they do not change over time. This makes it possible to install new components that improve product performance without the need to change the surrounding components.

## Same need, identical solution

Several components are often the same despite different applications. The shortest truck cab variant may be needed in order to maximise cargo capacity both in light distribution service and in a heavy tipper truck operating in a mine. A powerful, high-torque engine may satisfy the need for maximum traction power in a demanding operation or for maintaining a uniform speed during long highway journeys. The same need will always result in identical solutions.

## Well-balanced performance steps

Components are matched to specific customer needs, such as differences in cab sizes, engine output, frame strengths and number of axles. Scania's Research and Development operations continually evaluate how to further refine the modular system in order for Scania to have the smallest possible number of parts and the largest possible selection of variants in its product portfolio so that every customer can obtain an optimised product.


Through Scania's modularised system, each vehicle is tailored to its specific purpose.

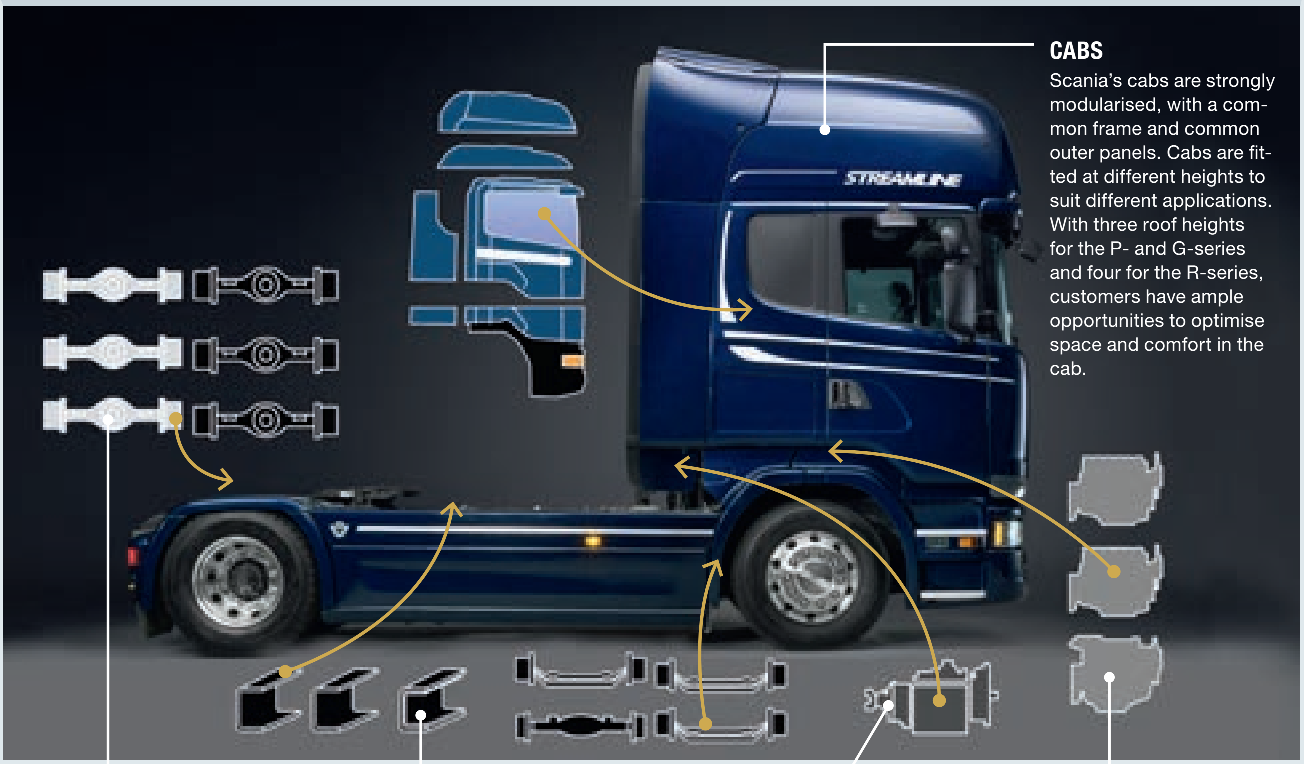
# COMPONENT MODULARISATION

The wide range of choices available to customers is achieved through the design of the interfaces between different components. Each interface is precisely defined to allow the greatest possible flexibility when components are combined into the correct performance steps in the vehicle. A large percentage of the chassis components in a bus are shared with a truck. Scania's Industrial Marine engines are developed from the base engines for vehicles, making full use of the modular concept.

TRUCKS

BUSES AND COACHES

ENGINES




### CABS

Scania's cabs are strongly modularised, with a common frame and common outer panels. Cabs are fitted at different heights to suit different applications. With three roof heights for the P- and G-series and four for the R-series, customers have ample opportunities to optimise space and comfort in the cab.

### AXLES

Driven, steered and tag axles are part of Scania's modularised range, which is used in various combinations in 2-, 3-, 4- and 5-axle vehicles. Some driven axles are available with hub reduction.

### FRAMES

Frames are manufactured in several strength classes. The most rugged features an inner frame to handle extra heavy loads.

### GEARBOXES

With two main gearboxes in combination with range and splitter units, Scania covers haulage needs ranging from 16 tonnes to 200 tonnes gross train weight. Gearboxes are available with manual or automated gearchanging (Scania Opticruise) and can be ordered with an integrated Scania Retarder.

### ENGINES

Scania's engine range is based on three engine series featuring five, six or eight cylinders, with the cylinder and related components sharing a common design. This means that engine development work can focus on optimising the combustion in one cylinder, which is used in all engines. The basic design of these engines is very similar and they share many parts and components, radically reducing the number of unique parts that are included.

# MAXIMUM EFFICIENCY, HIGH PERFORMANCE

Scania has tailored solutions for a large number of applications that offer improved efficiency, high performance and lower environmental impact.

## TRUCKS


Operating efficiently is a prime concern for distribution trucks that must deliver, for example, provisions to hotels and restaurants on a busy schedule. A temperature-controlled box, easy cab access, good manouevrability and air suspension contribute to this goal.

Uptime and fuel consumption are the most important factors for long-haul transport services. Scania's extensive workshop network ensures high uptime. Drivers are very important to operating economy, road safety and environmental impact. Aside from driver training and personal coaching, Scania offers a number of onboard vehicle systems that help drivers improve vehicle performance and enhance safety.


Frequent stop-and-go runs are a challenge for refuse collection vehicles. Scania's solutions provide advantages such as a low entry cab for easy access, automatic transmission, and engines with high power output on low revs.

City distribution vehicles must manouevre tight corners, vulnerable road users and busy streets in stressful conditions. Large windscreens and narrow A-pillars, improve driver visibility and thus road safety. Uptime and good load capacity are also important.

Mining trucks need to move large volumes of heavy material in demanding conditions at the lowest possible cost. Meeting this challenge requires strong, robust and reliable vehicles with high uptime and high payload capacity.

For timber hauliers, achieving the best overall economy throughout the transport chain is a top priority. The profitabiity of both haulier and timber company depends on high vehicle utilisation, in tough operating conditions, and access to servicing.

## BUSES AND COACHES

Meeting high passenger demands in relation to comfort and safety, low fuel consumption, high reliability and minimal maintenance requirements are crucial to the profitability of coach operators. Scania offers comprehensive solutions with attractive and comfortable vehicles, customised service and repair agreements, including financing solutions in many cases.

Bus Rapid Transit (BRT) helps address the challenges of megacities. This express bus system offers mobility for large numbers of people and with manageable investment costs. The concept features dedicated bus lanes, high bus frequencies and short boarding and exit times at bus stops. Scania offers attractive solutions for all the different aspects of bus systems ensuring both efficiency and passenger satisfaction.

## ENGINES

For construction machinery such as stone crushers, wheel loaders and dumpers, high uptime and reliability are in focus. Trucks and construction machinery equipped with Scania engines help customers improve efficiency of maintenance and repairs significantly.

Lobster fishing in the stormy, unpredictable North Atlantic entails several risks. The Scania range of strong, reliable marine engines help ensure the safety and livelihood of fishermen and others dependent on efficient and powerful marine engines.

# FULL-SERVICE OFFERING KEY TO PROFITABILITY

Customer profitability depends not only on a well-specified vehicle, but also on high-quality service to boost uptime and reduce operating costs. Vehicle uptime is critical for our customers' life cycle profitability.

Inspired by the modular concept, we tailor services to meet each customer's needs. Quick access to parts, speedy repairs, driver training and preventive maintenance are among the services that Scania offers to enhance vehicle performance and customer profitability.

## Scania Financial Services

Scania conducts its own financing operations in 50 countries. In both mature and emerging markets, being able to assist with financing builds trust and loyalty in the Scania brand. We expect that this part of the offering will become increasingly attractive to customers, especially in new markets.

Scania Insurance provides efficient claims handling and at times replacement vehicles – all of which helps to improve uptime.

## Scania Workshops

Some 18,000 people work with sales and services in Scania's subsidiaries worldwide. Scania has an extensive workshop network consisting of some 1,600 workshops. Our service workshops are strategically located along transport routes and near logistics centres to enable high uptime for the customer.

## Scania Assistance

Scania Assistance, the 24-hour maintenance and repair service, allows customers in some 50 countries to maintain continuous contact with Scania in their own language via 17 assistance centres.

## Scania's Fleet Management Services

Scania's Fleet Management Services increase the efficiency of the vehicle fleet. Customers can choose from different packages that can track vehicle utilisation, driver skills and fuel consumption. Interfaces includes smart phones and deviations can be detected in real time.

## Scania Driver Training

Scania Driver Training helps even the most experienced drivers to drive more economically and more safely. Normally, driver training results in about 10 percent better fuel economy, with a significant reduction in emissions. Other positive effects including longer lasting tyres and powertrain as well as increased road safety awareness.

## Ecolution by Scania

Ecolution by Scania is a solution that combines our most tailored products with services and continuous customer dialogue. The shared goal is improved fuel efficiency. Through performance diagnostics, monthly follow-ups and driver training our results show an average 11 percent reduction in fuel consumption.

## Connectivity

The intelligence supplied via connectivity represents great potential to improve logistical flows and widen the dialogue to different actors in the value chain. By capturing and analysing a wealth of data, Scania is at the forefront in connected vehicles. We are gaining new opportunities to tailor services for customers, which is increasing efficiency, fuel economy and safety.

# CONNECTIVITY YIELDS INSIGHTS

Connectivity provides crucial insight into how our vehicles are used – in real time. It provides a wealth of knowledge that amplifies Scania's capacity to deliver safe, efficient transport.

Scania began to systematically leverage data on vehicle performance early in the decade. This proved to be a great advantage in developing Ecolution by Scania. This solution is highly dependent on information that enables continuous improvement of driver performance. Vehicle data is used in coaching sessions and to customise a maintenance program.

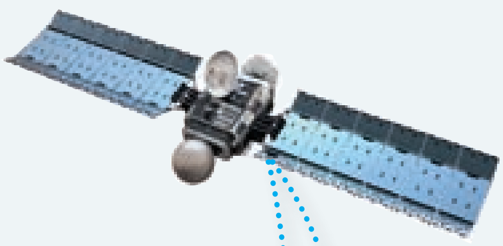
Over 100,000 Scania vehicles on the road today are fully connected, up from around 8,000 in 2011, which means that one-sixth of the 10-year rolling fleet of Scania vehicles are now connected. This provides valuable insights into operating conditions as well as the necessary intelligence to support R&D work among other things. By 2020, the aim is that the majority of Scania vehicles in operation will be connected.

While still evolving, connectivity shows potential today to enhance road safety. In the near future, buses and trucks will be able to communicate with other vehicles as well as road infrastructure such as signs and traffic lights.

## AVAILABLE TODAY

### Smart features

- Lane Departure Warning.
- Active Cruise Control, Scania Active Prediction.
- Autonomous Emergency Braking.



### New services

- Follow-up of drivers and vehicles.
- Condition-based maintenance: service intervals based on actual need.
- Preventive maintenance: The vehicle sends a warning when a certain component is about to fail. Planned replacement minimises repair-related downtime and eliminates unplanned stops.
- Platooning: Heavy vehicles use inter-vehicle communication to form fuel-efficient, aerodynamic formations on motorways.

## FUTURE APPLICATIONS

### Autonomous (self-driving) vehicles

- Suited for vehicles operating in mines and other challenging working environments.
- Sensors take in the surrounding environment with no need for continual adjustment.

### Big Data

- Provides an overview of transport activity and transport flows.
- Optimises flows.
- Eliminates waiting times and other waste.
- Data on mileage and filling rates provides a view of the business climate, an indicator for short-term changes in demand.

# OUR STRENGTH LIES WITH OUR PEOPLE

Attracting, retaining, and developing qualified and dedicated employees is essential to delivering long-term growth with profitability. A motivated and diverse workforce, committed to continuous improvement, provides the right platform for Scania's success.

A motivated and diverse workforce with the right blend of competencies is key to Scania's success as a global provider of sustainable transport solutions. Our leadership principles form an important base for improving support to our customers and ensuring long-term growth with profitability.

A diverse workforce, in terms of gender, ages, backgrounds and experience, strengthens our company, enhances our ability to attract and retain talent and contributes to the fulfilment of our strategies towards 2020. We are seeing progress towards meeting our diversity aims. Two years ago, there was only one nationality represented among the 26 most senior members of management; now there are six. As regards gender diversity, more than 15 percent of all managers are female on a global basis. In 2010, that number was below 10 percent. Of Scania's total number of employees, 17 percent are female.

## Employee well-being is top priority

We have a strong focus on ensuring we attract and retain the right competencies to meet our future challenges. Since two-thirds of Scania's 42,000 employees are from outside Sweden, it is clear that we must be globally focused.

Employee well-being is a top priority for Scania. With 97 percent healthy attendance we know that motivation engages employees to take ownership of objectives and these benefits are translated into increased productivity. In 2015, we will enhance our way of measuring employee satisfaction and introduce a global employee barometer.

## Involvement inspires motivation

A mindset of continuous improvement is at the heart of our approach – from R&D and production system to services, to involvement of our employees and to responsible sourcing. This serves to both reduce risks and deliver greater value to our customers and employees and improve our bottom line. It is a mindset we also share with our customers.

Working with SPS, chassis assembly in Narrasapura, India.

Zero deviations is the goal. We seek to identify the root cause of a failure so that we achieve a better understanding of why it has occurred – and learn from it. Everyone is involved in this process in their day-to-day work. In this way we capture and manage the considerable knowledge within the organisation. We also integrate suppliers and business partners in our approach to continuous improvement.

## Focus on increasing efficiency

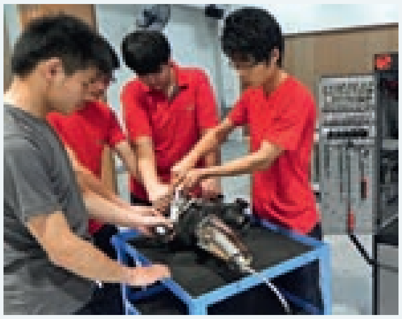
Continuous improvement is the foundation of the Scania Production System (SPS). SPS focuses on increasing efficiency, eliminating waste of time and resources, raising productivity and ensuring high quality. This approach means that issues which arise can be identified and addressed early, enabling a stable production flow. Part of eliminating waste is a strong focus on the environment by reducing the use of energy, water and chemicals and reducing air emissions and discharges into waterways in all production processes.

## SECURING COMPETENCE FOR FUTURE GROWTH

### Unique model for China

The first group of 20 students at Dragon School in China graduated in 2014. Dragon School is a joint project between Scania and Guangzhou Institute of Technology. The three-year course provides students with a unique educational model for China – a combination of theory and practical work, conducted in Scania dealerships across the country. The aim is to train greater numbers of professional service technicians to meet the needs of Scania's growing customer base in China.

Scania Graduate Trainee Programme, Sweden.



Dragon School, China.

### Scania attracts graduates

Our global Graduate Trainee Programme received nearly 1,000 applications for the 20 available posts during 2014, 40 percent more than in 2013. Most applicants attend leading Swedish technology and engineering schools, such as the Royal Institute of Technology in Stockholm. The programme is open to Masters students in engineering, information systems, and business and economics. In 2014, about one-third of the applicants were women; Scania strives to recruit the same share. Selected candidates are offered employment as trainees.

This philosophy is applied to the sales and services organisation through the Scania Retail System (SRS) and has since been extended to other parts of the organisation, such as research and development, Scania Financial Services and administration.

### Constantly improving services

The Scania Retail System (SRS), comprising some 18,000 employees, focuses on how we can improve efficiency and services to our customers. The main approach involves looking at the business from a customer perspective and streamlining the workflow in order to become more efficient in meeting customer needs.

The workshops are continuously evaluated to identify areas for improvement and best practice that can be disseminated across the organisation. Across Scania's service network, including independent dealerships, a number of model workshops in Europe and Latin America have been set up. They spread their SRS experience to our entire service network. Benefits include substantially shorter time for standard maintenance, reduced lead time from order to vehicle delivery, and an increased number of billable hours per service technician.

### Focus on responsible sourcing

In an increasingly global marketplace, we are leveraging our global supplier network. This is especially vital to meet growing demand in emerging markets, where increasing protectionism presents challenges. We are working to reduce costs and raising the bar on quality, and we are involving our suppliers in that process. A newly formed Sourcing Board comprising i.e. R&D, Production, Quality and Purchase will provide the integrated approach to help us reach our quality goals.

In 2014, we launched our Responsible Sourcing programme, to not only reap the benefits of working more closely with our suppliers around the world but also to ensure that human rights, labour and environmental risks are assessed and managed along the value chain. We are also lending our voice to industry-wide efforts to improve the supply chain. We are taking advantage of the synergies offered in the Volkswagen Group network to gain a stronger voice to emphasise the importance of high sustainability standards to suppliers. In 2014, Scania joined the European Automotive Working Group on Supply Chain Sustainability, a group of nine automotive manufacturers, facilitated by the European business network CSR Europe. Members work together to improve the social and environmental performance across the supply chain.

# FUTURE-FOCUSED INNOVATION

Our R&D aims to meet customer demands for higher uptime and greater efficiency. Following our successful introduction of Euro 6 engines, innovations continue to focus on advancing low-carbon transport solutions.

Scania's multi-year investment in rapidly introducing new generations of engines within the Euro 6 framework has borne fruit during 2014. It is also evidence for how our modular system benefits our customers. With the same and in some cases even better fuel efficiency compared to Euro 5, we increased our European market share during 2014.

The Euro 6 standard became effective on 31 December 2013. As Scania started the transition well ahead of the new legislation and the competition, by the start of 2014 we were able to offer a complete range of engines, a decisive factor for our customers. In addition, Scania has one of the market's broadest Euro 6 engine ranges for alternative fuels, such as biodiesel, Compressed Natural Gas (CNG), Liquified Natural Gas (LNG) and biogas.

Emission standards vary between regions. Scania's modular system allows Scania to offer an engine range spanning from Euro 3 to Euro 6 and yet maintain a relative low number of parts and components in the production system. In addition, Scania's industrial and marine engines meet the strictest emission standards for off-road applications.

## Continuous improvement drives fuel efficiency

Making the transition to Euro 6 with improved fuel efficiency represented a huge challenge for the industry. Scania has built up extensive knowledge on the two basic technologies used to meet the European emission standards; Exhaust Gas Recirculation (EGR) and Selective Catalytic Reduction (SCR). The first generation of Euro 6 engines from Scania featured both EGR and SCR technology. Thanks to the launch of second-generation engines together with the Scania Streamline truck concept in 2013, Scania took a leading position, with potential fuel savings of 8 percent. As one result, the respected German transport trade magazines *VerkehrsRundschau* and *Trucker* gave the Scania Streamline their Green Truck 2014 award in the heavy tractor class. Fuel consumption averaged a record-low 23.3 litres of diesel per 100 km.

Innovations during 2014 included an oil that reduces friction, a freewheeling retarder and a more intelligent Scania Eco-roll system. Together with the third generation Euro 6 engine, which only uses SCR technology, this can reduce fuel consumption for long haulage by 3 percent.

The transition to Euro 6 illustrates how Scania works with continuous product improvement to boost customer profitability. By investing significantly in world-leading research and development, Scania is committed to continue meeting customers' demands for reliable, innovative solutions that boost vehicle uptime and support low-carbon transportation.

In 2015, we will increase our focus on alternative fuels and hybridisation.

## Gaining insights

Our innovative capacity will gain momentum through the cooperation with various, such as our extended collaboration with KTH (see case).

Using the benefits of collaboration with Volkswagen and academic partners, we can respond faster to trends, new technological developments and find solutions. Our technology leadership depends on collaboration with the right partners.

Connected vehicles are another area that can provide valuable input to our research and development. By collecting data, Scania can analyse vehicle performance in different operating conditions. Data can also be used to analyse driver behaviour to develop new Advanced Driver Assistance Systems (ADAS).

# NEW IDEAS FOR $21^{ST}$ CENTURY TRANSPORT

Pooling their combined strengths for this challenging task, Scania and the Royal Institute of Technology in Sweden (KTH) began collaboration in 2014 concerning the Integrated Transport Research Lab (ITRL).

## Tackling urban challenges

The aim is to help shape world-class logistics flows to address the challenges posed by growing cities and increased transport requirements. The lab will contribute technology and systems-based solutions that allow for significant and concrete reductions in carbon emissions to levels below the EU's targets. Self-driving buses for use in the public transport system, electric roads, new passenger car concepts, night time goods transport, and better tools for avoiding congestion and traffic jams in rush hour are a few examples.

## Building bridges

A system-wide view that spans the entire value chain is crucial to create more efficient transport systems and transport flows. Through the ITRL, Scania and KTH are also aiming to create a bridge between academic research and the needs of society and the transport industry's business models and development processes. Importantly, Scania's investment in ITRL is an example of the partnership approach that is vital to tackling the complex challenge of sustainable transport.

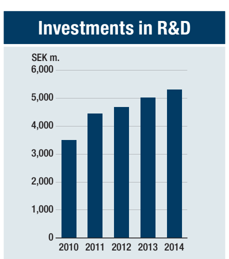
# CREATING STAKEHOLDER VALUE

Value creation is the essential aim of our business and it links Scania and our key stakeholder groups. Scania has been consistent in delivering benefits to customers, suppliers, owners and lenders, society and employees.

Scania takes a long-term view regarding investments in innovation, production and service capacity as well as in education and training of our employees, in order to ensure continued value creation for our stakeholders. This creates the stage for Scania to be a leading company on the path towards more sustainable transport and to achieve long-term growth and profitability.

## Scania

The business model has generated a strong, thriving and profitable business. A portion of these profits are reinvested in the company, creating the right conditions for continued growth.

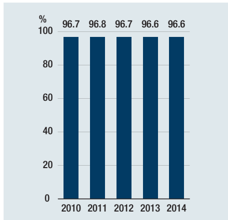



A high level of investments in R&D will strengthen the product portfolio over the coming years.

## Employees

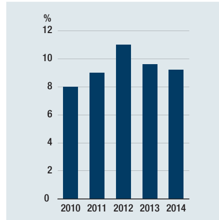
Value resides in a healthy, motivated and dedicated workforce. Scania benefits through higher levels of productivity and employee retention.

**Healthy attendance**




Healthy attendance has been stable for several years, creating the right conditions for employees to reach their full potential.

**Employee turnover**

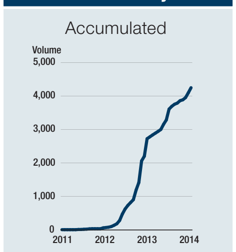



The employee turnover rate has varied between 8 and 10 percent, signalling that Scania is a stable employer.

## Customers

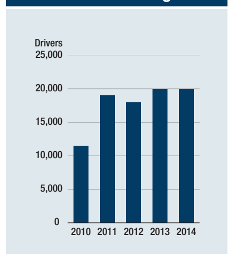
Scania provides value to customers through high-quality products and services that enhance customer profitability and in return, Scania's brand and customer loyalty are strengthened.

**Sales of Ecolution by Scania**




The number of sold Ecolution by Scania contracts exceeds 4,000. On average, the fuel saving for a customer is 11 percent, enhancing customer profitability.

**Driver training**




In 2014, Scania trained 20,000 drivers in safe and efficient driving.

## Suppliers

Providing business opportunities and shared technology with expectations for high environmental and social requirements, creates value for our suppliers (and society at large). In return, Scania benefits through higher supplier quality and productivity.

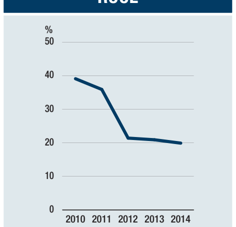
**Cost of goods**


The volume of goods from suppliers is closely linked to Scania's production volume.

## Owner and lenders

Scania provides value to our owner and lenders by continuing to deliver growth with profitability and generating cash flow.

**ROCE**

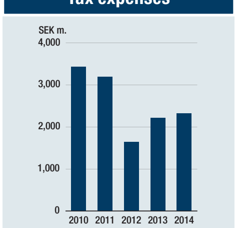



Despite a higher investment level and a sluggish business climate, ROCE has been stable around 20 percent in recent years.

## Society

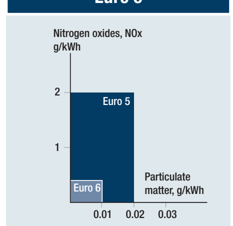
Collaborating with universities and schools and contributing to local communities boosts the talent pool while supporting Scania's business environment.

**Tax expenses**




Scania's tax expense rose slightly during 2014 as the tax rate for the group increased to 27.8 percent. Taxes paid help contribute to building necessary infrastructure and vibrant societies.

**Euro 6**




Euro 6 became mandatory in Europe in 2014, resulting in significantly lower emissions, a top concern, especially for cities.


MASTER CARGO
OBELIX
SCANIA
CA 420-591

# CORPORATE GOVERNANCE

**Scania AB ("Scania") maintains a high international standard of corporate governance through the clarity and simplicity of its management systems and governing documents. Corporate governance at Scania is based on the Articles of Association, Swedish legislation, in particular the Swedish Companies Act, the Annual Accounts Act and internal governing documents). The Volkswagen Group's governing documents are also being gradually implemented.**

## Governing documents at Scania

The most important governing documents at Scania are:

- 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 / Remuneration Committees
- How Scania is Managed
- Corporate Governance Manual
- Scania Financial Manual

This Report has been prepared in compliance with Chapter 6, Section 7 of the Annual Accounts Act.

## THE SHAREHOLDERS

Scania is a wholly-owned subsidiary of Scania AB. Indirect owners of Scania that hold more than 10 percent of the voting rights on 13 November 2014, are Volkswagen AG and its subsidiary MAN SE. The Volkswagen Group thus indirectly owns 99.57 percent of the shares in Scania. The remaining 0.43 percent of the shares in Scania are held by a large number of shareholders who hold small blocks of shares. These shares are subject to a compulsory acquisition process. Volkswagen AG's right and obligation to redemption of and advance vesting of title to the outstanding minority shares was confirmed in a special arbitration ruling given on 11 November 2014. The arbitration became legally binding on 12 January 2015 and Scania on that date became thus one of the Volkswagen Group's wholly-owned subsidiaries.

## The Annual General Meeting

The right of shareholders to make decisions on Scania's affairs is ultimately exercised at the Annual General Meeting (AGM). All shares in Scania are owned by Scania AB, which thereby controls 100 percent of the voting rights at the AGM.

According to the Swedish Companies Act, within six months of the expiry of each financial year, Swedish limited liability companies shall hold a general meeting of shareholders, where the Board of Directors shall present the Annual Report and the Auditors' Report. This shareholder meeting is called the Annual General Meeting. At Scania, the AGM is normally held during April or May. Notice convening the AGM shall be issued no earlier than six and no later than four weeks before the Meeting. Notice convening an Extraordinary General Meeting (EGM) shall be issued no earlier than six and no later than three weeks before the Meeting. Notice convening an AGM and an EGM shall occur by publication in the Swedish official gazette *Post- och Inrikes Tidningar* (www.bolagsverket.se). It shall be announced in the Swedish national newspapers *Dagens Nyheter* and *Svenska Dagbladet* that notice has been issued.

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 such as an amendment to the Articles of Association, 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. During 2014, the AGM did not authorise the Board to resolve on the issue or repurchase of shares.

## 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, in addition to those Board members who are appointed pursuant to Swedish law by a party other than the AGM the Board shall comprise a minimum of three and a maximum of ten members plus a maximum of two deputy members. The members are elected each year at the AGM for the period up to the end of the next AGM.

On 11 June 2014, Scania's AGM elected ten Board members and no deputy members. The AGM elected Martin Winterkorn as Chairman and Leif Östling was elected Vice Chairman of the Board of Directors. In addition, the trade unions at Scania have appointed two Board members and two deputy members for them. For further information about the Board Members see page 44.

### Instruction to the President and CEO

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

### Committees

The Board currently has two committees, the Remuneration Committee and the Audit Committee. The Board appoints the members of the committee from among its own members. The Remuneration Committee discusses issues concerning compensation princples and incentive programmes. It also prepares decisions concerning conditions of employment for the company's President and CEO and, as appropriate its Executive Vice Presidents. The Audit Committee discusses and monitors issues related to administrative processes, refinancing, treasury operations, risk control and the controller organisation. Its brief also includes discussing and evaluating the company's application of important accounting issues and principles and the company's financial reporting, as well as evaluating the auditors and approving the use of external auditors for non-auditing-related services.

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

### Auditors

At Scania, the independent auditors are elected by the shareholders at the AGM, for a period of four years.

To ensure that the requirements concerning information and controls that are incumbent on the Board are being met, the auditors report on a continuous basis to the Audit Committee on all substantive accounting issues as well as any errors and suspected irregularities. The auditors also participate in at least one Board meeting per year and are invited, as needed, to participate in and report to the meetings of the Board.

Once a year, the auditors report to the Audit Committee without the President and CEO or any other member of the company's operative management being present at the meeting. The auditors have no assignments for the company that affect their independence as auditors for Scania.

## THE MANAGEMENT OF THE COMPANY

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

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

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

All managers in the company are responsible for working and communicating in compliance with the company's strategy. At the annual Top Management Meeting, the Executive Board communicates the Scania Group's strategic direction. This is also compiled in summary documents (known as "one-pagers"), which are available to employees. The strategic direction serves as the foundation for the Scania Group's business and operating plans.

### The President and CEO

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

### The Executive Board

At the side of the President and CEO is the Executive Board. The Executive Board makes joint decisions – in compliance with guidelines approved by the Board and the instruction on the division of labour between the Board of Directors and the President and CEO – on issues in its area of competency that are of a long-term, strategic nature, such as the development of the company, research and development, purchasing, overall human resource matters, environmental work, marketing, pricing policy, capital expenditures, and financing. The Executive Board also prepares such issues that shall be decided by the Board of Directors.

The strategy meetings of the Executive Board take place once each month. These strategies are summarised from a global perspective and updated, taking into account market developments.

### The corporate units

The heads of corporate units are responsible to the Executive Board for ensuring that the appropriate actions are taken in their respective fields of responsibility based on the strategies that have been decided. Each corporate unit reports to one of the members of the Executive Board. The heads of corporate units also have a general responsibility for issues that affect the entire company, and they assist the President and CEO and the Executive Board in their work.

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

## Internal control of financial reporting

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

## Control environment

Internal control at Scania is based on the decisions on organisational structure, powers and guidelines made by the Board of Directors. The Board's decisions have been transformed into functioning management and control systems by the Executive Board. Organisational structure, decision-making procedures, powers and responsibilities are documented and communicated in governing documents, such as internal policies, manuals, and codes. Also included in the basis for internal control are Group-wide accounting and reporting instructions, instructions regarding powers, and authorisation rights as well as manuals. The Group reporting system for integrated financial and operational information is another central element of the control environment and internal control. Integrated reporting of financial and operational information ensures that external financial reporting is firmly based on business operations. In addition to information on final outcome figures, the reporting system also includes quarterly moving forecast information. Corporate Control is responsible for continuous updating of accounting and reporting instructions, with due regard for external and internal requirements.

## Risk assessment and control activities

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

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

## Information and communication

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

## Monitoring

Scania monitors compliance with the above described governing documents and the effectiveness of the control structure. Monitoring and evaluation are performed by the company's corporate controller departments in industrial operations, all sales and services companies, and finance companies. During the 2014 financial year, in its control and investigative activities the company prioritised areas and processes with large flows and values as well as selected operational risks. Monitoring compliance with the Scania Corporate Governance Manual and Scania Financial Manual remained high priority areas, along with units undergoing changes.

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

The Board receives monthly financial reports, except for January and July. This financial information increases in terms of content in the run-up to each interim report, which is always preceded by a Board meeting where the Board approves the report.

Through the organisational structure and the work methods described above, the company deems the internal control system concerning financial reporting well suited to the company's operations.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# MARKET TRENDS 2014

Global GDP growth was in low gear during 2014. However, Europe performed somewhat better than in 2013. Scania strengthened its position in the European truck market due to a leading Euro 6 range and a broad range of engines for alternative fuels. Scania presented a hybrid bus and engine deliveries and service revenue were at an all-time high.

## VEHICLES AND SERVICES

Scania's vehicle deliveries was basically unchanged during 2014 compared to 2013. Truck deliveries were decreased by 1 percent to a total of 73,015 units and bus and coach deliveries decreased by 1 percent to 6,767 units. Demand for service-related products increased in all markets. Engine deliveries increased to an all-time high of 8,287 units and service sales increased by 8 percent to SEK 18,828 m., the highest level ever.

### The truck market in Europe

The economic growth in Europe remained low, but it was slightly better than in 2013. The total market for heavy trucks in 26 of the European Union member countries (all EU countries except Bulgaria and Malta) plus Norway and Switzerland decreased by 6 percent to about 224,100 units during 2014, compared to about 239,400 trucks in 2013. The previous year was to some extent supported by prebuys ahead of the transition to the Euro 6 emission standard, which occurred in the beginning of 2014. As a result of the high European truck deliveries during 2005–2008, followed by a low level in recent years, the average age of the truck population has been relatively high, which provided support to demand in Europe in 2014.

### Higher market share

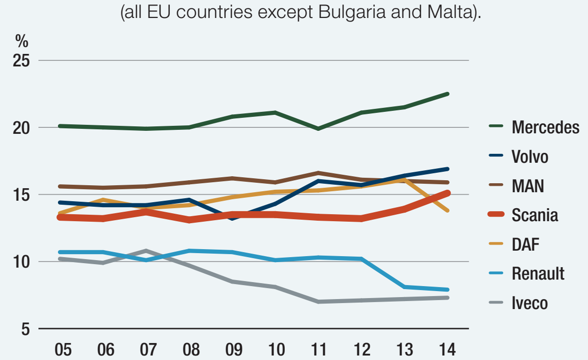
Scania increased its market share in Europe during 2014. Due to early introduction of Euro 6 vehicles, Scania has extensive experience and has also launched second and third generation Euro 6 engines. Scania's offer in alternative fuels is one of the most comprehensive in the industry. In 2014, Scania delivered about 1,500 Euro 6 trucks in Europe that use engine models that can run on up to 100 percent biodiesel. Scania truck registrations rose to some 33,800 units, equivalent to a market share of about 15.1 (13.9) percent.

### Lower economic activity in Latin America

The economic growth in Brazil became weaker during 2014. Throughout most of the year, the development bank BNDES contributed subsidies for truck investments, among other things. A new subsidy programme was announced at the beginning of 2015, but it is much less favourable than 2014. In Argentina, the market was effected by sluggish economic activity but subsidised financing programmes were available for investments in trucks during 2014. Scania truck registrations in Brazil amounted to some 14,150 units, equivalent to a market share of about 15.3 (19.0) percent.

**Market shares**

Trucks above 16 tonnes, 26 EU countries plus Norway and Switzerland (all EU countries except Bulgaria and Malta).




Scania increased its market share for second consecutive year. Scania's main competitors are other Western manufacturers. In the truck segment, Scania competes with DAF, Iveco, MAN, Mercedes, Renault and Volvo.

## Opportunities in emerging markets

Order bookings in Asia in 2014 were higher than the previous year, due to major orders to the Middle East. Overall deliveries to Asia increased by 74 percent to 12,889 trucks. Scania is a niche player in serveral emerging markets in Asia, and is normally affected to a lesser extent by economic fluctuations. However, as logistics systems develop towards greater efficiency in emerging markets, demand on vehicle uptime is increasing. This will lead to higher demand for the vehicles and services that Scania sells. It is therefore strategically important for Scania to already have an existing foothold in the market as logistics systems improve.

In Eurasia, where Russia is the largest market, demand held up and Scania's truck deliveries decreased slightly to 5,964 units during 2014. The geopolitical turbulence in the region means, however, that the outlook is uncertain. Order bookings at the end of the year was supported by a general demand for imported goods, to hedge from a significantly devaluation of the Russian ruble. Scania has a strong position and increased its market share to 9.7 (8.1) percent.

Deliveries in Africa and Oceania increased by 12 percent during the year, mainly due to higher sales in southern Africa and Australia.

## The bus and coach market

Scania's deliveries of buses and coaches during 2014 amounted to 6,767 units, in line with 2013.

Compared to 2013, Scania deliveries in Europe increased in 2014, from a low level. Scania was awarded major orders in Norway, among other things.

Deliveries also increased in Asia, Africa and Oceania, while they decreased in Eurasia, due to a large order in 2013.

During the third quarter 2014, a new bus was presented, Scania Citywide LE, featuring Scania's own hybrid technology.

In the bus and coach segment, Scania's main competitors are Irisbus, MAN, Mercedes, Neoplan, Setra and Volvo.

## All-time high for industrial and marine engines

Demand increased during 2014 and Scania's order bookings and deliveries were at an all-time high. Scania has a number of large agreements with OEMs, like Doosan, Atlas Copco and Terex, and volume is increasing, which contributed to the rise.

Deliveries of engines rose by 22 percent to 8,287 units.

Deliveries were also higher to Brazil, where the drought drove demand for gensets. Scania deliveries to marine applications showed a strong performance in Asia.

In its engine operations, Scania competes with Caterpillar, Cummins, Deutz, Fiat Powertrain Technologies, MAN, MTU and Volvo Penta.

## Success in the services business

Service demand was good during the year in virtually all markets, both in and outside of Europe. In recent years, Scania has increased its vehicle deliveries in many emerging markets in Asia and Latin America and has also expanded its service capacity and strengthened its offer. This has had a positive impacted service demand. Service revenue rose by 8 precent to a record level of SEK 18,828 m. In local currency the upturn was 6 percent.

Demand for service and repairs is more stable over an economic cycle than demand for new vehicles. This is because hauliers can opt to defer new investments but cannot avoid repairs and servicing to the same extent.

## FINANCIAL SERVICES

The customer financing portfolio increased by SEK 6.7 billion to SEK 55.6 billion during the year. Scania's share of financed vehicles rose as well as demand for insurance solutions. Most of the portfolio consists of customers in European markets. The financing portfolio is well-diversified in terms of geography and types of customers as well as their size, economic sector and vehicle applications. Scania lowers its risk by means of a conservative credit policy and a refinancing profile that matches borrowing to lending.

Close collaboration between Financial Services and Scania's sales organisation is one important reason behind the expansion of Scania's financing portfolio. This collaboration allows both operations to utilise each other's knowledge about customers and their businesses. Experience shows that brand loyalty is higher among customers that have financing, insurance and maintenance contracts with Scania.

### Record-high results

Operating income increased to record-high SEK 1,016 m. A larger portfolio and higher margins had a positive effect and bad dept expenses decreased.

Access to credits is important for demand as customers usually finance the investment in the vehicle either via the manufacturer or via banks or other financial companies. Scania's strategy to build long-term relationships with customers creates business opportunities in times of economic uncertainty when banks adopt a more restrictive approach to vehicle financing.

## PRODUCTION AND ENVIRONMENT

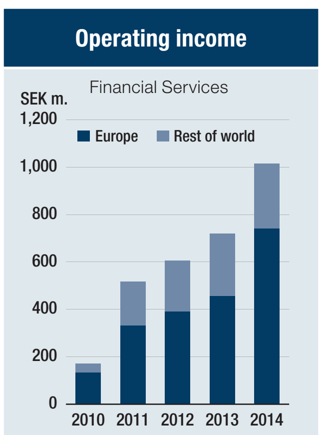
Scania's production level was more stable than 2013, due to a more stable demand situation.

Shorter lead times, higher quality and delivery precision were in focus, and all these parameters improved. Vehicle quality was at an all-time high, both measured internally as well as in customer surveys.

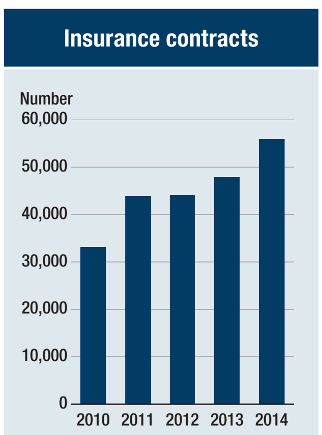
Flexibility is one of Scania's core capabilities. Besides a common production network, Scania has additional flexibility because of its high proportion of flexible costs. About 70 percent of a chassis' production cost consists of direct materials from suppliers.

Scania is continuing to expand its technical capacity to 120,000 vehicles from 100,000 today so it can boost volume when demand increases. The work on ensuring flexibility to meet short-term fluctuations in demand is continuing as Scania expands its capacity. During 2014, Scania produced 82,208 vehicles (82,854).

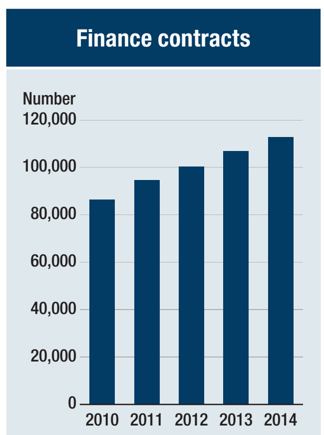
The environmental performance at Scania's production units is strengthened continuously. The Scania Production System is central in the work of reducing the use of energy, water and chemicals. Scania has started to focus on the environmental impact from transport, both inbound in the form of components and articles from suppliers and also from outbound delivery of parts and vehicles. So far the results are very encouraging.



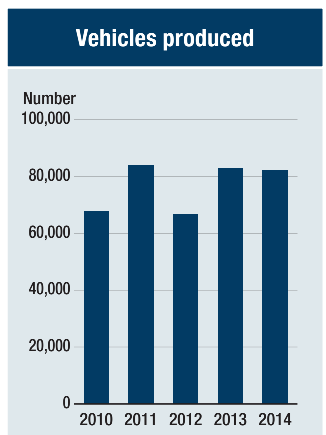

Operating income was more than SEK 1 billion during 2014. A growing portfolio contributed to the improvement as well as better margins and lower bad debt expenses.




Demand for insurance solutions is increasing. By this, Scania can contribute to a quicker insurance claims process for the customer.




Customers are increasingly choosing Scania as their long-term partner in vehicle financing.




Production volume was stable during 2014. Quality and delivery precision improved.

## EMPLOYEES

Ensuring that all employees, regardless of their form of employment, feel dedicated and interested in their work is an important task for managers at all levels of the organisation. Regardless of what work they do, or where they are in the world, people who work at Scania need to feel job satisfaction and a sense of well-being. When gaps arise, employees of staffing companies are first to be offered permanent employment. Production employees with an employer other than Scania, have the same training opportunities as Scania's own employees.

Questions relating to well-being, working environment, safety and health have high priority. Employee commitment and health are key factors in achieving sustainability targets. All managers and employees at production units are involved in improving working methods. In this way, Scania has been able to reduce employee turnover and improve healthy attendance in the long run, while increasing its production capacity. The principles, developed over many years at Scania's production units, have been adapted and have begun to be implemented in the other parts of the company. The number of employees at Scania increased to 42,129 at the end of 2014 compared with 40,953 on the same date in 2013.

## RESEARCH AND DEVELOPMENT

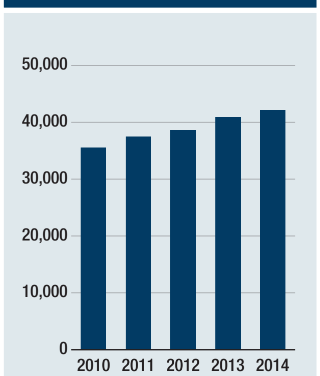
The aim of Scania's research and development organisation is to improve productivity and profitability in customer operations based on low fuel consumption, high uptime and low service cost combined with good performance. Scania puts a lot of resources into research and development, which is concentrated at the Scania Technical Centre in Södertälje, where some 3,500 people are employed. During 2014, research and development expenses amounted to SEK 5,304 m. (5,024), which corresponded to 5.8 percent of net sales.

Innovations during 2014 included an oil that reduces friction, a freewheeling retarder and a more intelligent Scania Eco-roll system. Together with the third generation Euro 6 engine, which only uses SCR technology, this will reduce fuel consumption for long haulage by 3 percent.

A new 16-litre, 580 hp V8 engine was launched in a configuration with up to 100 percent biodiesel operation in the R-series. Based on its modular system Scania manufactures three different Euro 6 engines for pure biodiesel operation – 9-litre inline five-cylinder; 13-litre inline six cylinder; and 16-litre V8. Together they provide a power range from 320-580 hp (horsepower).

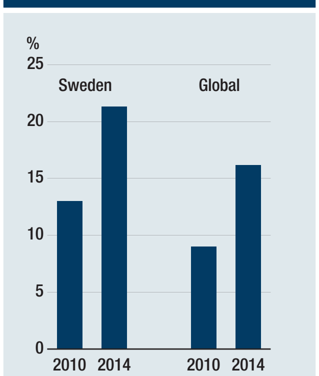
Scania also unveiled a number of initiatives to increase efficiency in the transport sector. One example is driving with two full-length trailers, which can reduce fuel consumption by up to 30 percent with an equivalent reduction in harmful carbon dioxide emissions. Following Scania's request, the Swedish Transport Agency has now granted permission to operate rigs of 31.5 metres in total length between Södertälje and Helsingborg in Sweden, as a test.

**Number of employees**



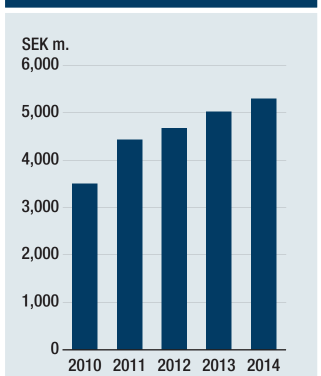

The number of employees has increased as Scania has invested for future growth. During 2014, Scania employed more people in marketing, sales and services and research and development.

**Share of female managers**




Diversity is important for Scania and a number of projects have been initiated to increase the share of women among executive officers.

**R&D expenses**




Scania has maintained a high level of investments to strengthen the product portfolio in the coming years.

# RISKS AND RISK MANAGEMENT

**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. Various risks may have an adverse impact on Scania with direct effects on business operations and on the company's reputation.**

Scania is one of the leading companies in the heavy vehicle industry. This leads to high expectations from all stakeholders, especially customers, about Scania as a company and its products and services. It is important to monitor and minimise events and behaviour that might adversely affect the company's brand and reputation.

Scania's strong corporate culture is based on established values, principles, and methods and is the foundation of the company's risk management work. Scania's Board of Directors is responsible to the shareholders for the company's risk management. The company continuously reports on risk-related matters to the Board and the Audit Committee of the Board.

## STRATEGIC RISKS

### Corporate governance and policy-related risks

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

### 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 challenged throughout the company, based on external and internal deliberations. All units and levels of the company are involved in this 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 Scania's products is mainly driven by transport needs and also by a certain replacement need for vehicles to maintain high availability and low life cycle cost of the vehicles.

Fluctuations in world financial markets have a large or small impact on real economic cycles and thus on the demand for Scania's products. Since commercial vehicles are a capital investment, demand is not only affected by need but also by the availability and cost of capital. Markets may temporarily stall, and local currencies may depreciate. Demand for service-related products is less affected by fluctuations in the economic cycle than demand for trucks.

Well-diversified sales in more than 100 countries limit the effect of a downturn in any given market. In individual markets, substantial changes may occur in the business environment, such as the introduction or raising of customs duties and taxes, introduction or cessation of stimulus measures as well as changed requirements for vehicle specifications. Impositions of sanctions against certain countries may reduce the potential for marketing Scania's products. In addition, shortcomings in national legal systems may substantially impair Scania's ability to carry out operations and sales. Scania monitors all its markets continuously in order to spot warning signals early and to be able to take action and implement changes in its marketing strategy.

### Risks in the sales and services network

In the major markets, distributors are generally owned by Scania. Aside from volume risks that are linked to market risks above, there are commercial risks in the sales and services network for various types of contracted services and also in relation to residual value obligations and used vehicle prices. Repair and maintenance contracts comprise one important element of the sales and services business and help to generate high uptime for the customer, good capacity utilisation at workshops and greater customer loyalty. These contracts are often connected to predetermined prices. Thus both price and handling risks arise.

One advanced form of business obligation is an uptime guarantee for a vehicle, in which the customer pays for the distance or time it is used. Scania works actively to improve the expertise and ability of its sales and services network in understanding customers' businesses as well as in managing the risks of these service obligations.

As a result of residual value obligations and repurchase guarantees and trade-ins, the sales and services organisation handles a large volume of used trucks and buses. Prices and sales figures may vary over economic cycles. Due to Scania's high degree of integration into its sales and services network, the company has extensive knowledge in handling these variations.

Sales and services units assume a credit risk in relation to their customers, mainly for workshop services performed and parts sold. However, the customer base is widely dispersed and the risk in relation to each individual customer is thus limited.

Operational risks in the sales and services network are detected and eliminated by using the quality system Scania Retail System (SRS), which is an adaptation for the commercial operations of the Scania Production System (SPS). The roll-out of SRS is currently underway in the form of "go- and-see" training conducted by Scania's management, appointment of Role Models and the establishment of a global network of local SRS coordinators with the aim of ensuring that relevant benefits are derived from SRS.

Independent dealers may suffer problems that may have an adverse effect on Scania's operations. This may include shortcomings in management and investment capacity or problems related to generational shifts in family businesses. If the problems are not merely transitory, Scania may replace dealers or take over the business. Scania continuously maintains close contact with its independent dealers in order to spot warning signs at an early stage and to be able to take action.

## Regulatory risks in the Financial Services operations

Scania's operations include arrangement of financing and insurance services which under several legislations have to comply with FSA's (Financial Services Authorities) rules. Non compliance with these rules can lead to penalties or even revocation of operating licenses.

Mitigation is done by having specialised roles in relevant entities to monitor and control these risks (Risk Managers, AML Offices, Compliance Managers, Internal Audit).

## Production risks

Scania has an integrated component manufacturing network with two geographic bases, Sweden and Brazil/Argentina. This concentration entails some risk, which is nevertheless offset by the fact that the company's uniform global production system enables it to source components from either area. According to the Scania Continuity Planning Principles, Scania must continuously maintain its preparedness at such a level that the company's ability to maintain delivery assurance to its customers is not adversely affected.

Scania has a shared risk management model, the Business Interruption Study, with corporate-level responsibility for coordination and support to line management. This model is continuously being refined and also takes into account the effects of suppliers on Scania's delivery precision. The Business Interruption Study identifies, quantifies and manages potential interruption risks. This also includes evaluating alternatives, methods and lead times for resuming normal operations.

Based on the results of this work, Scania regularly develops continuity plans adapted to each operating unit, which are part of every manager's responsibilities. Training and drills occur with affected employees and service providers at Scania's production units.

Follow-up occurs by means of monitoring systems, reporting and response procedures. Yearly reports are submitted to Production and Logistics management.

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

Scania Blue Rating – Safety, Health and Environment is a method Scania uses to evaluate and develop the safety, health and environmental work at its industrial units. See also under Sustainability risks.

Production and quality risks in the workshop network's services production are managed by means of the SRS quality system, the Scania Dealer Operating Standard (DOS) certification and the Scania Code of Practice.

## Supplier risks

Scania continually checks that suppliers meet the company's stringent quality, financial, logistic, environmental and ethical requirements. Such checks are also made during nomination of new agreements. This work is regularly reported to Scania Purchasing management.

Scania's suppliers undertake to comply with the United Nations Global Compact with respect to sustainability in the areas of human rights, labour, environment and anti-corruption.

In order to minimise the impact of production interruptions or financial problems among suppliers, Scania's ambition is to work with more than one supplier for critical items.

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

Fluctuations in the world's financial markets also risk affecting Scania's suppliers to a greater or lesser degree. The financial status of suppliers is monitored continuously.

## Natural disaster risk

It is hard to predict the occurrence of natural disasters as well as their frequency and scale. For Scania's own operations or suppliers located in geographical regions that are repeatedly affected, or where the risk is deemed higher for other reasons, the natural disaster risk is given special attention in both the risk assessment and in the continuity planning process.

## Human resource and talent recruitment

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

- Insufficient supply of the right expertise
- Inadequate expertise
- Recruitment errors

Scania has structured, well-established working methods for close cooperation with a number of universities and institutes of technology in order to create and recruit cutting-edge expertise. Scania runs an upper secondary school in Södertälje, Mälardalens Tekniska Gymnasium MTG, with the ambition of offering high quality technical upper secondary school education aimed at vocational or university preparation.

Uniform structures, common and coordinated recruitment methods and tools as well as clearly described job requirements help minimise the risk of recruitment errors.

Human resource and talent development occurs with the help of a coordinated methodology. In this way, Scania achieves quality assurance and continuous improvement in its human resource activities.

Trends are continuously monitored, for example by using key figures for healthy attendance, employee turnover, age structure and professional job satisfaction as well as by using development dialogues. Targeted actions are implemented as needed.

## Information risks

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

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

Scania has a central unit for information security, which is responsible for introduction and follow-up of Scania's information security policy. As part of their normal responsibilities, managers monitor and approve the risk level in their respective area of responsibility and ensure that all employees are aware of their responsibilities. Follow-up occurs by means of both internal monitoring and monitoring performed by third parties.

## Sustainability risks

The term "sustainability risks" refers to risks of undesirable consequences related to the environment, health and safety, human rights and business ethics in Scania's business operations. Risk identification and continuity planning are part of every manager's responsibilities and include planning adapted to each operating unit.

Training and drills occur with all affected employees and service providers at Scania's production units. Follow-up occurs by means of monitoring systems, reporting and response procedures.

At its production units around the world, Scania has carried out orientation studies and risk assessments of buildings as well as soil and groundwater contamination.

As needed, supplementary investigations and required actions have been undertaken. This work takes place in close cooperation with local or regional authorities.

During 2014, no accidents occurred that caused significant environmental impact or led to major clean-up expenses. All production units have permits that comply with national legislation. In addition to legal requirements and the conditions included in these permits, operations may also be subject to local requirements and rules.

In connection with increased production, Scania applies for new permits covering the affected operations. For certain Scania operations, however, recurrent permit assessments are required.

Scania has adopted a safety, health and environment standard, which covers 16 prioritised areas. Scania Blue Rating – Safety, Health & Environment is a method used in Scania's production and research and development operations to evaluate safety, health and environment work. Follow-up occurs based on Scania's environment and work environment policy and on the targets and legal requirements of the ISO 14001 environmental management standard. Based on the result of this audit, Scania can identify areas for improvement and promote good working methods in order to gradually improve operational working environments and reduce environmental impacts. This method is also one of the tools for improving efforts to avoid and reduce work environment and environmental risks.

Scania's work with values and the Scania Code of Practice creates a natural basis for an ethical and responsible approach among Management and employees in relation to Scania's role in society.

Climate change constitutes a global risk and Scania works continually to reduce the impact of its products and in its operating activities.

## Research and development risks

Research and product development occur in close contact with the production network and the sales and services organisation to effectively safeguard high quality.

## New legislation

The ability to meet coming environmental and safety standards in various markets is of great importance for Scania's future. In particular, this relates to legal requirements for reduced passing noise, which will gradually enter into effect starting in 2016 and carbon dioxide legislation for heavy trucks in the EU, which is expected to enter into effect in 2018.

Other important future regulations are changed national emissions standards in several of Scania's markets.

To meet new regulations, Scania is utilising its global, modularised product range and is adapting technologies in its future product portfolio.

### 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 the work done by the business intelligence group into all its development and introduction projects.

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

### Product liability

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

### Insurable risks

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

A corporate unit is responsible for the Group's global insurance portfolio. Customary Group insurance policies to protect the Group's goods shipments, assets and obligations are arranged in accordance with Scania's Corporate Governance Manual and Finance Policy. Local insurance policies are obtained in accordance with the laws and standards of the country in question. When needed, Scania receives assistance from outside insurance consultancy companies in identifying and managing risks. Insurance is obtained only from well-reputed insurance companies, whose financial strength is continuously monitored.

Risk inspections, mainly focusing on physical risks, are performed yearly in most cases at all production units and at a number of Scania-owned sales and services units/workshops according to the standardised Scania Blue Rating Fire Safety system. This work maintains a high claim prevention level and a low incidence of claims.

## LEGAL RISKS

### Contracts and rights

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

### Legal actions

Scania is affected by numerous legal proceedings as a consequence of the company's operating activities. This includes alleged breaches of contract, non-delivery of goods or services, producer liability, patent infringement or infringements related to other intellectual property or alleged violations of laws and regulations in force. Even if disputes of this kind should be decided in a favourable way without adverse economic consequences, they may adversely affect Scania's reputation. For further information, see Note 2, page 66.

### 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. Scania has also introduced a Legal Risk Reporting system, according to which risks are defined and reported. At least once a year, a report on such risks is submitted to the Audit Committee of the Board.

## TAX RISKS

Scania and its subsidiaries are the object of a large number of tax cases, as a consequence of the company's operating activities. For further information, see Note 2, page 66. None of these cases is deemed capable of resulting in a 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 annually by Scania's Board of Directors. See also the "Group Financial review" on page 47 and Note 27 on page 90.

# BOARD OF DIRECTORS AND EXECUTIVE BOARD

# BOARD OF DIRECTORS

**Martin Winterkorn**

Chairman of the Board of Directors since 2007. Chairman, Remuneration Committee.
Born: 1947.
**Education:** Prof. Dr. Dr. h. c. mult.
**Other directorships:**
Chairman of the Board of Management, Volkswagen AG. Chairman or member of Supervisory Board of several companies within the Volkswagen Group. Member of Supervisory Board of FC Bayern München AG.
**Relevant work experience:**
Chairman and member of the Board of Management, Volkswagen AG, responsible for Group Research and Development. Chairman of the Board of Management, Volkswagen Brand.

**Leif Östling**

Vice Chairman since 2012. Member of the Board of Directors since 1994.
Born: 1945.
**Education:** MBA and MSc.
**Other directorships:**
Member of the Board of Management, Volkswagen AG. Member of Supervisory Board of several companies within the Volkswagen Group. Chairman of AB SKF and board member of EQT Holdings AB.
**Relevant work experience:**
Member of the Board of Management, Volkswagen AG, responsible for Group Commercial Vehicles. Various management positions at Scania since 1972, President and CEO of Scania AB between 1994 and 2012.

**Peter Abele**

Member of the Board of Directors since 2012. Chairman, Audit Committee. Member, Remuneration Committee.
Born: 1941.
**Education:** Degree in Engineering (Graduate Engineer and Graduate Industrial Engineer).
**Relevant work experience:**
A number of high-level managerial positions since 1974, including in the car manufacturing industry. Member of the Board of Management at Audi AG, responsible for Finance and Information Technology until 2003.

**Helmut Aurenz**

Member of the Board of Directors since 2008. Member, Audit Committee.
Born: 1937.
**Education:** Apprenticeship in Horticulture, Entrepreneur.
**Other directorships:**
Board member of various boards and advisory bodies, among them the advisory assemblies for Baden-Württembergische Bank, Landeskreditbank Baden-Württemberg and Landesbank Baden-Württemberg. Independent Board member of Audi AG and Automobili Lamborghini Holding Spa.
**Relevant work experience:**
Started in 1958 a now-sizeable garden and fertiliser products business in the ASB Group in Germany.

**Francisco J. Garcia Sanz**

Member of the Board of Directors since 2007. Member, Remuneration Committee.
Born: 1957.
Education: Dr. rer. pol. h. c.
**Other directorships:**
Member of the Board of Management, Volkswagen AG. Board member of several companies within the Volkswagen Group. Board member of CaxiaHolding S.A. and HOCHTIEF Aktiengesellschaft.
**Relevant work experience:**
Member of the Board of Management, Volkswagen AG, with global responsibility for Procurement. Various positions at Adam Opel AG, various management positions at GM and Volkswagen AG.

**Martin Lundstedt**

Member of the Board of Directors since 2013.
Born: 1967.
**Education:** MSc.
**Other directorships:**
Chairman of Partex Marking Systems AB, Permobil AB and European Automobile Manufacturers' Associations (ACEA). Board member of Concentric AB and of Laxå Special Vehicles AB.
**Relevant work experience:**
Various managerial positions at Scania since 1992, President and CEO for Scania since 2012.

**Ferdinand K. Piëch**

Member of the Board of Directors since 2012.
Born: 1937.
**Education:** Degree in Engineering Dipl.-Ing. ETH
**Other directorships:**
Chairman of the Supervisory Board of Volkswagen AG and MAN SE. Member of the Supervisory Board of AUDI AG, Porsche Automobil Holding SE, Dr. Ing. h.c. F. Porsche AG, Porsche Holding GmbH and Director of Ducati Motor Holding spa. Between 2000 and 2002, he served as Chairman of the Board of Directors of Scania. He was a member of the Board of Directors of Scania between 2002 and 2003.
**Relevant work experience:**
Began his career in 1963 at Dr.-Ing. h. c. Porsche KG. Since then he has held a number of high-level managerial positions in the car manufacturing industry.

**Christian Porsche**

Member of the Board of Directors since 2014.
Born: 1974.
**Education:** Dr. Dr.
**Other directorships:**
Member of the Board of Directors of MAN Truck & Bus AG since 2013.
**Relevant work experience:**
”General Partner” for several companies within Porsche Holding GmbH, Salzburg, 2005–2009.

**Hans Dieter Pötsch**

Member of the Board of Directors since 2007. Member, Audit Committee.
Born: 1951.
**Education:** MSc.
**Other directorships:**
Member of the Board of Management, Volkswagen AG. Member of the Board of Management, Porsche Automobil Holding SE. Chairman or member of several Supervisory Boards within the Volkswagen Group. Member of the Supervisory of Boards of Bertelsmann SE & Co. KGaA and Bertelsmann Management SE.
**Relevant work experience:**
Member of the Board of Management, Volkswagen AG, responsible for Finance and Controlling. Member of the Board of Management, Porsche Automobil Holding SE (Chief Financial Officer). Chairman of the Board of Management, Dürr AG. General Manager for Finance and Administration at Trumpf GmbH & Co. Various positions at BMW.

**Peter Wallenberg Jr**

Member of the Board of Directors since 2005.
Born: 1959.
**Education:** MBA.
**Other directorships:**
Chairman of Wallenberg Foundations AB, the Grand Group AB, KAK the Royal Automobile Club, and the Marcus Wallenberg Foundation among others. Vice Chairman of Knut and Alice Wallenberg Foundation, Marianne and Marcus Wallenberg Foundation among others. Board member of Investor AB, Aleris Holdings AB, Atlas Copco AB, Foundation Asset Management Sweden AB, EQT Holdings AB.
**Relevant work experience:**
Various positions at Grand Hôtel.

**Håkan Thurfjell***

Representative of the Federation of Salaried Employees in Industry and Services (PTK) at Scania. Member of the Board of Directors since 2008. Resigned 2015.
Born: 1951.
**Relevant work experience:**
Various managerial positions at Scania.

**Lisa Lorentzon***

Representative of the Federation of Salaried Employees in Industry and Services at Scania (PTK). Member of the Board of Directors since 2015. Previously deputy member of the Board of Directors since 2012.
Born: 1982.
**Relevant work experience:**
Various positions at Scania since 2007.

**Johan Järvklo**

Representative of the Swedish Metal Workers' Union at Scania. Member of the Board of Directors since 2008. Previously deputy member since 2006.
Born: 1973.
**Relevant work experience:**
Various positions at Scania.

**Mikael Johansson**

Representative of the Swedish Metal Workers' Union at Scania. Deputy member of the Board of Directors since 2008.
Born: 1963.
**Relevant work experience:**
Various positions at Scania.

* Lisa Lorentzon, representative of the Federation of Salaried Employees in Industry and Services at Scania (PTK), replaced Håkan Thurfjell as board member on 8 January 2015. Mari Carlquist was appointed as deputy member.

# EXECUTIVE BOARD

**Martin Lundstedt**

President and CEO.
Born: 1967.
Education: MSc.
Joined Scania in 1992.

**Jan Ytterberg**

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

**Kent Conradson**

Executive Vice President,
Head of Human Resources.
Born: 1958.
Education: BSc.
Joined Scania in 1979.

**Andrea Fuder**

Executive Vice President,
Head of Purchasing.
Born: 1967.
Education: MBA and MSc.
Joined Scania in 2012.

**Per Hallberg**

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

**Henrik Henriksson**

Executive Vice President,
Head of Sales and Marketing.
Born: 1970.
Education: BSc.
Joined Scania in 1997.

**Christian Levin**

Executive Vice President,
Head of Commercial Operations.
Born: 1967.
Education: MBA and MSc.
Joined Scania in 1994.

**Harald Ludanek**

Executive Vice President,
Head of Research and Development.
Born: 1958.
Education: Dr.-Ing.
Joined Scania in 2012.

# GROUP FINANCIAL REVIEW

## NET SALES

The net sales of the Scania Group, in the Vehicles and Services segment, increased by 6 percent to SEK 92,051 m. (86,847). Currency rate effects had a positive impact on sales of 2 percent.

New vehicle sales revenue increased by 4 percent. Sales were positively influenced by currency effects, an increased share of Euro 6 and somewhat improved prices. Engine sales revenue increased by 31 percent. Service revenue increased and amounted to SEK 18,828 m. (17,510). Higher volume of workshop hours and parts as well as currency rate effects had a positive impact.

Interest and lease income in the Financial Services segment increased by 12 percent due to higher financing volume, higher interest rates and positive currency effects.

| **Net sales by product,** SEK m. | **2014** | 2013 |
|---|---|---|
| Trucks | **59,587** | 57,502 |
| Buses | **7,412** | 6,610 |
| Engines | **1,495** | 1,140 |
| Services | **18,828** | 17,510 |
| Used vehicles | **5,173** | 4,912 |
| Miscellaneous | **2,790** | 2,319 |
| Delivery sales value | **95,285** | 89,993 |
| Adjustment for lease income [1] | **–3,234** | –3,146 |
| Total Vehicles and Services | **92,051** | 86,847 |
| Financial Services | **5,029** | 4,494 |
| Elimination [2] | **–2,200** | –1,812 |
| **Scania Group total** | **94,880** | 89,529 |

1 Consists of the difference between sales value based on delivery and revenue recognised as income. This difference arises when a lease or delivery is combined with a residual value guarantee or a repurchase obligation. Significant risks remain, therefore recognition is based on an operating lease contract.

2 Elimination refers to rental income from operating leases.

## DELIVERIES

During 2014 Scania delivered 73,015 (73,611) trucks, a decrease of 1 percent. Bus deliveries decreased by 1 percent to 6,767 (6,853) units. Engine deliveries increased by 22 percent to 8,287 (6,783) units.

| **Vehicles delivered** | **2014** | 2013 |
|---|---|---|
| **Vehicles and Services** | | |
| Trucks | **73,015** | 73,611 |
| Buses | **6,767** | 6,853 |
| Total new vehicles | **79,782** | 80,464 |
| Used vehicles | **15,151** | 15,555 |
| Engines | **8,287** | 6,783 |

| **Financial Services** | | |
|---|---|---|
| **Number financed (new during the year)** | **2014** | 2013 |
| Trucks | **22,380** | 21,110 |
| Buses | **768** | 569 |
| Total new vehicles | **23,148** | 21,679 |
| Used vehicles | **5,592** | 5,716 |
| New financing, SEK m. | **27,463** | 23,615 |
| Portfolio, SEK m. | **55,556** | 48,863 |

## EARNINGS

**Scania's operating income** amounted to SEK 8,721 m. (8,455) during 2014. Operating margin amounted to 9.5 (9.7) percent.

**Operating income in Vehicles and Services** totalled SEK 7,705 m. (7,736) during 2014. Lower vehicle deliveries and a less favourable market mix were offset by positive currency rate effects, higher service volume, somewhat better prices and purchasing savings.

Scania's research and development expenditures amounted to SEK 6,401 m. (5,854). After adjusting for SEK 1,454 m. (1,123) in capitalised expenditures and SEK 357 m. (293) in depreciation of previously capitalised expenditures, recognised expenses increased to SEK 5,304 m. (5,024).

Compared to the full year 2013, the total currency rate effect was positive and amounted to SEK 970 m.

**Operating income in Financial Services** rose to SEK 1,016 m. (719). This was equivalent to 2.0 (1.5) percent of the average portfolio during the year. The improved earnings were mainly due to a larger portfolio, higher margins and positive currency rate effects. Bad debt expenses decreased during the year.

At year-end 2014, the size of the customer finance portfolio amounted to SEK 55.6 billion, which represented an increase of SEK 6.7 billion since the end of 2013. In local currencies, the portfolio increased by SEK 4.0 billion, equivalent to 8.1 percent.

| **Operating income per segment,** SEK m. | **2014** | 2013 |
|---|---|---|
| **Vehicles and Services** | | |
| Operating income | **7,705** | 7,736 |
| *Operating margin, %* | ***8.4*** | *8.9* |
| **Financial Services** | | |
| Operating income | **1,016** | 719 |
| *Operating margin, %* [1] | ***2.0*** | *1.5* |
| Operating income, Scania Group | **8,721** | 8,455 |
| *Operating margin, %* | ***9.5*** | *9.7* |
| Income before taxes | **8,322** | 8,408 |
| Taxes | **–2,313** | –2,214 |
| **Net income** | **6,009** | 6,194 |

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

# GROUP FINANCIAL REVIEW, CONTINUED

**Scania's net financial items** amounted to SEK –399 m. (–47). Net interest items amounted to SEK –223 m. (–63). Net interest items were negatively affected by a lower interest margin. Other financial income and expenses amounted to SEK –176 m. (16). These included SEK 35 m. (72) in valuation effects related to financial instruments where hedge accounting was not applied. Net financial items for 2014 also included costs related to Volkswagen's public offer to Scania's shareholders of SEK 160 m.

**Income before taxes** amounted to SEK 8,322 m. (8,408). The Scania Group's tax expense for 2014 was equivalent to 27.8 (26.3) percent of income before taxes. The tax rate was negatively affected primarily by remeasurement of tax loss carry-forwards during the year.

**Net income** for the year totalled SEK 6,009 m. (6,194), corresponding to a net margin of 6.5 (7.1) percent.

## CASH FLOW

**Cash flow in Vehicles and Services** amounted to SEK 4,690 m. (3,742). Tied-up working capital decreased by SEK 1,388 m.

Net investments amounted to SEK 5,706 m. (5,320), including SEK 1,454 m. (1,123) in capitalisation of development expenses. At the end of 2014, the net cash position in Vehicles and Services amounted to SEK 12,139 m. ( 8,019 ).

**Cash flow in Financial Services** amounted to SEK –3,554 m. (–3,336), due to a growing customer finance portfolio.

## FINANCIAL POSITION

| Financial ratios related to the balance sheet | 2014 | 2013 |
|---|---|---|
| Equity/assets (E/A) ratio, % | **31.4** | 31.2 |
| E/A ratio, Vehicles and Services, % | **44.0** | 45.3 |
| E/A ratio, Financial Services, % | **11.5** | 10.4 |
| Return on capital employed, Vehicles and Services, % [2] | **19.9** | 20.9 |
| Net debt/equity ratio, Vehicles and Services [3] | **–0.35** | –0.25 |

2 Calculation is based on average capital employed for the thirteen most recent months.
3 Net cash (–) Net debt (+).

During 2014, the equity of the Scania Group increased by SEK 4,689 m. and totalled SEK 41,801 m. (37,112) at year-end. Net income added SEK 6,009 m. (6,194) and no dividend was declared during the year (SEK 3,800 m.). Equity increased by SEK 951 m. (–907) because of exchange rate differences that arose when translating net assets outside Sweden. In addition, equity decreased by SEK 2,989 m. (+803) because of actuarial losses on pension liabilities and cash flow hedges.

Taxes attributable to items reported under "Other comprehensive income" totalled SEK +718 m. (–182). The non-controlling interest was unchanged during the year as in the previous year.

## FINANCIAL RISKS

### Currency risk

The largest currency flows were in euros, Brazilian reais and British pounds.

According to Scania's policy, future cash flows may be hedged during a period that is allowed to vary between 0 and 12 months. The Board of Directors approves maturities of more than 12 months. During 2014, future currency flows in British pounds were hedged to some extent.

The net foreign assets of subsidiaries are normally not hedged. However, to the extent a foreign subsidiary has significant net monetary assets in local currency, they may be hedged. At the end of 2014, no foreign net assets were hedged.

### Interest rate risk

Scania's policy concerning interest rate risks in Vehicles and Services is that the interest rate refixing period on its net debt should normally be 6 months, but divergences may be allowed within the 0–24 month range. In Financial Services the interest rate refixing period on borrowings shall be matched with the interest rate refixing period on assets. To manage interest rate risks in the Scania Group, derivative instruments are used.

### 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.

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.

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.

### Borrowing and refinancing risk

Scania's borrowings primarily consist of bonds issued under capital market programmes, and other borrowing mainly via the banking system. In addition, Scania secures a certain portion of its borrowing needs via five committed credit facilities: three in the international borrowing market and two in the Swedish market.

For more information about management of financial risks, see also Note 27.

## OTHER CONTRACTUAL RISKS

### Residual value exposure

Scania delivers some of its vehicles with guaranteed residual value or with repurchase obligations, where Scania thus has residual value exposure. There is also residual value exposure for short-term rental vehicles with an estimated residual value. The amount for residual value exposure at year-end was SEK 11,666 m. (9,873). Exposure rose by SEK 1,793 m., mainly due to an increased number of newly contracted obligations in Europe but also related to the stronger euro. During 2014, the volume of new contracts was about 9,200 (8,700).

### 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 pre-determined 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 2014 by 7,800 and totalled 137,100 at year-end. Most of these are in the European market.

## THE PARENT COMPANY

The Parent Company, Scania AB, is a public company whose assets consist of the shares in Scania CV AB. The Parent Company conducts no operations. Income before taxes of Scania AB during 2014 totalled SEK 0 m. (7,000).

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


SCANIA
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SCANIA

# FINANCIAL REPORTS

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

# CONSOLIDATED INCOME STATEMENTS

| January – December, SEK m. | Note | 2014 | 2013 |
|---|---|---|---|
| **Vehicles and Services** | | | |
| Net sales | 3 | **92,051** | 86,847 |
| Cost of goods sold | 4 | **–69,902** | –65,303 |
| Gross income | | **22,149** | 21,544 |
| Research and development expenses [1] | 4 | **–5,304** | –5,024 |
| Selling expenses | 4 | **–8,034** | –7,740 |
| Administrative expenses | 4 | **–1,138** | –1,065 |
| Share of income in associated companies and joint ventures | 11 | **32** | 21 |
| **Operating income, Vehicles and Services** | | **7,705** | 7,736 |
| | | | |
| **Financial Services** | 5 | | |
| Interest and lease income | | **5,029** | 4,494 |
| Interest and depreciation expenses | | **–3,214** | –2,920 |
| Interest surplus | | **1,815** | 1,574 |
| Other income | | **183** | 160 |
| Other expenses | | **–60** | –49 |
| Gross income | | **1,938** | 1,685 |
| Selling and administrative expenses | 4 | **–755** | –686 |
| Bad debt expenses, realised and anticipated | | **–167** | –280 |
| **Operating income, Financial Services** | | **1,016** | 719 |
| | | | |
| **Operating income** | | **8,721** | 8,455 |
| Interest income [2] | | **578** | 829 |
| Interest expenses [2] | | **–801** | –892 |
| Other financial income | | **120** | 187 |
| Other financial expenses | | **–296** | –171 |
| Total financial items | 6 | **–399** | –47 |
| **Income before taxes** | | **8,322** | 8,408 |
| Taxes | 7 | **–2,313** | –2,214 |
| **Net income** | | **6,009** | 6,194 |

1 Total research and development expenditures during the year amounted to SEK –6,401 m. (5,854).

2 Comparative figures have been adjusted due to gross accounting of cross-currency swaps.

| January – December, SEK m. | Note | 2014 | 2013 |
|---|---|---|---|
| **Other comprehensive income** | 14 | | |
| *Items that may be reclassified to net income* | | | |
| Translation differences | | **951** | –907 |
| Cash flow hedges | | | |
| change in value for the year | | **–23** | – |
| reclassification to net income | | **–** | 0 |
| Taxes | | **36** | –3 |
| | | **964** | –910 |
| *Items that will not be reclassified to net income* | | | |
| Remeasurements of defined-benefit plans | 15 | **–2,966** | 803 |
| Taxes | | **682** | –179 |
| | | **–2,284** | 624 |
| **Total other comprehensive income** | | **–1,320** | –286 |
| **Total comprehensive income for the year** | | **4,689** | 5,908 |
| | | | |
| Net income attributable to: | | | |
| *Scania shareholders* | | ***6,019*** | *6,201* |
| *Non-controlling interest* | | ***–10*** | *–7* |
| | | | |
| Total comprehensive income attributable to: | | | |
| *Scania shareholders* | | ***4,690*** | *5,913* |
| *Non-controlling interest* | | ***–1*** | *–5* |
| | | | |
| *Operating income includes depreciation of* [3] | 8 | ***–3,125*** | *–2,929* |

3 Value decrease in operating leases is not included.

# CONSOLIDATED BALANCE SHEETS

| 31 December, SEK m. | Note | 2014 | 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 9 | **5,259** | 4,046 |
| Tangible assets | 10 | **23,322** | 21,678 |
| Lease assets | 10 | **17,489** | 14,610 |
| Holdings in associated companies and joint ventures | 11 | **535** | 490 |
| Long-term interest-bearing receivables | 28 | **27,156** | 24,082 |
| Other long-term receivables [1,2] | 13, 28 | **1,382** | 2,114 |
| Deferred tax assets | 7 | **1,580** | 1,495 |
| Tax receivables | | **442** | 294 |
| Total non-current assets | | **77,165** | 68,809 |
| | | | |
| **Current assets** | | | |
| Inventories | 12 | **16,780** | 14,552 |
| Current receivables | | | |
| Tax receivables | | **275** | 303 |
| Interest-bearing receivables | 28 | **16,929** | 15,377 |
| Non-interest-bearing trade receivables [1] | 28 | **7,205** | 6,737 |
| Other current receivables [1] | 13, 28 | **3,717** | 3,502 |
| Total current receivables | | **28,126** | 25,919 |
| Current investments | 28 | **51** | 47 |
| Cash and cash equivalents | 28 | | |
| Current investments comprising cash and cash equivalents | | **7,161** | 7,301 |
| Cash and bank balances | | **3,754** | 2,261 |
| Total cash and cash equivalents | | **10,915** | 9,562 |
| Total current assets | | **55,872** | 50,080 |
| **Total assets** | | **133,037** | 118,889 |

| | 2014 | 2013 |
|---|---|---|
| 1 Including fair value of derivatives for hedging of borrowings: | | |
| Other non-current receivables, derivatives with positive value | **504** | 542 |
| Other current receivables, derivatives with positive value | **640** | 345 |
| Other non-current liabilities, derivatives with negative value | **706** | 228 |
| Other current liabilities, derivatives with negative value | **443** | 307 |
| Net amount | **–5** | 352 |

| 31 December, SEK m. | Note | 2014 | 2013 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | | **2,000** | 2,000 |
| Other contributed capital | | **1,120** | 1,120 |
| Reserves | | **–1,455** | –2,410 |
| Retained earnings | | **40,080** | 36,345 |
| Equity attributable to Scania shareholders | | **41,745** | 37,055 |
| Non-controlling interest | | **56** | 57 |
| Total equity | 14 | **41,801** | 37,112 |
| | | | |
| **Non-current liabilities** | | | |
| Non-current interest-bearing liabilities [2] | 28 | **26,503** | 30,174 |
| Provisions for pensions | 15 | **9,039** | 5,788 |
| Other non-current provisions | 16 | **3,079** | 2,750 |
| Accrued expenses and deferred income | 17 | **6,522** | 5,359 |
| Deferred tax liabilities | 7 | **7** | 432 |
| Other non-current liabilities [1] | 28 | **836** | 257 |
| Total non-current liabilities | | **45,986** | 44,760 |
| | | | |
| **Current liabilities** | | | |
| Current interest-bearing liabilities [1] | 28 | **20,238** | 14,483 |
| Current provisions | 16 | **1,896** | 1,841 |
| Accrued expenses and deferred income | 17 | **8,912** | 7,817 |
| Advance payments from customers | | **827** | 708 |
| Trade payables | 28 | **9,707** | 8,682 |
| Tax liabilities | | **573** | 518 |
| Other current liabilities [1] | 28 | **3,097** | 2,968 |
| Total current liabilities | | **45,250** | 37,017 |
| **Total equity and liabilities** | | **133,037** | 118,889 |
| | | | |
| Net debt, excluding provisions for pensions, SEK m. [1] | | **35,780** | 34,696 |
| Net debt/equity ratio | | **0.86** | 0.93 |
| Equity/assets ratio, % | | **31.4** | 31.2 |
| Capital employed, SEK m. | | **97,586** | 87,205 |

2 Due to amendments to IAS 32 Financial instruments: Presentation (see Accounting principles), the comparative figures have been adjusted.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In Note 14 there is a description of the consolidated equity items and information about the company's shares. The equity of the Scania Group has changed as follows:

| **2014** | **Share capital** | **Other contributed capital** | **Hedge reserve** | **Currency translation reserve** | **Retained earnings** | **Total, Scania shareholders** | **Non-controlling interest** | **Total equity** |
|---|---|---|---|---|---|---|---|---|
| Equity, 1 January | 2,000 | 1,120 | 0 | –2,410 | 36,345 | 37,055 | 57 | 37,112 |
| Exchange differences on translation | | | | 942 | | 942 | 9 | 951 |
| Hedge reserve | | | | | | | | |
| Change in value related to cash flow hedge recognised in other comprehensive income | | | –23 | | | –23 | | –23 |
| Cash flow reserve transferred to operating income | | | – | | | – | | – |
| Remeasurements of defined-benefit plans | | | | | –2,966 | –2,966 | | –2,966 |
| Tax attributable to items recognised in other comprehensive income | | | 5 | 31 | 682 | 718 | | 718 |
| **Total other comprehensive income** | | | **–18** | **973** | **–2,284** | **–1,329** | **9** | **–1,320** |
| Net income for the year | | | | | 6,019 | 6,019 | –10 | 6,009 |
| Dividend to Scania AB shareholders | | | | | | – | | – |
| **Equity, 31 December** | **2,000** | **1,120** | **–18** | **–1,437** | **40,080** | **41,745** | **56** | **41,801** |

| 2013 | Share capital | Other contributed capital | Hedge reserve | Currency translation reserve | Retained earnings | Total, Scania shareholders | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| Equity, 1 January | 2,000 | 1,120 | 0 | –1,498 | 33,320 | 34,942 | 62 | 35,004 |
| Exchange differences on translation | | | | –909 | | –909 | 2 | –907 |
| Hedge reserve | | | | | | | | |
| Change in value related to cash flow hedge recognised in other comprehensive income | | | – | | | – | | – |
| Cash flow reserve transferred to operating income | | | 0 | | | 0 | | 0 |
| Remeasurements of defined-benefit plans | | | | | 803 | 803 | | 803 |
| Tax attributable to items recognised in other comprehensive income | | | 0 | –3 | –179 | –182 | | –182 |
| Total other comprehensive income | – | – | 0 | –912 | 624 | –288 | 2 | –286 |
| Net income for the year | | | | | 6,201 | 6 ,201 | –7 | 6 ,194 |
| Dividend to Scania AB shareholders | | | | | –3 ,800 | –3,800 | | –3,800 |
| **Equity, 31 December** | **2,000** | **1,120** | **0** | **–2,410** | **36,345** | **37,055** | **57** | **37,112** |

# CONSOLIDATED CASH FLOW STATEMENTS

| January – December, SEK m. | Note | 2014 | 2013 |
|---|---|---|---|
| **Operating activities** | | | |
| Income before tax | 21 a | **8,322** | 8,408 |
| Items not affecting cash flow | 21 b | **3,684** | 3,236 |
| Taxes paid | | **–2,027** | –2,394 |
| **Cash flow from operating activities before change in working capital** | | **9,979** | 9,250 |
| **Change in working capital** | | | |
| Inventories | | **–1,401** | –959 |
| Receivables [1] | | **556** | –875 |
| Provisions for pensions | | **193** | –604 |
| Trade payables | | **825** | 1,163 |
| Other liabilities and provisions | | **1,215** | 1,888 |
| **Total change in working capital** | | **1,388** | 613 |
| **Cash flow from operating activities** | | **11,367** | 9,863 |
| **Investing activities** | | | |
| Net investments through acquisitions/divestments of businesses | 21 c | **–154** | –26 |
| Net investments in non-current assets, Vehicles and Services | 21 d | **–5,561** | –5,294 |
| Net investments in credit portfolio etc., Financial Services | 21 d | **–4,516** | –4,137 |
| **Cash flow from investing activities** | | **–10,231** | –9,457 |
| **Cash flow before financing activities** | | **1,136** | 406 |
| **Financing activities** | | | |
| Change in debt from financing activities [1] | 21 e | **53** | 1,505 |
| Dividend | | **–** | –3,800 |
| **Cash flow from financing activities** | | **53** | –2,295 |
| **Cash flow for the year** | | **1,189** | –1,889 |
| **Cash and cash equivalents, 1 January** | | **9,562** | 11,918 |
| **Exchange rate differences in cash and cash equivalents** | | **164** | –467 |
| **Cash and cash equivalents, 31 December** | 21 f | **10,915** | 9,562 |

| Cash flow statement, Vehicles and Services | 2014 | 2013 |
|---|---|---|
| Cash flow from operating activities before change in working capital | **9,008** | 8,449 |
| Change in working capital etc. [1] | **1,388** | 613 |
| **Cash flow from operating activities** | **10,396** | 9,062 |
| **Cash flow from investing activities** | **–5,706** | –5,320 |
| **Cash flow before financing activities** | **4,690** | 3,742 |

1 Due to amendments to IAS 32 Financial instruments: Presentation (see Accounting principles), the comparative figures have been adjusted.

## NOTE 1 Accounting principles

The Scania Group encompasses the Parent Company, Scania Aktiebolag (publ), Swedish corporate identity number 556184-8564 and its subsidiaries, associated companies and joint ventures. The Parent Company has its registered office in Södertälje, Sweden. The address of Scania's head office is SE-151 87 Södertälje, Sweden.

The consolidated accounts of the Scania Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as the interpretations by the IFRS Interpretations Committee (IFRIC) as adopted by the European Union. In addition, Recommendation RFR 1, "Supplementary Accounting Rules for Groups" from the Swedish Financial Reporting Board has been applied. The Parent Company applies the same accounting policies as the Group except in the instances described below in the section "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 mainly derivative instruments. Preparing the financial reports in compliance with IFRS requires that Management make judgements and estimates as well as make assumptions that affect the application of accounting principles and amounts recognised in the financial reports. The actual outcome may diverge from these estimates and judgements. Judgements made by Management that have a substantial impact on the financial reports, and estimates which have been made that may lead to significant adjustments, are described in more detail in Note 2, "Key judgements and estimates". Estimates and assumptions are reviewed regularly. Amendments of estimates are reported in the period in which the amendment was made if the amendment only affects this period, or in the period in which the amendment was made and future periods if the amendment affects both the current period and future periods. The principles stated below have been applied consistently for all periods, unless otherwise indicated below. Furthermore, the Group's accounting principles have been consistently applied by Group companies, in respect of associate companies and joint ventures, if necessary, by adjustment to the Group's principles.

### CHANGES IN ACCOUNTING PRINCIPLES

The changes in accounting principles applied by the Group from 1 January 2014 are described below. Other new and revised standards and interpretations which were adopted on 1 January 2014 have not had any material impact on Scania's financial statements.

IFRS 10, "Consolidated Financial Statements" – The standard replaces IAS 27 and SIC-12, "Consolidation – Special Purpose Entities" and contains a model for assessing whether or not control exists. An entity or investment should be included in the consolidated statements if control exists based on a control concept. The standard has not had any impact on Scania's financial statements.

IFRS 11, "Joint Arrangements" – The standard replaces IAS 31, "Interests in Joint Ventures". According to the standard, jointly controlled investments shall be divided into two categories, joint venture or joint operation. Different accounting rules shall be applied to the two categories. The standard has not had any material impact on Scania's financial statements.

IFRS 12, "Disclosure of Interests in Other Entities" contains new disclosure requirements for all types of interests in other entities irrespective of whether the interest is consolidated or not. The standard has resulted in limited additional disclosures.

Amendment to IAS 32, "Financial Instruments: Presentation". The amendment prescribes new rules for offsetting financial assets and liabilities. The amendment means in the annual accounts that "Current investments" on 31 December 2014 has been adjusted by SEK 1,048 m. (change in "Other non-current receivables" on 31 Dec 2013 SEK 824 m.) and "Interest-bearing liabilities" has been adjusted by SEK 1,048 m. (31 Dec 2013 SEK 824 m.).

Since Scania no longer has quoted shares, Scania has opted to no longer apply IFRS 8, "Operating Segments" and IAS 33 "Earnings per share".

### 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 control. Subsidiaries are reported according to the acquisition method of accounting. This method means that acquisition of a subsidiary is treated as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis establishes the fair value on the acquisition date of the acquired identifiable assets, liabilities assumed and contingent liabilities and any non-controlling interests. The consideration transferred on acquisition of a subsidiary consists of the fair values on the transfer date of assets given, liabilities that have arisen to previous owners and equity instruments issued as payment in exchange for the acquired net assets. Transaction costs directly attributable to the acquisition are recognised directly in the income statement as they arise.

Non-controlling interests are either recognised at their proportionate share of net assets or at their fair value, which means that non-controlling interests have a share in goodwill. The choice between the various alternatives may be made for each acquisition. In business combinations where the consideration transferred, any non-controlling interests and the fair value of previously owned shares (in step acquisitions) exceed the fair value of the acquired identifiable assets, liabilities and contingent liabilities assumed, the difference is recognised 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 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. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment loss. Non-controlling interests, that is, equity in a subsidiary not attributable to the Parent Company, are reported as an item under equity that is separate from share capital owned by the Parent Company's shareholders. A separate disclosure of the portion of the year's earnings that belongs to non-controlling interests is provided.

### Associated companies and joint ventures

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

### Foreign currencies – translation

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

When preparing the consolidated financial statements, the income statements and balance sheets of foreign subsidiaries are translated to the Group's reporting currency, Swedish kronor. All items in the income statements of foreign subsidiaries are translated using the average exchange rates during the year. All balance sheet items are translated using the exchange rates on the balance sheet date (closing day rate). The translation differences that arise when translating the financial statements of subsidiaries outside Sweden are recognised under "Other comprehensive income" and accumulate in the currency translation reserve in equity. Subsidiaries use the local currency as their functional currency, aside from a few subsidiaries for which the euro is the functional currency.

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

### Hyperinflationary economies – adjustment of financial reports

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

## BALANCE SHEET – CLASSIFICATIONS

Scania's operating cycle, that is, the time that elapses from the purchase of materials until payment for goods delivered is received, is less than twelve months. This means that operations-related items are classified as current assets and current liabilities, respectively, if these are expected to be realised/settled within twelve months, counting from the balance sheet date. Cash and cash equivalents are classified as current assets unless they are restricted. Other assets and liabilities are classified as non-current. For classification of financial instruments, see the section on financial assets and liabilities under "Recognition of financial assets and liabilities", page 61.

### Classification of financial and operating leases (Scania as lessor)

Lease contracts with customers are carried as financial leases in cases where substantially all risks and rewards associated with ownership of the asset have been transferred to the lessee. At the beginning of the leasing period, sales revenue and a financial

## NOTE 1 Accounting principles, continued

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

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

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

### Lease obligations (Scania as lessee)

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

## BALANCE SHEET – VALUATION PRINCIPLES

### Tangible non-current assets including lease assets

Tangible non-current assets are carried at cost minus accumulated depreciation and any impairment losses. A non-current asset is divided up into components, each with a different useful life (depreciation period). 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 is mainly recognised on a straight-line basis over the estimated useful life of an asset, and in those cases where a residual value exists, the asset is depreciated down to this value. Useful life and depreciation methods are examined regularly and adjusted in case of changed circumstances.

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

### Intangible non-current assets

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

#### Goodwill

Goodwill is carried at cost less any accumulated impairment losses. 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 concept phase and a product development phase. Expenditures during the concept phase are charged to earnings as they arise. Expenditures during the product 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 product development projects that have not yet gone into service, according to the principles stated below. The amortisation of capitalised development expenditures begins when the asset is placed in service and occurs on a straight-line basis during its estimated useful life. For capitalised product development expenditures, useful life is estimated at between three and ten years.

#### Capitalised software development expenditures

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

### Impairment testing of non-current assets

The carrying amounts of Scania's intangible and tangible assets as well as its shareholdings are tested on every closing day to assess whether there is indication of impairment. This includes intangible assets with an indeterminable useful life, which refer in their entirety to goodwill. The recoverable amount of goodwill and intangible assets that have not yet gone into service is calculated annually regardless of whether there is an indication of impairment loss or not.

If there is any indication that a non-current asset has an impairment loss, the recoverable amount of the asset is estimated. The recoverable amount of the asset is its fair value minus costs to sell or value in use, whichever is higher. Value in use is an estimate of future cash flows that is discounted by an interest rate that takes into account risk for that specific asset. If it is not possible to attribute essentially independent cash flows to an individual asset, during impairment testing assets shall be grouped at the lowest level where it is possible to identify essentially independent cash flows, a "cash-generating unit". In impairment testing, the carrying amount in the balance sheet is compared to the estimated recoverable amount.

In cases where the estimated recoverable amount of an asset or cash-generating unit is less than the carrying value, it is written down to the recoverable amount. An impairment loss is recognised in the income statement. When an impairment loss has been identified for a cash-generating unit, the amount of the impairment loss is first allocated to goodwill. A proportional impairment loss is subsequently recognised for other assets included in the unit.

## Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated by applying 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. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and of making a sale.

## Financial assets and liabilities

Financial instruments are any form of contract that gives rise to a financial asset in one company and a financial liability or equity instrument in another company. These encompass cash and cash equivalents, current (short-term) investments, interest-bearing receivables, trade receivables, trade payables, borrowings and derivative instruments. Cash and cash equivalents consist of cash and bank balances as well as current liquid investments with a maturity amounting to a maximum of 90 days, which are subject to an insignificant risk of fluctuations in value. "Current 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, including all of Scania's derivatives aside from those derivatives that are used as hedging instruments when hedge accounting is applied. The main purpose of Scania's derivative trading is to hedge the Group's currency and interest rate risks.
   ii) Financial assets and financial liabilities that were identified from the beginning as an item measured at fair value via profit or loss. Scania has no financial instruments classified in this sub-category.

b) Held-to-maturity investments
   This category includes financial assets with predetermined or determinable payments and predetermined maturity that Scania has the intention and ability to hold until maturity. Scania has no financial instruments classified in this category.

c) Loan receivables and trade receivables
   These assets have predetermined or determinable payments and are not quoted in an active market. Scania's cash and cash equivalents, trade receivables and loan receivables belong to this category.

d) Financial assets which are 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**

Non-derivative financial assets and liabilities are initially recognised at their cost, which is equivalent to their fair value at that time plus transaction costs, aside from those classified as financial assets recognised at fair value via profit or loss. The last-mentioned category is recognised at fair value, excluding transaction costs. Financial assets and liabilities in foreign currencies are translated to Swedish kronor at the closing day exchange rate.

Below are the main accounting principles that Scania applies to financial assets and financial liabilities. Exceptions from these principles apply to financial instruments included in hedging relationships. A more thorough description is provided for exceptions to the principles in the "Hedge accounting" section.

## NOTE 1 Accounting principles, continued

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 amortised cost. Interest income is recognised in net financial items. Scania has no financial instruments classified in this category.
c) Loan receivables and trade receivables are carried in the balance sheet at amortised cost minus potential bad debt losses. Provisions for probable bad debt losses/doubtful receivables are made following an individual assessment of each customer, based on the customer's payment capacity, expected future risk and the value of collateral received. In addition to the individual assessment, provisions are made for potential bad debt losses based on a collective assessment of the assets.
d) Financial assets available for sale are carried continuously at fair value, with changes in value recognised under "Other comprehensive income" and accumulated in the fair value reserve in equity. On the date that the assets are derecognised from the balance sheet, any previously recognised accumulated gain or loss in equity is transferred to the income statement. Scania has no financial instruments classified in this category.
e) Other financial liabilities are initially recognised at market value, which is equivalent to the amount received on that date less any transaction costs, and later at amortised cost. Premiums or discounts upon issuance of securities are accrued over the life of the loan by using the effective interest method and are recognised in net financial items.

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

### Hedge accounting

Scania is exposed to various financial risks in its operations. In order to hedge currency rate risks and interest rate risks, derivatives are mainly used. For accounting purposes, cash flow hedging is used for hedging of currency rate risks. Scania's external financing occurs mainly via different borrowing programmes. To convert this borrowing to the desired interest rate refixing structure, interest rate derivatives are used. To the extent that hedging of borrowings with variable interest rates is used, derivatives are recognised according to cash flow hedging rules. In those cases where hedging of borrowings with fixed interest rates is used, derivatives are recognised according to fair value hedging rules.

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

#### Cash flow hedging

Hedging instruments, primarily currency futures that were acquired for the purpose of hedging expected future commercial payment flows in foreign currencies (hedged items) against currency rate risks are recognised according to cash flow hedging rules. This implies that all derivatives are accounted for in the balance sheet at fair value, and changes in the value of futures contracts are recognised under "Other comprehensive income" and accumulate in a hedge reserve in equity. Amounts that have been recognised in the hedge reserve in equity are recognised in the income statement at the same time as the payment flows reach the income statement.

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

#### Fair value hedging

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

### Hedging of net investments outside Sweden

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

## Provisions

Provisions are reported if an obligation, legal or informal, exists as a consequence of events that occur. It must also be deemed likely that an outflow of resources will be required to settle the obligation and that the amount can be reliably estimated. Provisions for warranties for vehicles sold during the year are based on warranty conditions and the estimated quality situation. Provisions on service contracts are related to expected future expenses that exceed contractual future revenue. Provisions for residual value obligations arise as a consequence either of an operating lease (Scania as lessor) or a delivery with a repurchase obligation. The provision must cover the current assessment that expected future market value will be below the price agreed in the lease contract or repurchase contract. In this case, a provision for the difference between these amounts is to be reported, to the extent that this difference is not less than an as yet unrecognised deferred profit. 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 15, "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. Income taxes are recognised in the income statement except when the underlying transaction is recognised in other comprehensive income, such as remeasurements of defined-benefit plans, or in equity, causing the related tax effect to be recognised in other comprehensive income or in equity, respectively. Deferred tax is recognised in case of a difference between the carrying amount of assets and liabilities and their fiscal value ("temporary difference"). Valuation of deferred tax is based on how the underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted on the balance sheet date. Deferred tax assets minus deferred tax liabilities are recognised only to the extent that it is likely that they can be utilised.

## 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 and are based on actuarial assumptions that are set on the closing day. The obligations are carried at the present value of expected disbursements, taking into account inflation, expected future pay increases and using a discount rate equivalent to the interest rate on top-rated corporate or government bonds with a remaining maturity corresponding to the obligations in question.

The interest rate on top-quality corporate bonds is used in those countries where there is a functioning market for such bonds. In other countries, the interest rate on government bonds is used instead. For plans that are funded, the fair value of the plan assets is subtracted from the estimated present value of the obligation. Remeasurements of net pension liabilities, which include actuarial gains and losses, return on plan assets excluding amounts that are part of net interest income on net defined benefit liability and each change in the effect of the asset ceiling excluding amounts that are part of net interest income on net defined benefit liability, are recognised in "Other comprehensive income" and do not affect net income. Remeasurements are not reclassified to net income in subsequent periods.

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. For Scania, this applies to the Dutch pension funds Pensioenfonds Metaal en Techniek and Bedrijfstakpensioenfonds Metal Elektro, which are administered via MN Services, 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 PRI Pensionsgaranti, which also administers the plan. See also Note 15, "Provisions for pensions and similar commitments". Scania follows the rules in IAS 19 concerning limits in the valuation of net assets, the so-called asset ceiling since these are never valued at more than the present value of available economic benefits in the form of repayments from the plan or in the form of reductions in future fees to the plan. This value is determined as present value taking into account the discount rate in effect.

## NOTE 1 Accounting principles, continued

## INCOME STATEMENT – CLASSIFICATIONS

### Research and development expenses

This item consists of the research and development expenses that arise during the research phase and the portion of the development phase that does not fulfil the requirements for capitalisation, plus amortisation and any impairment loss during the period of previously capitalised development expenditures. See Note 9, "Intangible non-current assets".

### Selling expenses

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

### Administrative expenses

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

### Financial income and expenses

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

## INCOME STATEMENT – VALUATION PRINCIPLES

### Revenue recognition

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

### Net sales – Vehicles and Services

**Sales**

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

**Leases**

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

**Service-related products**

Income for service and repairs is recognised as income when the service is performed. For service and repair contracts, income is allocated over the life of the contracts, as expenses for the fulfilment of the contract arise.

### Financial Services

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

## MISCELLANEOUS

### Related party transactions

Related party transactions occur on market terms. "Related parties" refer to the companies in which Scania can exercise a controlling or significant influence in terms of the operating and financial decisions that are made. The circle of related parties also includes those companies and physical persons that are able to exercise a controlling or significant influence over the financial and operating decisions of the Scania Group.

Related party transactions also include defined benefit and defined contribution pension plans.

### Government grants including EU grants

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

### Contingent liabilities

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

### 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 25, “Compensation to executive officers”). As a result, the rules according to IFRS 2, “Share-based payments”, are not applicable.

## CHANGES IN ACCOUNTING PRINCIPLES DURING THE NEXT YEAR

New standards, amended standards and interpretations that enter into force on 1 January 2015 and subsequently have not been applied in advance. The following new and amended standards have not yet begun to be applied.

IFRS 9, “Financial Instruments” – This standard will replace IAS 39, “Financial Instruments: Recognition and Measurement”. It contains rules for classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting. Today’s four classification categories for assets are replaced by three – financial instruments measured at amortised cost, fair value through profit and loss and fair value through other comprehensive income. Fair value changes due to own credit on liabilities should be recognised in other comprehensive income for the fair value option category. Expected losses should also be considered in the impairment model. Hedge accounting is based more on the internal risk management so that the entity’s risk management is reflected in the financial statements. So-called macro hedges have been moved to a separate project and entities can opt to continue to apply hedge accounting under IAS 39 pending the completion of the project. The standard enters into force on 1 January 2018. Early adoption is permitted when endorsed by the EU. Approval by the EU is expected during the second half of 2015.

IFRS 15, “Revenue from Contracts with Customers” replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. It will be applied to all contracts with customers, with certain exceptions. The standard describes the principles that an entity must apply in order to measure and recognise revenue. The core principle is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard enters into force on 1 January 2017. Approval by the EU is expected during the second quarter of 2015. The standard is not expected to have any material impact on Scania’s financial reports, aside from increased disclosure requirements.

Other changes in standards and interpretations that enter into force on 1 January 2015 or subsequently are not expected to have any material impact on Scania’s accounting.

## PARENT COMPANY

### Parent Company accounting principles

The Parent Company has prepared its Annual Report in compliance with Sweden’s Annual Accounts Act and Recommendation RFR 2, “Accounting for Legal Entities” of the Swedish Financial Reporting Board. RFR 2 implies that the Parent Company in the Annual Report of a legal entity shall apply all International Financial Reporting Standards and interpretations approved by the EU as far as this is possible within the framework of the Annual Accounts Act, and taking into account the connection between reporting and taxation. The recommendation states what exceptions from IFRS and additions shall or may be made.

The Parent Company does not apply IAS 39, “Financial instruments”, but instead applies a cost-based method in accordance with the Annual Accounts Act.

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

### Subsidiaries

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

### Anticipated dividends

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

### Taxes

The Parent Company financial statements recognise untaxed reserves including deferred tax liability. The consolidated financial statements, however, reclassify untaxed reserves to deferred tax liability and equity. Correspondingly, no allocation of part of the appropriations is made to deferred tax expense in the Parent Company’s income statement.

### Group contributions

The Parent Company recognises Group contributions received and provided as appropriations in the income statement.

## NOTE 2 Key judgements and estimates

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

### Obligations

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

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

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

At the end of 2014, obligations related to residual value or repurchase amounted to SEK 11,666 m. (9,873).

### Credit risks

In its Financial Services operations, Scania has an exposure in the form of contractual payments. At the end of 2014, these amounted to SEK 55,556 m. (48,863). 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, and the customer has a problem completing its contractual payments, Scania has a risk of loss. On 31 December 2014, the reserve for doubtful receivables in Financial Services operations amounted to SEK 869 m. (805). See also "Credit risk" under Note 27, "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 2 percent (2 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 capital, currently 11 percent (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 2014, Scania's goodwill amounted to SEK 1,148 m. (1,086). The impairment tests that were carried out showed that there are ample margins before impairment losses will arise.

Scania's development costs are capitalised in the phase of product development where decisions are made on future production and market introduction. At that time there is future predicted revenue and a corresponding production cost. In case future volume or the price and cost trend diverges negatively from the preliminary calculation, an impairment loss may arise. Scania's capitalised development costs amounted to SEK 3,851 m. (2,753) on 31 December 2014.

### 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 one is related to the discount rate on the obligations. 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 used was 2.50 percent (4.00). Changes in the above-mentioned actuarial parameters are recognised in "Other comprehensive income", net after taxes.

## Product obligations

Scania's product obligations are mainly related to vehicle warranties in the form of a one-year "factory warranty" plus extended warranties and, in some cases, special quality campaigns. For each vehicle sold, Scania makes a warranty provision. For extended warranties and campaigns, a provision is made at the time of the decision. Provisions are dependent on the estimated quality situation and the degree of utilisation in the case of campaigns. An essential change in the quality situation may require an adjustment in earlier provisions. Scania's product obligations can be seen in Note 16, "Other provisions" and amounted to SEK 1,572 m. (1,473) on 31 December 2014.

## Legal and tax risks

On 31 December 2014, provisions for legal and tax risks amounted to SEK 1,377 m. (1,337). See Note 16, "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 provisions that have been set aside.

In 2011, Scania became the subject of an investigation conducted by the European Commission concerning inappropriate cooperation. Scania received a statement of objections in the investigation in November 2014, which Scania can now reply to before the EU Commission reaches its decision. Scania's view is that if the Commission would pursue a claim in accordance with the allegations stated in its statement of objections it is more likely than not that the Commission will not ultimately be successful. In addition, given the ongoing nature of the investigation and the uncertainties associated with them, Scania is not yet able to predict or estimate the duration of the investigation, what, if any, conduct regulatory authority may pursue, what the regulatory authority may conclude, or what sanctions the regulatory authority will seek. As a result, Scania remains unable to estimate the impact the investigation will have. Having said that, it cannot be ruled out that the Commission will impose fines on Scania.

## Tax risks

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

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

## NOTE 3 Revenue from external customers

| Vehicles and Services | 2014 | 2013 |
|---|---|---|
| Trucks | **59,587** | 57,502 |
| Buses | **7,412** | 6,610 |
| Engines | **1,495** | 1,140 |
| Service | **18,828** | 17,510 |
| Used vehicles | **5,173** | 4,912 |
| Other products | **2,790** | 2,319 |
| Total delivery value | **95,285** | 89,993 |
| Adjustment for lease income [1] | **–3,234** | –3,146 |
| Net sales, Vehicles and Services | **92,051** | 86,847 |
| Financial Services | **5,029** | 4,494 |
| Eliminations [2] | **–2,200** | –1,812 |
| Revenue from external customers | **94,880** | 89,529 |

1 Refers mainly to new trucks, SEK –2,878 m. (–2,769) and new buses, SEK –242 m. (–74). The adjustment amount consists of the difference between sales value based on delivery and revenue recognised as income. This difference arises when a lease or delivery is combined with a residual value guarantee or a repurchase obligation. Significant risks remain, therefore recognition is based on an operating lease contract. This means that recognition of revenue and earnings is allocated based on the term of the obligation.

2 Elimination of the amount that corresponds to depreciation/amortisation of operating leases in the Financial Services segment. At Group level, the revenue from operating leases shall consist of accrued income in the Vehicles and Services segment and interest income in the Financial Services segment, which is achieved by elimination of depreciation/amortisation.

| Geographical distribution | 2014 | 2013 |
|---|---|---|
| **Vehicles and Services** | | |
| Europe | **49,993** | 43,631 |
| Eurasia | **5,321** | 6,052 |
| Asia | **12,121** | 7,760 |
| America | **17,648** | 23,551 |
| Africa | **6,968** | 5,853 |
| | **92,051** | 86,847 |
| **Financial Services** | | |
| Europe | **3,855** | 3,367 |
| Eurasia | **298** | 308 |
| Asia | **138** | 143 |
| America | **521** | 460 |
| Africa | **217** | 216 |
| | **5,029** | 4,494 |

## NOTE 4 Operating expenses

| Vehicles and Services | 2014 | 2013 |
|---|---|---|
| **Cost of goods sold** | | |
| Cost of goods | **45,481** | 41,756 |
| Staff | **12,908** | 12,460 |
| Depreciation/amortisation [1] | **2,201** | 2,070 |
| Other | **9,312** | 9,017 |
| **Total** | **69,902** | 65,303 |

1 Of which an impairment loss of SEK 19 m. (–).

| Research and development expenses | | |
|---|---|---|
| Staff | **1,922** | 1,820 |
| Depreciation/amortisation | **632** | 559 |
| Other | **2,750** | 2,645 |
| **Total** | **5,304** | 5,024 |

| Selling expenses | | |
|---|---|---|
| Staff | **4,502** | 4,097 |
| Depreciation/amortisation [1] | **267** | 275 |
| Other | **3,265** | 3,368 |
| **Total** | **8,034** | 7,740 |

1 Of which an impairment loss of SEK 1 m. (18).

| Administrative expenses | | |
|---|---|---|
| Staff | **595** | 560 |
| Depreciation/amortisation | **7** | 7 |
| Other | **536** | 498 |
| **Total** | **1,138** | 1,065 |

| Financial Services | 2014 | 2013 |
|---|---|---|
| **Selling and administrative expenses** | | |
| Staff | **509** | 467 |
| Depreciation/amortisation | **18** | 18 |
| Other | **228** | 201 |
| **Total** | **755** | 686 |

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

## NOTE 5 Financial Services

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

| | **2014** | 2013 |
|---|---|---|
| Interest income | **2,362** | 2,274 |
| Lease income | **2,667** | 2,220 |
| Depreciation | **–2,200** | –1,812 |
| Interest expenses | **–1,014** | –1,108 |
| Net interest income | **1,815** | 1,574 |
| Other income and expenses | **123** | 111 |
| Gross income | **1,938** | 1,685 |
| Selling and administrative expenses | **–755** | –686 |
| Bad debt expenses [1] | **–167** | –280 |
| **Operating income** | **1,016** | 719 |

1 These expenses were equivalent to 0.32 (0.60) percent of the average credit portfolio.

| **Lease assets** (operating leases) | **2014** | 2013 |
|---|---|---|
| 1 January | **9,505** | 8,135 |
| New contracts | **5,156** | 4,452 |
| Depreciation | **–2,200** | –1,812 |
| Terminated contracts | **–1,685** | –1,466 |
| Change in value adjustments | **27** | 13 |
| Exchange rate differences | **810** | 183 |
| **Carrying amount, 31 December** [2] | **11,613** | 9,505 |

2 The consolidated balance sheet also includes elimination of deferred profit of SEK 1,771 m. (1,564).

| **Financial receivables** (hire purchase contracts and financial leases) | **2014** | 2013 |
|---|---|---|
| 1 January | **39,358** | 36,902 |
| New receivables | **22,307** | 19,163 |
| Loan principal payments/ terminated contracts | **–19,261** | –16,201 |
| Divestment of subsidiaries | **–578** | – |
| Change in value adjustments | **–90** | –56 |
| Exchange rate differences | **2,207** | –450 |
| **Carrying amount, 31 December** | **43,943** | 39,358 |
| | | |
| **Total receivables and lease assets** [3] | **55,556** | 48,863 |

3 The number of contracts in the portfolio on 31 December totalled about 113,000 (107,000).

| **Net investments in financial leases** | **2014** | 2013 |
|---|---|---|
| Receivables related to future minimum lease payments | **25,225** | 22,738 |
| Less: | | |
| Reserve for bad debts | **–575** | –560 |
| Imputed interest | **–2,032** | –1,931 |
| **Net investment** [4] | **22,618** | 20,247 |

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

| **Future minimum lease payments** [5] | **Operating leases** | **Financial leases** | ***Of which interest*** |
|---|---|---|---|
| 2015 | **2,427** | **9,361** | *985* |
| 2016 | **1,788** | **6,909** | *581* |
| 2017 | **1,151** | **4,732** | *289* |
| 2018 | **544** | **2,633** | *118* |
| 2019 | **189** | **1,136** | *38* |
| 2020 and later | **76** | **454** | *21* |
| **Total** | **6,175** | **25,225** | ***2,032*** |

5 "Minimum lease payments" refers to the future flows of incoming payments related 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 6 Financial income and expenses

| | 2014 | 2013 |
|---|---|---|
| **Interest income** | | |
| Bank balances and financial investments | **309** | 438 |
| Derivatives [1, 4] | **265** | 389 |
| Pension assets | **4** | 2 |
| **Total interest income** | **578** | 829 |
| | | |
| **Interest expenses** | | |
| Borrowings | **–681** | –675 |
| Derivatives [1, 4] | **–454** | -608 |
| Total borrowings and derivatives | **–1,135** | –1,283 |
| Less interest expenses recognised in Financial Services [2] | **585** | 617 |
| Pension liability | **–251** | –226 |
| **Total interest expenses** | **–801** | –892 |
| **Total net interest** | **–223** | –63 |
| Other financial income [3] | **–120** | 187 |
| Other financial expenses [3] | **–296** | –171 |
| **Total other financial income and expenses** | **–176** | 16 |
| **Net financial items** | **–399** | –47 |

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

2 Recognised in the operating income of Financial Services.

3 Refers to SEK 35 m. (72) in market valuation of financial instruments for which hedge accounting is not applied, as well as exchange rate differences and unrealised/realised gains of SEK 3,543 m. (2,481) and unrealised/realised losses of SEK 3,530 m. (2,478) attributable to foreign exchange derivatives and bank-related costs.

4 The comparative figures have been adjusted due to gross accounting of cross-currency swaps.

## NOTE 7 Taxes

| Tax expense/income for the year | 2014 | 2013 |
|---|---|---|
| Current tax [1] | **–2,153** | –2,553 |
| Deferred tax | **–160** | 339 |
| **Total** | **–2,313** | –2,214 |
| | | |
| 1 Of which, taxes paid: | **–2,027** | –2,394 |

| Deferred tax is attributable to the following: | 2014 | 2013 |
|---|---|---|
| Deferred tax related to temporary differences | **47** | 12 |
| Deferred tax due to changes in tax rates and tax rules [2] | **–9** | 17 |
| Deferred tax income due to tax value of loss carry-forwards recognised during the year | **61** | 71 |
| Deferred tax expense due to utilisation of previously recognised tax value of tax loss carry-forwards | **–276** | –49 |
| Deferred tax related to change in provision to tax allocation reserve | **0** | 299 |
| Other deferred tax liabilities/assets | **17** | –11 |
| **Total** | **–160** | 339 |

2 The effect of changes in tax rates mainly refers to Chile, Denmark and Norway (during 2014) and Great Britain (during 2013).

| | 2014 | | 2013 | |
|---|---|---|---|---|
| **Reconciliation of effective tax** | **Amount** | **%** | Amount | % |
| Income before tax | **8,322** | | 8,408 | |
| Tax calculated using Swedish tax rate | **–1,831** | **22.0** | –1,850 | 22.0 |
| | | | | |
| Tax effect and percentage influence: | | | | |
| Difference between Swedish and foreign tax rates | **–410** | **5** | –734 | 9 |
| Tax-exempt income | **112** | **–1** | 50 | –1 |
| Non-deductible expenses | **–132** | **2** | –127 | 2 |
| Utilisation of tax value of loss carry-forwards not previously recognised | **160** | **–2** | 194 | –2 |
| Valuation of tax value of loss carry-forwards not previously recognised | **3** | **0** | 3 | 0 |
| Adjustment for taxes pertaining to previous years | **–12** | **0** | 225 | –3 |
| Changed tax rates | **–14** | **0** | 14 | 0 |
| Other | **–189** | **2** | 11 | 0 |
| **Tax recognised** | **– 2,313** | **28** | –2,214 | 26 |

## NOTE 7 Taxes, continued

| Deferred tax assets and liabilities are attributable to the following: | 2014 | 2013 |
|---|---|---|
| **Deferred tax assets** | | |
| Provisions | **966** | 875 |
| Provisions for pensions | **1,703** | 967 |
| Non-current assets | **885** | 956 |
| Inventories | **585** | 514 |
| Unutilised tax loss carry-forwards [3] | **411** | 579 |
| Other current liabilities | **1,521** | 1,261 |
| Derivatives | **252** | 195 |
| Other | **387** | 337 |
| Offset within tax jurisdictions | **–5,130** | –4,189 |
| **Total deferred tax assets [4]** | **1,580** | 1,495 |
| | | |
| **Deferred tax liabilities** | | |
| Provisions | **205** | 268 |
| Non-current assets | **4,605** | 4,166 |
| Tax allocation reserve [5] | **22** | 22 |
| Derivatives | **253** | 118 |
| Other | **52** | 47 |
| Offset within tax jurisdictions | **–5,130** | –4,189 |
| **Total deferred tax liabilities** | **7** | 432 |
| | | |
| **Deferred tax assets (–) / tax liabilities (+), net amount** | **–1,573** | –1,063 |

3 Of the deferred tax assets attributable to unutilised tax loss carry-forwards, SEK 236 m. may be utilised without time constraints.

4 Deferred tax assets related to tax loss carry-forwards are recognised to the extent that it is likely that the loss carry-forwards can be utilised to offset profits in future tax returns. Deferred tax assets related to unutilised tax loss carry-forwards of SEK 12,513 m. (12,447) were not assigned a value. Most of these were not assigned a value because these tax loss carry-forwards may only be utilised in relation to a limited portion of operations. Tax loss carry-forward not assigned a value may be utilised without time constraints.

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

| Reconciliation of deferred tax assets (–) / liabilities (+), net amount | 2014 | 2013 |
|---|---|---|
| Carrying value on 1 January | **–1,063** | –989 |
| Deferred taxes recognised in the year's income | **160** | –339 |
| Exchange rate differences | **4** | 78 |
| Acquired/divisted businesses | **13** | 5 |
| Recognised in "Other comprehensive income", changes attributable to: | | |
| remeasurements of defined-benefit plans | **–682** | 179 |
| currency translation reserve | **–** | 3 |
| hedge reserve | **–5** | 0 |
| **Deferred tax assets (–)/ tax liabilities (+), net amount** | **–1,573** | –1,063 |

## NOTE 8 Depreciation/amortisation

| Vehicles and Services | 2014 | 2013 |
|---|---|---|
| **Intangible non-current assets** | | |
| Research and development expenses | **357** | 293 |
| Selling expenses | **78** | 70 |
| **Total** | **435** | 363 |
| | | |
| **Tangible non-current assets** | | |
| Costs of goods sold [1] | **2,201** | 2,070 |
| Research and development expenses | **275** | 266 |
| Selling expenses | **189** | 205 |
| Administrative expenses | **7** | 7 |
| **Total** | **2,672** | 2,548 |
| | | |
| **Total depreciation/amortisation, Vehicles and Services [2]** | **3,107** | 2,911 |

1 Of which, a value decrease of SEK 282 m. (271) related to short-term rentals in Vehicles and Services. In addition, there was a value decrease of SEK 1,086 m. (869) in capitalised repurchasing obligations.

2 Of which SEK 19 m. (19) is an impairment loss.

| Financial Services | 2014 | 2013 |
|---|---|---|
| Operating leases (payments of principal) | **2,200** | 1,812 |
| Other non-current assets [1] | **18** | 18 |
| **Total depreciation/amortisation, Financial Services** | **2,218** | 1,830 |

In the Group accounts, depreciation/amortisation was adjusted downward by SEK 611 m. (545) to its consolidated value. In Note 10, depreciation/amortisation related to short-term rentals, capitalised repurchasing obligations and operating leases under the heading "Lease assets" thus amounted to SEK 2,956 m. (2,408).

[1] Of which SEK 6 m. (7) are intangible assets.

## NOTE 9 Intangible assets

| 2014 | Goodwill | Development | Other intangibles[1] | Total |
|---|---|---|---|---|
| **Accumulated cost** | | | | |
| 1 January | 1,111 | 5,488 | 699 | **7,298** |
| Acquisitions/Divestment of subsidiaries | 3 | – | 25 | **28** |
| Additions | – | 1,454 | 86 | **1,540** |
| Divestments and disposals | –2 | – | –3 | **–5** |
| Reclassifications | – | 1 | 18 | **19** |
| Exchange rate differences | 61 | – | 26 | **87** |
| **Total** | **1,173** | **6,943** | **851** | **8,967** |
| **Accumulated amortisation and impairment losses** | | | | |
| 1 January | 25 | 2,735 | 492 | **3,252** |
| Amortisation for the year | | | | |
| – Vehicles and Services | – | 357 | 77 | **434** |
| – Financial Services | – | – | 6 | **6** |
| Impairment loss of the year | 1 | – | – | **1** |
| Divestments and disposals | –2 | – | –3 | **–5** |
| Exchange rate differences | 1 | – | 19 | **20** |
| **Total** | **25** | **3,092** | **591** | **3,708** |
| | | | | |
| **Carrying amount, 31 December** | **1,148** | **3,851** | **260** | **5,259** |
| – of which capitalised expenditures for projects that have been placed in service | | 1,333 | | |
| – of which capitalised expenditures for projects under development | | 2,518 | | |

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

| Group borrowing expenditures | |
|---|---|
| Borrowing expenditures included in cost of the item “Development during the year” | **10** |
| Interest rate for determination of borrowing expenditures included in cost | **1.3%** |

## NOTE 9 Intangible assets, continued

| 2013 | Goodwill | Development | Other intangibles[1] | Total |
|---|---|---|---|---|
| **Accumulated cost** | | | | |
| 1 January | 1,097 | 4,365 | 588 | **6,050** |
| Acquisitions/Divestment of subsidiaries | 17 | – | – | **17** |
| Additions | – | 1,123 | 110 | **1,233** |
| Divestments and disposals | – | – | –10 | **–10** |
| Reclassifications | – | – | 21 | **21** |
| Exchange rate differences | –3 | – | –10 | **–13** |
| **Total** | **1,111** | **5,488** | **699** | **7,298** |
| **Accumulated amortisation and impairment losses** | | | | |
| 1 January | 15 | 2,442 | 443 | **2,900** |
| Amortisation for the year | | | | |
| – Vehicles and Services | – | 293 | 60 | **353** |
| – Financial Services | – | – | 7 | **7** |
| Impairment loss of the year | 10 | – | – | **10** |
| Divestments and disposals | – | – | –10 | **–10** |
| Exchange rate differences | – | – | –8 | **–8** |
| **Total** | **25** | **2,735** | **492** | **3,252** |
| | | | | |
| **Carrying amount, 31 December** | **1,086** | **2,753** | **207** | **4,046** |
| – of which capitalised expenditures for projects that have been placed in service | | 1,494 | | |
| – of which capitalised expenditures for projects under development | | 1,259 | | |

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

| Group borrowing expenditures | |
|---|---|
| Borrowing expenditures included in cost of the item “Development during the year” | 7 |
| Interest rate for determination of borrowing expenditures included in cost | 1.3% |

Scania tests the value of goodwill and other intangible assets at least yearly. Impairment testing is carried out for cash-generating units, which usually correspond to a reporting unit. Goodwill has been allocated among a number of cash-generating units, and the amount allocated to each unit is not significant compared to the Group’s total carrying amount for goodwill. Goodwill that has been allocated to cash-generating units coincides with the total carrying value of goodwill. The assumptions used in estimating recoverable amounts are disclosed in Note 2, “Key judgements and estimates”.

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

## NOTE 10 Tangible assets

| 2014 | Buildings and land | Machinery and equipment | Construction in progress and advance payments | Lease assets [1] | Total |
|---|---|---|---|---|---|
| **Accumulated cost** | | | | | |
| 1 January | 18,204 | 29,746 | 2,501 | 18,977 | **69,428** |
| Acquisitions/divestments of subsidiaries | –126 | –7 | – | – | **–133** |
| Additions | 200 | 813 | 2,868 | 7,678 | **11,559** |
| Divestments and disposals | –83 | –942 | –13 | –4,437 | **–5,475** |
| Reclassifications | 526 | 1,544 | –2,108 | –1,317 | **–1,355** |
| Exchange rate differences | 592 | 385 | 2 | 1,811 | **2,790** |
| **Total** | **19,313** | **31,539** | **3,250** | **22,712** | **76,814** |
| **Accumulated depreciation and impairment losses [2]** | | | | | |
| 1 January | 7,264 | 21,509 | – | 4,367 | **33,140** |
| Acquisitions/divestments of subsidiaries | –69 | –18 | – | – | **–87** |
| Depreciation for the year | | | | | |
| – Vehicles and Services | 425 | 1,947 | – | 1,367 | **3,739** |
| – Financial Services | – | 12 | – | 2,200 | **2,212** |
| – Elimination | – | – | – | –611 | **–611** |
| Impairment loss for the year | 10 | 9 | – | –27 | **–8** |
| Divestments and disposals | –28 | –780 | – | –2,096 | **–2,904** |
| Reclassifications | 4 | – | – | –471 | **–467** |
| Exchange rate differences | 205 | 290 | – | 494 | **989** |
| **Total** | **7,811** | **22,969** | – | **5,223** | **36,003** |
| **Carrying amount, 31 December** | **11,502** | **8,570** | **3,250** | **17,489** | **40,811** |
| – of which "Machinery" | | 2,355 | | | |
| – of which "Equipment" | | 6,215 | | | |
| – of which "Buildings" | 8,505 | | | | |
| – of which "Land" | 2,997 | | | | |
| – of which Financial Services | | 31 | | 11,613 | 11,644 |

1 Including assets for short-term rentals, operating leases as well as assets capitalised due to repurchase obligations.

2 Impairment losses on lease assets refer to value adjustment for credit losses.

## NOTE 10 Tangible assets, continued

| 2013 | Buildings and land | Machinery and equipment | Construction in progress and advance payments | Lease assets [1] | Total |
|---|---|---|---|---|---|
| **Accumulated cost** | | | | | |
| 1 January | 17,322 | 28,667 | 2,288 | 16,533 | **64,810** |
| Acquisitions/divestments of subsidiaries | – | 4 | – | – | **4** |
| Additions | 636 | 778 | 2,457 | 6,604 | **10,475** |
| Divestments and disposals | –200 | –694 | –5 | –3,647 | **–4,546** |
| Reclassifications | 519 | 1,650 | –2,190 | –854 | **–875** |
| Exchange rate differences | –73 | –659 | –49 | 341 | **–440** |
| **Total** | **18,204** | **29,746** | **2,501** | **18,977** | **69,428** |
| **Accumulated depreciation and impairment losses [2]** | | | | | |
| 1 January | 6,944 | 20,696 | – | 3,872 | **31,457** |
| Acquisitions/divestments of subsidiaries | – | – | – | – | **–** |
| Depreciation for the year | | | | | |
| – Vehicles and Services | 409 | 1,859 | – | 1,141 | **3,409** |
| – Financial Services | – | 11 | – | 1,812 | **1,823** |
| – Elimination | – | – | – | –545 | **–545** |
| Impairment loss for the year | 8 | – | | –13 | **–5** |
| Divestments and disposals | –88 | –538 | – | –1,745 | **–2,371** |
| Reclassifications | 5 | –6 | – | –247 | **–248** |
| Exchange rate differences | –23 | –513 | – | 92 | **–444** |
| **Total** | **7,264** | **21,509** | **–** | **4,367** | **33,140** |
| **Carrying amount, 31 December** | **10,940** | **8,237** | **2,501** | **14,610** | **36,288** |
| – of which "Machinery" | | 5,890 | | | |
| – of which "Equipment" | | 2,347 | | | |
| – of which "Buildings" | 8,095 | | | | |
| – of which "Land" | 2,845 | | | | |
| – of which Financial Services | | 29 | | 9,505 | 9,534 |

1 Including assets for short-term rentals, operating leases as well as assets capitalised due to repurchase obligations.

2 Impairment losses on lease assets refer to value adjustment for credit losses.

## NOTE 11 Holdings in associated companies and joint ventures

| | 2014 | 2013 |
|---|---|---|
| **Carrying amount, 1 January** | **470** | 474 |
| Acquisitions, capital contributions, divestments and impairment losses during the year [1] | **14** | –20 |
| Exchange rate differences | **76** | 1 |
| Share in income for the year | **32** | 21 |
| Dividends | **–77** | –6 |
| **Carrying amount, 31 December** | **515** | 470 |
| Contingent liabilities | **–** | – |

1 SEK 11 m. refers to increased shareholding in Laxå Special Vehicles AB in 2014.

| Associated companies / Corporate ID number / Country of registration | Ownership, % | Carrying amount in Parent Company financial statements | Value of Scania's share in consolidated financial statements | |
|---|---|---|---|---|
| | | | **2014** | 2013 |
| BITS DATA i Södertälje AB, 556121-2613, Sweden | 33 | 2 | **9** | 8 |
| Cummins-Scania HPI L.L.C; 043650113, USA | 30 | – | **8** | 7 |
| Laxå Special Vehicles AB, 556548-4705, Sweden | 48 | 24 | **41** | 23 |
| ScaValencia S.A., ES A46332995, Spain | 26 | 15 | **25** | 24 |
| **Holdings in associated companies** | | 41 | **83** | 62 |
| **Share of:** | | | | |
| Net income | | | **12** | 8 |
| Total comprehensive income | | | **12** | 8 |

| Joint ventures / Corporate ID number / Country of registration | Ownership, % | Carrying amount in Parent Company financial statements | Value of Scania's share in consolidated financial statements | |
|---|---|---|---|---|
| | | | **2014** | 2013 |
| Cummins-Scania XPI Manufacturing L.L.C.; 20-3394999, USA | 50 | 361 | **423** | 400 |
| Oppland Tungbilservice AS, 982787602, Norway | 50 | 1 | **5** | 4 |
| Tynset Diesel AS, 982787508, Norway | 50 | 1 | **4** | 4 |
| **Holdings in joint ventures** | | 363 | **432** | 408 |
| **Share of:** | | | | |
| Net income | | | **20** | 13 |
| Total comprehensive income | | | **20** | 13 |
| **Holdings in associated companies and joint ventures** | | | **515** | 470 |
| Other shares and participations | | | **20** | 20 |
| **Total** | | | **535** | 490 |

## NOTE 11 Holdings in associated companies and joint ventures, continued

Summarised financial information regarding Scania's holdings in the joint venture Cummins-Scania XPI Manufacturing L.L.C. is set out below:

| Summarised income statement | 2014 | 2013 |
|---|---|---|
| Net sales | 1,693 | 1,216 |
| Operating income [1] | 60 | 35 |
| Interest expense and Other financial expenses | –6 | –2 |
| Taxes | –16 | –10 |
| **Net income for the year** | 38 | 23 |
| **Other comprehensive income for the year** | – | – |
| **Total comprehensive income for the year** | 38 | 23 |
| Scania Group's share (50%) | 19 | 11 |

1 Depreciation amounting to SEK 106 m. (78) is included in Operating income.

| Summarised balance sheet | 2014 | 2013 |
|---|---|---|
| Non-current assets | 621 | 626 |
| Cash and cash equivalents | 245 | 104 |
| Other current assets | 457 | 327 |
| **Total assets** | 1,323 | 1,057 |
| Equity | 846 | 800 |
| Other current liabilities | 477 | 257 |
| **Total equity and liabilities** | 1,323 | 1,057 |
| Scania Group's share of Equity (50%) | 423 | 400 |
| **Carrying amount** | 423 | 400 |

Scania has received dividends from Cummins-Scania XPI Manufacturing L.L.C. amounting to USD 10 m. (–). Cummins-Scania XPI Manufacturing L.L.C. is a joint venture with Scania and Cummins as partners. The joint venture manufactures fuel injection systems with extra-high pressure injection (XPI). Cummins-Scania XPI Manufacturing L.L.C. is recognised using the equity method.

## NOTE 12 Inventories

| | 2014 | 2013 |
|---|---|---|
| Raw materials, components and supplies | 2,241 | 2,315 |
| Work in progress | 1,277 | 960 |
| Finished goods [1] | 13,262 | 11,277 |
| **Total** | 16,780 | 14,552 |
| 1 Of which, used vehicles. | 1,585 | 1,324 |
| Value adjustment reserve, 31 December | –846 | –755 |

## NOTE 13 Other receivables

| | 2014 | 2013 |
|---|---|---|
| Prepaid expenses and accrued income | 78 | 59 |
| Derivatives with positive market value | 504 | 542 |
| Advance payments | 8 | 18 |
| Other receivables | 792 | 1,495 |
| **Total other non-current receivables** | 1,382 | 2,114 |
| Prepaid expenses and accrued income | 1,001 | 1,063 |
| Derivatives with positive market value | 644 | 345 |
| Value-added tax | 1,282 | 1,199 |
| Advance payments | 143 | 256 |
| Other receivables | 647 | 639 |
| **Total other current receivables** | 3,717 | 3,502 |
| **Total other receivables** | 5,099 | 5,616 |

## NOTE 14 Equity

The consolidated statements of changes in equity shows a complete reconciliation of all changes in equity.

**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.

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

**The hedge reserve** consists of the change in market value of commercial cash flow hedging instruments in cases where hedge accounting is applied according to IAS 39, "Financial Instruments: Recognition and Measurement".

**The currency translation reserve** arises when translating net assets outside Sweden according to the current method of accounting. The currency translation reserve also includes currency rate differences related to monetary items for businesses outside Sweden deemed to be a part of the company's net investment. The positive exchange rate difference of SEK 951 m. arose as a result of the Swedish krona's depreciation against currencies important to Scania. The exchange rate differences were mainly due to the krona's depreciation against the Euro.

**Retained earnings** consist not only of accrued profits but also of the change in pension liability attributable to remeasurements of defined-benefit plans etc. recognised in "Total other comprehensive income". Regarding changes in actuarial assumptions, see also Note 15, "Provisions for pensions and similar commitments". The Parent Company paid no dividend in 2013. The proposed dividend related to 2014 is SEK 3,000 m., equivalent to SEK 3.75 per share.

**Non-controlling interest** refers to the share of equity that belongs to external interests without a controlling influence in certain subsidiaries of the Scania Group. Scania Group has a few non-wholly owned subsidiaries of which one is considered to have a substantial non-controlling interests. Qanadeel AL Rafidaini Automative Trading Co., Ltd., Iraq has non-controlling interest amounting to 49% of the shares and voting power in the company. In 2014, income attributable to non-controlling interests amounted to SEK –10 m. (–7) and accumulated non-controlling interests in the company amounted to SEK 56 m. (57) December 31, 2014.

| **Reconciliation of change in number of shares outstanding** | **2014** | 2013 |
|---|---|---|
| Number of A shares outstanding, 1 January | **400,000,000** | 400,000,000 |
| **Number of A shares outstanding, 31 December** | **400,000,000** | 400,000,000 |
| | | |
| Number of B shares outstanding, 1 January | **400,000,000** | 400,000,000 |
| **Number of B shares outstanding, 31 December** | **400,000,000** | 400,000,000 |
| **Total number of shares, 31 December** | **800,000,000** | 800,000,000 |

**The equity of the Scania Group** consists of the sum of equity attributable to Scania's shareholders and equity attributable to non-controlling interests. At year-end 2014, the Group's equity totalled SEK 41,801 m. (37,112). According to the Group's Financial Policy, the Group's financial position shall meet the requirements of the business objectives it has established. At present, this is deemed to presuppose a financial position equivalent to the requirements for obtaining at least an A– credit rating from the most important rating institutions.

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

Financial Services includes eleven companies that are subject to oversight by national financial inspection authorities. In some countries, Scania must comply with local capital adequacy requirements. During 2014, 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 2014 was for:

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

## NOTE 15 Provisions for pensions and similar commitments

The Group's employees, former employees and their survivors may be included in both defined-contribution and defined-benefit plans related to post-employment compensation. The plans include retirement pensions, early retirement pensions, survivor pensions, health care and severance pay. 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 excluding redemption amounted to SEK 756 m. (764) during 2014. The commitment that is recognised in the balance sheet stems from the defined-benefit plans. The plans are secured through reinsured provisions in the balance sheet, foundations and funds. Calculations are performed according to the Projected Unit Credit Method, using the assumptions presented under each country below. Scania's forecast pension payments related to defined-benefit plans, both funded and unfunded plans, is SEK 253 m. for 2015.

The largest plans are described in more detail below.

### Sweden

Blue-collar workers are covered by the SAF/LO plan, which is a defined-contribution multi-employer plan based on collective agreements, covering a number of different sectors.

Salaried employees are covered by the ITP plan, which is also a multi-employer plan based on collective agreements, covering a number of different sectors. The ITP plan has two parts, firstly, ITP1, which is a defined-contribution pension plan applying to employees born in 1979 or later, and secondly, ITP2, which is a defined-benefit pension plan applying to employees born before 1979.

Most of the ITP2 plan is managed internally by Scania in the PRI system. Financing occurs through provisions to an account in the balance sheet, safeguarded by credit insurance from the mutual insurance company Försäkringsbolaget PRI Pensionsgaranti. However, a portion of the ITP2 plan is safeguarded via preimiums to the retirement insurance company Alecta. These obligations are recognised under the heading "Multi-employer defined-benefit plans".

Aside from these obligations, there are defined-benefit obligations in Scania CV relating to blue-collar workers who at the age of 62 have worked for 30 years or who at the age of 63 have worked for 25 years in the company, as well as to a limited number of persons in managerial positions. Redemptions in Alecta amounted to SEK 0 m. (777).

### Switzerland

The Pensionskasse and the Wohlfahrtsstiftung are the legal carriers of the pension plans. There are three pension plans:

1. A basic pension plan for employees and management, covering retirement pension, disability pension, spouse pension, children's pension and life insurance.
2. A supplementary plan for members of the management, covering retirement pension, disability pension, spouse pension, children's pension and life insurance.
3. An early retirement plan, covering employees with at least five years of service or who retired early at the request of the company.

Contributions are split between employer and employees for the basic pension plan and in the supplementary plan for members of the management.

Switzerland recognises the net pension assets in the balance sheet and an asset ceiling is thus applied.

### Brazil

Employees at Scania Latin America Ltda are covered by four post-employment defined-benefit plans. Three health care plans cover medical, dental and pharmaceutical expenses as well as the cost of a life insurance plan. The plans are open to personnel retiring at a minimum age of 55 with at least 10 years' service.

### Great Britain

Employees at Scania Great Britain (SGB) are covered by a premium-based occupational pension. Both the company and employees contribute to the plan. There are defined-benefit plans, which are closed for future accruals since 31 May 2013. The defined-benefit plans operated by SGB include the following:

1. The Scania Staff Pension Plan
2. The Scania Executive Pension Plan
3. The Scania Reliable Vehicles Staff Pension Plan

All plans are administered by trustees who are responsible for ensuring that SGB has sufficient financing to fully meet all vested/earned benefits for all members.

The normal retirement age in the schemes is 65.

## MULTI-EMPLOYER DEFINED-BENEFIT PLANS

### Sweden

A portion of the ITP2 plan is safeguarded by premiums to Alecta. These obligations are also defined-benefit but Alecta does not have information about allocation of vested/earned benefits, premiums and assets among various employers and therefore these obligations are recognised as a defined-contribution plan.

At year-end 2014, Alecta's surplus, in the form of a collective consolidation level (assets in relation to the insurance obligation), amounted to 143 percent (148). If the consolidation level falls below or exceeds the normal range (122-155), Alecta shall take measures, for example raise agreed subscription prices and extension of existing benefits, or introduce premium reductions.

Alecta's insurance obligation is calculated according to Alecta's actuarial methods and assumptions, which deviate from the methods and assumptions applied in measurement of defined-benefit pensions according to IAS 19.

## NOTE 15 Provisions for pensions and similar commitments, continued

Special payroll tax is now included in the provision for pensions. Premiums to Alecta excluding redemption amounted to SEK 112 m. (103).

### The Netherlands

Employees at Scania's Dutch company are covered by the Dutch collectively-agreed pension plans, which are multi-employer defined benefit plans. The plans Pensioenfonds Metaal en Techniek (PMT) and Bedrijfstakpensioenfonds Metalelktro (PME) are administered by MN Services. PMT and PME do not have information about allocation and therefore these obligations are recognised as a defined-contribution plan. In the Dutch plans, both companies and employees contribute to the plan. Companies' premiums to MN Services totalled SEK 74 m. (69). The consolidation level of MN Services was 103 percent (104).

| Information regarding the largest plans during 2014 | Sweden | Switzerland | Brazil | Great Britain |
|---|---|---|---|---|
| Present value of defined-benefit obligations | 7,607 | 733 | 709 | 741 |
| Fair value of plan assets | – | –877 | –69 | –615 |
| Net assets not fully valued due to curtailment rule | – | – | 20 | – |
| **Recognised as pension liability (asset) in the balance sheet, SEK m.** | **7,607** | **–144** | **660** | **126** |
| **Breakdown into categories** | | | | |
| Present value of defined-benefit obligations for persons in active employment, SEK m. | 5,035 | 376 | 158 | – |
| Persons in active employment, number | 7,857 | 335 | 3,325 | – |
| Present value of defined-benefit obligations for paid-up policy holders, SEK m. | 1,054 | – | – | 588 |
| Paid-up policy holders, number | 2,600 | – | – | 451 |
| Present value of defined-benefit obligations for retired employees, SEK m. | 1,518 | 357 | 551 | 153 |
| Retired employees, number | 2,256 | 91 | 1,156 | 166 |
| **Assumptions/conditions** | | | | |
| Discount rate, % | 2.5 | 1.5 | 11.8 | 3.5 |
| Average life expectancy, women/men, years | 86 [1] | 86 | 78 | 87 |
| Average duration of obligations, years | 29.4 | 14.7 | 15.6 | 23.0 |
| **Sensitivity analysis concerning change in present value of obligations, SEK m.** | | | | |
| 0.5% increase in discount rate | –820 | –47 | –46 | –73 |
| 0.5% decrease in discount rate | 950 | 54 | 81 | 93 |
| 1 year increase in life expectancy | 364 | 27 | 27 | 25 |

1 Changed mortality table to DUS06.

## NOTE 15 Provisions for pensions and similar commitments, continued

| Information regarding the largest plans during 2013 | Sweden | Switzerland | Brazil | Great Britain |
|---|---|---|---|---|
| Present value of defined-benefit obligations | 4,805 | 597 | 500 | 577 |
| Fair value of plan assets | – | –746 | –61 | –478 |
| Net assets not fully valued due to curtailment rule | – | 39 | 12 | – |
| Recognised as pension liability (asset) in the balance sheet, SEK m. | 4,805 | –110 | 451 | 99 |
| | | | | |
| Breakdown into categories | | | | |
| Present value of defined-benefit obligations for persons in active employment, SEK m. | 2,530 | 306 | 91 | 126 |
| Persons in active employment, number | 8,722 | 303 | 3,508 | 143 |
| Present value of defined-benefit obligations for paid-up policy holders, SEK m. | 1,229 | – | – | 328 |
| Paid-up policy holders, number | 2,487 | – | – | 332 |
| Present value of defined-benefit obligations for retired employees, SEK m. | 1,046 | 291 | 409 | 123 |
| Retired employees, number | 2,064 | 89 | 1,176 | 142 |
| | | | | |
| Assumptions/conditions | | | | |
| Discount rate, % | 4.0 | 2.3 | 11.8 | 4.4 |
| Average life expectancy, women/men, years | 89 | 86 | 76 | 87 |
| Average duration of obligations, years | 29.4 | 16.6 | 15.6 | 23.0 |
| | | | | |
| Sensitivity analysis concerning change in present value of obligations, SEK m. | | | | |
| 0.5% increase in discount rate | –459 | –33 | –33 | –55 |
| 0.5% decrease in discount rate | 527 | 39 | 37 | 68 |
| 1 year increase in life expectancy | 163 | 20 | 20 | 20 |

| | **Expenses for pensions and similar commitments** | |
|---|---|---|
| **Expenses for pensions and other defined-benefit payments recognised in the income statement** | **2014** | 2013 |
| Current service expenses | **–223** | –235 |
| Interest expenses, net liabilities | **–251** | –227 |
| Interest income, net assets | **4** | 2 |
| Past service expenses | **–9** | 0 |
| Net gains (+) and losses (–) due to curtailments and settlements | **0** | –9 |
| **Total expense for defined-benefit payments recognised in the income statement** | **–479** | –469 |

Pension expenses and other defined-benefit payments are found in the income statement under the headings “Research and development expenses”, SEK 80 m. (86), “Cost of goods sold”, SEK 77 m. (85), “Selling expenses”, SEK 66 m. (63) and “Administrative expenses”, SEK 9 m. (10). The interest portion of the net liability is recognised as an interest expense and the interest portion in net assets is recognised as interest income.

## NOTE 15 Provisions for pensions and similar commitments, continued

| Expenses for pensions and other defined-benefit payments recognised in "Other comprehensive income" | Expenses related to pensions and similar commitments 2014 | 2013 |
|---|---|---|
| Experience-based adjustments in net liabilities | **–930** | –59 |
| Effects of changes in demographic assumptions | **278** | –137 |
| Effects of changes in financial assumptions | **–2,469** | 938 |
| Actual return on plan assets excluding amount included in interest income | **122** | 62 |
| Changes in present value of asset ceiling not included in interest expense | **33** | –1 |
| **Total expense/revenue for defined-benefit payments recognised in "Other comprehensive income"** | **–2,966** | 803 |

| Recognised as provision for pensions in the balance sheet | Pension commitments 2014 | 2013 |
|---|---|---|
| Present value of defined-benefit obligations, wholly or partly funded | **2,720** | 2,046 |
| Present value of defined-benefit obligations, unfunded | **8,091** | 5,156 |
| Present value of defined-benefit obligations | **10,811** | 7,202 |
| Fair value of plan assets | **–1,937** | –1,575 |
| Net assets not fully valued due to curtailment rule | **21** | 51 |
| **Recognised in the balance sheet** | **8,895** | 5,678 |
| Of which, pension liabilities recognised under the heading "Provisions for pensions" | **9,039** | 5,788 |
| Of which, pension assets recognised under the heading "Other long-term receivables" | **–144** | –110 |

| Present value of defined-benefit obligations changed during the year as follows: | Liabilities related to pensions and similar commitments 2014 | 2013 |
|---|---|---|
| Present value of defined-benefit obligations, 1 January | **7,202** | 8,494 |
| Present value of reclassified obligations, 1 January | **26** | 9 |
| Current service expenses | **223** | 235 |
| Interest expenses | **303** | 271 |
| Payments made by pension plan participants | **11** | 13 |
| Experience-based actuarial gains and losses | **930** | 59 |
| Adjustment effects from changes in demographic assumptions | **–278** | 137 |
| Adjustment effects from changes in financial assumptions | **2,469** | –938 |
| Exchange rate differences | **212** | –23 |
| Disbursements of pension payments | **–291** | –235 |
| Past service expenses | **9** | 0 |
| Present value of defined-benefit obligations in acquired/divested companies | **–** | – |
| Settlements | **–4** | –831 |
| Gains and losses due to net settlements for the year | **–1** | 11 |
| **Present value of defined-benefit obligations, 31 December** | **10,811** | 7,202 |

## NOTE 15 Provisions for pensions and similar commitments, continued

| Fair value of plan assets changed as follows during the year: | Plan assets related to pensions and similar commitments 2014 | 2013 |
|---|---|---|
| Fair value of plan assets, 1 January | **1,575** | 1,436 |
| Fair value of plan assets related to reclassified obligations, 1 January | **14** | – |
| Interest income on plan assets | **57** | 46 |
| Actual return on plan assets excluding amount included in interest income | **122** | 62 |
| Effects of changes in financial assumptions | **0** | 0 |
| Exchange rate differences | **158** | 31 |
| Payments to pension plan | **92** | 74 |
| Payments made by pension plan participants | **14** | 13 |
| Disbursements of pension payments | **–95** | –87 |
| Fair value of plan assets in acquired/divested companies | **–** | – |
| Settlements | **0** | – |
| **Fair value of plan assets, 31 December** | **1,937** | 1,575 |

| Present value of asset ceiling | Asset ceiling 2014 | 2013 |
|---|---|---|
| Present value of asset ceiling, 1 January | **51** | 50 |
| Present value of reclassified asset ceiling, 1 January | **–** | – |
| Interest expenses | **2** | – |
| Changes in present value of asset ceiling not included in interest expense | **–33** | 1 |
| Exchange rate differences | **1** | 0 |
| **Present value of asset ceiling, 31 December** | **21** | 51 |

| | **2014** | | 2013 | |
|---|---|---|---|---|
| **Allocation of fair value in plan assets** | **Quoted price in an active market** | **Unquoted price** | Quoted price in an active market | Unquoted price |
| Cash and cash equivalents | **32** | **–** | 28 | – |
| Equity instruments issued by others | **10** | **–** | 8 | – |
| Debt instruments issued by Scania | **–** | **4** | – | 4 |
| Debt instruments issued by others | **99** | **–** | 84 | – |
| Properties leased to Scania companies | **–** | **40** | – | 32 |
| Investment properties | **17** | **–** | 17 | – |
| Equity mutual funds | **720** | **–** | 618 | – |
| Fixed income mutual funds | **679** | **–** | 548 | – |
| Real estate funds | **256** | **–** | 175 | – |
| Other investment funds | **17** | **20** | 15 | – |
| Other plan assets | **43** | **–** | 46 | – |
| **Total** | **1,873** | **64** | 1,539 | 36 |

## NOTE 16 Other provisions

| 2014 | Product obligations | Legal and tax risks | Other provisions [1] | Total |
|---|---|---|---|---|
| 1 January | 1,473 | 1,337 | 1,781 | **4,591** |
| Provisions during the year | 1,354 | 347 | 1,348 | **3,049** |
| Provisions used during the year | –1,225 | –217 | –990 | **–2,432** |
| Provisions reversed during the year | –60 | –122 | –189 | **–371** |
| Exchange rate differences | 30 | 32 | 76 | **138** |
| **31 December** | **1,572** | **1,377** | **2,026** | 4,975 |
| – of which, current provisions | 1,166 | 15 | 715 | **1,896** |
| – of which, non-current provisions | 406 | 1,362 | 1,311 | **3,079** |

| 2013 | Product obligations | Legal and tax risks | Other provisions [1] | Total |
|---|---|---|---|---|
| 1 January | 1,480 | 1,200 | 1,560 | 4,240 |
| Provisions during the year | 1,423 | 537 | 894 | 2,854 |
| Provisions used during the year | –1,310 | –31 | –625 | –1,966 |
| Provisions reversed during the year | –66 | –251 | –46 | –363 |
| Exchange rate differences | –54 | –118 | –2 | –174 |
| **31 December** | **1,473** | **1,337** | **1,781** | **4,591** |
| – of which, current provisions | 1,115 | 113 | 613 | 1,841 |
| – of which, non-current provisions | 358 | 1,224 | 1,168 | 2,750 |

1 “Other provisions” include provisions for potential losses on service agreements. Total number of contracts increased during 2014 by 7,800 contracts (12,000) and amounted to 137,100 contracts (129,300) at year-end.

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

## NOTE 17 Accrued expenses and deferred income

| | 2014 | 2013 |
|---|---|---|
| Accrued employee-related expenses | **3,676** | 3,410 |
| Deferred income related to service and repair contracts | **3,287** | 2,578 |
| Deferred income related to repurchase obligations [1] | **6,396** | 5,585 |
| Accrued financial expenses | **77** | 100 |
| Other customary accrued expenses and deferred income | **1,998** | 1,503 |
| **Total** | **15,434** | 13,176 |
| – of which, current | **8,912** | 7,817 |
| – of which, non-current | **6,522** | 5,359 |
| Of the above total, the following was attributable to Financial Services operations | **307** | 284 |

1 Of the above deferred income related to vehicles sold with repurchase obligations, SEK 1,299 m. (1,025) is expected to be recognised as revenue within 12 months. SEK 319 m. (383) is expected to be recognised as revenue after more than 5 years.

## NOTE 18 Assets pledged and contingent liabilities

| Assets pledged | 2014 | 2013 |
|---|---|---|
| Financial receivables [2] | **3,216** | 3,107 |
| Other | **1** | 0 |
| **Total** [1] | **3,217** | 3,107 |

| 1 Of which, assets pledged for: | | |
|---|---|---|
| Borrowings | **3,216** | 3,107 |
| Liabilities of others | **1** | 0 |

2 Refers mainly to pledged leases in Financial Services, SEK 3,197 m. (3,093).

| Contingent liabilities | 2014 | 2013 |
|---|---|---|
| Contingent liability related to FPG credit insurance | **58** | 53 |
| Loan guarantees | **3** | 4 |
| Other guarantees | **211** | 170 |
| **Total** | **272** | 227 |

In addition to the above contingent liabilities, the Group has issued vehicle repurchase guarantees worth SEK 67 m. (63) to customers' creditors.

In 2011 Scania became the subject of an investigation conducted by the European Commission concerning alleged inappropriate cooperation. Scania received a statement of objections in the investigation in November 2014, which Scania can now reply to before the EU Commission reaches its decision. Scania's view is that if the Commission would pursue a claim in accordance with the allegations stated in its statement of objections it is more likely than not that the Commission will not ultimately be successful. In addition, given the ongoing nature of the investigation and the uncertainties associated with them, Scania is not yet able to predict or estimate the duration of the investigation, what, if any, conduct regulatory authority may pursue, what the regulatory authority may conclude, or what sanctions the regulatory authority will seek. As a result, Scania remains unable to estimate the impact the investigation will have. Having said that, it cannot be ruled out that the Commission will impose fines on Scania.

## NOTE 19 Lease obligations

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

### Future payment obligations on non-cancellable operating leases

| | 2014 | | 2013 | |
|---|---|---|---|---|
| Operating leases | Future minimum lease payments | Of which, related to premises | Future minimum lease payments | Of which, related to premises |
| Within one year | **561** | **275** | 514 | 237 |
| Between one year and five years | **1,077** | **714** | 1,078 | 687 |
| Later than five years | **365** | **313** | 349 | 331 |
| **Total** | **2,003** | **1,302** | 1,941 | 1,255 |

Expensed minimum lease payments amounted to SEK 652 m. (577), of which SEK 265 m. (243) related to costs for leases on premises.

### Future payment obligations on non-cancellable financial leases

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| Financial leases | Future minimum lease payments | Interest | Present value of future minimum lease payments | Future minimum lease payments | Interest | Present value of future minimum lease payments |
| Within one year | **7** | **3** | **4** | 26 | 1 | 25 |
| Between one year and five years | **14** | **9** | **5** | 19 | 7 | 12 |
| Later than five years | **7** | **7** | **0** | 9 | 9 | 0 |
| **Total** [2] | **28** | **19** | **9** | 54 | 17 | 37 |

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

## NOTE 19 Lease obligations, continued

### Financial lease assets in balance sheet

| Carrying amount | 2014 | 2013 |
|---|---|---|
| Vehicles for leasing | 0 | 23 |
| Buildings | 19 | 20 |
| Machinery | 0 | 0 |
| Other | 21 | 21 |
| **Total** | **40** | **64** |

## NOTE 20 Government grants and assistance

During 2014, the Scania Group received government grants amounting to SEK 19 m. (29) attributable to operating expenses of SEK 143 m. (152).

## NOTE 21 Cash flow statement

| | 2014 | 2013 |
|---|---|---|
| **a. Vehicles and Services: Interest and dividends received/paid** | | |
| Dividends received from associated companies | 77 | 6 |
| Interest received | 557 | 911 |
| Interest paid | –611 | –719 |

| | 2014 | 2013 |
|---|---|---|
| **b.1. Vehicles and Services: Items not affecting cash flow** | | |
| Depreciation/amortisation | 3,107 | 2,911 |
| Bad debts | 32 | 56 |
| Associated companies | 45 | –15 |
| Deferred profit recognition, lease assets | 238 | 90 |
| Other | 67 | –104 |
| **Total** | **3,489** | **2,938** |

| | 2014 | 2013 |
|---|---|---|
| **b.2. Financial Services: Items not affecting cash flow** | | |
| Depreciation/amortisation | 18 | 18 |
| Bad debts | 167 | 280 |
| Other | 10 | 0 |
| **Total** | **195** | **298** |

| | 2014 | 2013 |
|---|---|---|
| **c. Net investment through acquisitions/divestments of businesses [1]** | | |
| Divestments of businesses | 67 | – |
| Acquisitions of businesses | –221 | –26 |
| **Total** | **–154** | **–26** |

1 See Note 22, “Businesses acquired/divested”.

| | 2014 | 2013 |
|---|---|---|
| **d.1. Vehicles and Services: Acquisitions of non-current assets** | | |
| Investments in non-current assets [2] | –6,598 | –6,098 |
| Divestments of non-current assets [3] | 1,037 | 804 |
| **Total** | **–5,561** | **–5,294** |

2 Of which, SEK 1,454 m. (1,123) in capitalised research and development expenditures.

3 Also includes moving vehicles for short-term rentals to inventory.

| | 2014 | 2013 |
|---|---|---|
| **d.2. Financial Services: Acquisitions of non-current assets** | | |
| New financing [4] | –27,491 | –23,642 |
| Payments of principal and completed contracts | 22,975 | 19,505 |
| **Total** | **–4,516** | **–4,137** |

4 Includes other tangible and intangible assets.

| | 2014 | 2013 |
|---|---|---|
| **e. Change in debt through financing activities** | | |
| Net change in current investments | –4 | 83 |
| Net change in current borrowings [5] | 2,831 | –1,620 |
| Reclassification of non-current borrowings to current borrowings | –11,089 | -9,223 |
| Decrease in non-current borrowings | –168 | –631 |
| Increase in non-current borrowings [5] | 8,483 | 12,896 |
| **Total** | **53** | **1,505** |

5 Due to amendment to IAS 32 Financial Instruments: Presentation (see Accounting principles), the comparatives figures have been adjusted.

| | 2014 | 2013 |
|---|---|---|
| **f. Cash and cash equivalents** | | |
| Cash and bank balances | 3,754 | 2,261 |
| Short-term investments comprising cash and cash equivalents | 7,161 | 7,301 |
| **Total** | **10,915** | **9,562** |

## NOTE 22 Businesses acquired/divested

Scania is not an acquisition-intensive Group or a Group that divests businesses to a large extent and no significant acquisitions or divestments have occurred during the years 2013–2014. Business acquisitions usually consist mainly of dealerships. During 2014, two minor acquisitions were made of dealerships in Kenya and China and one acquisition of a bus body manufacturer in Finland. During 2014 the Financial services business in Turkey and the private car dealership in Switzerland were sold. During 2013, two minor acquisitions were made of dealerships in Norway and Spain.

## NOTE 23 Wages, salaries and other remuneration and number of employees

| Wages, salaries and other remuneration, pension expenses and other mandatory payroll fees (excluding personnel on hire) | 2014 | 2013 |
|---|---|---|
| Boards of Directors, Presidents and Executive (or Group) Vice Presidents [1] | **374** | 326 |
| *– of which bonuses* | ***93*** | *77* |
| Other employees | **13,936** | 13,388 |
| Subtotal [2] | **14,310** | 13,714 |
| Pension expenses and other mandatory payroll fees | **4,397** | 4,364 |
| – of which pension expenses [3] | **1,055** | 1,042 |
| **Total** | **18,707** | 18,078 |

1 The number of Board members and executive officers was 552 (550).

2 Including non-monetary remuneration.

3 Of the pension expense in the Group, SEK 29 m. (45) was for Boards of Directors and executive officers in the Scania Group. At year-end, the total pension obligation was SEK 150 m. (107) for this category.

| | **2014** | | | 2013 | | |
|---|---|---|---|---|---|---|
| **Wages, salaries and other remuneration, pension expenses and other mandatory payroll fees by region** | **Wages, salaries and other remuneration** | **Mandatory payroll fees (of which pensions)** | | Wages, salaries and other remuneration | Mandatory payroll fees (of which pensions) | |
| Sweden | **5,952** | **2,597** | **(575)** | 5,901 | 2,633 | (588) |
| Europe (excluding Sweden) | **5,263** | **1,146** | **(397)** | 4,731 | 1,064 | (369) |
| Eurasia | **214** | **33** | **(26)** | 221 | 37 | (25) |
| America | **1,958** | **539** | **(1)** | 2,054 | 560 | (12) |
| Asia | **483** | **39** | **(19)** | 389 | 33 | (17) |
| Africa and Oceania | **440** | **43** | **(37)** | 418 | 37 | (31) |
| **Total** | **14,310** | **4,397** | **(1,055)** | 13,714 | 4,364 | (1,042) |

| | **2014** | | 2013 | |
|---|---|---|---|---|
| **Average number of employees (excluding personnel on hire)** | **Total** | **Women** | Total | Women |
| Sweden | **13,061** | **20%** | 12,939 | 20% |
| Europe (excluding Sweden) | **13,484** | **13%** | 13,079 | 13% |
| Eurasia | **965** | **22%** | 939 | 23% |
| America | **6,354** | **13%** | 6,703 | 11% |
| Asia | **2,095** | **18%** | 1,479 | 18% |
| Africa and Oceania | **1,575** | **16%** | 1,389 | 15% |
| **Total** | **37,534** | **16%** | 36,528 | 16% |

## NOTE 23 Wages, salaries and other remuneration and number of employees, continued

| Gender distribution | 2014 | 2013 |
|---|---|---|
| Board members in subsidiaries and the Parent Company | **451** | 453 |
| – of whom, men | **423** | 439 |
| – of whom, women | **28** | 14 |
| Presidents/Managing Directors of subsidiaries and the Parent Company, plus the Group's Executive Board | **101** | 97 |
| – of whom, men | **99** | 96 |
| – of whom, women | **2** | 1 |

| Number of employees, 31 December | 2014 | 2013 |
|---|---|---|
| Vehicles and Services | | |
| Production and corporate units | **19,304** | 19,069 |
| Research and development | **3,671** | 3,596 |
| Sales and service companies | **18,395** | 17,549 |
| Subtotal | **41,370** | 40,214 |
| Financial Services | **759** | 739 |
| **Total** | **42,129** | 40,953 |
| – of whom, on temporary contracts and on hire | **5,172** | 5,221 |

## NOTE 24 Related party transactions

| | Revenue | | Expenses | | Receivables | | Liabilities | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Volkswagen Group** | **169** | 167 | **535** | 489 | **1,302** | 828 [1] | **1,359** | 999 [1] |
| **Associated companies and joint ventures** | | | | | | | | |
| BITS DATA i Södertälje AB | **–** | – | **18** | 13 | **–** | – | **3** | 2 |
| Cummins-Scania HPI L.L.C | **–** | – | **24** | 20 | **–** | – | **7** | 2 |
| Cummins-Scania XPI Manufacturing L.L.C | **62** | 61 | **461** | 259 | **7** | 9 | **38** | 20 |
| Laxå Special Vehicles AB | **19** | 18 | **165** | 178 | **4** | 6 | **47** | 40 |
| ScaMadrid S.A. [2] | **–** | 7 | **–** | 2 | **–** | – | **–** | – |
| ScaValencia S.A. | **64** | 59 | **48** | 34 | **3** | 10 | **–** | 1 |
| Others | **8** | 4 | **5** | 5 | **–** | – | **–** | – |

1 Due to amendments to IAS 32 Financial instruments: Presentation (see Accounting principles) the comparative figures have been adjusted.

2 ScaMadrid S.A. was deemed a related party until 1 July 2013. The company was subsequently acquired and consolidated.

Disclosures of relationships with related parties that include a controlling influence are provided in the list of subsidiaries. See also the presentation of Scania's Board of Directors and Executive Board as well as Note 25, "Compensation to executive officers". Disclosures of dividends from, and capital contributions to, associated companies and joint ventures etc. are provided in Note 11, "Holdings in associated companies and joint ventures".

Disclosures of pension plans are provided in Note 15, "Provisions for pensions and similar commitments" and Note 23, "Wages, salaries and other remuneration and number of employees". Purchases and leases of company cars are included in the transactions with the Volkswagen Group.

All related party transactions occur on market terms.

## NOTE 25 Compensation to executive officers

### PRINCIPLES FOR COMPENSATION TO EXECUTIVE OFFICERS

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

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

The fixed salary of executive officers shall be competitive in relation to position, individual qualifications and performance. The fixed salary is reviewed annually. The size of the variable salary is dependent on Scania's earnings. The pension comprises a premium-based pension system that applies in addition to the public pension and the ITP occupational pension.

### TERMINATION CONDITIONS FOR THE EXECUTIVE BOARD

If the President and CEO resigns of his own volition, he is entitled to his salary for a six-month notice period. Any variable salary during the year in question is disbursed according to conditions adopted by the Annual General Meeting. In case of termination by the company, a six-month notice period applies with retained benefits and severance pay equivalent to 24 months of salary is payable.

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.

| **2014,** SEK thousand | **Fixed salary** | **Board remu-neration** [1] | **Variable salary** | **Other remu-neration** | **Total salary and remu-neration** | **Pension expenses, defined contribution system** | **Pension expenses, defined benefit system** | **Total pension expenses** | **Pension obligations** |
|---|---|---|---|---|---|---|---|---|---|
| Chairman of the Board | | | | | | | | | |
| President and CEO | 7,900 | | 6,474 | 258 | **14,632** | 2,907 | 360 | **3,267** | 2,381 |
| Rest of Executive Board (7 persons) | 26,913 | | 21,104 | 2,006 | **50,023** | 5,892 | 2,714 | **8,606** | 18,511 |

1 Other Board members' total fees: Hans Dieter Pötsch 0; Francisco J. Garcia Sanz 0; Peter Abele 750; Helmut Aurenz 550; Peter Wallenberg Jr 500; ; Åsa Thunman 300; Ferdinand K. Piëch 0; Leif Östling 0; Christian Porsche 0;. Åsa Thunman resigned at the Annual General Meeting on 11 June 2014.

| 2013, SEK thousand | Fixed salary | Board remu-neration [1] | Variable salary | Other remu-neration | Total salary and remu-neration | Pension expenses, defined contribution system | Pension expenses, defined benefit system | Total pension expenses | Pension obligations |
|---|---|---|---|---|---|---|---|---|---|
| Chairman of the Board | | | | | | | | | |
| President and CEO | 7,500 | | 3,976 | 217 | 11,693 | 2,669 | 327 | 2,996 | 2,030 |
| Rest of Executive Board (7 persons) | 25,060 | | 13,196 | 2,098 | 40,354 | 5,683 | 2,411 | 8,094 | 15,842 |

1 Other Board members' total fees: Hans Dieter Pötsch 0; Francisco J. Garcia Sanz 0; Peter Abele 750; Helmut Aurenz 500; Peter Wallenberg Jr 500; Jochem Heizmann 0; Åsa Thunman 600; Ferdinand K. Piëch 0; Leif Östling 0. Jochem Heizmann resigned at the Annual General Meeting on 3 May 2013.

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

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

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

**Retirement age:** the retirement age according to agreements is 60 for the President and CEO and the Executive Board. The retirement age for the ITP occupational pension is 65.

## NOTE 26 Fees and other remuneration to auditors

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

| | 2014 | | 2013 | |
|---|---|---|---|---|
| **Auditing firm** | **EY** | **Other auditors** | EY | Other auditors |
| Auditing assignments | **46** | **1** | 45 | 1 |
| Auditing activities beyond auditing assignments | **2** | **0** | 0 | 0 |
| Tax consultancy | **2** | **0** | 2 | 0 |
| Other services | **2** | **0** | 1 | 0 |
| **Total** | **52** | **1** | 48 | 1 |

## NOTE 27 Financial risk management

### FINANCIAL RISK MANAGEMENT IN THE SCANIA GROUP

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

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

### CURRENCY RISK

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

– An individual company may have monetary assets and liabilities in a currency other than its functional currency, which are translated to the functional currency using the exchange rate on the balance sheet date. When settling monetary assets and liabilities, an exchange rate difference arises between the exchange rate on the balance sheet date and on the payment date. All changes in exchange rates attributable to translation or settlement of monetary items are recognised in the income statement (transaction effect).
– Revenue, expenses, assets and liabilities in a functional currency other than the reporting currency of the Parent Company (SEK) are translated at the average exchange rate during the year and the exchange rate on the balance sheet date, respectively. The effect that arises because the exchange rate on the balance sheet date is changed from the beginning of the year and the average exchange rate of the year deviates from the balance sheet rate is recognised in the translation reserve in other comprehensive income (translation effect).

During 2014, 95 (95) 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 2014, total currency exposure in Scania’s operating income amounted to about SEK 34,600 m. (30,600). The largest currencies in this flow were EUR, BRL and GBP. The table on the next page shows currency exposure in Scania’s operating income in the most commonly occurring currencies.

## NOTE 27 Financial risk management, continued

| Currency exposure in operating income, Vehicles and Services | 2014 | 2013 |
|---|---|---|
| British pound (GBP) | **4,300** | 4,500 |
| Russian rouble (RUB) | **3,700** | 3,900 |
| Norwegian krone (NOK) | **2,700** | 2,100 |
| Brazilian real (BRL) | **2,400** | 5,800 |
| Euro (EUR) | **2,100** | 1,100 |
| US dollar (USD) | **2,000** | 5,700 |
| Australian dollar (AUD) | **1,800** | 1,400 |
| Polish zloty (PLN) | **1,600** | 900 |
| South African rand (ZAR) | **1,400** | 600 |
| Korean won (KRW) | **1,300** | 600 |
| Danish krone (DKK) | **1,300** | 1,000 |
| Swiss franc (CHF) | **1,200** | 800 |
| Argentine peso (ARS) | **–1,100** | –1,300 |
| Other currencies | **8,700** | 2,600 |
| **Total currency exposure in operating income** | **33,400** | 29,700 |

| Currency exposure in operating income, Financial Services | 2014 | 2013 |
|---|---|---|
| Euro (EUR) | **600** | 400 |
| Other currencies | **600** | 500 |
| **Total currency exposure in operating income** | **1,200** | 900 |

Based on revenue and expenses in foreign currencies during 2014, a one percentage point change in the Swedish krona against other currencies, excluding currency hedges, has an impact on operating income of about SEK 346 m. (306) on an annual basis. In Vehicles and Services, compared to 2013, the total positive currency rate effects amounted to about SEK 970 m.

According to Scania's policy, Scania's Management may hedge future currency flows with a hedging period varying between 0 and 12 months. Maturity over 12 months is decided by the Board of Directors. When currency risks are hedged, currencies are mainly sold by means of forward contracts, but currency options may also be used. During 2014, future currency flows in British pounds were hedged to some extent.

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 subsidiaries in the form of internal loans in their local currencies.

By means of derivative contracts, corporate-level borrowings are converted to lending currencies. In Financial Services, assets should be financed by liabilities in the same currency. Scania's borrowings in various currencies excluding and including currency derivatives can be seen in the table "Borrowings" in the section on interest rate risk.

At the end of 2014, Scania's net assets in foreign currencies amounted to SEK 24,900 m. (21,350). The net foreign assets of subsidiaries are normally not hedged. To the extent subsidiaries have significant net monetary assets in functional currencies, however, they may be hedged. At year-end 2014 no foreign net assets were hedged (–).

| Net assets, Vehicles and Services | 2014 | 2013 |
|---|---|---|
| Brazilian real (BRL) | **6,300** | 4,000 |
| Euro (EUR) | **4,400** | 3,900 |
| Argentine peso (ARS) | **1,100** | 1,200 |
| British pound (GBP) | **1,300** | 600 |
| Norwegian krone (NOK) | **600** | 500 |
| Swiss franc (CHF) | **600** | 400 |
| Russian rouble (RUB) | **400** | 700 |
| Polish zloty (PLN) | **300** | 400 |
| Mexican peso (MXN) | **300** | 400 |
| Danish krone (DKK) | **300** | 200 |
| South African rand (ZAR) | **200** | 250 |
| Peruvian sol (PEN) | **150** | 150 |
| US dollar (USD) | **–150** | –150 |
| Other currencies | **1,500** | 1,500 |
| **Total net assets in foreign currencies, Vehicles and Services** | **17,300** | 14,050 |

| Net assets, Financial Services | 2014 | 2013 |
|---|---|---|
| Euro (EUR) | **4,600** | 4,800 |
| Other currencies | **3,000** | 2,500 |
| **Total net assets in foreign currencies, Financial Services** | **7,600** | 7,300 |
| **Total net assets in foreign currencies, Scania Group** | **24,900** | 21,350 |

### Effect on exchange rate differences on net income

Net income for the year was affected by exchange rate differences as shown in the following table:

| | 2014 | 2013 |
|---|---|---|
| Operating income | **99** | –103 |
| Financial income and expenses | **14** | 3 |
| Taxes | **–4** | 0 |
| Effect on net income for the year | **109** | –100 |

## NOTE 27 Financial risk management, continued

### 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 2014, Scania's interest-bearing assets mainly consisted of assets in Financial Services and of short-term investments and cash and cash equivalents. Interest-bearing liabilities consisted mainly of loans, to a great extent intended to fund lending in Financial Services operations and to a lesser extent to fund working capital in Vehicles and Services.

#### Interest rate risk in Vehicles and Services

Borrowings in Vehicles and Services are mainly used for funding of working capital. To match the turnover rate of working capital, a short interest rate refixing period is used in the borrowing portfolio. Scania's policy concerning interest rate risks in the Vehicles and Services segment is that the interest rate refixing period on its net debt should normally be 6 months, but that divergences are allowed in the range between 0 and 24 months.

Net cash in Vehicles and Services was SEK 12,139 m. (8,019) at year-end 2014. The borrowing portfolio amounted to SEK 166 m. (513) and the average interest rate refixing period for this portfolio was less than 6 (6) months. Short-term investments and cash and cash equivalents amounted to SEK 12,310 m. (9,004) and the average interest rate refixing period on these assets was less than 1 (1) month. The net cash also includes derivatives that hedge borrowings with a net value of SEK –5 m. (352).

Given the same loan liabilities, short-term investments, cash and cash equivalents and interest rate refixing periods as at year-end 2013, 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 0 m. (5) and interest income by about SEK 120 m. (90) on an annual basis.

#### Interest rate risk in Financial Services

Scania's policy regarding interest rate risks in the Financial Services segment is that lending and borrowing should match in terms of interest rates and maturity periods. Interest rate refixing related to the credit portfolio and borrowing in Financial Services had the following structure as of 31 December 2014:

| **Interest rate refixing in Financial Services, 31 December 2014** | **Interest-bearing portfolio[1]** | **Interest-bearing liabilities[2]** |
|---|---|---|
| 2015 | **29,569** | **27,698** |
| 2016 | **10,805** | **10,909** |
| 2017 | **8,427** | **7,471** |
| 2018 | **4,679** | **2,495** |
| 2019 | **1,711** | **395** |
| 2020 and later | **365** | **56** |
| **Total** | **55,556** | **49,024** |

| Interest rate refixing in Financial Services, 31 December 2013 | Interest-bearing portfolio[1] | Interest-bearing liabilities[2] |
|---|---|---|
| 2014 | 26,558 | 26,217 |
| 2015 | 9,704 | 8,667 |
| 2016 | 6,943 | 5,950 |
| 2017 | 3,825 | 1,948 |
| 2018 | 1,536 | 519 |
| 2019 and later | 297 | 19 |
| Total | 48,863 | 43,320 |

1 Including operating leases.

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

Scania's total borrowing portfolio amounted to SEK 46,741 m. (44,657) at year-end 2014.

| **Borrowings, 31 December 2014** | **Borrowings incl. currency swap agreements** | **Borrowings excl. currency swap agreements** |
|---|---|---|
| EUR | 17,263 | 20,992 |
| BRL | 7,457 | 7,457 |
| GBP | 4,339 | – |
| SEK | 2,718 | 13,379 |
| ZAR | 2,228 | 1,210 |
| RUB | 2,035 | 104 |
| DKK | 1,291 | – |
| CLP | 1,289 | 181 |
| USD | 1,191 | 985 |
| NOK | 1,051 | 525 |
| KRW | 811 | 427 |
| THB | 510 | 47 |
| CHF | 503 | 14 |
| AUD | 357 | – |
| PLN | 166 | – |
| CZK | 54 | – |
| Other currencies | 3,304 | 1,246 |
| **Total[1]** | **46,567** | **46,567** |
| Accrued interest | 174 | 174 |
| **Total** | **46,741** | **46,741** |

1 Total borrowings excluded SEK 174 m. related to accrued interest.

## NOTE 27 Financial risk management, continued

### CREDIT RISK

Credit risk is the risk that the counterparty in a transaction will not fulfil its contractual obligations and that any collateral will not cover the company's claim. An overwhelming share of the credit risk for Scania is related to receivables from customers. Scania sales are distributed among a large number of end customers with a large geographic dispersion, which limits the concentration of credit risk.

#### Credit risk in Vehicles and Services

In the Vehicles and Services segment, carried receivables before provisions for bad debts from customers totalled SEK 7,728 m. (7,193), most of which consisted of receivables from independent dealerships and end customers. The total estimated fair value of collateral was SEK 1,468 m. Most of the collateral consisted of repossession rights and bank guarantees. During the year, collateral valued at SEK 182 m. was repossessed.

| Timing analysis of portfolio assets past due but not recognised as impairment losses | Past-due payments 2014 | Past-due payments 2013 |
|---|---|---|
| < 30 days | **1,032** | 921 |
| 30–90 days | **296** | 289 |
| 91–180 days | **155** | 76 |
| > 180 days | **102** | 39 |
| **Total** | **1,585** | 1,325 |

Provisions for bad debts amounted to SEK 370 m. (383), equivalent to 4.6 (5.1) percent of total receivables. The year's bad debt expense amounted to SEK 32 m. (56).

Provisions for bad debts changed as follows:

| Provisions for bad debts | 2014 | 2013 |
|---|---|---|
| Provisions, 1 January | **383** | 462 |
| Provisions for potential losses | **7** | 8 |
| Withdrawals due to actual credit losses | **–42** | –75 |
| Currency rate effects | **22** | –12 |
| Other | **0** | 0 |
| **Provisions, 31 December** | **370** | 383 |

#### Credit risk in Financial Services

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

| Credit portfolio | 2014 | 2013 |
|---|---|---|
| Exposure | **56,425** | 49,668 |
| – of which, operating leases | **11,628** | 9,546 |
| Credit risk reserve | **869** | 805 |
| Carrying amount | **55,556** | 48,863 |
| – of which, operating leases | **11,613** | 9,505 |

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

**Timing analysis of portfolio assets**

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| **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 |
| < 30 days | **69** | **3,005** | **2,728** | 86 | 3,212 | 3,083 |
| 30–90 days | **100** | **1,704** | **1,717** | 89 | 1,269 | 1,260 |
| **Past due and recognised as impairment losses** | | | | | | |
| 91–180 days | **52** | **423** | **409** | 42 | 321 | 304 |
| > 180 days | **79** | **272** | **251** | 75 | 282 | 224 |
| Inactive contracts | **123** | **586** | **383** | 156 | 606 | 432 |
| **Total** | **423** | **5,990** | **5,488** | 448 | 5,690 | 5,303 |

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

## NOTE 27 Financial risk management, continued

The portfolio mainly consists of financing of trucks, buses and trailers for small and medium-sized companies. The credit risk concentration in 2014 was equivalent to that of 2013.

A description of credit risk exposure can be seen in the table below:

| | 31 December, 2014 | | | 31 December, 2013 | | |
|---|---|---|---|---|---|---|
| **Concentration of credit risk** | **Number of customers** | **Percentage of total number of customers** | **Percentage of portfolio value** | Number of customers | Percentage of total number of customers | Percentage of portfolio value |
| Exposure < SEK 15 m. | **28,459** | **98.5** | **69.6** | 26,895 | 98.7 | 69.2 |
| Exposure SEK 15–50 m. | **349** | **1.2** | **13.9** | 283 | 1.0 | 14.3 |
| Exposure > SEK 50 m. | **87** | **0.3** | **16.5** | 80 | 0.3 | 16.5 |
| **Total** | **28,895** | **100.0** | **100.0** | 27,258 | 100.0 | 100.0 |

Accounts with past-due receivables ordinarily lead to relatively quick repossession of the item being financed. Renegotiation only occurs in those cases where, after a new credit evaluation, Financial Services deems the customer's payment problems to be of a short-term, temporary nature and where renegotiation can take place without greatly worsening its risk position.

For Scania's customers the renegotiation need was somewhat higher during 2014 although payment plans were completed. Thus the carrying amount of the financial assets whose terms had been renegotiated increased, amounting to SEK 1,505 m. (1,124 ) at year-end. Contracts are regarded as bad debts when payment is more than 90 days past due or when there is information that causes Scania to terminate the contracts early.

The resale market for repossessed and used vehicles functioned smoothly during 2014. During the year, 1,759 (2,170) financed vehicles were repossessed. At year-end, the number of repossessed but not yet sold vehicles amounted to 404 (409), with a total carrying amount of SEK 115 m. (116). 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 changed as follows:

| **Provisions for bad debts** | **2014** | 2013 |
|---|---|---|
| Provisions, 1 January | **805** | 763 |
| Provisions for potential losses | **162** | 246 |
| Withdrawals due to actual credit losses | **–104** | –203 |
| Exchange rate differences | **23** | –1 |
| Divestment of subsidiaries | **–17** | – |
| **Provisions, 31 December** | **869** | 805 |
| **Provisions as percentage of gross portfolio** | **1.6** | 1.6 |

The year's expenses for actual and potential credit losses amounted to SEK 167 m. (280).

### Other credit risks at Scania

The administration of the financial credit risks that arise primarily in corporate treasury operations, among other things when investing liquidity and in derivatives trading, is regulated in Scania's Financial Policy. Transactions occur only within established limits and with selected, creditworthy counterparties. "Creditworthy counterparty" means that the counterparty has received an approved credit rating (at least A– or the equivalent) from the credit institutes Standard and Poor's and/or Moody's. To reduce credit risk, the volume of exposure allowed per counterparty is limited, depending on the counterparty's credit rating. To further limit credit risk, Scania has entered into International Swaps and Derivatives Association (ISDA) netting contracts with most of its counterparties. The corporate treasury unit is responsible for ensuring compliance with the rules of Scania's Financial Policy.

Net exposure to counterparty risk related to derivatives trading amounted to SEK –25 m. (348) at the end of 2014. Estimated gross exposure to counterparty risks related to derivatives trading totalled SEK 1,148 m. (887). Estimated gross exposure to cash and cash equivalents and short-term investments amounted to SEK 10,966 m. (9,609). Short-term investments are deposited with various banks. These banks normally have at least an A– rating with Standard and Poor's and/or the equivalent with Moody's.

Scania had short-term investments worth SEK 7,212 m. (7,348), of which SEK 7,161 m. (7,301) consists of investments with a maturity of less than 90 days and SEK 51 m. (47) consisted of investments with a maturity of 91–365 days. In addition to short-term investments, Scania had bank balances worth SEK 3,754 m. (2,261).

## NOTE 27 Financial risk management, continued

### REFINANCING RISK

Refinancing risk is the risk of not being able to meet the need for future funding. Scania applies a conservative policy concerning refinancing risk. For Vehicles and Services, there shall be a liquidity reserve consisting of available cash and cash equivalents as well as unutilised credit facilities which exceeds the funding needs for the next two years.

For Financial Services, there shall be dedicated funding that covers the estimated demand for funding during the next year. There shall also always be borrowings that safeguard the refinancing of the existing portfolio.

At the end of 2014, Scania's liquidity reserve, consisting of unutilised credit facilities, cash and cash equivalents and short-term investments, amounted to SEK 40,134 m. (37,694). Scania's credit facilities include customary change in control clauses, which means that the counterparty could demand early payment in case of significant changes in ownership involving a change in control of the company.

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

| Borrowings, 2014 | Total borrowings | Ceiling |
|---|---|---|
| Medium Term Note Programme | **–** | – |
| European Medium Term Note Programme | **20,920** | 33,304 |
| Other bonds | **–** | |
| Credit facility (EUR) | **–** | 29,168 |
| Commercial paper, Sweden | **1,250** | 10,000 |
| Commercial paper, Belgium | **–** | 3,806 |
| Bank loans | **24,397** | – |
| **Total [2]** | **46,567 [3]** | **76,278** |

| Borrowings, 2013 | Total borrowings | Ceiling |
|---|---|---|
| Medium Term Note Programme | – | – |
| European Medium Term Note Programme | 21,082 | 31,301 |
| Other bonds | – | – |
| Credit facility (EUR) | – | 28,085 |
| Commercial paper, Sweden | 700 | 10,000 |
| Commercial paper, Belgium | – | 3,577 |
| Bank loans | 22,679 [1] | – |
| Total [2] | 44,461 [3] | 72,963 |

1 Due to amendments to IAS 32 Financial instruments: Presentation (see Accounting principles) the comparative figures have been adjusted.

2 Of the total ceiling, SEK 29,168 m. (28,085) consisted of guaranteed revolving credit facilities.

3 Total borrowings excluded SEK 174 m. (196) related to accrued interest and fair value adjustments on bonds where hedge accounting was previously applied.

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

| Maturity structure of Scania's borrowings | 2014 | 2013 |
|---|---|---|
| 2014 | **–** | 14,287 |
| 2015 | **20,065** | 11,674 |
| 2016 | **13,982** | 11,640 [1] |
| 2017 | **6,579** | 4,276 |
| 2018 | **3,410** | 607 |
| 2019 and later | **2,375** | 1,977 |
| 2020 and later | **156** | |
| **Total** | **46,567 [2]** | 44,461 [2] |

1 Due to amendments to IAS 32 Financial Instruments: Presentation (see Accounting principles), the comparatives figures have been adjusted.

2 Total borrowings excluded SEK 174 m. (196) related to accrued interest and fair value adjustments on bonds for which hedge accounting was previously applied.

| Maturity structure of derivatives attributable to borrowings, 2014 | Derivatives with positive value | Derivatives with negative value |
|---|---|---|
| 2015 | **2** | **81** |
| 2016 | **38** | **–** |
| 2017 | **49** | **–** |
| 2018 | **–** | **–** |
| 2019 | **–** | **–** |
| 2020 and later | **–** | **–** |
| **Total [1]** | **89** | **81** |

| Maturity structure of derivatives attributable to borrowings, 2013 | Derivatives with positive value | Derivatives with negative value |
|---|---|---|
| 2014 | 22 | 72 |
| 2015 | 84 | – |
| 2016 | 41 | – |
| 2017 | 5 | – |
| 2018 | – | – |
| 2019 and later | – | – |
| Total [1] | 152 | 72 |

1 Does not include accrued interest.

## NOTE 28 Financial instruments

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

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

### FAIR VALUE OF FINANCIAL INSTRUMENTS

In Scania's balance sheet, items carried at fair value are mainly derivatives and current investments. For derivatives for which hedge accounting is not applied, fair value adjustment is carried via the income statement. Derivatives attributable to cash flow hedging are carried at fair value via "Other comprehensive income". Fair value is established according to various levels, defined in IFRS 13, that reflect the extent to which market values have been utilised. Current investments and cash and cash equivalents are carried according to Level 1, i.e. quoted prices in active markets for identical assets, and amounted to SEK 1,023 m. (1,002). Other assets that are carried at fair value refer to derivatives. These assets are carried according to Level 2, which is based on data other than the quoted prices that are part of Level 1 and refer to directly or indirectly observable market data. Scania applies a valuation technique that consists of estimating the present value of future cash flows based on observable yield curves. The yield curve applied is derived from relevant listed yields for the respective period during which cash flows are received or paid. These items are carried under other non-current assets, other current assets, other non-current liabilities and other current liabilities and amounted to SEK –2 m. (348) net.

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

In those cases where assets and liabilities are not traded in an active market, fair value has been established by discounting future payment flows at current market interest rates and then converting to SEK at the current exchange rate.

Fair value of financial instruments such as trade receivables, trade payables and other non-interest-bearing financial assets and liabilities that are recognised at accrued cost minus any impairment losses, is regarded as coinciding with the carrying amount. Fair value disclosures on all financial instruments that are not carried at fair value are attributable to Level 2.

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

Financial assets and liabilities that have been offset against each other consist of loans receivable and payable. The gross amounts totalled SEK 417 m. (1,279) and SEK 417 m. (1,118). The amount that has been offset from each amount totals SEK 417 m. (1,118).

Financial assets and liabilities that can be offset against each other consist of derivatives covered by legally binding master netting agreements. Carrying amounts of assets and liabilities amounted to SEK 1,135 m. (887) and SEK 1,149 m. (499). The amount that was not offset from each amount was SEK 708 m. (413).

## NOTE 28 Financial instruments, continued

| **Scania Group, 2014,** SEK m. | Financial assets and financial liabilities carried at fair value via the income statement ("through profit and loss") | Held-to-maturity investments | Loan receivables and trade receivables | Other financial liabilities | Net investment hedges | Cash flow hedges | **Total carrying amount** | **Total fair value** |
|---|---|---|---|---|---|---|---|---|
| Non-current interest-bearing receivables | | | 27,156 | | | | 27,156 | 27,311 |
| Current interest-bearing receivables | | | 16,929 | | | | 16,929 | 16,952 |
| Non-interest-bearing trade receivables | | | 7,205 | | | | 7,205 | 7,205 |
| Current investments and Cash and cash equivalents | 1,023 | | 9,943 | | | | 10,966 | 10,883 |
| Other non-current receivables [1] | 504 | | 466 | | | | 970 | 970 |
| Other current receivables [2] | 644 | | 8 | | | 0 | 652 | 652 |
| **Total assets** | **2,171** | **–** | **61,707** | **–** | **–** | **0** | **63,878** | **63,973** |
| Non-current interest-bearing liabilities | | | | 26,503 | | | 26,503 | 26,664 |
| Current interest-bearing liabilities | | | | 20,238 | | | 20,238 | 20,347 |
| Trade payables | | | | 9,707 | | | 9,707 | 9,707 |
| Other non-current liabilities [3] | 706 | | | | | | 706 | 706 |
| Other current liabilities [4] | 444 | | | | | 23 | 467 | 467 |
| **Total liabilities** | **1,150** | **–** | **–** | **56,448** | **–** | **23** | **57,621** | **57,891** |

1 Financial instruments included in the balance sheet under "Other long-term receivables", SEK 1,382 m.
2 Financial instruments included in the balance sheet under "Other current receivables", SEK 3,717 m.
3 Financial instruments included in the balance sheet under "Other non-current liabilities", SEK 836 m.
4 Financial instruments included in the balance sheet under "Other current liabilities", SEK 3,097 m.

| Scania Group, 2013, SEK m. | Financial assets and financial liabilities carried at fair value via the income statement ("through profit and loss") | Held-to-maturity investments | Loan receivables and trade receivables | Other financial liabilities | Net investment hedges | Cash flow hedges | Total carrying amount | Total fair value |
|---|---|---|---|---|---|---|---|---|
| Non-current interest-bearing receivables | | | 24,082 | | | | 24,082 | 24,206 |
| Current interest-bearing receivables | | | 15,377 | | | | 15,377 | 15,408 |
| Non-interest-bearing trade receivables | | | 6,737 | | | | 6,737 | 6,737 |
| Current investments and Cash and cash equivalents | 1,002 | | 8,607 | | | | 9,609 | 9,596 |
| Other non-current receivables [1] | 542 | | 1,252 | | | | 1,794 | 1,794 |
| Other current receivables [2] | 345 | | 11 | | | | 356 | 356 |
| Total assets | 1,889 | – | 55,242 | – | – | – | 57,955 | 58,097 |
| Non-current interest-bearing liabilities | | | | 30,174 | | | 30,174 | 30,394 |
| Current interest-bearing liabilities | | | | 14,483 | | | 14,483 | 14,524 |
| Trade payables | | | | 8,682 | | | 8,682 | 8,682 |
| Other non-current liabilities [3] | 228 | | | | | | 228 | 228 |
| Other current liabilities [4] | 311 | | | | | | 311 | 311 |
| Total liabilities | 539 | – | – | 53,339 | – | – | 53,878 | 53,139 |

1 Financial instruments included in the balance sheet under "Other long-term receivables", SEK 2,114 m.
2 Financial instruments included in the balance sheet under "Other current receivables", SEK 3,502 m.
3 Financial instruments included in the balance sheet under "Other non-current liabilities", SEK 257 m.
4 Financial instruments included in the balance sheet under "Other current liabilities", SEK 2,968 m.

## NOTE 28 Financial instruments, continued

### HEDGE ACCOUNTING

Scania applies hedge accounting according to IAS 39 as follows:

- To a minor extent in 2014, Scania applied cash flow hedge accounting on currency derivatives in order to hedge parts of the commercial flow in GBP against SEK.

Scania considers that it is hedged economically, and risk management follows the financial policy approved by the Board. For more detailed information on accounting of hedging instruments and hedged items, see Note 1, "Accounting principles".

### NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS RECOGNISED IN THE INCOME STATEMENT

The table below shows the following items that are recognised in the income statement:

- Gains and losses related to currency rate differences, including gains and losses attributable to cash flow hedge accounting.
- Gains and losses related to financial instruments for which hedge accounting is applied.

| Net gains/losses | 2014 | 2013 |
|---|---|---|
| Financial assets and liabilities held for trading, carried at fair value | **–815** | 445 |
| Loan and trade receivables [1] | **1,168** | 652 |
| Other financial liabilities | **–370** | –1,209 |
| **Total** | **–17** | –112 |

1 Also includes operating leases.

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

### INTEREST INCOME AND EXPENSES ON FINANCIAL INSTRUMENTS

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

| | 2014 | 2012 |
|---|---|---|
| Interest income on financial assets [1] | **3,150** | 2,772 |
| Interest expenses on financial liabilities [2, 3] | **–1,857** | –1,576 |
| **Total** | **1,293** | 1,196 |

1 SEK 516 m. (112) consists of interest income generated from financial assets carried at fair value.

2 Also includes interest expenses related to operating leases and interest expenses related to Financial Services that were recognised in the operating income.

3 SEK –458 m. (–329) consists of interest expenses generated from financial liabilities carried at fair value.

The reason why income diverges from recognised interest income in net financial items is largely that Financial Services is included in the table and that interest income and interest expenses attributable to pensions are excluded.

## NOTE 29 Subsidiaries

| Company | Corporate ID no. | Registered office | Country | % Ownership |
|---|---|---|---|---|
| Dynamate AB | 556070-4818 | Södertälje | Sweden | 100 |
| DynaMate Industrial Services AB | 556528-9286 | Södertälje | Sweden | 100 |
| DynaMate IntraLog AB | 556718-5409 | Södertälje | Sweden | 100 |
| Fastighetsaktiebolaget Flygmotorn | 556528-9112 | Södertälje | Sweden | 100 |
| Fastighetsaktiebolaget Hjulnavet | 556084-1198 | Södertälje | Sweden | 100 |
| Fastighetsaktiebolaget Motorblocket | 556716-6698 | Södertälje | Sweden | 100 |
| Fastighetsaktiebolaget Vindbron | 556040-0938 | Södertälje | Sweden | 100 |
| Ferruform AB | 556528-9120 | Luleå | Sweden | 100 |
| Kai Tak Holding AB | 556548-4739 | Södertälje | Sweden | 100 |
| MW-Hallen Restaurang AB | 556616-7747 | Södertälje | Sweden | 100 |
| Mälardalens Tekniska Gymnasium AB | 556548-4754 | Södertälje | Sweden | 80 |
| Scania Bilbyggaren AB | 556905-6061 | Södertälje | Sweden | 100 |
| Scania Bus Financing AB | 556728-9433 | Stockholm | Sweden | 100 |
| Scania CV AB | 556084-0976 | Södertälje | Sweden | 100 |
| Scania Delivery Center AB | 556593-2976 | Södertälje | Sweden | 100 |
| Scania Holding Europe AB | 556017-7825 | Södertälje | Sweden | 100 |
| Scania IT AB | 556084-1206 | Södertälje | Sweden | 100 |
| Scania Overseas AB | 556593-2984 | Södertälje | Sweden | 100 |
| Scania Real Estate AB | 556084-1180 | Södertälje | Sweden | 100 |
| Scania Real Estate Lund AB | 556791-9823 | Södertälje | Sweden | 100 |
| Scania Real Estate Services AB | 556593-3024 | Södertälje | Sweden | 100 |
| Scania Sales and Services AB | 556593-3073 | Södertälje | Sweden | 100 |
| Scania Saltskogen AB | 556905-6053 | Södertälje | Sweden | 100 |
| Scania Trade Development AB | 556013-2002 | Södertälje | Sweden | 100 |
| Scania Transportlaboratorium AB | 556528-9294 | Södertälje | Sweden | 100 |
| Scania Treasury AB | 556528-9351 | Södertälje | Sweden | 100 |
| Scania Truck Financing AB | 556020-4231 | Södertälje | Sweden | 100 |
| Scania Trucks & Buses AB | 556267-1585 | Södertälje | Sweden | 100 |
| Scania Used Vehicles AB | 556548-4713 | Södertälje | Sweden | 100 |
| Scania-Bilar Sverige AB | 556051-4621 | Södertälje | Sweden | 100 |
| SRE Kiruna AB | 556185-2129 | Södertälje | Sweden | 100 |
| Stockholms Industriassistans AB | 556662-3459 | Södertälje | Sweden | 100 |
| Vabis Försäkringsaktiebolag | 516401-7856 | Södertälje | Sweden | 100 |
| Vindbron Arendal AB | 556822-2367 | Södertälje | Sweden | 100 |
| Aconcagua Vehiculos Comerciales S.A. | 30-70737179-6 | Mendoza | Argentina | 100 |
| Automotores del Atlantico S.A. | 30-70709795-3 | Mar del Plata | Argentina | 100 |
| Concesionaria Automotores Pesados S.A. | 30-55137605-9 | Tucumán | Argentina | 100 |
| Motorcam S.A. | 33-70791031-9 | Buenos Aires | Argentina | 100 |
| Scania Argentina S.A. | 30-51742430-3 | Buenos Aires | Argentina | 100 |
| Scania Australia Pty Ltd. | 000537333 | Melbourne | Australia | 100 |
| Scania Real Estate Österreich GmbH | FN95419y | Brunn am Gebirge | Austria | 100 |
| Scania Österreich Ges.m.b.H | FN366024x | Brunn am Gebirge | Austria | 100 |
| Scania Belgium SA-NV | BE0402.607.507 | Neder-Over-Heembeek | Belgium | 100 |
| Scania Group Treasury Belgium N.V. | BE0809.445.796 | Neder-Over-Heembeek | Belgium | 100 |
| Scania Real Estate Belgium N.V. | BE0423.251.481 | Neder-Over-Heembeek | Belgium | 100 |
| Scania Treasury Belgium N.V. | BE0888.285.319 | Neder-Over-Heembeek | Belgium | 100 |
| Scania BH d.o.o., Sarajevo | 4200363460007 | Sarajevo | Bosnia-Herzegovina | 100 |
| Scania Botswana (Pty) Ltd. | CO.2000/6045 | Gaborone | Botswana | 100 |
| Codema Comercial e Importadora LTDA. | 60.849.197/0001-60 | Guarulhos | Brazil | 99.99 |
| Scania Administradora de Consórcios Ltda. | 96.479.258/0001-91 | Cotia | Brazil | 99.99 |
| Scania Latin America Ltda. | 59.104.901/0001-76 | Saõ Bernardo do Campo | Brazil | 100 |
| Suvesa Super Veics Pesados Ltda. | 88.301.668/0001-10 | Eldorado do Sul | Brazil | 99.98 |
| Scania Bulgaria EOOD | BG121796861 | Sofia | Bulgaria | 100 |
| Scania Real Estate Bulgaria EOOD | 201589120 | Sofia | Bulgaria | 100 |
| Scania Chile S.A. | 96.538.460-K | Santiago | Chile | 100 |
| Scania (Hong Kong) Limited | 1205987 | Hongkong | China | 100 |
| Scania Real Estate Hong Kong Ltd. | 2083208 | Hongkong | China | 100 |
| Scania Sales (China) Co. Ltd. | 110000450001661 | Beijing | China | 100 |
| Scania Sales and Service (Guangzhou) Co., Ltd. | 440101400126397 | Guangzhou | China | 100 |
| Scania Colombia S.A. | 900.353.873-2 | Bogotá | Colombia | 100 |
| Scania Hrvatska d.o.o. | 080213913 | Zagreb | Croatia | 100 |
| Scania Czech Republic s.r.o. | CZ61251186 | Prague | Czech Republic | 100 |
| Scania Real Estate Czech Republic s.r.o. | 24196746 | Prague | Czech Republic | 100 |
| Scania Danmark A/S | DK17045210 | Ishøj | Denmark | 100 |
| Scania Danmark Ejendom Aps | 33156332 | Ishøj | Denmark | 100 |
| Scania Eesti AS | 10238872 | Tallinn | Estonia | 100 |
| Scania Real Estate Finland Oy | 2559582-1 | Helsinki | Finland | 100 |
| Scania Real Estate Holding Oy | 2566377-5 | Helsinki | Finland | 100 |
| Scania Suomi Oy | 0202014-4 | Helsinki | Finland | 100 |
| SOE Busproduction Finland OY | 26121679 | Lahti | Finland | 100 |
| Scania France S.A.S. | 307166934 | Angers | France | 100 |
| Scania Holding France S.A.S. | 403092786 | Angers | France | 100 |
| Scania IT France S.A.S. | 412282626 | Angers | France | 100 |
| Scania Production Angers S.A.S. | 378442982 | Angers | France | 100 |
| Scania Real Estate France S.A.S. | 78961241300011 | Angers | France | 100 |
| B. + V. Grundstücks- Verwaltungs- und Verwertungs-GmbH | HRB 2277 | Koblenz | Germany | 100 |
| B. + V. Grundstücksverwertungs-GmbH & Co. KG | HRB 3377 | Koblenz | Germany | 100 |

## NOTE 29 Subsidiaries, continued

| Company | Corporate ID no. | Registered office | Country | % Ownership |
|---|---|---|---|---|
| Scania CV Deutschland Holding GmbH | HRB 6077 | Koblenz | Germany | 100 |
| Scania Danmark GmbH | DE 15 295 18862 | Flensburg | Germany | 100 |
| SCANIA DEUTSCHLAND GmbH | HRB 532 | Koblenz | Germany | 100 |
| Scania Flensburg GmbH | 15 295 18587 | Flensburg | Germany | 100 |
| SCANIA Real Estate Deutschland GmbH | HRB 23796 | Koblenz | Germany | 100 |
| SCANIA Real Estate Deutschland Holding GmbH | HRB 23798 | Koblenz | Germany | 100 |
| SCANIA Vertrieb und Service GmbH | HRB 20490 | Koblenz | Germany | 100 |
| SCANIA Vertrieb und Service GmbH | HRB 59787 | Kerpen | Germany | 100 |
| SCANIA WEST AFRICA LIMITED | CS450862014 | Accra | Ghana | 100 |
| Griffin Automotive Ltd. | 27922106 | Road Town | Great Britain | 100 |
| Scania Great Britain Ltd. | 831 017 | Milton Keynes | Great Britain | 100 |
| Scania Real Estate (UK) Ltd. | 7648886 | Milton Keynes | Great Britain | 100 |
| SCANIA HUNGÁRIA Kft. | 10 415 577 | Biatorbágy | Hungary | 100 |
| Scania Real Estate Hungaria Kft. | 13-09-159119 | Biatorbágy | Hungary | 100 |
| Scania Commercial Vehicles India Pvt. Ltd. | U35999KA2011FTC05698 | Bangalore | India | 100 |
| PT Scania Parts Indonesia | AHU-09655.40.10.2014 | Balikpapan | Indonesia | 100 |
| Qanadeel Al Rafidain Automotive Trading Co. Ltd. | 7500 | Erbil | Iraq | 51 |
| Italscania S.p.A. | 11749110158 | Trento | Italy | 100 |
| Scania Commerciale S.p.A. | IT 01184460226 | Trento | Italy | 100 |
| Scania Milano S.p.A. | IT 02170120220 | Trento | Italy | 100 |
| Scania Japan Limited | 0104-01-083452 | Tokyo | Japan | 100 |
| Scania Central Asia LLP | 84931-1910-TOO | Almaty | Kazakhstan | 100 |
| Scania East Africa Ltd. | PO51426902Z | Nairobi | Kenya | 100 |
| Scania Latvia SIA | 50003118401 | Riga | Latvia | 100 |
| UAB Scania Lietuva | 123873025 | Vilnius | Lithuania | 100 |
| Scania Luxembourg S.A. | B53.044 | Münsbach | Luxembourg | 100 |
| Scania Real Estate Holding Luxembourg Sàrl | B160795 | Münsbach | Luxembourg | 100 |
| Scania Treasury Luxembourg S.àr.l | 19992418373 | Luxembourg | Luxembourg | 100 |
| Scania (Malaysia) SDN BHD | 518606-D | Kuala Lumpur | Malaysia | 100 |
| Scania Comercial, S.A. de C.V. | SCO031124MF5 | Queretaro | Mexico | 100 |
| Scania Servicios, S.A. de C.V. | SSE031124MF5 | Queretaro | Mexico | 99.99 |
| Scania Maroc S.A. | 06100472 | Casablanca | Morocco | 100 |
| Scania Namibia (Pty) Ltd. | 2004/438 | Windhoek | Namibia | 100 |
| Norsk Scania AS | 879 263 662 | Oslo | Norway | 100 |
| Norsk Scania Eiendom AS | 996036545 | Oslo | Norway | 100 |
| Scania del Perú S.A. | 20101363008 | Lima | Peru | 100 |
| Scania Polska S.A. | KRS0000091840 | Warszaw | Poland | 100 |
| Scania Power Polska Sp. z o.o. | 517301 | Warszaw | Poland | 100 |
| Scania Production Slupsk S.A. | KRS0000083601 | Slupsk | Poland | 100 |
| Scania Real Estate Polska Sp.z o.o. | 435 941 | Nadarzyn | Poland | 100 |
| Scania Investimentos Imobiliários S.A. | PT508948118 | Vialonga | Portugal | 100 |
| Scania Portugal S.A. | PT502929995 | Vialonga | Portugal | 100 |
| Scania Real Estate Romania S.R.L. | J23/2019/29.07.2011 | Ciorogârla | Romania | 100 |
| Scania Romania S.R.L. | J23/588/27.04.2004 | Ciorogârla | Romania | 100 |
| OOO Petroscan | 1027808004102 | St. Petersburg | Russia | 100 |
| OOO Scania Peter | 1027804908372 | St. Petersburg | Russia | 100 |
| OOO Scania Service | 1035006456044 | Golitsino | Russia | 100 |
| OOO Scania-Rus | 1025004070079 | Golitsino | Russia | 100 |
| Scania Real Estate D.o.o. Beograd | 20659874 | Belgrade | Serbia | 100 |
| Scania Srbija d.o.o. | 17333321 | Krnjesevci | Serbia | 100 |
| Scania Singapore Pte. Ltd. | 200309593R | Singapore | Singapore | 100 |
| Scania Real Estate Slovakia s.r.o. | 44767668 | Senec | Slovakia | 100 |
| Scania Slovakia s.r.o. | 35826649 | Senec | Slovakia | 100 |
| Scania Slovenija d.o.o. | 1 124 773 | Ljubljana | Slovenia | 100 |
| Scania South Africa Pty Ltd. | 1995/001275/07 | Sandton | South Africa | 100 |
| Scania Incheon Ltd. | 120111-0639065 | Incheon | South Korea | 100 |
| Scania Korea Ltd. | 120111-0122515 | Seoul | South Korea | 100 |
| Scania Korea Seoul Ltd. | 110111-5304681 | Seoul | South Korea | 100 |
| Scania Hispania Holding S.L. | B82853938 | Madrid | Spain | 100 |
| Scania Hispania S.A. | ESA59596734 | Madrid | Spain | 100 |
| Scania Real Estate Hispania, S.L.U. | B36682003 | Pontevedra | Spain | 100 |
| Garage Vetterli AG | CH-020.3.909.930-2 | Seuzach | Switzerland | 100 |
| Scania Real Estate Schweiz AG | CH-020.3.035.714-4 | Kloten | Switzerland | 100 |
| Scania Schweiz AG | CH-020.3.926.624-8 | Kloten | Switzerland | 100 |
| Scania Tanzania Ltd. | 39320 | Dar es Salaam | Tanzania | 100 |
| Power Vehicle Co. Ltd. | 01055547132895 | Bangkok | Thailand | 100 |
| Scan Siam Service Co. Ltd. | 0105545023525 | Bangkok | Thailand | 100 |
| Scania Siam Co Ltd. | 0105543060121 | Bangkok | Thailand | 100 |
| Scania Thailand Co Ltd. | 0105534098031 | Bangkok | Thailand | 100 |
| Scania IT Nederland B.V. | 05062402 | Zwolle | The Netherlands | 100 |
| Scania Logistics Netherlands B.V. | NL8521.82.697.B.01 | Zwolle | The Netherlands | 100 |
| Scania Nederland B.V. | 27136821 | Breda | The Netherlands | 100 |
| Scania Production Meppel B.V. | 05046846 | Meppel | The Netherlands | 100 |
| Scania Production Zwolle B.V. | 05020370 | Zwolle | The Netherlands | 100 |
| Scania Real Estate The Netherlands B.V. | 50687921 | Breda | The Netherlands | 100 |
| Scania Middle East FZE | 150175 | Dubai | The United Arab Emirates | 100 |
| TOV Donbas-Scan-Service | 34516735 | Makijivka | Ukraine | 100 |

## NOTE 29 Subsidiaries, continued

| Company | Corporate ID no. | Registered office | Country | % Ownership |
|---|---|---|---|---|
| TOV Kyiv-Scan | 35706433 | Kalynivka | Ukraine | 100 |
| TOV Scania Ukraine | 30 107 866 | Kiev | Ukraine | 100 |
| TOV Scania-Lviv | 37497108 | Lviv | Ukraine | 100 |
| Scania Holding Inc. | 4019619 | Wilmington/ DE | United States | 100 |
| Scania USA Inc. | 06-1288161 | San Antonio / TX | United States | 100 |
| Scanexpo International S.A. | 21.490591.0012 | Montevideo | Uruguay | 100 |
| Scania de Venezuela S.A. | J-30532829-3 | Valencia | Venezuela | 100 |
| **Financial Services** | | | | |
| Scania Credit AB | 556062-7373 | Södertälje | Sweden | 100 |
| Scania Finance Holding AB | 556548-4697 | Södertälje | Sweden | 100 |
| Scania Finans AB | 556049-2570 | Södertälje | Sweden | 100 |
| Scania Projektfinans AB | 556593-3008 | Södertälje | Sweden | 100 |
| Scania Leasing Österreich Ges.m.b.H. | FN246699v | Brunn am Gebirge | Austria | 100 |
| Scania Österreich Holding GmbH | FN 316321 d | Brunn am Gebirge | Austria | 100 |
| Scania Finance Belgium N.V.-S.A. | BE0413.545.048 | Neder-Over-Heembeek | Belgium | 100 |
| Scania Insurance Belgium N.V.-S.A. | BE0819.368.007 | Neder-Over-Heembeek | Belgium | 100 |
| Scania Banco S.A. | CNPJ11.417.016/00011 | São Paulo | Brazil | 100 |
| Scania Corretora de Seguros Ltda. | CNPJ11.513.179/00105 | São Paulo | Brazil | 100 |
| Scania Finance Bulgaria EOOD | BG175108126 | Sofia | Bulgaria | 100 |
| Scania Finance Chile S.A. | 76.574.810-0 | Santiago | Chile | 100 |
| Scania Credit (Hong Kong) Ltd. | 1945045 | Hongkong | China | 100 |
| Scania Credit Hrvatska d.o.o. | 80516047 | Lucko | Croatia | 100 |
| Scania Finance Czech Republic spol. s r.o. | CZ25657496 | Prague | Czech Republic | 100 |
| Scania Finance France S.A.S. | 350890661 | Angers | France | 100 |
| Scania Location S.A.S. | 402496442 | Angers | France | 100 |
| Scania Finance Deutschland GmbH | HRB 3917 | Koblenz | Germany | 100 |
| Scania Versicherungsvermittlung GmbH | HRB 22831 | Koblenz | Germany | 100 |
| Scania Finance Great Britain Ltd. | 2173954 | London | Great Britain | 100 |
| Scania Finance Magyarország zrt. | 13-10-040959 | Biatorbágy | Hungary | 100 |
| Scania Lízing Kft. | 13-09-107823 | Biatorbágy | Hungary | 100 |
| Scania Finance Ireland Ltd. | 482137 | Dublin | Ireland | 100 |
| Scania Finance Italy S.p.A. | 03333020158 | Milan | Italy | 100 |
| Scania Finance Luxembourg S.A. | B0082907 | Münsbach | Luxembourg | 100 |
| Scania Credit (Malaysia) SDN BHD | 1011611-H | Selangor | Malaysia | 100 |
| Scania Services del Perú S.A. | 20392923277 | Lima | Peru | 100 |
| Scania Finance Polska Sp.z.o.o. | 0000036594 | Nadarzyn | Poland | 100 |
| Scania Insurance Polska Sp.z o.o. | 0000478529 | Nadarzyn | Poland | 100 |
| SCANRENT - Alguer de Viaturas sem Condutor, S.A. | 502631910 | Lisbon | Portugal | 100 |
| Scania Credit Romania IFN S.A. | J23/1818/2005 | Ciorogârla | Romania | 100 |
| Scania Regional Agent de Asigurare S.R.L. | J23/534/2011 | Ciorogârla | Romania | 100 |
| Scania Rent Romania S.R.L. | J23/1669/2008 | Ciorogârla | Romania | 100 |
| OOO Autobusnaya Leasingovaya Compania Scania | 1045005504774 | Moscow | Russia | 100 |
| OOO Scania Leasing | 1027700203970 | Moscow | Russia | 100 |
| OOO Scania Strachovanie | 1127747003097 | Moscow | Russia | 100 |
| Scania Finance Slovak Republic s.r.o. | 43874746 | Senec | Slovakia | 100 |
| Scania Leasing d.o.o. | 356417700 | Ljubljana | Slovenia | 100 |
| Scania Credit Solutions Pty Ltd. | 2009/016998/07 | Aeroton, Gauteng | South Africa | 100 |
| Scania Finance Southern Africa (Pty) Ltd. | 2000/025215/07 | Aeroton, Gauteng | South Africa | 100 |
| Scania Finance Korea Ltd. | 195411-0007994 | Kyeong nam | South Korea | 100 |
| Scania Commercial Vehicles Renting S.A. | A82853995 | Madrid | Spain | 100 |
| Scania Finance Hispania EFC S.A. | A82853987 | Madrid | Spain | 100 |
| Scania Finance Schweiz AG | CH-020.3.029.627-6 | Kloten | Switzerland | 100 |
| Scania Credit Taiwan Ltd. | 54330725 | Taipei | Taiwan | 100 |
| Scania Siam Leasing Co. Ltd. | 0105550082925 | Bangkok | Thailand | 100 |
| Scania Finance Nederland B.V. | 3446773 | Breda | The Netherlands | 100 |
| Scania Insurance Nederland B.V. | 1745773 | Middelharnis | The Netherlands | 100 |
| TOV Scania Credit Ukraine | 33052443 | Kiev | Ukraine | 100 |

Dormant companies are not included.

# PARENT COMPANY FINANCIAL STATEMENTS, SCANIA AB

## INCOME STATEMENT

| January – December, SEK m. | Note | 2014 | 2013 |
|---|---|---|---|
| Administrative expenses | | 0 | 0 |
| Operating income | | 0 | 0 |
| Financial income and expenses | 1 | 29 | 7,041 |
| Income after financial items | | 29 | 7,041 |
| Appropriations | 2 | –29 | –41 |
| Income before taxes | | 0 | 7,000 |
| Taxes | 3 | – | – |
| **Net income** | | 0 | 7,000 |

## STATEMENT OF OTHER COMPREHENSIVE INCOME

| January – December, SEK m. | 2014 | 2013 |
|---|---|---|
| Net income | 0 | 7,000 |
| **Other comprehensive income** | – | – |
| **Total comprehensive income** | 0 | 7,000 |

## BALANCE SHEET

| 31 December, SEK m. | Note | 2014 | 2013 |
|---|---|---|---|
| ASSETS | | | |
| **Financial non-current assets** | | | |
| Shares in subsidiaries | 4 | 8,435 | 8,435 |
| **Current assets** | | | |
| Due from subsidiaries | 5 | 11,167 | 11,167 |
| **Total assets** | | 19,602 | 19,602 |
| SHAREHOLDERS' EQUITY | 6 | | |
| **Restricted Equity** | | | |
| Share capital | | 2,000 | 2,000 |
| Statutory reserve | | 1,120 | 1,120 |
| **Unrestricted shareholders' equity** | | | |
| Retained earnings | | 16,482 | 9,482 |
| Net income | | 0 | 7,000 |
| **Total shareholders' equity** | | 19,602 | 19,602 |
| **Assets pledged** | | | – |
| **Contingent liabilities** | 7 | 31,925 | 32,638 |

## STATEMENT OF CHANGES IN EQUITY

| | Restricted equity | | | |
|---|---|---|---|---|
| **2014** | **Share capital** | **Statutory reserve** | **Unrestricted shareholders' equity** | **Total** |
| Equity, 1 January | 2,000 | 1,120 | 16,482 | 19,602 |
| Total comprehensive income for the year | | | 0 | 0 |
| Dividend | | | – | – |
| **Equity, 31 December 2014** | 2,000 | 1,120 | 16,482 | 19,602 |

| | Restricted equity | | | |
|---|---|---|---|---|
| 2013 | Share capital | Statutory reserve | Unrestricted shareholders' equity | Total |
| Equity, 1 January | 2,000 | 1,120 | 13,282 | 16,402 |
| Total comprehensive income for the year | | | 7,000 | 7,000 |
| Dividend | | | –3,800 | –3,800 |
| Equity, 31 December 2013 | 2,000 | 1,120 | 16,482 | 19,602 |

## CASH FLOW STATEMENT

| January – December, SEK m. | Note | 2014 | 2013 |
|---|---|---|---|
| **Operating activities** | | | |
| Income after financial items | 8 | 29 | 7,041 |
| Items not affecting cash flow | | – | –7,000 |
| Taxes paid | | – | – |
| **Cash flow from operating activities before change in working capital** | | 29 | 41 |
| **Cash flow from change in working capital** | | | |
| Due from subsidiaries | | – 29 | 3,792 |
| **Total change in working capital** | | –29 | 3,792 |
| **Cash flow from operating activities** | | 0 | 3,833 |
| **Investing activities** | | | |
| Shareholders' contribution paid | | – | –33 |
| **Cash flow from investing activities** | | – | –33 |
| **Total cash flow before financing activities** | | – | 3,800 |
| **Financing activities** | | | |
| Dividend to shareholders | | – | –3,800 |
| **Cash flow from financing activities** | | – | –3,800 |
| **Cash flow for the year** | | – | – |
| **Cash and cash equivalents, 1 January** | | – | – |
| **Cash and cash equivalents, 31 December** | | – | – |

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Amounts in the tables are reported in millions of Swedish kronor (SEK m.), unless otherwise stated. A presentation of the Parent Company's accounting principles is found in Note 1 to the consolidated financial statements. Taking into account that the operations of the Parent Company consists exclusively of share ownership in Group companies, aside from the notes below, the Scania Group's Report of the Directors and notes otherwise apply where appropriate.

## NOTE 1 Financial income and expenses

| | 2014 | 2013 |
|---|---|---|
| Interest income from subsidiaries | 29 | 41 |
| Dividend from Scania CV AB | – | 7,000 |
| Other | 0 | 0 |
| **Total** | **29** | 7,041 |

## NOTE 2 Appropriations

| | 2014 | 2013 |
|---|---|---|
| Group contributions provided to Scania CV AB | –29 | –41 |
| **Total** | **–29** | –41 |

## NOTE 3 Taxes

| Tax expense/income for the year | 2014 | 2013 |
|---|---|---|
| Current tax | – | – |
| **Total** | **–** | – |

| | 2014 | | 2013 | |
|---|---|---|---|---|
| **Reconciliation of effective tax** | **Amount** | **%** | Amount | % |
| Income before tax | 0 | | 7,000 | |
| Tax calculated using Swedish tax rate | 0 | 22.0 | –1,540 | 22.0 |
| Tax effect and percentage influence: | | | | |
| Tax-exempt dividends | – | 22.0 | 1,540 | 22.0 |
| **Tax recognised** | **–** | **–** | – | – |

## NOTE 4 Shares in subsidiaries

| Subsidiary / Corporate ID number / registered office | Ownership, % | Thousands of shares | Carrying amount 2014 | Carrying amount 2013 |
|---|---|---|---|---|
| Scania CV AB, 556084-0976, Södertälje | 100.0 | 1,000 | 8,435 | 8,435 |
| **Total** | | | **8,435** | 8,435 |

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.

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS, CONT.

## NOTE 5 Due from subsidiaries

| | 2014 | 2013 |
|---|---|---|
| Current interest-bearing receivable from Scania CV AB | **11,167** | 4,167 |
| Current non-interest-bearing receivable from Scania CV AB[1] | **–** | 7,000 |
| **Total** | **11,167** | 11,167 |

1 Refers to anticipated dividend.

The receivables are in SEK, so there is no currency risk.

## NOTE 6 Equity

For changes in equity, see the equity report, page 102.

Under Swedish law, **equity** shall be allocated between non-distributable (restricted) and distributable (unrestricted) funds.

**Restricted equity** consists of share capital plus statutory reserve. 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 7 Contingent liabilities

| | 2014 | 2013 |
|---|---|---|
| Contingent liabilities related to FPG credit insurance, mainly on behalf of subsidiaries | **–** | 2,664 |
| Loan guarantees on behalf of borrowings in Scania CV AB | **31,925** | 29,967 |
| Other loan guarantees on behalf of subsidiaries | **–** | 7 |
| **Total** | **31,925** | 32,638 |

## NOTE 8 Cash flow statement

Interest received was SEK 29 m. (41).

## NOTE 9 Salaries and remuneration to Board of Directors, executive officers and auditors

The Board of Directors, the President and CEO of Scania AB and the other executive officers hold identical positions in Scania CV AB. Wages, salaries and other remuneration are paid by Scania CV AB. The reader is therefore referred to the notes to the consolidated financial statements: Note 23, "Wages, salaries and other remuneration and number of employees" and Note 25, "Compensation to executive officers". Compensation of SEK 20,000 (20,000) was paid to auditors with respect to the Parent Company.

## NOTE 10 Transactions with related parties

Scania AB is a subsidiary of Volkswagen AG, corporate ID number HRB 100484 and with its registered office in Wolfsburg, Germany.

The consolidated Annual Report of Scania's foreign parent company is available on the website www.volkswagenag.com.

Transactions with related parties consist of dividends paid to Volkswagen AG and MAN SE. Dividends paid in 2014 amounted to SEK – m. (1,873) to Volkswagen AG and SEK – m. (507) to MAN SE.

# 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 | 16,482 |
| Net income for the year | 0 |
| Other comprehensive income for the year | – |
| Total | 16,482 |

| Shall be distributed as follows: | |
|---|---|
| To the shareholders, a dividend of SEK 3.75 per share | 3,000 |
| To be carried forward | 13,482 |
| Total | 16,482 |

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 | 13,482 |
| Total | 16,602 |

The undersigned certify that the consolidated accounts and the annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted for use in the European Union, and generally accepted accounting principles respectively, and give a true and fair view of the financial positions and results of the Group and the Parent Company, and that the Report of the Directors for the Group and the Parent Company gives a true and fair review of the development of the operations, financial positions and results of the Group and the Parent Company and describes substantial risks and uncertainties faced by the companies in the Group. The annual accounts and the consolidated financial statements were approved for issuance by the Board of Directors on 4 of February 2015. 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 24 of April 2015.

Södertälje, 4 February 2015

Martin Winterkorn
*Chairman of the Board*

Leif Östling
*Vice Chairman*

Peter Abele
*Board member*

Helmut Aurenz
*Board member*

Francisco J. Garcia Sanz
*Board member*

Ferdinand K. Piëch
*Board member*

Hans Dieter Pötsch
*Board member*

Christian Porsche
*Board member*

Peter Wallenberg Jr
*Board member*

Johan Järvklo
*Board member*
*Employee representative*

Lisa Lorentzon
*Board member*
*Employee representative*

Martin Lundstedt
*Board member*
*President and CEO*

Our Audit Report was submitted on 18 February 2015

Ernst & Young AB

Helene Siberg Wendin
*Authorised Public Accountant*

# AUDIT REPORT

TRANSLATION FROM THE SWEDISH ORIGINAL

**To the annual meeting of the shareholders of Scania AB (publ), corporate identity number 556184-8564**

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Scania AB (publ) for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 35–105.

### Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2014 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The Report of the Directors is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the Group.

### Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Scania AB (publ) for the year 2014.

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE PRESIDENT

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. The Board of Directors and the President are responsible for administration under the Companies Act.

### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or President is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence which we have obtained as described above is sufficient and appropriate in order to provide a basis for our opinions.

### Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated 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, 18 February 2015

Ernst & Young AB

Helene Siberg Wendin
Authorised Public Accountant

# KEY FINANCIAL RATIOS AND FIGURES

| | **2014** | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Scania Group** | | | | | | | | | | |
| Operating margin, % | **9.5** | 9.7 | 10.4 | 14.1 | 16.3 | 4.0 | 14.1 | 14.4 | 12.4 | 10.8 |
| Equity/assets ratio, % [2] | **31.4** | 31.2 | 30.6 | 31.1 | 30.2 | 23.7 | 19.9 | 27.1 | 29.7 | 30.3 |
| Net debt, excl. provisions for pensions, SEK m. [1, 2] | **35,780** | 34,696 | 31,591 | 28,213 | 24,606 | 39,767 | 50,112 | 31,534 | 23,297 | 25,476 |
| Net debt/equity ratio [1, 2] | **0.86** | 0.93 | 0.90 | 0.82 | 0.82 | 1.71 | 2.28 | 1.27 | 0.89 | 1.07 |
| **Vehicles and Services** | | | | | | | | | | |
| Operating margin, % | **8.4** | 8.9 | 9.7 | 13.5 | 16.1 | 4.3 | 13.6 | 13.8 | 11.7 | 10.0 |
| Capital turnover rate, times [2] | **2.18** | 2.15 | 2.02 | 2.47 | 2.35 | 1.77 | 3.01 | 2.82 | 2.35 | 2.48 |
| Return on capital employed, % [2] | **19.9** | 20.9 | 21.4 | 35.9 | 39.1 | 9.2 | 42.8 | 40.5 | 29.9 | 28.5 |
| Return on operating capital, % [2] | **24.5** | 26.0 | 27.1 | 44.3 | 48.7 | 9.0 | 47.1 | 51.2 | 35.2 | 27.4 |
| Net debt, excl. provisions for pensions, SEK m. [1, 2] | **–12,139** | –8,019 | –8,026 | –8,834 | –6,575 | 4,038 | 8,364 | –1,902 | –4,335 | 269 |
| Net debt/equity ratio [1, 2] | **–0.35** | –0.25 | –0.27 | –0.29 | –0.25 | 0.21 | 0.49 | –0.09 | –0.19 | 0.01 |
| **Financial Services** | | | | | | | | | | |
| Operating margin, % | **1.9** | 1.5 | 1.4 | 1.3 | 0.5 | –0.4 | 1.0 | 1.5 | 1.6 | 1.9 |
| Equity/assets ratio, % | **11.5** | 10.4 | 10.3 | 10.3 | 11.1 | 10.4 | 9.6 | 10.1 | 9.6 | 10.0 |

1 Net debt (+) and net cash position (–).

2 Due to amendments in IAS 32 Financial instruments: Presentation (see Accounting principles) the comparative figures have been adjusted.

# DEFINITIONS

## Operating margin
Operating income as a percentage of net sales.

## Equity/assets ratio
Total equity as a percentage of total assets on each respective balance sheet date.

## Net debt, net cash excluding provision for pensions
Current and non-current borrowings (excluding pension liabilities) minus cash and cash equivalents and net fair value of derivatives for hedging borrowings.

## Net debt/equity ratio
Net debt, net cash as a percentage of total equity.

## Capital employed
Total assets minus operating liabilities.

## Operating capital
Total assets minus cash, cash equivalents and operating liabilities.

## Capital turnover
Net sales divided by capital employed. [1]

## Return on capital employed
Operating income plus financial income as a percentage of capital employed. [1]

## Return on operating capital
Operating income as a percentage of operating capital. [1]

## Operating margin, Financial Services
Operating income as a percentage of average portfolio.

1 Calculations are based on average capital employed and operating capital for the thirteen most recent months.

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

**Eurasia:** Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Russia, Turkmenistan, Ukraine.

**Asia:** Afghanistan, Bahrain, Bangladesh, Bhutan, China, Dem. Republic of Yemen, Hong Kong, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, Kuwait, Lebanon, Malaysia, Mongolia, Myanmar, Oman, Qatar, Saudi Arabia, Singapore, South Korea, Sri Lanka, Syria, Taiwan, Thailand, Turkey, the United Arab Emirates.

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

**Africa and Oceania:** Algeria, Angola, Australia, Botswana, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Ghana, Kenya, Liberia, Libya, Malawi, Morocco, Mozambique, Namibia, New Zealand, Nigeria, Rwanda, the Seychelles, South Africa, Sudan, Tanzania, Tunisia, Uganda, Zambia, Zimbabwe.

# MULTI-YEAR STATISTICAL REVIEW

| SEK m. unless otherwise stated | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Delivery value by market area** | | | | | | | | | | |
| Europe | **53,211** | 46,712 | 43,490 | 47,747 | 41,533 | 37,988 | 60,360 | 59,553 | 53,117 | 47,712 |
| Eurasia | **5,319** | 6,047 | 5,966 | 6,084 | 2,413 | 1,449 | 5,267 | 5,126 | 2,534 | 1,731 |
| America [1] | **17,648** | 23,552 | 18,391 | 20,912 | 21,725 | 11,812 | 12,822 | 10,573 | 8,420 | 7,575 |
| Asia | **12,155** | 7,758 | 7,853 | 10,182 | 9,035 | 6,097 | 6,665 | 5,699 | 4,603 | 4,137 |
| Africa and Oceania | **6,952** | 5,925 | 5,796 | 5,360 | 5,403 | 5,243 | 4,364 | 4,511 | 3,953 | 3,943 |
| Adjustment for lease income [2] | **–3,234** | –3,146 | –1,894 | –2,599 | –1,941 | –515 | –501 | –976 | –1,889 | –1,770 |
| **Total** | **92,051** | 86,847 | 79,603 | 87,686 | 78,168 | 62,074 | 88,977 | 84,486 | 70,738 | 63,328 |
| **Operating income** | | | | | | | | | | |
| Vehicles and Services | **7,705** | 7,736 | 7,694 | 11,881 | 12,575 | 2,648 | 12,098 | 11,632 | 8,260 | 6,330 |
| Financial Services | **1,016** | 719 | 606 | 517 | 171 | –175 | 414 | 532 | 493 | 529 |
| **Total** | **8,721** | 8,455 | 8,300 | 12,398 | 12,746 | 2,473 | 12,512 | 12,164 | 8,753 | 6,859 |
| **Operating margin, %** | | | | | | | | | | |
| Vehicles and Services | **8.4** | 8.9 | 9.7 | 13.5 | 16.1 | 4.3 | 13.6 | 13.8 | 11.7 | 10.0 |
| **Total** [3] | **9.5** | 9.7 | 10.4 | 14.1 | 16.3 | 4.0 | 14.1 | 14.4 | 12.4 | 10.8 |
| Net financial items | **–399** | –47 | –19 | 214 | –213 | –871 | –534 | –258 | –170 | –94 |
| Net income | **6,009** | 6,194 | 6,640 | 9,422 | 9,103 | 1,129 | 8,890 | 8,554 | 5,939 | 4,665 |
| **Specification of research and development expenses** | | | | | | | | | | |
| Expenditures | **–6,401** | –5,854 | –5,312 | –4,658 | –3,688 | –3,234 | –3,955 | –3,214 | –2,842 | –2,479 |
| Capitalisation | **1,454** | 1,123 | 860 | 387 | 351 | 282 | 202 | 289 | 180 | 278 |
| Amortisation | **–357** | –293 | –229 | –169 | –168 | –264 | –475 | –418 | –361 | –283 |
| **Research and development expenses** | **–5,304** | –5,024 | –4,681 | –4,440 | –3,505 | –3,216 | –4,228 | –3,343 | –3,023 | –2,484 |
| Net investments through acquisitions/ divestments of businesses | **154** | 26 | –25 | –44 | 56 | 118 | –61 | 268 | – | 205 |
| Net investments in non-current assets | **5,561** | 5,294 | 4,480 | 3,776 | 2,753 | 3,031 | 5,447 | 4,277 | 3,810 | 3,597 |
| Portfolio, Financial Services operations | **55,556** | 48,863 | 45,038 | 42,235 | 36,137 | 40,404 | 47,220 | 38,314 | 31,841 | 29,634 |
| Cash flow, Vehicles and Services | **4,690** | 3,231 | 3,025 | 6,970 | 11,880 | 5,512 | 1,774 | 8,229 | 6,942 | 3,865 |
| Inventory turnover rate, times [4] | **5.4** | 5.8 | 5.4 | 6.1 | 6.4 | 4.5 | 6.5 | 7.5 | 6.9 | 6.0 |

1 Refers mainly to Latin America.

2 The adjustment amount consists of the difference between sales value based on delivery and revenue recognised as income. This difference arises when a lease or delivery is combined with a residual value guarantee or a repurchase obligation. Significant risks remain, therefore recognition is based on an operating lease contract. This means that recognition of revenue and earnings is allocated based on the term of the obligation. See also Note 3.

3 Includes Financial Services.

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

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Number of vehicles produced** | | | | | | | | | | |
| Trucks | **75,287** | 75,957 | 60,647 | 75,349 | 60,963 | 29,573 | 72,656 | 71,017 | 60,867 | 53,368 |
| Buses | **6,921** | 6,897 | 6,283 | 8,708 | 6,700 | 6,236 | 7,709 | 7,314 | 5,870 | 6,141 |
| **Total** | **82,208** | 82,854 | 66,930 | 84,057 | 67,663 | 35,809 | 80,365 | 78,331 | 66,737 | 59,509 |
| **Number of trucks delivered by market area** | | | | | | | | | | |
| Europe | **34,008** | 32,625 | 27,720 | 31,443 | 23,315 | 18,824 | 41,184 | 44,433 | 40,349 | 35,493 |
| Eurasia | **5,964** | 6,260 | 6,798 | 7,445 | 2,369 | 1,084 | 5,455 | 5,765 | 2,877 | 1,592 |
| America [5] | **16,150** | 23,756 | 15,391 | 17,632 | 18,056 | 9,566 | 10,775 | 9,790 | 7,957 | 7,776 |
| Asia | **12,889** | 7,400 | 8,089 | 12,485 | 10,179 | 4,843 | 6,721 | 6,061 | 5,546 | 5,415 |
| Africa and Oceania | **4,004** | 3,570 | 3,053 | 3,115 | 2,918 | 2,490 | 2,381 | 2,605 | 2,615 | 2,291 |
| **Total** | **73,015** | 73,611 | 61,051 | 72,120 | 56,837 | 36,807 | 66,516 | 68,654 | 59,344 | 52,567 |
| **Number of buses and coaches delivered by market area** | | | | | | | | | | |
| Europe | **1,361** | 1,000 | 1,312 | 1,916 | 1,760 | 1,954 | 2,412 | 2,212 | 2,426 | 2,390 |
| Eurasia | **105** | 850 | 198 | 84 | 82 | 130 | 194 | 235 | 284 | 275 |
| America [5] | **2,542** | 2,778 | 2,738 | 3,272 | 2,104 | 1,421 | 2,009 | 2,344 | 1,679 | 1,727 |
| Asia | **1,620** | 1,388 | 1,304 | 2,065 | 2,120 | 1,876 | 1,721 | 1,495 | 879 | 616 |
| Africa and Oceania | **1,139** | 837 | 798 | 651 | 809 | 1,255 | 941 | 938 | 669 | 808 |
| **Total** | **6,767** | 6,853 | 6,350 | 7,988 | 6,875 | 6,636 | 7,277 | 7,224 | 5,937 | 5,816 |
| **Total number of vehicles delivered** | **79,782** | 80,464 | 67,401 | 80,108 | 63,712 | 43,443 | 73,793 | 75,878 | 65,281 | 58,383 |
| **Number of industrial and marine engines delivered by market area** | | | | | | | | | | |
| Europe | **2,823** | 2,719 | 3,664 | 3,450 | 2,634 | 1,834 | 3,019 | 3,538 | 3,578 | 3,417 |
| America | **3,176** | 2,925 | 2,582 | 2,809 | 3,281 | 1,775 | 2,798 | 2,537 | 2,245 | 2,073 |
| Other markets | **2,288** | 1,139 | 817 | 701 | 611 | 626 | 854 | 1,153 | 723 | 214 |
| **Total** | **8,287** | 6,783 | 7,063 | 6,960 | 6,526 | 4,235 | 6,671 | 7,228 | 6,546 | 5,704 |
| **Total market for heavy trucks and buses, units** | | | | | | | | | | |
| Europe (EU28) [6] | | | | | | | | | | |
| Trucks | **223,187** | 237,325 | 221,188 | 241,200 | 178,100 | 161,100 | 316,000 | 326,200 | 299,300 | 277,300 |
| Buses | **24,815** | 22,962 | 21,813 | 25,200 | 25,400 | 26,500 | 28,700 | 28,100 | 25,900 | 23,800 |
| **Number of employees December 31** [7] | | | | | | | | | | |
| Production and corporate units | **19,304** | 19,069 | 17,663 | 17,489 | 17,006 | 14,672 | 16,264 | 17,291 | 16,517 | 15,174 |
| Research and development | **3,671** | 3,596 | 3,509 | 3,327 | 2,930 | 2,642 | 2,922 | 2,528 | 2,174 | 2,058 |
| Sales and service companies | **18,395** | 17,549 | 16,734 | 16,038 | 14,987 | 14,475 | 15,079 | 14,797 | 13,682 | 13,128 |
| Total Vehicles and Services | **41,370** | 40,214 | 37,906 | 36,854 | 34,923 | 31,789 | 34,265 | 34,616 | 32,373 | 30,360 |
| Financial Services companies | **759** | 739 | 691 | 642 | 591 | 541 | 512 | 480 | 447 | 405 |
| **Total** | **42,129** | 40,953 | 38,597 | 37,496 | 35,514 | 32,330 | 34,777 | 35,096 | 32,820 | 30,765 |

5 Refers to Latin America.

6 Twenty-five of the European Union member countries (all EU countries except Greece, Malta and Croatia) plus Norway and Switzerland.

7 Including employees with temporary contracts and employees on hire.

## FINANCIAL INFORMATION

On Scania's website, www.scania.com, it is easy to follow the company's performance during the year. The website provides truck registration statistics, key financial ratios and more.

You may subscribe to financial reports and press releases via e-mail and it is also possible to order printed reports in single copies.

**www.scania.com/subscribe**

**www.scania.com/printedmaterial**

## FINANCIAL CALENDAR

Interim Report, January–March, on 23 April 2015
Interim Report, January–June, on 22 July 2015
Interim Report, January–September, on 27 October 2015

## CONTACT

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SE-15187 Södertälje
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This is the English language version of Scania's Annual Report. The Swedish language Annual Report is the binding version that shall prevail in case of discrepancies. The Financial Reports encompass pages 51–104, and were prepared in compliance with International Financial Reporting Standards (IFRSs). The Report of the Directors encompasses pages 35–49 and 105. 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 Swedish corporate identity number: Scania AB (publ) 556184-8564. Unless otherwise stated, all comparisons in Annual Report refer to the same period of the preceding year.

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