SCANIA 1999
ANNUAL REPORT

In 1897 came the first Swedish-made automobile with a combustion engine.

During the 1920s, Scania-Vabis began making buses. In 1923, it produced 20.

In the 1930s, the "Bulldog Bus" arrived. Developed from a Leyland Tiger design, it was path-breaking owing to its simple design and efficient use of space and weight.

In 1945, at the end of the war, a "unitary" bus range was ready for production. The various bus models, built according to the same principles, were suitable for city, intercity and tourist coach service.

In 1909, only five trucks were made. Of these, the one shown above is the oldest preserved Scania truck.

In 1925, an entirely new truck chassis and a new type of engine with an integral gearbox were introduced.

In 1949, Scania took a significant step forward by unveiling its new 40- and 60-series trucks, featuring a direct-injection diesel engine that consumed 20–25 percent less fuel. It was soon called the 400,000 km engine, a tribute to its great durability.

In 1958, Scania began building the 75 series, its most long-lived model series. The model remained in production until 1980, when Scania introduced more comfortable, stronger, heavier trucks with largely the same appearance.

During the 1980s, the 2- and 3-series emerged, a range of models based on the modular philosophy that Scania had worked with for years. The 3-series was named Truck of the Year in 1989.

Scania through the decades

Scania was founded in 1891. Since then, the company has manufactured and delivered nearly one million trucks, buses and bus chassis.

Scania is one of the world's leading manufacturers of heavy trucks and buses as well as industrial and marine engines. With 25,800 employees and production units in Europe and Latin America, Scania is one of the most profitable manufacturers in its industry. During 1999, sales reached SEK 47.1 billion. Income after financial items was SEK 4.5 billion. Scania products are sold in some 100 markets and about 95 percent of Scania vehicles are sold outside Sweden.

During the 1990s, Scania expanded in new markets for trucks and buses in central and eastern Europe.

City bus in Gdansk, Poland.

Up to 85 percent of the components in a bus chassis are common with a truck chassis in the 4-series.

Tourist coach in South Korea.

Scania industrial and marine engines operate under tough conditions in generators and boats worldwide.

In the autumn of 1995, Scania unveiled the 4-series, which was very well received in the market. The 4-series was named Truck of the Year in 1996.
The 4-series, which was the result of the most extensive development effort in Scania's history, offers very high adaptability to customer needs. Among other things, it has greatly improved Scania's competitiveness in the construction truck segment.

Scania's prototype of a concept vehicle for the 2010s shows the potential for reducing heavy truck traffic by boosting per-vehicle capacity by 50 percent compared to today's trucks.

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The Report of the Directors encompasses pages 2–57.

Swedish corporate identity number:
Scania AB (publ)
556184-8564

IMPORTANT EVENTS

1999

January:

- Scania and American engine manufacturer Cummins started a jointly owned company to produce advanced fuel injection systems.
- Distribution of trucks in the South Korean market resumed, via the newly established wholly-owned subsidiary Scania Korea Ltd.
- Scania acquired its truck distributor in the Italian market, Italscandia Autocarri S.p.A.
- Volvo announced it had bought shares equivalent to 13.5 percent of the voting power and 12.9 percent of share capital in Scania.

March:

- A new cutting-edge vehicle electronics company, Scania Infotronics AB, was established in partnership with the research company Mecel AB.

April:

- All Scania facilities in Sweden received ISO 14001 environmental management accreditation.
- Volvo gradually enlarged its shareholding in Scania. By the end of April, it held 21.5 percent of the votes and 20.3 percent of the capital.

July:

- Scania acquired its distributor in the Norwegian market, Norsk Scania AS.
- Scania decided to invest in a new finishing paintshop and cab assembly facility in Oskarshamn, Sweden.

August:

- Volvo signed an agreement with Investor to acquire all of Investor's shares in Scania. At the same time, Volvo announced a public offer for the other Scania shares outstanding.

September:

- Scania's new concept truck for the 2010s was unveiled at a road safety seminar in Brussels.

October:

- Scania acquired the remaining 50 percent of its Finnish distributor, Oy Scan-Auto Ab.
- Scania's frame component production unit in Luleå, Sweden was reorganised into an autonomous limited company, Ferruform AB.

November:

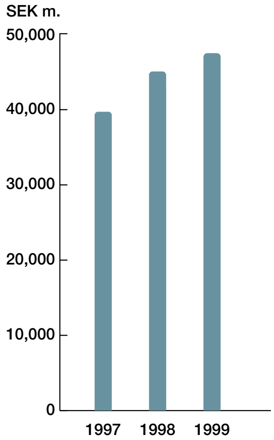
- Mecel and Scania Infotronics unveiled the first WAP browser for a truck environment.
- Scania signed an agreement to sell 340 intercity buses to South Africa.

2000

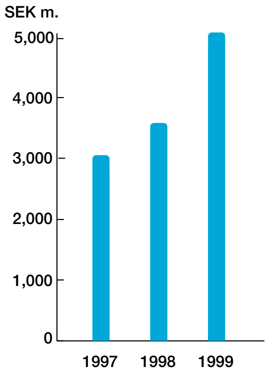
March:

- The European Commission decided not to approve Volvo's proposed acquisition of Scania. Volvo withdrew its offer to Scania's shareholders.
- Investor announces an agreement with Volkswagen AG on the sale of 34.0 percent of voting rights and 18.7 percent of capital in Scania.

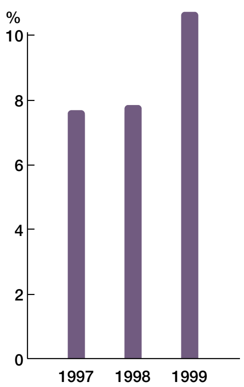
Sales



Operating income



Operating margin



	1997	1998	1999
Sales, units			
Trucks	42,392	45,553	**46,651**
Buses	4,584	4,117	**3,763**
Total	46,976	49,670	**50,414**
Sales, SEK m.			
Scania products	35,087	39,675	**41,728**
Svenska Volkswagen products	4,632	5,637	**5,382**
Total	39,719	45,312	**47,110**
Operating income, SEK m.			
Scania products	2,789	3,342	**4,795**
Svenska Volkswagen products	258	250	**250**
Total	3,047	3,592	**5,045**
Operating margin, %			
Scania products	7.9	8.4	**11.5**
Svenska Volkswagen products	5.6	4.4	**4.6**
Total	7.7	7.9	**10.7**
Income after financial items, SEK m.	2,751	3,214	**4,500**
Net income, SEK m.	1,943	2,250	**3,146**
Earnings per share, SEK	9.70	11.25	**15.75**
Earnings per share according to U.S. GAAP, SEK	11.10	11.20	**16.40**
Operating cash flows excluding customer finance operations, SEK m.	–55	1,797	**476**
Return, %			
on shareholders' equity	20.2	20.7	**25.1**
on capital employed[1]	16.2	17.4	**21.4**
Net debt/equity ratio[1]	0.69	0.55	**0.61**
Equity/assets ratio, %	27.0	26.5	**26.0**
Capital expenditures for property, plant and equipment, SEK m.	2,566	2,026	**1,876**
Research and development expenses, SEK m.	1,248	1,168	**1,267**
Number of employees at year-end	23,763	23,537	**25,814**

[1] With customer finance operations reported according to the equity method.

STATEMENT OF THE PRESIDENT AND CEO

Scania had a very good year in 1999. Sales volume rose somewhat and earnings jumped by 40 percent. The operating margin on Scania products, at 11.5 percent, is back at a traditionally high Scania level.

A number of circumstances contributed to the fine growth in earnings. One was a very strong western European market. But the main explanation is that the company has now completed the changeover to new product ranges and its transition to a partly new production system.

Bolstering the distribution network

In recent years, European haulage companies have increasingly demanded vehicles that carry maintenance, repair and financing packages for a period of four to five years. The trend towards focusing on their actual transport operations and outsourcing other activities has become clearer and clearer.

This trend began in the late 1980s in Great Britain and the Benelux countries but is also becoming more common in other countries. It will become even more pronounced in the future, both in Europe and elsewhere.

In light of this, we have systematically strengthened and expanded our distribution and service organisation in all western European markets over the past five years. During 1999, Scania acquired its distributors in Italy, Norway and Finland.

We are also continuing to expand our distributor organisations in the important growth markets of central and eastern Europe, despite temporarily weak demand

Leif Östling

Broader product concept

Delivering the best total solutions in the market is the key to achieving Scania's growth targets. During 1999, efforts to further refine Scania's service, maintenance and finance packages thus continued.

Investments in Scania-specific electronic and information systems intensified. As one step in this effort, Scania Infotronics AB, a cutting-edge company in information technology (IT) based vehicle electronics, was established. Scania is committed to assuming a leading role in transforming IT developments into practical vehicle applications that benefit our customers.

Continued strong demand

During 1999, demand for heavy trucks in western Europe was larger than most observers had expected. The EU is showing good economic growth, and there is probably still a large need to replace the vehicles sold during the previous demand peak around 1990. Another reinforcing factor is environmentally related demand, due to new regulations as well as the fact that customers see it as a competitive advantage to have the best environmentally adapted vehicles.

Markets in Asia were weak during 1999, but there was some recovery during the second half. In the long term, the region offers major potential to Scania, and we are continuing to strengthen our distribution and service network there.

Latin America had a difficult year. Early in 1999, Brazil devalued its currency, driving demand throughout the region down to a very low level. We have implemented vigorous action programmes to adapt our cost level to the prevailing demand. Given these actions, in our judgement we will achieve at least break-even during 2000.

This year is certain to be exciting. Western European markets seem to be continuing at a high level. Central and eastern Europe are bouncing back, as are the markets of Asia. I also see certain signs that Latin America will be able to recover from the current low demand.

Focus on quality

Despite the prevailing uncertainty during the past 14 months, in my judgement Scania has not suffered any serious harm in the short term. We are working at full speed to develop new products. Scania's production system will be further streamlined by a number of development programmes. The distribution and service organisation will continue to undergo changes in response to customer demand for fast, high-quality service. All work will focus on quality – in the development, production and distribution/servicing of our products.

I would like to close by thanking all our employees for their solid dedication, outstanding contributions and very fine earnings performance during the tumultuous year we have now completed.

Leif Östling
President and CEO

STATEMENT OF THE CHAIRMAN

For Scania, 1999 was a year of upheaval. The issue of the company's future ownership structure was in focus and we were forced to work in uncertainty regarding our future ownership. Meanwhile Scania showed its strength in the form of earnings at a historically high Scania level.

The European truck market remained vigorous during 1999. Despite continued very weak demand in important Scania markets – South America, eastern Europe and South East Asia – and mounting price competition, Scania increased its earnings.

In January 1999, when Scania announced its preliminary results for 1998, we issued a forecast stating that operating income would improve by about SEK 1.5 billion during 1999. I am now pleased to note that this was achieved.

Highest profitability in the industry

With an operating margin of 11.5 percent, Scania has again shown the highest profitability in its industry. The operating margin of Scania's European operations was 13 percent, which must be described as very strong.

This is the result of Scania's investments over the past several years in a new, attractive range of vehicles, service-related products and customer financing, as well as a largely new and more efficient production system.

Focus on ownership

Volvo's purchase in January 1999 of a shareholding in Scania, and Volvo's express desire to purchase all shares, accentuated the issue of Scania's future and ownership structure.

Anders Scharp

We are convinced that Scania has very good potential to remain an independent player in the heavy vehicle market. Scania is one of the world's five largest makes of both heavy trucks and buses. The company has successfully implemented its product renewal and production changeover and thus stands well equipped for the future.

In August, Volvo agreed to purchase Investor's shareholding in Scania and announced a public offer for all shares outstanding in Scania.

The Competition Directorate of the European Union then carried out its examination of Volvo's acquisition – from September 1999 to March 2000. The European Commission's decision on 14 March signified a rejection of Volvo's proposed acquisition of Scania. As a result, Volvo withdrew its offer to the shareholders of Scania.

A strong Scania

Despite the uncertainty of the past year, Scania has continued to show strength. The unique Scania spirit has enabled our employees to focus successfully on their respective assignments without being distracted by everything that has been happening on the ownership issue. Scania's very strong 1999 earnings consolidated its leading global position in the industry.

Late in March 2000, it was announced that Volkswagen had agreed with Investor to acquire 34 percent of the voting power and 18.7 percent of the share capital in Scania.

The intention is that Scania, in accordance with statements in conjunction to the deal between Volkswagen and Investor, continues to be a listed company and will also continue to follow Swedish practice regarding obligations towards shareholders, corporate governance, auditing and disclosure.

In closing, I would like to express the gratitude of the Board to the management and all employees of Scania for their fine contributions during a year of turbulence but of very good results for our company.

Anders Scharp
Chairman

SCANIA SHARE DATA

Scania's share capital is distributed among 100 million A shares and 100 million B shares. Each A share represents one vote and each B share one tenth of a vote. Otherwise there are no differences between these types of shares. The nominal (par) value per share is SEK 10.

Since 1 April 1996, both types of Scania shares – Series A and Series B – have been quoted on what is now called the OM Stockholm Stock Exchange (SSE) and on the New York Stock Exchange (NYSE). In Stockholm, both A shares and B shares are quoted on the SSE's A list. A round lot consists of 100 shares. Since 1 January 2000, the B share is no longer included in the Swedish OMX Index. On the NYSE, Scania shares are traded in the form of American Depositary Receipts (ADRs), consisting of 10 shares. Citibank is the depositary bank. Scania shares are also traded on the London Stock Exchange Automated Quotations system for non-UK equities (SEAQ International).

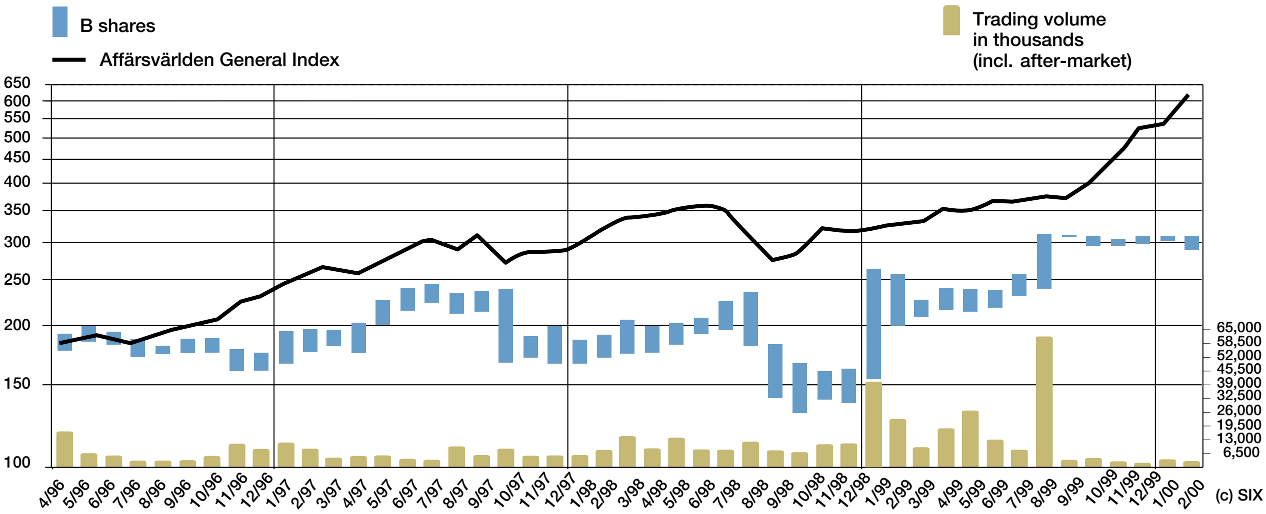
Share prices and trading

B shares – the more heavily traded of Scania's two series – rose by 104 percent during 1999. During the same period, the index of Swedish engineering companies rose by 117 percent and the SSE General Index by 66 percent. At year-end, B shares were quoted at a market value of SEK 306.50 apiece. This was equivalent to a market capitalisation of SEK 61,100 m. The highest closing price for B shares during the year was SEK 312.50 apiece on 27 August. The lowest, SEK 157.50, was paid on 4 January.

The beta coefficient shows the fluctuations of a specific share in relation to an entire stock exchange. According to calculations by the OM Stockholm Stock Exchange, the beta coefficient of Scania B shares was 1.04 at the end of 1999. This means that on average, Scania shares fluctuated 4 percent more than the Exchange on average. The explanatory value for Scania shares was 0.55, which means the 55 percent of share price changes can be explained by overall changes on the SSE.

On average, about 1,082,000 shares changed hands each trading day in Stockholm, for a turnover rate of 137 (86) percent, compared to 94 (76) percent on the SSE as a whole. The heavy trading is explained by Volvo's purchases of Scania shares during the year as well as other heavy trading due to changes in ownership structure.

Share price, OM Stockholm Stock Exchange, Scania B shares



In NewYork, an average of about 1,100 Scania ADRs were traded per day, down by about 400 from the year before. At year-end there were 86,000 ADRs outstanding, compared to 77,000 at the beginning of 1999.

Ownership structure

On 15 January 1999, AB Volvo acquired 13.5 percent of the voting power and 12.9 percent of the share capital in Scania. Volvo gradually increased its stake, holding 21.5 percent of the votes and 20.3 percent of the capital at the end of April. On 6 August 1999, Volvo signed an agreement to purchase Investor AB's shareholding in Scania, equivalent to 49.3 percent of the votes and 27.8 percent of the capital. At the same time, it presented a conditional public offer for the remaining shares outstanding. After a decision by the European Commission not to approve the proposed acquisition, on 14 March 2000, Volvo withdrew its offer. On 27 March 2000, Investor agreed with Volkswagen AG to sell 34.0 percent of the voting power and 18.7 percent of share capital in Scania. On 29 February 2000, Volvo's holding amounted to 30.8 percent of the votes and 46.9 percent of the capital. Apart from Volvo and Investor, SPP remained as a major shareholder on 29 February, with 3.1 percent of the capital and 4.6 percent of the votes.

On 29 February 2000, the number of shareholders in Scania was about 43,000, an increase of 4,000 since the beginning of 1999.

Scania on the Internet

Scania's website includes information about the company and provides a way to contact Scania's Investor Relations department. The address is www.scania.com

The ten largest shareholders
29 February 2000

	% of voting power	% of shares
Investor	49.3	27.8
Volvo	30.8	46.0
SPP	4.6	3.1
Svenska Handelsbanken (SHB) sphere	1.5	0.9
Nordbanken mutual funds	1.1	1.1
SEB sphere	0.9	1.2
Wallenberg sphere	0.8	3.9
AMF Pension	0.5	0.6
Hagströmer-Qviberg sphere	0.3	0.2
SHB mutual funds	0.3	0.3
Total	90.1	85.1

Ownership structure
29 February 2000

Number of shares	% of shareholders	% of shares
1– 500	91.1	2.7
501– 2,000	6.9	1.5
2,001– 10,000	1.4	1.3
10,001– 50,000	0.3	1.6
50,001–100,000	0.1	1.1
> 100,000	0.2	91.8
Total	100.0	100.0

Per share data

SEK (unless otherwise stated)	1999	1998	1997
Earnings	**15.75**	11.25	9.70
Shareholders' equity	**67.75**	59.30	51.80
Dividend (1999 proposed)	**7.00**	6.50	5.50
Market prices, B-shares (closing price)			
Highest for the year	**312.50**	230.00	240.00
Lowest for the year	**157.50**	132.50	166.50
Year-end	**306.50**	150.00	179.00
Price/earnings ratio, B-shares	**19.5**	13.3	18.5
Dividend payout ratio, %	**44.4**	57.8	56.6
Dividend yield, % (B-shares) [1]	**2.3**	4.3	3.1
Annual turnover rate, %	**136**	86	60
Number of shareholders	**43,000**[2]	39,000[3]	45,000

Average daily number of shares traded 1999:

– OM Stockholm Stock Exchange	A	232,000
	B	850,000
	Total	**1,082,000**
– New York Stock Exchange	A-ADRs	575
	B-ADRs	543
	Total	**1,118**

[1] Dividend divided by the market price of a B share at year-end.

[2] As of 29 February 2000.

[3] As of 29 January 1999.

MISSION AND STRATEGY

Mission statement

Scania's mission is to supply its customers with vehicles and services related to the transport of goods and passengers by road. By focusing on customer needs, Scania shall create value-added for the customer and grow with sustained profitability. Scania thereby generates shareholder value.

Scania's industrial operations specialise in developing and manufacturing vehicles, which shall lead the market in terms of performance, life-cycle cost, quality and environmental characteristics.

Scania's commercial operations, which include distributors, dealers and service points, shall supply customers with optimal equipment and aftersales support, thereby providing maximum operating time at minimum cost over the service life of their vehicles.

Strategy

- **Focus on heavy transport vehicles:**
  Scania's operations concentrate on heavy transport vehicles. In mature markets, demand for heavy trucks and buses increases with GDP growth. In developing countries, it also increases as infrastructure expands.

  Heavy vehicles are specialised products that are used as working tools. Scania's trucks, buses and industrial and marine engines have an established reputation as quality products, both in terms of performance and price.

- **Modular product system and global production system:**
  Buyers of heavy transport vehicles demand customer-specific solutions. The more closely a vehicle is adapted to its transport task, the more economically it will operate.

  Scania's modular system is based on the use of common components in a number of different specifications. This creates customer benefit by making it possible to specify vehicles individually. It also leads to improved quality, simplified parts management and a higher degree of service.

  The modular system limits the total number of components in Scania's product range. It thereby allows considerably longer production runs for these components than a conventional product system. Scania's global product range, featuring standardised components and global quality standards, makes it possible to use the same process technology at all Scania facilities.

- **Complete range of vehicles, services and financing:**
  Offering the best package solutions in the market is the key to achieving Scania's growth targets. Scania's customers demand round-the-clock access to their vehicles. This presupposes rapid access to service and repairs. In addition to its vehicle development work, Scania is continuously improving its distribution and service network.

  Scania is working actively to expand its range of services and financing in order to achieve more rapid profitability growth.

- **Focus on growth markets:**
  Scania's main markets – Europe, Latin America and Asia – have good potential for long-term growth.

  A borderless Europe of growing economies is offering major opportunities to manufacturers that have a well-developed distribution and service network.

  In Latin America, an increasing share of both goods and passenger traffic utilises heavy vehicles. The demand for vehicles, services and financing is increasing.

  Asia is a long-term growth market. As the infrastructure improves, a streamlining of the transport sector will become possible.

SCANIA'S IDENTITY AND BEHAVIOUR

Scania's identity

Scania has a strong corporate culture that has laid the groundwork for the company's success. Scania's identity is shaped both by its products – vehicles, services and customer financing – and by the values and behaviour of the company.

Scania's product identity

The Scania brand name has a strong identity, and Scania's products stand for prestige and high performance. The promises made by this brand name must constantly be fulfilled in the company's encounters with its customers.

Only high performance and quality can satisfy customers' expectations of Scania. Scania offers prestige products in which customers must feel total confidence. These products must also help their owners and drivers to feel proud of their choice of professional working tools.

Behaviour/way of working

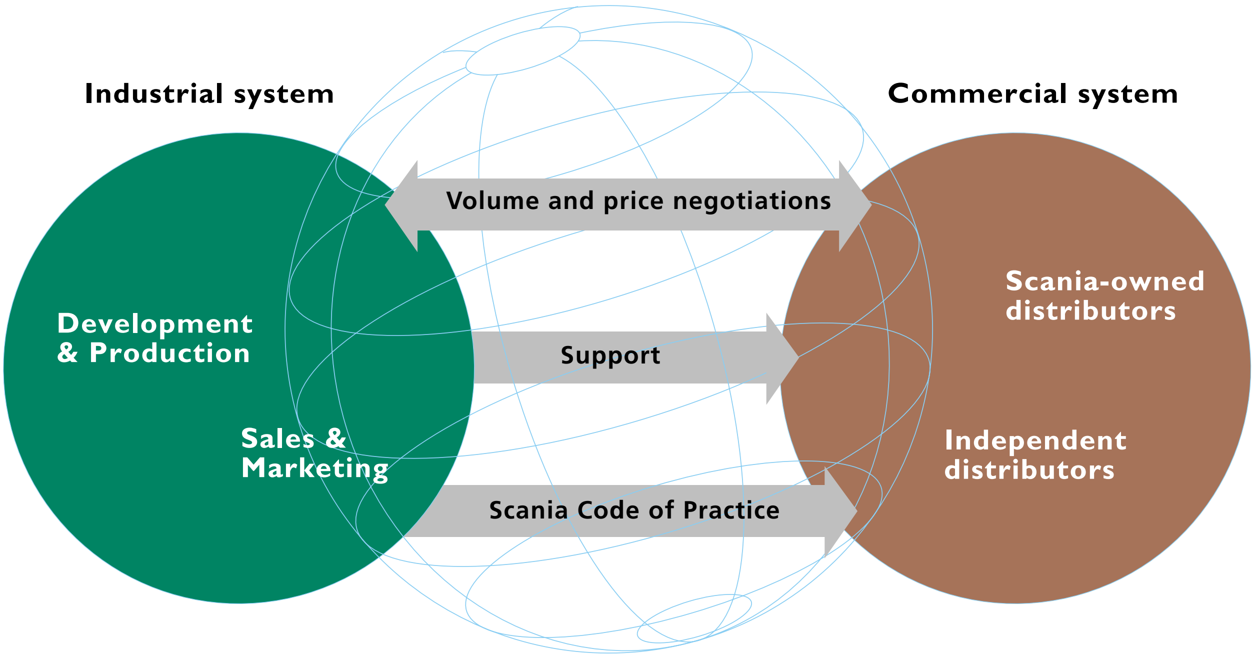
The principles that have governed the company's past work have laid the groundwork for Scania's public image and success. In modernised form, these principles must also characterise its future efforts.

Forward-looking integrity

Close and lasting relationships with demanding customers have laid the groundwork for Scania's development of products and services. Scania has based its work on the customer's business and has peeked around the corner. By thinking independently, Scania has developed forward-looking transport solutions that are competitive throughout the life cycle of its products.

Scania takes responsibility for a holistic approach to customer transport solutions by expanding its service offering and adapting it to a customer's overall business.

Scania offers prestige products in which customers must feel total confidence. These products must also help their owners and drivers to feel proud of their choice of professional working tools.



Corporate governance

The governance of Scania is based on the company's integrated global structure. Vehicles, services and customer financing are elements of the same product offering. Trucks, buses and industrial and marine engines are integrated products due to Scania's modular system.

Aside from the development and manufacture of physical products, **Scania's industrial system** also develops services and financing products.

Scania's commercial system consists of national distributors as well as sales and service networks. It refines and crafts the range of goods and services offered to customers. Distributors and dealerships owned by Scania work independently under their own boards of directors according to growth and financial return targets and principles established by Scania.

The companies in the commercial system – whether Scania-owned or independent – negotiate on market terms with the industrial system.

Systematised simplicity

Modularisation is one cornerstone in the development of Scania's products and services, making it possible to combine specialised, customer-adapted solutions with the economies of long production runs. It also ensures quality, simple parts management and a high level of service.

Scania uses advanced technology but avoids fads and unnecessary complexity. Its technical solutions must generate value by providing robust and reliable products as well as simple, comprehensible, demand-controlled work flows.

Coordinated independence

Scania takes advantage of economies of scale, striving for uniformity that will contribute to higher quality, productivity and flexibility. Otherwise general guidelines are responsible for the necessary coordination.

Within the limits of existing rules and guidelines, Scania managers independently develop the operations they manage. They set targets for their operations and rely on the willingness and ability of employees to take responsibility for results and development.

Continuous improvement

Scania has a tradition of working economically with limited resources. Every activity must create value-added for its recipients and every cost must be related to a corresponding benefit.

In Scania's day-to-day work, the quality and efficiency of a unit's own efforts must be systematically compared to the best practices in each field. Continuous improvement efforts generate higher value and lower the consumption of resources.

Scania's V8-engine is widely used for demanding transport tasks.

SCANIA DURING THE 1990s

During the 1990s, Scania was affected by the deregulation of transport markets in Europe. The growing use of heavy vehicles in both the industrialised world and developing countries also played a major role in the company's development.

Scania's sales of heavy vehicles rose from just above 30,000 to approximately 50,000 during the 1990s. This expansion is the result of deliberate investments in higher production capacity. Scania has captured market share in both western Europe and the growth markets of Latin America, central and eastern Europe and Asia. During the 1990s, growth in the service sector was even higher than for vehicles.

Scania's owners

1991: Investor bought Saab-Scania, delisting it from the stock market.

1994: Scania again became an independent company when Saab-Scania was demerged into two separate companies.

1996: Scania gained a listing on the Stockholm Stock Exchange and – as the first Swedish company – on the New York Stock Exchange.

1999: Scania's main owner, Investor, signed an agreement to sell all its shares to Volvo, which made a public offer for the remaining shares in Scania.

The new assembly plant in Angers, France, was completed and fully operative when demand took off in 1994.

The new corporate symbol, designed when Scania again became an independent company, has ties to historical Scania symbols.

2000: The European Commission decided not to approve Volvo's proposed acquisition of Scania. Volvo withdrew its offer to Scania's shareholders.

Investor signed an agreement with Volkswagen AG on the sale of 34.0 percent of voting rights and 18.7 percent of capital in Scania.

Evolution into a global player

1989: Scania's new management, headed by Leif Östling, established as its objectives that Scania would increase sales volume and work in an even more integrated way, in order to preserve the best profitability in its industry.

1990: Scania began the split into an industrial system (development, manufacturing and marketing) and a commercial system (Scania-owned and independent distributors). The aim was to create a clearer structure in the Group and greater focus on growth and profitability.

1991: Scania introduced a new production system adapted to its plans for a global production structure. It began to concentrate European component production to fewer units, a process that continued throughout the 1990s. Scania began to invest in future capacity.

The 4-series, unveiled in 1995, has consolidated Scania's position as a leading truck and bus make.

1992: Scania built a new assembly plant in Angers, France, as a consequence of its decision to increase capacity.

1995: Scania introduced the 4-series. The 4-series took Scania's modular philosophy a step further, reducing the number of components while increasing the integration between trucks, buses and industrial and marine engines. The restructuring of operations into an industrial and a commercial system began in Latin America.

1995/1996: The changeover in the European production system took place and deliveries of 4-series vehicles began.

1997: Scania created a global production structure. After the changeover in Latin America, it became the first heavy vehicle manufacturer with a global product range. In other words, Scania manufactures and delivers products with interchangeable components and the same quality and performance in all markets where the company is active.

Late 1990s: During the second half of the 1990s, Scania intensified its forward integration by acquiring several of its distributors, especially in European markets.

The company expanded and strengthened its service organisation in Europe and in other markets, by improving employee expertise and establishing common standards. In this way, Scania guarantees its customers a high level of vehicle availability.

In 1996 Scania became a listed company, quoted on the Stockholm Stock Exchange and, as the first Swedish company, on the New York Stock Exchange.

VEHICLES

The market in Europe

Trucks in western Europe

The western European market for heavy trucks remained strong during the year. A total of 236,000 heavy trucks were registered during 1999, compared to 207,000 during 1998. This represented a 14 percent increase. The number of trucks registered in 1997 was 170,000.

Of the largest markets in western Europe, Germany, France, Italy and Spain showed the most vigorous growth, while the trend in Great Britain and the Netherlands was weaker in comparison. One of Scania's expressed goals is to prioritise a larger presence in the German, French and Italian truck markets.

Scania's share of the western European market for heavy trucks was 14.9 percent (15.2). The downturn in market share was due in large part to comparatively weaker volume increases in the markets where Scania has a stronger position. An additional factor was a shortage of capacity among distributors and bodybuilders due to high volume.

Scania's order bookings for heavy trucks in the western European market rose by 9 percent to 36,200 (33,300), and the number of trucks sold rose by 10 percent to 36,100 (32,700).

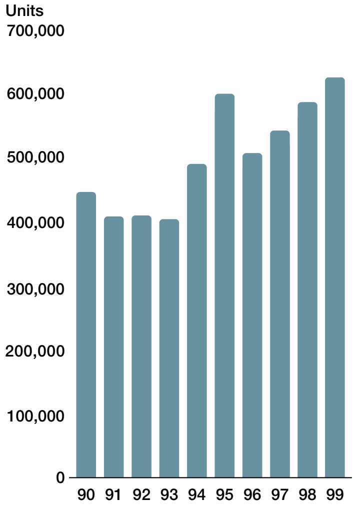
Despite the increase in demand, price levels did not rise and competition remained vigorous. Depressed new truck prices, combined with shorter trade-in cycles, also created pressure on prices for used trucks.

Mercedes-Benz and Volvo are the competitors Scania encounters in virtually every market. Mercedes-Benz' share of the western European heavy truck market amounted to 20.9 percent (20.5). Volvo's share was 14.9 percent (15.1).

In the German market, the number of heavy trucks registered rose by 17 percent. Scania increased its market share to 9.5 percent (8.9) and consolidated its position as the leading importer of heavy trucks.

The number of trucks registered in the British market during 1999 amounted to 31,300, somewhat higher than the 1998

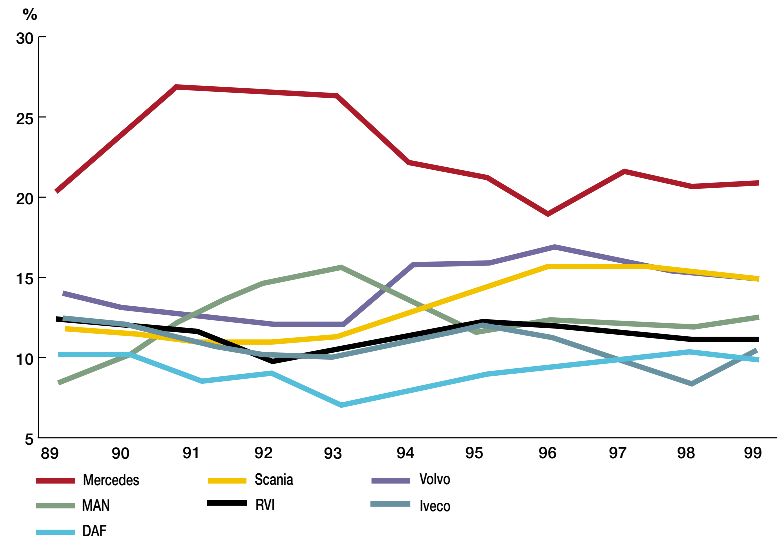
World production of heavy trucks
(excluding the former East bloc countries)



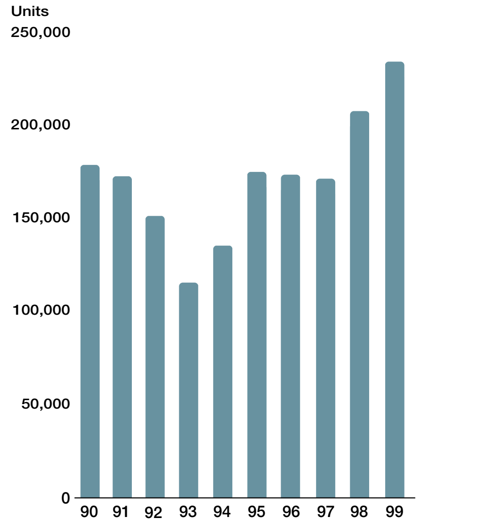
World production of heavy trucks
Above 16 tonnes/class 8
Ten largest makes

Units	1999	1998	1997
Freightliner	**106,000**	83,000	64,000
Volvo	**80,000**	79,000	63,000
Mercedes-Benz	**63,000**	66,000	63,000
Navistar	**50,000**	48,000	41,000
Scania	**46,000**	45,000	44,000
Mack	**39,000**	33,000	28,000
MAN	**37,000**	34,000	26,000
Kenworth	**32,000**	28,000	22,000
Iveco	**32,000**	32,000	25,000
RVI	**31,000**	31,000	23,000

Market shares, heavy trucks in western Europe



Registrations, heavy trucks in western Europe



level. Scania's market share amounted to 18.1 percent (18.8).

In the French market, rapid growth continued and the peak achieved in 1998 was exceeded. Scania's share of the market rose to 10.7 percent (9.4).

The Italian market was characterised by the continued impact of deregulation, and sales increased sharply. Scania's market share rose to 12.8 percent (12.5). Early in 1999, Scania acquired its Italian distributor as part of its expansion in Italy. During October, it also acquired the Italian finance company Fiscar S.p.A.

In the Netherlands the total number of registrations decreased somewhat, following strong growth in the preceding year. Scania's share of the market decreased to 19.4 percent (22.7).

The demand in the Nordic market was largely unchanged during the year. Scania strengthened its market position, primarily in Sweden. Its total market share in the Nordic countries amounted to 35.5 percent (34.9).

With the 4-series, Scania has strengthened its position in the construction segment.

Trucks in central and eastern Europe
The downturn in the markets of central and eastern Europe that began during the second half of 1998 continued during 1999. The recession, caused by Russia's economic slump, led to lower volume and sharp price reductions, especially for international transport services. This resulted in diminished buying power among hauliers, which in turn decreased the room for new truck sales.

The number of newly registered heavy trucks of western European origin decreased by 30 percent to 11,600 (16,600). During the year, Scania delivered about 1,600 trucks (2,200), down more than 25 percent. However, Scania noted increased demand during the latter part of the year.

Despite temporarily difficult market conditions, Scania views the region as an important growth market. During the year, efforts to strengthen the distribution and service network continued, with new facilities being added in most countries in the region.

Gradually improved transport volume plus a general improvement in the creditworthiness of hauliers indicate a stronger market ahead.

Buses in Europe
The total market for heavy buses in western Europe remained at the same level as during 1998. The number of bus registrations rose somewhat to 21,800 (21,000).

The markets in Austria, Sweden and Great Britain grew the most during the year.

The deregulation of city and intercity bus services in western Europe continued. This improves the opportunities for Scania to enter markets, such as Germany, France and Italy, previously dominated by domestic makes.

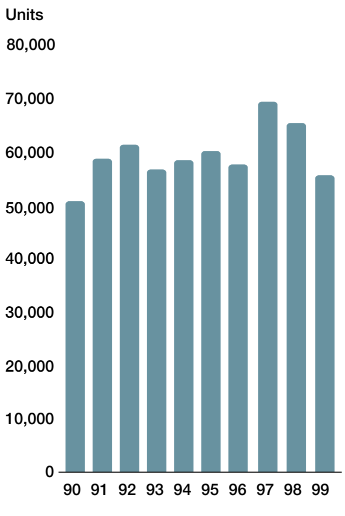
Scania's transition to the new generation of buses, which are manufactured according to the same modular concept as trucks, was fully implemented.

Scania has decided to establish two central distribution units for its bus sales in 15 European markets, independent of the truck distribution organisation. This

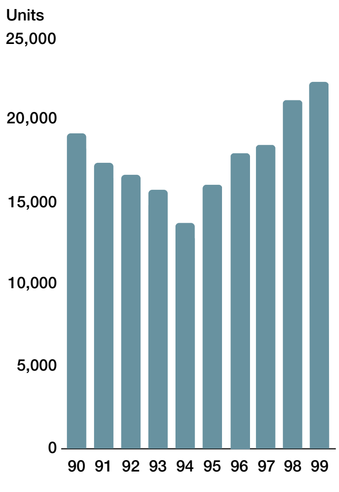
"A dense network of service points with professional mechanics and the availability of vehicle service essentialy round the clock is very important to our business. Our customers are dependent on punctual deliveries."

Hans Adam Schanz,
Managing Director and owner of Spedition Schanz,
Ober-Ramstadt, Frankfurt, Germany.

World production of heavy buses
(excluding the former East bloc countries)



Registrations of heavy buses in western Europe



The OmniCity is Scania's new city bus. It is available either with a body by Scania or as a chassis (N94) on which independent bodywork companies build a customised superstructure.

new structure enables an increased focus on sales and services of buses. The needs of bus companies that operate across national boundaries can also be better satisfied. The two units, Scania Bus Europe and Scania Bus Nordic, will have a resource centre in Belgium and one in Sweden.

Scania's bus sales grew more than the total market. This was due, among other things, to a broader product range as well as more efficient production of buses and bus chassis.

Sales in Europe rose by 9 percent to 2,000 buses and bus chassis (1,840) and market share rose to 8.3 percent (7.6).

Scania's order bookings in Europe totalled 1,700 buses and bus chassis (1,840), a decrease of 8 percent.

Spain was again Scania's foremost bus market in Europe, with 560 Scania buses registered (370). Last year's downturn in market share, due to delivery problems, was recouped and surpassed.

Scania's share of the Nordic market strengthened substantially to 28.7 percent (24.4), due to large sales volume, especially of city buses.

Industrial and marine engines

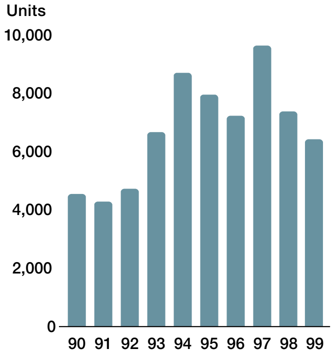
Total deliveries of industrial and marine engines showed good growth. Scania's overall sales amounted to 3,280 engines (2,840), of which 70 percent industrial engines and 30 percent marine engines. One contributing reason behind the increase was strong demand for generator sets.

The 12-litre engine for industrial use showed continued sales successes during the year.

In Europe, the number of engines sold increased to 2,080 (1,910).

Scania engines are used in the prestige segment of pleasure craft.

Sales of Scania trucks in Latin America



The market in Latin America

Trucks

The Latin American markets showed weakness during 1999. Scania's sales fell by 17 percent to 6,300 trucks (7,600). Order bookings decreased by 25 percent to 6,100 trucks (8,100).

During the year, the Latin American plants had full delivery capacity after the production changeover to the 4-series, which could nevertheless not be utilised due to limited demand.

"Salt is a good business, but global competition is tough and the margins are shrinking. To lower our transport costs, we use new Scania trucks."

Brothers Carlos, Francisco and Benedito de Lima, owners of Sal Maranata in Mossoró, Rio Grande do Norte, Brazil.

The Brazilian economy performed weakly during the year, and GDP grew insignificantly. Even though the currency fell by nearly 60 percent against the US dollar, trade balance problems persisted. Financing costs for hauliers remained high, although interest rates improved toward year-end.

The Brazilian market for heavy trucks decreased by 15 percent to 13,500 vehicles, compared to 15,800 vehicles in 1998.

The market was characterised by extremely tough competition, among other things due to the sharp depreciation in the currency as well as the entry of Iveco and Navistar in the heavy truck market. Scania's market share amounted to 31.7 percent (33.4).

The market trend in Argentina was weak during the year. GDP declined by about 3 percent in 1999 and the country's trade balance and central government budget showed a weak trend. Despite government subsidies to buyers of domestically made vehicles, heavy truck registrations decreased by 25 percent and amounted to 4,200.

Scania consolidated its position as the market leader in Argentina, increasing its market share to 32.5 percent (28.6).

The Mexican truck market grew by 12 percent to 14,800 during 1999. Scania's sales in Mexico are comparatively low, "With new low-floor buses from Scania, we have given Rio de Janeiro's tourists the chance to see one of the world's most beautiful cities in a more pleasant and convenient way."

Paolo Silveira,
Managing Director, City Rio Project.

but there are long-term prospects for good market growth. During the year, Scania established four wholly-owned distributors.

Buses
The demand for buses in Latin America was weak. Scania's deliveries of bus chassis totalled 1,200 (1,700), a decrease of 29 percent.

In the Brazilian bus market, demand was very weak. The total market shrank by 40 percent, from 13,400 to 8,100 vehicles. Scania's deliveries decreased by about 40 percent to 700 bus chassis (1,200) and its market share was unchanged at 9.0 percent. Scania's position in the intercity and long-distance segment strengthened.

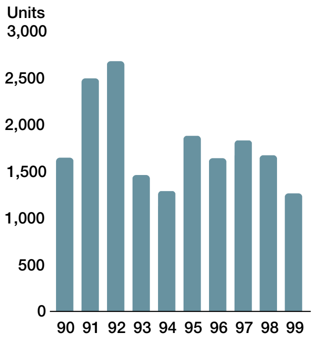
In Argentina, Scania increased its market share to 14.9 percent (7.0) in a weak total market. Scania dominates the long-distance bus segment, but also had some success in the city bus segment.

Sales in other Latin American markets declined.

Industrial and marine engines
Deliveries of industrial and marine engines in Latin America rose to 740 units (700), due to higher demand for diesel engine-driven generators during the latter part of the year.

During 1999, Scania's breakthrough into the city bus segment in Buenos Aires, Argentina, continued.

Sales of Scania buses in Latin America



Timber transport work in Ngome, South Africa, a rapidly growing market for Scania.

Markets in Asia, Africa and Australia

Trucks

Demand for heavy trucks was weak in most of Scania's other markets during 1999. Scania's order bookings decreased to 2,600 vehicles, compared to 2,800 during 1998. In most Asian markets, prices remained depressed due to weak demand, both for new and second-hand trucks. Asian markets, in particular, were still affected by the aggressive marketing and pricing of Japanese truck manufacturers.

Towards the end of 1999, however, an improvement was discernible in most macro-economic indicators, and inventories of new trucks in most markets had fallen sharply since the beginning of the year.

Sales in Asia rose by 5 percent to 1,480 vehicles (1,410) and decreased in other markets to 1,300 vehicles (1,600).

In East Asia, Taiwan and Hong Kong accounted for the heaviest demand for Scania products. Strong competition, especially from Japanese manufacturers, led to falling price levels, however, as well as lower market shares for European makes. The South Korean market remained weak. During the year, Scania inaugurated a new superstructure factory in Korea and further expanded the distribution and service network under its own auspices.

Demand varied between the various markets in the Middle East. In Iraq, Scania delivered vehicles to the United Nations "Oil for Food" project, as part of the easing of sanctions approved by the UN. The Turkish market remained weak. Scania's deliveries to the Israeli market increased sharply.

The market in Australia was characterised by new sales tax rules, which contributed to a wait-and-see attitude by hauliers on new investments in trucks. Early in the year, a new Scania facility was inaugurated in Melbourne.

Demand in North Africa remained good, and Scania became the market leader in Morocco. The South African market was weak, but showed signs of recovery by year-end. Scania increased its market share to 12.1 percent (7.9) during 1999.

Buses

The demand for heavy buses varied between markets. Total sales amounted to 520 bus chassis (580).

Taiwan and Australia were important bus markets for Scania during 1999. In Taiwan, sales rose during the year after a period of weak demand.

Demand in Australia remained strong, and during 1999 Scania received an order for up to 120 gaspowered buses from Brisbane.

Demand was also strong in Morocco and Egypt. Scania made a breakthrough in the city bus market in Morocco, receiving an order for 70 buses from Marrakesh. A new service facility was also built in Morocco.

In South Africa, Scania signed agreements to sell 340 buses for intercity service. This is the company's largest-ever bus deal in southern Africa.

Industrial and marine engines

Deliveries of industrial and marine engines to markets in Asia, Africa and Australia rose to 380 units (170). This change was largely explained by the recovery of the market in Saudi Arabia. In addition, market conditions improved somewhat in the Asian region.

Tourist coaches are Scania's largest bus segment. For the most part, Scania delivers chassis to which local bodywork manufacturers add superstructures, as here in New Zealand.

Production in Europe

The pace of production remained high during the year, as a result of strong demand for heavy trucks in western Europe. In all, European operations produced 42,300 vehicles (41,700), of which 39,800 trucks (38,900) and 2,500 buses (2,800).

Productivity, measured on a rolling 12-month basis as the number of vehicles manufactured divided by hours worked, rose by 3 percent.

The workforce was largely unchanged during the year. A significant proportion of Scania's production personnel are employed on time-limited contracts. This increases Scania's ability to respond to fluctuating demand in a cost-effective, flexible way.

One important production-related goal has been to increase volume flexibility in final assembly. In the existing production system, today it is possible within one month to change production volume by ±10 percent in relation to the approved basic production rate and change the basic rate by ±15 percent within three months.

The pay level in Sweden rose by about 5 percent, compared to about 3 percent in the Netherlands and France, calculated in local currency. Of all production employees in Europe, 75 percent are in Sweden, 19 percent in the Netherlands and 4 percent in France.

Material costs per truck produced, expressed in local currency and with an unchanged specification level, declined by about 4 percent during the year as a result of component redesign and lower purchasing costs. Due to a changed market mix and a higher specification level, total material costs per truck increased.

Warranty costs for trucks at the factory level decreased, but remained at a somewhat higher level than for the previous product range. Delivery assurance was very high during the year.

Depreciation was largely unchanged from 1998. The capital expenditure level continued to fall, amounting to SEK 780 m.

Steps toward greater specialisation and production coordination continued, in response to demands for greater effi-

Scania is a global manufacturer

Axle manufacturing in the European production system has been concentrated at Scania's plant in Falun, Sweden.

ciency. During the year, Scania decided on a gradual transfer of remaining cab production in Meppel, the Netherlands, to Oskarshamn, Sweden. The transfer of engine and axle assembly from Zwolle, the Netherlands to Södertälje and Falun, Sweden, respectively, continued. In October, the frame, crossmember and rear axle housing production unit in Luleå, Sweden, was turned into a limited company under the name Ferruform AB. This company will compete in the market and be able to have other customers besides Scania. In addition, the production unit for special-purpose vehicles in Laxå, Sweden, was sold to its management.

In truck assembly, projects aimed at developing standardised working methods for all of Scania's assembly plants continued. During 1999, among other things these projects focused on increasing the proportion of trucks that go directly from the assembly line to the customer, as well as on reducing inventory costs. In addition, Scania continued its streamlining of final assembly in order to achieve even higher delivery assurance and quality.

Production in Latin America

Due to the weakness of Latin American markets, the pace of production was low. During the year, 7,200 vehicles (8,400) were produced, of which 6,000 trucks (6,700) and 1,200 buses (1,700).

An extensive action programme was implemented in order to adapt the cost situation to the prevailing demand and reduce manufacturing cost per vehicle. This included a continued reduction in the workforce. During 1998–1999, the number of production employees declined by nearly 23 percent.

The changeover to the 4-series at both truck and bus production units was completed by the beginning of 1999, making possible a substantial improvement in productivity.

Other elements of the programme are a sharp decrease in indirect costs, inventory reductions and a slower pace of investments.

Domestic component content in vehicles was increased, among other things to offset the effects of the Brazilian currency devaluation. In addition, deliveries from Latin American production units to other markets increased. This included the delivery of 150 complete trucks from Brazil to western Europe.

In Mexico, Scania began assembly of bus chassis.

Procurement

The programme that Scania began during 1997 to streamline its procurement operations was largely completed during the year. This has included reorganising the internal purchasing process and optimising supplier structure. Regular activities to streamline Scania's procurement work will continue, however.

The goal of the restructuring programme has been to lower the long-term costs of materials, components and component systems. Scania is working together with its suppliers to lower its costs and create room to improve profitability for both parties. The ambition is to allow suppliers to assume greater responsibility for the components or systems that they deliver and to concentrate Scania's own product development work on areas unique to Scania's products and brand name. Suppliers should preferably be able to furnish Scania's production units with locally manufactured components.

A total of 13 different product groups – including steel and pipes, wiring, forged components and lighting – have been identified and are or will be subject to a review. One example is Scania's collaboration with a Finnish cable supplier, which will be responsible for delivery of wiring to all Scania assembly plants worldwide and take an active part in product development.

Since the programme started, the number of sub-contractors has been more than halved.

During 1999, the Procurement and Industrial Development unit also worked with an IT project aimed at integration between the control systems at Scania's production plants and those of the most important sub-contractors. A common network is expected to go into operation during 2000.

Research and development

Scania's research and development expenses during 1999 rose to SEK 1,267 m. (1,168). R&D operations are concentrated at the Scania Technical Centre in Södertälje, Sweden.

Scania's review of its product development process, which has been under way for three years, entered its final phase in 1999. The main purpose of the project has been to standardise working methods and introduce a multidisciplinary approach to the pursuit of product development. The result is increased opportunities to satisfy the needs of customers for cutting-edge products in a shorter time, through optimal utilisation of development resources. By year-end, 85 percent of current projects were being run according to the new product development model, compared to 20 percent at the beginning of the year.

During 1999, Scania started a new project aimed at making further development and customer-adaptation of the 4-series more efficient.

In September, Scania unveiled a prototype concept vehicle for the decade beginning in 2010. This concept shows the potential for reducing heavy truck traffic by increasing the capacity of each vehicle by 50 percent compared to the trucks of today. The concept vehicle features advanced aerodynamics and other forward-looking solutions representing substantial environmental improvements due to enhanced fuel consumption and safety improvements due to reduced stopping distances, for example.

During 1999, there were intensified investments in Scania-specific electronic and information systems. Scania's focus on service and maintenance is behind sizeable development work on analytic and diagnostic tools. The purpose of these tools is to inform drivers and hauliers con-

Scania's concept vehicle for the 2010s shows the potential for increased transport capacity for heavy trucks in future traffic.

tinuously and in good time of a vehicle's maintenance and repair needs. This allows more efficient servicing procedures and a high degree of utilisation. Unplanned stoppages can be avoided and service input can take place along the ordinary route of the vehicle.

As one element in this effort, in March 1999 Scania established Scania Infotronics AB, a cutting-edge company in vehicle electronics. This company, operated in partnership with Mecel AB, will design IT-based systems and functions where they can create genuine customer benefit. Improved operating economy and logistics as well as reduced environmental impact and greater road safety are prioritised development areas. Scania Infotronics also started collaboration with the Ericsson telecommunications group to develop Internet-based solutions for the transport sector.

The task of further refining Scania's engines is focusing on additional improvements in environmental characteristics and performance, in preparation for future environmental standards. During 1999, Scania launched a broad range of low-emission engines for distribution and construction vehicles as well as for long haulage. All engines fulfil the new Euro 3 standard, which will be legally required for new vehicles from 2001 onward. Scania also unveiled a gas-powered engine that complements its range of engines for alternative fuels.

During 1999, Scania introduced the second generation of electronically controlled disc brake systems, which allow automatic adjustment of braking power between the various truck axles and between the tractor unit and the trailer. This achieves more uniform and safer braking for the entire vehicle and a longer service life for brake components.

SERVICE-RELATED PRODUCTS

Greater demand for services

The service-related market continued to grow in importance as a proportion of Scania's operations. Scania's sales of service and parts rose 8 percent during the year to SEK 6,945 m. (6,419). Service and maintenance contract sales continued to increase, especially in the most mature markets in Europe.

The deregulated, increasingly integrated transport market in Europe is leading to tougher competition among transport companies. These companies are demanding service packages that provide various degrees of total responsibility for the vehicle, financing, service and maintenance.

One importance reason for the expansion of the service-related market is the ongoing change in customer structure. Major international operators are utilising vehicles more intensively. This creates a greater need for service, despite the improved quality of the vehicles. Meanwhile hauliers are focusing to a greater extent on their core business, logistics.

The service-related market is more highly developed in Europe than in Scania's other markets. Owing to economic growth, deregulation of transport markets and the emergence of international transport companies, other markets are moving in the same direction as European ones in terms of customer and market structure. This also increases the demand for services.

Expanding the range of services

During 1999, Scania continued to expand its range of services. The development of new services is strategically important to Scania and takes place at Group level in

Scania is at the forefront of development work in fleet management, which aims at more efficient utilisation of customers' vehicle fleets.

Scania Assistance enables customers to minimise downtime and get help round the clock, all year round.

collaboration with local markets. Services are packaged by marketing companies to fit specific customer needs.

Scania's service offering has shown very good growth. An average of 25 percent of new truck sales in Europe include a service and maintenance and/or financing package.

As one element in its strategy of satisfying the customer's total transport needs, Scania initiated its Dealer Operating Standards (DOS) project. The purpose of the project is to create a high common level of knowledge, quality and productivity in Scania's European service and distribution network. The project includes 18 markets, 1,000 local distributors and 15,000 people. For example, it encompasses uniform working methods and elapsed times for specified tasks. Customers must receive the same high level of service from Scania no matter where they are. During 1999, the project continued and some fifty local distributors were DOS certified. The target is to have evaluated most dealerships according to DOS standards by mid-2000.

One of Scania's priority service areas is fleet management, which aims at making customer utilisation of vehicle fleets more efficient. During 1999, Scania launched an innovative, flexible interface that enables existing fleet management systems in the market to retrieve and process information from a Scania vehicle's computer network, such as its fuel consumption.

In the future, an expanded range of services available via Internet and web technology will increase the availability of services for drivers on the road.

To assure customers the availability of their vehicle, for some years Scania has offered Scania Assistance. This service enables customers to get help round the clock, every day of the year, in their own language. By means of regional call centres in a number of locations around Europe, the Scania organisation's overall efforts are efficiently coordinated in case of unplanned stoppages.

During the 1990s, Scania developed a business concept in which it assumes responsibility for the customer's access to transport capacity. Scania owns the vehicle and makes it available according to the requirements of the transport assignment. Scania thus sells financing, maintenance and repairs as well as other services such as administration and insurance.

Scania is successfully engaged in the truck rental business. Used vehicles in its inventory are also used for short-term rentals, thereby yielding revenues to Scania while enabling the customer to handle peaks in transport demand.

Expanded organisation

The expansion of Scania's sales and service organisation continued during 1999. In addition to acquiring its distributors in Italy, Norway, Finland and Latvia, Scania inaugurated a new distribution and service unit in Poland, for example. Total net capital expenditures (acquisitions and new facilities) in the European marketing organisation amounted to SEK 1,600 m. during 1999.

Scania also expanded its independent distribution and service network.

CUSTOMER FINANCING

Customer financing provides an important contribution to Scania's earnings and growth, both as a form of marketing and sales support for the company's products and owing to the profitability of the actual financing operations. It also creates industrial synergies by increasing the sales of service-related products for the vehicles provided with financing contracts.

Lending volume continued to increase during 1999. This volume growth resulted from continued strong demand for Scania's products and integrated financing services, combined with expansion in operations during 1999 due to acquisition of the Italian finance company.

Year-end 1999 financing volume amounted to SEK 15,300 m. (12,300). In unit terms, during the year 8,560 new trucks, 220 new buses and 2,010 used Scania vehicles were financed.

Of the total loan portfolio, 40 percent consisted of operating leases and 21 percent financial leases. The remaining 39 percent represented loan financing. The number of contracts in the portfolio at year-end totalled about 33,000 (27,700).

The income of customer finance operations totalled SEK 140 m. (91). This was equivalent to an operating income of 1.01 percent of the portfolio and represents a substantial improvement from 0.89 percent in 1998.

The improved profit margin was mainly due to a decline in overhead from 1.11 percent to 0.94 percent of the portfolio. This was the result of economies of scale due to increased lending volume.

The effect of credit losses on earnings was SEK –57 m (–44). Actual credit losses during 1999 amounted to SEK 53 m. (14).

The increase in actual credit losses during 1999 was largely a direct consequence of the write-offs for possible losses in eastern Europe during the year. At year-end, the total reserve for possible credit losses amounted to SEK 212 m.

Total year-end receivables outstanding in central and eastern Europe (excluding Poland and the Czech Republic) was SEK 560 m., of which 12 percent consisted of reserved funds. Total reserved funds amounted to 1.4 percent (1.7) of total lending volume.

Given its increased customer finance exposure, Scania must devote efforts to continuous credit evaluations and monitoring of financed contracts. Scania's total commitments are monitored at Group level and risks are limited by establishing ceilings on exposure per country and customer. During 1999, Scania continued to strengthen its resources for credit evaluation.

During the year, human resource development efforts intensified. There were continuous exchanges of personnel, both between finance companies and between different disciplines in Scania finance operations.

Europe

In Europe, customer financing mainly takes place through nine Scania-owned finance companies that cover Great Britain, France, Germany, Italy, Belgium, Poland, the Czech Republic and the Nordic region plus the countries in central and eastern Europe.

In those markets where Scania pursues finance company operations, the proportion of trucks financed via its own finance companies averaged 33 percent (36).

Scania's strategy for its customer finance operations is to work in local markets around Europe, and thus close to customers. Working in an integrated way

Scania offers the customer a package solution in which financing is often an important component.

together with distributors results in local know-how and proximity to the customer, which is a prerequisite for the decentralised credit management process that is applied. This system also creates opportunities for a high degree of customer adaptation and customer-oriented product development.

To a great extent, customer financing under Scania's own auspices is a prerequisite for sales in central and eastern Europe.

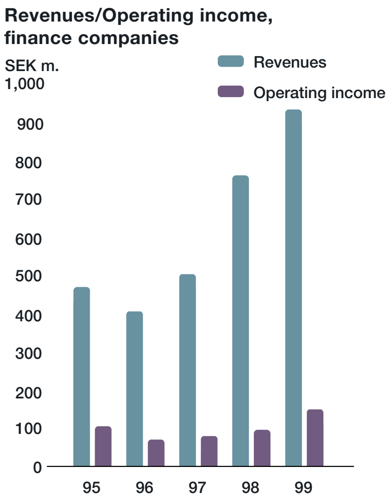
In the Brazilian market, Scania also offers a customer-financed savings programme, in which customers are organised into consortia. Through regular savings in consortia, the customer is guaranteed the allocation of a vehicle within a certain predetermined period. During 1999, 42 percent of sales in Brazil occurred via such financing. This form of financing stabilises vehicle sales during recessions.

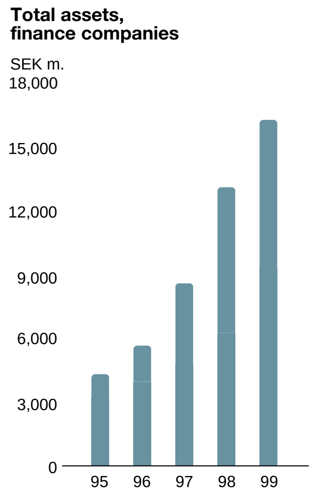
Latin America

Scania offers financing in Latin America primarily on the basis of collaboration with international lenders. Finance operations under Scania's own auspices grew during 1999 but do not yet represent a large enough volume to be separately reported.

Other markets

During the year, customer finance operations under Scania's own auspices were established in South Korea. In 2000, continued expansion is planned, both via an increased range of financial services and through efforts in new markets.





OUR EMPLOYEES

Continuous human resource development is essential if Scania is to remain a competitive and profitable company in the future. To make this possible, Scania must offer an attractive and effective workplace for demanding people.

Trust – a prerequisite for "coordinated independence"

Scania's future success will depend on having skilled, motivated, responsible employees who all pull in the same direction.

Coordinated independence is a guiding principle at Scania. Overall principles and rules are drafted by all departments. This will enable the company to take advantage of quality, productivity and flexibility in an effective way. Meanwhile it is important to delegate responsibility and authority far down in the organisation. Scania relies on its employees to be willing and able to take responsibility for results and growth.

Scania managers must motivate and develop other employees

New conditions in the world around Scania are putting heavier demands on both managers and other employees. Smoothly functioning leadership focused on motivating, developing and rewarding Scania's employees is critical if Scania is to remain competitive. This is why continuous management development is needed.

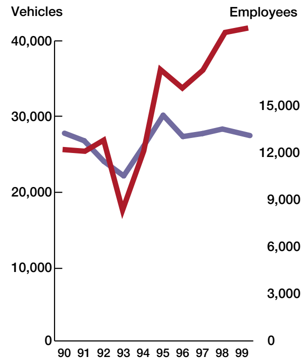
Management development occurs in a number of different ways at Scania. Project work, training and mobility of employees between different operations and units are examples of steps to improve the leadership skills of executives and other managers.

During 1999, Scania invested heavily in management training. A new internal programme in this field was developed and introduced. The focus of the programme is that personal leadership is based on self-awareness, communication, stress management and group development. During the year, about 250 managers and executives participated in various activities in this programme, called the "basic management development block". In 1999, the programme was implemented in Swedish. The ambition is to internationalise it during 2000.

The Scania Marketing Academy is an academically accredited training programme developed and implemented in collaboration with the Stockholm School of Economics among others. Its purpose is to strengthen the business skills of Scania's marketing organisation, develop the leadership talents of individuals and enhance Scania's corporate culture. Twenty-five future and established managers in key positions received certificates of completion from the Scania Marketing Academy during 1999.

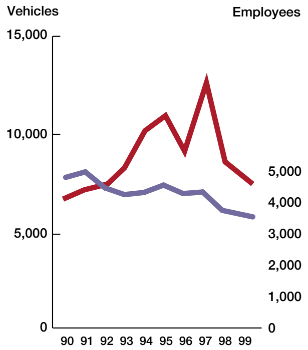
Managers at Scania must motivate, develop and reward other employees.

Number of vehicles produced and production employees, European operations



Number of vehicles produced (left-hand scale)
Number of production employees (right-hand scale)

Number of vehicles produced and employees, Latin American operations



Number of vehicles produced (left-hand scale)
Number of employees (right-hand scale)

In addition to the above-mentioned management development activities, which are initiated and coordinated at Group level, a large number of development activities operate locally in different units.

Encouraging employees to take greater responsibility

Scania's employees are encouraged to seek new, future-oriented solutions to tasks, take responsibility and make decisions on their own. Human resource development is supported by a number of methods, among them job enrichment, job rotation, training, project work and project management.

The Scania Professional programme trains employees from the distribution organisation in marketing, parts management and workshop services. This programme includes courses on Dealer Operating Standards (DOS) and in Scania's service offering. During 1999, 180 people were trained at Scania Professional.

The internal Personnel Exchange Programme (PEP), in which employees work in another country within the Scania organisation for up to one year, is an example of a programme designed to increase mobility between different operations and countries. The scale of the programme increased during the year.

In 1999, employees at Scania participated in an average of 14 days of training activities. Internal mobility during the year was about 15 percent.

Recruitment for continued leadership

Recruitment is an essential element of Scania's growth strategy and of its ambition to be a technical development leader in its product areas. During the year, Scania continued its collaboration with educational institutions in various countries in research and development, recruitment and trainee work. The industrial research programme enables graduate engineers to combine jobs at Scania with research at the doctoral level.

Since 1941, Scania has operated a technical upper secondary school next to its facility in Södertälje, Sweden. Scania-affiliated industrial schools are also found in the Netherlands and Brazil.

Employee surveys: a key management tool

During 1999, Scania conducted employee surveys among employees of its development and procurement departments and elsewhere. These surveys covered such matters as working conditions, personal job situation, job assignments and terms of employment.

Those employees who were involved in newly started projects stated that they were strongly positive to their job situation. In areas where there is room for improvement, processes of change have been started.

Bonus systems that motivate

As a result of the introduction of flexible working hours in 1996, there are various earnings-based bonus systems at Scania. The amounts paid depend on predetermined delivery assurance and productivity targets. In Sweden, funds are transferred to a foundation in which employees hold a share. The foundation owned at year-end 0.3 percent of Scania's shares.

Scania pays varying forms of earnings-based bonuses in different countries. In Sweden and France, they measure delivery assurance and productivity. In Latin America, they measure production, absenteeism, market leadership, establishment of teamwork and improvement efforts.

SCANIA AND THE ENVIRONMENT

Scania's environmental work is an important element of the Scania brand name. Taking environmental aspects into account in day-to-day work is a natural task for every employee. The aim is to reduce the environmental impact of the company's products throughout their life cycle: from development via manufacture, operation to final dismantling.

Environmental strategy

Environmental work is integrated into Scania's operations in the same way as quality, training and economic issues, for example. The Scania Environmental Board, Environmental Committee and local environmental coordinators have advisory and supportive roles throughout the Scania organisation. The Environmental Board is the highest decision-making body in its field and deals with issues of strategic importance to Scania. These then become part of Group decisions, regardless of whether they concern marketing, production or communications issues.

Management systems

Scania's entire industrial system works under an environmental management system that is certified according to ISO 14001 international standards. Efforts have also begun to integrate the distribution system, in compliance with both ISO 9002 quality management and ISO 14001 environmental management standards.

Reporting

Since 1996, Scania has worked with Group-wide environmental objectives and targets. During 1999, on the basis of Scania's environmental targets, environmental and financial managers have drafted common definitions and reporting procedures to improve the reporting of environmental economics. The first step was to focus on costs and revenues in manufacturing operations. This work will continue, also embracing clearer definitions of environmentally related investments and R&D, as well as how large a proportion of total sales can be related to products with the highest level of environmental performance.

Research and development

Most of a vehicle's environmental impact occurs during its service life. This is why Scania's development and design work is devoted to functional characteristics that result in improved fuel consumption and reduced exhaust emissions. More efficient engines and a reduction of weight as well as rolling and air resistance are factors of great importance to the final outcome. Aside from this, there is obviously room

By making it possible to build larger combinations with better cargo capacity, the total number of vehicles on the roads can be reduced by one third.

Environmental Policy

As a global manufacturer and distributor of heavy commercial vehicles, engines and related services, Scania is committed to develop products that pollute less and consume less energy, raw materials and chemicals during their life cycle.

In order to achieve this:

- we strive to maintain a lead in commercially applicable technologies
- we work well within legal demands and promote internationally harmonised, effective environmental requirements
- we prevent and continuously reduce the environmental impact through development of products, services and production processes
- we take the environmental aspects and objectives into account in our daily work
- we have an open and regular communication with our interest groups regarding our environmental work

By this we contribute to economical and ecological advantages for our customers and for society. Proactive environmental work is therefore of vital importance to Scania.

for environmental improvements through careful choice of materials and improvements in production processes.

Alternative fuels

The main area of Scania's development work on alternative-fuel vehicles is buses, where there is already clear and stable demand today. The focus is primarily on ethanol and gaseous fuels.

One sixth of the city buses sold during 1999 were powered by alternative fuels. This was equivalent to about 0.5 percent of Scania's total sales.

Scania Busser in Silkeborg, Denmark, is equipping a Scania MidiCity bus to operate on fuel cells. According to plans, it will be ready for test driving during the second half of 2000. This work is part of an EU-financed project, with Scania as one of four companies participating. The aim is to increase our knowledge of the potential of fuel cells.

New products

Scania offers a complete range of engines that meet the EU's Euro 3 emissions standards. All the new engines can be combined with Opticruise, Scania's automated gearchanging system, which is designed to optimise fuel economy and minimise exhaust emissions.

Environmental declaration

Since late 1999, Scania has provided a declaration that gives the owner information about the environmental characteristics of trucks, such as resource consumption during production, exhaust emissions and noise levels as well as information about recycling. The declaration also provides advice and instructions for service and maintenance as well as information on how the truck should be used in order to have the least possible environmental impact.

Operating permits

The production system has an impact on the external environment, mainly in the form of emissions into the air, discharges into the water and the creation of solid wastes and noise. Most of Scania's facilities around the world are required to have operating permits. This is true in Sweden, France, Denmark, the Netherlands, Brazil and to some extent Poland. The plants in Argentina and Mexico operate according to the respective environmental legislation of these countries.

During 1999, no incidents were reported which caused any significant environmental impact and thereby higher operating expenses.

In Sweden, Scania's operations at all six of its production units require permits under the Environmental Code. Operations requiring permits employ 9,900 people. In recent years, all production units have been examined under the provisions of the Swedish Environmental Protection Act in order to receive new permits.

During 1999, Scania's plant in Sibbhult was granted permission to increase its production volume. In addition, Scania's plants in Oskarshamn and Luleå have been notified of decisions related to lower emissions of organic solvents and emissions into waterways, respectively. The former decision was connected to the construction of a new finishing paintshop for cabs.

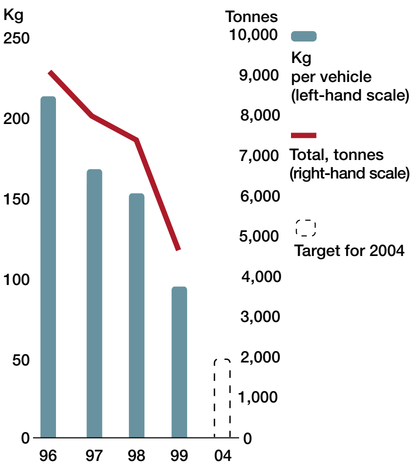
At Scania's production units in Södertälje, a report was submitted according to a permit decision concerning such matters as reduced nitrogen oxide emissions from engine testing labs and improved final treatment of wastewater. In Södertälje, and Zwolle/Meppel (the Netherlands), steps are under way to reduce noise and thereby fulfil stricter regulatory requirements.

Production in figures

During 1999, total costs for raw material, chemical, energy and water use were about SEK 1,620 m., which is equivalent to 3 percent of Scania's total sales.

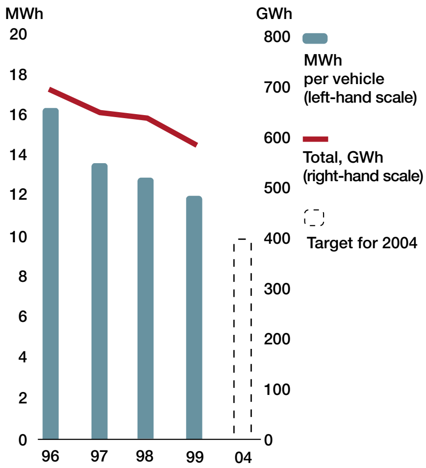
During 1999, Scania invested SEK 1,880 m. in property plant and equipment, of which SEK 45 m. are classified as environmental investments.

Wastes sent to landfills



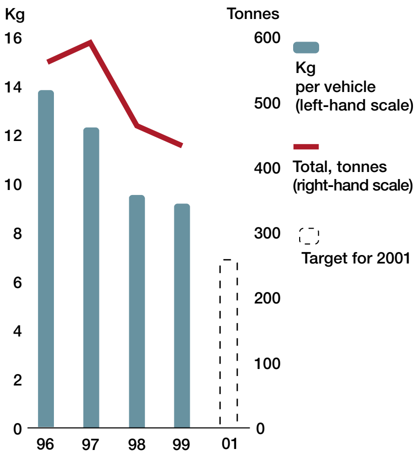
During 1999, waste quantities amounted to 83,000 tonnes, equivalent to a total cost of SEK 17 m. Most of this waste is recycled, which means revenues of SEK 18 m. The amount of wastes sent to landfills totalled about 4,700 tonnes, or 95 kg per vehicle.

Energy use



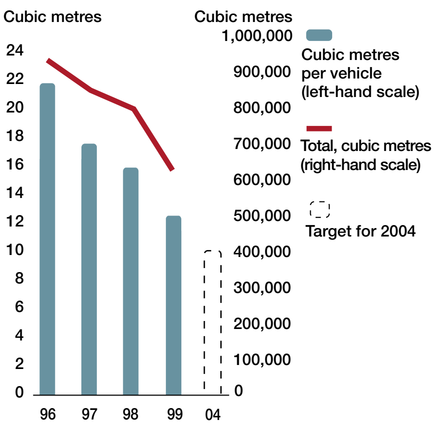
During 1999, energy use totalled about 600,000 GWh, or some 12 MWh per vehicle. The total cost amounted to SEK 160 m.

Emissions of organic solvents



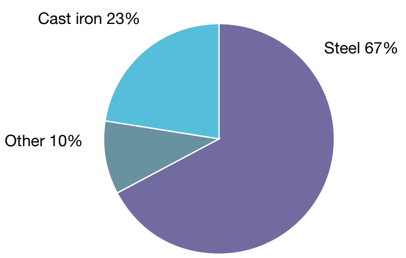
During 1999, organic solvent emissions totalled about 460 tonnes, or 9 kg per vehicle.

Water use



During 1999, water use was about 600,000 cubic metres, equivalent to 13 cubic metres or a cost of SEK 290 per vehicle.

Raw material use

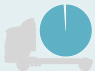
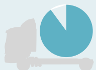
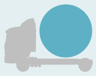
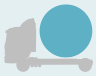
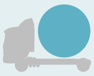
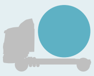
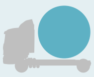
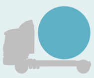
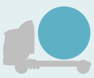
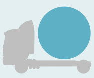
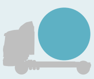


In 1999, total raw material use (excluding purchased components) was about 170,000 tonnes, or 3.4 tonnes per vehicle. The total cost amounted to SEK 1,330 m.

Carbon dioxide emissions related to energy use

	Energy use, GWh		Carbon dioxide emissions, Ktonnes	
	1999	1996	1999	1996
Electricity	350	360	22	23
District heat	60	130	4	9
Fossil fuels	190	200	49	51
Total	600	690	75	83
Per vehicle	12 MWh		1.5 tonnes	

In 1999, carbon dioxide emissions from Scania's production amounted to 1.5 tonnes per vehicle, or a total of 75,000 tonnes.

Environmental targets for 1999 (Base year 1996)	Fullfilment of targets
• All Scania operations in the industrial system shall complete the implementation of environmental management systems and obtain ISO 14001 certification.	
• All Scania employees in the industrial system shall have received environmental training relevant to their work.	
• At least 75 percent of Scania employees and customers shall be satisfied with the company's work related to environmental issues.	
• The ongoing evaluation of the degree of material and component recyclability in Scania trucks and buses shall be completed.	
• A method known as "design for environment" shall be available and implemented in a pilot project.	
• Current efforts to create guidelines for introducing environmental management systems at Scania repair and service workshops shall be completed.	
• Phase-out plans shall be devised for blacklisted substances used in production processes (supplies).	
• Energy consumption per manufactured unit shall be reduced by 10 percent.	
• Water consumption per manufactured unit shall be reduced by 10 percent.	
• The quantity of wastes sent to landfills shall be reduced by 20 percent per manufactured unit.	
• A procedure shall be developed for preventing and reducing the consequences of accidents, operational disruptions and soil contamination.	

Environmental targets for 2000–2004

- Guidelines shall be established during 2000 for handling the environmental aspects of Scania's knocked-down (KD) kit assembly plants.
- A procedure shall be drafted during 2000 for investigations of land and groundwater in order to identify possible environmental burden by 2001.
- The total flow of packaging materials in and out of Scania shall be analysed during 2000.
- Dismantling instructions for Scania trucks and buses shall be available during 2000.
- A purchase structuring project shall be conducted during 2000 in order to reduce the amount and range of chemicals.
- A chemicals "whitelist" to facilitate the choice of chemicals shall be introduced during 2000.
- Phase-out plans shall be established during 2000 for blacklisted substances in purchased components and materials.
- The use of energy shall be reduced to 10 MWh per vehicle produced by 2004.
- The use of water shall be reduced to 10 cubic metres per vehicle produced by 2004.
- The amount of waste deposited at landfills shall be reduced to 50 kg per vehicle produced by 2004.
- A procedure shall be developed during 2000 for control and follow-up of accidents and abnormal operations, including classification systems and reporting procedures.

FINANCIAL REVIEW

Sales by product			
SEK m.	1999	1998	1997
Trucks	27,888	27,092	24,005
Buses	3,601	3,548	3,251
Engines	444	398	392
Service-related products	6,945	6,419	5,799
Used vehicles etc	2,850	2,218	1,640
Scania products	41,728	39,675	35,087
Svenska Volkswagen products	5,382	5,637	4,632
Total	47,110	45,312	39,719

Sales by market area			
SEK m.	1999	1998	1997
Western Europe	33,249	28,962	23,102
Central and eastern Europe	1,330	1,814	1,398
Europe total	34,579	30,776	24,500
Latin America	4,247	5,974	6,798
Asia	1,118	1,018	1,932
Other markets	1,784	1,907	1,857
Total Scania products	41,728	39,675	35,087

Number of vehicles sold by market area			
Units	1999	1998	1997
Trucks			
Western Europe	36,106	32,686	26,756
Central and eastern Europe	1,551	2,237	1,833
Europe	37,657	34,923	28,589
Latin America	6,253	7,621	9,649
Asia	1,481	1,410	3,096
Other markets	1,260	1,599	1,058
Total trucks	46,651	45,553	42,392
Buses			
Western Europe	1,935	1,731	1,595
Central and eastern Europe	67	106	95
Europe	2,002	1,837	1,690
Latin America	1,237	1,697	1,829
Asia	160	78	308
Other markets	364	505	757
Total buses	3,763	4,117	4,584
Total vehicles	50,414	49,670	46,976

Sales

The Scania Group sold 50,414 (49,670) trucks and buses, an increase of 1 percent. In monetary terms, sales rose by 4 percent to SEK 47,110 m. (45,312). Sales of Scania products rose by 5 percent.

Operating income

The Scania Group's operating income amounted to SEK 5,045 m. (3,592), an increase of 40 percent.

Operating income in European operations rose by 27 percent to SEK 4,983 m. (3,913). Earnings were favourably influenced by 6 percent higher unit sales of trucks and buses and positive currency rate effects of about SEK 250 m. Higher productivity, together with lower warranty expenses, also contributed to the earnings improvement. Sales of service-related products rose by 11 percent.

During 1999, the costs of activities related to changes in Scania's ownership structure lowered earnings by more than SEK 100 m.

Investments in the sales and distribution network continued during 1999. The net amount of acquired and divested companies accounted for SEK 715 m. of Scania's revenues and SEK 221 m. of operating income during the year.

Operating income in Latin American operations amounted to SEK –328 m. (–622). During 1998, non-recurring items had a negative impact of about SEK 500 m. on operating income. The deterioration in underlying earnings is explained by lower unit sales and lower vehicle margins, largely due to the Brazilian devaluation. This was offset by an improved cost situation during the latter part of the year, due to the cost adjustment programme implemented to date, and to some extent due to a non-recurring effect related to the Brazilian devaluation.

Operating income in **European cus-**

tomer finance operations rose to SEK 140 m. (91) as a consequence of higher financing volume and thereby lower administrative cost per contract. Operating income for Svenska Volkswagen products amounted to SEK 250 m. (250).

Financial income and expenses

Net financial items totalled SEK –545 m. (–378). This deterioration was attributable to Latin American operations, due to negative cash flows, higher interest rates and translation effects of interest-bearing items in the balance sheet connected to the devaluation in Brazil.

Taxes

The Scania Group's tax expenses were equivalent to 30 (30) percent of income after financial items.

Cash flows

Scania's cash flows from operating activities, excluding customer finance operations, amounted to SEK 476 m. (1,797). Excluding acquisitions of companies, the Scania Group's cash flows during 1999 totalled SEK 1.6 billion. Higher volume, especially during the fourth quarter, together with vertical integration, led to substantially higher tied-up working capital. This was partly offset by a lower underlying rate of capital expenditures compared to 1998.

Customer finance operations expanded by SEK 2,708 m. Financing volume, including acquisitions and currency rate changes, increased by about SEK 3 billion.

Net indebtedness and refinancing

Net indebtedness, excluding net borrowings of customer finance operations, increased by SEK 1,710 m. to SEK 8,232 m. (6,522). Net indebtedness as a ratio of shareholders' equity rose to 0.61 (0.55). Net indebtedness including customer

Sales and earnings by area of operations

Sales

Number of vehicles	1999	1998	1997
European operations	**42,919**	40,375	35,521
Latin American operations	**7,495**	9,295	11,455
Total Scania vehicles sold	**50,414**	49,670	46,976

Sales value

SEK m.	1999	1998	1997
European operations	38,210	35,072	29,061
Latin American operations	4,560	6,151	6,973
Internal sales	–1,042	–1,548	–947
Scania products	41,728	39,675	35,087
Svenska Volkswagen products	5,382	5,637	4,632
Total	47,110	45,312	39,719

Operating income

SEK m.	1999	1998	1997
European operations	**4,983**	3,913	2,309
Latin American operations	**–328**	–662	407
Customer financing operations	**140**	91	73
Scania products	**4,795**	3,342	2,789
Svenska Volkswagen products	**250**	250	258
Total	**5,045**	3,592	3,047

Operating margin

%	1999	1998	1997
European operations	**13.0**	11.2	7.9
Latin American operations	**–7.2**	–10.8	5.8
Scania products	**11.5**	8.4	7.9
Svenska Volkswagen products	**4.6**	4.4	5.6
Total	**10.7**	7.9	7.7

finance operations totalled SEK 21,677 m. (17,505).

Scania has a committed revolving credit facility of USD 1,850 m. from an international banking syndicate that expires in December 2004. At year-end 1999, USD 570 m. (340) of this facility was being utilised.

The Group has a medium-term note programme, under which Scania can issue notes and bonds with maturities ranging from one to ten years. At year-end, the maximum amount was SEK 7,000 m. and SEK 4,580 m. worth of such debt securities had been issued under the programme.

Interest and credit risk

Scania's policy concerning interest rate risk is that the duration of its loan portfolio should normally be 6 months but that maturities may be allowed to vary from 0 to 24 months. One exception is Scania's finance companies, in which the fixed interest period on loans is matched with the fixed interest period on assets.

During 1999, the average funding cost was 5.8 percent (5.5). The average fixed interest period on Scania's loan portfolio (excluding finance companies) was between 3 and 5 months. At year-end, the average fixed interest period was 3 months.

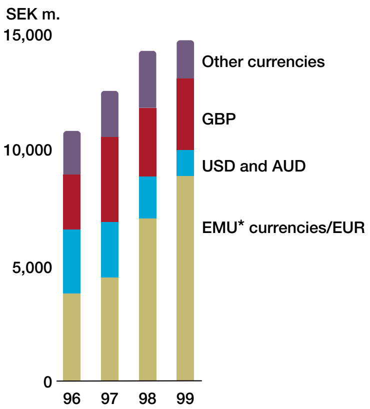
Derivative instruments are used to manage interest rate risks within the Group. All the above information includes the effects of these derivatives. Management of credit risks that arise in Scania's treasury unit, among other things when investing liquid assets and engaging in derivatives trading, is regulated in Scania's financial policy. Transactions take place only within established limits and with carefully selected, creditworthy counterparties.

Currencies

Net currency transaction exposure during 1999 was SEK 14.7 billion. The largest inflow currencies were EUR along with USD and GBP. Based on the 1999 geographic breakdown of revenues and expenses, a one percent change in the Swedish krona would change operating income by about SEK 147 m. on a full-year basis. Currency exposure in operating income by region is presented in Note 26 on page 54.

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

Currency transaction exposure



*) ATS, BEF/LUF, FIM, FRF, DEM, ESP, IEP, ITL, NLG and PTE

Hedging of currency flows

	GBP/SEK		USD/SEK		AUD/SEK	
Quarter	Volume	Rate*	Volume	Rate*	Volume	Rate*
Q1** 2000	26.0	13.22	40.0	8.11	10.0	5.35
Q2 2000	30.0	13.18	30.0	8.03	9.0	5.40
Q3 2000	20.0	13.31	–	–	–	–
Q4 2000	–	–	–	–	–	–
Total	76.0		70.0		19.0	
Rate on balance sheet date 31 Dec. 99		13.80		8.53		5.56
Unrealised gain/loss 31 Dec. 99 (SEK m.)		–11		–10		–4

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

** January volumes are not included, since the unrealised gain/loss effect was reported in December.

The net assets of foreign subsidiaries are not hedged under normal circumstances. To the extent a subsidiary is overcapitalised or if there is surplus liquidity in a subsidiary, it should be hedged, however (see Note 25). As of 31 December 1999, SEK 810 m. (827) of the net assets of foreign subsidiaries were hedged, which was equivalent to 8.4 percent of the Group's net foreign assets.

Insurance

The insurance department coordinates Scania's global insurance procurement. Most of Scania's insurance coverage is obtained in the international insurance market, at a cost of SEK 37 m. in 1998. A large proportion of premium volume is placed in Scania's own insurance company, Vabis Försäkrings AB, which in turn manages risks by means of reinsurance in the international reinsurance market.

Human resources

At year-end, the number of employees – including contract employees – totalled 25,814 (23,537), an increase of 2,277 since the beginning of 1999.

In European operations, the number of employees rose by 2,309. This increase was entirely attributable to marketing and service operations and essentially consisted of acquired units. In Latin American operations, the number of employees decreased by 54.

Year 2000 – the turn of the millennium

All activities and systems at Scania made it through the turn of the millennium without material disruptions.

Svenska Volkswagen

The 1999 income after financial items of the importing business Svenska Volkswagen Group amounted to SEK 327 m. (272). Half of this amount is included in the earnings of the Scania Group as share of income of associated companies. Together with the operating income of the wholly-owned dealership network Din Bil, the total operating income for Svenska Volkswagen products amounted to SEK 250 m. (250). In 1999, Svenska Volkswagen's share of the Swedish car market was 22.9 percent (24.4). For light commercial vehicles, the market share was 36.1 percent (43.8).

Volkswagen's broad selection includes VW, Audi, Seat and Skoda among others and offers both subcompact cars and large prestige cars.

CONSOLIDATED INCOME STATEMENT

January–December, MSEK	Note	**1999**	1998	1997
Sales	1	**47,110**	45,312	39,719
Cost of goods sold		**–34,351**	–34,547	–30,328
Gross income		**12,759**	10,765	9,391
Research and development expenses		**–1,267**	–1,168	–1,248
Selling expenses		**–6,047**	–5,730	–4,786
Administrative expenses		**–866**	–679	–668
Income from customer finance operations	2	**140**	91	73
Share of income of associated companies	3	**326**	313	285
Operating income		**5,045**	3,592	3,047
Financial income and expenses	4			
Interest income		**381**	259	416
Interest expenses		**–909**	–627	–689
Other financial income and expenses		**–17**	–10	–23
Net financial items		**–545**	–378	–296
Income after financial items		**4,500**	3,214	2,751
Taxes	5	**–1,353**	–959	–806
Minority interests		**–1**	–5	–2
Net income		**3,146**	2,250	1,943
Depreciation included in operating income	6	***–1,948***	*–1,883*	*–1,672*

CONSOLIDATED BALANCE SHEET

31 December, SEK m.	Note	1999	1998	1997	Including customer finance companies according to the equity method of accounting, pro forma 1999	1998	1997
ASSETS							
Fixed assets							
Intangible fixed assets	7	**555**	113	134	**555**	113	134
Tangible fixed assets	8	**18,860**	17,445	16,258	**12,681**	12,824	13,012
Financial fixed assets							
Shares in associated companies etc	9	**1,388**	1,411	1,230	**2,616**	2,258	1,952
Interest-bearing receivables	10	**6,356**	5,527	3,160	**711**	474	469
Deferred tax assets	16	**502**	288	164	**499**	268	164
Other long-term receivables		**525**	356	267	**525**	356	267
Total fixed assets		**28,186**	25,140	21,213	**17,587**	16,293	15,998
Current assets							
Inventories	11	**7,437**	7,571	6,902	**7,279**	7,456	6,803
Receivables	12						
Interest-bearing trade receivables		**4,180**	3,480	2,950	**650**	796	817
Trade receivables		**7,560**	5,004	3,715	**7,519**	4,894	3,691
Other receivables		**2,116**	1,833	1,483	**1,934**	1,577	1,285
Total receivables		**13,856**	10,317	8,148	**10,103**	7,267	5,793
Short-term investment	13	**1,713**	929	1,429	**1,713**	929	1,420
Cash and bank balances		**997**	845	704	**830**	781	644
Total current assets		**24,003**	19,662	17,183	**19,925**	16,433	14,660
Total assets		**52,189**	44,802	38,396	**37,512**	32,726	30,658
SHAREHOLDERS' EQUITY AND LIABILITIES							
Shareholders' equity							
Share capital		**2,000**	2,000	2,000	**2,000**	2,000	2,000
Restricted reserves		**4,353**	3,677	2,800	**4,353**	3,677	2,800
Total restricted reserves		**6,353**	5,677	4,800	**6,353**	5,677	4,800
Unrestricted reserves		**4,049**	3,924	3,610	**4,049**	3,924	3,610
Net income		**3,146**	2,250	1,943	**3,146**	2,250	1,943
Total unrestricted capital		**7,195**	6,174	5,553	**7,195**	6,174	5,553
Total shareholders' equity	14	**13,548**	11,851	10,353	**13,548**	11,851	10,353
Minority interests in subsidiaries		**23**	21	15	**23**	21	15
Provisions							
Provisions for pensions	15	**1,842**	1,913	1,889	**1,839**	1,910	1,887
Provisions for deferred taxes	16	**2,044**	1,735	1,567	**1,515**	1,295	1,281
Other provisions	17	**2,115**	1,933	1,667	**2,108**	1,926	1,662
Total provisions		**6,001**	5,581	5,123	**5,462**	5,131	4,830
Liabilities							
Long-term borrowings	18	**11,268**	6,620	7,003	**5,366**	2,667	4,073
Short-term borrowings	18	**13,119**	12,659	9,184	**5,409**	5,572	5,134
Advance payments from customers		**563**	618	466	**446**	515	408
Trade accounts payable		**2,801**	2,767	2,375	**2,661**	2,550	2,262
Tax liabilities		**872**	1,047	598	**871**	1,047	592
Other liabilities		**1,695**	1,186	1,022	**1,609**	1,039	854
Accrued expenses and prepaid income	19	**2,299**	2,452	2,257	**2,117**	2,333	2,137
Total liabilities		**32,617**	27,349	22,905	**18,479**	15,723	15,460
Total shareholders' equity and liabilities		**52,189**	44,802	38,396	**37,512**	32,726	30,658
Assets pledged and contingent liabilities							
Assets pledged	20	**231**	187	223			
Contingent liabilities	21	**645**	529	522			

CONSOLIDATED STATEMENT OF CASH FLOWS

January–December, SEK m.	Note	1999	1998	1997
Cash flows from operating activities				
Net income, excluding customer finance operations		**3,034**	2,194	1,880
Items not affecting cash flows	22	**2,322**	2,140	1,597
Cash from operating activities		**5,356**	4,334	3,477
Change in working capital etc				
Inventories		**693**	–611	–549
Receivables		**–2,746**	–1,284	–1,016
Provisions for pensions		**–95**	41	97
Non-interest bearing liabilities and provisions		**43**	1,129	726
Total change in working capital etc	22	**–2,105**	–725	–742
Total cash flows from operating activities		**3,251**	3,609	2,735
Net investment excluding acquisitions/divestments of companies	22	**–1,654**	–1,817	–2,307
Operating cash flows before acquisitions/divestments of companies		**1,597**	1,792	428
Net investment through acquisitions/divestments of companies	22	**–1,121**	5	–483
Operating cash flows excluding customer finance operations		**476**	1,797	–55
Expansion in customer finance operations	2	**–2,708**	–3,692	–2,319
Change in financial position including customer finance operations		**–2,232**	–1,895	–2,374
Change in net indebtedness from financing activities	22	**4,431**	2,586	2,527
Dividend to shareholders		**–1,300**	–1,100	–1,100
Net change in liquid assets and short-term investments		**899**	–409	–947
Effect of exchange rate fluctuations on liquid assets and short-term investments		**37**	50	243
Cash, bank balances and short-term investments at beginning of year		**1,774**	2,133	2,837
Cash, bank balances and short-term investments at end of year		**2,710**	1,774	2,133

PARENT COMPANY FINANCIAL STATEMENTS

Income statement

January–December, SEK m.	Note	1999	1998	1997
Operating income		–	–	–
Financial income and expenses	1	–42	–81	–180
Dividends and group contributions received	1	3,619	3,320	1,650
Provision to tax allocation reserve		–706	–637	–284
Taxes		–790	–697	–335
Net income		2,081	1,905	851

Balance sheet

31 December, SEK m.	Note	1999	1998	1997
ASSETS				
Financial fixed assets				
Shares	2	10,971	11,269	11,269
Current assets				
Due from subsidiaries		3,427	1,581	–
Other receivables		13	–	–
Total assets		14,411	12,850	11,269
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	3	11,144	10,363	9,558
Untaxed reserves	4	2,477	1,771	1,134
Current liabilities				
Due to subsidiaries		–	–	234
Tax liabilities		790	714	335
Accrued expenses and prepaid income		0	2	8
Total current liabilities		790	716	577
Total shareholders' equity and liabilities		14,411	12,850	11,269
Assets pledged and contingent liabilities				
Assets pledged		None	None	None
Contingent liabilities	5	18,139	11,960	8,816

Statement of cash flows

January–December, SEK m.	1999	1998	1997
Cash flows from operating activities			
Net income	2,081	1,905	851
Items not affecting cash flows			
Group contributions received	–3,569	–3,268	–1,600
Provision to untaxed reserves	706	637	284
Cash from operating activities	–782	–726	–465
Change in working capital			
Receivables	–13	–	–
Current liabilities	74	373	131
Total cash flows from operating activities	–721	–353	–334
Investment activities			
Shares	298	–	–
Change in net indebtedness from financing activities			
Change in liabilities to subsidiaries	1,723	1,453	1,434
Dividend to shareholders	–1,300	–1,100	–1,100
Net cash provided by financing activities	423	353	334
Liquid assets and short-term investments at end of year	–	–	–

ACCOUNTING PRINCIPLES

Consolidated accounts

The Scania Group follows the recommendations issued by the Swedish Financial Accounting Standards Council. These recommendations comply in all material respects with the principles of the International Accounting Standards Committee (IASC). In the case of the Scania Group, there are limited differences compared to U.S. generally accepted accounting principles (GAAP). A description can be found on page 56.

The consolidated financial statements encompass Scania AB and all subsidiaries and associated companies in Sweden and abroad. Subsidiaries are companies in which Scania directly or indirectly owns more than 50 percent of the voting rights of the shares or in which Scania otherwise has a decisive influence. Associated companies are companies in which Scania has a long-term ownership interest and voting rights of between 20 and 50 percent.

Associated companies are reported in accordance with the equity accounting method. This means that the shares and participations in associated companies are reported in the consolidated balance sheet as the Group's share of their equity after adjusting for the Group's share of surplus or deficit value, respectively. Thus, consolidated income includes Scania's share of the income of associated companies.

The consolidated accounts are prepared in accordance with the recommendation of the Swedish Financial Accounting Standards Council (RR1:96) and in accordance with the purchase accounting method. This means that an acquired subsidiary's assets and liabilities are accounted for at fair market value according to an analysis of the acquisition. If the acquisition cost of the shares in the subsidiary exceeds the estimated fair market value of the company's net assets according to the analysis, the difference is reported as goodwill. The goodwill depreciation period is decided from case to case and was 10 years during 1999. Only income that arises after the date of acquisition is included in consolidated shareholders' equity.

The minority interests' share of net income and shareholders' equity of partially owned subsidiaries is reported separately in the calculation of net income and shareholders' equity.

Foreign subsidiaries and associated companies

European production companies, Latin American operations and certain holding companies are integral to Scania and their financial statements are thus translated to Swedish kronor using the monetary/non-monetary method of accounting. Latin American operations, which are predominantly industrial in nature, are an integral part of Scania's industrial system, with common product development, common products and a common production structure. The financial statements of Scania's other foreign subsidiaries are translated using the current method.

Under the current method, assets and liabilities are translated at the year-end exchange rate, while income and expenses are translated at the average exchange rate for the year. The translation difference, which arises in part from translating net assets of foreign companies at a different rate at the beginning of the year than at year-end, and in part from translating net income at other than the year-end rate, is reported directly in shareholders' equity in the balance sheet.

Under the monetary/non-monetary method, monetary items are translated at the year-end rate, while non-monetary items are translated at the rate in effect on the acquisition date. Inventories, property, plant and equipment and shareholders' equity are translated at the acquisition date rate and other assets and liabilities at the year-end rate. With the exception of consumption of goods and depreciation of property, plant and equipment, which are translated at the acquisition date rate, income and expenses are translated at a weighted average exchange rate for the year.

The translation difference on monetary assets and liabilities is included in net income for the year and is reported in the income statement as follows. The portion of the translation difference attributable to operating items, primarily trade accounts receivable and payable, is included in operating income. The portion of the translation difference attributable to interest-bearing items is included in financial income and expenses.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are valued at the year-end exchange rate. Unrealised exchange rate gains and losses are included in income. Receivables and liabilities hedged by forward contracts are valued at the agreed forward rate.

Short-term investments

Short-term investments are valued at the lower of acquisition cost or market value.

Inventories

Inventories are valued at the lower of cost according to the first in, first out principle (FIFO) or market value. An allocable portion of indirect expenses is included in the value of the inventories.

Property, plant and equipment

Property, plant and equipment are reported at acquisition cost less accumulated depreciation.

Leasing contracts

Leasing contracts with customers are reported as financial leases in cases where substantially all risks and benefits associated with ownership have been transferred to the lessee. Other leasing contracts are accounted for as operating leases.

Profit recognition

Profits are recognised upon delivery of the products and services, on the date when substantially all the risks and rights of ownership pass to the buyer. In the case of "operating leases", Scania recognises income as it receives principal payments over the life of the lease. A profit reserve equivalent to a fair valuation of residual value risk remains at the end of the contract period.

Depreciation

Depreciation is based on an asset's historical cost and estimated economic life. The estimated economic life of machinery and equipment is 5–15 years. Industrial buildings are depreciated over 25 years.

Research and development expenses

The cost of research and development is charged to operating income as it arises.

Warranty expenses

Estimated costs for product warranties are charged to operating income when the product is sold.

Selling expenses

Selling expenses are defined as costs of central marketing resources, distribution costs for parts as well as all overhead in marketing companies, including goodwill and warranty provisions.

Administrative expenses

Administrative expenses are defined as Group-wide costs of corporate management plus corporate staff units in European and Latin American operations.

Exchange rate differences

Exchange rate differences pertaining to borrowings and financial investments are reported as financial income or expenses, while other exchange rate differences are reported under operating income.

Exchange rate differences attributable to loans and forward exchange contracts in foreign currencies that are designated as a hedge of the net assets of foreign subsidiaries are reported, with consideration given to tax effects, directly in shareholders' equity in the consolidated balance sheet together with the corresponding translation difference. The portion of these forward exchange contracts that pertains to interest is amortised over the life of the contract and is reported among financial income and expenses.

Taxes

Taxes are reported mainly according to the recommendation of the Swedish Financial Accounting Standards Council concerning the reporting of income taxes. The Group's total tax consists of current tax and deferred tax. Deferred tax is the tax on the difference between the book value of assets and liabilities and their tax value. Deferred tax assets are recognised to the extent they are considered likely to be realised in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are stated in millions of Swedish kronor (SEK m.) unless otherwise indicated.

Note 1 Sales

	1999	1998	1997
Trucks	**27,888**	27,092	24,005
Buses	**3,601**	3,548	3,251
Engines	**444**	398	392
Service-related products	**6,945**	6,419	5,799
Used vehicles and other products	**2,850**	2,218	1,640
Total Scania products	**41,728**	39,675	35,087
Svenska Volkswagen products [1]	**5,382**	5,637	4,632
Total	**47,110**	45,312	39,719

[1] *Refers to Scania's sales through the Group's wholly-owned dealership companies.*

Note 2 Customer finance operations

The Group's customer finance operations are conducted primarily by separate subsidiaries. Their financial statements are summarised below.

Income statement	**1999**	1998	1997
Interest income	**559**	480	308
Leasing income	**1,287**	942	628
Interest expenses	**–581**	–486	–318
Depreciation	**–921**	–668	–436
Bad debts	**–57**	–44	–25
Other expenses	**–147**	–133	–84
Income from customer finance operations	**140**	91	73

Balance sheet	**1999**	1998	1997
ASSETS			
Leasing assets	**6,164**	4,605	3,230
Financial receivables	**9,175**	7,737	4,870
Other assets	**835**	690	437
Total	**16,174**	13,032	8,537
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	**1,229**	848	722
Borrowings	**13,612**	11,047	7,022
Other liabilities	**1,333**	1,137	793
Total	**16,174**	13,032	8,537

The statement of cash flows below describes the expansion in customer finance operations.

Statement of cash flows	**1999**	1998	1997
Net income	**112**	56	63
Items not affecting cash flows	**133**	156	145
Cash from operating activities	**245**	212	208
Increase in leasing assets	**–1,606**	–1,211	–1,031
Increase in financial receivables	**–1,304**	–2,668	–1,418
Change in other assets and liabilities	**38**	–25	–78
Acquisition of subsidiary [2]	**–81**	–	–
Expansion in customer finance operations	**–2,708**	–3,692	–2,319

Leasing assets	**1999**	1998	1997
Cost	**7,804**	5,868	4,043
Accumulated depreciation	**–1,640**	–1,263	–813
Residual value at year-end [3]	**6,164**	4,605	3,230

[2] *Acquisition of the Italian finance company Fiscar. The company's assets amounted to SEK 541 m. and liabilities SEK 427 m. The purchase price amounted to SEK 114 m. and liquid assets SEK 33 m. The effect on cash flows amounted to SEK –81 m.*

[3] *Included in the consolidated accounts under "Machinery and equipment" after subtracting deferred profit recognition.*

Net investments in financial leases	**1999**	1998	1997
Minimum lease payments receivable	**7,176**	5,431	2,905
Less:			
Executory costs and reserve for doubtful receivables	**–194**	–138	–68
Imputed interest	**–860**	–658	–299
Net investment [4]	**6,122**	4,635	2,538

[4] *Included in "Interest-bearing trade accounts receivable" and "Long-term interest-bearing receivables."*

Future payments	Operating leases	Financial leases
2000	1,510	2,707
2001	1,165	1,917
2002	796	1,429
2003	445	781
2004	223	298
2005 and thereafter	141	44
Total	4,280	7,176

Note 3 Share of income of associated companies

The Group's share of income before taxes of associated companies consisted of the following:

	1999	1998	1997
Scania products	**162**	183	146
Svenska Volkswagen products	**164**	130	139
Total	**326**	313	285

Note 4 Financial income and expenses

	1999	1998	1997
Interest income			
Short-term investments	**242**	122	221
Long-term receivables	**96**	93	66
Interest portion of forward exchange contracts used to hedge net assets	**13**	13	–6
Other	**30**	31	135
Total interest income	**381**	259	416
Interest expenses			
Borrowings	**–865**	–559	–637
Interest on pension liability (PRI)	**–44**	–68	–52
Total interest expenses	**–909**	–627	–689
Other	**–17**	–10	–23
Net financial items	**–545**	–378	–296

Note 5 Taxes

	1999	1998	1997
Income tax	**–1,138**	–811	–794
Withholding taxes on dividends and interest	**–**	–	2
Taxes paid	**–1,138**	–811	–792
Deferred tax	**–112**	–39	78
Share of tax of associated companies	**–103**	–109	–92
Total	**–1,353**	–959	–806

Geographic distribution of income before taxes and minority interests:

Sweden	**3,903**	3,168	1,820
Rest of the world	**597**	46	931
Total	**4,500**	3,214	2,751

Geographic distribution of tax expense:

Income tax	1999	1998	1997
Sweden	**–869**	–766	–571
Rest of the world	**–269**	–45	–221
Total	**–1,138**	–811	–792
Deferred tax			
Sweden	**–194**	–56	93
Rest of the world	**82**	17	–15
Total	**–112**	–39	78
Tax of associated companies	**–103**	–109	–92
Total	**–1,353**	–959	–806

The main reasons behind the difference between the statutory tax rate in Sweden and the effective tax rate in relation to income before taxes are indicated in the table below:

	1999	1998	1997
	%	%	%
Swedish statutory income tax rate	**28**	28	28
Valuation of tax loss carry-forwards	**1**	1	1
Difference between Swedish and foreign tax rates	**2**	1	1
Tax-exempt income	**–2**	–1	–2
Non-deductible expenses including goodwill depreciation	**2**	2	2
Adjustment for taxes pertaining to previous year	**1**	–1	–
Other	**–2**	0	–1
Effective income tax rate	**30**	30	29

Note 6 Depreciation

Distribution of depreciation by function, excluding depreciation in customer finance operations. See Note 2. "Selling expenses" include SEK 62 m. in depreciation of goodwill.

	1999	1998	1997
Cost of goods sold	**–1,477**	–1,474	–1,356
Research and development expenses	**–70**	–85	–80
Selling expenses	**–360**	–284	–212
Administrative expenses	**–41**	–40	–24
Total	**–1,948**	–1,883	–1,672

Note 7 Intangible fixed assets

Goodwill	1999	1998	1997
Accumulated cost			
Opening balance	**173**	161	60
Additions during the year	**494**	5	102
Acquisitions of subsidiaries	**20**	–	–
Translation differences for the year	**–6**	7	–1
Total	**681**	173	161
Accumulated depreciation			
Opening balance	**60**	27	7
Depreciation for the year	**62**	30	20
Acquisitions of subsidiaries	**7**	–	–
Translation differences for the year	**–3**	3	–
Total	**126**	60	27
Book value at year-end	555	113	134

Note 8 Tangible fixed assets

	Buildings and land	Machinery and equipment	Construction in progress and advance payments
Book value, 1 January 1997	5,163	8,148	597
Change in accumulated cost, 1997	799	2,508	685
Change in accumulated depreciation, 1997	–378	–1,264	–
Book value, 31 December 1997	5,584	9,392	1,282
Change in accumulated cost, 1998	246	3,335	–498
Change in accumulated depreciation, 1998	–177	–1,719	–
Book value, 31 December 1998	5,653	11,008	784
1999			
Accumulated cost			
Opening balance	7,946	20,869	784
Additions during the year	325	4,114	649
Acquisition/divestments of subsidiaries	504	335	93
Disposals	–143	–2,324	–
Reclassifications	232	289	–545
Translation differences for the year	–99	22	10
Total	8,765	23,305	991
Accumulated depreciation			
Opening balance	2,327	9,831	–
Acquisition/divestment of subsidiaries	197	214	–
Disposals	–24	–1,088	–
Reclassifications	7	–25	–
Depreciation for the year on cost:			–
– industrial and sales operations	309	1,577	–
– customer finance operations	–	928	–
Translation differences for the year	–38	7	–
Total	2,778	11,444	–
Accumulated revaluations			
Opening balance	34	–	–
Acquisitions of subsidiaries	18	–	–
Total	52	–	–
Accumulated write-downs			
Opening balance	–	30	–
Write-downs for the year	–	1	–
Total	–	31	–
Book value at year-end	6,039	11,830	991
of which "Machinery"		5,942	
of which "Equipment"		886	
of which "Leasing assets"[1]		5,002	
Tax assessment value, buildings (in Sweden)	1,216		
equivalent book value	2,752		
Tax assessment value, land (Sweden)	354		
equivalent book value	431		

Firm obligations pertaining to leasing of premises are distributed as follows:

	1999	2000	2001	2002	2003	2004	2005 and later
Rent payment	**53**	54	55	49	48	44	188

[1] *After subtracting deferred profit recognition.*

Note 9 Shares in associated companies, etc

Shares in associated companies	1999	1998	1997
Accumulated cost	**739**	796	796
Accumulated share of income	**639**	605	425
Book value	**1,378**	1,401	1,221

Specification of the Group's holdings of shares and participations in associated companies etc

Associated company/ corporate ID number/ country of registration	%-owner-ship	Book value in Parent company accounts	Value of Scania's share in consolidated accounts 1999	1998	1997
Beers N.V., NL003779439B01, the Netherlands [1]	50	483	**711**	730	601
Oy Scan-Auto Ab, FI0202014-4, Finland [2]		–	–	114	107
Svenska Volkswagen AB, 556084-0968, Sweden	50	21	**593**	524	490
Cummins-Scania High Pressure Injection L.L.C 043650113, United States	30	25	**40**	–	–
WM-Data Scania AB, 556084-1206, Sweden	50	7	**34**	33	23
Shares in associated companies			**1,378**	1,401	1,221
Shares in other companies			**10**	10	9
Total			**1,388**	1,411	1,230

[1] *The shares in Beers N.V. are publicly listed and the market value of the investment was SEK 943 m. (1,286 and 824, respectively) at year-end.*

[2] *During 1999, the remaining 50 percent of the shares in Oy Scan-Auto Ab were acquired, thus changing the company into a subsidiary.*

The difference between the value of Scania's share in the consolidated financial statements using the equity method of accounting (SEK 1,378 m.) and the Group's ownership stake in the shareholders' equity of associated companies (SEK 1,423 m.) amounted to SEK 45 m.

The Group's share of undistributed accumulated profit in associated companies comprised part of restricted reserves in the consolidated accounts. It amounted to SEK 639 m. (605 and 425, respectively).

Note 10 Interest-bearing receivables (long-term)

	1999	1998	1997
Receivables in customer finance operations	**5,645**	5,053	2,691
Other receivables	**711**	474	469
Total	**6,356**	5,527	3,160

Included in "Other receivables" were deposits of SEK 151 m. (206 and 136, respectively) with financial institutions which were restricted in their use by agreement with third-party lenders.

Note 11 Inventories

	1999	1998	1997
Raw materials	**987**	1,183	1,241
Work in progress	**458**	452	648
Finished goods	**5,992**	5,936	5,013
Total	**7,437**	7,571	6,902

Note 12 Receivables

	1999	1998	1997
Interest-bearing trade accounts receivable	**650**	796	817
Receivables in customer finance operations	**3,530**	2,684	2,133
Sub-total, interest bearing trade accounts receivable	**4,180**	3,480	2,950
Trade accounts receivable	**7,560**	5,004	3,715
Other receivables	**1,559**	1,388	1,128
Pre-paid expenses and accrued income	**557**	445	355
Sub-total, other receivables	**2,116**	1,833	1,483
Total	**13,856**	10,317	8,148

As of 31 December 1999, receivables from associated companies pertaining to products and services delivered were SEK 105 m. Trade accounts payable to associated companies pertaining to services and products purchased were SEK 74 m. and receivables pertaining to interest-bearing financing SEK 25 m.

Note 13 Short term investments

	1999	1998	1997
Cash equivalents (maturities of less than 90 days)	**1,395**	468	571
Short-term investments	**318**	461	858
Total	**1,713**	929	1,429

Half of the Group's short-term investments are found in the Latin American subsidiaries. The remainder was related to cash equivalents deposited in Swedish banks as payment reserves in the run-up to the millennium change.

Investments totalling SEK 653 m. (557 and 502, respectively) in value were restricted by agreement with outside parties. See also Note 10.

Note 14 Shareholders' equity

The Shareholders' equity of the Group has changed as follows:

1998	Share-capital	Restricted reserves	Unrestricted shareholders' equity	Acc. translation differences	Total
Opening balance	2,000	2,800	5,301	252	10,353
Dividend to shareholders	–	–	–1,100	–	–1,100
Net income for 1998	–	–	2,250	–	2,250
Translation differences for the year	–	–	–	350	350
Transfer between restricted and unrestricted equity [1]	–	877	–877	–	–
Other	–	–	–2	–	–2
Closing balance, 31 December 1998	2,000	3,677	5,572	602	11,851
1999					
Opening balance	2,000	3,677	5,572	602	11,851
Dividend to sharholders	–	–	–1,300	–	–1,300
Net income for 1999	–	–	3,146	–	3,146
Translation differences for the year	–	–	–	–150	–150
Transfer between restricted and unrestricted equity [1]	–	676	–676	–	–
Other	–	–	1	–	1
Closing balance 31 December 1999	2,000	4,353	6,743	452	13,548

Scania AB has 100,000,000 A shares outstanding with voting rights of one per share and 100,000,000 B shares outstanding with voting rights of 1/10 per share. No provisions to restricted reserves are required.

[1] *Transfers to restricted equity are explained mainly by increased deferred tax assets and tax allocations.*

Note 15 Provisions for pensions and similar commitments

	1999	1998	1997
Provisions for FPG/PRI pensions	**1,273**	1,213	1,168
Provisions for other pensions, vested	**290**	316	342
Special pension allocation	**74**	116	119
Provisions for medical care benefits	**205**	268	260
Total	**1,842**	1,913	1,889

The amount under "Provisions for pensions" corresponds to the actuarial projections of all mandatory and voluntary pension obligations.

The Swedish plan for salaried employees is administered by a Swedish multi-employer pension institution, the Pension Registration Institute (PRI). The level of benefits and actuarial assumptions are established by PRI. Scania's pension liability consists of the sum of the discounted current value of the company's estimated future pension payments. Pension liability is based on current wages and salaries.

"Provisions for pensions" include foreign subsidiaries, whose pension commitments are reported in accordance with the principles that apply in each country, provided that they permit earned pension benefits to be reported as an expense.

For obligations related to medical care benefits, which are attributable to its operations in Brazil, Scania applies SFAS 106, "Employers' Accounting for Postretirement Benefits". This means that medical care benefits, etc that are earned by the employees but not utilised until after retirement are expensed as they arise.

Note 16 Deferred tax assets/liabilities

	1999	1998	1997
Deferred tax assets			
Provisions	**329**	298	234
Property, plant and equipment	**312**	295	160
Inventories	**251**	233	152
Tax loss carry-forwards	**398**	198	76
Other	**148**	93	114
Offset within tax units	**–936**	–829	–572
Total	**502**	288	164
Deferred tax liabilities			
Property, plant and equipment	**2,109**	1,908	1,783
Tax allocation reserve	**702**	524	326
Other	**169**	132	30
Offset within tax units	**–936**	–829	–572
Total	**2,044**	1,735	1,567
Net deferred tax liabilities	**1,542**	1,447	1,403

Tax loss carry-forwards mainly stem from Latin America, France and England. In Latin American operations, deferred tax assets related to tax loss carry-forwards amounting to SEK 206 m. were not reported due to a limit on annual future utilisation. Of the deferred tax assets attributable to tax loss carry-forwards, SEK 360 m. may be utilised without time constraints.

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 20 percent of the company's taxable profits. Each provision to this reserve may be freely withdrawn and face taxation, but must be withdrawn no later than the sixth year following the year the provision was made.

Note 17 Other provisions

	1999	1998	1997
Warranty provisions	**1,267**	1,312	1,259
Other	**848**	621	408
Total	**2,115**	1,933	1,667

Note 18 Borrowings

Borrowings for customer finance operations are effectively matched against contracted payment flows with regard to currency and fixed-interest periods. Financing of industrial operations in Europe is mainly converted to Swedish currency, normally with a fixed-interest period of 6 months.

Short- and long-term borrowing distributed by currency [1]	1999	1998	1997
SEK	**8, 168**	7,366	5,189
EUR	**7,405**	–	–
GBP	**2,540**	2,249	2,412
USD	**2,245**	4,600	5,042
Other currencies	**4,029**	5,064	3,544
Total [2]	**24,387**	19,279	16,187

[1] *Does not take into account any currency hedging.*

[2] *These amounts include SEK 13,612 m. (11,047 and 7,022, respectively) in borrowings for customer finance operations. The average interest rate on borrowings, including borrowings for customer finance operations, was 5.8 percent (5.5 and 5.5, respectively) at year-end.*

The above loans fall due for repayment as follows:	
2000	13,119
2001	1,074
2002	726
2003	1,664
2004	6,841
2005 and later	963
Total	24,387

Scania has a committed credit facility of USD 1,850 m. from an international banking syndicate, which expires in December 2004. At year-end 1999, the equivalent of USD 573 m. of this facility was being utilised. This means that USD 1,277 m., equivalent to SEK 10,883 m. translated at the year-end exchange rate, was available under this credit facility on 31 December 1999.

Scania's medium term note programme enables the Group to issue notes and bonds with maturities of 1 to 10 years. At year-end, the maximum amount was SEK 7,000 m., and SEK 4,583 m. worth of such debt securities had been issued under the programme.

Scania also has commercial paper programmes in Sweden and Belgium, with ceilings of SEK 4,000 m. and EUR 400 m., respectively. At year-end, SEK 2,131 m. and EUR 182 m., respectively, were being utilised.

Net indebtedness	1999	1998	1997
Cash, bank balances and short-term investments	**2,710**	1,774	2,133
Short-term borrowings	**–13,119**	–12,659	–9,184
Long-term borrowings	**–11,268**	–6,620	–7,003
Total	**–21,677**	–17,505	–14,054
Of which attributable to customer finance operations	**–13,445**	–10,983	–6,911
Net indebtedness	**–8,232**	–6,522	–7,143

Note 19 Accrued expenses and prepaid income

This item consisted mainly of the customary accrual items, of which about SEK 200 m. (200) were financial items.

Note 20 Assets pledged

	1999	1998	1997
Real estate mortgages	**214**	47	166
Chattel mortgages	–	–	16
Receivables	**17**	140	41
Total	**231**	187	223

All assets pledged consisted of collateral for the Group's own liabilities. In 1999, all collateral was pledged to credit institutions and amounted to SEK 81 m. for short-term borrowings and SEK 150 m. for long-term borrowings.

Note 21 Contingent liabilities

	1999	1998	1997
FPG/PRI, pension guarantee obligations on behalf of Group companies	**25**	23	25
FPG/PRI, pension guarantee obligations on behalf of associated companies	**138**	125	113
Loan guarantees	**106**	89	41
Discounted bills and contracts	**112**	94	75
Other guarantees	**264**	198	268
Total	**645**	529	522

In addition to the above contingent liabilities, the Group has issued vehicle repurchase guarantees worth SEK 737 m. (650 and 546, respectively) to customers' creditors. Furthermore, the Group issued SEK 1,039 m. (510 and 345, respectively) worth of pledges direct to customers to buy back vehicles after their period of possession at a pre-determined price. Repurchase obligations related to guaranteed residual values in operating leases under Scania's own auspices amounted to SEK 3,460 m. (3,047 and 2,218, respectively). The Group has given repurchase commitments without risks related to future prices to Svenska Volkswagen Finans AB in an amount estimated at SEK 610 m. (500 and 450, respectively).

The Group is party to legal proceedings and related claims arising in the normal course of business. Management believes, however – based on its assessments of these claims – that the ultimate resolution of these proceedings will not have a material impact on the Group's financial position.

Note 22 Consolidated statement of cash flows

Items not affecting cash flows	1999	1998	1997
Depreciation	**1,948**	1,883	1,672
Unrealised exchange rate differences	**–13**	14	–84
Doubtful receivables	**100**	72	73
Share of income of associated companies	**–326**	–313	–285
Share of taxes of associated companies	**103**	109	92
Dividends from associated companies	**114**	100	85
Deferred tax	**47**	–50	–155
Deferred profit recognition, operating leases	**315**	309	173
Other	**34**	16	26
Total	**2,322**	2,140	1,597

Change in working capital	1999	1998	1997
Interest-bearing long-term receivables	**50**	–112	–140
Other receivables	**–2,796**	–1,172	–876
Inventories	**693**	–611	–549
Provisions for pensions	**–95**	41	97
Advance payments from customers	**–84**	94	1
Trade accounts payable	**131**	246	223
Other liabilities and provisions	**–4**	789	502
Total	**–2,105**	–725	–742

Net investments excluding acquisition/ divestments of companies	1999	1998	1997
Investment in tangible fixed assets	**–1,965**	–2,104	–2,615
Divestments of tangible fixed assets	**311**	287	308
Total	**–1,654**	–1,817	–2,307
Net Investment through acquisitions/divestments of companies			
Proceeds from sale of shares (after subtracting liquid assets in divested companies)	**–7**	12	5
Acqusition of subsidiaries[1]	**–1,114**	–7	–488
Total	**–1,121**	5	–483
Change in net indebtedness through financing activities			
Net change in short-term borrowings	**–134**	3 051	3 655
Repayment of long-term borrowings	**–536**	–457	–1 271
Increase in long-term borrowings	**5,033**	61	147
Net change in restricted deposits	**68**	–69	–4
Total	**4,431**	2,586	2,527
Interest and taxes paid			
Interest received during the year	**382**	262	416
Interest paid during the year	**909**	565	514
Taxes paid during the year	**1,320**	479	711

[1] *During 1999, Scania acquired its distributors in Italy (100 percent), Norway (100 percent) and Finland (the remaining 50 percent) as well as a stake (30 percent) in a development company in the United States. According to the acquisition analyses, the value of the assets and liabilities acquired was as follows:*

Tangible and intangible fixed assets	*1,041*
Shares and participations	*39*
Inventories	*547*
Receivables	*811*
Liquid assets	*72*
Borrowings	*–717*
Other liabilities and provisions	*–561*
Recovery of share in associated companies and exchange rate adjustment	*–46*
Purchase price paid	*1,186*
Liquid assets in acquired companies	*–72*
Impact on consolidated liquid assets and short-term investments	*1,114*

Note 23 Wages, salaries and other remuneration, average number of employees and number of employees

Wages, salaries and other remuneration	1999	1998	1997
Operations in Sweden:			
Boards of Directors, President and Executive Vice Presidents	**35**	30	33
– Of which, bonuses	**6**	5	4
Other employees	**3,000**	2,884	2,840
Operations outside Sweden:			
Boards of Directors, Presidents and Executive Vice Presidents	**124**	107	104
– Of which, bonuses	**19**	8	5
Other employees	**2,490**	2,554	2,474
Total	**5,649**	5,575	5,451
Pension costs and mandatory payroll fees	**2,148**	2,213	1,919
– of which, pension costs[1]	**365**	390	326
Total wages, salaries and remuneration, pension costs and mandatory payroll fees	**7,797**	7,788	7,370

[1] *Of the pension cost in the consolidated financial statements, SEK 34 m. (36 and 38, respectively) was for Boards of Directors and Presidents in the Scania Group. At year-end, the total pension commitment for them was SEK 82 m.*

Wages, salaries and other remuneration, pension costs and mandatory payroll fees by country	1999	1998	1997
Operations in Sweden:	**4,477**	4,296	4,077
Operations outside Sweden:			
Brazil	**518**	924	1,012
The Netherlands	**450**	471	465
Great Britain	**361**	334	222
France	**360**	354	310
Argentina	**286**	302	290
Denmark	**244**	242	224
Germany	**239**	218	185
Belgium	**152**	145	121
Austria	**123**	110	96
Switzerland	**117**	111	138
35 countries with < 100 SEK m. [2]	**470**	281	230
Total	**3,320**	3,492	3,293
Group total	**7,797**	7,788	7,370

[2] *In 1998, 33 countries had less than SEK 100 m. in wages, salaries and other remuneration. In 1997 the figure was 32 countries.*

Average number of employees	1999	1998	1997
Operations in Sweden:			
Average number of employees	**11,440**	10,380	10,519
Operations outside Sweden:			
Number of countries	**45**	43	40
Average number of employees	**11,544**	11,456	11,759
Average total number of employees	**22,984**	21,836	22,278

Average number of employees	1999	1998	1997
Operations in Sweden:	**11,440**	10,380	10,519
– of whom men	**9,965**	9,189	9,055
– of whom women	**1,475**	1,191	1,464
Operations outside Sweden:			
Brazil	**1,932**	2,489	3,092
The Netherlands	**1,614**	1,668	1,773
Great Britain	**1,467**	1,240	1,247
Argentina	**1,040**	1,112	1,104
France	**918**	954	927
Denmark	**680**	724	737
Germany	**591**	530	493
Belgium	**534**	438	419
Austria	**349**	342	305
Poland	**332**	332	249
Australia	**303**	295	306
Switzerland	**255**	244	262
Norway	**217**	–	–
Italy	**174**	–	–
South Africa	**169**	133	117
Tanzania	**102**	121	177
28 countries with < 100 employees [3]	**867**	834	551
Total	**11,544**	11,456	11,759
– of whom men	**10,267**	10,261	10,379
– of whom women	**1,277**	1,195	1,380
Average total number of employees	**22,984**	21,836	22,278

[3] *In 1998, 29 countries had fewer than 100 Scania employees. In 1997, the figure was 26 countries.*

Number of employees on 31 December	1999	1998	1997
European operations			
Production operations and corporate staff units	**13,233**	13,364	13,020
Marketing companies	**8,755**	6,315	6,337
Total, European operations	**21,988**	19,679	1,357
Latin American operations	**3,660**	3,714	4,299
Customer finance operations	**166**	144	107
Total	**25,814**	23,537	23,763
– of whom, contract employees	**953**	795	807

Not 24 Information regarding compensation to executive officers and auditors

According to the decision of the Annual Meeting, the 1999 compensation to the members of the Board of Directors elected by the Annual Meeting amounted to SEK 2,625,000. The Chairman received compensation of SEK 700,000. The President and CEO received a salary of SEK 4,107,000. In addition, bonuses of SEK 3,703,000 were paid to him, which were allocated for future pensions.

Scania's incentive programme for executive officers, among them the President and CEO, includes a bonus based on operating return, defined as Scania Group net income after subtracting expenses for shareholders' equity. Certain executive officers were also included in an extra bonus programme for 1999.

The pension plan (in addition to the ITP occupational pension) for executive officers is a defined-contribution plan. Benefits accrue by means of annual payment of premiums by the company, totalling 15–20 percent of fixed salary in the 20–30 base amount interval (base amount = basbelopp as defined by Swedish social insurance legislation) and 25–30 percent of fixed salary above 30 base amounts. Added to this is the value of annual employee co-payments, amounting to 2–5 percent of fixed salary.

Certain high-level executive officers are entitled, or may be obliged, to retire with a pension at age 62. The President and the other members of the Executive Board are entitled – or if the company so demands, obliged – to retire with a pension upon reaching the age of 60.

The President is entitled to a defined-contribution pension programme based on the ITP plan. The pension cost to Scania AB consists of pension premiums amounting to 35 percent of fixed salary for as long as the President remains an employee of the company.

Since the beginning of 1999, the President has held a non-transferable employee stock option without market value, entitling him, after five years but no later than after seven years, to purchase a maximum of 220,285 shares in Scania AB at a price of SEK 196 per share. The employee stock option has been secured financially in the market, so that Scania's costs for this programme are known. The option carries an entitlement to purchase existing Series B shares and thus will not lead to dilution for Scania's shareholders.

If he resigns of his own volition, or his employment is terminated by the company, the President is entitled to his salary for a six month notice period. If terminated by the company, in addition he is entitled to severance pay equivalent to a maximum of two years' salary, including the average annual value of his bonus over the latest three-year period. Income from another employer during these periods shall be subtracted from his notice period salary and his severance pay, respectively. If the company is transferred to another owner, the President – for one year after the take-over – is entitled to two years' severance pay as described earlier.

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

Fees and other compensation to external auditors for the financial year 1999 are shown in the following table:

	Auditing assignments	Other assignments
KPMG	12	2
Ernst & Young AB	3	0
Other auditors	9	5
Total	24	7

Note 25 Net assets outside Sweden

Currency	**1999**	1998	1997
Europe			
EUR	**4,236**	2,601	1,998
GBP	**54**	465	111
Other European currencies	**1,006**	702	643
Latin America			
USD	**1,262**	1,092	1,249
Real, Peso and other local currencies	**2,600**	2,878	2,589
Other countries			
USD	**72**	117	27
Other currencies	**344**	258	308
Total	**9,574**	8,113	6,925

Net assets in Real, Peso and other local currencies in Latin America consist primarily of fixed assets, which are translated at the exchange rate on the acquisition date.

Note 26 Currency exposure in operating income, by region

The table shows the net amount of the Group's operating revenues and operating expenses exposed to foreign currencies, by region/country.

	1999	1998	1997
Europe			
EMU countries (local currencies)	**7,218**	5,463	3,429
Great Britain (local currency)	**3,049**	2,996	2,864
Denmark/Norway (local currencies)	**1,325**	1,510	1,345
Switzerland (local currency)	**492**	424	270
Central and eastern Europe (local currencies, DEM)	**1,190**	1,669	985
Total, Europe	**13,274**	12,062	8,893
Asia/Oceania (USD, AUD, DEM)	**883**	1,026	1,820
Africa (USD, ZAR, FRF, DEM)	**555**	670	629
Latin America (USD)	**15**	486	1,180
Total	**14,727**	14,244	12,522

Note 27 Impact of "Exchange rate differences" on net income

The impact of exchange rate differences on net income for 1999 is shown in the following table:

Sales	–105
Cost of goods sold	–5
Financial income and expenses	–72
Taxes	–3
Impact on net income	–185

The amounts concern exchange rate profits minus exchange rate losses on the difference between the involved exchange rate on the invoice date and the exchange rate on the payment date, for receivables and liabilities. These constitute only a fraction of the total exchange rates impact.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All amounts are stated in millions of Swedish kronor (SEK m.) unless otherwise indicated.

Note 1 Financial income and expenses

	1999	1998	1997
Interest income			
From subsidiaries	**6**	–	–
Sub-total	**6**	–	–
Interest expenses			
To subsidiaries	**–17**	–67	–64
Interest portion of forward exchange contracts used for hedging net assets	**–8**	–7	–13
Sub-total	**–25**	–74	–77
Exchange rate differences on forward exchange contracts for hedging net assets of foreign subsidiaries	**–23**	–7	–103
Total financial income and expenses	**–42**	–81	–180
Dividends and group contributions etc			
Group contributions etc	**3,569**	3,268	1,600
Dividends from associated companies	**50**	52	50
Sub-total	**3,619**	3,320	1,650
Total	**3,577**	3,239	1,470

Note 2 Shares

		1999	1998	1997
Subsidiary corporate ID number/ country of registration	% ownership	**Book value**	Book value	Book value
Scania CV AB, 556084-0976, Sweden	100	**8,401**	8,401	8,401
Scania Latin America Ltda, 635,010,727,112, Brazil	100	**2,257**	2,257	2,257
Scania Argentina S.A[1] 30-51742430-3, Argentina	73,6	**298**	298	298
Scania del Peru S.A[1] 101, 36300, Peru	54,7	**15**	15	15
Associated company				
Svenska Volkswagen AB[2] 556084-0968, Sweden		**–**	298	298
Total[3]		**10,971**	11,269	11,269

[1] *The Group's ownership interest is 100 percent.*

[2] *During the year, the shares in Svenska Volkswagen AB were transferred to another company in the Group.*

[3] *The acquisition value of these shares for tax purposes is significantly lower than their book value.*

Scania CV AB, in turn, directly or indirectly owns a number of sales companies, of which the largest are located in Australia, Austria, Belgium, Denmark, France, Germany, Great Britain, Italy, Norway, Spain and Sweden. It also owns production facilities in Denmark, France, the Netherlands and Poland.

A complete list of associated companies and other companies was included in the annual report filed with the Swedish Patent and Registration Office and may be obtained from Scania's Head Office in Södertälje, Group Financial Reporting.

Note 3 Shareholders' equity

	Share capital	Statutory reserve	Unrestricted shareholders' equity	Total
Balance on 1 January 1998	2,000	1,120	6,438	9,558
Dividend to shareholders			–1,100	–1,100
Net income			1,905	1,905
Balance on 31 December 1998	2,000	1,120	7,243	10,363
Dividend to shareholders			–1,300	–1,300
Net income for 1999			2,081	2,081
Balance on 31 December 1999	**2,000**	**1,120**	**8,024**	**11,144**

Note 4 Untaxed reserves

	1999	1998	1997
Tax allocation reserve	**2,477**	1,771	1,134
Total	**2,477**	1,771	1,134

SEK 693 m. (496 and 318, respectively) of "Untaxed reserves" consists of deferred taxes. Deferred taxes are not included in the Parent Company balance sheet, but are included in the consolidated balance sheet.

Note 5 Contingent liabilities

	1999	1998	1997
FPG/PRI pension guarantees on behalf of Group companies	**1,298**	1,239	1,192
FPG/PRI pension guarantees on behalf of associated companies	**138**	125	113
Loan guarantees on behalf of Group companies[3]	**16,703**	10,596	7,511
Total	**18,139**	11,960	8,816

[3] *Most of this item is related to loan guarantees on behalf of borrowings by Scania CV AB.*

Note 6 Information regarding compensation to executive officers and auditors

The President of Scania AB and the other members of the Executive Board hold identical positions in Scania CV AB. Wages, salaries and other remuneration are paid by Scania CV AB. The reader is therefore referred to Notes 23 and 24 in the consolidated financial statements.

No compensation to outside auditors was paid for the financial year 1999 with respect to the Parent Company.

FINANCIAL INFORMATION IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (U.S. GAAP)

Swedish accounting principles differ in certain respects from U.S. GAAP. The differences that have a material effect on the net income and shareholders' equity of the Scania Group are as follows:

(a) Goodwill

In June 1991, Saab-Scania AB became a wholly owned subsidiary of Investor AB through an acquisition of all outstanding shares in the market. In January 1994, the net assets of Scania's operations were transferred to a separate company. According to U.S. GAAP, push-down accounting is applied in such instances, which means that a goodwill value plus the tax effects of pre-1995 equity hedges is assigned to the Scania operations. Goodwill is amortised over 40 years.

(b) Pension costs

The pension commitments reported in the consolidated financial statements have been based on actuarial calculations in accordance with Swedish accounting principles.

For U.S. GAAP, the Group applies SFAS No. 87 "Employers' Accounting for Pensions" for the most significant stipulated pension plans. SFAS No. 87 is more controlled in particular as to the use of actuarial assumptions and requires that the projected unit credit method be used.

(c) Transactions in foreign currencies

The Group uses forward contracts to hedge certain future transactions. Unrealised gains and losses on forward contracts are accrued and recognised as income during the same period in which the hedged flow is reported.

According to U.S. GAAP, gains and losses on forward contracts are only accrued to the extent the future contract is intended for a specific purpose and effectively hedges a firm commitment. Forward contracts that do not meet these criteria are reported at fair market value and unrealised gains and losses are reported as income.

Latin American operations are an integral part of Scania, and translation of their financial statements to Swedish kronor occurs according to the monetary/non-monetary method of accounting. According to U.S. GAAP, from 1998 onward, translation of Latin American operations must occur according to the current method.

The Group utilises forward contracts in U.S. dollars to hedge the net capital expenditures of the Latin American companies, since their assets consist primarily of U.S. dollars. In the Swedish consolidated accounts, translation differences are transferred directly to shareholders' equity. Up to and including 1997, according to U.S. GAAP, these translation differences and the fair market value of these forward contracts should have been reported in the income statement.

(d) Capitalisation of expenses

In accordance with Swedish accounting principles, the company has capitalised pre-operating expenses pertaining to production facilities. According to U.S. GAAP, such expenses are charged to income in the period they actually arise.

Swedish accounting principles differ in certain respects from U.S. GAAP. The differences that have a material effect on the net income and shareholders' equity of the Scania Group are as follows:

Net income	**1999**	1998	1997
Net income according to Swedish GAAP	**3,146**	2,250	1,943
Goodwill (a)	**–12**	–12	–12
Pension costs (b)	**– 43**	–2	12
Transactions in foreign currency (c)	**175**	–17	338
Capitalisation of expenses (d)	**10**	12	12
Tax effect of U.S. GAAP adjustments	**–2**	11	–78
Change in net income	**128**	–8	272
Net income according to U.S. GAAP	**3,274**	2,242	2,215
Earnings per share according to U.S. GAAP	**16.40**	11.20	11.10

Shareholders' equity	**1999**	1998	1997
Shareholders' equity according to Swedish GAAP	**13,548**	11,851	10,353
Reporting of goodwill etc (a)	**324**	336	348
Pension costs (b)	**200**	243	245
Transaction in foreign currency (c)	**–769**	–220	–
Capitalisation of expenses (d)	**–**	–10	–22
Tax effect of U.S. GAAP adjustments	**–52**	–50	–60
Change in shareholders' equity	**–297**	299	511
Shareholders' equity according to U.S. GAAP	**13,251**	12,150	10,864

PROPOSED DISTRIBUTION OF EARNINGS

The Scania Group's unrestricted shareholders' equity according to the consolidated balance sheet amounts to SEK 7,195 m., of which net income for the year is SEK 3,146 m. The Board of Directors and the President propose that the following amounts at the disposal of the Annual Meeting:

SEK m.	
Retained earnings	5,943
Net income for the year	2,081
Total	8,024
be distributed as follows:	
To the shareholders, a dividend of SEK 7.00 per share	1,400
To be carried forward	6,624
Total	8,024

After implementing the proposed distribution of earnings,
the shareholders' equity of the Parent Company is as follows:

SEK m.	
Share capital	2,000
Statutory reserve	1,120
Retained earnings	6,624
Total	9,744

Södertälje, 5 April 2000

Anders Scharp
Chairman

Peggy Bruzelius | Clas Åke Hedström | Rolf Stomberg

Mauritz Sahlin | Kjell Wallin | Marcus Wallenberg

Björn Svedberg | Cees J.A. van Lede | Jan Westberg

Leif Östling
President
and CEO

Our auditors' report was submitted on 5 April 2000

Caj Nackstad
Authorised Public Accountant

Gunnar Widhagen
Authorised Public Accountant

AUDITORS' REPORT

To the Annual General Meeting of the shareholders of Scania AB (publ)

Corporate ID number: 556184-8564

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Scania AB for the financial year 1999. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit for the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Södertälje, 5 April 2000

Caj Nackstad
Authorised Public Accountant
KPMG

Gunnar Widhagen
Authorised Public Accountant
Ernst & Young AB

VALUE-ADDED

Amounts in SEK m. per employee in SEK thousands	**Total 1999**		**Per employee 1999**	Total 1998		Per employee 1998	Total 1997		Per employee 1997
Sales including income from customer finance operations	**47,250**		**2,056**	45,403		2,079	39,792		1,786
Cost of purchased goods and services	**–32,786**		**–1,427**	–32,448		–1,486	–27,986		–1, 256
Value-added	**14,464**		**629**	12,955		593	11,806		530
BREAKDOWN OF VALUE-ADDED									
Employees									
Wages and salaries	**5,649**	**39%**	**246**	5,575	43%	255	5,451	46%	245
Pensions and mandatory payroll fees	**2,148**	**15%**	**93**	2,213	17%	101	1,919	16%	86
Total	**7,797**	**54%**	**339**	7,788	60%	356	7,370	62%	331
National and local governments									
Corporate income taxes	**1,250**	**9%**	**54**	850	7%	39	672	6%	30
Lenders									
Cost of net borrowing	**545**	**4%**	**24**	378	3%	18	296	3%	13
Shareholders									
Dividend paid	**1,300**	**9%**	**57**	1,100	8%	50	1,100	9%	49
Returned to operations									
For wear and tear to fixed assets (depreciation)	**1,886**	**13%**	**82**	1,860	14%	85	1,654	14%	75
For continued expansion	**1,686**	**11%**	**73**	979	8%	45	714	6%	32
Total retained in operations	**3,572**	**24%**	**155**	2,839	22%	130	2,368	20%	107
Value-added	**14,464**	**100%**	**629**	12,955	100%	593	11,806	100%	530

SALES AND INCOME BY QUARTER

	Quarter 1, January–March				Quarter 2, April–June			
	1999	1998	1997	1996	**1999**	1998	1997	1996
Sales, units								
Trucks	**12,013**	10,679	9,190	10,658	**11,039**	11,881	11,023	10,028
Buses	**897**	990	969	1,033	**920**	1,160	1,251	1,293
Total	**12,910**	11,669	10,159	11,691	**11,959**	13,041	12,274	11,321
Sales, SEK m.								
European operations	**9,767**	8,195	6,412	6,927	**9,218**	8,839	7,403	6,557
Latin American operations	**962**	1,404	1,400	1,067	**1,139**	1,658	1,831	1,176
Less intra-Group sales	**–183**	–498	–95	–121	**–249**	–431	–313	–139
Total Scania products	**10,546**	9,101	7,717	7,873	**10,108**	10,066	8,921	7,594
Svenska Volkswagen products	**1,233**	1,322	1,087	853	**1,532**	1,538	1,216	1,056
Total	**11,779**	10,423	8,804	8,726	**11,640**	11,604	10,137	8,650
Operating income, SEK m.								
European operations	**1,244**	761	554	1,155	**1,313**	978	513	973
Latin American operations	**–96**	–216	13	19	**–158**	–55	194	18
Customer finance operations	**30**	23	18	15	**39**	15	15	15
Total Scania products	**1,178**	568	585	1,189	**1,194**	938	722	1,006
Svenska Volkswagen products	**62**	61	57	40	**69**	72	59	58
Total	**1,240**	629	642	1,229	**1,263**	1,010	781	1,064
Income after financial items, SEK m.	**1,110**	552	577	1,113	**1,130**	937	771	989
Net income, SEK m.	**770**	390	409	792	**784**	664	571	720
Earnings per share, SEK	**3.85**	1.95	2.05	3.95	**3.90**	3.30	2.85	3.60
Operating margin, percent								
European operations	**12.7**	9.3	8.6	16.7	**14.2**	11.1	6.9	14.8
Latin American operations	**–10.0**	–15.4	0.9	1.8	**–13.9**	–3.3	10.6	1.5
Scania products	**11.2**	6.2	7.6	15.1	**11.8**	9.3	8.1	13.2
Svenska Volkswagen products	**5.0**	4.6	5.2	4.7	**4.5**	4.7	4.9	5.5
Total	**10.5**	6.0	7.3	14.1	**10.9**	8.7	7.7	12.3

KEY FINANCIAL RATIOS* AND DEFINITIONS

	1999	1998	1997	1996
Earnings per share, SEK	**15.75**	11.25	9.70	9.90
Earnings per share according to U.S GAAP, SEK	**16.40**	11.20	11.10	10.30
Return on shareholders' equity, %	**25.1**	20.7	20.2	22.7
Profit margin, %	**11.2**	8.3	8.6	10.5
Capital turnover rate, times	**1.90**	2.09	1.89	1.76
Return of capital employed, %	**21.4**	17.4	16.2	18.5
Debt/equity ratio	**0.61**	0.55	0.69	0.64
Interest coverage, times	**5.9**	6.1	4.8	4.1
Equity/assets ratio, %	**26.0**	26.5	27.0	28.1

* Unless otherwise indicated, calculations are based on an average for five measurement points (quarters).

	Quarter 3, July–September				Quarter 4, October–December			
	1999	1998	1997	1996	**1999**	1998	1997	1996
	10,223	10,080	9,441	8,113	**13,376**	12,913	12,738	10,229
	957	958	1,160	747	**989**	1,009	1,204	890
	11,180	11,038	10,601	8,860	**14,365**	13,922	13,942	11,119
	8,561	7,686	6,470	5,155	**10,664**	10,352	8,776	7,017
	1,193	1,709	1,950	1,307	**1,266**	1,380	1,792	1,204
	–292	–404	–252	–90	**–318**	–215	–287	–106
	9,462	8,991	8,168	6,372	**11,612**	11,517	10,281	8,115
	1,185	1,394	1,079	818	**1,432**	1,383	1,250	1,049
	10,647	10,385	9,247	7,190	**13,044**	12,900	11,531	9,164
	1,123	860	404	55	**1,303**	1,314	838	93
	–68	–96	132	10	**–6**	–295	68	464
	32	25	17	12	**39**	28	23	13
	1,087	789	553	77	**1,336**	1,047	929	570
	52	62	67	59	**67**	55	75	58
	1,139	851	620	136	**1,403**	1,102	1,004	628
	984	753	503	40	**1,276**	972	900	564
	709	526	339	18	**883**	670	624	444
	3.55	2.65	1.70	0.10	**4.40**	3.35	3.10	2.20
	13.1	11.2	6.2	1.1	**12.2**	12.7	9.5	1.3
	–5.7	–5.6	6.8	0.8	**–0.5**	–21.4	3.8	38.5
	11.5	8.8	6.8	1.2	**11.5**	9.1	9.0	7.0
	4.4	4.4	6.2	7.2	**4.7**	4.0	6.0	5.5
	10.7	8.2	6.7	1.9	**10.8**	8.5	8.7	6.9

Earnings per share
Net income divided by the number of shares.

Return on shareholders' equity
Net income as a percentage of shareholders' equity.

Profit margin
Operating income excluding customer finance operations plus financial income as a percentage of sales.

Capital turnover rate
Sales divided by capital employed (total assets less non-interest-bearing liabilities), with customer finance operations reported according to the equity method.

Return on capital employed
Operating income excluding customer finance operations plus financial income as a percentage of capital employed, with customer finance operations reported according to the equity method.

Debt/equity ratio
Short- and long-term borrowings (excluding pension liabilities and net indebtedness in customer finance operations) less liquid assets, divided by shareholders' equity.

Interest coverage
Operating income plus financial income divided by financial expenses.

Equity/assets ratio
Shareholders' equity as a percentage of total assets, including customer finance operations, on each respective balance sheet date.

MULTI-YEAR STATISTICAL REVIEW

SEK m. unless otherwise indicated	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Sales by market area											
Western Europe	**33,249**	28,962	23,102	21,009	21,715	14,880	10,920	11,424	12,218	12,838	12,612
Central and eastern Europe	**1,330**	1,814	1,398	827	732	266	195	289	133	114	34
Europe	**34,579**	30,776	24,500	21,836	22,447	15,146	11,115	11,713	12,351	12,952	12,646
Latin America	**4,247**	5,974	6,798	4,800	5,742	6,109	4,619	3,040	2,566	2,920	2,982
Asia	**1,118**	1,018	1,932	1,740	1,904	1,504	1,171	1,084	2,286	863	1,257
Other markets	**1,784**	1,907	1,857	1,578	1,623	1,329	1,062	715	787	936	1,046
Total, Scania products	**41,728**	39,675	35,087	29,954	31,716	24,088	17,967	16,552	17,990	17,671	17,931
Sales by area of operation											
European operations	**38,210**	35,072	29,061	25,656	26,547	18,542	13,651	13,682	15,626	14,914	15,088
Latin American operations	**4,560**	6,151	6,973	4,754	5,933	6,108	4,619	3,040	2,566	2,920	2,982
Less intra-Group sales	**–1,042**	–1,548	–947	–456	–764	–562	–303	–170	–202	–163	–139
Total, Scania products	**41,728**	39,675	35,087	29,954	31,716	24,088	17,967	16,552	17,990	17,671	17,931
Svenska Volkswagen products	**5,382**	5,637	4,632	3,776	3,124	2,560	2,222	1,470	1,399	1,377	1,602
Total	**47,110**	45,312	39,719	33,730	34,840	26,648	20,189	18,022	19,389	19,048	19,533
Operating income											
European operations	**4,983**	3,913	2,309	2,276	4,598	2,816	488	1,069	1,452	2,072	2,526
Latin American operations	**–328**	–662	407	511	413	915	483	242	136	441	501
Customer finance operations	**140**	91	73	55	98	5	–91	–38	–23	–	–
Total, Scania products	**4,795**	3,342	2,789	2,842	5,109	3,736	880	1,273	1,565	2,513	3,027
Svenska Volkswagen products	**250**	250	258	215	243	173	121	33	86	17	155
Total	**5,045**	3,592	3,047	3,057	5,352	3,909	1,001	1,306	1,651	2,530	3,182
Operating margin, %											
European operations	**13.0**	11.2	7.9	8.9	17.3	15.2	3.6	7.8	9.3	13.9	16.7
Latin American operations	**–7.2**	–10.8	5.8	10.7	7.0	15.0	10.5	8.0	5.3	15.1	16.8
Total, Scania products	**11.5**	8.4	7.9	9.5	16.1	15.5	4.9	7.7	8.7	14.2	16.9
Svenska Volkswagen products	**4.6**	4.4	5.6	5.7	7.8	6.8	5.4	2.2	6.1	1.2	9.7
Total	**10.7**	7.9	7.7	9.1	15.4	14.7	5.0	7.2	8.5	13.3	16.3
Gross capital expenditures for property, plant and equipment, excluding leasing assets											
European operations	**1,522**	1,582	1,592	1,908	1,727	1,851	1,209	1,319	1,201	1,380	967
Latin American operations	**354**	444	974	671	455	298	276	182	107	154	157
Total	**1,876**	2,026	2,566	2,579	2,182	2,149	1,485	1,501	1,308	1,534	1,124
Research and development expenses											
Research and development	**1,267**	1,168	1,248	1,084	923	805	783	738	761	619	466
Inventory turnover rate, times[1]											
	6.5	6.3	6.3	5.7	6.7	6.5	4.9	4.3	4.4	4.2	4.6

[1] Calculated as sales divided by average inventory.

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Vehicles produced, units											
European operations											
Trucks	**39,794**	38,886	33,092	31,316	33,459	23,367	16,014	19,893	23,721	23,853	26,616
Buses	**2,528**	2,818	2,817	2,326	2,373	1,542	1,176	1,557	1,321	1,462	2,119
Latin American operations											
Trucks	**5,985**	6,660	10,463	7,139	8,515	8,570	6,610	4,587	4,234	4,765	5,744
Buses	**1,175**	1,697	1,769	1,575	2,091	1,303	1,393	2,533	2,626	1,688	1,771
Total	**49,482**	50,061	48,141	42,356	46,438	34,782	25,193	28,570	31,902	31,768	36,250
Trucks sold by market area, units											
Western Europe	**36,106**	32,686	26,756	26,249	26,596	17,814	13,052	16,366	18,463	20,749	22,912
Central and eastern Europe	**1,551**	2,237	1,833	1,030	951	312	248	507	260	254	80
Latin America	**6,253**	7,621	9,649	7,377	7,964	8,713	6,678	4,734	4,293	4,558	5,067
Asia	**1,481**	1,410	3,096	2,997	3,329	2,818	2,256	2,440	5,530	1,731	2,549
Other markets	**1,260**	1,599	1,058	1,375	1,627	1,178	851	611	587	991	1,110
Total	**46,651**	45,553	42,392	39,028	40,467	30,835	23,085	24,658	29,133	28,283	31,718
Buses and coaches sold by market area, units											
Western Europe	**1,935**	1,731	1,595	1,655	1,642	983	835	879	1,067	1,199	1,448
Central and eastern Europe	**67**	106	95	83	45	40	35	16	2	2	0
Latin America	**1,237**	1,697	1,829	1,641	1,878	1,287	1,459	2,677	2,493	1,645	1,676
Asia	**160**	78	308	309	304	140	133	249	144	224	499
Other markets	**364**	505	757	275	301	237	215	355	276	233	261
Total	**3,763**	4,117	4,584	3,963	4,170	2,687	2,677	4,176	3,982	3,303	3,884
Total market for heavy trucks and buses, units											
Western Europe											
Trucks	**235,900**	207,300	170,300	172,000	173,300	133,300	114,100	149,000	170,000	176,000	189,000
Buses	**21,800**	21,000	18,300	17,800	15,900	13,600	15,600	16,500	17,200	19,000	19,000
Brazil											
Trucks	**13,456**	15,763	17,861	13,682	19,299	18,931	13,938	8,402	9,389	9,524	9,606
Buses	**8,057**	13,438	13,424	15,087	16,969	12,266	11,073	13,222	16,220	9,730	8,994
Employees , number[2]											
European operations											
Production companies	**13,233**	13,485	13,197	13,004	14,364	12,374	10,493	11,417	12,736	13,218	13,830
Marketing companies	**8,755**	6,194	6,160	4,877	4,050	3,694	3,823	4,278	4,043	4,219	4,332
Total, European operations	**21,988**	19,679	19,357	17,881	18,414	16,068	14,316	15,695	16,779	17,437	18,162
Latin American operations	**3,660**	3,714	4,299	4,250	4,520	4,285	4,217	4,433	4,941	4,767	4,713
Customer finance companies	**166**	144	107	75	90	72	60	65	52	34	33
Total	**25,814**	23,537	23,763	22,206	23,024	20,425	18,593	20,193	21,772	22,238	22,908

[2] Including contract employees.

BOARD OF DIRECTORS

Leif Östling *Anders Scharp* *Clas Åke Hedström* *Marcus Wallenberg* *Rolf Stomberg*

Leif Östling
Born 1945. Member since 1994.
President and CEO of Scania AB.
Other directorships in BT Industries AB and Beers N.V.
Shares in Scania: 50,000

Anders Scharp
Born 1934. Chairman since 1994.
Chairman of Atlas Copco AB, Saab AB, AB SKF and the Swedish Employers' Confedaration. Other directorships: Investor AB and the Federation of Swedish Industries, among others.
Shares in Scania: 17,779

Clas Åke Hedström
Born 1939. Member since 1995.
President and CEO of Sandvik AB.
Other directorships: Association of Swedish Engineering Industries and Federation of Swedish Industries.
Shares in Scania: 1,000

Marcus Wallenberg
Born 1956. Member since 1994.
President and CEO of Investor AB.
Vice Chairman of Telefon AB L M Ericsson and Saab AB. Other directorships: AstraZeneca AB, AstraZeneca UK, Skandinaviska Enskilda Banken, SAS Assembly of Representatives, Stora Enso Oy and the Knut and Alice Wallenberg Foundation.
Shares in Scania: 51,000

Rolf Stomberg
Born 1940. Member since 1998.
Chairman of John Mowlem & Co PLC, United Kingdom and Unipoly SA, Luxemburg. Other directorships: Proudfoot Plc, United Kingdom, Reed International Plc, United Kingdom, Smith & Nephew plc, United Kingdom, Cordiant Communications plc and Cordiant Communications Group Trustees Ltd, United Kingdom, TPG Group, Netherlands, Stinnes AG, Germany, Dresdner Bank AG, Germany and Gerling-Konzern, Germany.
Shares in Scania: 1,000

Mauritz Sahlin
Born 1935. Member since 1996.
Chairman of Novare Kapital AB, Flexlink AB, Air Liquide AB, Champs (Chalmers), Imego AB, IRO AB, West Sweden Chamber of Commerce and Industry and Korsvägen AB. Other directorships: Investor AB, Sandvik AB, Federation of Swedish Industries, Billes Tryckeri and Chalmers University of Technology.
Shares in Scania: 0

Mauritz Sahlin   Peggy Bruzelius   Cees J.A. van Lede   Björn Svedberg   Sören Westerholm   Kjell Wallin   Monica Torgrip   Jan Westberg

Peggy Bruzelius
Born 1949. Member since 1998.
Chairman of Grand Hotel Holdings AB, Lancelot Asset Management AB. Other directorships: Electrolux AB, Swedish Trade Council, Industry and Commerce Stock Exchange Committee, Securities Council, Axel Johnson AB, Förvaltnings AB Ratos, Drott AB, Celsius AB and D&D Dagligvaror AB.
Shares in Scania: 2,000

Cees J. A. van Lede
Born 1942. Member since 1999.
Chairman of Akzo Nobel N.V., The Netherlands.
Shares in Scania: 0

Björn Svedberg
Born 1937. Member since 1999.
Chairman of Chalmers University of Technology. Other directorships Gambro AB, Investor AB and Saab AB, among others.
Shares in Scania: 800

Sören Westerholm
Born 1953. Deputy Member since 1994.
Employee representative and Chairman of the Metal Workers' Union at Scania, Oskarshamn.
Shares in Scania: 0

Kjell Wallin
Born 1943. Member since 1998.
Employee Representative and Chairman of the Metal Workers' Union at Scania, Södertälje.
Shares in Scania: 0

Monica Torgrip
Born 1966. Deputy Member since 1998.
Employee Representative and Chairman of the Swedish Union of Professionals.
Shares in Scania: 0

Jan Westberg
Born 1944. Member since 1996.
Employee Representative for the Federation of Salaried Employees in Industri and Services.
Shares in Scania: 0

Auditors

Caj Nackstad
Authorised Public Accountant, KPMG

Gunnar Widhagen
Authorised Public Accountant, Ernst & Young AB

Deputy Auditors

Thomas Thiel
Authorised Public Accountant, KPMG

Björn Fernström
Authorised Public Accountant, Ernst & Young AB

The work of the Board

According to the work schedule adopted by the Board of Directors, it holds seven regular meetings per year. Beyond this, the Board may meet when circumstances so warrant. During 1999, a number of extra meetings were held as a consequence of Volvo's acquisitions of shares in, and public offer for, Scania.

The February, April, August and October/November meetings are devoted primarily to financial reporting. The statutory meeting after the Annual General Meeting focuses chiefly on the Board's work schedule, instructions to the President and compensation issues.

In June, the Board discusses capital expenditure issues. The December meeting focuses especially on operational planning and future-oriented issues. Beyond this, all meetings deal with matters of a more current nature as well as capital expenditures.

The Board's instructions to the President specify his duties and powers. Board policy documents on capital expenditures, financing, communication and reporting are also appended to the instructions.

With one exception, the Board has refrained from appointing sub-committees. Compensation issues for the President and certain other senior executives are handled by a committee consisting of Anders Scharp, Rolf Stomberg and Marcus Wallenberg.

Owing to its limited number of members, the Board achieves efficiency, while all members receive complete information on all matters that are dealt with by the Board.

GROUP MANAGEMENT

Leif Östling *Arne Karlsson* *Kaj Lindgren* *Urban Erdtman*

Executive Board

Leif Östling
Born 1945. Joined Scania in 1972.
President and CEO
Shares in Scania: 50,000

Reporting to Leif Östling:
Buses & Coaches
Industrial & Marine Engines

Arne Karlsson
Born 1944. Joined Scania in 1978.
Executive Vice President
Finance and Business Control
Shares in Scania: 166

Reporting to Arne Karlsson:
Corporate Control
Finance
Latin American Operations
And certain corporate staff units

Håkan Samuelsson[1]
Born 1951. Joined Scania in 1977.
Executive Vice President
Development and Production
Shares in Scania: 5,350

Reported to Håkan Samuelsson:
Industrial Benchmarking
Research & Truck Development
Truck Manufacturing
Powertrain
Procurement & Industrial Development

Kaj Lindgren
Born 1945. Joined Scania in 1977, employed until 1984. Rejoined Scania in 1989.
Group Vice President
Corporate Development
Shares in Scania: 0

Reporting to Kaj Lindgren:
Corporate Communications
Corporate Human Resources
General Counsel
And certain corporate staff units

Urban Erdtman
Born 1945. Joined Scania in 1981.
Group Vice President
Sales and Marketing
Shares in Scania: 3,226

Reporting to Urban Erdtman:
Sales and Marketing Europe
Sales and Marketing Overseas
And certain corporate staff units

[1] Left the company on 11 February 2000.
Until further notice, Leif Östling is responsible for Development and Production.

1. Lars Orehall, 2. P O Svedlund, 3. Kjell Svensson, 4. Lennart Hjelte, 5. Kaj Holmelius, 6. Håkan Ericsson, 7. Claes Torén, 8. Per Hallberg, 9. Carl Riben, 10. Jorma Halonen, 11. Peter Härnwall, 12. Jan Gurander. 13. Ulf Egestrand, 14. Magnus Hahn, 15. Margareta Lewin

Corporate Units

Ulf Egestrand [2]
Born 1956. Joined Scania in 1998.
Senior Vice President
Finance
Shares in Scania: 0

Jan Gurander [3]
Born 1961. Joined Scania in 1995.
Senior Vice President
Finance
Shares in Scania: 0

Magnus Hahn
Born 1955. Joined Scania in 1985.
Acting Head of
Corporate Communications
Shares in Scania: 0

Kaj Holmelius
Born 1940. Joined Scania in 1966.
Senior Vice President
Industrial Benchmarking
Shares in Scania: 1,116

Peter Härnwall
Born 1955. Joined Scania in 1983.
Senior Vice President
Corporate Control
Shares in Scania: 166

Louise Jarn Melander
On leave of absence.
Born 1954. Joined Scania in 1998.
Senior Vice President
Corporate Communications
Shares in Scania: 100

Margareta Lewin
Born 1951. Joined Scania in 1999.
Senior Vice President
Corporate Human Resources
Shares in Scania: 0

Carl Riben
Born 1950. Joined Scania in 1986.
Senior Vice President
General Counsel
Shares in Scania: 400

Corporate Sectors

Per Hallberg
Born 1952. Joined Scania in 1977.
Senior Vice President
Powertrain
Shares in Scania: 0

Lars Orehall
Born 1947. Joined Scania in 1974.
Senior Vice President
Research & Truck Development
Shares in Scania: 2,000

P O Svedlund
Born 1955. Joined Scania in 1976.
Senior Vice President
Procurement & Industrial
Development
Shares in Scania: 166

Kjell Svensson
Born 1938. Joined Scania in 1972.
Senior Vice President
Truck Manufacturing
Shares in Scania: 25

Claes Torén
Born 1939. Joined Scania in 1962.
Senior Vice President
Sales & Marketing Overseas
Shares in Scania: 875

Business Units

Håkan Ericsson
Born 1947. Joined Scania in 1975.
Senior Vice President
Buses & Coaches
Shares in Scania: 166

Jorma Halonen
Born 1948. Joined Scania in 1996.
Senior Vice President
Latin American Operations
Shares in Scania: 0

Lennart Hjelte
Born 1945. Joined Scania in 1966.
Senior Vice President
Industrial & Marine Engines
Shares in Scania: 4,125

[2] Assumed this position on 1 January 2000.
[3] Employed at Scania until 31 December 1999.

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