



ANNUAL REPORT 2002

## Annual General Meeting

The Annual General Meeting of Shareholders (AGM) will be held at 15:00 CET on Friday, 25 April 2003 at Konferenshuset, TelgeForum, Södertälje, Sweden.

## Participation

Shareholders who wish to participate in the AGM must be recorded in the shareholder list maintained by Värdepapperscentralen VPC AB (the Swedish Central Securities Depository and Clearing Organisation) no later than Tuesday, 15 April 2003. They must also register with the company by post at Scania AB, SE-151 87 Södertälje, Sweden, or by telephone at +46 8 5538 1510 no later than 16:00 CET on Thursday, 17 April 2003.

## Nominee shares

To be entitled to participate in the AGM, shareholders whose shares have been registered in the name of a nominee through the trust department of a bank or brokerage house must temporarily reregister their shares in their own name with VPC. Shareholders who wish to reregister their shares in this way must inform their nominees accordingly well before Tuesday, 15 April 2003.

## Dividend

The Board of Directors proposes Wednesday, 30 April 2003 as the record date for the 2002 dividend. The last day for trading shares that include the dividend is Friday, 25 April 2003. Provided that the AGM approves this proposal, the dividend is expected to be sent on Monday, 5 May 2003.

## Financial information from Scania

Interim Report, January–March, on 23 April 2003  
Interim Report, January–June, on 23 July 2003  
Interim Report, January–September, on 27 October 2003

The Annual Report is posted on the company's web site, [www.scania.com](http://www.scania.com) where Scania's Interim Reports are also found.

The material may also be ordered from:  
Scania AB, SE-151 87 Södertälje, Sweden.  
Phone: +46 8 5538 1000  
Fax: +46 8 5538 5559

The English version of the Annual Report is a translation of the Swedish language original. Translation: Victor Kayfetz, Scan Edit.

Unless otherwise stated, all comparisons in this Annual Report refer to the same period of the preceding year.

The Annual Report contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Such forward-looking statements involve risks and uncertainties that could significantly alter potential results. The statements are based on certain assumptions, including assumptions related to general economic and financial conditions in the company's markets and the level of demand for the company's products.

This report does not imply that the company has undertaken to revise these forward-looking statements, beyond what is required under the company's registration contract with Stockholmsbörsen if and when circumstances arise that will lead to changes compared to the date when these statements were provided.





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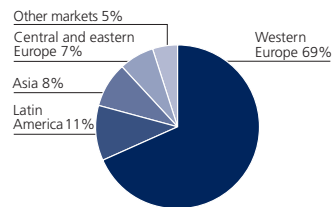
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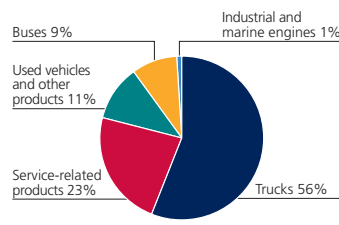
# Scania in brief

Scania develops, manufactures and sells heavy trucks and buses as well as engines for industrial and marine use. Scania also offers its customers a broad range of services, service-related products and financing.

Deliveries by market area, 2002



Sales by product area, 2002



Scania's five largest bus markets		
	Registrations	Market share %
	2002	2002
Mexico	424	4.9
Spain	394	17.5
Italy	347	11.7
Brazil	327	3.5
Taiwan	284	29.4

Scania's ten largest truck markets			
	Registrations	Market share %	
	2002	2002	
Great Britain	5,050	16.3	
France	3,871	9.6	
Germany	3,628	8.3	
Italy	3,358	13.0	
Brazil	3,208	18.9	
Spain	3,171	12.4	
The Netherlands	1,958	17.0	
Sweden	1,907	47.0	
South Korea	1,736	12.5	
Belgium	1,017	15.1	
<b>Western Europe</b>	<b>28,524</b>	<b>13.5</b>	

Key figures	2002	2001	2000
<b>Deliveries, units</b>			
Trucks	39,895	43,659	52,318
Buses	3,774	4,672	4,174
Total	43,669	48,331	56,492
<b>Sales, SEK m.</b>			
Scania products	46,140	47,213	44,740
Car operations	1,145	5,852	6,658
Total	47,285	53,065	51,398
<b>Operating income, SEK m.</b>			
Scania products	3,843	2,356	4,809
Car operations	563 <sup>1</sup>	111	275
Total	4,406	2,467	5,084
<b>Operating margin, %</b>			
Scania products	8.3	5.0	10.7
Car operations	-	1.9	4.1
Total	8.2 <sup>2</sup>	4.6	9.9
<b>Income after financial items, SEK m.</b>			
	3,722	1,541	4,454
<b>Net income, SEK m.</b>			
	2,739	1,048	3,080
<b>Earnings per share, SEK m.</b>			
	13.70	5.24	15.40
<b>Cash flows excluding Customer Finance operations, SEK m.<sup>3</sup></b>			
	3,583	2,066	2,557
<b>Return, %</b>			
on shareholders' equity	17.2	6.5	21.6
on capital employed <sup>4</sup>	15.8	8.4	19.7
<b>Net debt/equity ratio<sup>4</sup>, %</b>			
	0.25	0.49	0.50
<b>Equity/assets ratio, %</b>			
	25.6	23.4	25.8
<b>Capital expenditures for fixed assets, SEK m.</b>			
	3,025	1,980	1,825
<b>Research and development expenses, SEK m.</b>			
	1,437 <sup>5</sup>	1,955	1,621
<b>Number of employees, 31 December</b>			
	28,230	28,541	27,366

1 Including capital gain, SEK 550 m.  
 2 Excluding capital gains in car operations. Operating margin for the Scania Group including capital gains in car operations: 9.3%.  
 3 Including acquisitions/divestments of businesses.  
 4 With Customer Finance operations reported according to the equity accounting for fixed assets method.  
 5 In addition to research and development expenditures reported among costs, SEK 573 m. was capitalised during 2002.



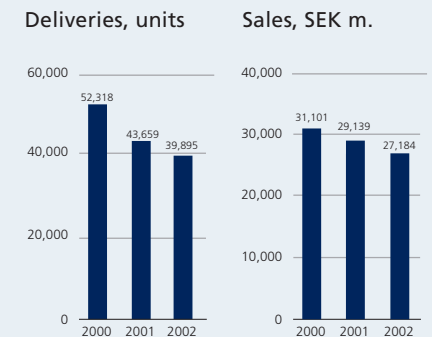
Scania develops, manufactures, markets and sells trucks with a gross vehicle weight of more than 16 tonnes (Class 8), intended for long-distance haulage, construction haulage and goods distribution.

### MARKET DEVELOPMENTS

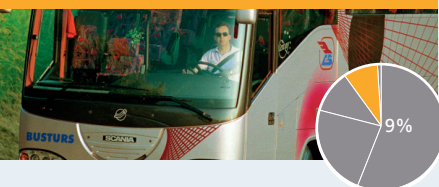
In western Europe, Scania's most important market, deliveries declined during 2002. In central and eastern Europe, Scania's sales rose in most markets. In Latin America, weak economic growth and increases in Scania's prices led to decline in most markets. In Asia, Australia and Africa, Scania's order bookings rose in a number of markets.

### IMPORTANT EVENTS

Production capacity in Latin America was utilised to a growing extent for deliveries to Europe, Asia and Africa. During 2002, Scania and the Japanese truck manufacturer Hino signed a strategic co-operation agreement, which among other things will mean that during 2003 Hino will begin marketing and selling Scania tractor units in Japan.



## BUSES



Scania's bus and coach operations focus on heavy buses with high passenger capacity for use as tourist coaches and in intercity and urban traffic. Most of Scania's bus production consists of chassis on which bodies are built by specialist bodybuilding companies.

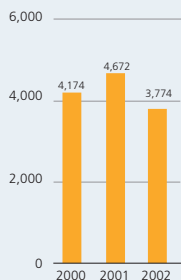
### MARKET DEVELOPMENTS

Scania's bus and coach sales developed favourably in a number of European markets. In Italy, Scania significantly increased its market share, mainly due to strong city bus sales. Scania sharply increased its bus sales in Australia and Dubai.

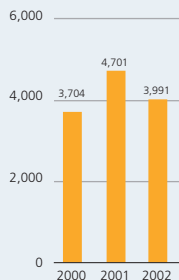
### IMPORTANT EVENTS

During 2002, Scania's bus and coach operations in Europe were co-ordinated with truck operations. During the year, an assembly plant for bodybuilding of city buses opened in St. Petersburg, Russia.

Deliveries, units



Sales, SEK m.



## ENGINES



Scania's industrial and marine engines are used in a variety of applications at sea and on land.

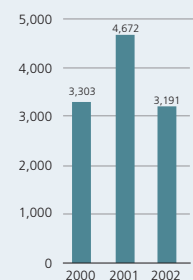
### MARKET DEVELOPMENTS

In Europe, Scania increased its deliveries of industrial and marine engines somewhat during the year. In Latin America, sales declined sharply due to the unstable economic situation. The engine sales growth of recent years in Saudi Arabia continued during 2002.

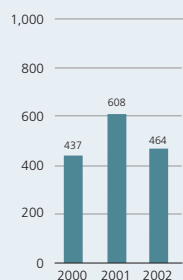
### IMPORTANT EVENTS

During the year, Scania delivered its first marine 16-litre V8 engines, which were installed in the Swedish Sea Rescue Society's new boat. Scania and the Japanese engine manufacturer Yanmar reached a strategic co-operation agreement during 2002, under which Yanmar has been entitled to sell and market Scania's marine engines to the pleasure boat industry worldwide under its own brand name.

Deliveries, units



Sales, SEK m.



## SERVICE-RELATED PRODUCTS



By continuously increasing the range of service-related products, Scania helps its customers achieve increasingly cost-effective solutions. Customer relationships develop into a mutual partnership.

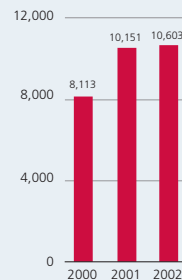
### MARKET DEVELOPMENTS

More than 500,000 trucks and buses from Scania are serviced and maintained by 1,500 authorised Scania workshops around the world. More than 1,000 of these are in Europe. Sales of service and parts increased by 4 percent during 2002 to SEK 10,603 m. In some markets, up to half of new truck sales are combined with service contracts.

### IMPORTANT EVENTS

During 2002, Scania's extensive service network added a sixth Assistance Centre, located in Trento, Italy.

Sales, SEK m.



## CUSTOMER FINANCE



Customer Financing is an important element of Scania's integrated product range. For customers, financing is often one element of a cost-effective total solution for their transport business. Scania offers hire purchase contracts as well as financial and operating leases.

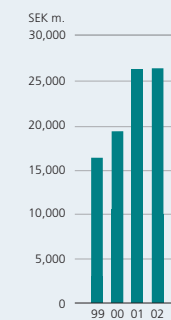
### MARKET DEVELOPMENTS

In Europe, Customer Finance operations consist of 13 Scania-owned finance companies. In some western European countries, portfolio growth halted, since sales volume did not increase. In central and eastern Europe, Customer Finance operations continued to expand.

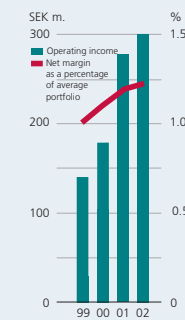
### IMPORTANT EVENTS

During 2002, a finance company was established in Russia. Scania also started its own finance company in South Korea, where volume continued to increase sharply.

Total assets in finance companies



Operating income and net margin





# Important events

2002

- Scania celebrated many anniversaries and milestones in 2002. The millionth Scania truck was manufactured at the Angers assembly plant, which also celebrated its 10th anniversary. Scania trucks celebrated their 100th anniversary, and 100 years ago Scania delivered its first marine engine. This means that Scania is one of the world's oldest manufacturers of engines for marine use.
- In late 2002, Scania Industrial & Marine Engines signed a co-operation agreement with the Japanese engine manufacturer Yanmar. The agreement means that Yanmar will market and sell Scania engines to the pleasure boat industry under its own brand name.
- Scania sold its Swedish car operations to Volkswagen AG of Germany. The settlement for Scania's 50 percent holding in Svenska Volkswagen AB and for the Swedish dealership chain Din Bil amounted to SEK 870 m. and SEK 450 m., respectively.
- As part of the restructuring of its bus and coach operations, Scania established the bus bodybuilding company Omni Katrineholm AB, which is responsible for development, production, procurement and commercial matters concerning bus bodies. Bus bodybuilding operations in Sweden, Russia and Poland are included in the new company's sphere of responsibility.
- In March, Scania and the Japanese truck manufacturer Hino signed a strategic co-operation agreement for the purpose of establishing a long-term business alliance. The first step in this co-operation concerns Scania's tractor units, which will be marketed by Hino in Japan.



During 2002, Scania began strategic co-operation with Hino. The Japanese truck manufacturer will market and sell Scania tractor units in the Japanese market.

## 2002

- In October, Scania participated for the first time in the Tokyo Motor Show, the leading commercial vehicle trade show in Asia. Together with Hino, Scania exhibited tractor units intended for the Japanese market.
- Scania began bus manufacturing in St. Petersburg. The company invested SEK 80 m. in a plant that manufactures bodies for city buses for the Russian market on chassis from Sweden.
- Scania continued to concentrate its component production. During the year, all cab manufacturing was transferred from Meppel, in the Netherlands, to Oskarshamn, Sweden, where Scania invested SEK 850 m. in a new finishing paintshop and a new assembly line for fitting out cabs.
- Scania's truck assembly in Poland ceased at the end of June. The capacity that has thus been made available is needed to meet increased demand for city and intercity bus bodies.
- During 2002, Scania's research and development department unveiled a number of concept studies that generated well-deserved publicity. The purpose of the Scania STAX concept, pictured here, is to study customer interest in advanced design as well as how safety aspects are evaluated. Scania's concept studies are described in more detail on page 24.

## 2003

- Scania was de-listed from the New York Stock Exchange on 15 January 2003. The reason behind Scania's decision to apply for de-listing was the low number of shares outstanding and very limited trading volume in the US. Opportunities for global investments and global share trading have also increased significantly in recent years. This step does not affect Scania's listing on Stockholmsbörsen (Stockholm Stock Exchange).

Scania STAX is a concept study that shows how tomorrow's bonneted trucks may look.



# Statement of the President and CEO

Economic uncertainty increased gradually during the year, adversely affecting the need for transport services. Despite lower sales volume, Scania improved its earnings and was once again among the companies with the strongest earnings in its industry.

The expected recovery in the American economy did not materialise during the year. Continued low interest rates and increased indebtedness among households, for example by means of major rebates on loan-financed car purchases, kept up the level of consumption. In Europe, the economic growth rate decreased gradually during the year. Especially in Germany and neighbouring countries, growth stalled completely during the fourth quarter, while a clear slowing trend was apparent in France, Spain and Italy. In South America, the Argentine economy collapsed, while uncertainty in the Brazilian economy increased.

Obviously Scania was adversely affected by these developments, and sales volume fell from 48,300 trucks and buses in 2001 to 43,700 vehicles last year. Historically, this is a rather high level for Scania, but the total decline from the peak year of 2000 was nearly 13,000 units.

For Scania, 2002 turned out better than expected. The strategy of keeping price levels up and increasing the company's presence in the most powerful engine segments above 450 horsepower improved earnings. Also the changes of recent years in our production structure contributed to substantially better earnings.

## No recovery in Europe

Demand in western Europe did not fall to as low a level as we had previously projected, but ended up at 210,000 heavy trucks. In historical terms, this was a good year, following the record years of 1999, 2000 and 2001 with 235,000, 245,000 and 235,000 heavy truck registrations, respectively.

During 2002, price levels stabilised and a number

of large customers came back. Our market share stabilised.

The downturn in the European economic growth rate continued during the year. The economy will probably slow further during 2003.

Owing to the relatively good economic growth rate in central and eastern Europe, these markets developed favourably. Volume is growing rapidly, and considering the strong position that Scania enjoys in the region, this bodes well for the future, especially in light of the existing growth potential, since a number of these countries are on the threshold of EU membership. For every new Scania truck that is sold in central and eastern Europe, five to six used Scania trucks find their way into the region. This has a very positive effect on our service business in central and eastern Europe.

## Slow recovery in Latin America

The Argentine economic crisis struck with full intensity during the year and the economy deteriorated significantly. Brazil was affected and economic growth in Brazil was slower than in many years.

Due to Scania's action programme, including streamlining of production, adjustment of price levels and increased exports to countries outside Latin America of both components and vehicles, in combination with the weakening of the Argentine and Brazilian currencies in particular, earnings in Scania's Latin American operations improved sharply.

## Strong growth in Asia

In Asia, a number of markets developed favourably for Scania. In South Korea, Scania is back at the record-



breaking levels of the mid-90s. Since 1998, Scania's sales and service network has been restructured and further expanded.

In China, the economy is growing rapidly. However, the market for the type of highly technically specified Western products that Scania sells is limited. The existing logistics and distribution systems are totally different from those in Europe.

Co-operation with Hino is continuing as planned, and the first Scania trucks have already been delivered to Japanese customers. Other projects are continuously being evaluated. It should also be borne in mind that this co-operation is aimed at long-term positive results for both parties.

We also signed a strategic co-operation agreement with Japanese-based Yanmar, a world leader in engine manufacturing, on the delivery of marine engines for pleasure boats, which will be sold under Yanmar's brand name.

### **New bus and coach structure**

For many years, the profitability of Scania's bus and coach operations has been weak. These operations had to undergo a major improvement. The objective is to achieve the same income level as for trucks. In Europe, the problem has primarily been of a structural nature, while in Latin America it was due to a sharp decline in volume. During the year, we also completed the restructuring of European bus and coach operations that we began earlier.

Since a large proportion of a bus chassis consists of truck components, while trucks and buses share development stages and bus chassis resemble truck



chassis in production structure, we are now taking advantage of synergies with truck production. The bus chassis are then sent for bodyworking at Scania-owned or independent bodybuilding companies.

The most highly publicised element of the restructuring, co-ordination of bus chassis and truck assembly in Södertälje, was completed at mid-year.

Bus bodybuilding is an entirely different business. In volume, it accounts for less than ten percent of our total bus and coach operations. With approximately 1,200 work hours per bus body, it is still largely a matter of craftsmanship. Omni Katrineholm AB, the wholly owned company in which our own bodybuilding operations have been gathered, today consists of three units: in Katrineholm, Sweden, development and production of bus bodies takes place. In Słupsk, Poland, all of Scania's operations today focus on bodybuilding and in St. Petersburg, Russia, we have a newly opened plant. The labour cost for a bus body produced in Poland or Russia is one fifth of that in Sweden.

In Latin America, bus sales in Mexico developed favourably. Otherwise the market shrank and we lost market share in Brazil, since we implemented the same price increases as for trucks.

### **Global product and production system**

Two important steps were taken during the year concerning Scania's global products and production system.

The restructuring of European production was completed, with all cab production for European operations being concentrated in Oskarshamn, Sweden. The strategy of concentrating component

manufacture at one location, since the investment costs are high, has thus been implemented. When it comes to chassis assembly, logistics expenses are higher, which makes it economically advantageous to have assembly in several locations, as close to the customer as possible.

Meanwhile production in Latin America and Europe became fully integrated. Instead of recruiting more employees and increasing capacity in Europe when order books grew during the first half of 2002, we increased our utilisation of production capacity in Latin America. Since the late 1980s, we have had a continuous flow of components, mainly gearboxes and engines, from Latin America to Europe. This flow was increased, while we began to deliver sizeable volumes of complete vehicles from Latin America directly to customers in Europe, Asia and Africa. This is possible thanks to our global production system, which has the same production structure and quality throughout the system. Regardless of where a vehicle is produced, a Scania is always a Scania.

### **Product development**

The modular system is the foundation of our development strategy. Put simply, it is about having a 'toolbox' from which we assist the customer by putting together exactly the vehicle his specific needs require. The requirements are very different from one transport task to another. For Scania, the modular system, with its carefully specified interfaces between 'building blocks', means that we can pursue development of each module, for example the engine, without having to change the surrounding modules, for example the gearbox and

cab. In our development work, this makes it easier to carry out continuous improvements, thereby achieving a better product and more efficient production. A new Scania is always better than the previous one.

### **Focus on core business completed**

Having sold its car operations, in principle Scania today is a company that is focused entirely on its core business: heavy commercial vehicles for transporting goods and people, plus industrial and marine engines.

### **Looking ahead**

Considering the slow economic growth rate in both the US and Europe, and uncertainty in Iraq, in my judgement there will be one more year of weak demand for our products in most markets.

I would like to express my sincere gratitude to all the employees in the worldwide Scania organisation for this past year. Everyone is doing their best to ensure that Scania will remain a strong, profitable company with high-quality products and service for our loyal Scania customers.



Leif Östling  
*President and CEO*

## The work of the Board

According to the Rules of Procedure it has adopted, the Board of Directors shall hold at least six regular meetings per year. Beyond this, the Board may meet when circumstances so warrant. During 2002 the Board had eight meetings.

The Board's January/February, April, July/August and October/November meetings are devoted primarily to financial reporting.

In August the Board deals with long-term plans and in December the financial plan (budget) for the following year.

At all regular meetings, the Board deals with matters of a current nature as well as capital expenditures. Reporting to the Board from its committees occurs on a continuous basis.

At its meetings, the Board also recurrently deals with various aspects of the company's operations: for example, management recruitment, financing, product development and market issues. This occurs at in-depth briefings where affected managers participate.

The statutory Board meeting following the Annual General Meeting approves Rules of Procedure and a standing agenda for the Board meetings, appoints the Chairman, Vice Chairman and Board committee members, adopts instructions and decides certain Board compensation issues. To support both the Chairman, Dr. Bernd Pischetsrieder since 7 May 2002, and the President and CEO, Leif Östling, the new position of Vice Chairman was established. Clas Åke Hedström was appointed to this position.

Nomination of Board members takes place as follows: Well before the Annual General Meeting, the Chairman and Vice Chairman hold discussions with representatives of the four largest shareholders in the company (excluding Volvo AB) to reach a consensus on persons to be nominated.

A new committee, the Audit Committee, was established during 2002 consisting of Marcus Wallenberg, Chairman, Clas Åke Hedström, and Lothar Sander. The Audit Committee held three meetings. In accordance with the rules of procedure that have been adopted, the Audit Committee has prepared items of business related to internal controls, financial reporting, accounting principles and external auditing.

Compensation issues for the President and other senior executives are decided by the Board after preparation by a committee that was established earlier, the Remuneration Committee, which now consists of Dr. Bernd Pischetsrieder, Chairman, Peggy Bruzelius, Rolf Stomberg, and Clas Åke Hedström. During 2002 this committee had one meeting.

A committee was also established earlier consisting of external Board members independent of Investor and Volkswagen. The Employee Representatives are not included. This committee is intended to prepare any possible issues for the Board concerning the ownership structure of Scania AB.

The instructions to the President specify his duties and powers. These instructions include policy documents on capital expenditures, financing, financial reporting and external communications.





# Vision, mission statement and strategy

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

## Mission statement

Scania's mission is to supply its customers with high-quality vehicles and services related to the transport of goods and passengers by road. By focusing on customer needs, high-quality products and services, as well as respect for the individual, Scania shall create value-added for the customer and grow with sustained profitability.

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

Scania's sales and service organisation shall supply customers with vehicles and services that provides maximum operating time at minimum cost over the service life of their vehicles, while preserving their environmental characteristics.

## Strategy

### *Concentration on heavy transport vehicles*

Scania's operations focus on the most profitable segment, heavy transport vehicles. In mature markets, demand for trucks and buses in the heavier segment increases with economic growth. In emerging markets, demand increases faster or at the same pace as infrastructure expands and the demands on logistics systems increase.

### *Modular product system*

With Scania's modular product system, the customer can get the exact vehicle specification he or she wants. The more closely a vehicle and related services are adapted to a transport task, the better the customer's operating economy will be.

The modular system optimises the total number of main components that are included in Scania's product range. It thereby allows considerably longer production runs for these components than is possible in a conventional product system. The modular system is the basis for product quality. It also simplifies parts management and contributes to higher quality in the service organisation.

### *Integrated range of vehicles, services and financing*

Scania grows by offering customers the best vehicles, service and financing solutions in the market. Scania's customers increasingly use their vehicles round-the-clock. This presupposes rapid, continuous access to service and repairs. In addition to its vehicle develop-

ment work, Scania is also continuously improving its sales and service network. Customer financing is an important element of Scania's complete product offer.

### *Focus on growth markets*

Heavy transport services are the fastest growing segment of the transport industry. Scania's main markets – the enlarged Europe, Latin America and Asia – have good potential for long-term growth.



An increasingly borderless Europe offers major opportunities to manufacturers with a well-developed sales and service network.

In Latin America, the demand for vehicles, services and financing will increase as a growing share of both goods and passenger traffic utilises heavy vehicles.

Asia is a long-term growth market. Infrastructure improvements will open the way for a more efficient transport sector.



## Identity and brand

Behind the Scania brand is a strong corporate culture that always puts the customer first. Respecting the knowledge, experience and desire of all individual employees to continuously improve their performance is fundamental to Scania's culture. There is a constant focus on quality at all levels.

Historically speaking, Scania has competed on the basis of tried and tested technical solutions. Its ambition has always been to outperform its competitors. Scania's products must help its customers achieve higher profitability.

This value-added is based on long experience, superior quality and high cost-effectiveness – all concentrated and summed up in the Scania brand name. The strength and value of the brand has helped make Scania one of the most profitable companies in its industry. Strong customer loyalty is the cornerstone of this profitability.

### Pride and trust

A customer feels proud to own and drive a Scania, a professional working tool that strengthens the respect accorded him by colleagues, competitors and his own customers. But he also feels trust, because he has made a sound investment. This trust is not only about physical products, but also of being able to rely on all the collective knowledge and experience of Scania's global service network.

## Values

Aside from the company's products – vehicles, services and customer financing – Scania's identity is shaped by its internal values and working methods. Three fundamental values are shared throughout the company and form the basis of both Scania's corporate culture and its business success.

### *Putting the customer first*

Scania focuses all its efforts on the needs and activities of its customers. It does so by optimising the value chain – from development work via production and purchasing, to sales and servicing of vehicles while they are in operation. By viewing its business over a vehicle's entire life cycle, Scania also creates a close contact – and partnership – with the customer.

### *Respecting the individual*

Respecting the individual is a cornerstone of leadership at Scania. On the basis of this value, it is the task of a Scania manager to teach and to apply the principles that govern the company's work.

New ideas and inspiration are born out of day-to-day operations. When given increased responsibility, Scania's employees always develop better solutions in their work. Their knowledge, experience and attitude of continuously seeking to improve their work help ensure higher quality, efficiency and greater job satisfaction.

### *Quality*

All employees in the global Scania organisation know that the customer's profitability is dependent on the delivery of high quality from Scania. By immediately dealing with deviations in well-established processes and promptly remedying them, Scania's employees continuously improve the quality of their products and services.

# Scania's role in society

An ethical approach to business is the responsibility of every employee. Respect for the individual is one of the core values that define how Scania's employees are expected to behave towards their surroundings and their fellow employees.

## The OECD Guidelines in brief

- **Generally:** Respect human rights.
- **Information:** Disclose relevant information to all stakeholders.
- **Employees:** Respect the union rights of employees and help eliminate child labour.
- **The environment:** Strive for continuous improvement.
- **Corruption:** Never offer bribes or anything else that may be perceived as bribes.
- **Interest to customer:** Disclose product information to customers and establish improvement procedures.
- **Science and technology:** Work towards transferring knowledge to host countries.
- **Competition:** Refrain from anti-competitive agreements among competitors.

## Ethics

Scania shall create lasting value for its customers, employees, shareholders and other stakeholders. Sound ethics and high moral standards are preconditions for winning and maintaining trust and respect – and thereby also for profitable long-term operations. Scania takes an active part in clarifying ethical and social values within the organisation. There is a strong connection between business ethics, social commitment and the Scania brand.

Scania's procurement policy specifies standards for suppliers in terms of quality, environmental impact, business ethics and social aspects.

## Assuming social responsibility

Scania regards assuming social responsibility as an integral part of its business. Also important is working towards positive local social development in the places where Scania has operations.

During 2002, Scania has formulated how the company should behave in its workplace relations and external contacts. The point of departure for these relations is Scania's core values and the OECD Guidelines for Multinational Enterprises, which Scania agrees with.

## Freedom of contract and co-determination

All employees throughout Scania's global organisation are fully entitled to participate in trade union work, and a majority of employees belong to a union. The level of union affiliation varies in response to local conditions and is lower in France and the Netherlands than in other countries where Scania has production.

In all countries where Scania does business, employees have access to company information and the right to co-determination, as provided by national legislation.

The Scania European Committee is a forum for consultation and information where Scania employee representatives from EU countries meet.

Every manager at Scania is responsible for ensuring compliance with the OECD Guidelines.





## Road safety work

One undesired consequence of road traffic is traffic accidents. Every year more than 40,000 people die on the road in the EU countries, and many more are injured. To improve road safety is an important task. The European Commission's target is to halve the casualty figures by 2010.

To Scania, product development work and training of drivers and customers are the best opportunities to influence road safety in a clear way. Through active opinion-forming efforts, Scania can also help ensure that the use of its products will become better.

Scania must be a leader in active safety and develop products in such a way as to minimise both the number of accidents and the damage they cause.

Scania has organised a European road safety conference in Brussels twice with decision-makers at the European Commission, the European Parliament and other public agencies and organisations as its target group. The third conference will be held in October 2003 and will focus on the role of the driver in road safety.

One result of the latest road safety conference was the establishment of a working group to create a digital road database adapted for heavy vehicles. Obtaining information about the fastest, safest or shorter route for heavy vehicles would be useful for haulage companies wishing to achieve maximum efficiency with minimal environmental impact. It can also reduce the risk of accidents, traffic congestion and stress. At Scania's initiative, stake holders involved in road transport services and road safety have met to identify what special parameters are of interest for heavy vehicles and how they can be gathered or updated.

The goal is to pave the way for a digital European road infrastructure adapted to heavy vehicles.

## Young European Truck Driver

As part of its long-term efforts to improve road safety, during 2003 Scania is organising a major competition for drivers. This competition, called Young European Truck Driver, is aimed at promoting safe, environmentally sound and economical driving techniques. Scania is organising the competition in partnership with the European Commission and with Michelin, Shell and the International Road Transport Union (IRU) as co-sponsors.

All drivers under the age of 30, with a licence for heavy trucks, are invited to participate.

## Crumple zone on trucks

To reduce the consequences of a head-on crash, Scania has developed a concept in which a truck is equipped with a deformable crash zone. This will decrease the death toll by approximately an additional 900 compared to the underrun protection system now mandated by the EU.

However, European regulations on the length and weight of trucks limit the potential for introducing this type of deformation zone without sacrificing cargo space. Scania has raised this issue in discussions with national agencies and the European Commission.



# Employees

Respect for the individual is the basis for leadership at Scania. A sense of commitment and a questioning approach can only be achieved by individuals who feel that they can exert influence. By means of continuous improvements in working methods, Scania has substantially improved productivity and job satisfaction, while helping reduce absences due to illness.

## Leadership focused on working methods

Clear, supportive leadership, with straightforward allocation of responsibility, is fundamental to Scania's continuous improvement efforts. This establishes a creative, secure environment that encourages initiative and courage to break new ground and that rewards concrete, lasting results.

One of the most important tasks of Scania managers is to teach and apply the principles that form the basis of a method-based management system. Fundamental to this working method is the pursuit of continuous improvements. New ideas develop among employees in the company's operations, while managers stimulate continuous improvement in working systems.

## Human resource development

Scania managers must utilise the talents of their fellow employees and stimulate development. At the same time, each individual employee has a responsibility for improving his or her own skills. Once a year, each employee's human resource development plan is summarised in a review with his or her manager.

Scania's human resource development work has a long-term focus. Scania's global organisation set aside an average of 30 training hours per employee, in addition to the time spent on "learning by doing" as part of day-to-day work.



**Anna Bodestig**

Styling, Research and Development, Södertälje, Sweden  
"I work at a department with a creative climate and great openness to new ideas and solutions. Our ambitions are always set high, in order to achieve the best results. We work holistically with both interiors and exteriors, and with all Scania products. It is also fun to work with an international product and an international company – it always provides a broader perspective."



**Diosdete Caetano**

Product Auditing, Chassis, São Paulo, Brazil  
"To me, the major reward in my job is the freedom to make my own decisions. I manage a team that identifies deviations in components that are used when assembling a truck. It is a matter of finding quick solutions, usually together with the supplier, in order to eliminate the problem. Scania gives you a lot of individual responsibility."



**Rodolfo Sebastian Haro**

Gearbox Shaft Tooling, Tucumán, Argentina  
"The 15 years I have worked at Scania Tucumán have given me an opportunity for both personal and professional development, which have been important goals in my life. I am proud to know that the job I do at the factory here in Tucumán is a part of top-quality trucks and buses that operate all over the world. To me, Scania is a company that cares about and values people."

Scania's industrial research programme enables graduate engineers to combine permanent employment with research at the licentiate or doctoral level.

The Scania Marketing Academy provides academically accredited training that develops leadership talent and strengthens the business skills of Scania's marketing organisation. The Academy is run in collaboration with the Stockholm School of Economics.

Scania operates its own technical upper secondary school in Södertälje, which trains certified fitters and production mechanics. There are also Scania-affiliated industrial schools in Zwolle and São Paulo.

Scania is a company with worldwide operations and cross-border collaboration. One of the many examples

of global work is the teams that work with quality matters and with preparing changes at production units. "Best practices" are developed through exchange of experience between production in Sweden, the Netherlands, France and Latin America as well as throughout the global sales and service organisation.

The Personnel Exchange Programme (PEP) broadens the skills of Scania employees and enables them to work in other countries. Since it was established, about 570 Scania employees have completed the programme.

## Motivation

A good working environment, personal responsibility and teamwork provide motivation. Combined with bonus systems, they increase employee participation and dedication. In Sweden, the bonus system is based on the year's delivery assurance and productivity growth. Funds are transferred to a foundation in which each employee holds shares. At year-end 2002, the foundation owned 0.6 percent of Scania shares. In France, the bonus is determined by earnings, quality and delivery precision, and in the Netherlands by earnings and low absenteeism. In Latin America, the bonus is based on production, low absenteeism, market leadership, teamwork and improvement efforts.



### Sergey Lebedev

Sales Manager, Scania Russia

"The Russian market has seen a few upturns and downturns in recent years. During this period, our sales team has gained very valuable experience. We have to deal with many special requirements, and at Scania we proudly claim that we work with 'Scania's most demanding customers'. This is a challenge and what we manage to accomplish together is very satisfying."



### Benedikt Engler

Service Technician, Motoren Baader Vertriebs- und Instandsetzungs GmbH, Neustadt, Germany

"I have worked at Scania for almost 25 years, most of the time with electronic systems in Scania vehicles and engines, everything from the Opticruise gearchanging system and the Retarder to the introduction of the new Scania HPI fuel injection system. I like logical thinking and always want to stay up-to-date. Scania gives me opportunities and occasions to use all the broad know-how I have picked up."



### Sangwoon Lee

Managing Director, Scania Finance Korea

"I very much enjoy working at a company where customers are treated with such respect. Scania's corporate culture is also reminiscent of the thinking here in East Asia. The individual and internal values mean more than externalities. We prefer to work quietly and systematically rather than with big gestures. The way I see it, Scania is managed with an iron hand, clad in velvet."



**Sue Hixon**

Associated British Ports, Hull, Great Britain

Strategically located on the east coast of Great Britain, Humber Estuary has long been one of the most important harbours in the country. Associated British Ports is the country's leading ports business that helps customers by providing a fleet of five powerful pilot boats, equipped with Scania engines. One of these is commanded by Sue Hixon, the only female pilot boat captain in the British Isles.

"My job is mainly to transport pilots to and from the vessels that arrive or depart from the port. For really big supertankers, that can mean a trip of 13 nautical miles out to sea. We must be able to provide service round the clock, seven days a week – in any kind of weather. It means we must always have pilot boats and engines that we can rely on."

# Customers

Scania's customers are found all over the world. Their operations may differ, but they all have in common that in their businesses they make heavy demands on Scania's products and services. All work at Scania is focused on understanding and meeting the demands, needs and wishes of these customers.

All of Scania's operations revolve around extensive contact with customers from different markets and with varying needs. In the product development process, this occurs among other things in the form of "customer clinics" held in various locations around the world, where new solutions are tested. The purpose of this dialogue with customers is to ensure that every new product meets the high standard demanded by our customers. Scania's quality processes are another example of how customers make themselves heard. Through the Quick process, quality issues are gathered from customers via service workshops, which in turn are in direct contact with production and product development units as well as sub-contractors.

## New customer demands

As markets are deregulated and international trade increases, the conditions in which transport companies operate are changing in a far-reaching way. Large national and international haulage companies and bus companies are being formed through mergers or acquisitions. Meanwhile many small haulage firms are specialising or are becoming sub-contractors to larger transport companies. Such services as financing, insurance, short-term rental



Angel Villegas transports oil for Gabino Celso Correa in southern Argentina.

and maintenance are increasingly in demand. By continuously optimising the value chain – from development to production, sales, customer finance and vehicle service – Scania helps to improve a customer's profitability.

## Truck customers

Scania's truck customers demand greater and greater vehicle availability, often round-the-clock. This presupposes rapid access to routine maintenance and repairs. For Scania, it means 24-hour service, comprehensive parts management, complete maintenance and many other services generated in close contact with the customer.

A large proportion of Scania's truck customers work in the long-haulage segment, where Scania's closely-knit and international service network is highly valued.

Drivers, who live with the products, are an important group to Scania. To develop and build vehicles with the best possible safety, quality and ergonomic features, product development takes place in close co-operation with

professional drivers. During 2003, Scania is putting extra emphasis on drivers, among other things by joining with the European Commission to organise Young European Truck Driver, a road safety activity that is taking place in some 20 countries.

## Bus and coach customers

Scania's customers in city bus services today are often private operators, in many cases active in more than one country. To a growing extent, they are demanding a total transport solution, in which Scania assumes responsibility for everything. Service and repair contracts, financing and traffic planning are examples of the elements that may be included in Scania's bus offers.

Customers in the tourist coach segment previously composed their own coach, by ordering the chassis from one manufacturer and the body from another. Today these customers increasingly often want to buy a whole bus from one supplier. This means that to a greater extent, Scania is selling a complete vehicle and assuming overall responsibility for the final product.

## Industrial and marine engine customers

Scania's industrial and marine engine customers have in common that they need a powerful engine with an output of 200-800 hp. It may be a fisherman off the coast of Norway, the Kuala Lumpur airport or a rock-crushing plant in the Australian outback. They all demand a high standard of delivery assurance, access to parts, reliability and fuel economy.

A clear trend is increased demands that engines should meet the emission standards of both today and tomorrow.



# Products

Scania has an integrated product concept that combines vehicles, service-related products and financing. Through its collective knowledge in these fields, Scania helps to continuously improve the profitability of its customers.

Conditions affecting the customer in the form of new technology, new materials and new legislation are constantly changing. Scania's goal is to help the customer achieve increased profitability.

## A modular product range

The better Scania vehicles and service-related products are adapted to the customer's needs, the higher the customer's profitability will be. Scania's modular system is basically a 'toolbox' in which most components can be used in many different combinations. This gives customers almost unlimited possibilities to tailor vehicles to a specific task. Scania's challenge is to help the customer to achieve an optimal configuration of the modules.

## A global product range

The unique 'toolbox' also makes it possible for Scania to meet the widely varying needs of customers with a global product range. Unlike many other vehicle manufacturers, Scania has a single product range for all markets around the world. This is possible thanks to a global quality and environmental standard. Furthermore, the work at all of Scania's production units around the world is governed by common methods, taken from the



Scania Production System. Combined with the modular system, this means that all customers can enjoy faster vehicle delivery, the highest quality and ample possibilities to adapt the vehicle to their needs.

## Environmental adaptation of products

Most of the environmental impact of a vehicle occurs during its service life. Through its development work, Scania influences the prerequisites for even better envi-

ronmental adaptation of its products. The Scania modular system makes it easier to specify a vehicle on the basis of a customer's environmental performance needs and requirements. Environmental declarations for Scania's products also provide help.

## Vehicles and engines

To enable Scania's customers to continue running their businesses profitably in the future, both vehicles and service solutions must be continuously improved. Important goals are lower weight, lower operating cost and longer service life. Scania's products must have the lowest possible environmental impact. Exhaust emissions are subject to legislation in all of Scania's markets. Its products are optimised in order to consume less energy, raw materials and chemicals during their life-cycle, and so that products that have reached the end of their service life can be recycled in the best way.

## Service-related products

Customers often want individual solutions that enable them to use their vehicles optimally. Many customers prefer to pay a fixed per-kilometre price in order to avoid worrying about service and maintenance costs. This is why Scania has developed a broad range of services that make it possible for customers to focus on their core business – transport services and logistics.

## Financing

For Scania's customers, financing is often an important component. Scania can finance purchases by means of operating leases, financial leases and hire purchase contracts. New financial services related to Scania's products are continuously being developed.





## Trucks

Scania develops, manufactures, markets and sells trucks with a gross vehicle weight of more than 16 tonnes (Class 8) for long-haulage, construction haulage and distribution of goods.

Scania's long-haulage trucks are characterised by high availability, excellent fuel consumption and low maintenance costs. Thanks to the Scania modular system, customers can specify the most optimal and cost-effective long-haul truck for their needs.

Scania's construction trucks are developed and built with off-road mobility and cargo capacity as their most important characteristics.

Scania's distribution vehicles are developed to operate in city environments and other settings where they must meet high standards in terms of environmental impact, driver environment and manoeuvrability.



## Buses and coaches

Scania's bus and coach operations focus on heavy buses with high passenger capacity for use as tourist coaches or in intercity or urban traffic. Most of Scania's bus production consists of chassis, to which bodies are then added by specialist bodybuilding companies.

Scania's bus and coach chassis are largely based on standardised components, most of which are shared with trucks. This yields major benefits to customers in the form of good access to service and parts.

Scania's tourist coach chassis are modular and give the customer a good opportunity to specify a tailor-made vehicle. Scania's city and intercity bus chassis are highly flexible and cover a broad range of uses – everything from city and suburban bus services to intercity bus services.



## Industrial and marine engines

Scania engines are used in a variety of applications – not only in buses and trucks. They may be used in container cranes, pilot boats, irrigation units or electrical generating sets. In principle, a Scania engine can be placed in any kind of application that requires a powerful engine.

The starting point is always Scania's own truck and bus engines, which are then adapted to fit the requirements of the customer. The largest and most demanding adaptations are made on engines used in marine settings or in military applications.

The trend is towards increasingly complex engines. Customer are making greater demands when it comes to fuel economy, flexibility, ease of service and economic life, as well as the option of integrating the engine's electronic control systems with those of the final product.

## Service-related products

To the customers of today and tomorrow, the quality of the service network is as important as the quality of their vehicles. By updating, customising and continuously expanding its range of service-related products, Scania helps its customers to achieve increasingly cost-effective solutions. The customer relationship develops into a mutual partnership.

Around the world, more than 500,000 Scania heavy trucks and buses are on the roads today. These vehicles can obtain service from 1,500 authorised Scania workshops. Assuming the same growth rate in sales and vehicle fleet as in recent decades, by the end of this decade at least 800,000 Scania vehicles will require service and maintenance.

The European Union's modified block exemption for the motor vehicle sector is intensifying the competition for Scania's service network. Today customers have an even wider range of choices when they want service or repairs performed. Scania is responding to competition in the service market with an increased customer focus, where quality and expertise are key concepts.

Scania assumes an overall responsibility for its products in everything from technical specifications to ensuring that the customer can always obtain parts and service.



### Quality

The customer pays to ensure that his vehicle will always work all the time. An unplanned stoppage represents a cost. Through high quality and availability in the service network, Scania helps to limit these costs.

To make sure that all Scania customers will receive the same high level of service and quality, Scania has developed the Dealer Operating Standards (DOS) certification programme. It is adapted to the specific needs of Scania customers. DOS is based on a number of factors concerning availability, sales and delivery, access to parts as well as maintenance and repairs. These factors are fundamentally about two things:

- The customer must feel secure and know that he or she will receive expert technical assistance within the promised time frame.
- The customer must always feel properly treated by Scania, regardless of where he or she may be.

### Expertise

There is a steadily growing need for training in the service sector. The advanced technology built into coming generations of vehicles will demand a high level of employee skills. To ensure the right level of expertise in Scania's service network, further training of service staff is a high priority. Instructors are trained regularly at the company's own training centres, for example in Germany, Great Britain, Sweden, Brazil, Dubai and South Korea. These instructors, in turn, train mechanics at local centres.

## Customer financing

An increasingly common customer demand is to be able to satisfy all service and repair needs “under one roof”. Scania’s service organisation has therefore increased its focus on handling the entire repair requirement of Scania products, including bodywork, as well as for other makes.

### Scania Assistance

Today’s customers expect maximum vehicle availability, with a minimum of unplanned stoppages. Scania Assistance is there to help get the vehicle back to work again as quickly as possible. During 2002, Scania Assistance opened a sixth regional centre, with service round-the-clock. In early 2003, a milestone will be passed when all of Europe will be connected, and Scania staff will take care of Scania customers in their own languages throughout the continent.

Aside from Europe, Scania Assistance is found in South Korea, Israel, Morocco, Tanzania, South Africa, Brazil and Argentina. During 2003 Mexico will also be added.

### A growing business

During 2002, Scania’s sales of service and parts rose by 4 percent to SEK 10,603 m. The number of vehicles sold with service contracts is steadily growing in most European markets. Up to half of the new trucks sold in some markets are combined with service contracts.

In many cases, an investment in new transport vehicles presupposes a good financial solution. More and more customers are relying on Scania for this service. Financing is often one element of a cost-effective total solution in a transport business.

By means of Scania’s various financial services in Customer Finance, customers can tailor solutions to their different needs. Hire purchase financing and financial or operating leases can be combined with various service contracts, based on customer wishes.

Scania endeavours to work locally in its Customer Finance operations. Proximity to customers and local know-how make the processing of applications faster and improves the quality of credit evaluation. Financing often helps develop a mutual partnership between the customer and Scania. In more and more markets, this service is provided by Scania’s own finance companies.

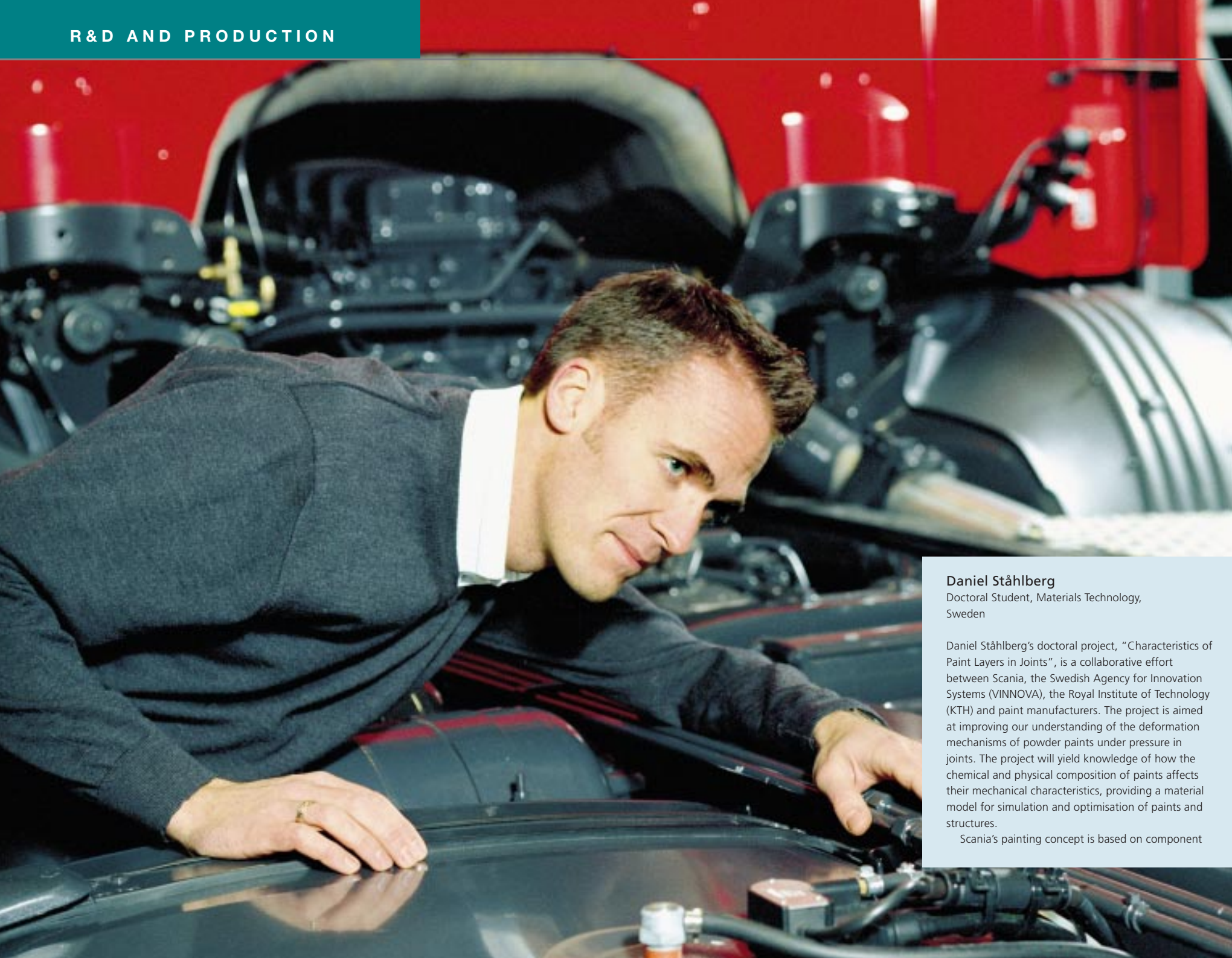
Even in markets where Scania has no finance company of its own, distributors and customers receive various back-up financial services through Scania Credit AB. Its main markets are in Africa, the Middle East and Asia.

Results and a more detailed description of Scania’s customer financing can be found on pages 44–45 of this Annual Report.



Customer financing in South Korea. Ryu Jai Chan has added a Scania truck to his haulage company's fleet and Sangwoon Lee, head of Scania's local finance company, has gained one more customer.





**Daniel Ståhlberg**

Doctoral Student, Materials Technology,  
Sweden

Daniel Ståhlberg's doctoral project, "Characteristics of Paint Layers in Joints", is a collaborative effort between Scania, the Swedish Agency for Innovation Systems (VINNOVA), the Royal Institute of Technology (KTH) and paint manufacturers. The project is aimed at improving our understanding of the deformation mechanisms of powder paints under pressure in joints. The project will yield knowledge of how the chemical and physical composition of paints affects their mechanical characteristics, providing a material model for simulation and optimisation of paints and structures.

Scania's painting concept is based on component

# Research and development

To the 1,700 researchers and engineers working with Scania's product development, one of the major challenges is to always successfully combine the future needs of customers with technological developments. This is where the Scania brand and its values – pride and trust – begin to be built.

painting, with items being delivered fully painted to production plants. Painting parts separately makes the items exchangeable between all production plants and enables the use of environmentally adapted surface treatment, powder coating, entirely without solvents.

As a result of this painting concept, even hidden surfaces between two parts that are joined together are painted, which provides better corrosion protection. The parts are mechanically attached using screws or rivets and form a joint, for example a side member assembled together with a fuel tank bracket. However, the presence of paint in these joints may affect the strength of the bond if the mechanical characteristics of the paint are not determined. It is thus very important to be aware of the characteristics of the paint, both during assembly and during the service life of the truck, and to ensure that these characteristics have been taken into account when designing a joint.

Scania's research and development expenditures in 2002 totalled SEK 2 billion, a large share of it at international cutting-edge level, among other things in combustion technology. This work is mainly concentrated at the Scania Technical Centre in Södertälje. Product development takes place in four main areas: complete vehicle, engine, cab and transmission development. Development work for trucks, buses and engines is integrated and operates cross-functionally.

Scania's need for additional highly educated employees will increase further in the future. For this reason, collaboration with the research community outside of Scania is of great importance. Through a smoothly functioning academic network, Scania gains access to extensive knowledge in fields where greater resources are necessary in order to maintain cutting-edge expertise. This occurs both through personal contacts and more formalised collaboration between public agencies and companies in the vehicle industry.

Based on the needs that are identified, various ideas from this collaboration lead to industrial research assignments. Through Scania's industrial research programme, which began in the mid-1990s, doctoral students are continually brought into various projects in collaboration with institutes of technology and other research institutions. A large proportion of their research findings have already led to results in product development, while others will have an impact over the next few years.

The industrial research programme also contributes to Scania's strategic recruitment of expertise. Of approximately 25 doctoral students who are participating in or have completed their postgraduate studies, all are still working at Scania after having received their degree.

## Road safety

Safety work has a long tradition at Scania and for many years has been integrated into all development. Today Scania is a pacesetter in accident-prevention and injury-limiting vehicle technology and is working towards international harmonisation of road safety improvements.

## Standardised working method

Research and development work has been adapted to the concepts behind the Scania Production System. One objective of this system is to develop methods for designing and testing in a more efficient way. Continuous improvements will streamline work processes and allow more time to be used for creativity and innovation.

## Environmental priorities in development work

Life-cycle thinking is the foundation of Scania's research and development work. By weighing in the environmental aspects in product development work, the environmental impact of the product can be reduced throughout its life-cycle. Better fuel consumption as well as reduced exhaust emissions and noise are always in the spotlight.

Development of new or improved products usually leads to better environmental performance. Future legal requirements for products play a major role in development work. These legal requirements are often imposed for environmental or road safety reasons.



# Concept development

Scania's product engineers work with both facts and intuition to satisfy the future needs of the transport industry. One way of confirming how new solutions are perceived by users and decision-makers is by using concept studies.

As one of the leading companies in its industry, Scania regards as self-evident that it should participate in and influence the development of the heavy trucks and buses of the future.

But product development work is also an expensive activity. Before a new product is introduced, it is thus important to analyse market interest and potential. Using the capabilities of design to portray and shape thoughts and needs, concept development is an important element of creating future Scania products. Two concrete examples of how Scania works with concept development were presented during 2002.

## Scania eXc

Truck manufacturers must think along new lines when it comes to designing and equipping future cabs for very long journeys, for example in the case of intercontinental transport services. The Scania eXc interior concept is a truck with an extra long sleeper cab and a substantially larger living area than conventional truck cabs. The concept was developed by Scania's styling and ergonomics department on the basis of various customer clinics. These clinics indicate that there is a difference between how drivers live in their vehicles today and how they would prefer to live.



Scania eXc is a concept that shows how future cabs for very long distances could be designed and equipped.

Within the framework of Scania's unique modular system, the cab was lengthened by 1,300 millimetres, which is sufficient to create a roomy living space behind the driver's seat. The cab contains a bed, an armchair, a small kitchen, a wall-mounted flat screen television set and generous storage spaces.

## Scania STAX

Scania's concept study on future bonneted trucks has two purposes. One is to study customer interest in advanced design aimed at improving the appearance of the truck and raising the status of hauliers. The other

is to study how safety aspects are evaluated. The bonneted truck concept combines tradition and new thinking: Scania's own long tradition of bonneted trucks and more futuristic impulses. The sweeping and eye-catching lines of the Scania STAX might serve as an image creator for transport companies in 10–15 years.

At the same time, Scania wants to study whether the hauliers of the future are prepared to sacrifice some of their cargo volume and payload capacity for a truck with superior driver comfort and with various safety features such as deformation zones and underrun protection.



# Modularisation – a way of thinking

Scania’s customers are found in more than 100 countries. A modular global product range enables Scania to respond to a great diversity of customer needs and to tailor vehicles that fit the purposes they will be used for.

However, customer needs are not the only thing that governs the diversity of the modular system. Scania’s product engineers must also be able to foresee future needs. New technology, new materials and new laws are constantly changing the conditions in which today’s transport companies operate. Generally speaking, there is a trend towards lower vehicle weight, lower operating costs and longer service life.

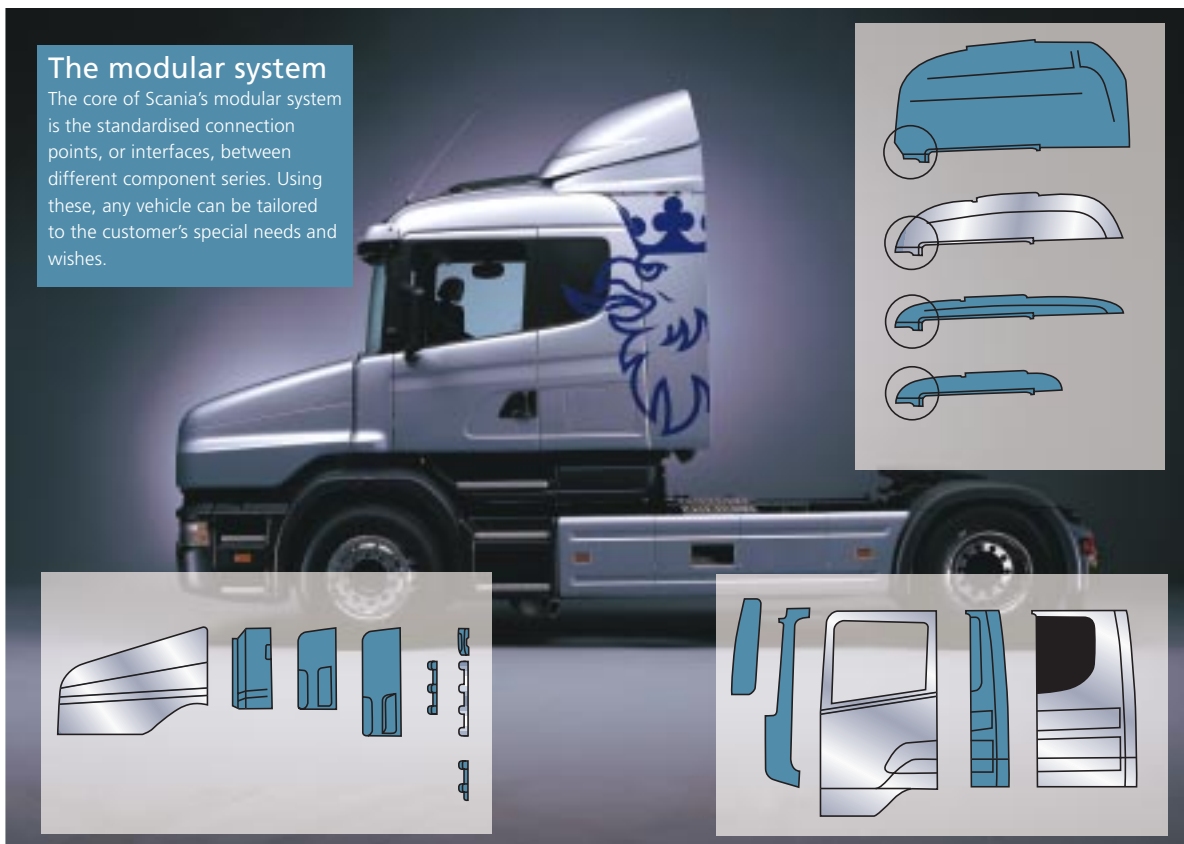
The development of the modular product range began as far back as the 1940s. Today it is a cornerstone of Scania’s operations, and the modular philosophy is well established in the company.

## Component series and performance stages

The modular system is based on creating a large number of possible combinations with as few components as possible, all in order to provide the customer with an optimal product. Based on the specific needs of the customer, Scania vehicles are put together from a ‘tool-box’ consisting of component series divided into different performance stages. The number of performance stages for a component series is carefully balanced against the performance needs of different customer groups. Within each performance stage, design of the component is optimised, for example in terms of strength, weight and quality, all depending on the vehicle’s field of application.

## Quality

To the customer, quality is ultimately a matter of availability and reliability. Vehicles are often used round-the-clock, seven days a week. A stoppage, whether due to service or repairs, is increasingly costly to the customer. The modular product range makes it easier to adapt vehicles to their transport task, as well as to plan service and preventive maintenance. Since the various modules fit together, it is easier to work with improvements without having to change all the other components. This increases the certainty of achieving the desired levels of quality and simplifies the task of making continuous improvements.



# Production

Scania has a global production system in which all its production units in the world are integrated. As a result, customers enjoy faster deliveries and Scania gains flexibility and greater cost-effectiveness.

The need for transport services increases with economic growth. Usually there are no alternatives to trucks and buses. Meanwhile the truck industry is consolidating, which implies increased opportunities for the remaining manufacturers. Scania has benefited from all of this and grown rapidly. Due to continuous productivity improvements, this growth has been possible with approximately the same number of employees and relatively limited investments.

## Global production

Changes in volume requires greater flexibility in production. For this reason, Scania has co-ordinated all its production units worldwide.

Today Scania has identical parts and components at all production units. Due to Scania's global quality and environmental standards as well as the shared production system for all units, it is of no significance to the customer where a Scania is manufactured.

To an increasing extent, Scania delivers products from the production unit that is the most cost-effective in relation to the customer, regardless of what market the product is intended for. A global production network also creates opportunities to effectively expand



Victor R. Abbatepaolo manufactures rear axle gears at Scania's production plant in Tucumán, Argentina.

the number of possible specifications by having more modules in the total system, thereby tailoring the technical content to different markets.

## Restructuring of operations

In order to increase economies of scale, in recent years Scania has restructured its operations. The task of concentrating European component manufacture began as early as 1996. Aside from concentrating cab production in Oskarshamn, engine production has been centred in Södertälje and axle production in Falun. A corresponding concentration process has been implemented in Latin America, where cab, axle and engine manufacture as well as bus and truck assembly have

been gathered in São Paulo, Brazil, while production of gearboxes and rear axle gears occurs in Tucumán, Argentina.

After transferring its cab production from the Netherlands, since the mid-1990s Scania has invested around SEK 1.5 billion in the Oskarshamn plant, of which a sizeable proportion is having positive environmental effects. This is one of the largest single investments in production that Scania has ever carried out.

In order to benefit from synergies between bus and truck chassis, during 2002 Scania co-ordinated development, manufacture and marketing in Södertälje, thereby making its bus and coach business more competitive. A separate company, Omni Katrineholm AB, was established for bus bodybuilding operations. This company is wholly owned by Scania and is responsible for development, production, purchase and commercial matters related to Scania's own bus bodies. The new company's sphere of responsibility includes bodybuilding operations in Sweden, Poland and Russia. On 30 June, Scania ended truck assembly at Stupsk, Poland, opening up greater capacity for bus bodybuilding. During the year, Scania began bus bodybuilding in St. Petersburg for the Russian market.

## Production in Europe

During the year, Scania produced a total of 39,470 (40,023) vehicles in Europe, of which 37,052 (37,399) were trucks and 2,418 (2,624) were buses.

Productivity, measured as the number of trucks manufactured divided by hours worked, rose by 5 percent. The workforce at Scania's European production units amounted to a total of 7,582, with 71 percent

working in Sweden, 22 percent in the Netherlands and 7 percent in France. The proportion of employees on short-term contracts declined during the year.

The pay level rose by 3 percent in Sweden, compared to 4 percent in the Netherlands and 4 percent in France, calculated in local currency.

Depreciation reached SEK 1,143 m. (1,122). Capital expenditures in production operations totalled SEK 1,629 m. (1,103).

### Production in Latin America

Due to the market situation in Latin America, production volume was low during 2002, especially during the first three quarters. Late in the year, volume increased as local markets began to recover, while deliveries to other parts of the world rose.

Increased local content in Scania products and weakened currencies in Brazil and Argentina contributed to lower production costs in Latin America. The production workforce was reduced by 250 employees by means of efficiency-raising measures and as an adjustment to lower volume.

### Procurement

Scania's procurement operations are based on long-term, open relationships with suppliers. Key suppliers join the development and production process at an early stage and participate in operations in the same way as Scania's own units.

At the end of 2002, Scania had approximately 800 suppliers of direct material, of which 550 in Europe and 250 in Latin America.

### A global procurement organisation

Scania has a global supplier strategy. Many key suppliers around the world are part of a network that provides all production plants in Europe and Latin America with components. This is possible because Scania has the same quality, environmental and production standards worldwide.

### Joint improvement effort

By sharing its experience, Scania helps suppliers to become more efficient in such fields as logistics, elimination of waste and quality improvements. This collaboration, using Scania Production System working methods as a model, began with a few suppliers in 2000. Today the programme includes more than 20 key suppliers. These continuous improvements increase the competitiveness of both Scania and its suppliers.

### Quality and delivery assurance

Quality and delivery assurance are fundamental factors in choosing suppliers. During 2002, Scania trained a large number of suppliers in the QS 9000 quality programme. The company's procurement rules also specify standards of business ethics and social commitment.

### E-procurement

During 2002, Scania introduced Easy-to-Buy in its Swedish operations. This is an e-procurement (Internet purchasing) system, which streamlines the indirect materials procurement process. Continued implementation of the system will occur during 2003.

## Scania's global production system

Scania has production facilities in Europe and Latin America as well as assembly plants in Africa, Asia and Europe. The head office and product development are based in Södertälje. Altogether, Scania is represented in about 100 countries through 1,000 local distributors and 1,500 service points.

### PRODUCTION FACILITIES

<b>Sweden</b> (number of employees)	<b>Argentina</b>	<b>France</b>
<b>Södertälje</b> (5,900) Production of components, engines, trucks and bus chassis.	<b>Tucumán</b> (580) Production of gearboxes and rear axle gears.	<b>Angers</b> (500) Production of trucks.
<b>Falun</b> (650) Production of axles.	<b>Brazil</b>	<b>The Netherlands</b>
<b>Oskarshamn</b> (2,000) Production of cabs.	<b>São Paulo</b> (2,100) Production of engines, axles, cabs, trucks and bus chassis.	<b>Zwolle</b> (1,450) Production of trucks.
<b>Sibbhult</b> (480) Production of gearboxes.	<b>Mexico</b>	<b>Poland</b>
<b>Omni Katrineholm AB Katrineholm</b> (250) Production of bus bodies.	<b>San Luís Potosí</b> (60) Production of bus chassis.	<b>Slupsk</b> (250) Production of bus bodies.
<b>Ferruform AB Luleå</b> (750) Production of frames and axle housings.		<b>Russia</b>
		<b>St. Petersburg</b> (100) Production of bus bodies.

### ASSEMBLY PLANTS

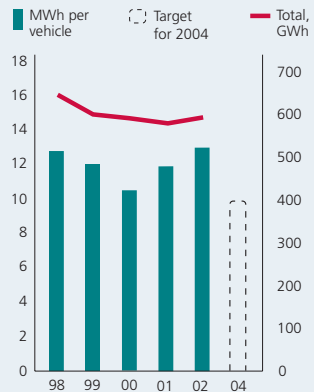
Estonia	Morocco	Thailand
Kenya	South Africa	Tunisia
Malaysia		





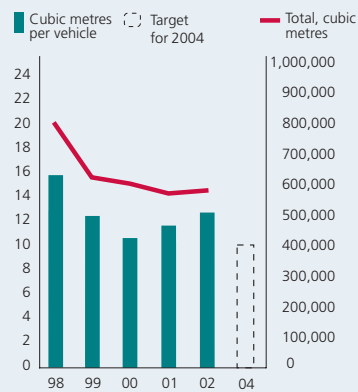
# Environmental performance in production

## Energy use



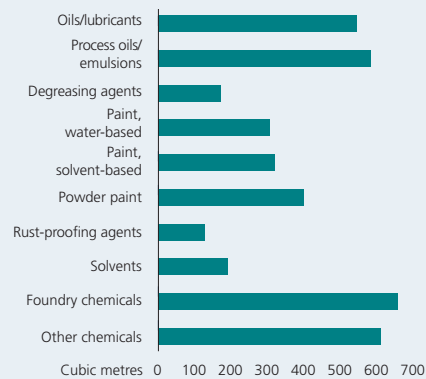
During 2002, energy consumption totalled about 590 GWh, equivalent to some 13,000 kWh per vehicle.

## Water use



During 2002, water consumption was about 580,000 cubic metres, equivalent to 13 cubic metres per vehicle.

## Chemical use



The consumption of chemicals in 2002 was about 3,900 cubic metres, equivalent to 87 litres per vehicle.

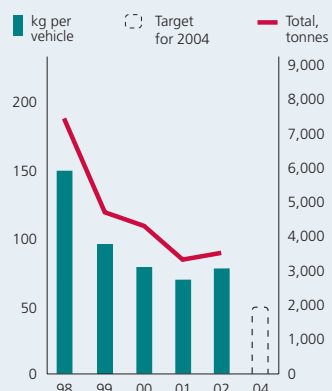
## Carbon dioxide emissions related to energy use

	Energy use GWh		Carbon dioxide emissions, ktonnes	
	2002	1996	2002	1996
Electricity	350	360	20	23
District heat	50	130	3	9
Fossil fuels	190	200	49	51
<b>Total</b>	<b>590*</b>	<b>690*</b>	<b>72</b>	<b>83</b>
<b>Per vehicle</b>	<b>13,000 kWh</b>		<b>1.6 tonnes</b>	

\* Subtotals and totals are rounded to multiples of ten.

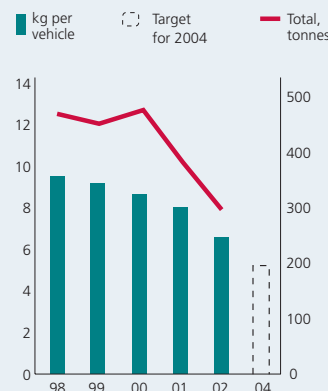
In 2002, carbon dioxide emissions from Scania's production amounted to 1.6 tonnes per vehicle, or a total of 72,300 tonnes.

## Wastes sent to landfills



Wastes sent to landfills during 2002 totalled about 3,500 tonnes, or 78 kg per vehicle, excluding foundry sand.

## Emissions of organic solvents



In 2002 organic solvent emissions from painting/rust-proofing totalled some 300 tonnes, or 6.7 kg per vehicle.

# The production system

The Scania Production System forms a basis for improvement efforts at the production units. The values, principles and priorities that govern working methods are the same regardless of whether production takes place in Europe, Latin America or some other part of the world. New solutions that are developed, for example, in an improvement team at the assembly line in São Paulo are later easily implemented by colleagues at the production units in Zwolle, Angers and Södertälje.

The Scania Production System (SPS) has been developed at the company's own production workshops. Other parts of Scania's operations besides pure production units also apply to the concepts behind SPS. Scania's research and development work is being streamlined according to the same principles, and the global service network is next in line. More and more of Scania's suppliers are also beginning to use this method-based working system.

SPS has played a major role in the dramatic productivity improvements at Scania in recent years. In 1985 the company manufactured 1.6 trucks per employee at its production units per year. By 2000, the figure had risen to 4.8.

SPS is based on Scania's three core values:

- Putting the customer first.
- Respecting the individual.
- Quality – eliminating waste.

The Scania Production System is based on four main principles.

***Standardised working method  
– the normal situation***

To ensure that Scania's products maintain high, uniform quality, work processes have been standardised and documented. Tasks are performed in a specific way, at a specific pace and with an even, balanced flow throughout the production chain. In the Scania Production System (SPS), this is called the "normal situation".

***Doing it right the first time***

Since work processes are controlled visually, with visible buffers and follow-up on bulletin boards, what is normal or abnormal becomes very clear. Direct feedback to the person who caused a deviation allows it to be acted upon quickly, helping to create a quality-assured work process.

***Consumption-controlled production***

Customer demand determines how many trucks, buses or engines will be manufactured. It is also the customer who determines when production will begin. This principle permeates the entire Scania production chain, from the customer's order to the local sales company through production and assembly to the final product that is ready for delivery.

***Continuous improvements***

The overall objective of the Scania Production System is to generate continuous improvements, where different production plants can learn from each other worldwide. By continuously discovering and eliminating waste, the resulting liberated resources can be applied to other productive tasks.



Unpainted cabs on their way in for priming at Scania's new paintshop in Oskarshamn, Sweden. Here all work takes place according to the Scania Production System.

**More than 1,000 improvement teams**

The most important success factor in the Scania Production System is the work of the improvement teams. Worldwide, Scania now has more than 1,000 such teams in which fitters and equipment operators use their knowledge, professional skills and problem-solving

talent to make continuous improvements. Challenging and improving the existing processes is part of the daily work of these teams. The goal is to find the easiest flow and the easiest method for each situation in their daily work. This has greatly increased motivation and dedication on the job.



## The environment

Respect for the environment is a prioritised, integral part of all activities at Scania. The guiding principle is to do the right thing from the beginning, with the overall purpose of reducing the impact of products on the environment throughout their life-cycle.

### Integrated environmental work

Environmental work is integrated into Scania's operations and has the same importance and weight as quality, training and economic issues. All managers have environmental responsibility in their operating area.

The environmental organisation works together in a network, where the entire Scania value chain is represented. Common issues are prepared by the Scania Environmental Committee, where environmental coordinators from various operations meet under the leadership of the Quality and Environment department. Through the organisation, there are appointed environmental coordinators with advisory and supportive tasks.

Beyond its continuous financial reporting, Scania conducts annual follow-ups of such items as raw material, chemical, energy and water use. Follow-up and auditing of Group-wide environmental targets are also carried out every year. Actions and results are presented in respective sections of the Annual Report and on the Scania website.

Scania's new paintshop in Oskarshamn has a substantially higher capacity, but with a lower environmental impact, than the older paintshops that it replaced.



The highest decision-making level when it comes to environmental issues is the Scania Executive Board, which makes strategic environmental decisions as well as establishing and following up overall environmental matters.

### **Certified environmental management system**

All of Scania's production facilities are certified according to ISO 14001 international standards. This certification includes development resources, production units and corporate marketing staff units. An updated audit will be implemented during 2003.

The task of integrating the sales and service organisation in the environmental management system is continuing. At the end of 2002, 12 local sales and service companies in various European countries were certified.

### **Environment and economics**

During 2002, Scania's costs for raw materials, chemicals, energy and water totalled SEK 1,500 m., which was equivalent to about 3 percent of Scania's sales. Transport expenses amounted to SEK 1,275 m., that is, 3 per cent of sales.

Emissions of carbon dioxide from Scania's production plants totalled 72.3 ktonnes. In relation to Scania's sales, this represented 1.6 g/SEK. Emissions per vehicle produced rose compared to the year before. This was due to the smaller number of vehicles produced, while the latest environmentally related investments have not yet had time to have an effect on the figures.

Efforts to decrease climate-affecting emissions are

made with the support of the principle of continuous improvements and Scania's position on the climate issue,

### **Environmental investments**

The conventional definition of an environmental investment is an investment carried out only for environmental reasons and aimed at reducing external environmental impact. This definition follows, among other things, the European Commission's recommendations on voluntary environmental reporting.

An investment is usually motivated by several different reasons, of which environmental impact may be one. Scania takes the environment into account when making investments, instead of making corrections afterwards with filters and separate cleaning equipment.

With the investment strategy that Scania has chosen, the effect in terms of environmental improvement per krona of spending is good. This means that Scania does not regard large environmental investments according to the conventional definition as goals in themselves.

During 2002, Scania's investments in property, plant and equipment totalled SEK 2,396 m., of which SEK 4.5 m. was classified as environmental investments. A large investment that also is of major positive importance to the environment is the new paintshop at the cab factory in Oskarshamn, Sweden.

### **New topcoat paintshop for cabs**

Since the beginning of 2002, all cabs for Scania's production units in Europe have been manufactured

### **Scania's 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

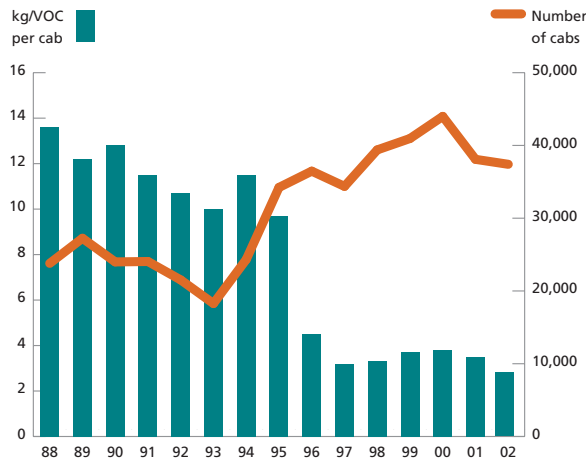
By this we contribute to economical and ecological advantages for our customers and for society. Proactive environmental work is therefore of vital importance to Scania.

Environmental work is an integrated element in Scania's operations. For this reason, environmental reporting is being done in the Annual Report, instead of in a separate Environmental Report. Read more about Scania's environmental work at: [www.scania.com](http://www.scania.com)

in Oskarshamn. The cabs are delivered in as finished form as possible to each respective assembly location. This is why a new painting facility was completed during 2002. The facility, which is designed to handle up to 300 cabs per day, replaces two older paintshops. The new paintshop has a considerably higher capacity, with lower environmental impact, than the older paintshops.

With the new paintshop, more and more cabs can be delivered painted in colours adapted to the specific wishes of the customer, that is, in 'customer colours'. This painting is now performed right in the factory, where the environmental impact can be minimised.

#### Discharge from topcoat paintshop



New painting systems reduced organic solvent emissions by about 75 percent during the 1990s. When the new paintshop goes into full operation, emissions can be limited to less than 1 kg/cab.

This type of painting was previously performed in small paintshops that were usually not capable of reducing environmental emissions as much.

Far-reaching measures have been implemented to decrease solvent emissions from painting. Priming is done using powder paint, and final painting with water-based paints. Introduction of the new painting systems has so far enabled Scania to decrease the use of volatile organic compounds (VOCs) by about 75 percent since the early 1990s. In the new topcoat shop, the target is to limit emissions to less than 1 kg per cab. The small amount of solvent used, mainly glycols, has lower environmental impact than the previously used xylene. The new paintshop also reduces the quantity of paint wastes and wastewater that must be treated. The system is entirely closed, and the paint waste is used for energy recovery.

#### Environmental permits

The operations at Scania's facilities require permits that comply with national legislation. The environmental impact from these facilities consists mainly of emissions to air, discharges to water, waste products and noise. In addition to legal requirements, there are also internal requirements, for example in compliance with Scania's policy and rules on the use of chemical substances.

In Sweden, Scania carries out operations at four production plants plus the wholly owned subsidiaries Ferruform in Luleå and Omni in Katrineholm. All these plants have permits in compliance with Swedish environmental legislation.

During 2002, new conditions were announced for wastewater treatment in Södertälje. Scania applied for a new permit to increase production and for a new paintshop at the cab factory in Oskarshamn. The application is being processed by the authorities. No violations of the existing threshold limit values occurred and no incidents were reported that caused any significant environmental impact and thereby led to clean-up expenses.

#### Environmental risk management

Scania's environmental risk management guidelines are mainly intended to prevent environmental damage. Soil and groundwater inventories have been performed at more than half of production facilities. At the Meppel plant in the Netherlands, where production ended in November 2002, the planned programme for the decontamination of boron-polluted soil will be carried out beginning in 2003 at a cost of SEK 2 m. The boron pollution is attributable to operations that took place before Scania established production on the site.

Emergency preparedness for environmental accidents is an integral part of a preparedness plan.

#### Improvement of environmental work

Cross-functional co-operation is continuously improving. During 2002, efforts to develop common procedures and internal benchmarking underwent further refinements. For example, the environmental work in Scania's sales and service organisation intensified.

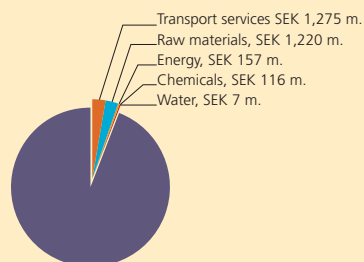
## Scania and the climate issue

The prospect of a change in the global climate due to anthropogenic emissions of carbon dioxide and other greenhouse gases is a key issue. Despite uncertainties regarding the actual magnitude of climate changes, the economic, social and environmental consequences may be unforeseeable. Scania shares its concern about the complexity of this issue with the public, national governments and other members of the business community.

Scania is working to reduce its net emissions of carbon dioxide into the atmosphere by:

- improving the fuel efficiency of our products
- advising and encouraging our customers to use our products in a fuel-efficient way
- improving our own use of energy in the production process
- continuing our research and development relating to the use of alternative fuels
- encouraging research and use of non-fossil replacement fuels

## Environmentally related expenses as a proportion of Scania's sales



## Longer vehicle combinations may reduce emissions

A harmonisation of national laws in the EU, permitting vehicle combinations with a length of 25.25 metres, would reduce environmental impact and increase transport efficiency. This proposal was presented by Scania's President and CEO, Leif Östling, at a seminar organised by the German automotive industry organisation VDA in July 2002.

The EU's current legislation concerning vehicle dimensions allow truck-trailer and tractor-semitrailer rigs with a maximum length of 18.75 and 16.5 metres, respectively. In both Sweden and Finland, however, the nationally legislated maximum length amounts to 25.25 metres.

Compared to shorter rigs, vehicle combinations of 25.25 metres in length reduce the amount of fuel consumed and thus carbon dioxide emissions by 15–20 percent per tonne-kilometre transported. Better

fuel consumption also results in smaller emissions of legally regulated exhaust components such as particulates and nitrogen oxides. The operating economy of the haulier naturally benefits as well, since about one-third of a transport company's annual expenses are for fuel.

Assuming an unchanged transport volume, the concept of longer vehicle combinations reduces the number of heavy vehicles on the road by 20 percent. This means both a reduced risk of accidents and less traffic congestion.



## Environment and economics

Summary of environmental performance, Scania production organisation

Year	2002	2001	2000
<b>Number of vehicles manufactured</b>	<b>45,145</b>	48,151	55,581
<b>Sales, SEK m.</b>			
Scania products	46,140	47,213	44,740
<b>Raw material consumption</b>			
Per vehicle, kg	3,600	3,200	3,200
Total, tonnes	164,000	156,000	180,000
Total cost, SEK m.	1,220	1,230	1,470
<b>Chemical consumption</b>			
Per vehicle, cubic metres	0.087	0.088	0.086
Total, cubic metres	3,900	4,200	4,800
Total cost, SEK m.	116	110	120
<b>Energy use</b>			
Per vehicle, MWh	13	12	11
Total, GWh	590	570	580
Total cost, SEK m.	157	161	154
<b>Carbon dioxide emissions</b>			
Per vehicle, kg	1,600	1,400	1,300
Total, tonnes	72,000	69,000	71,000
<b>Water use</b>			
Per vehicle, cubic metres	13	12	11
Total, 1,000 cubic metres	580	570	600
Total cost, SEK m.	7	8	9
<b>Solvent emissions*</b>			
Per vehicle, kg	6.7	8.0	8.6
Total, tonnes	300	390	480
<b>Management of residual materials**</b>			
Recycling:			
Per vehicle, kg	1,050	960	940
Total, tonnes	47,000	46,000	52,000
Revenues, SEK m.	19	16	18
<b>Sent to landfills/other off-site disposal:</b>			
Per vehicle, kg	200	180	200
Total, tonnes	9,000	9,000	11,000
Total cost, SEK m.	14	14	17

\* From painting/rust-proofing

\*\* Excluding foundry sand, about 27,600 tonnes.







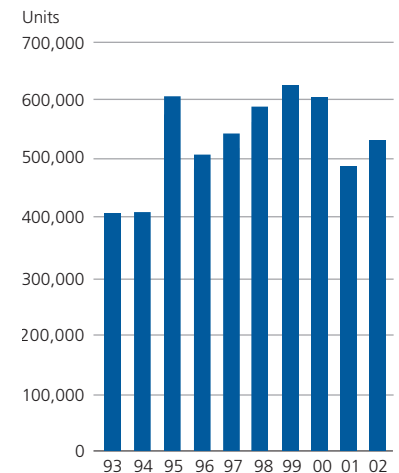
## Global demand

The demand for heavy trucks declined during 2002. However world production rose by 10 percent to 540,000 (490,000). Scania was the world's fourth largest heavy truck make in the world with a share of 7.7 (8.9) percent.

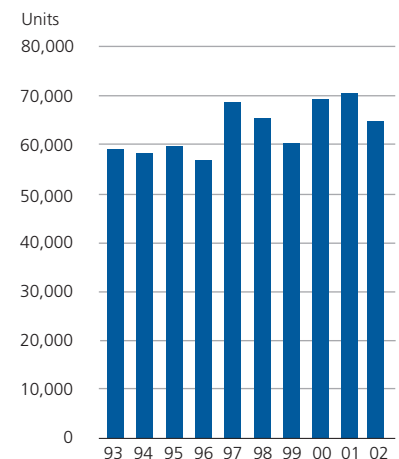
World production of buses in Scania's segment – city and intercity buses and tourist coaches – totalled 65,000 (70,000) units.

Scania's deliveries of industrial and marine engines totalled 3,191 (4,672) units.

World production of trucks above 16 tonnes



World production of buses above 12 tonnes



World production of heavy trucks  
The ten largest makes

Make	2002	2001	2000
Mercedes-Benz	69,100	65,000	74,100
Volvo	68,200	63,800	79,100
Freightliner	53,900	39,300	70,600
Scania	41,400	43,500	51,400
MAN	40,100	42,100	43,500
Iveco	31,800	31,500	31,700
Renault	31,700	32,900	34,500
International	30,900	23,900	35,900
DAF	28,700	30,400	28,400
Kenworth	25,800	14,200	22,600

# Europe

During 2002, the demand for heavy trucks in Europe was somewhat higher than expected. Scania increased its bus sales in several of the most important markets.

## Trucks in western Europe

The macroeconomic outlook gradually deteriorated during the year. In spite of this, the total market in western Europe exceeded most forecasts. These were based on earlier economic downturns and uncertainty after the terrorist attacks of 11 September 2001.

In several major markets, sales were bolstered by tax breaks and other means. Sizeable exports of

newer used trucks to eastern and central Europe also helped keep new truck sales up in western Europe. Registrations fell by 10 percent to 212,000 heavy trucks, compared to 235,000 during 2001 and 244,000 during 2000.

Scania's share of the western European market was 13.5 percent, nearly identical to its share the year before.

Demand in Germany and several neighbouring markets stagnated during the year, due to slower growth in the German economy. In Germany, Scania maintained its market share from the year before. The Netherlands, with many international transport companies, was also affected by economic developments in Germany.

In Great Britain, demand was not affected to the same extent by the slower economic growth rate. Scania increased its market share in a total market that decreased slightly.

The major markets in southern Europe exceeded forecasts for 2002. In Italy, government investment grants helped increase heavy truck sales somewhat. In Spain, where the market declined marginally, Scania increased its market share.

The truck market in France was characterised by an increase in the number of large transport companies. By maintaining its volume in this customer segment while strengthening its position among smaller transport companies, Scania managed to defend its market share.



### Stefan Bader

Hermann Dahm Transport GmbH  
Garmisch-Partenkirchen, Germany

For two years, Stefan Bader has driven his Scania with Scania Opticruise, and he is very pleased. He transports mineral oil for the freight forwarding company Dahm Transport GmbH and drives primarily in the German Alps, especially in the region around Garmisch-Partenkirchen.

"Scania Opticruise is fantastic. I often drive on small mountain roads and supply private households with oil. Opticruise makes driving much easier in the steep uphill and downhill stretches. My trips become less stressful for me, especially during the winter months. I also feel safe with my cargo. To me and my boss, safe transport service means everything."







In Newcastle, Great Britain, traditional double-deckers are facing competition from articulated Scania buses, run by the bus company Go North East.

## Trucks in central and eastern Europe

In central and eastern Europe, local manufacturers are being squeezed by imported new and used trucks from western Europe. Scania has a sizeable portion of this market.

As a result, the utilisation level of service workshops, especially in Russia but also in the rest of eastern Europe, increased sharply. Scania continued to invest in expanding its service network in the region and is continuing that work during 2003. Among others, a service workshop opened in Chabarovsk, eastern Siberia, on the border with China.

In Russia, Scania's specially adapted truck concept made its breakthrough during 2002 and now accounts for about one fourth of new truck sales. This truck, which is tailored especially for the Russian market, was named Truck of the Year in the imported heavy truck category.

Both in Russia and in the Baltic countries, Scania should reach the same strong position as in Scandinavia.

In central Europe, demand rose considerably in most markets during 2002.

## Scania-owned sales and service network

The sales of service-related products accounts for an increasingly large share of Scania's sales. It also helps to make the company's operations less dependent on the cyclical upturns and downturns of truck sales. Scania continued to strengthen and expand its own sales and service network in Europe. In the EU, 'block exemptions' for the motor vehicle sector were revised. These changes, which went into force in October 2002, did not affect Scania during the year. In the long term, the reform may lead to some restructuring of the distribution network and to increased competition in the service market, but primarily in the car industry.

## Buses in Europe

The total market for heavy buses in Europe declined during 2002. The downturn was especially noticeable in large markets like France, Germany and Italy. In spite of this, Scania's bus sales developed favourably in several important markets. Order bookings increased during the year, especially in the fourth quarter.

Spain, which is traditionally a significant market, was Scania's second largest bus market in 2002 regarding registrations. In the shrinking Italian market, Scania remained successful, especially due to a strong range of city buses. Scania increased its sales and strengthened its market share substantially.

In Great Britain, a broader product range and a more intensive focus on the city bus segment yielded positive results. Order bookings more than tripled in a weakly expanding total market. During the year, Scania made a number of breakthroughs with new

customers. In the Nordic market, which accounts for one-third of Scania's bus sales in Europe, Scania chose to keep prices up. The effect was lower volume in most markets. The exception was Finland, where Scania strengthened its position and again became the market leader.

### Industrial and marine engines

So far, the market for industrial and marine engines in Europe has proved relatively insensitive to economic cycles. Scania's deliveries rose somewhat during the year, to 1,919 (1,906) engines. Among others, the Spanish market showed a sharp increase.

During the year, Scania delivered the first marine 16-litre V8 engines, which were installed in the Swedish Sea Rescue Society's new boat "Gad Rausing".

#### Tatiana Kotovaja

Baltikstar  
St. Petersburg, Russia

Baltikstar is a privately owned public transport company in St. Petersburg. The company previously operated about 100 minibuses. It recently bought seven Scania OmniLink buses, with bodies built at Scania's bus factory in St. Petersburg. Among its routes, Baltikstar provides service along the famous boulevard Nevsky Prospekt. Every year the company carries two million passengers in the St. Petersburg area. Baltikstar's Managing Director is Tatiana Kotovaja.



"When we expand our business, we always listen to what our customers are saying. It became increasingly clear that they wanted larger and more efficient vehicles. After thorough market studies, our choice was Scania OmniLink, since Scania offered us the best solution. The high quality level and environmental factors played a large role in our choice of buses.

Today we are really proud to be able to serve central St. Petersburg with such beautiful buses, and we look forward to continuing to expand our operations together with Scania."



### Registrations of trucks and buses

TRUCKS above 16 tonnes	2002	2001	2000
<b>Western Europe</b>			
total	211,687	234,855	243,669
of which Scania	28,524	31,787	37,906
<b>Great Britain</b>	31,055	33,079	32,498
of which Scania	5,050	5,137	6,743
<b>France</b>	40,483	46,158	47,124
of which Scania	3,871	4,281	4,963
<b>Germany</b>	43,528	50,926	57,470
of which Scania	3,628	4,246	5,793
<b>Italy</b>	25,813	24,481	25,526
of which Scania	3,358	3,304	3,356
<b>Spain</b>	25,512	26,218	25,291
of which Scania	3,171	3,176	3,646
<b>The Netherlands</b>	11,488	13,655	14,072
of which Scania	1,958	2,410	3,150
<b>Sweden</b>	4,054	4,261	4,680
of which Scania	1,907	2,040	2,358

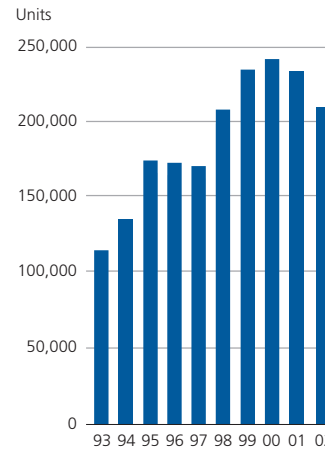
BUSES above 12 tonnes	2002	2001	2000
<b>Western Europe</b>			
total	22,326	23,497	23,529
of which Scania	1,626	1,670	1,474
<b>Spain</b>	2,247	2,544	2,207
of which Scania	394	423	364
<b>Italy</b>	2,969	3,843	3,044
of which Scania	347	293	197
<b>Great Britain</b>	2,600	2,826	3,239
of which Scania	188	178	191
<b>Finland</b>	269	213	366
of which Scania	159	110	139
<b>Sweden</b>	896	816	1,039
of which Scania	153	205	223

### Registration of trucks

TRUCKS above 16 tonnes	2002	2001	2000
<b>Central and eastern Europe total</b>	<b>18,104</b>	<b>16,769</b>	<b>11,330</b>
of which Scania	2,974	2,407	1,914
<b>Russia*</b>	<b>1,877</b>	<b>1,415</b>	<b>521</b>
of which Scania	716	371	112
<b>Czech Republic</b>	<b>3,773</b>	<b>3,363</b>	<b>3,037</b>
of which Scania	588	555	391
<b>Poland</b>	<b>3,736</b>	<b>3,327</b>	<b>3,701</b>
of which Scania	514	528	777
<b>Hungary</b>	<b>2,004</b>	<b>1,551</b>	<b>1,272</b>
of which Scania	218	154	152

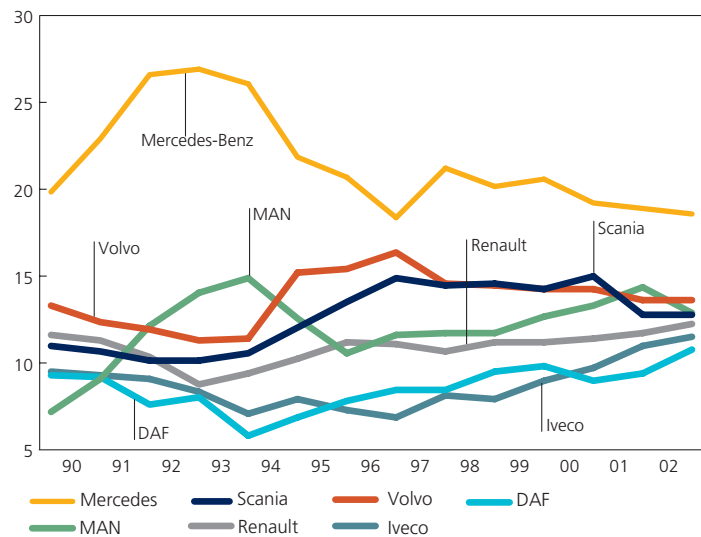
\* Imported new trucks from Europe, Japan and the US.

### Registration of trucks above 16 tonnes in western Europe

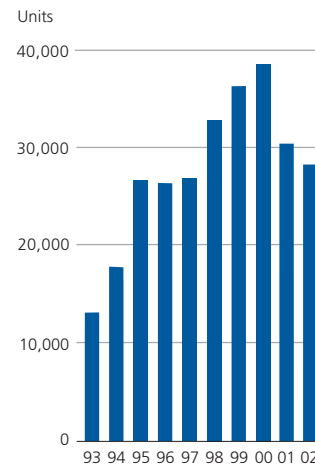


### Market development, heavy trucks in western Europe

Marketshares in %



### Deliveries of Scania trucks in western Europe



Autoservizi Silvestri transports skiers from the hotels of Livigno, Italy to the pistes.



# Latin America

Uncertainty and weak economic growth again characterised the Latin American markets during 2002. In the long term, however, the Latin American market will grow from its current very low levels. Important to Scania's long-term profitable growth is that price levels are reasonable. Scania will preserve the leading position the company has enjoyed in the region over the years.

Political and economic uncertainty continued during the year, especially in Argentina, Brazil, Venezuela and Peru. Most currencies in the region weakened. The slow recovery in the US economy also contributed to a less favourable balance of trade, especially in Mexico and Venezuela.

Scania undertook a number of measures in its Latin American operations. The largest impact was from streamlining, price hikes and increased deliveries of components and whole vehicles to markets outside Latin America.

## Trucks in Latin America

Demand fell in practically all markets in Latin America during 2002. Scania's deliveries in the region shrank by 41 percent to 3,633 trucks.

The decline in the Brazilian market was due to the fact that Scania was the first truck manufacturer to carry out a number of price increases in order to restore profitability. Other manufacturers gradually followed suit, and Scania's market share rose during the latter part of the year.

In Argentina, the total market for heavy trucks declined by another 38 (60) percent from an already low level and reached 813 (1,307) trucks. Scania's registrations fell to 48 (420) trucks, which was equivalent to a market share of 5.9 (32.1) percent.

## Buses in Latin America

Scania's deliveries of buses in Latin America declined by 40 percent to 958 vehicles, largely because Scania implemented the same pricing policy as for trucks.

The main source of satisfaction was Mexico, where Scania's bus business has expanded very rapidly. It has only been three years since Scania resumed bus sales in the country. Mexico was Scania's largest bus market in the world during 2002 in terms of registrations. Most of these buses were in the intercity segment, where one out of every four buses sold was a Scania.

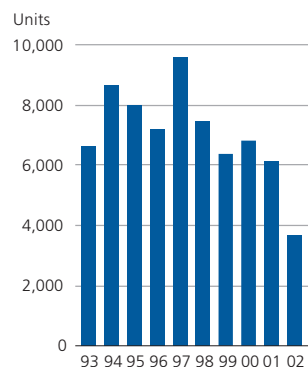
In Brazil, where Scania mainly competes in the long-distance segment for intercity buses, Scania's sales declined.

In Argentina, which was previously a major bus market, the demand for buses was very weak during the year. The buses delivered by Scania maintained an international price level.

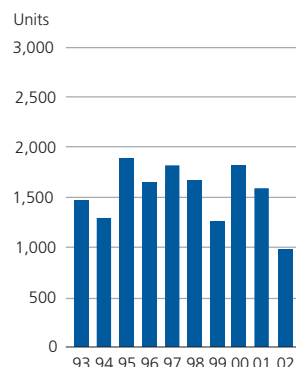
## Industrial and marine engines in Latin America

The need for generating sets fell sharply when the energy crisis that dominated Brazil during some periods of 2001 came to an end. During the year, Scania delivered 530 (2,149) industrial and marine engines, mainly in the contracting sector.

Deliveries of Scania trucks in Latin America



Deliveries of Scania buses in Latin America



### Registrations of trucks and buses

#### TRUCKS above 16 tonnes

	2002	2001	2000
<b>Latin America</b>			
<b>total</b>	<b>34,071</b>	<b>35,285</b>	<b>44,255</b>
of which Scania	3,571	6,029	6,628
<b>Brazil</b>	<b>16,975</b>	<b>18,046</b>	<b>17,341</b>
of which Scania	3,208	5,266	5,153
<b>Chile</b>	<b>1,479</b>	<b>1,607</b>	<b>1,651</b>
of which Scania	178	194	200
<b>Mexico</b>	<b>14,030</b>	<b>13,198</b>	<b>20,914</b>
of which Scania	57	100	154
<b>Argentina</b>	<b>813</b>	<b>1,307</b>	<b>3,341</b>
of which Scania	48	420	1,051

#### BUSES above 12 tonnes

	2002	2001	2000
<b>Latin America</b>			
<b>total</b>	<b>18,717</b>	<b>24,044</b>	<b>23,314</b>
of which Scania	911	1,461	1,755
<b>Mexico</b>	<b>8,718</b>	<b>12,009</b>	<b>10,631</b>
of which Scania	424	304	175
<b>Brazil</b>	<b>9,301</b>	<b>10,833</b>	<b>10,626</b>
of which Scania	327	853	1,100



**Pedro Luíz de Oliveira**  
Rodogrande  
Campo Grande, Brazil

Pedro Luíz de Oliveira drives far. In a country as large as a continent, his truck is his fixed point.

“I spend more time in my truck than in my home. Many times I have week-long trips carrying soybeans on the roads in Mato Grosso do Sul, Golás, Minas Gerais and Paraná. Then I am glad my boss bought me a Scania.”

Gilberto Smozinski, part-owner of Rodogrande, regards the driver environment as one of several important aspects when buying new vehicles.

“I have worked with Scania since I began in the transport industry in 1975 and have been able to follow market developments close at hand. The improvements when it comes to fuel economy, safety, reliability and driver comfort have been outstanding during these three decades.”



## Asia, Africa and Oceania

Scania's order bookings rose in most markets of Asia, Africa and Oceania. The bulk of this business was in the Far East, where South Korea has again become a sizeable market for Scania.

### Trucks

Scania increased its truck deliveries in Asia, Africa and Oceania by 8 percent to 4,828 units. The increase in demand was especially strong in South Korea, Australia and New Zealand. During 2002, Scania delivered about 3,500 trucks to the Far East, which was equivalent to more than 30 percent of European heavy truck exports to the region.

In South Korea, Scania is by far the largest European make. Expansion in South Korea is continuing as domestic manufacturers find it increasingly difficult to defend their traditionally strong positions.

During 2002, Scania and the Japanese truck manufacturer Hino signed a strategic co-operation agreement. Its purpose is to establish a long-term business alliance in order to increase the two companies' market coverage. One of the first steps in this co-operation concerns Scania tractor units, which Hino is beginning to market and sell in Japan during 2003. Tractor units account for about 5,000 of the approximately 45,000 heavy trucks sold on average in Japan during one year.

In the Middle East, Scania increased its sales in practically all markets, compared to 2001. The largest increase was in the United Arab Emirates, but Saudi Arabia and Syria also reached new record volumes. The trend in Turkey was positive as well.



### No-Yuoung Myung

Han Ryu Transport  
Incheon, South Korea

It is all about availability and fuel economy. For 13 years, No-Yuoung Myung has driven trucks to and from construction sites around South Korea, heavily loaded with bricks and reinforced concrete. But in recent years, a lot has happened in the South Korean transport industry and the conditions governing No-Yuoung's operations have changed.

"Time has become very expensive. It costs me too much to have my truck idle. It should work for me as much as possible. That is why I changed to a new Scania. It is reliable, and with Scania's good service network here in South Korea I can feel secure.

With a Scania truck, I also get considerably better fuel economy. The price of diesel fuel has tripled in South Korea in the past five years. Compared to the Korean trucks I drove previously, today I save between 6 and 8 percent on my fuel expenses."





In North Africa, Scania is the market leader in Morocco and Tunisia and appointed a new distributor in Algeria during the year. In South Africa, Scania sold its largest volume since operations resumed under the company's own management in 1995.

## Buses

The demand in African and Asian markets was divided during the year. In Hong Kong, Malaysia and Taiwan, demand fell. In Taiwan, one reason for the decline was that the cutback by the authorities of the previously introduced stimulus measures.

Scania's bus sales in Australia more than doubled, thanks to an expanded product range. Among other things, Scania sold another 100 environmentally adapted gas-powered buses to Brisbane. The order was a follow-up of a previous order for 120 buses of the same type.

In Africa, Scania sells buses in more markets than it sells trucks. Its bus business often opens doors to new markets and provides valuable knowledge about the market situation and potential truck customers.

## Industrial and marine engines

Scania's deliveries of industrial and marine engines in Asia, Africa and Oceania remained good, increasing by about 17 percent to 641 engines, in comparison with previous year. In Saudi Arabia, sales rose sharply. During the year, Scania began to deliver sizeable volumes of engines to new generating set builders in South East Asia. The generating sets are mainly sold to various markets in the Far East. Sales of engines in the South African market remained good.



Citybus double-deckers from Scania are a familiar sight in Hong Kong, China.

## Registrations of trucks and buses

TRUCKS above 16 tonnes	2002	2001	2000
<b>Asia, Africa and Oceania</b>			
total	44,046	32,876	49,789
of which Scania	3,679	3,165	3,242
<b>South Korea</b>	13,833	7,939	7,156
of which Scania	1,736	1,213	471
<b>Australia</b>	6,592	5,510	6,202
of which Scania	408	288	259
<b>South Africa</b>	3,335	2,986	2,541
of which Scania	303	342	270
<b>Morocco</b>	831	669	668
of which Scania	193	204	213
<b>New Zealand</b>	1,726	1,434	1,584
of which Scania	129	107	111
<b>BUSES above 12 tonnes</b>	2002	2001	2000
<b>Asia, Africa and Oceania</b>			
total	2,809	2,491	1,918
of which Scania	616	501	320
<b>Taiwan</b>	965	1,035	262
of which Scania	284	172	67
<b>Australia</b>	836	742	792
of which Scania	155	156	107
<b>Morocco</b>	398	400	522
of which Scania	118	74	61

# Customer financing

Customer financing is a well-established field of operations in most of Scania's main markets.

These activities contribute to the company's overall earnings and growth, while strengthening the competitiveness of Scania. To meet the needs of customers in new markets and increase Scania's business opportunities, a number of new finance companies were established during the year.

Customer financing is an important element of Scania's complete product range. The company endeavours to work locally in its Customer Finance operations. Proximity to the customer and local know-how makes the pro-

## Continued positive trend

The income of Scania's Customer Finance operations rose by 11 percent to SEK 308 m. (278). This was equivalent to an operating income of 1.22 (1.19) percent of the year's average portfolio. Overhead, expressed in relation to the average portfolio, rose from 0.97 percent in 2001 to 1.05 percent in 2002.

Total financing volume rose to SEK 25,303 m. (25,091). During the year, 11,742 (12,109) new trucks, 407 (458) new buses and 2,953 (2,498) used Scania vehicles were financed. The number of contracts in the portfolio at year-end totalled 59,472 (54,028). Of the total portfolio, 33 percent was operating leases. The remaining 67 percent consisted of loan financing and financial leases.

cessing of applications faster and improves the quality of credit evaluation.

Scania's strategy is to establish its own finance companies in markets with sufficient sales volume. In other markets, distributors are supported by financing solutions from the subsidiary Scania Credit AB.

## Europe

Scania's Customer Finance operations in Europe now consist of thirteen Scania-owned finance companies.

In some western European countries, portfolio growth halted due to lower sales volume.

However, growth occurred in the Italian company and in Spain, due to a large element of bus financing.

Operations in central and eastern Europe, which take place through the company Scania Credit, continued to show good growth.

In one of these markets, Russia, a finance company was established to be able to offer Russian customers domestic financing as an alternative to the cross-border financing offered via Scania Credit.

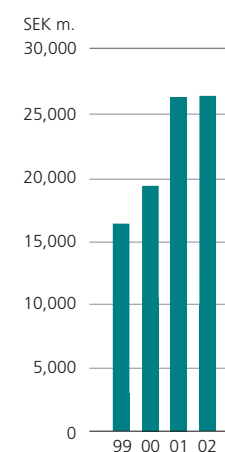
## Asia

Financing operations in South Korea have taken place since the beginning of 2002 through a Scania-owned finance company. During the year, the company refined its financing range. Processes were trimmed and staff received further training in order to meet the high standards required in this market.

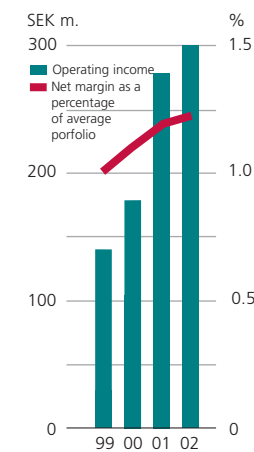
## Latin America

In the Latin American market, Scania offers financing in collaboration with outside lenders. In the uncertain eco-

Total assets in finance companies



Operating income and net margin



nomical situation that has prevailed, Scania assumes a limited portion of the credit risk.

Beyond this, Scania in Brazil offers a customer-financed savings programme, in which customers are organised into consortia. Through regular savings in a consortium, customers are guaranteed the allocation of vehicles within the savings period. During 2002, 42 (37) percent of sales in Brazil were made via consortia.

## Risk exposure

In recent years, Scania has done extensive work to ensure that it can handle customer financing risk even better. This includes management of credit risks as well as financial risks and operational risks.

Scania's Customer Finance operations are responsible for the credit risks in the group of finance companies, while financial risks are managed by Scania at

the corporate level. Responsibility for residual value guarantees rests with sales organisations.

As a result of the weak economic situation, during 2002 there was a stronger focus on credit research as well as management of customers that do not follow the agreed payment plan. Further resources were allocated for this, and proactive monitoring of the credit portfolio increased.

For customers who are not judged capable of fulfilling their contractual obligations, Scania makes specific provisions for credit risks in its accounts, based on an individual assessment of each customer with regard to payment capacity and expected future risk.

In 2002, actual credit losses totalled SEK 142 m. (57). Total credit losses including net provisions to reserves were equivalent to 0.69 percent of the average portfolio.

At year-end, the total reserve for possible credit losses was SEK 409 m. (413), equivalent to 1.6 (1.6) percent of the portfolio.

### Future outlook

In most of Scania's major markets, local finance companies have now been established. The focus will continue to be on further development of the services included in customer financing.

Additional refinement of credit management and follow-up, as well as efficiency improvements in Scania's procedures and processes, will enjoy priority. This will strengthen the role of Customer Finance as the natural choice for financing purchases of Scania's products and services.



**Andrzej Olechnicki**  
Transport Services, Gdynia, Poland

Scania's financing services have helped Andrzej Olechnicki to invest in new Scania trucks in his company, Transport Services. Scania's financing package for Transport Services is one of the largest contracts of its kind in Poland. The company's goal is to be the third largest transport company in the country within one year.

"Scania is a strong name in Poland. But here Scania is not the 'King' but the 'Queen of the Road', since a name that ends in 'a' cannot be masculine. In any case, Scania gives us what we need in our company. Take, for example, the fact that our new Scania trucks have 7 percent better fuel consumption."

Altogether, Transport Services' 40 Scania trucks carry goods to 25 different destinations in Europe and Asia. Aside from its own trucks, via affiliated companies it controls another couple of hundred trucks in Poland. Scania's financing terms have enabled Transport Services to increase its business and make investments in renovating workshops and offices.

"Now we have invested for the future. Soon Poland will become a member of the EU and Polish transport companies will increase their international traffic. We will be ready then."





## Scania share data

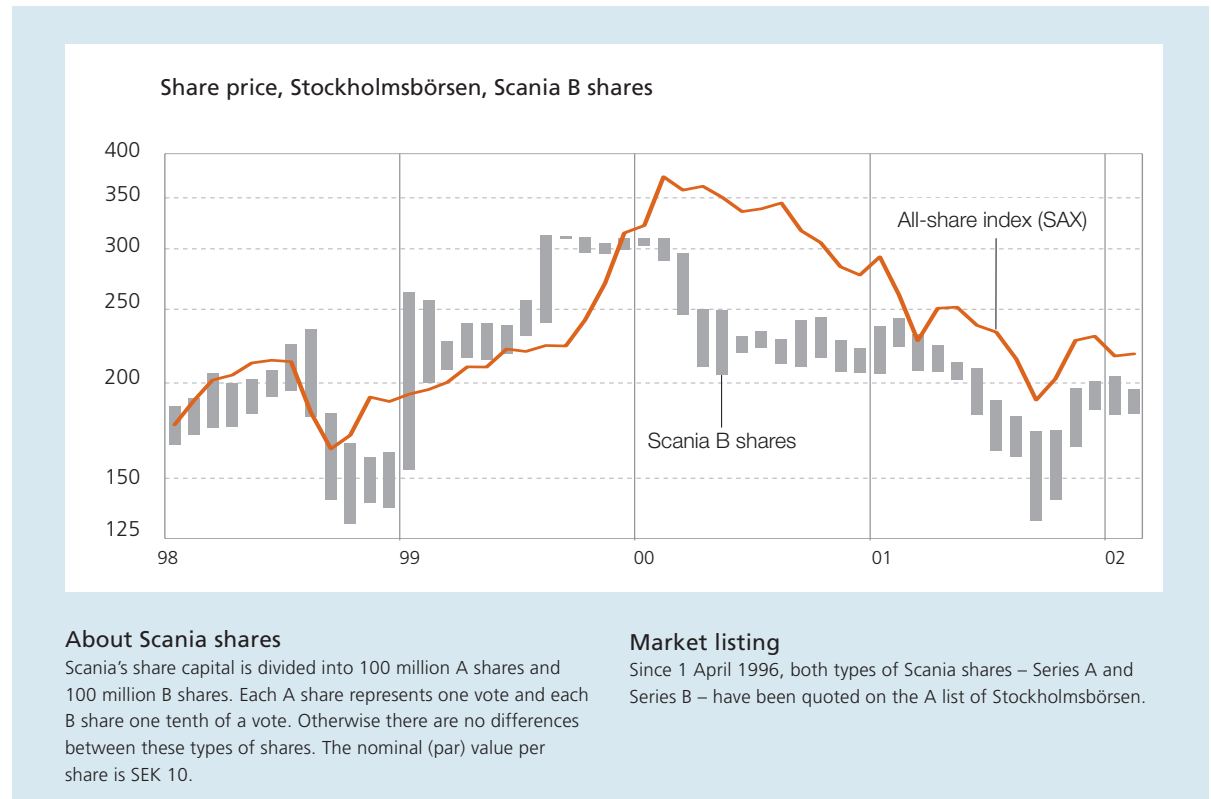
The 2002 stock market year was characterised by a continued negative trend on world stock exchanges. Both the Stockholm All Share Index and the Industrials Index fell during the year.

On Stockholmsbörsen, the All-Share Index, which measures the overall trend on the exchange, fell by 37 per cent. The Industrials Index, which measures the trend in the industrial goods and services sector and includes Scania shares, fell by 24 per cent. Despite the negative trend, however, trading volume on Stockholmsbörsen was high in historical terms.

Scania's B shares fell by 12 percent during the year, closing at SEK 168.50 per share on 31 December. This was equivalent to a market capitalisation of SEK 33,450 m., which made Scania the 18th largest company on the exchange.

### Volume and trading

Scania share trading volume remained low, averaging 107,757 shares changing hands each trading day in Stockholm. The turnover rate for B shares was 23 (29) percent. For Stockholmsbörsen as a whole, it was 122 (134) percent. Scania's shares were affected by the fact that the three largest owners tie up 73 percent of the shares. Due to limited trading volume, Scania is no longer in the "most traded" segment on the exchange's



### About Scania shares

Scania's share capital is divided into 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.

### Market listing

Since 1 April 1996, both types of Scania shares – Series A and Series B – have been quoted on the A list of Stockholmsbörsen.

A list. On the New York Stock Exchange, trading in Scania's shares was very low. Since the number of outstanding shares (ADRs) is low, the costs of being listed on the NYSE are no longer justifiable. The opportunities for investors to trade globally in equities have also increased significantly in recent years. Scania therefore applied for de-listing from the NYSE early in December and was de-listed on 15 January 2003.

### Ownership structure

On 31 January 2003, the number of shareholders in Scania was 39,000. The three largest owners – Volkswagen AG, AB Volvo and Investor AB – together own 80 percent of the votes and 73 percent of the capital in Scania. Volvo has stated publicly that according to the European Commission's decision, it must divest its holding in Scania before April 2004.

Volvo is not represented on Scania's Board of Directors.

Non-Swedish ownership, including Volkswagen AG, amounted to 35 percent of votes and 21 percent of capital in Scania

## Dividend

The Board of Directors proposes that the Annual General Meeting approve a dividend of SEK 5.50 per share for the financial year 2002. Since Scania joined Stockholmsbörsen in 1996, the dividend has averaged 50 percent of net income.

## Beta coefficient

According to Stockholmsbörsen's calculations, the beta coefficient for Scania's B shares was 0.63 at year-end. This means that on average, Scania shares fluctuated less than the average for the exchange. The explanatory value for Scania's B shares was 0.29. This means that 29 percent of the changes in Scania shares could be explained by overall changes on the exchange.

The ten largest shareholders, 31 January 2003		
	% of voting power	% of capital
Volkswagen	34.0	18.7
Volvo	30.6	45.5
Investor	15.3	9.1
Wallenberg foundations	4.9	3.6
Alecta	4.0	2.6
Industrivärden	1.8	1.5
Nordea mutual funds	0.9	1.0
AMF Pension	0.5	0.6
Insurance company Pensionsgaranti	0.3	0.3
Lannebo Sweden	0.2	0.4
<b>Total</b>	<b>92.5</b>	<b>83.3</b>

Ownership structure, 31 January 2003		
Number of shares	% of shareholders	% of capital
1– 500	89.8	2.4
501– 2,000	7.7	1.6
2,001– 10,000	1.8	1.6
10,001– 50,000	0.4	1.9
50,001– 100,000	0.1	1.3
> 100,000	0.2	91.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Per share data			
SEK (unless otherwise stated)	2002	2001	2000
Earnings	<b>13.70</b>	5.24	15.40
Shareholders' equity	<b>84.66</b>	79.98	78.49
Dividend (2002: proposed)	<b>5.50</b>	3.50	7.00
Market prices, B shares			
Highest for the year	<b>215.00</b>	243.00	310.00
Lowest for the year	<b>125.50</b>	132.00	205.00
Year-end (at closing)	<b>168.50</b>	192.00	210.00
Price/earnings ratio, B shares	<b>12</b>	37	14
Dividend payout ratio, %	<b>40</b>	67	46
Dividend yield, % <sup>1</sup>	<b>3.3</b>	1.8	3.3
Annual turnover rate, % (B shares)	<b>23</b>	29	36
Number of shareholders	<b>39,000<sup>2</sup></b>	39,000	41,000
Average daily number of shares traded, 2002 at Stockholmsbörsen		A	13,275
		B	94,482
		<b>Total</b>	<b>107,757</b>

<sup>1</sup> Dividend divided by the market price of a B share at year-end.

<sup>2</sup> On 31 January 2003

## Financial review

### Sales

Sales		
	2002	2001
Number of vehicles delivered		
European operations	39,083	40,626
Latin American operations	6,105	8,151
Intra-Group deliveries	-1,519	-446
Total vehicles delivered	43,669	48,331
Sales value, SEK m.		
European operations	43,219	42,496
Latin American operations	4,630	5,806
Intra-Group sales	-1,709	-1,089
Total Scania products	46,140	47,213
Car operations	1,145	5,852
Total sales value	47,285	53,065

During the year, the **Scania Group's deliveries** of trucks totalled 39,895 (43,659) units, which was a decline of 9 percent. Bus and coach deliveries totalled 3,774 (4,672) units, a decline of 19 percent.

Sales by product		
SEK m.	2002	2001
Trucks	27,184	29,139
Buses	3,991	4,701
Engines	464	608
Service-related products	10,603	10,151
Used vehicles etc	5,073	4,498
Revenue deferral, vehicles	-1,175	-1,884
Total Scania products	46,140	47,213
Car operations	1,145	5,852
Total sales	47,285	53,065

**Sales of Scania products** declined by 2 percent and amounted to SEK 46,140 m. (47,213). Compared to the preceding year, sales were positively influenced by currency rate effects of about SEK 250 m. including currency hedging. Sales of service-related products rose by 4 percent to SEK 10,603 m. (10,151). See Note 1.

The **Scania Group's total sales** amounted to SEK 47,285 m., compared to SEK 53,065 m. in 2001, which included sales of SEK 4,755 m. in the divested car operations.

### Earnings

Operating income in **European operations** amounted to SEK 5,403 m. (5,066), equivalent to an increase of 7 percent. Compared to 2001, operating income was influenced positively by currency rate effects totalling SEK 800 m. Currency hedging affected the year's earning 1 by SEK 500 m. (-775). The product mix was somewhat better. Lower capacity utilisation at production plants, due to lower sales volume and higher intra-Group deliveries from Latin America, adversely affected operating income. In addition, there were changeover expenses, including those for European bus operations.

Operating income in **Latin American operations** totalled SEK 59 m. (-581). Volume fell both in Brazil and Argentina. The price increases carried out in Brazil and a sharply improved cost situation, due to internal efficiency-raising measures and a better currency situation, in combination with increased component and vehicle deliveries to markets outside Latin America, more than offset the effect of lower sales volume.

Operating income in **Customer Finance operations** rose by 11 percent and amounted to SEK 308 m. (278). Growth in new markets resulted in an improved margin, which positively influenced operating income. Customer Finance operations are reported in Note 2.

Operating income in **car operations** amounted to SEK 563 m. (111), including a capital gain of SEK 550 m. related to Swedish car operations. The sale price received amounted to more than SEK 1.3 billion.

The **Scania Group's** operating income amounted to SEK 4,406 m. (2,467), an increase of SEK 1,939 m. Capitalisation of development expenditures positively affected operating income by SEK 573 m. and the capital gain by SEK 550 m. Excluding new accounting principles and the capital gain, the increase amounted to SEK 816 m.

**The operating margin** of the Scania Group increased to 8.2 (4.6) percent. The margin for Scania products, that is, excluding car operations, amounted to 8.3 (5.0) percent.

The Scania Group's **net financial items** totalled SEK -684 m. (-926). The improvement was attributable to lower net debt as well as lower borrowing in Latin American currencies.

**Income after financial items** amounted to SEK 3,722 m. (1,541).

**Tax expenses** for the year amounted to SEK 985 m., equivalent to 26.5 (32.2) percent of income after financial items. The lower tax rate compared to the previous year was mainly due to a tax-exempt capital gain in car operations. Excluding the capital gain, the tax rate was 31.1 percent.



Earnings by area of operations		
	2002	2001
<b>Operating income, SEK m.</b>		
European operations	5,403	5,066
Latin American operations	59	-581
Customer Finance operations	308	278
Research and development expenses	-1,437	-1,955
Corporate costs	-490	-452
Total Scania products	3,843	2,356
Car operations	563	111
Total operating income	4,406	2,467
<b>Operating margin, %</b>		
European operations	12.5	11.9
Latin American operations	1.3	-10.0
Scania products	8.3	5.0
Car operations	-	1.9
Scania Group total	8.2 <sup>1</sup>	4.6

<sup>1</sup> Excluding capital gain in car operations.

Earnings, Scania Group, SEK m.		
	2002	2001
Operating income	4,406	2,467
Income after financial items	3,722	1,541
Net income	2,739	1,048
Earnings per share, SEK	13.70	5.24
Return on capital employed (excl. Customer Finance operations)	15.8%	8.4%
Return on equity	17.2%	6.5%

**Net income** for the year amounted to SEK 2,739 m. (1,048), resulting in earnings per share of SEK 13.70 (5.24).

### Cash flow

**Scania's cash flow**, excluding Customer Finance operations and divestments/acquisitions, amounted to SEK 2,418 m. (2,995). Interest and tax (SEK 461 m. and 573 m. respectively) were charged to cash flow. Cash flow including divestments/acquisitions was SEK 3,583 m. (2,066).

Tied-up working capital decreased by SEK 772 m. Lower receivables and increased operating liabilities were offset to some extent by higher tied-up inventories.

Net investments excluding divestments/acquisitions of businesses totalled SEK -2,921 m. (-1,878), including capitalisation of corporate development expenditures totalling SEK 573 m. (0). The effects of divestments/acquisitions amounted to SEK 1,165 m. (-929).

Divestments/acquisitions: The divestment of Swedish car operations resulted in a positive cash flow

of SEK 1,332 m. In addition, Scania's net debt improved by SEK 220 m., since the buyer took over previous intra-Group financing. During the preceding year, cash flow was negatively affected by SEK 886 m. due to the acquisition of the Dutch sales and service company Beers N.V. (see Note 22).

### Financial position

During the year, **gross investments** totalled SEK 3,025 m. (1,980). Scania carried out large investments in cab production facilities. In 2002, gross investments also included development expenditures of SEK 573 m.

During 2002, the **shareholders' equity** of the Scania Group increased by SEK 936 m. and totalled SEK 16,931 m. (15,995) at year-end. Net income for the year added SEK 2,739 m, while dividends to the shareholders decreased shareholders' equity by SEK 700 m. The remaining decrease, SEK 1,103 m., consisted of exchange rate differences that arose when translating net assets outside Sweden, as a consequence of the krona's appreciation against the EUR, USD and local Latin American currencies. (See Note 15).

The **dividend** for the financial year proposed by the Board of Directors is SEK 5.50 (3.50) per share.

The **net debt** of the Scania Group, that is the difference between interest-bearing liabilities (excluding pension liabilities) and liquid assets with Customer Finance operations reported according to the equity accounting method, amounted to SEK 4,308 m. (7,790). This was equivalent to a net debt/equity ratio of 0.25 (0.49). The sharply improved net debt/equity ratio was due to improved cash flow from operating activities as well as the payment received for the

Financial ratios related to the balance sheet		
	2002	2001
Net debt, excl. provisions for pensions, SEK m. <sup>1</sup>	4,308	7,790
Net debt/equity ratio <sup>1</sup>	0.25	0.49
Equity per share, SEK	84,66	79,98
Equity/assets ratio, %	25.6%	23.4%

<sup>1</sup> With Customer Finance operations reported according to the equity accounting method.

divested Swedish car operations. Including Customer Finance operations, net debt totalled SEK 25,108 m. (29,305) (see Note 18).

## Financial risks

### Borrowing

Scania has a **committed revolving credit facility** of USD 1,850 m. from an international banking syndicate that expires in November 2004. At year-end 2002, USD 297 m. of this facility was being utilised. This means that USD 1,553 m., equivalent to SEK 13,705 m. translated at the closing day rate, was available.

In addition to its committed revolving credit facility, Scania has a **capital market programme** of more than SEK 30 billion, translated at the closing day rate, of which more than SEK 17 billion was being utilised as of 31 December 2002.

During 2002, Scania issued two private bonds under its **Medium Term Note programme**, totalling SEK 210 m., divided into a zero coupon bond of SEK 80 m. maturing in 2007 and a coupon bond of SEK 130 m. maturing in 2005.

A public bond of EUR 500 m., which runs until March 2007, was issued under Scania's **European Medium Term Note programme**. In addition, during 2002 a smaller bond of EUR 30 m. was issued, resulting in a total issued amount of EUR 1,080 m. within a ceiling of EUR 1,500 m. For a complete picture of Scania's borrowings, see Note 18.

### Interest and counterparty risk

Scania's **policy concerning interest rate risks** is that the fixed interest period of its loan portfolio should nor-

Hedging of currency flows													
Quarter		GBP/SEK		USD/SEK		EUR/SEK		CHF/SEK		NOK/SEK		KRW/SEK	
		Volume	Rate*	Volume	Rate*	Volume	Rate*	Volume	Rate*	Volume	Rate*	Volume	Rate*
Q 1**	2003	25	14.733	30	10.455	106	9.148	15	6.318	80	1.147	22,200	0.00791
Q 2	2003	40	14.851	45	10.536	170	9.172	20	6.456	120	1.221	15,000	0.00737
Q 3	2003	32	14.417			145	9.258	20	6.566	132	1.218		
Q 4	2003	25	14.591			155	9.243	20	6.478				
Total (in millions)		122		75		576		75		332		37,200	
Closing day rate 31 Dec 2002			14.1475		8.8250		9.1925		6.3235		1.2595		0.00742
Unrealised gain/loss 31 Dec 2002 (SEK m.)			58,967		107,113		14,467		-4,226		-10,141		11,106

\* 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.

mally be 6 months, but that deviations may be allowed within the 0–24 month range. One exception is Scania's Customer Finance companies, in which the fixed interest period on loans is matched with the fixed interest period on assets.

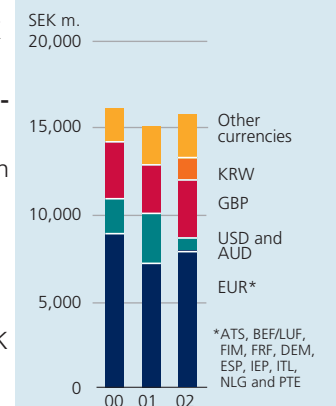
The **average funding cost** including Customer Finance operations was 4.6 (5.9) percent, as at 31 December 2002. During the year, the average fixed interest period on Scania's loan portfolio (excluding Customer Finance operations) was about 2 months, which was also the average fixed interest period at year-end.

To **manage interest rate risks**, derivative instruments are used in the Group. All the above data include 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 ceilings and with carefully selected, credit-worthy counterparties.

## Currencies

**Net currency transaction exposure** during 2002 was about SEK 16 billion. The largest currency flows were in EUR and GBP. Currency exposure in USD has decreased in the last year. Based on the 2002 geographic breakdown of revenues and expenses, a one percent change in the Swedish krona towards the other currencies would change operating income by about SEK 160 m. on a full-year basis. **Currency exposure** in operating income is presented in Note 26. Operating income in 2002 for European operations was influenced positively by a total of SEK 800 m., of this, currency hedging activi-

Currency transaction exposure (net)



ties had a positive influence of SEK 500 m. (–775) on the year's earnings. For a currency calculation concerning Latin American operations, see Note 26.

Scania's policy is to hedge its **currency flows** during a period of time equivalent to the projected orderbook until the date of payment. This normally means a hedging period of 3 to 4 months. However, the hedging period is allowed to vary between 0 and 12 months. Scania's net assets abroad amounted to SEK 11,397 m. at the end of 2002 (see Note 25). The net assets of foreign subsidiaries are not hedged under normal circumstances. To the extent a subsidiary has significant monetary assets in local currency, however, it may be hedged. As of 31 December 2002, SEK 566 m. (892) was hedged at Scania Group level, which was equivalent to 5 (10) percent of net assets abroad.

In order to hedge monetary operating assets in Latin America, Scania has taken out loans in local currencies. On December 31, 2002, these loans totalled SEK 459 m. (1,714).

## Other risks

### *Residual value exposure*

A portion of Scania's sales occur with guaranteed residual value or repurchase guarantee. During 2002, the volume of such transactions was more than 4,400 vehicles. The value of all obligations at year-end was SEK 6,077 m. (7,413). In the case of this type of obligations, revenue and profit recognition occurs successively over the period of the obligation. Residual value and repurchase obligations are regulated by company policies and are regularly monitored both at the subsidiary and Group level.

### *Insurance*

Most of Scania's insurance coverage is obtained in the international insurance market, at a cost of SEK 61 m. (55) in 2002.

## Number of employees

The total number of employees declined to 28,230 at the close of 2002, compared to 28,541 at year-end 2001. The net effect of divestments/acquisitions of businesses resulted in a decrease of about 900 persons. Excluding divestments/acquisitions, the number of employees in European industrial operations rose by about 600. In the sales and service organisation the number of employees increased by almost 300. In Latin American operations, the number of employees declined by more than 300.

## Consolidated income statement

January–December, SEK m.	Note	2002	2001	2000
Sales	1	47,285	53,065	51,398
Cost of goods sold		–36,260	–42,601	–40,061
<b>Gross income</b>		<b>11,025</b>	10,464	11,337
Research and development expenses <sup>1</sup>		–1,437	–1,955	–1,621
Selling expenses		–5,206	–5,594	–4,312
Administrative expenses		–857	–785	–856
Income from Customer Finance operations	2	308	278	179
Share of income of associated companies	3	23	59	357
Capital gain related to car operations	4	550	–	–
<b>Operating income</b>		<b>4,406</b>	2,467	5,084
Financial income and expenses	5			
Interest income		260	294	415
Interest expenses		–857	–1,142	–1,007
Other financial income and expenses		–87	–78	–38
Net financial items		–684	–926	–630
<b>Income after financial items</b>		<b>3,722</b>	1,541	4,454
Taxes	6	–985	–496	–1,371
Minority interests		2	3	–3
<b>Net income</b>		<b>2,739</b>	1,048	3,080
<b>Depreciation included in operating income</b>	7	<b>–2,093</b>	–2,157	–1,999
Earnings per share, SEK <sup>2</sup>		<b>13,70</b>	5,24	15,40

<sup>1</sup> Total research and development expenditure amounted to SEK 2,010 m., of which SEK 573 m. was capitalised.

<sup>2</sup> There are no potential dilution effects.

See Note 4 for information on how the divestment of Swedish car operations affected Scania Group earnings.



# Consolidated balance sheet

31 December, SEK m.	Note				With Customer Finance operations reported according to the equity accounting method, pro forma.		
		2002	2001	2000	2002	2001	2000
<b>ASSETS</b>							
<b>Fixed assets</b>							
Intangible fixed assets	8	1,938	1,364	545	1,926	1,364	545
Tangible fixed assets <sup>1</sup>	9	23,640	25,714	21,967	23,615	25,695	21,949
Financial fixed assets							
Holdings in associated companies etc	10	126	795	2,037	3,229	3,287	3,631
Interest-bearing receivables	11	11,354	10,178	7,312	708	784	541
Deferred tax assets	6	466	963	635	465	963	633
Other long-term receivables		224	351	604	224	347	604
Total fixed assets		37,748	39,365	33,100	30,167	32,440	27,903
<b>Current assets</b>							
Inventories	12	7,862	7,946	7,467	7,831	7,880	7,429
Receivables	13						
Interest-bearing trade debtors		7,136	6,791	5,483	816	989	941
Other trade debtors		6,497	7,731	8,953	6,429	7,562	8,905
Other receivables		2,505	2,499	2,316	2,335	2,144	2,005
Total receivables		16,138	17,021	16,752	9,580	10,695	11,851
Short-term investments	14	1,669	2,133	1,939	1,656	2,132	1,926
Cash and bank balances		2,670	1,974	1,642	2,530	1,799	1,542
Total current assets		28,339	29,074	27,800	21,597	22,506	22,748
<b>Total assets</b>		<b>66 087</b>	<b>68,439</b>	<b>60,900</b>	<b>51,764</b>	<b>54,946</b>	<b>50,651</b>

1 "Tangible fixed assets" include the value of deliveries not yet recognised as revenues with guaranteed residual values or with repurchase obligations for which corresponding payments received have been reported among "Other liabilities". The following amounts have been reported:

8,692	9,821	7,841
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31 December, SEK m.	Note				With Customer Finance operations reported according to the equity accounting method, pro forma.		
		2002	2001	2000	2002	2001	2000
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>							
<b>Shareholders' equity</b>	15						
Share capital		2,000	2,000	2,000	2,000	2,000	2,000
Restricted reserves		4,608	5,665	5,370	4,608	5,665	5,370
Total restricted equity		6,608	7,665	7,370	6,608	7,665	7,370
Unrestricted reserves		7,584	7,282	5,248	7,584	7,282	5,248
Net income		2,739	1,048	3,080	2,739	1,048	3,080
Total unrestricted equity		10,323	8,330	8,328	10,323	8,330	8,328
Total shareholders' equity		16,931	15,995	15,698	16,931	15,995	15,698
<b>Minority interests in subsidiaries</b>		58	21	22	58	21	22
<b>Provisions</b>							
Provisions for pensions	16	2,045	2,092	1,929	2,040	2,087	1,925
Provisions for deferred taxes	6	2,060	2,391	2,271	1,188	1,490	1,626
Other provisions	17	2,309	2,184	1,800	2,307	2,180	1,795
Total provisions		6,414	6,667	6,000	5,535	5,757	5,346
<b>Liabilities</b>							
Long-term borrowings	18	22,514	18,908	15,372	6,778	3,961	5,599
Short-term borrowings	18	6,933	14,504	11,986	1,717	7,760	5,650
Advance payments from customers		826	764	530	751	680	446
Trade creditors		3,297	3,253	3,616	3,108	3,025	3,433
Tax liabilities		241	182	527	217	179	521
Other liabilities		2,103	2,003	1,842	1,842	1,769	1,614
Accrued expenses and prepaid income <sup>1</sup>	19	6,770	6,142	5,307	14,827	15,799	12,322
Total liabilities		42,684	45,756	39,180	29,240	33,173	29,585
<b>Total shareholders' equity and liabilities</b>		66,087	68,439	60,900	51,764	54,946	50,651
<b>Assets pledged and contingent liabilities</b>							
Assets pledged	20	191	233	245			
Contingent liabilities	21	680	855	881			
Net debt, excluding provisions for pensions SEK m.		25,108	29,305	23,777	4,308	7,790	7,781
Net debt/equity ratio		1.48	1.83	1.51	0.25	0.49	0.50
Equity/assets ratio, %		25.6	23.4	25.8	32.7	29.1	31.0
Equity per share, SEK		84.66	79.98	78.49			
Capital employed, SEK m.		48,481	51,520	45,007	27,524	29,824	28,894

## Statement of changes in shareholders' equity

January-December, SEK m.	2002	2001	2000
Shareholders' equity, 1 January	15,995	15,698	13,548
Exchange rate differences	-1,103	649	470
Net income	2,739	1,048	3,080
Dividend to shareholders	-700	-1,400	-1,400
Shareholders' equity, 31 December	16,931	15,995	15,698

## Consolidated statement of cash flow

January-December, SEK m.	Note	2002	2001	2000
<b>Cash flow from operating activities</b>				
Net income, excluding Customer Finance operations		2,526	854	2,954
Items not affecting cash flow	22	2,041	2,124	1,997
<b>Cash from operating activities</b>		<b>4,567</b>	<b>2,978</b>	<b>4,951</b>
<b>Change in working capital etc</b>				
Inventories		-918	475	74
Receivables		223	1,973	-1,394
Provisions for pensions		171	153	75
Non-interest-bearing liabilities and provisions		1,296	-706	829
<b>Total change in working capital etc</b>	22	<b>772</b>	<b>1,895</b>	<b>-416</b>
<b>Total cash flow from operating activities</b>		<b>5,339</b>	<b>4,873</b>	<b>4,535</b>
Net investments excluding acquisitions/divestments of businesses	22	-2,921	-1,878	-1,521
<b>Cash flow before acquisitions/divestments of businesses</b>		<b>2,418</b>	<b>2,995</b>	<b>3,014</b>
Net investments through acquisitions/divestments of businesses	22	1,165	-929	-457
<b>Cash flow excluding Customer Finance operations</b>		<b>3,583</b>	<b>2,066</b>	<b>2,557</b>
Expansion in Customer Finance operations	2	-552	-2,428	-2,444
<b>Change in net debt including Customer Finance operations</b>		<b>3,031</b>	<b>-362</b>	<b>113</b>
Change in net debt from financing activities	22	-1,813	2,119	2,020
Dividend to shareholders		-700	-1,400	-1,400
<b>Net change in liquid assets and short-term investments</b>		<b>518</b>	<b>357</b>	<b>733</b>
Effect of exchange rate fluctuations on liquid assets and short-term investments		-286	169	138
Cash, bank balances and short-term investments, 1 January		4,107	3,581	2,710
<b>Cash, bank balances and short-term investments, 31 December</b>		<b>4,339</b>	<b>4,107</b>	<b>3,581</b>
Cash flow per share, excluding Customer Finance operations and acquisition/divestments		12.09	14.98	15.07



# Parent Company financial statements

## Income statement

January-December, SEK m.	Note	2002	2001	2000
Operating income		0	0	0
Financial income and expenses	1	182	51	-13
Dividends received, Group contributions etc	1	1,000	650	3,184
Withdrawal from tax allocation reserve		250	600	-
Provision to tax allocation reserve		-	-325	-634
Taxes	2	-121	273	-711
<b>Net income</b>		<b>1,311</b>	703	1,826

Group contributions in 2002 have been reported in compliance with a statement (URA 7) of the Urgent Issues Task Force of the Swedish Financial Accounting Standards Council. Figures for comparative periods have not been adjusted.

## Balance sheet

31 December, SEK m.	Note	2002	2001	2000
<b>ASSETS</b>				
<b>Financial fixed assets</b>				
Shares in Group companies	3	10,971	10,971	10,971
<b>Current assets</b>				
Due from subsidiaries		2,775	3,010	4,409
Other receivables		13	13	13
Accrued income		2	-	-
<b>Total assets</b>		<b>13,761</b>	13,994	15,393
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Shareholders' equity	4	11,174	10,873	11,570
Untaxed reserves	5	2,586	2,836	3,111
<b>Current liabilities</b>				
Accrued expenses and prepaid income		1	12	1
Tax liabilities		0	273	711
Total current liabilities		1	285	712
<b>Total shareholders' equity and liabilities</b>		<b>13,761</b>	13,994	15,393
<b>Assets pledged and contingent liabilities</b>				
Assets pledged		None	None	None
Contingent liabilities	6	26,685	26,872	19,476

## Statement of changes in shareholders' equity

January-December, SEK m.	2002	2001	2000
Shareholders' equity, 1 January	10,873	11,570	11,144
Net income	1,311	703	1,826
Group contributions (net after tax)	-310	-	-
Dividend to shareholders	-700	-1,400	-1,400
<b>Shareholders' equity, 31 December</b>	<b>11,174</b>	10,873	11,570

## Statement of cash flow

January-December, SEK m.	2002	2001	2000
<b>Cash flows from operating activities</b>			
Net income	1,311	703	1,826
<b>Items not affecting cash flow</b>			
Anticipated dividend	-1,000	-	-
Group contributions received	-	-650	-3,255
Group contributions paid	-	-	71
Taxes	121	-	-
Provision to/withdrawal from untaxed reserves	-250	-275	634
<b>Cash from operating activities</b>	<b>182</b>	-222	-724
<b>Change in working capital</b>			
Current liabilities	-284	-427	-79
Receivables	-2	-	-
<b>Total cash flow from operating activities</b>	<b>-104</b>	-649	-803
<b>Change in net debt from financing activities</b>			
Change in due from/liabilities to subsidiaries	804	2,049	2,203
Dividend to shareholders	-700	-1,400	-1,400
<b>Net cash provided by financing activities</b>	<b>104</b>	649	803
<b>Liquid assets and short-term investments, 31 December</b>	<b>0</b>	0	0

# Accounting principles

The Annual Report of the Scania Group has been prepared in compliance with the Annual Accounts Act, the current recommendations of the Swedish Financial Accounting Standards Council and the statements of its Urgent Issues Task Force. The recommendations of the Council are based on the international accounting principles adopted by the International Accounting Standards Board.

## Consolidated financial statements

The consolidated financial statements encompass Scania AB and all subsidiaries and associated companies. 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 controlling influence. Associated companies are companies in which Scania has a long-term ownership interest and possesses a significant influence.

The consolidated financial statements are prepared in accordance with the principles stated in recommendation RR1:00 of the Swedish Financial Accounting Standards Council. Acquisitions of companies are reported according to the purchase accounting method. This means that an acquired subsidiary's assets and liabilities are accounted for by the purchaser at acquisition value according to the acquisition analysis. If the acquisition value of the shares in the subsidiary exceeds the value of the company's net assets according to the acquisition analysis, the difference is reported as goodwill. The goodwill amortisation period is established on the basis of individual examination. In deciding the amortisation period, the main principles used are as follows:

- Small acquisitions that are a supplement to existing operations and that are integrated with them are amortised in five years.
- Larger acquisitions that involve establishment of operations in new markets are amortised in ten years if they are established operations with a strong market position.

It was decided that the amortisation period for businesses acquired during 2002 would be ten years. Only income that arises after the date of acquisition is included in consolidated shareholders' equity. Divested companies are included in the consolidated financial statements up to and including the divestment date. The divestment of Swedish car operations was made effective from the beginning of 2002 and was completed during the second quarter when the EU's competition authority approved the transactions. As a result of this, the sales and earnings of the divested Swedish car operations, which were included in the report for the first quarter of 2002, were reversed in the second quarter. Only the capital gain thus remains accumulated.

The minority interests' share of net income and shareholders' equity of non-wholly owned subsidiaries is reported separately. Associated companies are reported in accordance with the equity accounting method. This means that the shares and participations in associated companies are valued in the consolidated financial statements 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.

Customer Finance operations are reported pro forma according to the equity accounting method, in order to create more analytical reporting. The tied-up

capital and accompanying financial structure of Customer Finance operations differ substantially from other operations.

## Foreign subsidiaries and associated companies

Scania's industrial operations, in both Europe and Latin America, have common product development, common products and a common production structure, which means that the operations are regarded as integrated. As a result, together with certain holding companies, their financial statements are translated to Swedish kronor using the monetary/non-monetary accounting method. The financial statements of other foreign subsidiaries, mainly commercial companies, are translated using the current method. In Latin America, acquisitions have led to a more specialised commercial structure that will be translated according to the current method from 2002 onward.

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

The exchange rate difference on monetary assets and liabilities is included in income for the year and is reported in the income statement as follows: The portion of the exchange rate difference attributable to operations-related balance sheet items is included in operating income. The portion of the exchange rate difference attributable to financial items is included

in financial income and expenses. The portion attributable to tax items is reported under taxes in the income statement. Currency rate effects from exchange rate hedging are allocated in a similar way among the operating income, financial income and expenses and taxes.

Under the current method, assets and liabilities are translated at closing day rate, while income and expenses are translated at the average exchange rate for the year. The exchange rate difference, which arises in part from translating net assets of foreign subsidiaries 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 closing day rate, is reported directly in shareholders' equity in the balance sheet.

### **Receivables and liabilities in foreign currencies**

Receivables and liabilities in foreign currencies are valued at the closing day rate. Unrealised exchange rate gains and losses are thus included in income. Exchange rate effects related to hedging of flows in foreign currencies are also included in earnings during the period that the hedged flow is reported. The unrealised portion of estimated exchange rate hedging, including accrued interest, is reported as accrued income or an accrued expense.

### **Depreciation, amortisation and impairment**

Machinery, equipment and real property are valued at acquisition value and depreciated over the useful life of the asset. In those cases where a residual value exists, the asset is depreciated down to this value. The useful life of machinery and equipment is between 5–15 years. Industrial buildings are depreciated in 25 years. Land holdings are not depreciated. The amortisation period for goodwill and other intangible assets is

established on the basis of individual examination, in normal circumstances 5 or 10 years. See the "Consolidated financial statements" section above. Amortisation of capitalised development expenditures shall begin only when the asset is placed in service. The average amortisation period is estimated at 5 years.

If there is any indication on the balance sheet date that an asset has diminished in value, the recoverable amount of the asset is estimated. If the recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount.

### **Leasing contracts**

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

### **Inventories**

Inventories are valued at the lower of cost according to the first in, first out principle (FIFO) or actual value. An allocable portion of indirect expenses is included in the value of the inventories. Inventories are reported on a net basis after deductions for obsolescence and intra-Group profits.

### **Short-term investments**

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

### **Liquid assets**

Liquid assets consist of cash and bank balances as well as short-term investments. In certain cases, short-term investments consist of investments with maturities longer than 90 days that can easily be turned into cash and bank balances.

### **Revenue recognition**

Sales revenues, less discounts granted and credit invoices, are recognised on the date when substantially all the risks and rewards of ownership pass to the buyer.

### **Successive revenue recognition**

Revenue on sales with a residual value guarantee (operating lease) or repurchase obligation is reported successively over the life of the obligation instead of being reported on the delivery date, since risk is deemed to remain with Scania. As a consequence of this, the equivalent assets remain in Scania's balance sheet and payments received are reported as prepaid income. Before 2001, the revenue was reported on the delivery date, while the profit was reported successively over the obligation period. Figures for comparative periods have been adjusted.

### **Research and development expenses**

Expenditures that arise during the research phase are charged to operating income as they arise. Expenditures that arise during the development phase are capitalised under certain preconditions as an intangible asset and amortised over their estimated useful life, from the date the asset is placed in service.

### **Selling expenses**

Selling expenses are defined as operating expenses in commercial companies, plus goodwill amortisations related to acquisitions of commercial companies and costs of corporate-level commercial resources.



## Administrative expenses

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

## Borrowing costs

Borrowing expenses in the form of interest are charged to operating income when they arise. Costs of arranging large capital market programmes are accrued over the life of the programmes.

## Exchange rate differences

Exchange rate differences are reported under operating income, aside from exchange rate differences pertaining to short- and long-term borrowings, which are reported as financial income or expenses, respectively.

Exchange rate differences attributable to loans and forward exchange contracts in foreign currencies that are designated as a hedge of the net assets of independent subsidiaries are reported, with consideration given to tax effects, directly in shareholders' equity in the consolidated balance sheet, together with the exchange rate difference on translated net assets. 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

The Group's total tax consists of current tax and deferred tax. Deferred tax is reported in case of a difference between the book value of assets and liabilities and their fiscal value ("temporary differences"). Full provision is made for deferred tax liabilities, while deferred tax assets are recognised only to the extent they are considered likely to be utilised.

## Information about affiliated parties

Any transactions with affiliated parties occur under market conditions.

## Changes in accounting principles

From 2002 onward, Scania is applying the following new recommendations issued by the Swedish Financial Accounting Standards Council: RR1:00 on consolidated financial statements, RR15 on intangible fixed assets, RR16 on provisions, contingent liabilities and contingent assets, RR17 on impairments, RR19 on discontinuing operations, RR21 on borrowing costs and RR23 on information about affiliated parties. The changes in Scania's accounting principles that these recommendations have led to are described below.

### *RR15 on intangible assets*

According to the recommendation, expenditures for development of new products, production and information systems are not to be expensed when certain preconditions are met, but instead are to be capitalised as an intangible asset. Scania's corporate research and development activities are classified into a research phase and a development phase. The expenditures that arise during the research phase are expensed when they arise. Expenditures during the development phase are capitalised as an intangible asset and is amortised over its estimated useful life. During 2002, SEK 573 m. of Scania's product development expenditures was capitalised.

### *RR17 on impairment*

If there is any indication on the balance sheet date that a fixed asset has diminished in value, the recoverable amount of the asset is estimated. If the recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount. When

comparing the recoverable amount and carrying amount, no need for writedown has been deemed to exist.

### *RR19 on discontinuing operations*

When discontinuing operations, certain information is to be provided about both the discontinued operations and the remaining operations. During 2002, Swedish car operations were divested. The effects of this divestment are described in Note 4.

## 2003

From the first quarter of 2003 onward, Scania will apply recommendation RR25 of the Swedish Financial Accounting Standards Council on segment reporting. This means that Scania's primary division into segments will be Vehicles and Services plus Financial Services.

**THE GROUP**

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**THE PARENT COMPANY**

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

**NOTE 1 Sales**

	2002	2001	2000
Trucks	27,184	29,139	31,101
Buses	3,991	4,701	3,704
Engines	464	608	437
Service-related products	10,603	10,151	8,113
Used vehicles etc	5,073	4,498	3,810
Revenue deferral, vehicles <sup>1</sup>	-1,175	-1,884	-2,425
Total Scania products	46,140	47,213	44,740
Car operations <sup>2</sup>	1,145	5,852	6,658
Total	47,285	53,065	51,398

<sup>1</sup> Refers to the difference between sales recognised as revenues and sales value based on delivery. This difference arises when revenues from operating leases and sales with repurchase obligations are reported successively over the life of the obligation instead of being reported on the delivery date. The year's lower revenue deferral occurred because the number of vehicles that were sold under operating leases and with repurchase obligations, for which revenue is reported successively, declined somewhat during 2002 after several years of growth.

<sup>2</sup> Sales in 2001 and 2000 included sales of SEK 4,755 m. and SEK 5,539 m., respectively, from Swedish car operations. Swedish car operations were divested as per 1 January 2002. See also Note 4.

**NOTE 2 Customer Finance operations**

Income statement	2002	2001	2000
Interest income	1,151	1,041	718
Lease income	2,612	2,656	1,687
Depreciation	-1,977	-1,939	-1,198
Interest expenses	-1,056	-1,101	-792
Other income and expenses	17	-16	-3
Operating income (net)	747	641	412
Credit losses <sup>1</sup>	-175	-137	-66
Operating expenses	-264	-226	-167
Operating income	308	278	179

<sup>1</sup> Including change in reserve for bad debts.

Balance sheet	2002	2001	2000
<b>ASSETS</b>			
Lease assets	8,341	9,894	7,208
Financial receivables	16,962	15,197	11,314
Other assets	854	1,163	804
Total assets	26,157	26,254	19,326
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	3,103	2,492	1,594
Borrowings	20,952	21,691	16,108
Other liabilities	2,102	2,071	1,624
Total shareholders' equity and liabilities	26,157	26,254	19,326
<b>Statement of cash flow</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Net income	213	194	126
Items not affecting cash flow	207	312	194
Cash from operating activities	420	506	320
Change in lease assets	1,118	-143	-1,246
Change in financial receivables	-2,481	-2,435	-1,680
Change in other assets and liabilities	391	-79	162
Acquisition of businesses	-	-277	-
Expansion in Customer Finance operations	-552	-2,428	-2,444

**Lease assets**

(operating leases)	2002
1 January	9,894
New contracts	2,972
Depreciation	-1,977
Redemptions	-2,105
Change in value adjustment	2
Exchange rate differences	-445
Balance, 31 December <sup>2</sup>	8,341

**Financial receivables**

(hire purchase contracts and financial leases)	2002
1 January	15,197
New receivables	10,318
Payments of loan principal/Redemptions	-8,079
Change in value adjustment	-9
Exchange rate differences	-465
Balance, 31 December	16,962

<sup>2</sup> Included in the consolidated financial statements under "tangible fixed assets" after subtracting deferred profit recognition.

Net investments in financial leases	2002	2001	2000
Minimum lease payments receivable	13,244	10,988	8,543
Less:			
Executory costs and reserve for bad debts	-294	-342	-242
Imputed interest	-1,145	-1,093	-934
Net investment <sup>3</sup>	11,805	9,553	7,367

3 Included in the consolidated financial statements under "Interest-bearing trade debtors" and "Long-term interest-bearing receivables".

#### Future minimum lease payments<sup>4</sup>

	Operating leases	Financial leases
2003	2,697	5,158
2004	2,255	3,651
2005	1,337	2,421
2006	722	1,322
2007	316	525
2008 and thereafter	198	167
Total	7,525	13,244

4 Minimum lease payments refer to future flow of incoming payments on the contract portfolio, including interest. For operating leases, the residual value is not included since this is not a minimum payment for these contracts.

#### NOTE 3 Share of income of associated companies

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

	2002	2001	2000
Scania products <sup>1</sup>	23	29	195
Car operations <sup>2</sup>	-	30	162
Total	23	59	357

1 In 2000, the Dutch distributor Beers N.V. accounted for SEK 182 m. In 2001, the remaining shares were acquired, why the company is reported as a wholly owned subsidiary.

2 Share of 2001 and 2000 income of associated companies in car operations referred to Scania's share of Svenska Volkswagen AB's income. Svenska Volkswagen AB was divested as of 1 January 2002 (see also Note 4).

#### NOTE 4 Divested operations

Income statement	Divested operations (Swedish car operations)			Remaining operations		
	2002	2001	2000	2002	2001	2000
Sales	-	4,755	5,539	47,285	48,310	45,859
Cost of goods sold	-	-4,326	-4,688	-36,260	-38,275	-35,373
Gross income	-	429	851	11,025	10,035	10,486
Research and development expenses	-	-	-	-1,437	-1,955	-1,621
Selling expenses	-	-355	-735	-5,206	-5,239	-3,577
Administrative expenses	-	-	-	-857	-785	-856
Income from Customer Finance operations	-	-	-	308	278	179
Share of income of associated companies	-	30	162	23	29	195
Capital gain related to car operations	550	-	-	-	-	-
Operating income	550	104	278	3,856	2,363	4,806
Financial income and expenses	-	-17	-21	-684	-909	-609
Income after financial items	550	87	257	3,172	1,454	4,197
Taxes	-	-22	-75	-985	-474	-1,296
Minority interests	-	-	-	2	3	-3
Net income	550	65	182	2,189	983	2,898
Operating margin, percent	-	2.2	5.0	8.2	4.9	10.5

The sale of Swedish car operations, which included the half-owned Svenska Volkswagen AB and the wholly owned dealership group Din Bil Sverige AB, was agreed during the first quarter and completed in June, when competition authorities approved the transaction and the purchaser paid. On 1 January, the reported value in the Scania financial statements of the assets of the operations sold amounted to SEK 1,575 m. and liabilities and provisions amounted to SEK 818 m. During 2001 the cash flow from operating activities of the divested operations amounted to SEK -20 m. and the change in debt due to financing activities amounted to SEK 85 m. The capital gain from the divestment amounted to SEK 550 m.

#### NOTE 5 Financial income and expenses

	2002	2001	2000
<b>Interest income</b>			
Bank balances and short-term investments	181	89	237
Interest-bearing receivables	48	157	121
Other	31	48	57
Total interest income	260	294	415
<b>Interest expenses</b>			
Borrowings	-760	-1,086	-945
Pension liability (PRI)	-97	-56	-62
Total interest expenses	-857	-1,142	-1,007
Other financial income and expenses	-87	-78	-38
Net financial items	-684	-926	-630



**NOTE 6 Taxes**

Tax expense/income for the year	2002	2001	2000
Current tax	-990	-642	-1,088
Deferred tax	14	163	-168
Share of tax of associated companies	-9	-17	-115
Total	-985	-496	-1,371

**Deferred tax is attributable to the following:**

	2002
Deferred tax related to temporary differences	-83
Deferred tax related to changes in tax rates	0
Deferred tax revenue in tax value of loss carry-forwards capitalised during the year	350
Deferred tax expense due to utilisation of previously capitalised tax value of loss carry-forwards	-253
Total	14

**Reconciliation of effective tax**

	2002		2001		2000	
	Amount	%	Amount	%	Amount	%
Income after financial items	3,722		1,541		4,454	
Swedish statutory tax	1,042	28	431	28	1,247	28
Tax effect and percentage influence:						
Valuation of tax loss carry-forwards	-35	-1	106	7	45	1
Difference between Swedish and foreign tax rates	-32	-1	-71	-5	61	1
Tax-exempt income	-31	-1	-32	-2	-62	-1
Capital gain on divestment of businesses	-154	-4	-	-	-	-
Non-deductible expenses including goodwill amortisation	112	3	143	9	89	2
Adjustment for taxes pertaining to previous years	1	0	-30	-2	-9	0
Other	82	2	-51	-3	0	0
Effective tax	985	26	496	32	1,371	31

During the year, Swedish car operations were divested; the capital gain SEK 550 m. groupwise, did not lead to any tax burden. During 2002, the tax rate changed in the following countries: Australia, Chile, France, South Korea, Luxemburg, the Netherlands, Russia, Slovakia and Switzerland, which had a marginal effect.

**Deferred tax assets and liabilities are attributable to the following:**

	2002	2001	2000
<b>Deferred tax assets</b>			
Provisions	293	212	269
Property, plant and equipment	213	171	77
Inventories	367	363	308
Tax loss carry-forwards <sup>1</sup>	801	801	525
Other	518	349	295
Offset within tax units	-1,726	-933	-839
Total	466	963	635

**Deferred tax liabilities**

Property, plant and equipment	2,766	2,190	1,951
Tax allocation reserve <sup>2</sup>	749	807	873
Other	271	327	286
Offset within tax units	-1,726	-933	-839
Total	2,060	2,391	2,271

**Net deferred tax liabilities** 1,594 1,428 1,636

**Reconciliation of net deferred tax liabilities:**

1 January	1,428
Tax assets/tax liabilities in acquired businesses	24
Tax assets/tax liabilities in divested businesses	-26
Deferred taxes reported in the year's income	-14
Exchange rate differences etc.	182
<b>Net deferred tax liabilities, 31 December</b>	<b>1,594</b>

<sup>1</sup> Tax loss carry-forwards stem mainly from Sweden, Latin America, France, Great Britain and Germany. Of the deferred tax assets attributable to tax loss carry-forwards, SEK 385 m. may be utilised without time constraints. For tax assets valued during 2002 related to subsidiaries that reported a loss during the year, Scania believes that the future earnings capacity of each company makes a valuation possible. In the Scania Group, deferred tax assets of SEK 459 m related to tax loss carry-forwards were not included after assessment of the potential for utilising the tax loss carry-forwards and due to a ceiling on annual future utilisation. Of the loss carry-forwards not included, SEK 245 m. has no expiration date, while SEK 214 m. will expire as follows: SEK 2 m. in 2003, SEK 42 m. in 2004, SEK 20 m. in 2005, SEK 2 m. in 2006, SEK 21 m. in 2007 and SEK 127 m. in 2008 or later. Deferred tax has not been reported for temporary differences attributable to investments in subsidiaries and associated companies, since these holdings are essentially of long-term nature.

<sup>2</sup> In Sweden, tax laws permit provisions to an untaxed reserve called a tax allocation reserve. Deductions for provisions to this reserve are allowed up to a maximum of 25 percent of taxable profits. Each provision to this reserve may be freely withdrawn and face taxation, but must be withdrawn no later than the sixth year following the year the provision was made.

**NOTE 7 Depreciation/amortisation**

Distribution of depreciation or amortisation by function, excluding depreciation in Customer Finance operations, which is found in Note 2.

	2002	2001	2000
<b>Intangible fixed assets</b>			
Research and development expenses	-		
Selling expenses	-237	-188	-83
Total	-237	-188	-83
<b>Tangible fixed assets</b>			
Cost of goods sold	-1,469	-1,504	-1,411
Research and development expenses	-91	-106	-84
Selling expenses	-255	-314	-372
Administrative expenses	-41	-45	-49
Total	-1,856	-1,969	-1,916
Total depreciation/amortisation	-2,093	-2,157	-1,999

In addition, reduction in value of vehicles delivered with repurchase guarantees and short-term leasing, which is included in "Cost of goods sold" -549 -583 -344

## NOTE 8 Intangible fixed assets

	Goodwill	Product development	Software
Carrying amount, 1 Jan 2000	681		
Change in accumulated acquisition value, 2000	79		
Change in accumulated amortisation, 2000	-215		
Carrying amount, 1 Jan 2001	545		
Change in accumulated acquisition value, 2001	1,022		
Change in accumulated amortisation, 2001	-203		
Carrying amount, 31 Dec 2001	1,364		

### 2002

#### Accumulated acquisition value

1 January	1,782		
Acquisitions/divestments of businesses	156	-	-
New acquisitions	12	573	56
Divestments and disposals	-	-	-1
Reclassifications	-	-	111
Exchange rate differences	-90	-	-1
Total	1,860	573	165

#### Accumulated amortisation

1 January	418		
Divestments of businesses	-	-	-
Amortisation for the year			
- Vehicles and Service	215	-	22
- Customer Finance operations	-	-	3
Divestments and disposals	-	-	-1
Reclassifications	-	-	24
Exchange rate differences	-21	-	0
Total	612	-	48

**Carrying amount, 31 December** 1,248      573      117

In 2002, recommendation RR15 of the Swedish Financial Accounting Standards Council entered into force. As a consequence of this, the Scania Group capitalised the portion of its expenditures for research and development which arise during the development phase. During the year, the Scania Group's expenditures for research and development totalled SEK 2,010 m.

Of this, SEK 1,437 m. was expensed during the year and SEK 573 m. was capitalised. Capitalised amounts are amortised only when the asset is placed in service. Since all the capitalised assets are still in the development phase, no amortisation occurred during the year. The recommendation also includes software development. In prior years, capitalised software was reported under Note 9, "Tangible fixed assets". The recommendation does not allow retroactive application.

Of the reported value of capitalised software, SEK 0 m. is related to internally developed assets.

## NOTE 9 Tangible fixed assets

	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Assets in operating leases <sup>1</sup>
Carrying amount, 1 Jan 2000	6,039	6,828	991	6,431
Change in accumulated acquisition value, 2000	473	1,719	-259	2,239
Change in accumulated depreciation, 2000	-250	-1,596	-	-648
Carrying amount, 31 December 2000	6,262	6,951	732	8,022
Change in accumulated acquisition, 2001	1,715	1,238	362	4,870
Change in accumulated depreciation value, 2001	-614	-1,611	-	-2,213
Carrying amount, 31 December 2001	7,363	6,578	1,094	10,679

### 2002

#### Accumulated acquisition

1 January	10,953	19,539	1,094	15,566
Acquisition/divestments of businesses	-475	47	-3	-1
New acquisitions	271	721	1,404	4,295
Divestments and disposals	-179	-613	-	-4,798
Reclassifications	350	670	-1,101	63
Exchange rate differences for the year	-478	-1,101	-36	-802
Total	10,442	19,263	1,358	14,323

	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Assets in operating leases <sup>1</sup>
<b>Accumulated depreciation</b>				
1 January	3,621	12,961		4,733
Divestments of businesses	-166	61		-16
Depreciation for the year				
- Vehicles and Service	354	1,502		549
- Customer Finance operations	0	10		1,977
Divestments and disposals	-44	-507		-2,344
Reclassifications	1	-24		30
Exchange rate differences for the year	-153	-691		-224
Total	3,613	13,312		4,705

#### Accumulated revaluations

1 January	33	-		-
Reversal of revaluation	-2	-		-
Total	31	-		-

#### Accumulated write-downs<sup>2</sup>

1 January	2	-		154
Reversal of write-down <sup>3</sup>	-2	-		-7
Total	0	-		147

#### Carrying amount, 31 December

	<b>6,860</b>	<b>5,951</b>	<b>1,358</b>	<b>9,471</b>
- of which "Machinery"		4,999		
- of which "Equipment"		952		

#### Tax assessment value, buildings (in Sweden)

equivalent carrying amount	920				2,243
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#### Tax assessment value, land (in Sweden)

equivalent carrying amount	305				401
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**Firm obligations pertaining to leasing of premises are distributed as follows:**

2002	2003	2004	2005	2006	2007	2008 and later
124	118	100	89	86	82	526

<sup>1</sup> Including assets for short-term leasing and assets that were capitalised due to repurchase obligations.

<sup>2</sup> Write-downs of assets in operating leases refer to value adjustment for possible credit losses.

<sup>3</sup> Related to adjustment of prior years.

### NOTE 10 Holdings in associated companies etc

Holdings in associated companies	2002	2001	2000
Accumulated acquisition value	29	332	750
Accumulated share of income	38	387	827
Write-down	-2	-	-
Carrying amount	65	719	1,577

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

Associated company/ corporate ID number/ country of registration	Owner- ship %	Carrying amount in Parent Company fin. statem.	Value of Scania's share in consolidated financial statements		
			2002	2001	2000
Beers N.V., NL003779439B01, the Netherlands <sup>1</sup>			-	-	836
Svenska Volkswagen AB, 556084-0968, Sweden <sup>2</sup>			-	624	659
Cummins-Scania High Pressure Injection L.L.C., 043650113, USA	30	25	39	48	36
WM-Data Scania AB, 556084-1206, Sweden <sup>3</sup>			-	45	46
Swed Bus Pakistan Pvt Ltd, K-07897, Pakistan			-	2	-
ScaMadrid S.A., ES A80433519, Spain	49	1	13	-	-
ScaValencia S.A., ES A46332995, Spain	50	0	13	-	-
Holdings in associated companies			65	719	1,577
Other shares and participations			61	76	14
Convertible debenture loans <sup>4</sup>			-	-	446
Total			126	795	2,037

- During 2001, Scania acquired the remaining 50 percent of the shares in Beers N.V. and the company thus became a wholly owned subsidiary.
- During 2002, Scania sold its 50 percent shareholding in Svenska Volkswagen AB, and the company is thus no longer included as an associated company.
- By agreement, in 2002 Scania gained a controlling influence in WM-Data Scania AB, which was then consolidated as a subsidiary.
- Refers to two Brazilian dealership companies that were acquired in their entirety in January 2001.

The value of Scania's share in the consolidated financial statements using the equity accounting method and its ownership stake in the shareholders' equity of associated companies totalled the same amount (SEK 65 m.).

The Group's share of undistributed accumulated profit in associated companies comprised part of restricted reserves in the consolidated financial statements. It amounted to SEK 14 m. (387 and 827, respectively).

### NOTE 11 Interest-bearing receivables (long-term)

	2002	2001	2000
Receivables in Customer Finance operations <sup>1</sup>	10,641	9,394	6,508
Receivables in other operations	713	784	804
Total	11,354	10,178	7,312

<sup>1</sup> Note 2 shows how the financial receivables of Customer Finance operations (including the short-term portion) changed during 2002.

### NOTE 12 Inventories

	2002	2001	2000
Raw materials	822	858	781
Work in progress	355	299	359
Finished goods	6,685	6,789	6,327
Total	7,862	7,946	7,467

### NOTE 13 Receivables (current)

	2002	2001	2000
Interest-bearing trade debtors	816	988	940
Receivables in Customer Finance operations	6,320	5,803	4,543
Sub-total, interest-bearing trade debtors	7,136	6,791	5,483
Non-interest-bearing trade debtors	6,497	7,731	8,953
Prepaid expenses and accrued income	752	675	722
Other receivables	1,753	1,824	1,594
Total	16,138	17,021	16,752

### NOTE 14 Short-term investments

	2002	2001	2000
Liquid investments (maturities of less than 90 days)	583	895	991
Investments (maturities 91-365 days)	1,086	1,238	948
Total	1,669	2,133	1,939

More than half of the Group's short-term investments were found in the Latin American subsidiaries, while the remaining portion was related to investments of surplus liquidity in Europe.

Investments totalling SEK 613 m. (692 and 866, respectively) in value were restricted by agreement with third parties.

### NOTE 15 Shareholders' equity

The shareholders' equity of the Scania Group has changed as follows:

	Share capital	Restricted reserves	Unrestricted share- holders' equity	Accu- mulated exchange rate differences	Total
<b>2001</b>					
1 January	2,000	5,370	7,406	922	15,698
Dividend to shareholders	-	-	-1,400	-	-1,400
Net income for 2001	-	-	1,048	-	1,048
Exchange rate differences for the year	-	-	-	649	649
Transfer between restricted and unrestricted equity	-	295	-295	-	0
Other	-	-	0	-	0
31 December	2,000	5,665	6,759	1,571	15,995
<b>2002</b>					
1 January	2,000	5,665	6,759	1,571	15,995
Dividend to shareholders	-	-	-700	-	-700
Net income for 2002	-	-	2,739	-	2,739
Exchange rate differences for the year <sup>1</sup>	-	-	-	-1,103	-1,103
Transfer between restricted and unrestricted equity <sup>2</sup>	-	-1,057	1,057	-	0
Other	-	-	0	-	0
31 December	2,000	4,608	9,855	468	16,931

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

- Exchange rate differences for the year arise when foreign net assets are translated according to the current accounting method. The year's negative exchange rate difference of SEK -1,103 m. arose due to the appreciation of the Swedish krona. About SEK -500 m. of this effect was attributable to appreciation against USD, SEK -300 m. against Latin American currencies, mainly the Argentine peso, and about SEK -300 m. against EUR and other currencies.
- Transfers from restricted equity are explained mainly by exchange rate differences above.

#### NOTE 16 Provisions for pensions and similar commitments

	2002	2001	2000
Provisions for FPG/PRI guaranteed pensions	1,447	1,427	1,350
Provisions for other pensions	454	446	376
Provisions for medical care benefits	144	219	203
<b>Total</b>	<b>2,045</b>	<b>2,092</b>	<b>1,929</b>

The amount under "Provisions for pensions" corresponds to the actuarial projections of the collectively agreed ITP occupational pension plan and all voluntary pension obligations.

The Swedish plan for salaried employees is administered by a Swedish multi-employer pension institution, the Pension Registration Institute (PRI). The actuarial assumptions are established by PRI. Scania's pension liability consists of the sum of the discounted present value of the company's estimated future pension payments, based on current salaries. Pensions are guaranteed through a credit insurance from the mutual insurance company Försäkringsbolaget Pensionsgaranti (FPG).

"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 17 Other provisions

Provisions for:

	Warranties	Restructuring	Legal and tax disputes	Other	Total
1 January	1,439	131	347	267	2,184
Provisions during the year	568	73	80	580	1,301
Provisions used during the year	-549	-98	-35	-101	-783
Provisions reversed during the year	-55	-	-	-27	-82
Exchange rate differences	-86	-46	-158	-21	-311
<b>31 December</b>	<b>1,317</b>	<b>60</b>	<b>234</b>	<b>698</b>	<b>2,309</b>

The warranty provision per vehicle is based on warranty expenses previously recognised.

The personnel reduction programme for Latin American operations that was approved late in 2001 was implemented during 2002. The continued concentrated of component manufacture to fewer production units also contributed to the change in provisions for restructuring.

The largest single provision items in 2002, under the heading "Other", were related to asset appraisal in Latin American operations, mainly in Argentina.

#### NOTE 18 Borrowings

Borrowings for Customer Finance operations are effectively matched against contracted payment flows with regard to currency and fixed-interest periods. Other borrowings mainly occur in each respective local currency, normally with a fixed-interest period of 2 months.

##### Short- and long-term

borrowing, distributed by currency <sup>1</sup>	2002	2001	2000
SEK	9,159	12,593	10,505
EUR	17,268	14,549	8,495
GBP	670	1,698	1,417
USD	609	1,806	4,567
Other currencies	1,741	2,766	2,374
<b>Total<sup>2</sup></b>	<b>29,447</b>	<b>33,412</b>	<b>27,358</b>
Of which, attributable to Customer Finance operations	<b>20,952</b>	21,691	16,108
Borrowings excluding Customer Finance operations	<b>8,496</b>	11,721	11,250

- Does not take into account currency hedging, which has been used to match borrowings by currency to funding requirements by currency.
- The average interest rate on borrowings, including borrowings for Customer Finance operations, was 4.6 percent (5.9 and 6.3, respectively) at year-end.

#### The above loans fall due for repayment as follows

2003	6,933
2004	5,843
2005	3,352
2006	970
2007	6,695
2008 and later	5,654
<b>Total</b>	<b>29,447</b>

Scania has a committed revolving credit facility of USD 1,850 m. from an international banking syndicate that expires in November 2004. At year-end 2002 the equivalent of USD 297 m. of this facility was being utilised. This means that USD 1,553 m., equivalent to SEK 13,705 m. translated at the closing day rate, was available under the credit facility on December 31, 2002.

Under Scania's Medium Term Note programme, the company can carry out borrowings with maturities ranging from 1 to 10 years. At year-end, the ceiling was SEK 7,000 m., of which SEK 6,489 m. worth of debt securities had been issued. During 2002, Scania issued two private bonds totalling SEK 210 m., divided into a zero coupon bond of SEK 80 m. maturing in 2007 and a coupon bond of SEK 130 m. maturing in 2005.

A European Medium Term Note programme was established during 2001. Under this programme, Scania can take out loans in the international capital market. At year-end, the ceiling was EUR 1,500 m. Within this programme, during 2002 Scania issued a public bond of EUR 500 m., which runs until March 2007. In 2001, when the programme was established, Scania issued a public bond of EUR 550 m. that matures in December 2008. In addition, during 2002 a smaller bond of EUR 30 m. was issued, resulting in a total issue amount of EUR 1,080 m. within a ceiling of EUR 1,500 m.

Scania also has short-term borrowing in the form of commercial paper in Sweden and Belgium, with maximum amounts of SEK 6,000 m. and EUR 400 m., respectively. At year-end, SEK 1,096 m. of the Swedish programme only had been utilised.

In addition to the above programmes, Scania has also taken out loans, in the form of private placements, totalling SEK 4,586 m. The company has also taken out loans totalling SEK 5,289 m. in smaller amounts, with varied maturities.



Net debt	2002	2001	2000
Cash, bank balances and short-term investments	4,339	4,107	3,581
Short-term borrowings	-6,933	-14,504	-11,986
Long-term borrowings	-22,514	-18,908	-15,372
Total	-25,108	-29,305	-23,777
Of which, attributable to Customer Finance operations	-20,800	-21,515	-15,996
Net debt excluding Customer Finance operations	-4,309	-7,790	-7,781

### NOTE 19 Accrued expenses and prepaid income

	2002	2001	2000
Accrued financial expenses	567	431	325
Customary accrued expenses and prepaid income	3,897	3,440	2,891
Prepaid income in operating leases <sup>1</sup>	2,306	2,271	2,091
Total	6,770	6,142	5,307

1 Since the first quarter of 2001, Scania has applied recommendation RR11 of the Swedish Financial Accounting Standards Council. This means that when selling vehicles with repurchase obligations or when selling with a guaranteed residual value, the customer's payment is reported as prepaid income and the vehicle as an operating lease. The vehicle is then depreciated and the payment is reported as income successively during the obligation period.

### NOTE 20 Assets pledged

	2002	2001	2000
Real estate mortgages	191	231	240
Receivables	-	2	5
Total	191	233	245

All assets pledged consisted of collateral for the Group's own liabilities. In 2002, all collateral was pledged to credit institutions and was divided between SEK 10 m. in short-term borrowings and SEK 181 m. in long-term borrowings.

### NOTE 21 Contingent liabilities

	2002	2001	2000
Contingent liability related to FPG credit insurance	185	27	27
Contingent liability related to FPG credit insurance (associated companies)	-	159	147
Loan guarantees	43	92	144
Discounted bills and contracts	72	140	133
Other guarantees	380	437	430
Total	680	855	881

In addition to the above contingent liabilities, the Group has issued vehicle repurchase guarantees worth SEK 493 m. (804 and 727, respectively) to customers' creditors.

Repurchase obligations related to guaranteed residual values in operating leases amounted to SEK 6,077 m. (7,413 and 5,449, respectively).

The Group is party to legal proceedings and related claims that are normal in the type of operations it engages in. However, Scania management has made the assessment that the ultimate resolution of these proceedings will not have any material impact on the Group's financial position.

### NOTE 22 Consolidated statement of cash flow

Items not affecting cash flow	2002	2001	2000
Depreciation	2,093	2,157	1,999
Value adjustment, short-term leasing	152	161	44
Unrealised exchange rate differences	53	-58	-66
Bad debts	207	263	61
Associated companies	11	28	-143
Taxes	423	-306	68
Deferred profit recognition, operating leases	-364	-120	154
Reported capital gain/loss on divestment of businesses	-534	5	-21
Other	0	-6	-99
Total	2,041	2,124	1,997

### Change in working capital

Interest-bearing long-term receivables	-58	97	-32
Other receivables	281	1,876	-1,362
Inventories	-918	475	74
Provisions for pensions	171	153	75
Advance payments from customers	152	185	-40
Trade creditors	162	-519	699
Other liabilities and provisions	982	-372	170
Total	772	1,895	-416

### Net investments excluding acquisitions/divestments of businesses

Investments in fixed assets <sup>1</sup>	-3,363	-2,405	-1,968
Divestments of fixed assets	442	527	447
Total	-2,921	-1,878	-1,521

1 Of which, SEK 573 m. for development expenditures capitalised in 2002.

### Net investment through acquisitions/divestments of businesses

Proceeds from sale of shares (after subtracting liquid assets in divested businesses) <sup>2</sup>	1,350	-42	24
Acquisitions of businesses <sup>2</sup>	-185	-887	-53
Investment in convertible debenture loans <sup>3</sup>	-	-	-428
Total	1,165	-929	-457

### Change in net debt through financing activities

Net change in short-term borrowings	-5,814	-782	-2,070
Repayment of long-term borrowings	-4,983	-1,248	-190
Increase in long-term borrowings	8,984	4,032	4,221
Net change in restricted deposits	0	117	59
Total	-1,813	2,119	2,020

Interest and taxes paid	2002	2001	2000
Interest received during the year	260	294	415
Interest paid during the year	-721	-1,035	-882
Taxes paid during the year	-573	-1,049	-1,373
Dividends received from associated companies	25	70	98

2 During 2002, Scania acquired businesses in Slovakia and Sweden as well as distribution rights in Argentina. During the year, Scania divested its holding in Swedish car operations and the Silkeborg bus business in Denmark. The value of the liabilities and assets acquired/divested was as follows:

Assets and liabilities attributable to acquisitions/divestments of subsidiaries and other business units	Acquisitions	Divestments
Tangible and intangible fixed assets	257	-390
Inventories	12	-453
Receivables	84	-280
Liquid assets	61	-21
Borrowings	49	284
Other liabilities and provisions	-182	637
Shares in associated companies and other companies	10	-
Gain/loss from divestments of businesses	-	-534
Carrying amount of previously owned holdings in new Group company	-45	-614
Purchase price paid/sale price received	246	-1,371
Liquid assets in acquired/divested businesses	-61	21
Impact on consolidated liquid assets and short-term investments	185	-1,350

3 Refers to two Brazilian dealership companies that were acquired in their entirety in January 2001.

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

<b>Wages, salaries and other remuneration</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Operations in Sweden:			
Boards of Directors, Presidents and Executive Vice Presidents	44	41	53
– Of which bonuses	11	14	25
Other employees	3,229	3,139	3,155
Operations outside Sweden:			
Boards of Directors, Presidents and Executive Vice Presidents	143	164	132
– Of which bonuses	12	20	15
Other employees	3,751	3,949	3,288
<b>Total</b>	<b>7,167</b>	<b>7,293</b>	<b>6,628</b>
Pension costs and other mandatory payroll fees	2,509	2,866	2,358
Of which pension costs <sup>1</sup>	656	728	485
Total wages, salaries and remuneration, pension costs and other mandatory payroll fees	9,676	10,159	8,986
<b>Number of employees, 31 December</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
European operations			
Production and corporate units	14,250	13,403	14,093
Commercial companies	9,798	10,688	9,391
<b>Total European operations</b>	<b>24,048</b>	<b>24,091</b>	<b>23,484</b>
Latin American operations	3,877	4,199	3,688
Customer Finance operations	305	251	194
<b>Total</b>	<b>28,230</b>	<b>28,541</b>	<b>27,366</b>
– of which employees on temporary contracts	672	766	1,857

1 Of the pension cost in the consolidated financial statements, SEK 35 m. (25 and 25, respectively) was for Boards of Directors and Presidents in the Scania Group. At year-end, the total pension commitment was SEK 82 m. for this category.

<b>Wages, salaries and other remuneration, pension costs and other mandatory payroll fees by country</b>	<b>2002</b>			<b>2001</b>			<b>2000</b>			
	<b>Wages, salaries and other remuneration</b>	<b>Mandatory payroll fees</b>	<b>(of which pensions)</b>	<b>Wages, salaries and other remuneration</b>	<b>Mandatory payroll fees</b>	<b>(of which pensions)</b>	<b>Wages, salaries and other remuneration</b>	<b>Mandatory payroll fees</b>	<b>(of which pensions)</b>	
Operations in Sweden:	3,273	1,659	(440)	3,180	1,878	(538)	3,208	1,543	(320)	
Operations outside Sweden:										
The Netherlands	721	138	(52)	689	138	(36)	355	78	(31)	
Great Britain	613	89	(31)	578	92	(33)	517	73	(25)	
Norway	326	55	(15)	303	49	(11)	262	32	(6)	
Brazil	316	106	(0)	441	171	(0)	489	172	(0)	
Germany	308	67	(11)	309	66	(7)	218	47	(9)	
France	260	139	(41)	242	140	(41)	200	117	(34)	
Finland	193	64	(35)	186	62	(33)	177	62	(33)	
Austria	156	1	(1)	156	1	(1)	131	2	(2)	
Belgium	145	47	(0)	142	53	(0)	148	49	(0)	
Switzerland	122	27	(0)	122	26	(0)	110	22	(0)	
40 countries with < SEK 100 m. <sup>2</sup>	734	117	(30)	945	190	(28)	813	161	(25)	
<b>Total, operations outside Sweden</b>	<b>3,894</b>	<b>850</b>	<b>(216)</b>	<b>4,113</b>	<b>988</b>	<b>(190)</b>	<b>3,420</b>	<b>815</b>	<b>(165)</b>	
<b>Group total</b>	<b>7,167</b>	<b>2,509</b>	<b>(656)</b>	<b>7,293</b>	<b>2,866</b>	<b>(728)</b>	<b>6,628</b>	<b>2,358</b>	<b>(485)</b>	
<b>Average number of employees (excluding employees on temporary contracts)</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>				<b>2002</b>	<b>2001</b>	<b>2000</b>	
Operations in Sweden:										
Average number of employees	10,798	11,924	12,060				296	309	150	
Operations outside Sweden:										
Number of countries	50	49	43				296	275	272	
Average number of employees	15,170	15,057	13,556				277	290	295	
<b>Total number of employees</b>	<b>25,968</b>	<b>26,981</b>	<b>25,616</b>				275	160	108	
							272	261	230	
							253	163	121	
							217	486	551	
							183	181	174	
							180	127	107	
							134	130	102	
							107	98	77	
							103	107	87	
							27 countries with < 100 employees <sup>3</sup>	937	819	645
<b>Total, operations outside Sweden</b>	<b>15,170</b>	<b>15,057</b>	<b>13,556</b>				<b>15,170</b>	<b>15,057</b>	<b>13,556</b>	
– of whom men	9,054	10,182	10,333				13,332	13,332	11,987	
– of whom women	1,744	1,742	1,727				1,838	1,725	1,569	
<b>Total, average number of employees</b>	<b>25,968</b>	<b>26,981</b>	<b>25,616</b>				<b>25,968</b>	<b>26,981</b>	<b>25,616</b>	

2 In 2001, 37 countries had less than SEK 100 m. in wages, salaries and other remuneration. In 2000, the figure was 31 countries.

3 In 2001 and 2000, 27 and 22 countries, respectively, had fewer than 100 Scania employees.

## NOTE 24 Information regarding compensation to executive officers and auditors

According to the decision of the Annual Meeting, remuneration during 2002 to the external members of the Board of Directors elected by the Annual Meeting amounted to SEK 2,625,000. The Chairman received remuneration of SEK 700,000.

Beyond the customary remuneration to the Board, no compensation from Scania was paid to the members of the Board who are not employees of the company.

Scania's incentive programme for executive officers, among them the President and CEO, which was approved by the Board in 1997, is based on operating return, defined as Scania Group net income after subtracting the cost of shareholders' equity.

The programme consists of a portion that is related to Scania's ability to increase its operating return as defined according to the preceding paragraph (maximum 67.5 percent of fixed salary) from one year to another. The second component in the incentive programme is related to actual ability to generate a return during the year in question, all provided that the return calculated according to the preceding paragraph is positive (maximum 150 percent of fixed salary). As indicated, both components are designed in such a way that they contain an upper limit for the compensation that is payable according to the programme, which situation has never occurred.

The outcome of the incentive programme for the period 1997–2001 for the members of the Executive Board, among them the President, has fluctuated from zero to 88 percent of fixed salary. The outcome for the period has, on average, amounted to 44 percent of fixed salary.

The incentive programme resulted in a positive outcome for 2002, which will be settled during 2003. For the President the programme resulted in SEK 6,622,500. The corresponding total for other Group Management executive officers amounts to SEK 38,742,877. The programme did not lead to any outcome for 2001.

The salary paid to the President during 2002 (including taxable benefits) totalled SEK 5,132,408. His fixed salary of SEK 5,000,000 has remained unchanged since 2000. As from 2003, the fixed annual salary for the President is adjusted to SEK 5,800,000.

Group Management executive officers, including the President, are covered by a defined contribution pension system that is in addition to the public pension and the ITP occupational pension, with a retirement age of 65.

According to this defined contribution system, benefits accrue by means of annual payment of premiums by the company. Added to this is the value of annual individual employee co-payments, amounting to 5 percent of fixed salary.

The annual company-paid premium for the President according to his pension agreement amounts to 35 percent of fixed salary – SEK 1,750,000 for 2002 – for as long as the President remains an employee of the company.

The annual company-paid premium for other members of the Executive Board – excluding the President – varies between 27 and 31 percent of fixed salary. The premium for other members of the Group Management varies between 11 and 21 percent of annual fixed salary.

The President holds since 1999 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 220,000 shares in Scania AB at a price of SEK 196 per share. Scania's costs for this programme are known and were charged to earnings earlier. The option carries an entitlement to purchase existing Series B shares from Investor AB and thus will not lead to any risk or dilution for Scania's shareholders.

If the President resigns of his own volition, he is entitled to his salary for a six month notice period.

In light of the complex ownership structure of Scania AB the Board's committee for remuneration issues during 2001 approved a five-year employment agreement with the President. The new agreement, which stipulates the conditions of the President's employment until 30 March 2006, prescribes that an annual extra pension provision of SEK 4,410,000 will be made during each of the five years even if employment should cease due to termination by the company. In such a case, the other agreed salary and incentive benefits will also be provided for the period. As a consequence

of this agreement, a pension provision of SEK 4,410,000 was made during 2002.

The employment agreement with the President will end automatically twelve months after Volkswagen AG has reduced its holding in Scania AB – direct or indirect – so that it is below 5 percent. In such a case, the above-stated benefits shall be provided.

The other members of the Executive Board, if the company terminates their employment, 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.

Compensation issues for the President and the Executive Board are decided by the Board after preparation by the Remuneration Committee, which consists of Dr. Bernd Pischetsrieder, Chairman; Peggy Bruzelius; Rolf Stomberg; and Clas Åke Hedström. During 2002 this committee had one meeting.

Salaries and compensation to the Chairman of the Board, the President and Group Management executive officers are shown in the following table (excluding employers' contribution according to law):

SEK	Fixed salary/ Board remuneration	Outcome, incentive 2002	Pension cost, defined contribution system	Pension cost, defined benefit system (ITP)	Other remuneration	Summary
Chairman of the Board	700,000					700,000
President and CEO	5,116,063	6,622,500	6,385,556	140,821	16,345	18,281,285
Executive officers in the Group Management incl the Executive Board (21 persons)	32,410,728	38,742,877	8,862,185	5,694,711	2,162,934	87,873,435

**Fixed salary/ Board remuneration:** corresponds to legal information to tax authorities.

**Pension cost, defined-contribution system:** annual company paid premium and individual employee co-payment according to the DC Pension System for Executives and ITPK (defined contribution portion of the ITP occupational pension).

**Pension cost, defined-benefit system (ITP):** risk insurance premium and the increase of book reserved old age pension according to the ITP occupational pension.

**Other remuneration:** taxable portion of car allowance, newspaper subscriptions etc.

**Retirement:** the retirement age according to agreements is 60 for the Executive Board including the President and 62 for executives in the Group Management.

Fees and other compensations to external auditors reported as expenses during the year are shown in the following table, SEK m.:

Auditors firm	2002		2001	
	Auditing assignments	Other assignments	Auditing assignments	Other assignments
KPMG	20	10	18	5
Ernst & Young	5	2	5	3
Other auditors	13	12	11	7
Total	38	24	34	15

### NOTE 25 Net assets outside Sweden

Net assets outside Sweden consist of net Group-external assets in foreign subsidiaries and net foreign Group-external receivables and liabilities of Swedish companies that are not hedged by funding in the corresponding currency.

Currency	2002	2001	2000
<b>Europe</b>			
EUR	5,675	5,154	5,383
GBP	863	717	719
Other European currencies	1,051	1,091	1,130
<b>Latin America</b>			
USD	-237	-701	477
Real, peso and other local currencies	2,659	3,512	3,097
<b>Other countries</b>			
USD	340	87	111
Other currencies	1,046	690	559
Total	11,397	10,550	11,476

Of these net assets, SEK 2,350 m. consisted of tangible fixed assets translated at historical exchange rates. About SEK 570 m. of net foreign assets were hedged by forward contracts. SEK 350 m. was in EUR and SEK 220 m. in USD.

Comparative figures for 2001 have been adjusted due to acquisitions of businesses.

For information on accumulated exchange rate differences that are reported directly against shareholders' equity, see Note 15.

### NOTE 26 Currency exposure in operating income

The net amount of operating revenues and operating expenses in European operations exposed to foreign currencies, by region/country.

	2002	2001	2000
Europe			
EMU countries (EUR)	5,324	5,132	6,856
Great Britain (GBP)	3,334	2,730	3,290
Other western Europe (local currencies)	1,896	2,058	1,784
Central and eastern Europe (local currencies, EUR)	2,436	2,081	1,552
Total Europe	12,990	12,001	13,482
Asia/Oceania (USD, AUD, EUR, KRW)	2,757	1,945	1,871
Africa (USD, ZAR, EUR)	626	578	517
Latin America (USD) <sup>1</sup>	-537	506	239
Total, Europe	15,836	15,030	16,109

<sup>1</sup> This amount reflects the exposure of European operations to Latin America.

Compared to 2001, the operating income of European operations was influenced positively by currency rate effects totalling about SEK 800 m. Currency hedging affected the year's earning by SEK 500 m. (-775).

Local currencies in Latin America have fluctuated sharply, with sizeable price and cost changes as a result. For this reason, a description of exposure in local currencies is not relevant and has thus been omitted from the above table.

In Latin American operations, the effect was estimated at SEK 400 m.

### NOTE 27 Effect of exchange rate differences on net income

The amounts that affected 2002 net income were exchange rate gains minus exchange rate losses on the difference between the invoice exchange rate and the exchange rate on the payment date for receivables and liabilities, plus exchange rate differences that arose from applying the monetary/ non-monetary-method.

Net income in 2002 was affected by exchange rate differences as presented in the following table:

	2002	2001
Sales	45	243
Cost of goods sold	2	-132
Selling expenses	26	53
Income from Customer		
Finance operations	3	2
Operating income	276	166
Financial income and expenses	-160	-25
Taxes	-14	-83
Effect on net income	-98	58

For information on accumulated exchange rate differences that are accounted for directly in shareholders' equity, see Note 15.



# THE PARENT COMPANY

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

## NOTE 1 Financial income and expenses

	2002	2001	2000
<b>Interest income</b>			
From subsidiaries	102	107	54
Other	12	0	–
Sub-total	114	107	54
<b>Interest expenses</b>			
To subsidiaries	–	–	–2
Other	0	–2	–10
Sub-total	0	–2	–12
Exchange rate differences on forward exchange contracts on hedging net assets of foreign subsidiaries	68	–54	–55
Total financial income and expenses	182	51	–13
Dividends	1,000	–	–
Net financial items	1,182	51	–13

## NOTE 2 Taxes

	2002	2001	2000
Current tax	–121	–273	–711
Total	–121	–273	–711

SEK +121 m., has been reported directly against shareholders' equity. The tax payable amounts to zero.

## NOTE 4 Shareholders' equity

	Share capital	Statutory reserve	Unrestricted shareholders' equity	Total
2001				
Balance, 1 January	2,000	1,120	8,450	11,570
Dividend to shareholders			–1,400	–1,400
Net income for 2001			703	703
Balance, 31 December 2001	2,000	1,120	7,753	10,873
<b>2002</b>				
Balance, 1 January	2,000	1,120	7,753	10,873
Dividend to shareholders			–700	–700
Group contributions			–310	–310
Net income for 2002			1,311	1,311
<b>Balance, 31 December 2002</b>	<b>2,000</b>	<b>1,120</b>	<b>8,054</b>	<b>11,174</b>

## NOTE 5 Untaxed reserves

	2002	2001	2000
Tax allocation reserve			
1996 assessment			601
1997 assessment		250	250
1998 assessment	284	284	284
1999 assessment	637	637	637

## NOTE 3 Shares in Group companies

Subsidiary/corporate ID number/country of registration	% ownership	Carrying amount 2002	Carrying amount 2001	Carrying amount 2000
Scania CV AB, 556084-0976, Sweden	100,0	8,401	8,401	8,401
Scania Latin America Ltda, 635,010,727,112, Brazil	100,0	2,257	2,257	2,257
Scania Argentina S.A. 30-51742430-3, Argentina	73,6 <sup>1</sup>	298	298	298
Scania del Peru S.A. 101, 36300, Peru	5,2 <sup>1</sup>	15	15	15
Total <sup>2</sup>		10,971	10,971	10,971

<sup>1</sup> The Group's ownership interest is 100 percent.

<sup>2</sup> The acquisition value of these shares for tax purposes is significantly lower than their book value.

	2002	2001	2000
2000 assessment	705	705	705
2001 assessment	634	634	634
2002 assessment	326	326	
Total	2,586	2,836	3,111

SEK 724 m. (794 and 871, respectively) of "Untaxed reserves" consists of a deferred tax liability, which is part of the Scania Group's deferred tax liabilities.

## NOTE 6 Contingent liabilities

	2002	2001	2000
Contingent liability related to FPG credit insurance (Group companies)	1,457	1,456	1,377
Contingent liability related to FPG credit insurance (associated companies)	–	159	148
Loan guarantees on behalf of Group companies <sup>1</sup>	25,228	25,257	17,951
Total	26,685	26,872	19,476

<sup>1</sup> Most of this item is related to loan guarantees on behalf of borrowings by Scania CV AB.

## NOTE 7 Information regarding compensation to executive officers and auditors

The President of Scania AB and the other members of the executive management 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. Compensation of SEK 18,000 was paid to independent auditors in 2002 with respect to the Parent Company.

A complete list of subsidiaries and associated 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.

# Proposed distribution of earnings

The Scania Group's unrestricted shareholders' equity according to the consolidated balance sheet amounts to SEK 10,323 m., of which net income for the year is SEK 2,739 m. The Board of Directors and the President propose that the following amounts at the disposal of the Annual Meeting:

Södertälje, 31 January 2003

SEK m.	
Retained earnings	6,743
Net income for the year	1,311
Total	8,054

Dr. Bernd Pischetsrieder  
*Chairman*

be distributed as follows:

To the shareholders, a dividend of SEK 5.50 per share	1,100
To be carried forward	6,954
Total	8,054

Peggy Bruzelius

Clas Åke Hedström

Rolf Stomberg

Lothar Sander

Kjell Wallin

Marcus Wallenberg

Dr. Ferdinand Piëch

Cees J.A. van Lede

Jan Westberg

Leif Östling  
*President and CEO*

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	6,954
Total	10,074

*Our auditors' report was submitted 3 March 2003*

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 President of Scania AB (publ.) for the financial year 2002. These accounts and the administration of the company are the responsibility of the Board of Directors and the President. 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 President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts 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 Annual 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 of the Directors and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Södertälje, 3 March 2003

Caj Nackstad  
*Authorised*  
*Public Accountant*  
KPMG Bohlins AB

Gunnar Widhagen  
*Authorised*  
*Public Accountant*  
Ernst & Young AB

# Sales and income by quarter

	January–March			April–June			July–September			October–December		
	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000
<b>Deliveries, units</b>												
Trucks	9,132	10,893	12,054	10,198	11,833	13,557	8,435	9,166	10,900	12,130	11,767	15,807
Buses	908	834	952	858	1,261	1,084	730	1,178	869	1,278	1,399	1,269
Total	10,040	11,727	13,006	11,056	13,094	14,641	9,165	10,344	11,769	13,408	13,166	17,076
<b>Sales, SEK m.</b>												
European operations	10,127	10,101	9,540	11,171	10,909	10,372	9,485	9,182	8,142	12,436	12,304	12,043
Latin American operations	1,114	1,260	1,120	909	1,570	1,421	1,208	1,387	1,619	1,399	1,589	1,944
Less intra-Group sales	-194	-279	-305	-267	-276	-417	-600	-275	-436	-648	-259	-303
Total Scania products	11,047	11,082	10,355	11,813	12,203	11,376	10,093	10,294	9,325	13,187	13,634	13,684
Car operations	1,440	1,323	1,695	-844	1,585	1,871	288	1,413	1,581	261	1,531	1,511
Scania Group total	12,487	12,405	12,050	10,969	13,788	13,247	10,381	11,707	10,906	13,448	15,165	15,195
<b>Operating income, SEK</b>												
European operations	1,219	1,509	1,500	1,427	1,218	1,457	1,021	920	1,184	1,736	1,419	2,354
Latin American operations	-58	-36	-59	-45	-47	9	41	-118	108	121	-380	244
Customer Finance operations	81	70	38	85	72	42	82	81	46	60	55	53
Research and development	-392	-485	-353	-346	-521	-445	-339	-401	-356	-360	-548	-467
Corporate costs	-126	-115	-77	-129	-125	-79	-96	-98	-110	-139	-114	-280
Total Scania products	724	943	1,049	992	597	984	709	384	872	1,418	432	1,904
Car operations	46	9	56	515	53	67	1	18	29	1	31	123
Scania Group total	770	952	1,105	1,507	650	1,051	710	402	901	1,419	463	2,027
<b>Income after financial items, SEK m.</b>												
	564	819	955	1,366	407	891	532	298	742	1,260	17	1,866
<b>Net income, SEK m.</b>												
	383	573	661	1,076	265	616	372	199	514	908	11	1,289
<b>Earnings per share, SEK</b>												
	1.92	2.87	3.31	5.38	1.33	3.08	1.86	0.99	2.57	4.54	0.05	6.45
<b>Operating margin, percent</b>												
European operations	12.0	14.9	15.7	12.8	11.2	14.0	10.8	10.0	14.5	14.0	11.5	19.5
Latin American operations	-5.2	-2.9	-5.3	-5.0	-3.0	0.6	3.4	-8.5	6.7	8.6	-23.9	12.6
Scania products	6.6	8.5	10.1	8.4	4.9	8.6	7.0	3.7	9.4	10.8	3.2	13.9
Car operations	3.2	0.7	3.3	-	3.3	3.6	0.3	1.3	1.8	0.4	2.0	8.1
Total	6.2	7.7	9.2	-	4.7	7.9	6.8	3.4	8.3	10.6	3.1	13.3



# Key financial ratios and definitions

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

	2002	2001	2000
Earnings per share, SEK	<b>13.70</b>	5.24	15.40
Return on shareholders' equity, %	<b>17.2</b>	6.5	21.6
Profit margin, %	<b>9.2</b>	4.7	10.5
Capital turnover rate, times	<b>1.71</b>	1.80	1.88
Return on capital employed, %	<b>15.8</b>	8.4	19.7
Debt/equity ratio	<b>0.25</b>	0.49	0.50
Interest coverage ratio, times	<b>4.9</b>	2.2	5.0
Equity/assets ratio, %	<b>25.6</b>	23.4	25.8

## 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

Sales divided by capital employed (total assets less non-interest-bearing liabilities), with Customer Finance operations reported according to the equity accounting 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 accounting method.

## Net debt/equity ratio

Short- and long-term borrowings (excluding pension liabilities and net debt 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	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
<b>Sales by market area</b>												
Western Europe	34,982	35,635	35,370	33,146	28,874	23,102	21,009	21,715	14,880	10,920	11,424	12,218
Central and eastern Europe	3,139	2,624	1,826	1,330	1,814	1,398	827	732	266	195	289	133
Europe	38,121	38,259	37,196	34,476	30,688	24,500	21,836	22,447	15,146	11,115	11,713	12,351
Latin America	3,542	5,576	5,529	4,247	5,974	6,798	4,800	5,742	6,109	4,619	3,040	2,566
Asia	3,123	2,898	2,390	1,118	1,018	1,932	1,740	1,904	1,504	1,171	1,084	2,286
Other markets	2,529	2,364	2,050	1,784	1,907	1,857	1,578	1,623	1,329	1,062	715	787
Revenue deferral, vehicles <sup>1</sup>	-1,175	-1,884	-2,425	-3,066	-2 166	-1 783	-1 160	-568				
Total, Scania products	46,140	47,213	44,740	38,559	37,421	33,304	28,794	31,148	24,088	17,967	16,552	17,990
<b>Sales by area of operations</b>												
European operations	43,219	42,496	40,097	35,041	32,818	27,278	24,496	25,979	18,542	13,651	13,682	15,626
Latin American operations	4,630	5,806	6,104	4,560	6,151	6,973	4,754	5,933	6,108	4,619	3,040	2,566
Less intra-Group sales	-1,709	-1,089	-1,461	-1,042	-1,548	-947	-456	-764	-562	-303	-170	-202
Total, Scania products	46,140	47,213	44,740	38,559	37,421	33,304	28,794	31,148	24,088	17,967	16,552	17,990
Car operations <sup>2</sup>	1,145	5,852	6,658	5,485	5,725	4,632	3,776	3,124	2,560	2,222	1,470	1,399
Total	47,285	53,065	51,398	44,044	43,146	37,936	32,570	34,272	26,648	20,189	18,022	19,389
<b>Operating income</b>												
European operations	5,403	5,066	6,490	6,508	4,821	3,276	3,180	5,521	3,621	1,271	1,807	2,213
Latin American operations	59	-581	302	-55	-402	688	691	413	915	483	242	136
Customer Finance operations	308	278	179	140	91	73	55	98	5	-91	-38	-23
Research and development	-1,437	-1,955	-1,621	-1,267	-1,168	-1,248	-1,084	-923	-805	-783	-738	-761
Corporate costs <sup>4</sup>	-490	-452	-546	-531								
Total, Scania products	3,843	2,356	4,804	4,795	3,342	2,789	2,842	5,109	3,736	880	1,273	1,565
Car operations <sup>2</sup>	563	111	275	250	250	258	215	243	173	121	33	86
Total	4,406	2,467	5,079	5,045	3,592	3,047	3,057	5,352	3,909	1,001	1,306	1,651
<b>Operating margin, percent</b>												
European operations	12.5	7.0	11.5	14.2	11.9	8.5	9.3	17.7	15.2	3.6	7.8	9.3
Latin American operations	1.3	-15.5	0.1	-7.2	-10.8	5.8	10.7	7.0	15.0	10.5	8.0	5.3
Total, Scania products	8.3	5.0	10.7	12.4	8.9	8.4	9.9	16.4	15.5	4.9	7.7	8.7
Car operations <sup>2</sup>	49.3	1.9	4.1	4.6	4.4	5.6	5.7	7.8	6.8	5.4	2.2	6.1
Total	9.3	4.6	9.9	11.5	8.3	8.0	9.4	15.6	14.7	5.0	7.2	8.5
<b>Gross capital expenditure for fixed assets excluding lease assets, renting and goodwill</b>												
European operations	2,940	1,772	1,589	1,522	1,582	1,592	1,908	1,727	1,851	1,209	1,319	1,201
Latin American operations	85	208	236	354	444	974	671	455	298	276	182	107
Total	3,025	1,980	1,825	1,876	2,026	2,566	2,579	2,182	2,149	1,485	1,501	1,308
<b>Inventory turnover rate, times</b>												
Inventory turnover rate, times <sup>3</sup>	6.1	7.2	7.2	6.2	6.5	6.5	5.3	6.6	6.5	4.9	4.3	4.4

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

2 Swedish car operations were divested as per 1 January 2002. See also Note 4.

3 Calculated as sales divided by average inventory.

4 Before 1999, no separate figures for corporate costs.

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
<b>Vehicles produced, units</b>												
European operations												
Trucks	<b>37,052</b>	37,399	44,235	39,794	38,886	33,092	31,316	33,459	23,367	16,014	19,893	23,721
Buses	<b>2,418</b>	2,624	2,118	2,528	2,818	2,817	2,326	2,373	1,542	1,176	1,557	1,321
Latin American operations												
Trucks	<b>4,381</b>	6,088	7,174	5,985	6,660	10,463	7,139	8,515	8,570	6,610	4,587	4,234
Buses	<b>1,294</b>	2,040	2,054	1,175	1,697	1,769	1,575	2,091	1,303	1,393	2,533	2,626
<b>Total</b>	<b>45,145</b>	48,151	55,581	49,482	50,061	48,141	42,356	46,438	34,782	25,193	28,570	31,902
<b>Trucks delivered by market area, units</b>												
Western Europe	<b>28,335</b>	30,416	38,476	36,106	32,686	26,756	26,249	26,596	17,814	13,052	16,366	18,463
Central and eastern Europe	<b>3,099</b>	2,579	2,287	1,551	2,237	1,833	1,030	951	312	248	507	260
Latin America	<b>3,633</b>	6,181	6,777	6,253	7,621	9,649	7,377	7,964	8,713	6,678	4,734	4,293
Asia	<b>3,486</b>	2,994	3,438	1,481	1,410	3,096	2,997	3,329	2,818	2,256	2,440	5,530
Other markets	<b>1,342</b>	1,489	1,340	1,260	1,599	1,058	1,375	1,627	1,178	851	611	587
<b>Total</b>	<b>39,895</b>	43,659	52,318	46,651	45,553	42,392	39,028	40,467	30,835	23,085	24,658	29,133
<b>Buses and coaches delivered by market area, units</b>												
Western Europe	<b>1,618</b>	1,701	1,618	1,935	1,731	1,595	1,655	1,642	983	835	879	1,067
Central and eastern Europe	<b>126</b>	127	84	67	106	95	83	45	40	35	16	2
Latin America	<b>958</b>	1,595	1,843	1,237	1,697	1,829	1,641	1,878	1,287	1,459	2,677	2,493
Asia	<b>440</b>	666	278	160	78	308	309	304	140	133	249	144
Other markets	<b>632</b>	583	351	364	505	757	275	301	237	215	355	276
<b>Total</b>	<b>3,774</b>	4,672	4,174	3,763	4,117	4,584	3,963	4,170	2,687	2,677	4,176	3,982
<b>Total market for heavy trucks and buses, units</b>												
Western Europe												
Trucks	<b>211,700</b>	235,000	243,700	235,900	207,300	170,300	172,000	173,300	133,300	114,100	149,000	170,000
Buses	<b>22,300</b>	23,500	23,500	22,400	21,000	18,000	17,500	15,600	13,400	15,300	16,500	17,200
Brazil												
Trucks	<b>16,975</b>	18,046	17,341	13,456	15,763	17,861	13,682	19,299	18,931	13,938	8,402	9,389
Buses	<b>9,301</b>	10,833	10,626	8,057	13,438	13,424	15,087	16,969	12,266	11,073	13,222	16,220
<b>Number of employees<sup>5</sup></b>												
European operations												
Production companies	<b>14,250</b>	13,403	14,093	13,532	13,485	13,197	13,004	14,364	12,374	10,493	11,417	12,736
Commercial companies	<b>9,798</b>	10,688	9,391	9,001	6,194	6,160	4,877	4,050	3,694	3,823	4,278	4,043
<b>Total, European operations</b>	<b>24,048</b>	24,091	23,484	22,533	19,679	19,357	17,881	18,414	16,068	14,316	15,695	16,779
Latin American operations	<b>3,877</b>	4,199	3,688	3,660	3,714	4,299	4,250	4,520	4,285	4,217	4,433	4,941
Customer Finance operations	<b>305</b>	251	194	166	144	107	75	90	72	60	65	52
<b>Total</b>	<b>28,230</b>	28,541	27,366	26,359	23,537	23,763	22,206	23,024	20,425	18,593	20,193	21,772

<sup>5</sup> Including employees with temporary contracts.



**Dr. Bernd Pischetsrieder**

Born 1948  
 Chairman since 2002.  
 Chairman of the Board of Management of Volkswagen AG.  
 Other directorships:  
 Audi AG, SEAT, S. A., Dresdner Bank AG, Frankfurt, Metro AG, Münchener Rückversicherungs-Gesellschaft AG and Tetra-Laval Group.  
 Shares in Scania: 0



**Clas Åke Hedström**

Born 1939.  
 Vice Chairman since 2002.  
 Member since 1995.  
 Chairman of Sandvik AB.  
 Other directorships:  
 AB SKF and Association of Swedish Engineering Industries.  
 Shares in Scania: 1,000



**Leif Östling**

Born 1945.  
 Member since 1994.  
 President and CEO of Scania AB.  
 Other directorships:  
 BT Industries AB, Eldon Thule and ADR Haanpää.  
 Shares in Scania: 50,025



**Dr. Ferdinand Piëch**

Born 1937.  
 Chairman 2000–2002.  
 Member since 2002.  
 Chairman of the Supervisory Board of Volkswagen AG.  
 Other directorships:  
 Dr. Ing. h.c. F. Porsche AG, Porsche Holding GmbH, Salzburg and Porsche GesmbH, Salzburg.  
 Shares in Scania: 0



**Lothar Sander**

Born 1950. Member since 2000.  
 Member of the Board of Management of the Volkswagen Brand.  
 Other directorships:  
 Flughafen Braunschweig GmbH and TAS Tvrnica Automobilia Sarajevo GmbH, as well as a number of directorships in subsidiaries of the Volkswagen Group.  
 Shares in Scania: 0



**Marcus Wallenberg**

Born 1956. Member since 1994.  
 President and CEO of Investor AB.  
 Vice Chairman of Telefon AB L M Ericsson and Vice Chairman of Saab AB. Deputy Chairman of SEB.  
 Other directorships:  
 AstraZeneca UK, Stora Enso Oy and the Knut and Alice Wallenberg Foundation.  
 Shares in Scania: 51,100





**Dr. Rolf Stomberg**

Born 1940. Member since 1998.  
 Chairman of Management Consulting Group PLC, Great Britain.  
 Other directorships:  
 Reed Elsevier PLC, Great Britain,  
 Smith & Nephew PLC, Great Britain,  
 Cordiant Communications PLC, Great Britain, TPG Group, The Netherlands,  
 Stinnes AG, Germany and Deutsche BP Aktiengesellschaft.  
 Shares in Scania: 1,000



**Kjell Wallin**

Born 1943.  
 Member since 1998.  
 Representative of the Metal Workers' Union at Scania  
 Shares in Scania: 0

◀ **Peggy Bruzelius**

Born 1949. Member since 1998.  
 Chairman of Grand Hotel Holdings AB and Lancelot Asset Management AB.  
 Vice Chairman of the Royal Academy of Engineering Sciences.  
 Other directorships:  
 Electrolux AB, Industry and Commerce Stock Exchange Committee, Securities Council, Axel Johnson AB, AB Ratos, Drott AB, Axfood AB and Syngenta AG.  
 Shares in Scania: 2,000



**Jan Westberg**

Born 1944.  
 Member since 1996.  
 Representative of the Federation of Salaried Employees in Industry and Services at Scania.  
 Shares in Scania: 0



**Niclas Wilhelmsson**

Born 1965.  
 Deputy Member since 2003.  
 Representative of the Metal Workers' Union at Scania.  
 Shares in Scania: 0



**Cees J. A. van Lede**

Born 1942. Member since 1999.  
 CEO of Akzo Nobel. Other directorships:  
 Dutch Central Bank, Heineken, International Council JP Morgan and Sara Lee Corporation, USA.  
 Shares in Scania: 0



**Katrin Rosenqvist**

Born 1960.  
 Deputy Member since 2001.  
 Representative of the Federation of Salaried Employees in Industry and Services at Scania.  
 Shares in Scania: 166

**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

## Executive Board



### Leif Östling

Born 1945.  
 Joined Scania in 1972.  
 President and CEO  
 Shares in Scania: 50,025  
 Reporting to Leif Östling:  
 Industrial and Marine  
 Engines, Latin American  
 Operations.



### Kaj Lindgren

Born 1945.  
 Joined Scania in 1977,  
 employed until 1984.  
 Rejoined Scania in 1989.  
 Group Vice President,  
 Chief of Staff, CoS, Head  
 of Corporate Development  
 Shares in Scania: 0  
 Reporting to Kaj Lindgren:  
 Business Communications,  
 Corporate Human  
 Resources, General Counsel,  
 and certain corporate staff  
 units.



### Jan Gurander

Born 1961.  
 Joined Scania in 1995,  
 employed until 1999.  
 Rejoined Scania in 2001.  
 Group Vice President,  
 Chief Financial Officer,  
 CFO, Head of Finance  
 and Business Control  
 Shares in Scania: 0  
 Reporting to Jan Gurander:  
 Corporate Control,  
 Customer Finance,  
 Finance, and certain  
 corporate staff units.

### Per Hallberg

Born 1952.  
 Joined Scania in 1977.  
 Group Vice President,  
 Head of Production and  
 Procurement  
 Shares in Scania: 0  
 Reporting to Per Hallberg:  
 Chassis and Cab  
 Production, Powertrain  
 Production, Purchasing.



### Hasse Johansson

Born 1949.  
 Joined Scania in 2001.  
 Group Vice President,  
 Head of Research and  
 Development  
 Shares in Scania: 0  
 Reporting to Hasse  
 Johansson: Truck, Cab and  
 Bus Chassis Development,  
 Powertrain Development.

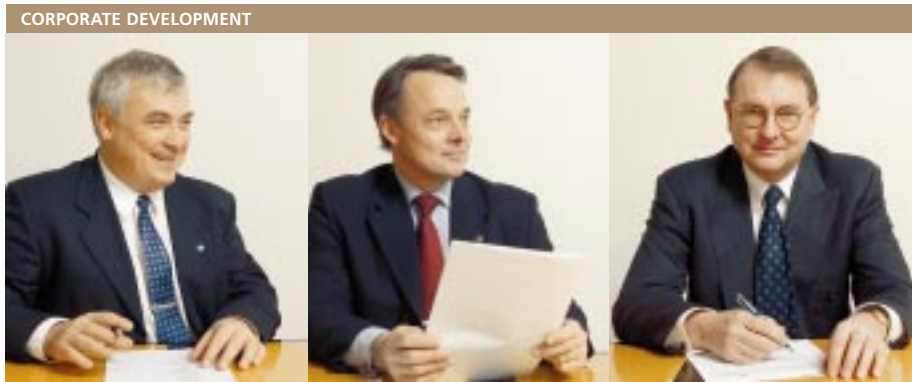


### Gunnar Rustad

Born 1949.  
 Joined Scania in 1997.  
 Group Vice President,  
 Head of Sales and  
 Services  
 Shares in Scania: 0  
 Reporting to Gunnar  
 Rustad: Global Sales  
 and Services, Trucks,  
 Buses and Coaches,  
 Services.



# Corporate Units



**Magnus Hahn**  
 Born 1955.  
 Joined Scania in 1985.  
 Senior Vice President  
 Business Communications  
 Shares in Scania: 0

**Hans Narfström**  
 Born 1951.  
 Joined Scania in 1977.  
 Senior Vice President  
 Human Resources  
 Shares in Scania: 13

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



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

**Claes Jacobsson**  
 Born 1958.  
 Joined Scania in 1999.  
 Senior Vice President  
 Customer Finance  
 Shares in Scania: 0



**Urban Johansson**  
 Born 1945.  
 Joined Scania in 1971, employed  
 until 1995. Rejoined Scania in  
 1999. Senior Vice President  
 Powertrain Development  
 Shares in Scania: 600

**Lars Orehall**  
 Born 1947.  
 Joined Scania in 1974.  
 Senior Vice President  
 Truck, Cab and Bus Chassis  
 Development  
 Shares in Scania: 2,000



**Thomas Karlsson**  
 Born 1953.  
 Joined Scania in 1988.  
 Senior Vice President  
 Powertrain Production  
 Shares in Scania: 185

**P O Svedlund**  
 Born 1955.  
 Joined Scania in 1976.  
 Senior Vice President and CIO  
 Purchasing and IS/IT  
 Shares in Scania: 166

**Lars Wrebo**  
 Born 1961.  
 Joined Scania in 1986.  
 Senior Vice President  
 Chassis and Cab Production  
 Shares in Scania: 0

SALES AND SERVICES



**Håkan Ericsson**  
Born 1947.  
Joined Scania in 1975.  
Senior Vice President  
Global Services  
Shares in Scania: 166



**Christoffer Ljungner**  
Born 1950.  
Joined Scania in 1976.  
Senior Vice President  
Sales Overseas  
Shares in Scania: 100



**Robert Sobocki**  
Born 1952.  
Joined Scania in 1978, employed until  
1997. Rejoined Scania in 2002.  
Senior Vice President  
Sales Buses and Coaches  
Shares in Scania: 100

INDUSTRIAL AND MARINE ENGINES



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

LATIN AMERICA



**Hans-Christer Holgersson**  
Born 1953.  
Joined Scania in 1985.  
Senior Vice President  
President of Scania Latin America  
Shares in Scania: 166



The following individuals are available to answer further questions about Scania.

At [www.scania.com](http://www.scania.com) there is in-depth, continuously updated information about Scania's operations. The Annual Report is also posted there in web-format.

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