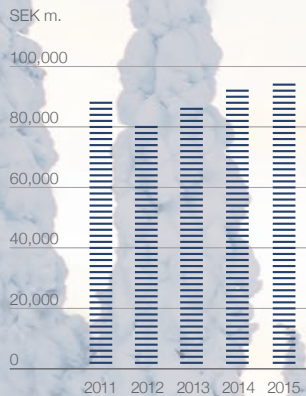


# THE SCANIA REPORT 2015





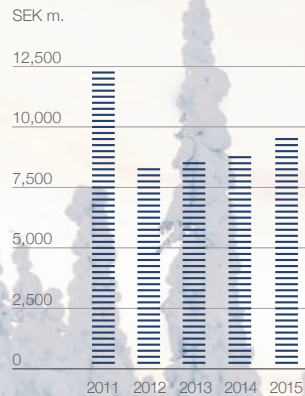
# HIGHLIGHTS



## Net sales

**94,897**

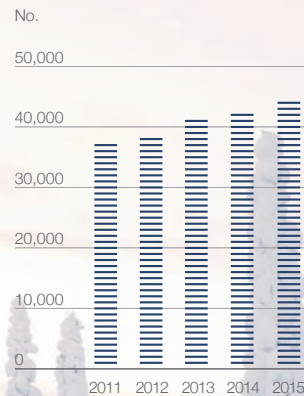
2015 provided a challenging demand situation with vast differences between Scania's major markets. By increasing market share in some markets Scania managed to keep deliveries at a stable level. The service business reached an all time high.



## Operating income

**9,641**

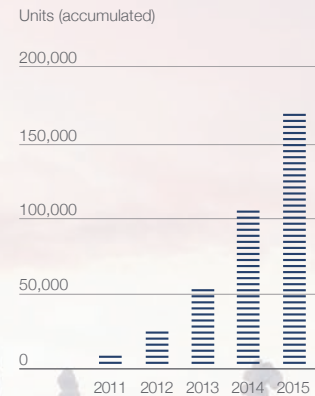
Scania managed to reach a double-digit operating margin in 2015. The market mix, record high service volume, positive currency rate effects and record earnings from Financial Services were partly offset by declining volumes in other markets.



## Number of employees

**44,409**

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



## Connected vehicles

**167,704**

There has been strong growth in deliveries of connected vehicles, an enabler for Scania in increasing support to customers by offering more efficient services. Benefits include lower fuel consumption and emissions, improved traffic safety and optimisation of filling rates and transport routes.

## Information Online

On Scania's corporate website additional information about the company's performance during the year can be found. The website provides truck registration statistics, key financial ratios, sustainability data and more. It is possible to subscribe to financial reports and press releases via e-mail, and to order printed reports in single copies.

Visit [www.scania.com/group/en](http://www.scania.com/group/en)

## Customer profitability at the core

Improving customer profitability, and consequently our own, is core in our business model.

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## CEO statement

Scania's CEO Henrik Henriksson on our performance in 2015 and vision going forward.

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### Creating value

With a holistic view, we strive for solutions that create value to all stakeholders in the value chain.

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### The path to sustainable transport

Sustainable transport is about moving people and goods while contributing to economic and social development.

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This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

We welcome feedback on its contents.

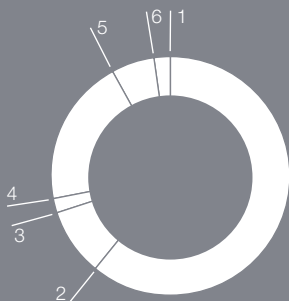
With the aim to be the leader in sustainable transport, at Scania we are building our business while creating value for our customers, employees and society. Delivering customised heavy trucks, buses, engines and services, our focus is on efficient, low-carbon solutions that enhance customer profitability.

# SCANIA AT A GLANCE 2015

## WE OPERATE IN



Net sales by product segment 2015, %

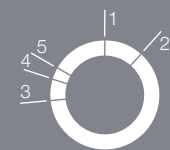


1. Trucks 61%
2. Buses 9%
3. Engines 2%
4. Service 20%
5. Used vehicles 6%
6. Other 2%

Sales and deliveries 2015, geographic distribution, %

### Trucks

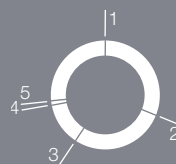
69,762 Units



1. Latin America 12%
2. Europe 62%
3. Africa and Oceania 6%
4. Eurasia 4%
5. Asia 16%

### Buses and coaches

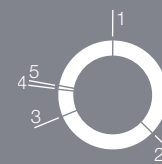
6,799 Units



1. Latin America 31%
2. Europe 28%
3. Africa and Oceania 13%
4. Eurasia 1%
5. Asia 27%

### Engines

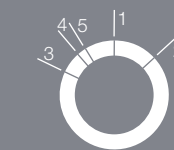
8,485 Units



1. Latin America 38%
2. Europe 31%
3. Africa and Oceania 8%
4. Eurasia 1%
5. Asia 22%

### Services

SEK 20,585 m



1. Latin America 13%
2. Europe 69%
3. Africa and Oceania 6%
4. Eurasia 3%
5. Asia 9%

## WE DELIVER VALUE TO

### Customers:

Driver training

**30,000**

In 2015 Scania trained 30,000 drivers in safe and efficient driving.

### Employees:

Health attendance

**96.3%**

Total global health attendance in 2015 was on a high and stable level of 96.3 percent.

### Suppliers:

Cost of goods

**44,134**

The goods bought from suppliers in 2015 amounted to SEK 44,134 million.

### Owners/lenders:

Return on capital employed

**19.3%**

The return on capital employed in 2015 was stable at 19.3 percent.

### Society:

Investments in R&D

**5,600**

In 2015 Scania invested SEK 5,600 million in research and development.

## WE PROVIDE SOLUTIONS IN

### TRUCKS



Scania supports transport companies across the world by delivering tailor-made heavy trucks used for each customer's need, including long-haulage, distribution and construction.

### BUSES AND COACHES



Scania offers a complete range of city buses and coaches for public transport operators and coach companies. As urbanisation increases, public transport is growing in importance.

### ENGINES



Scania engines can be found at the heart of machines required to be in use 24 hours a day, including wheel loaders, patrol boats and emergency power gensets.

### SERVICES



Scania has an extensive services offering, including workshop services, connected vehicle services, driver training and coaching and quick access to parts to enhance customers' vehicle performance.

For more information, visit [www.scania.com/group/en](http://www.scania.com/group/en)

At the UN Conference on Climate Change, COP21, in December 2015, world leaders committed to limit the global temperature increase to 2°C. This was a milestone – for the climate, and for global society and business. Our industry will play a particularly important role in this challenge.

# CONTINUING THE LEAD IN SUSTAINABLE TRANSPORT

An expanding population, increasing urbanisation and growing economies will lead to continued demand for mobility of goods and people. This growth must be managed while at the same time reducing emissions and climate footprint. As a leader in our industry, we aim to continue taking the lead in driving this change. Transport and mobility must be a part of the solution, and Scania is well positioned to take on the challenge.

## A challenging but strong year

2015 was a year of challenges. Our industry has seen four years of moving sideways. Demand has dropped dramatically in some of our most important markets like Brazil, Russia and the Middle East. Although demand in Europe has rebounded, it is more important than ever to maintain flexibility, keep an eye on costs and leverage on our initiatives in research and development, production and sales.

Growth in emerging markets will have to come in new ways in the future. Recent developments have illustrated this. The flexibility in our product offerings deriving from our unique modular product system will be needed to build a rolling vehicle population in this part of the world. Geographically, this is where our long-term growth will be, and the past year should not discourage from becoming even more focused on the emerging markets.

With this said, 2015 was also an impressive year for Scania. Despite the market situation, we were still able to maintain a double-digit margin performance. We responded to the geographic differences

in market development, by swiftly rebalancing and refocusing our resources. Our flexible global production system proves the resilience of our organisation.

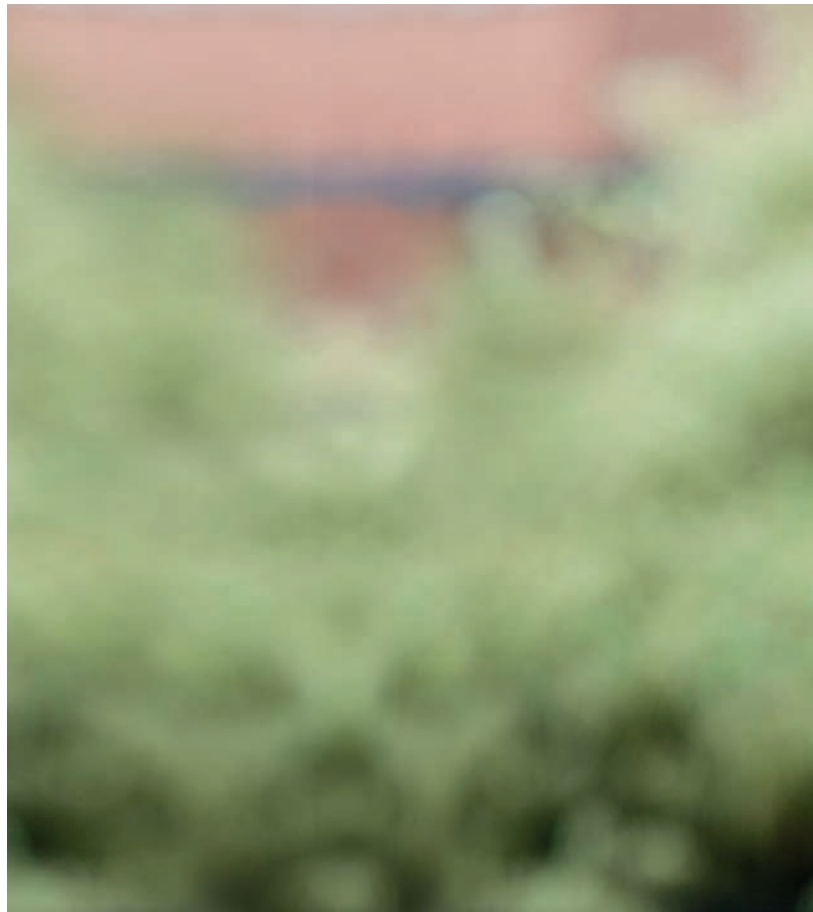
Nevertheless, we see no signs of a quick recovery, neither in Brazil nor Russia. Therefore our focus in 2016 will continue to be on adjusting to the lower demand situation in two of our most important markets through increased flexibility, cost control and by growing in emerging markets.

## Success through innovative solutions

Scania's success is related to our attractive market offer. We continue to develop tailored solutions relevant to the customer, while the overall quality of our products has never been better. Our market share has been strengthened and in Europe, it is higher than ever.

In our bus and coach business, we have gained market share, particularly in Europe. At the same time we are revamping our product portfolio at a steady pace. We have taken some significant deals on Bus Rapid Transit (BRT) systems and package solutions to cities like Accra, Cartagena and Jakarta.

Our service business has shown great success. Inspired by the modular product system we are developing and tailoring our services offering. One example is our flexible maintenance plans precisely adapted for each individual vehicle based on operational data. The data we receive from our connected vehicles enables us to offer new







business opportunities within services. Our investment in the rolling fleet has paid off, and at the end of the year up to 170,000 Scania vehicles were connected in the world.

#### **Driving customer value through partnership**

Scania will continue to offer innovative products and services. During 2015 Scania filed patent applications regarding 264 new inventions, which puts us at the top in Sweden. Our innovative capacity and technology leadership are dependent on collaboration with the right partners with different industries, research institutes and universities. Our research projects with academia and the private sector, such as the Integrated Transport Research Lab at Stockholm's Royal Institute of Technology, will therefore continue to be of great importance. During the year, the cooperation within Volkswagen Truck & Bus on current and future collaboration proceeded and the cooperation with MAN on the development of common component platforms continued. The cooperation is bearing fruit and we can already see clear synergies.

Through collaboration and partnerships, Scania will be faster in responding to trends, adapting new technological developments and finding new and efficient solutions. To have the capacity to create long-term customer value, we also need to be a responsible business partner. We therefore actively work with the ten principles of the UN Global Compact in our operations.

#### **The future ahead**

Looking ahead, in a world increasingly dependent on safe and efficient transport, we need to take a holistic view. Scania already has innovative technologies in place to meet tomorrow's transport needs, for example the broadest market range of alternative fuels. However, I see a huge potential to increase the efficiency of today's transport services. This creates new business opportunities for Scania. Taking out waste in the system is what changes the game in our industry.

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Scania already has innovative technologies in place to meet tomorrow's transport needs, for example the broadest market range of alternative fuels.

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For Scania, elimination of waste is part of our heritage and a cornerstone in our core values and strategy. Through tailored solutions, we drive efficiency and profitability for our customers and our customers' customers throughout the whole logistical value chain. Guided by our core values and our approach to continuous improvements, together with our ability to use the data from our connected vehicles, we have a strong leadership position on the path towards a sustainable transport system.

#### **Dedicated employees the core**

Scania's success builds on our dedicated and skilled workforce consisting of employees with highly varying backgrounds and nationalities. The right mix of competence will be a prerequisite for Scania to continue taking the lead in sustainable transport.

I would like to take the opportunity to thank all employees for their contribution to strengthen our operations and making Scania this successful. I look forward to continuing the journey of this great company. Together we will continue to broaden the offering of products and services that drives profitability for our customers, and I am convinced that we can further strengthen our efforts to reinforce our leading position in the industry.

**Henrik Henriksson**  
President and CEO, Scania

Scania's core values – Customer first, Respect for the individual and Quality – define our company culture and are the basis for our business development and working methods. Closely linked, our core values guide our actions and create value for Scania's stakeholders.

# A COMPANY CULTURE GUIDED BY CORE VALUES

## OUR CORE VALUES

Scania's employees are at the centre of our culture and working processes. Guided by our core values and with a strong focus on continuous improvement every individual contributes in maintaining our culture and high standards. Throughout decades, our core values have been the guiding star throughout the Scania organisation, together with our working methods based on a mindset of continuous improvements.



### CUSTOMER FIRST

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



### RESPECT FOR THE INDIVIDUAL

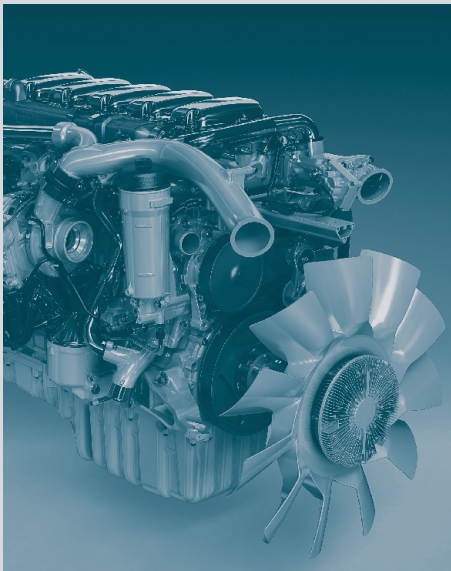
From drivers of vehicles to our employees on the production line, the individual stands at the centre in all that we do. We seek to capture the knowledge, experience and ambition of each individual to continuously improve and develop our working methods. Inspiration and new ideas emerging from our daily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



### QUALITY

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





## OUR WAYS OF WORKING

Our working methods are founded on our core values with a strong focus on continuous improvements applied throughout the entire organisation. This approach is delivering high quality in all areas. The Scania Production System (SPS) is based on this approach where focus is on eliminating waste, improving resource efficiency and optimising flows in production. Across the entire service network,

Scania Retail System (SRS) is applied to improve the customer experience, service flow and shorten lead time. The R&D organisation applies the same principles, striving for shorter lead times to the market and faster delivery of customer value. This philosophy and working method is also used within purchasing, financial services and administration.



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

# OPPORTUNITIES IN A CHANGING WORLD

The world is changing rapidly and so does the business landscape. Global driving forces and broad trends are reshaping the society and challenging all industries. A world growing while becoming globalised, urbanised and digitalised is by definition also a world becoming more complex and demanding flexible and efficient solutions.

Climate change is an increasingly important driver for companies and their operations, underscoring the need for collective action to address complex challenges. A strained ecosystem is putting limits on growth based on fossil fuels, with long-term implications for access to raw materials.

The market climate is also more competitive. Stakeholders' needs become more specific and the expectations are higher on the industry when it comes to transparency and responsibility. The development is also stimulating product innovation and creating business opportunities.

## Industry challenges

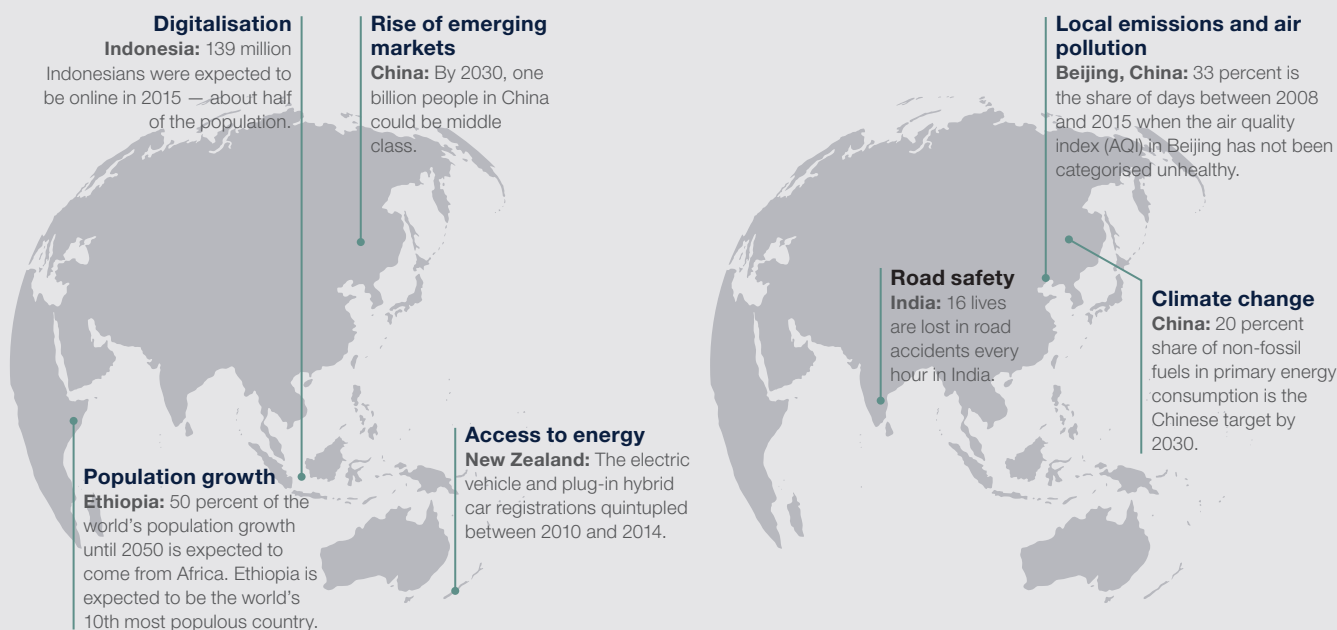
The transport sector is in the midst of a paradigm shift. Economic growth and demand for transport need to be decoupled from negative environmental impacts and increased emissions. Growing populations, rising middle classes and urbanisation will lead to both changed and increased transport needs. This will have to happen with less of an impact on climate, environment and resources. Digitalisation and technology developments will also change the priorities and preferences among our customers, which will affect the way the transport system will be designed. These challenges will put huge requirements on the industry's expertise, competence and creativity.

## LOCAL IMPACT



## GLOBAL DRIVING FORCES

- Climate change**  
 Climate change is one of the most critical environmental and social problems facing the world today.
- Population growth**  
 The world's population is growing. The UN predicts that the global population will grow from currently seven billion to nine billion by 2050.
- Urbanisation**  
 Almost 60 percent of the global population will live in cities by 2030, most in emerging markets.
- Digitalisation**  
 New technology facilitates the emergence of interconnected products, value chains and business models.
- Rise of emerging markets**  
 Most of the nearly five billion people who will belong to the middle classes by 2030 will live in emerging markets.
- Access to energy**  
 Many countries rely on import of oil, which today is the primary energy source for transport. To cut cost and secure independence these nations see a need to find alternatives and rid themselves of the oil dependency.
- Changing legislation**  
 A range of policies and regulations impact the transport industry, from climate change, air and water quality to safety and congestion.
- Transparency and accountability**  
 Stakeholder expectations are high on the industry conducting business ethically, openly, honestly and responsibly.
- Economic fluctuations**  
 Economic cycles cause volatility, shifts in demand and currency fluctuations, and are affected by crisis.



## INDUSTRY CHALLENGES

- Transport – decoupling CO<sub>2</sub> emissions**  
 Global freight transport is expected to double by 2030. To meet the climate challenge, with an increasing need for transport, the CO<sub>2</sub> emissions need to be sharply reduced.
- Congestion**  
 Growing populations, rising middle classes and urbanisation contribute to congestion. This puts pressure on urban infrastructure, hampering economic growth.
- Road safety**  
 Growing transport needs may lead to road safety challenges especially in developing countries.
- Local emissions and air pollution**  
 Emissions from transport affect quality of life, especially in cities, causing respiratory diseases.
- Noise pollution**  
 In an urbanised world – with transport needs increasing in densely populated areas – reducing noise will be increasingly important.
- Access to competence**  
 Due to continuous industry change, the competencies needed in 2020 will not be the same as the ones we have today.

Sources include:  
 The OECD, United Nations, UN-Habitat, United Nations Conference on trade and development, The World Bank, Government of India (Ministry of Road Transport and Highways), National Development and reform commission of China (Department of Climate Change), PwC and McKinsey & Company, Stockholm Chamber of Commerce.

## OUR RESPONSE

Ensuring profitability for our customers is the primary objective of Scania's strategy. We do this by taking a holistic view of the logistics flow and by working in close dialogue with our customers in order to meet their needs in a rapidly changing world. By succeeding in this aim, we strengthen our own competitiveness, profitability and future success. We also strive for collaboration with the right partners, to be faster in responding to trends and adapting new technological developments to find new and efficient solutions.

Our strategy is highly dependent on our core values and working methods, particularly our dedication to quality as well as identifying waste in all processes and commitment to continuous improvement. Together, these qualities make Scania resilient and give us a strong leadership position in a world increasingly dependent on safe, sustainable and efficient transport systems.

**For more on Our response in sustainable transport see pp 22–31**

**SUSTAINABLE TRANSPORT**



Accelerating urbanisation, climate change and scarcer resources are all factors that mean transport has to change. Expectations about how companies do business in a responsible way are also evolving and reshaping how business success is defined. Scania has identified 26 topics essential to creating lasting value for stakeholders and ensuring our business develops for the long term.

# UNDERSTANDING OUR PRIORITIES

Adopting an outside-in perspective helps Scania to identify and understand the aspects most relevant to achieving our business aims. The materiality process is also part of our philosophy of continuous improvement. To identify the topics most relevant to Scania and the stakeholders, our materiality process evolved further during 2015. Through a mapping and analysis process including internal and external stakeholder dialogue, we identified future priorities and actions.

The findings guide our reporting focus as well as inform internal discussions and stakeholder engagement.

Our aim is to develop and strengthen the process in the future in order to continue to be a useful base for dialogues and decisions. During 2016, we will extend the stakeholder involvement to validate the findings.

## SCANIA'S MATERIALITY ANALYSIS 2015

### IDENTIFY

The starting point was the review of our 2014 list of material topics to align with our operations, in the light of our process towards integrated reporting.

The approach also incorporated insight from research, industry impacts, and competitor analysis.

### PRIORITISE

Each topic was mapped against the degree of their importance to Scania's ability to deliver on the business priorities by internal experts and executives.

### ACTIVATE

Through surveys and interviews we analysed the topics against the expectations of key stakeholders, weighted according to their influence on — and importance to — the business.

#### The four key stakeholder groups included in 2015:

- Existing and potential employees
- Financial actors (lenders and analysts)
- Society (regulators and NGOs)
- Commercial actors (suppliers, customers and transport buyers)

### VERIFY

Using the outcome from 2015, we clustered 26 topics into six business-relevant categories.

The major change from previous years is the incorporation of a broader scope of topics. These include risks and opportunities facing our business related to macro-economic developments, technical disruptions and our ability to deliver on our strategy in a complex market environment.

Our approach to materiality includes: mapping our understanding of how the world is changing and identifying a universe of topics that are relevant to Scania and our stakeholders; exploring the expectations of groups most influential for our business; analysing our impacts from the perspective of Scania's business strategy and culture; and assessing these findings against our impacts across the value chain. Through this approach, we arrived at 26 material topics grouped in six categories.

## PRODUCTS

Scania's business model focuses on how we can improve our customer's profitability. Our innovations continue to focus on advancing efficient, low-carbon transport solutions.

### Topics:

- Sustainable transport system
- Road safety and security
- Intelligent transport technologies
- Low-emission technologies
- Life cycle optimisation
- Technical shortcomings in products

## MARKETPLACE

Through our tailor-made applications and our state-of-the-art low-carbon solutions Scania will continue to build a stable presence in our selected markets.

### Topics:

- Pricing
- Viability of long-term contracts
- Changing market conditions
- Emerging markets strategy
- Customer satisfaction

## DIRECTION

Business strategy and leadership are key to our success setting a clear direction backed up by investment, identifying pioneering partnerships, ensuring diligent governance and demonstrating integrity.

### Topics:

- Long-term financial viability
- Integrity and compliance
- Identifying threats and opportunities
- Clear and considered corporate strategy
- Stakeholder engagement
- Industry collaboration
- Investment in R&D

## OPERATIONS

Workplace operations and systems must be efficient and secure, and throughout every aspect of our supply chain we must apply the highest standards.

### Topics:

- Operational efficiency
- Interruptions in critical information systems
- Responsible sourcing

## EMPLOYEES

It is vital to the future of our business that Scania approach recruitment strategically, in order to attract and retain talent by providing a safe and inspiring workplace.

### Topics:

- Safety, health and work environment
- Attraction and retention of competence
- Access to talent

## SOCIETY

We must ensure that value is shared across our supply chain and make a positive connection with local communities wherever we are operating.

### Topics:

- Community impacts and contributions
- Human rights

The Scania business model focuses on how we can improve our customers’ profitability, and consequently our own. Through close dialogue, we build a partnership with transport actors in order to create value for all actors in the logistic flow.

# CUSTOMER PROFITABILITY AT THE CORE

Long-term relationships with profitable customers are the basis for a profitable Scania. By delivering the right products and the right services at the right time, we support our customers in improving their operating income. High-quality vehicles and services maximise customer profit and uptime (the time the vehicle is in operation and thus generating revenue). Maximum load capacity and flexibility are also important for the customer to ensure a stable stream of revenue.

Our business model, illustrated as a scale on the next page, takes into account our customers’ revenue potential and total operating cost. Scania has greatest influence on factors like fuel, repair and maintenance costs, residual value of the vehicle, and cost and availability of financing. In these aspects, it is critical that we continue to be best in class. Delivering on this business model defines our brand and ensures a profitable Scania.

## A holistic view of the transport flow

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

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

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

## LOGISTIC SOLUTIONS

By understanding our customers’ needs and the demands from their customers, Scania can provide solutions to eliminate waste and improve efficiencies in the entire transport flow.





### Our core values

- Customer first
- Respect for the individual
- Quality

### Our approach

- Holistic view
- Scania Production System (SPS)
- Scania Retail System (SRS)
- Application focus

### Our success factors

- Highly skilled employees
- Cutting edge R&D
- Modularisation
- Extensive service offering
- Connectivity

## OUR BUSINESS MODEL

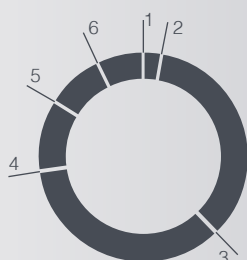


### CUSTOMER PROFITABILITY

#### + Customer revenue

- Uptime
- Flexibility
- Load capacity

#### - Customer cost\*



1. Tyres
2. Drivers
3. Fuel
4. Vehicle
5. Repair and maintenance
6. Administration

\*European long haulage

**= Customer operating income**

### SCANIA PROFITABILITY

#### + Scania revenue

- Vehicles and Engines
- Repair and maintenance
- Financing and insurance
- Used vehicles

#### - Scania cost

- Production of vehicles, engines and services
- Research and development
- Selling and administration
- Financing

**= Scania operating income**

### GROWTH STRATEGY

**In Scania's ambition to grow, profitability and the ability to meet short-term volatility in demand is safeguarded by our modular system, efficient and flexible production and our service business. The growth strategy rests on five pillars.**

#### 1. Increasing sales of services per vehicle

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

#### 2. Grow with the market

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

#### 3. Increase market share

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

#### 4. New markets

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

#### 5. New customer segments

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

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

# TAILOR-MADE SOLUTIONS INCREASE OUR FLEXIBILITY

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

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

## Standardised interfaces

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

## Same need, identical solution

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

## Well-balanced performance steps

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

## COMPONENT MODULARISATION

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



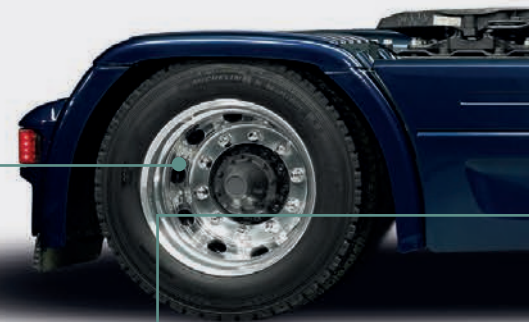
Trucks



Buses



Engines



### Axles

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



### Frames

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

**Cabs**

Scania's cabs are strongly modularised, with a common frame, common outer panels and interior parts. Cabs are fitted at different heights and lengths to suit different applications and to give the customers ample opportunities to optimise space and comfort in the cab. Only one type of windshield is used in all cabs.



**Gearboxes**

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



**Engines**

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





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

## EXTENSIVE SERVICE OFFERING, ENHANCING CUSTOMER PROFITABILITY



Services are an integral part of Scania's offering. Inspired by the product modularisation concept, we tailor services to meet each customer's needs. Quick access to parts, speedy repairs, driver training and coaching, connected vehicle solutions and maintenance are among the services Scania offers to enhance vehicle performance and customer profitability. Scania provides tailored solutions for a large number of applications that offer improved efficiency, high performance and lower environmental impact:

### SCANIA WORKSHOPS

Some 19,000 people work with sales and services in Scania's subsidiaries worldwide. Scania has an extensive network of some 1,600 workshops. Our service workshops are strategically located along transport routes and near logistics centres to enable high uptime for the customer. Scania also offers mobile workshops to meet servicing needs at the customer site and also field workshops which are integrated in the customer's operations, for instance at mines or bus depots.

### SCANIA ASSISTANCE

Scania offers emergency service to all customers via Scania Assistance or via local country offices. Scania Assistance is available 24h a day, seven days a week and allows customers in some 50 countries to maintain contact with Scania in their own language via 13 Assistance centres, to minimise unplanned stops.

### SCANIA FINANCIAL SERVICES

Scania conducts our own financing operations in 50 countries, which builds trust and loyalty in the Scania brand. We expect that this part of the offering will become increasingly attractive to customers, especially in new markets. Scania Insurance provides efficient claims handling and at times replacement vehicles – all of which helps to improve uptime.

### SCANIA DRIVER SERVICES

Scania Driver Services helps even the most experienced drivers to drive more safely and economically. Other positive effects include longer-lasting tyres and powertrain as well as increased road safety awareness.

### ECOLUTION BY SCANIA

Ecolution by Scania is a solution that combines our tailored products with services and continuous customer dialogue. The shared goal is improved fuel efficiency. Through performance diagnostics, monthly follow-ups and driver training our results show an average 10 percent reduction in fuel consumption.

### SCANIA FLEET MANAGEMENT

Scania Fleet Management increases the efficiency of the vehicle fleet. Customers are able to choose from different packages that can track vehicle utilisation, driver performance and fuel consumption. Interfaces include smartphones and data can be received in real time.

### CONNECTIVITY

Connectivity provides valuable insight into how Scania's vehicles are used in real time. With this intelligence we are gaining new opportunities to tailor products, services and solutions, which increase efficiency, fuel economy and safety. Moreover, connectivity provides valuable insights enabling us to be more efficient in our workshop network.

## CONNECTIVITY – THE BRIDGE TO THE FUTURE

The intelligence supplied via connectivity represents great potential to improve logistical flows and widen the dialogue to different actors in the value chain. This way, we combine data with information from other systems for route planning, traffic information and supplier data etc., in an intelligent way to create optimised transport and operating processes.



## AT THE FOREFRONT

Scania began to systematically leverage data on vehicle performance in 2011 when we decided to standardise connectivity in our trucks by fitting the Scania Communicator device controller in all vehicles. Today, up to 170,000 Scania vehicles on the road are fully connected, and the number of connected Scania vehicles is increasing rapidly.

Connectivity provides valuable insight into how Scania vehicles are used in real time. It is the basis for Ecolution by Scania (see page 25) that enables continuous improvement of driver performance, using vehicle data in driver coaching sessions and to customise maintenance programmes.

Connectivity also provides valuable insights into operating conditions as well as the necessary intelligence to enhance vehicles for even better performance. This constitutes useful insight for our research and development work.

Moreover, connectivity enables us to be more efficient in our workshop network. By gaining information about vehicle status, swift and tailored analyses can be carried out in order to prepare for the upcoming servicing assignment. All of this means less downtime and makes it possible for our customers to keep vehicles out on the roads where they can contribute to earnings and profitability.

While still evolving, connectivity shows potential today to enhance road safety. In the near future, buses and trucks will be able to send data about route transportation etc. to authorities and other stakeholders.

## POTENTIAL FOR OUR INDUSTRY

Scania takes an integrated approach when viewing the logistics system at large. Bringing our know-how in operational efficiency learned from our production system, we eliminate waste in the whole transport system. By analysing and combining the data gained through our connected vehicles we see potential to improve the flow in traffic and logistic systems.

The real transformative potential for our industry lies in enabling communication within the whole transport system. Connectivity can then be used to optimise whole transport flows, not just the logistical flow of different industries. With a growing need for transport, more efficient logistical flows and improved filling rates have the potential to really change the transport business for the better. Therefore we are making preparations to ensure that our trucks, buses and engine installations will be included in 'ecosystems' where machinery can communicate with each other and with people.

### APPLICATIONS AVAILABLE TODAY

#### Smart features

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

#### New services

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

### FUTURE APPLICATIONS

#### Autonomous vehicles

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

#### Big data

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

Motivated employees committed to continuous improvement and a balanced mix of backgrounds, experience, nationalities and genders are key to Scania's success in ensuring long-term growth and profitability.

## OUR EMPLOYEES ARE OUR STRENGTH

A motivated and diverse workforce, committed to continuous improvement, provides the right platform for Scania's success. Our core values guide our employees in their day-to-day work. With a common way of thinking and working, every individual contributes by strengthening and improving how Scania operates. Involvement inspires motivation and builds commitment. Everyone is involved in this process in their daily work and allows us to capture and manage the extensive knowledge within the organisation, opening up for new methods and techniques.

### Employee well-being and safety first

Employee well-being is a top priority for Scania. With 96.3 percent healthy attendance we know that motivation engages employees to take ownership of objectives.

During 2015 we increased the scope of our employee satisfaction barometer, launched in 2014, to measure employee satisfaction. The survey serves as the basis for a systematic working practice with measurable indicators for follow-up and improvement. The survey will be implemented on a global level in 2017.

To ensure our employees' well-being a safe workplace is also a priority. All employees go through regular health and safety training. Scania's training organisation conducted several sessions this year to increase awareness and to circulate best practices of health and safety issues. Moreover, the Scania Safety, Health and Environment (SHE) standard works as a guideline in order to involve our employees addressing issues such as safety equipment, chemicals handling, mental and social well-being, crisis support and road safety. As Scania enters new markets, new requirements are imposed for safety work. Thus, specific guidelines and training have been developed to address issues concerning risk assessment, and new safety and logistics procedures.

### Attract and retain the right competencies

We have a strong focus on ensuring that we attract and retain the right competencies to meet our future challenges. Working proactively within the company and together with other partners in society, such as academia and schools, is integral for Scania's success.

Our training centre, Scania Academy, trains employees on all levels from all of Scania's business units as well as people employed at Scania's independent dealers around the world. In 2015, a large number of training sessions were completed by employees from several countries. Scania Academy provides digital material as well as physical classes and continuously develops the course offering.

A diverse workforce, in terms of gender, ages, backgrounds and experience, strengthens our company and enhances our ability to attract and retain talent. During 2015, we held top management seminars across the globe to discuss ways of working to ensure that all employees are given the opportunity to develop their full potential.

Our global presence also provides an opportunity for our employees to seek international experience. More than 300 Scania employees are currently working in a foreign country – this includes employees from 30 countries working in 50 different countries. Job rotation between different areas of Scania's business generates new synergies and knowledge exchange, benefiting both Scania and the individual employee.



## A GLOBAL WORKFORCE

With operations in more than 100 countries and a diverse workforce Scania is a truly global company, strategically placed where our customers need us.



Total number of employees at the end of 2015

**44,409**

### Future competence mapping

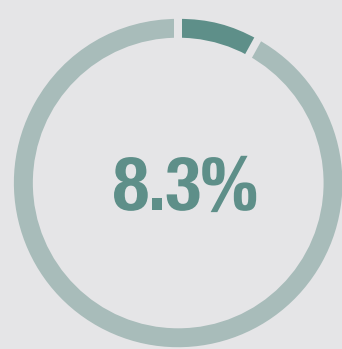
With an eye to the future, Scania employed a Competence Manager in 2015 to ensure that the company has the engineering expertise it needs to meet anticipated world-leading technologies in 2030. Beatrice Jonsson, a trained engineer who has worked with Scania on KTH projects, recently joined the HR team in this role. "My primary function is to develop a competence roadmap for all of Scania's engineering competencies. I'm starting with R&D, which has the company's most well developed technology roadmap and greatest number of engineers," says Beatrice Jonsson.

The competence roadmap's overall objective is to ensure that Scania's entire skills base evolves in tandem with the company's development. The starting point is to analyse what's currently in place so that skills gaps can be identified.

"We need to ask ourselves whether we have the right skills and whether existing strengths need further training. But it's equally a matter of ensuring, through dialogue with universities, that new graduates have the skills we need for the future. Close cooperation with management is crucial, and being responsible for an operation also includes full responsibility for guaranteeing that you have the skills within your team," says Beatrice Jonsson.

The Competence Manager is an important bridge to the academic sphere and will develop Scania's excellent interaction with colleges and universities on a strategic level. Focus is also on jointly identifying training courses that make skills exchange available to current employees in a well-planned and responsible manner.

### Employee turnover



### Internal turnover



### Capturing the skills

During 2015, Scania initiated management seminars – Skill Capture Initial Workshops – across the organisation. The aim of the workshops is to discuss ways of working to ensure that Scania's diversity and inclusion-work enables all present and future employees to perform at their full potential.

The purpose is to decide concrete actions in the management teams, to spread best practice and aggregate Scania's most needed improvement activities. Scania will be tracking the mind-set change throughout the process.

**162/1,000**

Share of female managers per 1,000 Scania managers



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

# ONE STEP AHEAD OF A FAST-CHANGING MARKET

The majority of Scania's R&D resources are applied to meet the challenges of sustainable transport. In 2015, we invested SEK 5.6 billion in R&D, equal to 5.9 percentage of annual net sales. With R&D located in Södertälje, Sweden, 3,500 engineers work together with suppliers, universities and research institutions on the future of trucks, buses, engines and optimised transport solutions.

Our investments in R&D are generating results. During 2015 Scania filed patent applications regarding 264 new inventions, which puts Scania at the top in Sweden.

For trucks and buses, the most challenging areas are to improve road safety, efficient and environmental friendly powertrain, and future driver-assistant systems by using the potential of connectivity.

## The main tools in the innovation process are:

- Combustion engine technology: Reducing CO<sub>2</sub>-emission, fuel consumption and cutting regulated emissions by improved combustion and after-treatment process. On customer demands, Scania offers solutions for alternative fuels like biogas, ethanol and hybrid-application where brake energy could be recovered.
- Power electrification: Local emission free drive.
- Connectivity: Intelligent vehicles improve all aspects of energy efficiency, road safety and transport planning and management.
- Predictive drive systems: Scania Active Prediction and Eco-Roll, features that lower fuel consumption.
- Advanced Driver Assistans Systems: Traffic jam pilot, autonomous driving suited for vehicles operating in mines and other challenging working environments.

Realising innovations in these areas demands an outside-in perspective. We have to stay one step ahead of a fast-changing marketplace and ensure that Scania's innovations are adapted to different customer requirements.

## SOLUTIONS TO NEW MARKETS

Emerging markets generally have the same basic demands for goods transport and mobility as developed countries. For these different demands, Scania has adaptable solutions and performance steps available in the modular system.

## PERFORMANCE THROUGHOUT LIFE CYCLE

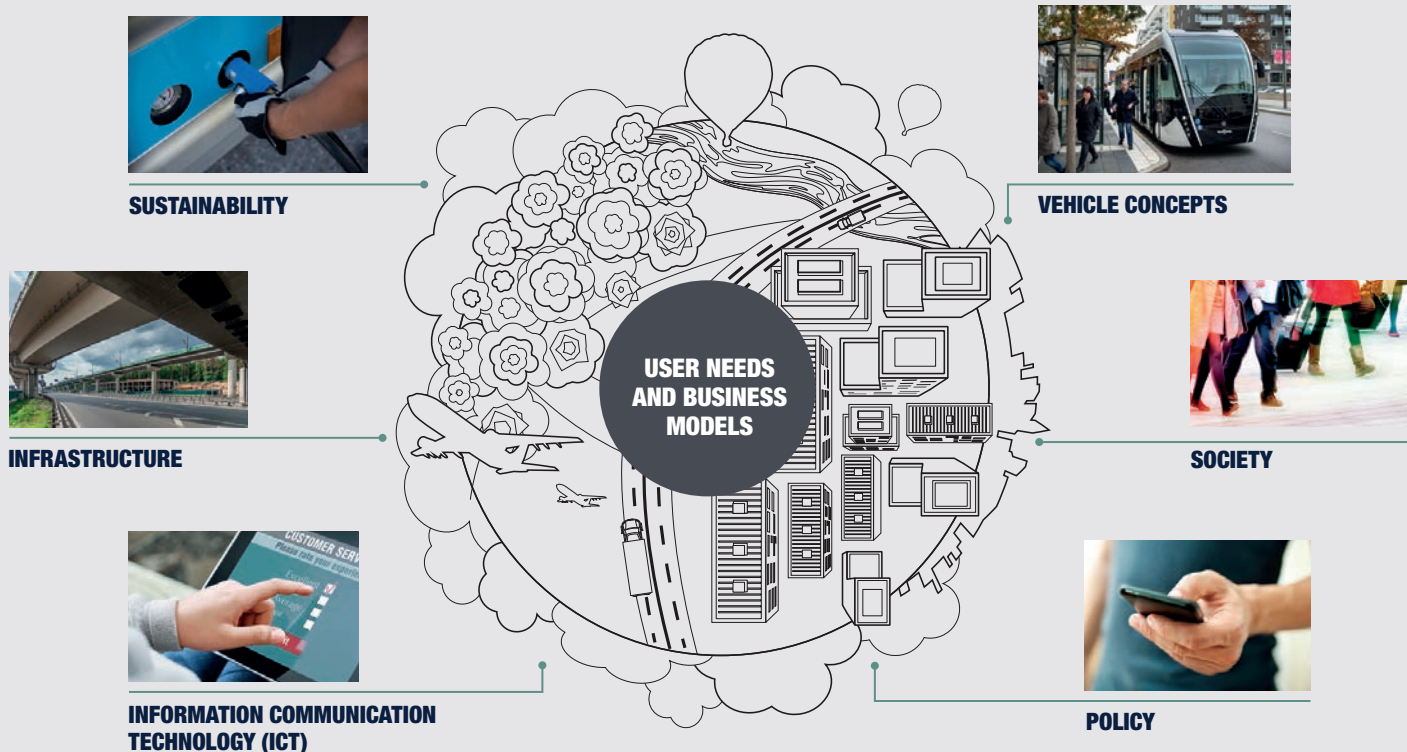
Heavy-duty vehicles in general have a long lifespan. The typical Scania vehicle has an operational life of 20 years or longer. Our focus must not only reflect existing conditions impacting the vehicles at purchase, but also consider how performance can be maximised throughout the life cycle of the vehicle.

## PARTNERSHIPS MAKE US FASTER

Having a close dialogue with our customers is core in Scania's business model. When cooperating with logistics companies or planning groups of cities, the tailoring of a solution leads to insights that are crucial in R&D. To fully benefit from technological opportunities such as connectivity, specialists from different industries must come together. During the year, the cooperation within Volkswagen Truck and Bus on current and future collaborations proceeded and the cooperation with MAN of common component platforms continued.

Our innovative capacity and technology leadership are dependent on partnerships such as these. Scania is also involved in important research projects together with academia and the private sector, such as the Integrated Transport Research Lab at Stockholm's Royal Institute of Technology. Through collaboration, we can be faster in responding to trends, adapting new technological developments and finding solutions, for example, to work on transport solutions for future smart cities to support the urbanisation trend.

## INTEGRATED TRANSPORT RESEARCH LAB (ITRL)



### A look at the future driver environment

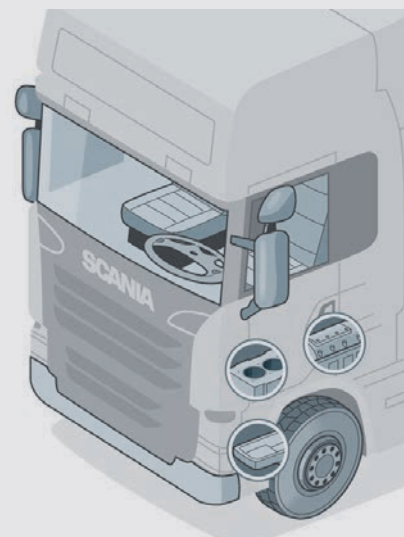
With instant information projected directly onto the windshield in a new prototype simulator, the MODAS research project gives a glimpse on what the future driver environment will look like. The project includes Scania, Interactive Institute Swedish ICT, Luleå University of Technology and Uppsala University, partly funded by a partnership between the Swedish government and the automotive industry. The project has developed a concept built on a so called multimodal interface, including a visual display on the windshield where the driver gets a comprehensive view of the truck's position on the road and the traffic environment.

Scania's research in autonomous vehicles focuses on using today's and future technology to increase road safety as well as to decrease fuel consumption and emissions. Future automated systems mean the driver's role will evolve from driving to supervising. High performing electronic systems and sensors e.g., cameras will be used when carrying out a transport task.

### Development of lightweight materials

Strong and light new composite materials give a potential to reduce vehicle weight and thus allow more payload or passengers within the weight limits for trucks and buses. The primary focus for a truck making use of new material is on strength, fatigue and length of life. Scania is continuing to slim down the materials to cap costs and reduce weight also within heavy vehicles, as well as production processes and surface treatment to reduce losses of the powertrain.

In the future, more high-strength steels will be used in load-bearing structures in chassis and cabin. Polymers incorporating carbon fibre and other composite materials in load-bearing structures are also seen in cab elements and leaf springs, while new hybrid materials will make it possible to integrate several functions into the same element. Scania is also looking at light metals such as aluminium for bus mounts and parts and magnesium for interior details.





New demands on sustainable transport require rethinking throughout the entire process of transporting people and goods. Scania is at the forefront in developing efficient and smart solutions. We work in close dialogue to support our customers in the transition to a sustainable transport system.

# THE PATH TO SUSTAINABLE TRANSPORT

Sustainable transport is all about moving people and goods while contributing to economic and social development without jeopardising human health and safety or endangering the environment.

Scania firmly believes that the climate impact of the world's road freight transport can – and should – be radically reduced. The agreement from December 2015, to limit the global temperature increase to 2°C, reached at the UN Conference on Climate Change (COP21) is a strong signal that the low-carbon transition will accelerate.

However, there is no single solution for transforming the transport system into a sustainable one. Rather, a holistic approach is called for, considering the specific transport assignment and the maturity of the transport and logistics infrastructure in different parts of the world.

Our approach is based on three pillars:

- Energy efficiency
- Alternative fuels and electrification
- Smart transport

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A holistic approach is called for, considering the specific transport assignment and the maturity of the transport and logistics infrastructure in different parts of the world.

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Alternatives to fossil fuels will be increasingly important in reducing carbon impact. There is broad consensus that a wide range of alternatives to fossil fuels is needed; no single alternative will suffice. Therefore, Scania offers the most comprehensive range of alternatives, allowing customers to select the fuel most suited for their operation.

Electrification is still in its infancy but Scania is well-positioned to take advantage of the technological opportunities on the horizon, including inductive, wireless and charging as well as conductive charging from overhead lines. Scania especially recognised the advantages of hybrid vehicles that also operate on alternative fuels.

Connectivity lies at the heart of efforts to reduce environmental impact. By collecting and analysing vehicle and driver data, we can provide customers with the necessary advice on how to make smarter use of their fleets. It will enable transporters, individually and through collaboration, to achieve greater fill rates, better route planning and thus make better use of available capacity.

We recognise the pivotal role of the driver in obtaining optimal fuel performance. Increasingly sophisticated assistance and monitoring systems provide the basis for continuous coaching for improved performance.

Equally important for achieving optimal fuel consumption is the vehicle specification. Through our modular product system, we can provide the right vehicles, precisely tailored for the assignment at hand, to optimise transport and logistics performance.

We work together with our customers and the customer's customer to transform the transport system in a way that contributes to customer profitability while creating a low-carbon transport system.





**ENERGY EFFICIENCY**  
page 24



**ALTERNATIVE FUELS  
AND ELECTRIFICATION**  
page 26



**SMART TRANSPORT**  
page 28



Scania aims to combine powertrain and whole vehicle optimisation with driving performance in order to achieve supreme fuel efficiency. Continuous dialogue with customers helps to enhance efficiency even further.

## IMPROVED ENERGY EFFICIENCY THROUGH COOPERATION

A three-party focus is needed in providing the market with energy efficient products and solutions:

- Powertrain performance. While development should lead to reduced environmental footprint from the powertrain, driveability, reliability and quality must, in parallel be improved.
- Vehicle optimisation. The vehicle specification must be tailored to the transport task. Scania's salesmen work together with the customer to ensure the vehicle is optimised for the transport need intended.
- Fuel consumption during operation. Scania's technical fuel consumption levels have proven to be industry leading. However, consumption is also closely connected to driver behaviour. Scania works with customers in coaching drivers, optimising driver support products and services to reduce fuel consumption and thereby CO<sub>2</sub> emissions and cost. Optimised service and maintenance also contribute to lower fuel consumption over the vehicle's life cycle.

### Efficient solutions

Offering the most efficient technology for our product is core for Scania. Improved aerodynamics, combustion efficiency and using positioning data to optimise fuel consumption are some of the technologies offering real opportunities for enhanced efficiency and extending product life cycles.

Scania offers 18 different Euro 6 engines, which meets the European exhaust emissions standard, that is mandatory from 2014. Globally, Euro 6 has also been adopted by other selected countries. In addition to diesel trucks, Scania also offers the market's broadest range of vehicles for alternative fuels, including gas, bioethanol, biodiesel and hydrotreated vegetable oil (HVO) for the Euro 6 level. All Scania's diesel engines can also switch to running on HVO. Thereby, Scania has led the way in combining tough emission standards with low carbon solutions.

### Continued focus on driving and optimisation

We continue to maintain our focus on vehicle optimisation and driving performance to maximise fuel efficiency.

Logistics is usually highly complex and involves many parties. This prevents an optimised flow and lead to inefficiencies. Higher fill rate and longer truck and trailer combinations can yield greater vehicle utilisation. We are devoting resources to further exploring smarter logistics planning, which will also increase energy efficiency.

In the coming decades, an increasing transport demand will come from emerging markets. This will increase the need for smarter logistics in Asia, Africa and Latin America, building demand for efficient and sustainable transport solutions.

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Offering the most efficient technology for our product is core for Scania. Improved aerodynamics, combustion efficiency and using positioning data to optimise fuel consumption are some of the technologies offering real opportunities for enhanced efficiency and extending product life cycles.

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**Ecolution by Scania**

With the shared goal to improve fuel efficiency, Scania offers customers to join a partnership within Ecolution by Scania. This concept combines our most tailored products with services and continuous customer dialogue.

Customers that adopt the programme are guaranteed fuel savings based on their specific transport pattern. Various measures help achieve this. For example, the truck is specified according to the particular needs of each customer in terms of cargo weight, driving conditions and driver potential. An extended maintenance programme is implemented, for example involving regular axle alignment and tyre pressure monitoring. Driver training and driver coaching is another important provision. Through performance monitoring, monthly follow-ups and driver training, customers using Ecolution by Scania show reductions in fuel consumption. In addition to the environmental gains, the savings also help improve the customers' profitability.

**10%**

The average fuel savings on existing Ecolution vehicles compared to the reference vehicle.



**Reducing our own footprint**

Scania has set a target to halve energy use across Scania's operations per manufactured vehicle by 2020, using 2010 as the baseline. By 2015, energy use was already reduced by 16 percent.

Since 2013, we have systematically motivated our suppliers to reduce energy consumption and use alternative fuels and smart transport, while requiring them and sub-suppliers to comply with Scania's sustainability policy and standards.

**16%**

Energy use reduced by 16 percent since 2010.

**Scania Transport Laboratory**

In 2015 Scania Transport Laboratory supplied 5 percent of our inbound transport. It was established with the aim of providing greater insights into customers' transport challenges. The laboratory uses commercially available solutions and enables Scania to test and evaluate vehicle properties and performance on the road, and uses the information to reduce CO<sub>2</sub> emissions. Through driver training, with fill rate and efficient vehicles in focus, the fuel consumption and CO<sub>2</sub> emissions per tonne-kilometre more than halved since 2008.

In 2014, Scania Transport Laboratory began testing transport of cargo with two full-length trailers resulting in 31.5 metre truck and trailer combinations on major routes in Sweden. Double trailers allow for an increased volume of goods transportation and enable greater efficiency. Tests have continued in 2015.



Scania offers the broadest range of vehicles operated on commercially available alternative fuels. From this market-leading position, we aim to remain a driving force in the growth of alternative fuels.

## TAKING THE LEAD IN ALTERNATIVE FUELS

Fossil fuels dominate the global vehicle park's energy supply. Biofuels currently account for only around 2 percent of total transport fuel. In order for the heavy transport sector to reach climate targets, alternative fuels need to gain ground in the coming years.

The greatest challenge is not to develop engines that operate on alternative fuels, but to match the performance of the traditional diesel engine. Scania has the technology in place to power buses and trucks with alternative fuels, while maintaining performance and reliability. Non-fossil alternatives for heavy transport are available here and now.

### Unmatched range for alternative fuels

Scania pioneered alternative fuels more than 30 years ago, with the introduction of bioethanol buses. Today, we offer engines that run on all commercially available alternatives, including compressed and liquefied biogas, biodiesel, HVO and bioethanol. Applicable for every truck and bus operation, it is the market's broadest range of vehicles on alternative fuels.

To qualify as one of Scania's commercially viable alternatives, the fuel type must meet three crucial criteria: It must reduce CO<sub>2</sub>, be available in large enough quantities, and be reasonably priced.

In close dialogue with our customers, we develop solutions for combining different fuels and powertrains, depending on local conditions. Scania's global engine platform allows customers that have access to high-quality fuels to opt for engines with the best environmental performance and fuel efficiency, no matter where in the world they are based.

### Opportunities in emerging markets

A number of our deliveries in 2015 were collaborations with cities in emerging markets on introducing low-carbon and reliable buses. In recent years we have seen a growing interest in biofuels in countries like India, where ethanol and biogas is gaining ground and Scania has sold adapted buses.

Together with local and national authorities, Scania has taken initiatives to introduce waste treatment schemes to generate biogas. We believe that strengthened partnerships, also in production and distribution of alternative fuels, are needed to reach full-scale operations. One example where Scania, together with Swedfund, the development financier of the Swedish state, has taken greater responsibility in tackling environmental challenges, is in the Indian city of Nagpur (see case on next page).

### Alternative fuels and electricity in the pipeline

There is no single solution that, on its own, can transform the transport system. Success will depend a lot on availability, functionality, cost and climate impact of different alternative fuels. The transport industry is a natural actor to take the lead in this development, and Scania's broad offer and flexibility will be a clear market advantage.

Electrification will also play an important role. Several applications for electrified vehicles are being developed, including continuous charging along electric highways and wireless charging on roads for buses. The development is driven by both political initiatives and an increasing market demand. All actors involved – the power suppliers, infrastructure and vehicles – must cooperate to grasp this opportunity. In our dialogue with the customers, we gain an understanding on the needs of our customers and customers' customers. From this position Scania continues to develop the best electrification solutions.



**Euro 6 range**

Scania offers the broadest range of natural gas, biogas, HVO, biodiesel, bioethanol and hybrid solutions that meet the Euro 6 standard on the market.

- Natural gas (CNG/LNG) – The most diesel-like gas engine in the world, with up to 15 percent CO<sub>2</sub>-reduction.
- Biogas (CBG/LBG) – The engine can be operated with biogas from a number of sources. Up to 90 percent CO<sub>2</sub>-reduction.
- HVO – Every Scania diesel truck is an HVO truck, when switching fuels. Up to 90 percent CO<sub>2</sub>-reduction.
- Biodiesel – The engine runs on biodiesel as well as conventional diesel. Up to 66 percent CO<sub>2</sub>-reduction.
- Bioethanol/ED95 – Scania has a long experience of developing and producing ethanol engines for commercial vehicle operations. Up to 90 percent CO<sub>2</sub>-reduction.
- Hybrid – A suitable choice for urban and suburban vehicles with a high frequency of stops and starts. Up to 92 percent CO<sub>2</sub>-reduction.



**Wirelessly charged city bus tested for the first time in Sweden**

Scania has become the first company in Sweden to test a wirelessly charged electric-hybrid city bus. The bus will start operating on the streets of Södertälje, Sweden, during summer 2016 as part of a research project.

A charging station will be able to refill the vehicle wirelessly from the road surface in just 6 to 7 minutes.



**Wastewater sludge becomes Indian biogas**

Scania and Swedfund have established a partnership to develop the production of biogas as an automotive fuel in the Indian city of Nagpur. The biogas will be produced from digested sludge from one of the city's wastewater treatment plants.

While driving business for both our customers and Scania, this cooperation will help solve some of India's environmental challenges including air pollution, waste management and energy imports.



**Driving the development for electrified roads**

Trucks powered by electricity are capable of reducing fossil fuel emissions by 80 to 90 percent and energy consumption with 50 percent or more. During 2016, Scania will test this technology in real-life conditions on an electrified road in Sweden. As part of Sweden's Gävle Electric Road project, Scania will begin trialling trucks on an electrified part of the E16 motorway between Gävle and Sandviken. The programme is aimed at demonstrating and evaluating the feasibility and effectiveness of electric road technology. Trucks in the trial will receive electrical power via pantograph power collectors on their roofs which are then connected to overhead power lines. The trucks will be equipped with an electric hybrid powertrain developed by Scania.

**80-90%**

Trucks powered by electricity are capable of reducing fossil fuel emissions by 80 to 90 percent.

Smart transport is about utilising technology opportunities in combination with logistics expertise, to develop efficient and profitable transport and mobility systems that meet complex needs.

# SMARTER TRANSPORT THROUGH CONNECTIVITY

To achieve a sustainable transport system, it is necessary to broaden the scope to the entire logistic system. Better route and load planning through increased collaboration between transport buyers and transporters can significantly reduce waste. Ensuring an optimal fill rate enhances transport efficiency and helps avoid unnecessary CO<sub>2</sub> emissions.

A key enabler to achieve this is technology evolution in fields such as Information Communication Technology (ICT), connectivity and big data.

## Connectivity enables smart transport

Scania has a long tradition working with flow optimisation, and is therefore well-equipped to enable smart transport. Connectivity will be one of the crucial tools to take smart transport to the next level. Since 2011, Scania has systematically analysed and leveraged data on vehicle and driver performance, in order to optimise vehicles and vehicle maintenance as well as to coach drivers.

Connectivity solutions can take place within the vehicle, between the vehicle and Scania, between vehicles and, not least, between transport operators and their vehicles. The aim is to optimise functionality, decrease fuel consumption, increase uptime and enhance safety, while continuously improving Scania's products and services.

The knowledge gained through connectivity enables a holistic view of the transport system. Companies can plan their logistics flows better not only in analysing driving, but also in areas such as fleet management and servicing. With detailed information about the different industries and their logistical challenges, we can tackle existing inefficiencies and drive improvements across the entire value chain. This means less maintenance downtime which makes it possible for the customers to keep vehicles out on the roads where they can contribute to earnings.

## 170,000 connected Scania vehicles

Five years ago, Scania introduced connectivity as standard in the European markets. Today connected customers in more than 50 countries gain access to services in order to follow up and evaluate the performance of their vehicles. Scania currently offers a broad suite of connected services. The next step in the development of communication with the vehicle is service and maintenance, which is based on its specific use and driving style instead of just driving distance, which traditionally applies in the industry.

In 2015, almost 70,000 connected trucks and buses were added, and now the number of connected vehicles is up to 170,000. We have reached the critical mass needed to leverage the development in all aspects of our customers business. By 2020, we expect 80 percent of the global Scania fleet to be connected.

## Connecting the transport system

Connectivity in trucks and buses has so far focused on the vehicle and the driver. Huge potential lies in leveraging connectivity to enable communication within the whole transport system. This requires smart infrastructure in combination with a wider deployment of information and communications technology. When this happens, the transport system will become more efficient for society at large.

Another promising opportunity lies in platooning becoming commercially viable on public roads. This would create a framework for customers to avail of the substantial fuel and cost savings proved in tests.

Autonomous vehicles are a natural next step when discussing the future of smarter transport. Scania has been active in the field of autonomous vehicles for several years and the technology is already highly developed. When commercialised, it can increase road safety as well as decrease fuel consumption and emissions. Future automated systems mean that the driver's role will evolve from driving to supervising. Legal restrictions on open roads provide some challenges in this development, but already in 2016, Scania will start to test autonomous vehicles for closed areas like in mines.





### Platooning – formations for savings

Platooning is a concept where heavy vehicles can use inter-vehicle communication to form fuel-efficient, aerodynamic formations on motorways. Scania was among the first heavy vehicle manufacturer to explore platooning. We put the concept into practice with the help of our adaptive cruise control system. Tests have shown that the convoys can reduce fuel consumption by up to 12 percent.

In 2015, Scania has taken the next steps towards commercialised platooning. Wireless communication between vehicles will allow for the distances between them to be safely reduced. A system that will help transport operators to direct their drivers to the nearest convoy is also being developed.

### Autonomous trucks for mining

One of the very first self-driving trucks in day-to-day operation could be a mining truck from Scania. At the forefront of research in this area, Scania is not far from carrying out tests under real-life conditions. Development of the concept has come so far that the test vehicle now has no problem in carrying out tasks such as picking up and unloading a load of gravel. It's also capable of safely dealing with obstacles on the road.

The next step could be self-driving container trucks in ports. After that the technology is likely to be applied to the long haul transport sector, with self-driving vehicles driving between large transport centres where their cargoes are loaded into ordinary trucks.



### Efficiency in logistics at Scania

The New Inbound Logistics (NILE) project was initiated in 2013 to improve logistics efficiency within the group, thereby reducing our own carbon emissions and supply chain waste. By balancing four considerations – finding the right equipment, carrier, modality and routing – Scania was able to substantially reduce the CO<sub>2</sub> emissions from inbound transport in Europe and Latin America. We also demonstrated greater asset utilisation and reduced stock levels, greater alignment to production and less volatility in deliveries.

NILE was finalised in 2015. As a natural continuation of the success factors shown in the project, Scania established a sustainability roadmap to be able to reach our corporate target – a reduction of the CO<sub>2</sub> emissions in the group by 25 percent between 2012 and 2020. The outcome from the roadmap will carry on during 2016, targeting strategically important flows and specific supplier areas where great sustainability improvements can be realised.

Scania is also aiming at taking a greater responsibility as transport buyer and in designing logistics flows and transport routes in close partnership with transport suppliers.



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

# RESPONDING TO EVERY NEED

## INDUSTRY-TAILORED SOLUTIONS

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

### Platooning

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

### Timber applications

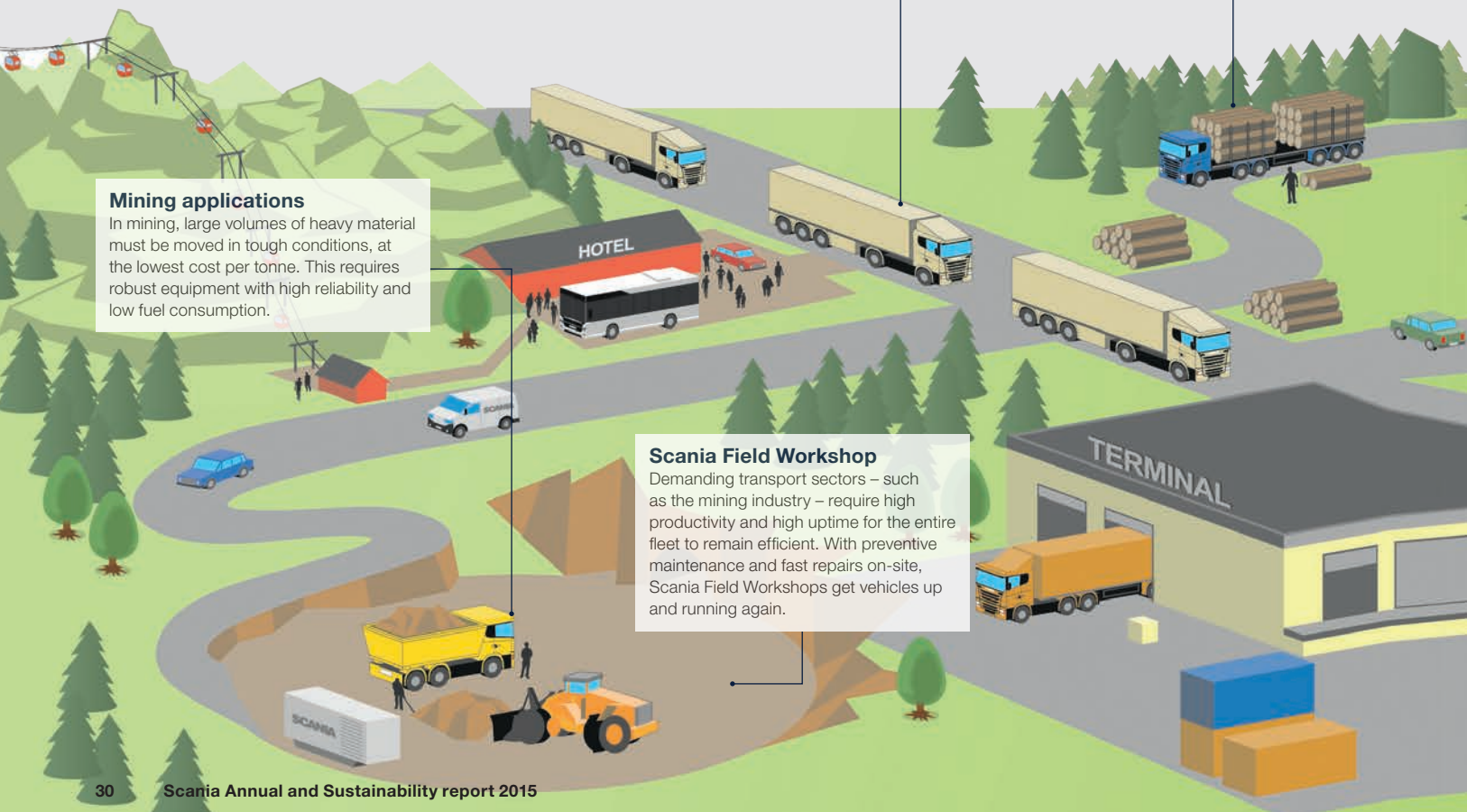
Fuel comprises about one-third of the total operating cost for a timber haulier. Robustness and high-performance engines are needed to meet the demands.

### Mining applications

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

### Scania Field Workshop

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



## CITIES ON THE MOVE

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

### Bus systems

BRT systems offer an efficient and practical form of urban transport. Our solutions for city buses operating on natural gas or biogas offer a combination of high capacity, fuel economy and low environmental impact.

### Engine applications

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

### Distribution segment

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

### Alternative fuels

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

### Marine applications

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

### Electrification

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



With a holistic view and strong focus on continuous improvement, Scania seeks to develop solutions that add value for all actors in the value chain. With customers at the centre, value accrues also for Scania and for our key stakeholders, creating a profitable and sustainable transport industry for the future.

# CREATING VALUE FOR OUR STAKEHOLDERS THROUGHOUT OUR VALUE CHAIN

## OUR VALUE CHAIN

Long-term profitable development in Scania entails accomplishing better economic value creation while, in parallel, having a positive impact on society, thus creating shared value.

By partnering with our customers and other stakeholders, and applying our knowledge and innovative solutions, Scania contributes to the transformation of transport systems and embeds greater efficiency throughout the value chain.

Our biggest impact – positive and negative – occurs beyond Scania's own operations; instead it is when Scania trucks and buses are on the road that our products and services create benefits for customers and society, and major environmental effects arise.



### 1. Research and Development

With a high level of investments in R&D, Scania creates value for customers by meeting their demands for higher uptime and greater efficiency, and for society by supporting a safe and efficient transport system.



### 2. Sourcing

With rigorous environmental, ethical and social demands, we support businesses throughout our global supply chain that maintain fair conditions. In return, we benefit from higher supplier quality and productivity, and minimise negative impact during the life cycles of our products.



### 3. Production

With a strong focus on continuous improvement, SPS helps eliminate waste, improve resource efficiency and optimise production flow, thereby reducing our environmental footprint.



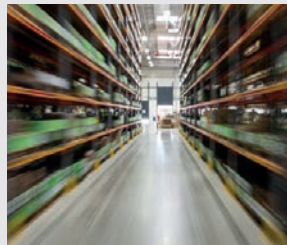
### 4. Sales

With a global presence, we work together with our customer to ensure the vehicle is optimised for their specific transport assignment and to address their environmental impact. This sense of responsibility in sales is reflected in our principles and also extends forward in the value chain.



### 5. In use

With logistics thinking we focus on how to make the system flow more efficient. By applying connectivity and focusing on lifecycle optimisation, we help customers improve operational efficiency, reduce noise, impacts and costs, and improve road safety and security.



### 6. Services

By continuously improving our global sales and services operations and working hand-in-hand with customers, we improve our ability to meet their sustainability goals, identify efficiencies and deliver high value-added services.



### 7. End-of-life

Scania's ambition is to continuously reduce non-recyclable components and provide guidelines for end-of-life treatment and dismantling, also in partnership with others, to minimise impact from our products' life cycle.

Made mainly out of high recovery value materials like cast iron and steel, our trucks are 95 percent commercially recyclable.



# OUR STAKEHOLDERS

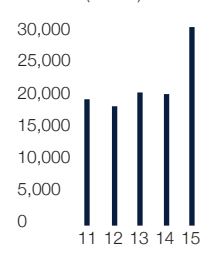
Value creation is the essential aim of our business and links Scania to our key stakeholder groups. Scania has been consistent in delivering benefits to customers, employees, suppliers, owners and lenders and society at large. Value creation is dynamic: investments in machinery and in the health and training of employees leads to higher productivity. Collaborating with universities and schools as well as contributing to local communities increase the talent pool and support Scania's business environment. The value that this approach creates for Scania, is, in turn, reinvested in our business, creating the right conditions for continued growth with profitability.



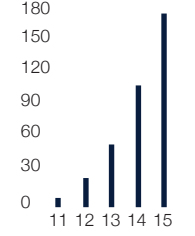
### Customers

With our focus on customer profitability, Scania has a strong brand in the industry; recognised especially for fuel efficiency, performance and the quality of our products and services. In terms of customer loyalty, Scania typically scores among the best in the industry. Driver training and connected vehicles that create conditions for better economy, are two examples of services that are appreciated by our customers.

Scania driver training 2011-15 (drivers)



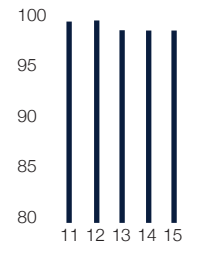
Connected vehicle sales, accumulated 2011-15 ('000 vehicles)



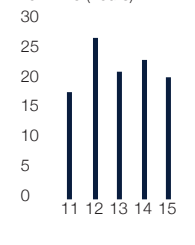
### Employees

Scania's employees are key to our success. There is great satisfaction in belonging to a healthy, inspiring and productive workplace where performance is well rewarded. Every year, a significant share of the employees enhance competence and skills through tailored training programmes.

Total global healthy attendance 2011-15 (%)



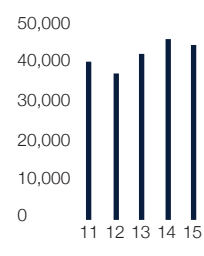
Training hours per employee 2011-15 (hours)



### Suppliers

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

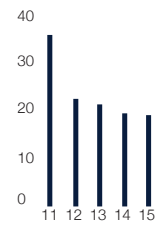
Cost of goods 2011-15 (SEKm)



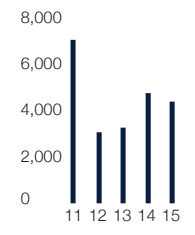
### Owners and lenders

Scania provides value for our owners and lenders by continuing to deliver growth with profitability and generating positive cash flows.

ROCE 2011-15 (return %)



Cash flow 2011-15 (SEKm)

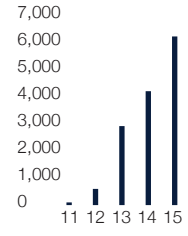


### Society

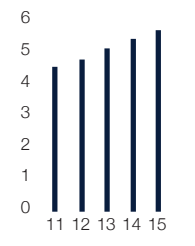
Developing and delivering tailored solutions that drive efficiency and profitability in the value chain is our major contribution to society. Employment, training of employees and investment in R&D are other examples of how Scania generates value for society at large.

This benefits the economies of local communities, strengthens skills and experience in the workforce, and reduces negative environmental impact through low carbon transport solutions.

Ecolution by Scania, contract sales accumulated 2011-15 (vehicles)



R&D expenses 2011-15 (SEKm)



Sustainability is multifaceted and Scania strives to ensure that its business in all aspects and at every stage complies with high social, ethical and environmental standards. Scania closely monitors its performance in all key areas of sustainability with the aim of achieving continuous improvement. This is very much in keeping with Scania's core values.

## HOW SCANIA WORKS

### **SUSTAINABILITY IN OUR PROCESSES**

For Scania, elimination of waste forms part of our heritage and constitutes a cornerstone in our core values and strategy. Guided by our core values and our approach to continuous improvement, we closely review strategies in order to externally and internally reduce our footprint, and ensure that ethical principles are adhered to. Established processes, clear guidelines and employee training support our employees in their daily work. Through tailored solutions, we drive efficiency and profitability for our customers and our customers' customers throughout the whole logistical value chain and bring value to the society.

Striving for high social, ethical, and environmental standards is well in line with Scania's long-standing commitment to quality and a culture of continuous improvement. Our way of working is founded on good governance frameworks and systems, clear aims and direction, and a committed workforce that delivers on the company's vision.

### **SOURCING PROCESSES**

Scania works cross-functionally with purchasing on a global level. By setting high standards for quality and compliance with ethical principles, Scania limits its exposure to business risks. The majority of purchases is sourced from Swedish, German and other EU country suppliers. Meanwhile, purchasing in India and China is increasing with the global growth of Scania's operations. Scania therefore works systematically to ensure that the high standards are maintained by all of our partners. In 2015, detailed purchasing process guidelines were added to our Corporate Guidance Manual, and all parts of Scania now follow the same processes. Employees involved in the purchasing process have been trained in the new principles.

### **High standards for suppliers**

Scania sets explicit requirements for all suppliers. New suppliers are subject to a review process, and must meet Scania's standards and follow our ethical principles. All suppliers are evaluated on a regular basis. In regions where qualified suppliers are scarce, such as in India, Scania has launched qualification programmes and is investing in supplier development.

By building long-term supplier relationships, Scania work for sustainable solutions throughout the entire value chain. All suppliers must meet our high standards and are asked to require the same of their own suppliers. Our suppliers must confirm compliance by living up to our standards and all potential suppliers are treated equally to encourage competition.

### **Partnerships improve effectiveness**

Collaborating with a greater number of actors improves effectiveness. Scania works closely together with customers, suppliers and other auto manufacturers. Through its membership in the CSR Europe Automotive Working Group (EAWG), Scania works with other automotive companies to improve sustainability throughout the value chain. The automotive industry value chain is complex, and collaboration with other actors saves resources and sends a clear message to suppliers. Part of this collaborative work involves increasing the number of suppliers that meet the sustainability requirements and the ethical guidelines. EAWG offers capacity building to local partners and training courses for suppliers in selected countries.

### **Requirement to lower CO<sub>2</sub> emissions**

Reducing the environmental impact is a key component of Scania's customer offer. As a leader in our industry, we strive to reduce CO<sub>2</sub> emissions from our incoming transports (see page 29, smart transport). To achieve our target we work closely with our suppliers, impose requirements for a 3 percent annual reduction in CO<sub>2</sub> emissions, and offer alternative fuel and transport solutions. We presently require that all new transporters meet at least Euro 5 standards.

### **RESPONSIBLE SALES**

Our responsibility also extends forward in the value chain. With the Scania Dealer Operating Standard, we impose strict requirements on our distributors and retailers. Scania provides support and regularly monitors compliance to ensure that our quality, environmental and responsible businesses process standards are met. During 2015, we stepped up our efforts to integrate environmental, human rights and anti-corruption aspects in our sales processes. Our sales departments are being trained and will continuously be equipped with the necessary tools to manage issues in complex environments over the coming years.

## EFFICIENT USE OF RESOURCES IN OUR PRODUCTION

Scania should lead by example, to ensure that we continuously and strategically work to use resources efficiently in production. Our five long-standing priorities serve as guidelines in our long-range efforts to reduce our environmental impact:

- Efficient use of energy and water in facilities and operations.
- Reduce use of raw materials and chemicals.
- Reduce air and wastewater emissions.
- Increase reuse and reducing waste material.
- Reduce risks for accidents and spill and effectively managing them if they occur.

### Efficient energy use

Scania continuously works towards its goal of halving energy use per produced vehicle by 2020 from the base year 2010. In 2015, production volumes were slightly lower than the preceding year, mainly due to the decline at Scania's Latin American production units. This led to reduced total energy use by 3 percent but an increase in relation to number of produced vehicles, 8.1 MWh.

All Scania production sites use the Kaizen method, a part of SPS, to identify and eliminate energy waste. Kaizen refers to activities that continuously improve all functions and involve all employees.

A continued focus on changed practices and investment in resource efficient equipment is needed together with an increased production volume to achieve the target.

## CO<sub>2</sub> emissions

Allmost all greenhouse gases (GHG) emitted by our operations is CO<sub>2</sub>, derived from direct and indirect energy use. In 2015, Scania's CO<sub>2</sub> emissions from industrial operations totalled 81,700 tonnes, the same level as 2010 but with an increased production volume of 17 percent. This has resulted in a 15 percent reduction per vehicle to 1.03 tonnes CO<sub>2</sub>/vehicle.

### Water

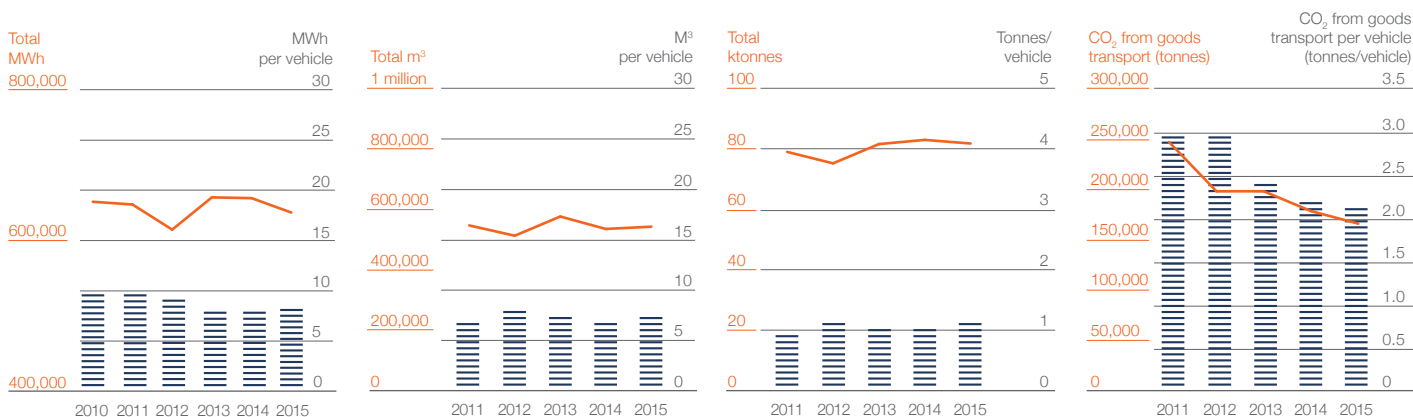
Scania reviews its production facilities to identify impact in areas with limited water resources. With the exception of Latin America, Scania has no production activities in areas where access to water is limited. The greatest share of Scania's water consumption – approximately 80 percent – is attributable to consumption by employees. Water consumption per produced vehicle increased 5 percent to 6.8 cubic metres/vehicle in 2015 due to lower production volume. In a longer perspective, the water use per vehicle has decreased by 11 percent since 2010.

### Chemicals

Scania's priority is to reduce the use of environmentally hazardous chemicals and to work responsibly with chemical management. Today, these chemicals are necessary to meet the complex technical needs of modern vehicles and are currently used in production and service operations. Scania's environmental policy emphasises the Precautionary Principle, which is particularly relevant for handling chemicals.

## ENERGY USE FOR INDUSTRIAL OPERATIONS

All Scania performance indicators are set in relation to the number of produced vehicles. Performance data covers all industrial operations.



### Energy

Energy use per produced vehicle has decreased by 17 percent since 2010.

### Water

Most production processes have closed systems and industrial wastewater is treated before draining. Only minor drain off is made directly to the sewage system, such as wastewater from cooling towers.

### Emissions of CO<sub>2</sub> tonne/vehicle

Nearly all greenhouse gases (GHG) emitted by our operations is CO<sub>2</sub>, derived from direct and indirect energy use.

### Transport-related direct CO<sub>2</sub> emissions

Lower production volumes in Latin America resulted in a decrease in emissions from inbound flows in Latin America and overseas flows to Latin America. Emission levels for inbound in Europe is at the same levels as in 2014 while we transported 9 percent more goods in 2015 compared to 2014.



Scania AB and its direct wholly-owned subsidiary Scania CV AB (together “Scania”) maintain a high international standard of corporate governance through the clarity and simplicity of its management systems and governing documents. Corporate governance at Scania is based on the Articles of Association, Swedish legislation, in particular the Swedish Companies Act, the Annual Accounts Act and internal governing documents. The Volkswagen Group’s governing documents are also being gradually implemented.

# CORPORATE GOVERNANCE

## Governing documents at Scania

The most important governing documents at Scania are:

- The Rules of Procedure of the Board of Directors, including the Board’s instruction to the President and CEO and guidelines for essential reporting processes at Scania
- The Rules of Procedure of the Audit/Remuneration Committees
- How Scania is Managed
- Corporate Governance Manual
- Scania Financial Manual

## Application

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

## THE SHAREHOLDERS

Shareholders of Scania that hold more than 10 percent of the voting rights on 31 November 2015, are Volkswagen AG and its subsidiary MAN SE. Volkswagen AG holds 82.63 percent of the shares in Scania AB and MAN SE holds 17.37 percent of the shares in Scania AB. The Volkswagen Group thus directly or indirectly owns 100 percent of the shares in Scania and therefore, directly or indirectly, controls all of the voting rights in Scania.

## The Annual General Meeting

The right of shareholders to make decisions on Scania’s affairs is ultimately exercised at the Annual General Meeting (AGM). According to the Swedish Companies Act, within six months of the expiry of each financial year, Swedish limited liability companies shall hold a general meeting of shareholders, where the Board of Directors shall present the Annual Report and the Auditors’ Report. This shareholder meeting is called the Annual General Meeting. At Scania, the AGM is normally held during April or May. Notice convening the AGM shall be issued no earlier than six and no later than four weeks before the Meeting. Notice convening an Extraordinary General Meeting (EGM) shall be issued no earlier than six and no later than three weeks before the Meeting.

In accordance with the Swedish Companies Act and Scania’s Articles of Association, the composition of the Board is decided by election. Decisions at the AGM are usually made by simple majority. In some cases such as an amendment to the Articles of Association, however, the Swedish Companies Act or the Articles of Association stipulates either a certain level of attendance in order to reach a quorum or a qualified majority of votes. During 2015, neither the AGM, nor any EGM, did authorise the Board to resolve on the issue or repurchase of shares.

## THE BOARD OF DIRECTORS

Scania’s Board of Directors, which is identical for Scania AB and Scania CV AB, is elected every year by the shareholders at the AGM. The Board is the link between the shareholders and the company’s management. It is of great importance in the task of developing Scania’s strategy and business operations.

According to the respective Articles of Association, in addition to those Board members who are appointed pursuant to Swedish law by a party other than the AGM, the Board shall comprise a minimum of three and a maximum of 10 members plus a maximum of two deputy members. The members are elected each year at the AGM for the period up to the end of the next AGM.

Scania’s Board is composed of eight elected Board members and no deputy members. On 31 December 2015, they were:

Helmut Aurenz  
Annika Falkengren  
Matthias Gründler  
Per Hallberg  
Marcus S Piëch  
Christian Porsche  
Andreas Renschler  
Peter Wallenberg Jr

Andreas Renschler is the Chairman of the Board of Directors. In addition, the trade unions at Scania have appointed two Board members and two deputy members for them. They were for 2015:

Johan Järvklo  
Lisa Lorentzon  
Mikael Johansson, deputy member  
Mari Carlquist, deputy member

### **Instruction to the President and CEO**

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

### **The Board's Committees**

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

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

The Remuneration Committee only exists in Scania AB, while the Audit Committee is identical and common to Scania CV AB.

### **Auditors**

At Scania, the independent auditors are elected annually by the shareholders at the AGM, for a period until the end of the next financial year's AGM.

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

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

### **THE MANAGEMENT OF THE COMPANY**

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

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

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

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

### **The President and CEO**

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

### **The Executive Board**

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

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

### The corporate units

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

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

### Internal control of financial reporting

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

### Control environment

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

### Risk assessment and control activities

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

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

### Information and communication

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

### Monitoring

Scania monitors compliance with the above described governing documents and the effectiveness of the control structure. Monitoring and evaluation are performed by the company's corporate controller departments in industrial operations, all sales and services companies and finance companies. During 2015, in its control and investigative activities the company prioritised areas and processes with large flows and values as well as selected operational risks. Monitoring compliance with the Scania Corporate Governance Manual and Scania Financial Manual remained high priority areas, along with units undergoing changes.

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

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

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



Global GDP growth during 2015 continued to be below long-term average. Meanwhile, the Brazilian and Russian economies contracted significantly. The recovery in Europe continued to be supported by a weak euro and low interest rates. Scania strengthened its position in the European market and managed to increase market share on both the truck and bus side. Service revenue was again at an all-time-high level.

# MARKET TRENDS 2015

## VEHICLES AND SERVICES

Scania's vehicle deliveries in 2015 were slightly below the 2014 level. Truck deliveries decreased by 4 percent to a total of 69,762 units while bus and coach deliveries were basically unchanged compared with 2014 and reached 6,799 units. Demand for service-related products increased in all markets. Engine deliveries rose by 2 percent to 8,485 units and service sales increased by 9 percent to SEK 20,585 m., the highest level ever.

### The truck market in Europe

The economic growth in Europe continued during 2015. The total market for heavy trucks in 26 of the European Union member countries (all EU countries except Bulgaria and Malta) plus Norway and Switzerland increased by 19 percent to about 266,700 units during 2015, compared to about 224,800 trucks in 2014. As a result of the high European truck deliveries during 2005–2008, followed by lower levels in recent years, the average age of the truck population has been relatively high, which provided support to demand in Europe in 2015 as well as a high economic activity in general.

### Higher market share

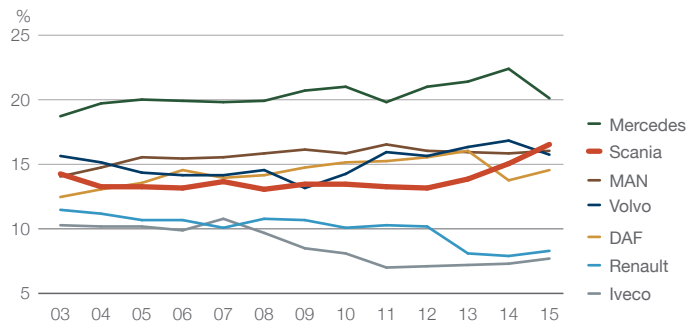
Scania increased its market share in Europe during 2015. Due to the early introduction of Euro 6 vehicles, Scania has extensive experience with two generations of the engines. Scania also received widespread recognition for its low fuel consumption. Scania's offer in alternative fuels is the most comprehensive in the industry. Scania truck registrations rose to some 43,900 units, equivalent to a market share of about 16.5 (15.1) percent.

### Declining economy in Latin America

Brazil in 2015 experienced a severe recession with decelerating economic activity. Earlier subsidies for truck investment were substantially reduced already in 2014 and continued to be restricted during 2015. Scania truck registrations in Brazil amounted to some 5,222 units, equivalent to a market share of about 12.6 (15.3) percent. Demand held up well in other Latin American markets, such as Peru, Chile and Argentina.

## MARKET SHARE

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



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

**16.5%**

Scania's market share in Europe based on truck registrations 2015

**43,900**

Number of registered Scania trucks in Europe 2015

**SEK 20,585m**

Service revenue in 2015

### Opportunities in emerging markets

Order bookings in Asia in 2015 were lower than the previous year, mainly due to fewer orders to the Middle East. However, Scania noted a substantial increase in truck sales to Turkey in anticipation of the transition to Euro 6 in 2016. Overall deliveries to Asia decreased by 39 percent to 8,349 trucks.

In Eurasia, where Russia is the largest market, demand was severely affected by the economic crisis and Scania's truck deliveries decreased to 2,583 units during 2015. With the geopolitical turbulence, the outlook for the region is uncertain.

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

### The bus and coach market

Scania's deliveries of buses and coaches during 2015 amounted to 6,799 units, in line with 2014. Compared to 2014, Scania deliveries in Europe increased in 2015 by 41 percent. Deliveries increased in Asia while they were lower in Africa and Oceania. During the second quarter 2015, the new Scania Interlink family of low, medium and high decker buses was presented. Scania also delivered its hybrid city bus to customers in Denmark, Norway and Sweden during the year.

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

### All-time high for industrial and marine engines

Demand increased during 2015 and Scania's deliveries were at an all-time high. Scania has a number of major agreements with OEMs such as Doosan, Atlas Copco and Terex. During 2015, additional partnerships were established with Oshkosh Corporation to supply engines for airport vehicles and with Hyundai Heavy Industries for excavators and wheel loaders. Deliveries of engines rose by 2 percent to 8,485 units. Initially, engine deliveries for power electrification to Brazil were high but subsequently declined due to the Brazilian economic crisis. Scania deliveries to marine applications showed a strong performance in Asia.

### Success in the services business

Service demand was good throughout the year in virtually all markets, both in and outside of Europe. In recent years, Scania has increased its vehicle deliveries in many emerging markets in Asia and Latin America and has also expanded its service capacity and strengthened its offer. This has had a positive impact on service demand. Service revenue rose by 9 percent to a record level of SEK 20,585 m. In local currency the upturn was 6 percent. Demand for service and repairs is more stable over an economic cycle than demand for new vehicles. This is because hauliers can opt to defer new investments but cannot avoid repairs and servicing to the same extent.

### FINANCIAL SERVICES

The customer financing portfolio increased by SEK 0.9 billion to SEK 56.5 billion during the year. In local currencies the portfolio increased by SEK 4,300 m., by 8 percent. Scania's share of financed vehicles rose from 37 percent to 42 percent. The demand for insurance solutions was also greater. Most of the portfolio consists of customers in European markets. The financing portfolio is well diversified in terms of geography and types of customers as well as their size, economic sector and vehicle applications. Scania reduces its risk by pursuing a conservative credit policy and a refinancing profile that matches borrowing to lending.

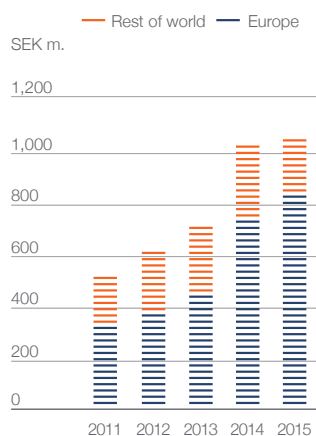
Close collaboration between Financial Services and Scania's sales organisation is a major explanation for Scania's expanding financing portfolio. This collaboration allows both operations to mutually benefit from insights concerning customers and their businesses.

Experience shows that brand loyalty is higher among customers that select financing, insurance and maintenance contracts with Scania.

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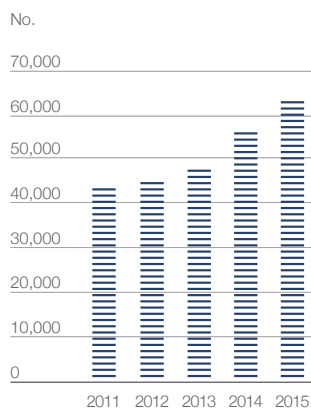
Close collaboration between Financial Services and Scania's sales organisation is a major explanation for Scania's expanding financing portfolio.

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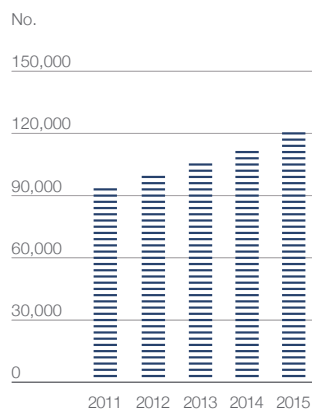
**Operating income  
Financial Services**

Operating income increased to a record-high SEK 1,040 m. A larger average portfolio, and higher margins and only slightly increased bad debt expenses had a positive effect.



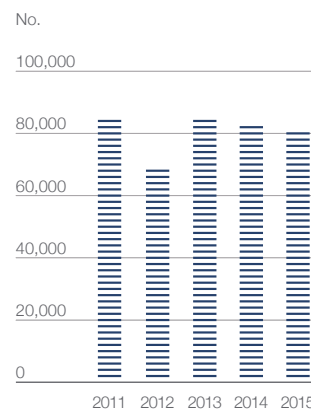
**Insurance contracts**

There was an increasing demand for Scania's insurance solutions during 2015. Efficient claims management and fast repairs in Scania's service network is the core of the offer.



**Finance contracts**

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



**Vehicles produced**

During 2015, Scania produced 79,350 vehicles (82,208). Quality and delivery precision improved.

**Record-high results**

Operating income increased to record-high SEK 1,040 m. A larger average portfolio, and higher margins and only slightly increased bad debt expenses had a positive effect.

**PRODUCTION AND ENVIRONMENT**

The high demand for vehicles in Europe was reflected in the record capacity production level at Scania's European units. Due to falling demand, primarily in Brazil, production at the unit in São Bernardo do Campo was affected, but thanks to the common global production concept Scania was able to make use the excess capacity there to supply other markets.

Shorter lead times, higher quality and delivery precision were in focus, and all these parameters improved. In chassis assembly, real-time preventive risk preparedness was introduced to uphold quality. Vehicle quality was at an all-time high, both measured internally as well as in customer surveys.

Scania has expanded its technical capacity to 120,000 vehicles from 100,000. The work on ensuring flexibility to meet short-term fluctuations in demand is continuing as Scania expands its capacity. During 2015, Scania produced 79,350 vehicles (82,208).

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



**EMPLOYEES**

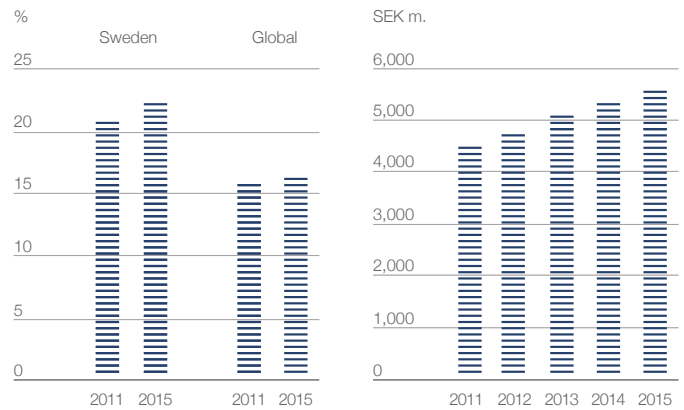
Ensuring that all employees, regardless of their form of employment, feel dedicated and interested in their work is an important task for managers at all levels of the organisation. Regardless of what work they do, or where they are in the world, people who work at Scania need to feel job satisfaction and a sense of well-being. Scania's systematic efforts to monitor job satisfaction was developed in 2015 with a single common survey.

Scania is convinced that diverse work groups, reflecting diversity in gender, ethnicity and background, are key to success and therefore aims to work for a more diversified workforce in all its operations.

Questions relating to well-being, working environment, safety and health have high priority. All managers and employees at production units are involved in improving working methods. In this way, Scania has been able to reduce employee turnover and keep healthy attendance at a high stable level over the years, while increasing its production capacity. The principles, developed over many years at Scania's production units, have been adapted and are being implemented in the other parts of the company. The number of employees at Scania increased to 44,409 at the end of 2015 compared with 42,129 on the same date in 2014.

**RESEARCH AND DEVELOPMENT**

The aim of Scania's research and development organisation is to improve productivity and profitability in customer operations based on low fuel consumption, high uptime and low service cost combined with good performance. Scania puts a lot of resources into research and development, which is concentrated at the Scania Technical Centre in Södertälje, where some 3,500 people are employed. During 2015, research and development expenses amounted to SEK 5,573 m. (5,304), which corresponded to 5.9 percent of net sales.



**Share of female managers**

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

**R&D Expenses**

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

Risks are a natural element of business operations and entrepreneurship. Part of the day-to-day work of Scania is to manage risks, to prevent risks from harming the company and to limit the damage that may arise. Various risks may have an adverse impact on Scania with direct effects on business operations and on the company's reputation.

# RISKS AND RISK MANAGEMENT

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

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

## STRATEGIC RISKS

### Corporate governance and policy-related risks

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

### Business development risks

Risks associated with business development and long-term planning are managed primarily through Scania's cross-functional (interdepartmental) meeting structure for decision making of a strategic and tactical nature, as well as Scania's established yearly process for strategic planning. Such planning is discussed and challenged throughout the company, based on external and internal deliberations. All units and levels of the company are involved in the strategic process.

Both the cross-functional meeting structure and the strategic process are long-established and are evolving continuously.

Risks of overlooking threats and opportunities, of sub-optimising operations in the company, and of making the wrong decisions are thereby minimised, while the risk of uncertainty and lack of clarity concerning the company's strategy and business development is managed in a systematic way.

Research and development projects are revised continuously on the basis of each project's technological and commercial relevance.

## OPERATIONAL RISKS

### Market risks

The demand for Scania's products is mainly driven by transport needs and also by a certain replacement need for vehicles to maintain high availability and low life-cycle cost of the vehicles.

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

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

## RISKS AND RISK MANAGEMENT

### Risks in the sales and services network

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

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

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

Operational risks in the sales and services network are detected and eliminated by using Scania Retail System (SRS), which is an adaptation for the commercial operations of the Scania Production System (SPS).

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

### Regulatory risks in the Financial Services operations

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

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

### Production risks

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

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

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

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

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

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

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



### Supplier risks

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

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

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

Scania continuously safeguards the quality and delivery precision of purchased items. It carries out day-to-day monitoring, then prioritises and classifies deviations. In case of repeated deviations, an escalation model is used in order to create greater focus and quickly restore a normal situation.

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

### Natural disaster risk

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

### Human resource and talent recruitment

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

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

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

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

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

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

### Information risks

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

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

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

### Sustainability risks

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

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

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

## RISKS AND RISK MANAGEMENT

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

All production units have permits that comply with national legislation. In addition to legal requirements and the conditions included in these permits, operations may also be subject to local requirements and rules.

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

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

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

Further guidance and support is given to employees through manuals and training. Special emphasis is placed on ethical and human rights issues in complex geographical locations and business segments.

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

### Research and development risks

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

### New legislation

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

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

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

### Product launch risks

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

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

### Product liability

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

### Insurable risks

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

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

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

### LEGAL RISKS

#### Contracts and rights

Scania's operations include a wide variety of intangible licensing agreements, patents and other intellectual property rights.

Scania also concludes numerous commercial and financial contracts, which is normal for a company of Scania's scale and type. Scania's operations are not dependent on any single commercial or financial contract, patent, licensing agreement or similar right.

#### Legal actions

Scania is affected by numerous legal proceedings as a consequence of the company's operating activities. This includes alleged breaches of contract, non-delivery of goods or services, producer liability, patent infringement or infringements related to other intellectual property, or alleged violations of laws and regulations in force. Even if disputes of this kind should be decided in a favourable way without adverse economic consequences, they may adversely affect Scania's reputation. For further information, see Note 2, page 69.

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

Administration of contracts, essential rights and legal risks occur in the normal course of operations. Scania has also introduced a Legal Risk Reporting system, according to which risks are defined and reported. At least once a year, a report on such risks is submitted to the Audit Committee of the Board.

### TAX RISKS

Scania and its subsidiaries are the object of a large number of tax cases, as a consequence of the company's operating activities. For further information, see Note 2, page 69. None of these cases is deemed capable of resulting in a claim that would substantially affect Scania's financial position. Tax risks above a certain level are reported regularly to management. Once a year, a report is submitted to the Audit Committee of the Board.

### FINANCIAL RISKS

Beyond business risks, Scania is exposed to various financial risks. Those that are of the greatest importance are currency, interest rate, refinancing and credit risks. Especially in Scania's Financial Services, access to competitive funding is critical and to a large extent dependent on Scania's credit rating on the financial markets. As a consequence of Scania being a wholly owned subsidiary of the Volkswagen Group, Scania is also affected by changes in credit ratings for Volkswagen. The rating institute Standard & Poor's considers Volkswagen's ownership of Scania to be 'Highly Strategic' rather than 'Core' and their ratings methodology therefore dictates that Scania's issuer credit rating shall be limited to the higher of (i) its stand-alone credit rating and (ii) a rating corresponding to one notch lower than Volkswagen's. Scania's issuer credit rating can never be higher than Volkswagen's.

Any downgrade by Standard & Poor's of Volkswagen's credit rating therefore may result in a downgrade by Standard & Poor's of Scania's issuer credit rating. Financial risks are managed in accordance with the Financial Policy adopted annually by Scania's Board of Directors. See also Note 27 on pages 93-98.



Scania's Board of Directors consists of eight members elected by the AGM and two employee representatives plus two deputies for the latter.

# BOARD OF DIRECTORS



**Andreas Renschler**

Chairman of the Board of Directors since 2015. Chairman, Remuneration Committee. Born: 1958.

**Education:** Degrees in business engineering and business administration.

**Other directorships:**

Member of the Board of Management, Volkswagen AG. Chairman of the Board of Directors, MAN SE. Chairman of the Board of Directors, MAN Truck & Bus AG. Chairman of the Board of Directors, MAN Latin America Indústria e Comércio de Veículos Ltda. Member of the Board of Directors, Deutsche Messe AG. Member of the Board of Directors, Sinotruk (Hongkong) Limited.

**Relevant work experience:**

Member of the Board of Management, Volkswagen AG, responsible for Commercial Vehicles. CEO Volkswagen Truck & Bus GmbH. Various management positions at Daimler AG, responsible for Purchasing and Production for Mercedes-Benz Cars and Mercedes-Benz Vans. Member of the Board of Management at Daimler AG, responsible for Daimler Trucks and Daimler Buses. President of Smart GmbH. Head of Executive Management Development at Daimler AG. Various management positions at Daimler AG.



**Henrik Henriksson**

Member of the Board of Directors since 2016. Born: 1970.

**Education:** BSc Bachelor of Science in Business Administration.

**Relevant work experience:**

Various managerial positions at Scania since 1999, President and CEO of Scania since 2016.



**Helmut Aurenz**

Member of the Board of Directors since 2008. Born: 1937.

**Education:** Apprenticeship in Horticulture, Entrepreneur.

**Other directorships:**

Member of various boards and advisory bodies among them the advisory assemblies for Baden-Württembergische Bank and Landesbank Baden-Württemberg. Independent Board member of Audi AG and Automobili Lamborghini Holding Spa.

**Relevant work experience:**

Started in 1958 a now-sizeable garden and fertiliser products business in the ASB Group in Ludwigsburg, Germany.



**Annika Falkengren**

Member of the Board of Directors since 2015. Member, Remuneration Committee. Member, Audit committee. Born: 1962.

**Education:** BSc.

**Other directorships:**

Chairman of the Swedish Bankers Association. Director of Skandinaviska Enskilda Banken AB and of Securitas AB. Member of the Supervisory Board of Volkswagen AG.

**Relevant work experience:**

Several management positions within the Skandinaviska Enskilda Banken AB. President and CEO of Skandinaviska Enskilda Banken AB.



#### Markus S. Piëch

Member of the Board of Directors since 2015.  
Born: 1985.

**Education:** Mag. rer. soc. oec., Bakk.

**Other directorships:**

Member of the Supervisory Board of MAN Truck & Bus AG.

**Relevant work experience:**

Member of the Executive Board of Salzach Privatstiftung.



#### Christian Porsche

Member of the Board of Directors since 2014.  
Born: 1974.

**Education:** Dr. Dr.

**Other directorships:**

Member of the Board of MAN Truck & Bus AG.

**Relevant work experience:**

"General Partner" for several companies within Porsche Holding GmbH, Salzburg (2005–2009).



#### Peter Wallenberg Jr

Member of the Board of Directors since 2005.  
Born: 1959.

**Education:** MBA.

**Other directorships:**

Chairman of Foundation Asset Management Sweden AB, the Grand Group AB, the Royal Swedish Automobile Club and Kungsträdgården Park & Evenemang AB. Vice Chairman of the Knut and Alice Wallenberg Foundation. Board member of Investor AB, SEB Kort AB, Stockholm International Fairs, Aleris Holding AB and Atlas Copco AB.

**Relevant work experience:**

Various positions at Grand Hôtel.



#### Matthias Gründler

Member of the Board of Directors since 2015.  
Chairman, Audit Committee.

Born: 1965.

**Education:** Studies of Economics at the IFW (Institute for Knowledge Transfer) in cooperation with the Daimler Academy, Stuttgart Training as Industrial Clerk Daimler Benz AG, Stuttgart.

**Other directorships:**

Member of the Supervisory Board, MAN SE, Munich, Member of the Supervisory Board, MAN Truck & Bus AG, Munich and Member of the Supervisory Board, MAN Latin America Indústria e Comércio de Veículos Ltda.

**Relevant work experience:**

CFO Volkswagen Truck & Bus GmbH. Formerly CFO Daimler Trucks & Buses. Several management positions within Daimler AG.



#### Lisa Lorentzon

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

**Relevant work experience:**

Various positions at Scania since 2007.



#### Mari Carlquist

Representative of the Federation of Salaried Employees in Industry and Services (PTK) at Scania. Deputy member of the Board of Directors since 2015.  
Born: 1969.

**Relevant work experience:**

Various positions at Scania since 1987.



#### Johan Järvklo

Representative of the Swedish Metal Workers' Union at Scania. Member of the Board of Directors since 2008. Previously deputy member since 2006.  
Born: 1973.

**Relevant work experience:**

Various positions at Scania.



#### Mikael Johansson

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

**Relevant work experience:**

Various positions at Scania.

The Executive Board decides the strategic direction of the Scania Group.

## EXECUTIVE BOARD



**Henrik Henriksson**

President and CEO.  
Born: 1970.  
Education: BSc Bachelor of Science in Business Administration.  
Joined Scania in 1997.



**Johan Haeggman**

Executive Vice President,  
Chief Financial Officer (CFO).  
Born: 1960.  
Education: BSc Bachelor of Science in Business and Economics.  
Joined Scania in 1989, employed until 1999.  
Rejoined Scania in 2003.



**Kent Conradson**

Executive Vice President,  
Head of Human Resources.  
Born: 1958.  
Education: BSc Bachelor of Science in Business Administration and Economics.  
Joined Scania in 1979.



**Andrea Fuder**

Executive Vice President,  
Head of Purchasing.  
Born: 1967.  
Education: MBA Master of Business Administration and Economics and MSc Master of Science.  
Joined Scania in 2012.



**Christian Levin**

Executive Vice President,  
Head of Sales and Marketing.  
Born: 1967.  
Education: MBA Economics and Business Administration and MSc Mechanical Engineering.  
Joined Scania in 1994.



**Peter Härnwall**

Senior Vice President,  
Acting Head of Commercial Operations.  
Born: 1955.  
Education: MBA, Master of Business Administration.  
Joined Scania in 1983.



**Harald Ludanek**

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



**Thomas Karlsson**

Executive Vice President,  
Head of Production and Logistics.  
Born: 1953.  
Education: MSc Master of Science in Engineering.  
Joined Scania in 1988.



# GROUP FINANCIAL REVIEW

## NET SALES

The net sales of the Scania Group, in the Vehicles and Services segment, increased by 3 percent to SEK 94,897 m. (92,051). Currency rate effects had a positive impact on sales of 4 percent.

New vehicle sales revenue increased by 5 percent. Sales were positively influenced by currency effects, a positive market mix and an increased share of Euro 6 vehicles. Engine sales revenue increased by 11 percent. Service revenue increased by 9 percent and amounted to SEK 20,585 m. (18,828). Higher volume, mainly in Europe, of workshop hours and parts as well as currency rate effects had a positive impact.

Interest and lease income in the Financial Services segment increased by 10 percent due to higher financing volume, higher interest rates and positive currency effects.

Net sales by product, SEK m.	2015	2014
Trucks	61,250	59,587
Buses	8,994	7,412
Engines	1,656	1,495
Services	20,585	18,828
Used vehicles	6,236	5,173
Miscellaneous	1,836	2,790
Delivery sales value	100,557	95,285
Adjustment for lease income <sup>1</sup>	-5,660	-3,234
Total Vehicles and Services	94,897	92,051
Financial Services	5,517	5,029
Elimination <sup>2</sup>	-2,622	-2,200
<b>Scania Group total</b>	<b>97,792</b>	<b>94,880</b>

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

<sup>2</sup> Elimination refers to rental income from operating leases.

## DELIVERIES

During 2015, Scania delivered 69,762 (73,015) trucks, a decrease of 4 percent. Bus deliveries were essentially unchanged at 6,799 (6,767) units. Engine deliveries increased by 2 percent to 8,485 (8,287) units.

Vehicles delivered.	2015	2014
<b>Vehicles and Services</b>		
Trucks	69,762	73,015
Buses	6,799	6,767
Total new vehicles	76,561	79,782
Used vehicles	17,046	15,151
Engines	8,485	8,287

## Financial Services

Number financed (new during the year)	2015	2014
Trucks	23,837	22,380
Buses	687	768
Total new vehicles	24,524	23,148
Used vehicles	5,915	5,592
New financing, SEK m.	32,120	27,463
Portfolio, SEK m.	56,486	55,556

## EARNINGS

Scania's operating income amounted to SEK 9,641 m. (8,721) during 2015. Operating margin amounted to 10.2 (9.5) percent.

Operating income in Vehicles and Services totalled SEK 8,601 m. (7,705) during 2015. Higher vehicle deliveries in Europe, record high service volume and currency rate effects had a positive impact on earnings. Lower vehicle volume to Latin America and Eurasia and the low capacity utilisation in the Latin American production system had a negative effect.

Scania's research and development expenditures amounted to SEK 7,043 m. (6,402). After adjusting for SEK 1,863 m. (1,454) in capitalised expenditures and SEK 393 m. (356) in depreciation of previously capitalised expenditures, recognised expenses increased to SEK 5,573 m. (5,304).

## GROUP FINANCIAL REVIEW

Compared to the full year 2014, the total currency rate effect was positive and amounted to SEK 2,270 m.

**Operating income in Financial Services** rose to SEK 1,040 m. (1,016). This was equivalent to 1.9 (2.0) percent of the average portfolio during the year. The improved earnings were mainly due to a larger portfolio, higher margins and positive currency rate effects. Bad debt expenses increased during the year.

At year-end 2015, the size of the customer finance portfolio amounted to SEK 56.5 billion, which represented an increase of SEK 0.9 billion since the end of 2014. In local currencies, the portfolio increased by SEK 4.3 billion, equivalent to 7.7 percent.

Operating income per segment, SEK m.	2015	2014
<b>Vehicles and Services</b>		
Operating income	8,601	7,705
Operating margin, %	9.1	8.4
<b>Financial Services</b>		
Operating income	1,040	1,016
Operating margin, % <sup>1</sup>	1.9	2.0
Operating income, Scania Group	9,641	8,721
Operating margin, %	10.2	9.5
Income before taxes	9,109	8,322
Taxes	-2,356	-2,313
<b>Net income</b>	<b>6,753</b>	6,009

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

**Scania's net financial items** amounted to SEK -532 m. (-399). Net interest items amounted to SEK -259 m. (-223). Net interest items were negatively affected by a lower return on net cash position in Vehicles and Services compared to previous year. Other financial income and expenses amounted to SEK -273 m. (-176). These included SEK -171 m. (35) in valuation effects related to financial instruments where hedge accounting was not applied. Net financial items for 2014 also included costs related to Volkswagen's public offer to Scania's shareholders of SEK 160 m.

**Income before taxes** amounted to SEK 9,109 m. (8,322). The Scania Group's tax expense for 2015 was equivalent to 25.9 (27.8) percent of income before taxes. The tax rate was positively affected by lower earnings in Brazil where the tax rate is higher. In addition, the tax rate was negatively affected by remeasurement of tax loss carry-forwards during previous year.

**Net income** for the year totalled SEK 6,753 m. (6,009), corresponding to a net margin of 7.1 (6.5) percent.

### CASH FLOW

**Cash flow in Vehicles and Services** amounted to SEK 4,376 m. (4,690). Tied-up working capital decreased by SEK 1,656 m.

Net investments amounted to SEK 7,737 m. (5,706), including SEK 1,863 m. (1,454) in capitalisation of development expenses. At the end of 2015, the net cash position in Vehicles and Services amounted to SEK 7,579 m. (12,139).

**Cash flow in Financial Services** amounted to SEK -3,816 m. (-3,554), due to a growing customer finance portfolio.

### FINANCIAL POSITION

Financial ratios related to the balance sheet	2015	2014
Equity/assets (E/A) ratio, %	26.8	31.4
E/A ratio, Vehicles and Services, %	35.2	44.0
E/A ratio, Financial Services, %	9.8	11.5
Return on capital employed, Vehicles and Services, % <sup>2</sup>	19.3	19.9
Net debt/equity ratio, Vehicles and Services <sup>3</sup>	-0.24	-0.35

<sup>2</sup> Calculation is based on average capital employed for the thirteen most recent months.

<sup>3</sup> Net cash (-) Net debt (+).

During 2015, the equity of the Scania Group decreased by SEK 3,964 m. and totalled SEK 37,837 m. (41,801) at year-end. Net income added SEK 6,753 m. (6,009) while decided dividend decreased equity by SEK 9,600 m. (-). Equity decreased by SEK -2,465 m. (+951) because of exchange rate differences that arose when translating net assets outside Sweden. In addition, equity increased by SEK 1,796 m. (-2,989) because of cash flow hedges and actuarial losses on pension liabilities.

Taxes attributable to items reported under "Other comprehensive income" totalled SEK -448 m. (718). The non-controlling interest was unchanged during the year as in the previous year.

### FINANCIAL RISKS

#### Currency risk

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

According to Scania's financial policy, future cash flows may be hedged during a period that is allowed to vary between 0 and 12 months. The Board of Directors approves maturities of more than 12 months. At year-end 2015, no future cash flows were hedged.

The net foreign assets of subsidiaries are normally not hedged. However, to the extent a foreign subsidiary has significant net monetary assets in functional currency, they may be hedged. At the end of 2015, no foreign net assets were hedged.

### Interest rate risk

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

### Credit risk

The management of credit risks in Vehicles and Services is regulated by a credit policy. In Vehicles and Services, credit exposure consists mainly of receivables from independent dealerships as well as end customers.

To maintain a controlled level of credit risk in Financial Services, the process of issuing credit is supported by a credit policy as well as credit instructions.

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

### Borrowing and refinancing risk

Scania's borrowings primarily consist of bonds issued under capital market programmes, and other borrowing mainly via the banking system. As part of Scania's management of refinancing risk, there are five committed credit facilities: three in the international borrowing market and two in the Swedish market.

During 2015, Scania CV AB had its credit rating adjusted downwards by Standard & Poor's (S&P) by one notch, from A- till BBB+.

The downward adjustment was a consequence of VW's rating being adjusted downwards during the autumn to BBB+, and Scania, as a wholly-owned subsidiary cannot have a higher credit rating according to S&P's valuation model. During the autumn, VW's rating was adjusted downwards by two notches, i.e. from A to BBB+. Credit ratings apply to measurement of the credit risk of long-term debt, i.e. longer than one year.

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

### OTHER CONTRACTUAL RISKS

#### Residual value exposure

Scania delivers some of its vehicles with guaranteed residual value or with repurchase obligations, where Scania thus has residual value exposure. There is also residual value exposure for short-term rental vehicles with an estimated residual value. The amount for residual value exposure at year-end was SEK 12,752 m. (11,666). Exposure rose by SEK 1,086 m., mainly due to an increased number of newly contracted obligations in Europe. During 2015, the volume of new contracts with guaranteed residual value or with repurchase guarantees, was about 11,400 (8,300), excluding short-term rental contracts.

#### Service contracts

A large proportion of Scania's sales of parts and workshop hours occurs through repair and service contracts. Selling a service contract involves a commitment by Scania to provide servicing to customers during the contractual period in exchange for a predetermined fee. The cost of the contract is allocated over the contractual period according to estimated consumption of service, and actual divergences from this are recognised in the accounts during the period. From a portfolio perspective, Scania continually estimates possible future divergences from the expected cost curve. Negative divergences from this result in a provision, which affects earnings for the period.

The number of contracts rose during 2015 by 12,900 and totalled 150,000 at year-end. Most of these are in the European market.

### THE PARENT COMPANY

The Parent Company, Scania AB, is a public company whose assets consist of the shares in Scania CV AB. The Parent Company conducts no operations. Income before taxes of Scania AB during 2015 totalled SEK 0 m. (0).

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

In Scania AB, an Extraordinary General Meeting in December decided on a dividend of SEK 9,600 m. The dividend proposals decided by the board in 2014 and 2015 were never executed by the Annual General Meetings. The dividend of SEK 9,600 m. corresponds to approximately 50 percent of the net income for the financial years of 2013, 2014 and 2015. This is in line with Scania's historical benchmark of distributing approximately 50 percent of the net income to the shareholders. No changes are anticipated in relation to this historical benchmark.



# FINANCIAL REPORTS

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



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# CONSOLIDATED INCOME STATEMENTS

January – December, SEK m.	Note	2015	2014
<b>Vehicles and Services</b>			
Net sales	3	94,897	92,051
Cost of goods sold	4	-70,389	-69,902
Gross income		24,508	22,149
Research and development expenses <sup>1</sup>	4	-5,573	-5,304
Selling expenses	4	-9,071	-8,034
Administrative expenses	4	-1,309	-1,138
Share of income in associated companies and joint ventures	11	46	32
<b>Operating income, Vehicles and Services</b>		<b>8,601</b>	<b>7,705</b>
<b>Financial Services</b>			
Interest and lease income	5	5,517	5,029
Interest and depreciation expenses		-3,543	-3,214
Interest surplus		1,974	1,815
Other income		178	183
Other expenses		-45	-60
Gross income		2,107	1,938
Selling and administrative expenses	4	-823	-755
Bad debt expenses, realised and anticipated		-244	-167
<b>Operating income, Financial Services</b>		<b>1,040</b>	<b>1,016</b>
<b>Operating income</b>		<b>9,641</b>	<b>8,721</b>
Interest income		599	578
Interest expenses		-858	-801
Other financial income		12	120
Other financial expenses		-285	-296
Total financial items	6	-532	-399
<b>Income before taxes</b>		<b>9,109</b>	<b>8,322</b>
Taxes	7	-2,356	-2,313
<b>Net income</b>		<b>6,753</b>	<b>6,009</b>

<sup>1</sup> Total research and development expenditures during the year amounted to SEK 7,043 m. (6,402).

January – December, SEK m.	Note	2015	2014
<b>Other comprehensive income</b>	14		
<i>Items that may be reclassified to net income</i>			
Translation differences		-2,465	951
Cash flow hedges			
change in value for the year		-	-23
reclassification to net income		23	-
Taxes		-44	36
		-2,486	964
<i>Items that will not be reclassified to net income</i>			
Remeasurements of defined-benefit plans	15	1,773	-2,966
Taxes		-404	682
		1,369	-2,284
<b>Total other comprehensive income</b>		<b>-1,117</b>	<b>-1,320</b>
<b>Total comprehensive income for the year</b>		<b>5,636</b>	<b>4,689</b>
Net income attributable to:			
Scania shareholders		6,764	6,019
Non-controlling interest		-11	-10
Total comprehensive income attributable to:			
Scania shareholders		5,645	4,690
Non-controlling interest		-9	-1
Operating income includes depreciation of <sup>2</sup>	8	-3,261	-3,125

<sup>2</sup> Value decrease in operating leases is not included.



# CONSOLIDATED BALANCE SHEETS

31 December, SEK m.	Note	2015	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	9	6,855	5,259
Tangible assets	10	25,309	23,322
Lease assets	10	20,428	17,489
Holdings in associated companies and joint ventures	11	516	535
Long-term interest-bearing receivables	28	26,359	27,156
Other long-term receivables <sup>1</sup>	13, 28	1,353	1,382
Deferred tax assets	7	2,947	1,580
Tax receivables		429	442
<b>Total non-current assets</b>		<b>84,196</b>	77,165
<b>Current assets</b>			
Inventories	12	16,918	16,780
Current receivables			
Tax receivables		195	275
Interest-bearing receivables	28	16,373	16,929
Non-interest-bearing trade receivables	28	6,981	7,205
Other current receivables <sup>1</sup>	13, 28	4,094	3,717
<b>Total current receivables</b>		<b>27,643</b>	28,126
Current investments	28	213	51
Cash and cash equivalents	28		
Current investments comprising cash and cash equivalents		8,225	7,161
Cash and bank balances		4,070	3,754
<b>Total cash and cash equivalents</b>		<b>12,295</b>	10,915
<b>Total current assets</b>		<b>57,069</b>	55,872
<b>Total assets</b>		<b>141,265</b>	133,037
1 Including fair value of derivatives for hedging of borrowings:			
Other non-current receivables, derivatives with positive value		594	504
Other current receivables, derivatives with positive value		554	640
Other non-current liabilities, derivatives with negative value		508	706
Other current liabilities, derivatives with negative value		390	443
<b>Net amount</b>		<b>250</b>	-5

31 December, SEK m.	Note	2015	2014
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		2,000	2,000
Other contributed capital		1,120	1,120
Reserves		-3,943	-1,455
Retained earnings		38,613	40,080
Equity attributable to Scania shareholders		37,790	41,745
Non-controlling interest		47	56
Total equity	14	37,837	41,801
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	28	26,206	26,503
Provisions for pensions	15	7,339	9,039
Other non-current provisions	16	2,893	3,079
Accrued expenses and deferred income	17	9,085	6,522
Deferred tax liabilities	7	1,849	7
Other non-current liabilities <sup>1</sup>	28	567	836
Total non-current liabilities		47,939	45,986
<b>Current liabilities</b>			
Current interest-bearing liabilities	28	28,736	20,238
Current provisions	16	2,001	1,896
Accrued expenses and deferred income	17	9,278	8,912
Advance payments from customers		684	827
Trade payables	28	10,841	9,707
Tax liabilities		788	573
Other current liabilities <sup>1</sup>	28	3,161	3,097
Total current liabilities		55,489	45,250
<b>Total equity and liabilities</b>		<b>141,265</b>	<b>133,037</b>
Net debt, excluding provisions for pensions, SEK m.		42,183	35,780
Net debt/equity ratio		1.11	0.86
Equity/assets ratio, %		26.8	31.4
Capital employed, SEK m.		99,867	97,586

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

2015	Share capital	Other contributed capital	Hedge reserve	Currency translation reserve	Retained earnings	Total, Scania shareholders	Non-controlling interest	Total equity
Equity, 1 January	2,000	1,120	-18	-1,437	40,080	41,745	56	41,801
Exchange differences on translation				-2,467		-2,467	2	-2,465
Hedge reserve								
Change in value related to cash flow hedge recognised in other comprehensive income			-			-		-
Cash flow reserve transferred to operating income			23			23		23
Remeasurements of defined-benefit plans					1,773	1,773		1,773
Tax attributable to items recognised in other comprehensive income			-5	-39	-404	-448		-448
<b>Total other comprehensive income</b>			<b>18</b>	<b>-2,506</b>	<b>1,369</b>	<b>-1,119</b>	<b>2</b>	<b>-1,117</b>
Net income for the year					6,764	6,764	-11	6,753
Dividend to Scania AB shareholders					-9,600	-9,600		-9,600
<b>Equity, 31 December</b>	<b>2,000</b>	<b>1,120</b>	<b>0</b>	<b>-3,943</b>	<b>38,613</b>	<b>37,790</b>	<b>47</b>	<b>37,837</b>

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

# CONSOLIDATED CASH FLOW STATEMENTS

January – December, SEK m.	Note	2015	2014
<b>Operating activities</b>			
Income before tax	21 a	9,109	8,322
Items not affecting cash flow	21 b	4,423	3,684
Taxes paid		-2,094	-2,027
<b>Cash flow from operating activities before change in working capital</b>		<b>11,438</b>	9,979
<b>Change in working capital</b>			
Inventories		-1,294	-1,401
Receivables		-768	556
Provisions for pensions		302	193
Trade payables		892	825
Other liabilities and provisions		2,524	1,215
<b>Total change in working capital</b>		<b>1,656</b>	1,388
<b>Cash flow from operating activities</b>		<b>13,094</b>	11,367
<b>Investing activities</b>			
Net investments through acquisitions/divestments of businesses	21 c	-125	-154
Net investments in non-current assets, Vehicles and Services	21 d	-7,612	-5,561
Net investments in credit portfolio etc., Financial Services	21 d	-4,797	-4,516
<b>Cash flow from investing activities</b>		<b>-12,534</b>	-10,231
<b>Cash flow before financing activities</b>		<b>560</b>	1,136
<b>Financing activities</b>			
Change in debt from financing activities	21 e	1,962	53
<b>Cash flow from financing activities</b>		<b>1,962</b>	53
<b>Cash flow for the year</b>		<b>2,522</b>	1,189
<b>Cash and cash equivalents, 1 January</b>		<b>10,915</b>	9,562
<b>Exchange rate differences in cash and cash equivalents</b>		<b>-1,142</b>	164
<b>Cash and cash equivalents, 31 December</b>	21 f	<b>12,295</b>	10,915
<b>Cash flow statement, Vehicles and Services</b>		<b>2015</b>	<b>2014</b>
Cash flow from operating activities before change in working capital		10,457	9,008
Change in working capital etc.		1,656	1,388
<b>Cash flow from operating activities</b>		<b>12,113</b>	10,396
<b>Cash flow from investing activities</b>		<b>-7,737</b>	-5,706
<b>Cash flow before financing activities</b>		<b>4,376</b>	4,690



**NOTE 1 Accounting principles**

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

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

**CHANGES IN ACCOUNTING PRINCIPLES**

The accounting principles are unchanged from those applied in the Annual Report 2014.

**APPLICATION OF ACCOUNTING PRINCIPLES****Consolidated financial statements**

The consolidated financial statements encompass Scania AB and all subsidiaries. "Subsidiaries" refers to companies in which Scania directly or indirectly owns more than 50 percent of the voting rights of the shares or otherwise has control. Subsidiaries are reported according to the acquisition method of accounting. This method means that acquisition of a subsidiary is treated as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis establishes the fair value on the acquisition date of the acquired identifiable assets, liabilities assumed and contingent liabilities and any non-controlling interests. The consideration transferred on acquisition of a subsidiary consists of the fair values on the transfer date of assets given, liabilities that have arisen to previous owners and equity instruments issued as payment in exchange for the acquired net assets. Transaction costs directly attributable to the acquisition are recognised directly in the income statement as they arise.

Non-controlling interests are either recognised at their proportionate share of net assets or at their fair value, which means that non-controlling interests have a share in goodwill. The choice between the various alternatives may be made for each acquisition.

In business combinations where the consideration transferred, any non-controlling interests and the fair value of previously owned shares (in step acquisitions) exceed the fair value of the acquired identifiable assets, liabilities and contingent liabilities assumed, the difference is recognised as goodwill. When the difference is negative, this is recognised directly in the income statement. Only earnings arising after the date of acquisition are included in the equity of the Group. Divested companies are included in the consolidated financial statements until the date when controlling influence ceases. Intra-Group receivables and liabilities, revenue or expenses and unrealised gains or losses that arise from intra-Group transactions between Group companies are eliminated in their entirety during the preparation of the consolidated financial statements. Unrealised gains that arise from transactions with associated companies and joint ventures are eliminated to the extent that corresponds to the Group's percentage of ownership in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment loss. Non-controlling interests, that is, equity in a subsidiary not attributable to the Parent Company, are reported as an item under equity that is separate from share capital owned by the Parent Company's shareholders. A separate disclosure of the portion of the year's earnings that belongs to non-controlling interests is provided.

**Associated companies and joint ventures**

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

### Foreign currencies – translation

Transactions in foreign currencies are translated to the functional currency at the exchange rate on the transaction date. Monetary receivables and liabilities in foreign currencies are translated at the exchange rate on the balance sheet date, and exchange rate differences that arise are recognised in the income statement.

Non-monetary items are recognised at historic cost using the exchange rate on the transaction date.

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

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

### BALANCE SHEET – CLASSIFICATIONS

Scania's operating cycle, that is, the time that elapses from the purchase of materials until payment for goods delivered is received, is less than twelve months. This means that operations-related items are classified as current assets and current liabilities, respectively, if these are expected to be realised/settled within twelve months, counting from the balance sheet date. Cash and cash equivalents are classified as current assets unless they are restricted. Other assets and liabilities are classified as non-current. For classification of financial instruments, see the section on financial assets and liabilities under "Financial assets and liabilities", page 64.

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

Lease contracts with customers are carried as financial leases in cases where substantially all risks and rewards associated with ownership of the asset have been transferred to the lessee. At the beginning of the leasing period, sales revenue and a financial receivable equivalent to the present value of future minimum lease payments are recognised. As a result, the difference between the sales revenue and the cost of the leased asset is recognised as income. Lease payments received are recognised as payment of the financial receivable and as financial revenue.

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

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

#### Lease obligations (Scania as lessee)

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

### BALANCE SHEET – VALUATION PRINCIPLES

#### Tangible non-current assets including lease assets

Tangible non-current assets are carried at cost minus accumulated depreciation and any impairment losses. A non-current asset is divided up into components, each with a different useful life (depreciation period). Machinery and equipment as well as lease assets have useful lives of 3–12 years. The average useful life of buildings is 40 years, based on 50–100 years for frames, 20–40 years for frame supplements and inner walls, 20–40 years for installations, 20–30 years for exterior surface layers and 10–15 years for interior surface layers. Land is not depreciated.

Depreciation is mainly recognised on a straight-line basis over the estimated useful life of an asset, and in those cases where a residual value exists, the asset is depreciated down to this value. Useful life and depreciation methods are examined regularly and adjusted in case of changed circumstances.

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

#### Intangible non-current assets

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

**NOTE 1 Accounting principles, continued****Goodwill**

Goodwill is carried at cost less any accumulated impairment losses. Recognised goodwill has arisen from acquisitions of distribution and dealer networks, which have resulted in increased profitability upon their integration into the Scania Group. Goodwill has an indefinite useful life and impairment testing is done at least yearly.

**Capitalised product development expenditures**

Scania's research and development activities are divided into a concept phase and a product development phase. Expenditures during the concept phase are charged to earnings as they arise. Expenditures during the product development phase are capitalised, beginning on the date when the expenditures are likely to lead to future economic benefits. This implies that it is technically possible to complete the intangible asset, the company has the intention and the potential to complete it and use or sell it, there are adequate resources to carry out development and sale, and remaining expenditures can be reliably estimated. Impairment testing occurs annually for product development projects that have not yet gone into service, according to the principles stated below. The amortisation of capitalised development expenditures begins when the asset is placed in service and occurs on a straight-line basis during its estimated useful life. For capitalised product development expenditures, useful life is estimated at between three and ten years.

**Capitalised software development expenditures**

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

**Impairment testing of non-current assets**

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

**Inventories**

Inventories are carried at the lower of cost and net realisable value. Cost is calculated by applying the first in, first out (FIFO) principle. An allocable portion of indirect expenses is included in the value of the inventories, estimated on the basis of normal capacity utilisation. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and of making a sale.

**Financial assets and liabilities**

Financial instruments are any form of contract that gives rise to a financial asset in one company and a financial liability or equity instrument in another company. These encompass cash and cash equivalents, current (short-term) investments, interest-bearing receivables, trade receivables, trade payables, borrowings and derivative instruments. Cash and cash equivalents consist of cash and bank balances as well as current liquid investments with a maturity amounting to a maximum of 90 days, which are subject to an insignificant risk of fluctuations in value. "Current investments" consist of investments with a longer maturity than 90 days.

**Classification of financial instruments**

All financial assets and liabilities are classified in the following categories:

- a) Financial assets and financial liabilities carried at fair value via the income statement consist of two sub-categories:
  - i) Financial assets and financial liabilities held for trading, including mortgage bonds and all of Scania's derivatives aside from those derivatives that are used as hedging instruments when hedge accounting is applied. The main purpose of Scania's derivative trading is to hedge the Group's currency and interest rate risks.
  - ii) Financial assets and financial liabilities that were identified from the beginning as an item measured at fair value via profit or loss. Scania has no financial instruments classified in this subcategory.
- b) Loans and receivables
 

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

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

**Recognition and carrying amounts**

Non-derivative financial assets and liabilities are initially recognised at their cost, which is equivalent to their fair value at that time plus transaction costs, aside from those classified as financial assets recognised at fair value via profit or loss. The last-mentioned category is recognised at fair value, excluding transaction costs. Financial assets and liabilities in foreign currencies are translated to Swedish kronor at the closing day exchange rate. Scania applies settlement date accounting for everything except assets held for trading, where recognition occurs on the transaction date. Derivatives with positive value (unrealised gains) are recognised as "Other current receivables" or "Other non-current receivables", while derivatives with negative values (unrealised losses) are recognised as "Other current liabilities" or "Other non-current liabilities".

### Hedge accounting

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

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

### Cash flow hedging

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

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

### Fair value hedging

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

### Hedging of net investments outside Sweden

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

### Provisions

Provisions are reported if an obligation, legal or informal, exists as a consequence of events that occur. It must also be deemed likely that an outflow of resources will be required to settle the obligation and that the amount can be reliably estimated. Provisions for warranties for vehicles sold during the year are based on warranty conditions and the estimated quality situation. Provisions on service contracts are related to expected future expenses that exceed contractual future revenue. Provisions for residual value obligations arise as a consequence either of an operating lease (Scania as lessor) or a delivery with a repurchase obligation. The provision must cover the current assessment that expected future market value will be below the price agreed in the lease contract or repurchase contract. In this case, a provision for the difference between these amounts is to be reported, to the extent that this difference is not less than an as yet unrecognised deferred profit. Assessment of future residual value risk occurs continuously over the contract period. For provisions related to pensions, see the description under "Employee benefits" below and in Note 15, "Provisions for pensions and similar commitments". For provisions related to deferred tax liabilities, see below under "Taxes".



**NOTE 1 Accounting principles, continued****Taxes**

The Group's total tax consists of current tax and deferred tax. Income taxes are recognised in the income statement except when the underlying transaction is recognised in other comprehensive income, such as remeasurements of defined-benefit plans, or in equity, causing the related tax effect to be recognised in other comprehensive income or in equity, respectively. Deferred tax is recognised in case of a difference between the carrying amount of assets and liabilities and their fiscal value ("temporary difference"). Valuation of deferred tax is based on how the underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted on the balance sheet date. Deferred tax assets minus deferred tax liabilities are recognised only to the extent that it is likely that they can be utilised.

**Employee benefits**

Within the Scania Group, there are a number of both defined contribution and defined benefit pension and similar plans, some of which have assets that are managed by special foundations, funds or the equivalent.

The plans include retirement pensions, survivor pensions, health care and severance pay. These are financed mainly by provisions to accounts and partially via premium payments.

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

Defined benefit plans are all plans that are not classified as defined contribution. These are calculated according to the "Projected Unit Credit Method", for the purpose of fixing the present value of the obligations for each plan. Calculations are performed and are based on actuarial assumptions that are set on the closing day. The obligations are carried at the present value of expected disbursements, taking into account inflation, expected future pay increases and using a discount rate equivalent to the interest rate on top-rated corporate or government bonds with a remaining maturity corresponding to the obligations in question.

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

In the case of some of the Group's defined-benefit multi-employer plans, sufficient information cannot be obtained to calculate Scania's share in these plans. They have thus been accounted for as defined contribution. For Scania, this applies to the Dutch pension funds Pensioenfond Metaal en Techniek and Bedrijfstakpensioenfond Metal Elektro, which are administered via MN Services, as well as the portion of the Swedish ITP occupational pension plan that is administered via the retirement insurance company Alecta.

Most of the Swedish plan for salaried employees (the collectively agreed ITP plan), however, is accounted for by provisions in the balance sheet, safeguarded by credit insurance from the mutual insurance company Forsäkringsbolaget PRI Pensionsgaranti, which also administers the plan. See also Note 15, "Provisions for pensions and similar commitments". Scania follows the rules in IAS 19 concerning limits in the valuation of net assets, the so-called asset ceiling since these are never valued at more than the present value of available economic benefits in the form of repayments from the plan or in the form of reductions in future fees to the plan. This value is determined as present value taking into account the discount rate in effect.

**INCOME STATEMENT – CLASSIFICATIONS****Research and development expenses**

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

**Selling expenses**

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

### Administrative expenses

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

### Financial income and expenses

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

## INCOME STATEMENT – VALUATION PRINCIPLES

### Revenue recognition

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

### Net sales – Vehicles and Services

#### Sales

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

#### Leases

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

### Service-related products

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

### Financial Services

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

## MISCELLANEOUS

### Related party transactions

Related party transactions occur on market terms.

### Government grants including EU grants

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

### Contingent liabilities

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

### Incentive programmes

The outcome of the incentive programme for executive officers is recognised as a salary expense in the year the payment is related to.

## CHANGES IN ACCOUNTING PRINCIPLES DURING THE NEXT YEAR

New standards, amended standards and interpretations that enter into force on 1 January 2016 and subsequently have not been applied in advance. The following new and amended standards have not yet begun to be applied.

IFRS 9, “Financial Instruments” – This standard will replace IAS 39, “Financial Instruments: Recognition and Measurement”. It contains rules for classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting. Today’s four classification categories for assets are replaced by three – financial instruments measured at amortised cost, fair value through profit and loss and fair value through other comprehensive income. Fair value changes due to own credit on liabilities should be recognised in other comprehensive income for the fair value option category. Expected losses should also be considered in the impairment model. Hedge accounting is based more on the internal risk management so that the entity’s risk management is reflected in the financial statements. So-called macro hedges have been moved to a separate project and entities can opt to continue to apply hedge accounting under IAS 39 pending the completion of the project. The standard enters into force on 1 January 2018. Early adoption is permitted when endorsed by the EU. Approval by the EU is expected during the second half of 2015. IFRS 15, “Revenue from Contracts with Customers” replaces IAS 11,

**NOTE 1 Accounting principles, continued**

IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. It will be applied to all contracts with customers, with certain exceptions. The standard describes the principles that an entity must apply in order to measure and recognise revenue. The core principle is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard enters into force on 1 January 2018. Approval by the EU is expected during the first quarter of 2016. The standard is not expected to have any material impact on Scania's financial reports, aside from increased disclosure requirements.

IFRS 16, "Leases" – In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognised on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. EU has not yet adopted the standard. The group has not yet assessed the impact of IFRS 16.

Other changes in standards and interpretations that enter into force on 1 January 2016 or subsequently are not expected to have any material impact on Scania's accounting.

**PARENT COMPANY****Parent Company accounting principles**

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

The Parent Company does not apply IAS 39, "Financial instruments",

but instead applies a cost-based method in accordance with the Annual Accounts Act.

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

**Subsidiaries**

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

**Anticipated dividends**

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

**Taxes**

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

**Group contributions**

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

## NOTE 2 Key judgements and estimates

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

### Obligations

Scania delivers about 15 percent of its vehicles with residual value obligations or repurchase obligations. These are recognised as operating lease contracts, with the consequence that recognition of revenue and earnings is allocated over the life of the obligation.

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

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

At the end of 2015, obligations related to residual value or repurchase amounted to SEK 12,752 m. (11,666).

### Credit risks

In its Financial Services operations, Scania has an exposure in the form of contractual payments. At the end of 2015, these amounted to SEK 56,486 m. (55,556). In all essential respects, Scania has collateral in the form of the right to repossess the underlying vehicle. In case the market value of the collateral does not cover the exposure to the customer, and the customer has a problem completing its contractual payments, Scania has a risk of loss. On 31 December 2015, the reserve for doubtful receivables in Financial Services operations amounted to SEK 872 m. (869). See also "Credit risk" under Note 27, "Financial risk management".

### Intangible assets

Intangible assets at Scania are essentially attributable to capitalised product development expenditures and "acquisition goodwill". All goodwill items at Scania stem from acquisitions of previously independent importers/dealerships. All goodwill items are subject to an annual impairment test, which is mainly based on recoverable amounts, including important assumptions on the sales trend, margin and discount rate before tax; see also below.

In the long term, the increase in sales of Scania's products is deemed to be closely correlated with economic growth (GDP) in each respective market, which has been estimated at 2 percent (2 percent). The revenue/cost ratio, or margin, for both vehicles and service is kept constant over time compared to the latest known level. When discounting to present value, Scania uses its average cost of capital, currently 10 percent (11 percent) before taxes.

These assumptions do not diverge from information from external information sources or from earlier experience. To the extent the above parameters change negatively, an impairment loss may arise. On 31 December 2015, Scania's goodwill amounted to SEK 1,231 m. (1,148). The impairment tests that were carried out showed that there are ample margins before impairment losses will arise.

Scania's development costs are capitalised in the phase of product development where decisions are made on future production and market introduction. At that time there is future predicted revenue and a corresponding production cost. In case future volume or the price and cost trend diverges negatively from the preliminary calculation, an impairment loss may arise. Scania's capitalised development costs amounted to SEK 3,485 m. (3,851) on 31 December 2015.

### Pension obligations

In the actuarial methods that are used to establish Scania's pension liabilities, a number of assumptions are highly important. The most critical one is related to the discount rate on the obligations. Other vital assumptions are average life expectancy and average duration of the obligations. A higher discount rate decreases the recognised pension liability. In calculating the Swedish pension liability, the discount rate used was 3.00 percent (2.50). Changes in the above-mentioned actuarial parameters are recognised in "Other comprehensive income", net after taxes.



**NOTE 2 Key judgements and estimates, continued****Product obligations**

Scania's product obligations are mainly related to vehicle warranties in the form of a one-year "factory warranty" plus extended warranties and, in some cases, special quality campaigns. For each vehicle sold, Scania makes a warranty provision. For extended warranties and campaigns, a provision is made at the time of the decision. Provisions are dependent on the estimated quality situation and the degree of utilisation in the case of campaigns. An essential change in the quality situation may require an adjustment in earlier provisions. Scania's product obligations can be seen in Note 16, "Other provisions" and amounted to SEK 1,381 m. (1,572) on 31 December 2015.

**Legal and tax risks**

On 31 December 2015, provisions for legal and tax risks amounted to SEK 1,336 m. (1,377). See Note 16, "Other provisions".

**Legal risks**

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

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

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

**Tax risks**

The Group is party to tax proceedings. Scania's management has made the assessment, based on individual examination, that the final outcome of these proceedings will not have any material impact on the financial position of the Group, beyond the recognised reserves. Significant judgements are made in order to determine both current and deferred tax liabilities/assets. As for deferred tax assets, Scania must assess the likelihood that deferred tax assets will be utilised to offset future taxable profits. The actual result may diverge from these judgements, among other things due to future changes in business climate, altered tax rules or the outcome of still uncompleted examinations of filed tax returns by authorities or tax courts. The judgements that have been made may affect income both negatively and positively.

**NOTE 3 Revenue from external customers**

Vehicles and Services	2015	2014
Trucks	61,250	59,587
Buses	8,994	7,412
Engines	1,656	1,495
Service	20,585	18,828
Used vehicles	6,236	5,173
Other products	1,836	2,790
Total delivery value	100,557	95,285
Adjustment for lease income <sup>1</sup>	-5,660	-3,234
Net sales, Vehicles and Services	94,897	92,051
Financial Services	5,517	5,029
Eliminations <sup>2</sup>	-2,622	-2,200
Revenue from external customers	97,792	94,880

1 Refers mainly to new trucks, SEK -4,832 m. (-2,878) and new buses, SEK -497 m. (-242). The adjustment amount consists of the difference between sales value based on delivery and revenue recognised as income. This difference arises when a lease or delivery is combined with a residual value guarantee or a repurchase obligation. Significant risks remain, therefore recognition is based on an operating lease contract. This means that recognition of revenue and earnings is allocated based on the term of the obligation.

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

Geographical distribution	2015	2014
<b>Vehicles and Services</b>		
Europe	59,880	49,993
Eurasia	2,623	5,321
Asia	13,055	12,121
America	11,781	17,648
Africa	7,558	6,968
	94,897	92,051
<b>Financial Services</b>		
Europe	4,346	3,855
Eurasia	278	298
Asia	126	138
America	523	521
Africa	244	217
	5,517	5,029

**NOTE 4 Operating expenses**

Vehicles and Services	2015	2014
<b>Cost of goods sold</b>		
Cost of goods	44,134	45,481
Staff	14,100	12,908
Depreciation/amortisation <sup>1</sup>	2,263	2,201
Other	9,892	9,312
<b>Total</b>	<b>70,389</b>	69,902

1 Of which an impairment loss of SEK 0 m. (19).

Research and development expenses	2015	2014
Staff	2,028	1,922
Depreciation/amortisation	675	632
Other	2,870	2,750
<b>Total</b>	<b>5,573</b>	5,304

Selling expenses	2015	2014
Staff	4,986	4,502
Depreciation/amortisation <sup>1</sup>	297	267
Other	3,788	3,265
<b>Total</b>	<b>9,071</b>	8,034

1 Of which an impairment loss of SEK 10 m. (1).

Administrative expenses	2015	2014
Staff	677	595
Depreciation/amortisation	7	7
Other	625	536
<b>Total</b>	<b>1,309</b>	1,138

Financial Services	2015	2014
<b>Selling and administrative expenses</b>		
Staff	563	509
Depreciation/amortisation	19	18
Other	241	228
<b>Total</b>	<b>823</b>	755

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

## NOTE 5 Financial Services

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

	2015	2014
Interest income	2,373	2,362
Lease income	3,144	2,667
Depreciation	-2,622	-2,200
Interest expenses	-921	-1,014
Net interest income	1,974	1,815
Other income and expenses	133	123
Gross income	2,107	1,938
Selling and administrative expenses	-823	-755
Bad debt expenses <sup>1</sup>	-244	-167
<b>Operating income</b>	<b>1,040</b>	<b>1,016</b>

<sup>1</sup> These expenses were equivalent to 0.44 (0.32) percent of the average credit portfolio.

Lease assets (operating leases)	2015	2014
1 January	11,613	9,505
New contracts	7,932	5,156
Depreciation	-2,622	-2,200
Terminated contracts	-2,629	-1,685
Change in value adjustments	5	27
Exchange rate differences	-410	810
<b>Carrying amount, 31 December<sup>2</sup></b>	<b>13,889</b>	<b>11,613</b>

<sup>2</sup> The consolidated balance sheet also includes elimination of deferred profit of SEK 2,232 m. (1,771).

Financial receivables (hire purchase contracts and financial leases)	2015	2014
1 January	43,943	39,358
New receivables	24,188	22,307
Loan principal payments/ terminated contracts	-22,203	-19,261
Divestment of subsidiaries	-	-578
Change in value adjustments	-128	-90
Exchange rate differences	-3,203	2,207
<b>Carrying amount, 31 December</b>	<b>42,597</b>	<b>43,943</b>
<b>Total receivables and lease assets<sup>3</sup></b>	<b>56,486</b>	<b>55,556</b>

<sup>3</sup> The number of contracts in the portfolio on 31 December totalled about 120,000 (113,000).

Net investments in financial leases	2015	2014
Receivables related to future minimum lease payments	25,448	25,225
Less:		
Reserve for bad debts	-601	-575
Imputed interest	-1,945	-2,032
<b>Net investment<sup>4</sup></b>	<b>22,902</b>	<b>22,618</b>

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

Future minimum lease payments <sup>5</sup>	Operating leases	Financial leases
2016	2,792	9,125
2017	2,095	6,924
2018	1,384	4,960
2019	726	2,833
2020	211	1,129
2021 and later	69	477
<b>Total</b>	<b>7,277</b>	<b>25,448</b>

<sup>5</sup> "Minimum lease payments" refers to the future flows of incoming payments related to the contract portfolio, including interest. For operating leases, the residual value is not included since this is not a minimum lease payment for these contracts.

## NOTE 6 Financial income and expenses

	2015	2014
<b>Interest income</b>		
Bank balances and financial investments	359	309
Derivatives <sup>1</sup>	237	265
Pension assets	3	4
<b>Total interest income</b>	<b>599</b>	<b>578</b>
<b>Interest expenses</b>		
Borrowings	-516	-681
Derivatives <sup>1</sup>	-622	-454
Total borrowings and derivatives	-1,138	-1,135
Less interest expenses recognised in Financial Services <sup>2</sup>	536	585
Pension liability	-256	-251
<b>Total interest expenses</b>	<b>-858</b>	<b>-801</b>
<b>Total net interest</b>	<b>-259</b>	<b>-223</b>
Other financial income <sup>3</sup>	12	120
Other financial expenses <sup>3</sup>	-285	-296
<b>Total other financial income and expenses</b>	<b>-273</b>	<b>-176</b>
<b>Net financial items</b>	<b>-532</b>	<b>-399</b>

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

2 Recognised in the operating income of Financial Services.

3 Refers to SEK -171 m. (35) in market valuation of financial instruments for which hedge accounting is not applied, as well as exchange rate differences and unrealised/realised gains of SEK 3,661 m. (3,543) and unrealised/realised losses of SEK 3,723 m. (3,530) attributable to foreign exchange derivatives and bank-related costs.

## NOTE 7 Taxes

Tax expense/income for the year	2015	2014
Current tax <sup>1</sup>	-2,461	-2,153
Deferred tax	105	-160
<b>Total</b>	<b>-2,356</b>	<b>-2,313</b>
1 Of which, taxes paid:	<b>-2,094</b>	-2,027

Deferred tax is attributable to the following:	2015	2014
Deferred tax related to temporary differences	108	47
Deferred tax due to changes in tax rates and tax rules <sup>2</sup>	12	-9
Deferred tax income due to tax value of loss carry-forwards recognised during the year	143	61
Deferred tax expense due to utilisation of previously recognised tax value of tax loss carry-forwards	-107	-276
Deferred tax related to change in provision to tax allocation reserve	-99	0
Other deferred tax liabilities/assets	48	17
<b>Total</b>	<b>105</b>	<b>-160</b>

2 The effect of changes in tax rates mainly refers to Italy, Brazil and Great Britain (during 2015) and Chile, Denmark and Norway (during 2014).

Reconciliation of effective tax	2015		2014	
	Amount	%	Amount	%
Income before tax	9,109		8,322	
Tax calculated using Swedish tax rate	-2,004	22.0	-1,831	22.0
Tax effect and percentage influence:				
Difference between Swedish and foreign tax rates	-214	2	-410	5
Tax-exempt income	121	-1	112	-1
Non-deductible expenses	-170	2	-132	2
Utilisation of tax value of loss carry-forwards not previously recognised	64	-1	160	-2
Valuation of tax value of loss carry-forwards not previously recognised	10	0	3	0
Adjustment for taxes pertaining to previous years	-66	1	-12	0
Changed tax rates	9	0	-14	0
Other	-106	1	-189	2
<b>Tax recognised</b>	<b>-2,356</b>	<b>26</b>	<b>-2,313</b>	<b>28</b>



## NOTE 7 Taxes, continued

Deferred tax assets and liabilities are attributable to the following:	2015	2014
<b>Deferred tax assets</b>		
Provisions	921	966
Provisions for pensions	1,287	1,703
Non-current assets	1,227	885
Inventories	675	585
Unutilised tax loss carry-forwards <sup>3</sup>	425	411
Other current liabilities	2,083	1,521
Other	233	386
Offset within tax jurisdictions	-3,904	-4,877
<b>Total deferred tax assets<sup>4</sup></b>	<b>2,947</b>	<b>1,580</b>
<b>Deferred tax liabilities</b>		
Provisions	162	205
Non-current assets	5,328	4,605
Other current liabilities	76	-
Tax allocation reserve <sup>5</sup>	121	22
Other	66	52
Offset within tax jurisdictions	-3,904	-4,877
<b>Total deferred tax liabilities</b>	<b>1,849</b>	<b>7</b>
<b>Deferred tax assets (-) / tax liabilities (+), net amount</b>	<b>-1,098</b>	<b>-1,573</b>

3 Of the deferred tax assets attributable to unutilised tax loss carry-forwards, SEK 217 m. may be utilised without time constraints.

4 Deferred tax assets related to tax loss carry-forwards are recognised to the extent that it is likely that the loss carry-forwards can be utilised to offset profits in future tax returns. Deferred tax assets related to unutilised tax loss carry-forwards of SEK 12,443 m. (12,513) were not assigned a value. Most of these were not assigned a value because these tax loss carry-forwards may only be utilised in relation to a limited portion of operations. Tax loss carry-forward not assigned a value may be utilised without time constraints.

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

Reconciliation of deferred tax assets (-) / liabilities (+), net amount	2015	2014
Carrying value on 1 January	-1,573	-1,063
Deferred taxes recognised in the year's income	-105	160
Exchange rate differences	149	4
Acquired/divested businesses	23	13
Recognised in "Other comprehensive income", changes attributable to:		
remeasurements of defined-benefit plans	403	-682
hedge reserve	5	-5
<b>Deferred tax assets (-) / tax liabilities (+), net amount</b>	<b>-1,098</b>	<b>-1,573</b>

## NOTE 8 Depreciation/amortisation

Vehicles and Services	2015	2014
<b>Intangible non-current assets</b>		
Research and development expenses <sup>2</sup>	419	378
Selling expenses <sup>2</sup>	66	57
<b>Total</b>	<b>485</b>	<b>435</b>
<b>Tangible non-current assets</b>		
Costs of goods sold <sup>1</sup>	2,263	2,201
Research and development expenses <sup>2</sup>	256	254
Selling expenses <sup>2</sup>	231	210
Administrative expenses	7	7
<b>Total</b>	<b>2,757</b>	<b>2,672</b>
<b>Total depreciation/amortisation, Vehicles and Services<sup>3</sup></b>	<b>3,242</b>	<b>3,107</b>

1 Of which, a value decrease of SEK 351 m. (282) related to short-term rentals in Vehicles and Services. In addition, there was a value decrease of SEK 1,132 m. (1,086) in capitalised repurchasing obligations.

2 Comparative figures have been adjusted.

3 Of which SEK 10 m. (20) is an impairment loss.

Financial Services	2015	2014
Operating leases (payments of principal)	2,622	2,200
Other non-current assets <sup>1</sup>	19	18
<b>Total depreciation/amortisation, Financial Services</b>	<b>2,641</b>	<b>2,218</b>

In the Group accounts, depreciation/amortisation was adjusted downward by SEK 709 m. (611) to its consolidated value. In Note 10, Group depreciation/amortisation related to short-term rentals, capitalised repurchasing obligations and operating leases under the heading "Lease assets" thus amounted to SEK 3,396 m. (2,956).

<sup>1</sup> Of which SEK 6 m. (6) are intangible assets.

## NOTE 9 Intangible assets

2015	Goodwill	Development	Other intangibles <sup>1</sup>	Total
<b>Accumulated cost</b>				
1 January	1,173	6,943	851	8,967
Acquisitions/Divestment of subsidiaries	166	–	57	223
Additions	–	1,863	96	1,959
Divestments and disposals	–	–	–8	–8
Reclassifications	–	–	1	1
Exchange rate differences	–86	–4	–38	–128
<b>Total</b>	<b>1,253</b>	<b>8,802</b>	<b>959</b>	<b>11,014</b>
<b>Accumulated amortisation and impairment losses</b>				
1 January	25	3,092	591	3,708
Amortisation for the year				
– Vehicles and Services	–	393	92	485
– Financial Services	–	–	6	6
Impairment loss of the year	–	–	–	–
Divestments and disposals	–	–	–8	–8
Exchange rate differences	–3	–	–29	–32
<b>Total</b>	<b>22</b>	<b>3,485</b>	<b>652</b>	<b>4,159</b>
<b>Carrying amount, 31 December</b>				
– of which capitalised expenditures for projects that have been placed in service	1,231	5,317	307	6,855
– of which capitalised expenditures for projects under development		1,133		
		4,184		
1 Refers mainly to software, which is purchased externally in its entirety, and customer relationships capitalized upon acquisitions of subsidiaries.				
<b>Group borrowing expenditures</b>				
Borrowing expenditures included in cost of the item "Development during the year"		6		
Interest rate for determination of borrowing expenditures included in cost		0.8%		

**NOTE 9 Intangible assets, continued**

2014	Goodwill	Development	Other intangibles <sup>1</sup>	Total
<b>Accumulated cost</b>				
1 January	1,111	5,488	699	7,298
Acquisitions/Divestment of subsidiaries	3	–	25	28
Additions	–	1,454	86	1,540
Divestments and disposals	–2	–	–3	–5
Reclassifications	–	1	18	19
Exchange rate differences	61	–	26	87
<b>Total</b>	<b>1,173</b>	<b>6,943</b>	<b>851</b>	<b>8,967</b>
<b>Accumulated amortisation and impairment losses</b>				
1 January	25	2,735	492	3,252
Amortisation for the year				
– Vehicles and Services	–	357	77	434
– Financial Services	–	–	6	6
Impairment loss of the year	1	–	–	1
Divestments and disposals	–2	–	–3	–5
Exchange rate differences	1	–	19	20
<b>Total</b>	<b>25</b>	<b>3,092</b>	<b>591</b>	<b>3,708</b>
<b>Carrying amount, 31 December</b>	<b>1,148</b>	<b>3,851</b>	<b>260</b>	<b>5,259</b>
– of which capitalised expenditures for projects that have been placed in service		1,333		
– of which capitalised expenditures for projects under development		2,518		
1 Refers mainly to software, which is purchased externally in its entirety, and customer relationships capitalized upon acquisitions of subsidiaries.				
<b>Group borrowing expenditures</b>				
Borrowing expenditures included in cost of the item "Development during the year"		10		
Interest rate for determination of borrowing expenditures included in cost		1.3%		

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

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

## NOTE 10 Tangible assets

2015	Buildings and land	Machinery and equipment	Construction in progress and advance payments	Lease assets <sup>1</sup>	Total
<b>Accumulated cost</b>					
1 January	19,313	31,539	3,250	22,712	76,814
Acquisitions/divestments of subsidiaries <sup>2</sup>	2	4	–	–	6
Additions	179	1,030	4,370	11,097	16,676
Divestments and disposals <sup>3</sup>	–101	–853	–6	–5,660	–6,620
Reclassifications	942	1,202	–2,086	–1,353	–1,295
Exchange rate differences	–838	–1,434	–111	–1,044	–3,427
<b>Total</b>	<b>19,497</b>	<b>31,488</b>	<b>5,417</b>	<b>25,752</b>	<b>82,154</b>
<b>Accumulated depreciation and impairment losses<sup>4</sup></b>					
1 January	7,811	22,969	–	5,223	36,003
Acquisitions/divestments of subsidiaries	0	0	–	–	0
Depreciation for the year					
– Vehicles and Services	453	1,943	–	1,483	3,879
– Financial Services	0	13	–	2,622	2,635
– Elimination	–	–	–	–709	–709
Impairment loss for the year	9	1	–	–5	5
Divestments and disposals	–64	–689	–	–2,526	–3,279
Reclassifications	143	–138	–	–529	–524
Exchange rate differences	–313	–1,045	–	–235	–1,593
<b>Total</b>	<b>8,039</b>	<b>23,054</b>	<b>–</b>	<b>5,324</b>	<b>36,417</b>
<b>Carrying amount, 31 December</b>	<b>11,458</b>	<b>8,434</b>	<b>5,417</b>	<b>20,428</b>	<b>45,737</b>
– of which “Machinery”		2,243			
– of which “Equipment”		6,191			
– of which “Buildings”	8,520				
– of which “Land”	2,938				
– of which Financial Services	79	32		13,889	14,000

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

2 Of which increase through business combinations amounts to SEK 6 m.

3 An amount of SEK 100 m. as compensation for damaged tangible assets was obtained from third parties and recognised as income in the income statement.

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



**NOTE 10 Tangible assets, continued**

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

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

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

**NOTE 11 Holdings in associated companies and joint ventures**

	2015	2014
<b>Carrying amount, 1 January</b>	<b>515</b>	470
Acquisitions, capital contributions, divestments and impairment losses during the year <sup>1</sup>	-9	14
Exchange rate differences	28	76
Share in income for the year	41	32
Dividends	-79	-77
<b>Carrying amount, 31 December</b>	<b>496</b>	515
Contingent liabilities	-	-

<sup>1</sup> SEK -9 m. refers to divestment of the shareholding in Cummins-Scania HPI LLC in 2015.  
SEK 11 m. refers to increased shareholding in Laxå Specialvehicles AB in 2014.

Associated companies / Corporate ID number / Country of registration	Ownership, %	Carrying amount in Parent Company financial statements	Value of Scania's share in consolidated financial statements	
			2015	2014
BITS DATA i Södertälje AB, 556121-2613, Sweden	33	2	10	9
Cummins-Scania HPI LLC, 043650113, USA	-	-	-	8
Laxå Specialvehicles AB, 556548-4705, Sweden	48	25	45	41
ScaValencia S.A., ESA46332995, Spain	26	14	22	25
<b>Holdings in associated companies</b>		41	<b>77</b>	83
<b>Share of:</b>				
Net income <sup>2</sup>			32	12
Total comprehensive income			32	12

<sup>2</sup> Includes a gain of SEK 5 m referring to divestment of the shareholding in Cummins-Scania HPI LLC in 2015.

Joint ventures / Corporate ID number / Country of registration	Ownership, %	Carrying amount in Parent Company financial statements	Value of Scania's share in consolidated financial statements	
			2015	2014
Cummins-Scania XPI Manufacturing LLC, 20-3394999, USA	50	463	411	423
Oppland Tungbilservice A/S, 982 787 602, Norway	50	1	4	5
Tynset Diesel A/S, 982 787 580, Norway	50	1	4	4
<b>Holdings in joint ventures</b>		465	<b>419</b>	432
<b>Share of:</b>				
Net income			14	20
Total comprehensive income			14	20
<b>Holdings in associated companies and joint ventures</b>			<b>496</b>	515
Other shares and participations			20	20
<b>Total</b>			<b>516</b>	535

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

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

Summarised income statement	2015	2014
Net sales	2,276	1,693
Operating income <sup>1</sup>	61	60
Interest income/expenses and Other financial expenses	12	-6
Taxes	-22	-16
<b>Net income for the year</b>	<b>51</b>	<b>38</b>
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>51</b>	<b>38</b>
Scania Group's share (50%)	26	19

<sup>1</sup> Depreciation amounting to SEK 114 m. (106) is included in Operating income.

Summarised balance sheet	2015	2014
Non-current assets	638	621
Cash and cash equivalents	323	245
Other current assets	507	457
<b>Total assets</b>	<b>1,468</b>	<b>1,323</b>
Equity	822	846
Other current liabilities	646	477
<b>Total equity and liabilities</b>	<b>1,468</b>	<b>1,323</b>
Scania Group's share of Equity (50%)	411	423
<b>Carrying amount</b>	<b>411</b>	<b>423</b>

Scania has received dividends from Cummins-Scania XPI Manufacturing LLC amounting to USD 8 m. (10). Cummins-Scania XPI Manufacturing LLC is a joint venture with Scania and Cummins as partners. The joint venture manufactures fuel injection systems with extra-high pressure injection (XPI). Cummins-Scania XPI Manufacturing LLC is recognised using the equity method.

**NOTE 12 Inventories**

	2015	2014
Raw materials, components and supplies	2,018	2,241
Work in progress	1,345	1,277
Finished goods <sup>1</sup>	13,555	13,262
<b>Total</b>	<b>16,918</b>	<b>16,780</b>
<sup>1</sup> Of which, used vehicles.	1,811	1,585
Value adjustment reserve, 31 December	-1,025	-846

**NOTE 13 Other receivables**

	2015	2014
Prepaid expenses and accrued income <sup>1</sup>	423	504
Derivatives with positive market value	595	504
Advance payments	1	8
Pension asset	107	144
Other receivables <sup>1</sup>	227	222
<b>Total other non-current receivables</b>	<b>1,353</b>	<b>1,382</b>
Prepaid expenses and accrued income	1,179	1,001
Derivatives with positive market value	580	644
Value-added tax	1,527	1,282
Advance payments	94	143
Other receivables	714	647
<b>Total other current receivables</b>	<b>4,094</b>	<b>3,717</b>
<b>Total other receivables</b>	<b>5,447</b>	<b>5,099</b>

<sup>1</sup> Comparative figures have been adjusted.

## NOTE 14 Equity

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

**The share capital** of Scania AB consists of 400,000,000 Series A shares outstanding with voting rights of one vote per share and 400,000,000 Series B shares outstanding with voting rights of 1/10 vote per share. A and B shares carry the same right to a portion of the company's assets and profit. The nominal value of both A and B shares is SEK 2.50 per share. All shares are fully paid and no shares are reserved for transfer of ownership. No shares are held by the company itself or its subsidiaries.

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

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

**The currency translation reserve** arises when translating net assets outside Sweden according to the current method of accounting. The currency translation reserve also includes currency rate differences related to monetary items for businesses outside Sweden deemed to be a part of the company's net investment. The negative exchange rate difference of SEK 2,465 m. arose as a result of the Swedish krona's appreciation against currencies important to Scania. The exchange rate differences were mainly due to the krona's appreciation against the BRL.

**Retained earnings** consist not only of accrued profits but also of the change in pension liability attributable to remeasurements of defined-benefit plans etc. recognised in "Total other comprehensive income". Regarding changes in actuarial assumptions, see also Note 15, "Provisions for pensions and similar commitments". In Scania, an Extraordinary General Meeting in December decided on a dividend of SEK 9,600 m. The dividend proposals decided by the board in 2014 and 2015 were never executed by the Annual General Meetings. The dividend of SEK 9,600 m. corresponds to approximately 50 percent of the net income for the financial years of 2013, 2014 and 2015. This is in line with Scania's historical benchmark of distributing approximately 50 percent of the net income to the shareholders. No changes are anticipated in relation to this historical benchmark.

For the Annual General Meeting in 2016 the board, therefore, proposes that no dividend will be paid.

**Non-controlling interests** refer to the share of equity held by external owners outside of Scania in certain subsidiaries in the Group. Scania Group has a few non-wholly owned subsidiaries of which one is considered to have a substantial non-controlling interest. Qanadeel AL Rafidain Automotive Trading Co. Ltd. in Iraq has non-controlling interest amounting to 49 percent of the shares and voting power in the company. In 2015, income attributable to non-controlling interests amounted to SEK -11 m. (-10) and accumulated non-controlling interests in the company amounted to SEK 47 m. (56) as of 31 December, 2015.

Reconciliation of change in number of shares outstanding	2015	2014
Number of A shares outstanding, 1 January	400,000,000	400,000,000
<b>Number of A shares outstanding, 31 December</b>	<b>400,000,000</b>	400,000,000
Number of B shares outstanding, 1 January	400,000,000	400,000,000
<b>Number of B shares outstanding, 31 December</b>	<b>400,000,000</b>	400,000,000
<b>Total number of shares, 31 December</b>	<b>800,000,000</b>	800,000,000

**The equity of the Scania Group** consists of the sum of equity attributable to Scania's shareholders and equity attributable to non-controlling interests. At year-end 2015, the Group's equity totalled SEK 37,837 m. (41,801). According to the Group's Financial Policy, the Group's financial position shall meet the requirements of the business objectives it has established. At present, this is deemed to presuppose a financial position equivalent to the requirements for obtaining at least an BBB+ credit rating from the one of the most important rating institutions.

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

Financial Services includes eleven companies that are subject to oversight by national financial inspection authorities. In some countries, Scania must comply with local capital adequacy requirements. During 2015, these units met their capital adequacy requirements.

The Group's Financial Policy contains targets for key ratios related to the Group's financial position. These coincide with the ratios used by credit rating institutions. Scania's credit rating according to Standard and Poor's at the end of 2015 was for:

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



**NOTE 15 Provisions for pensions and similar commitments**

The Group's employees, former employees and their survivors may be included in both defined-contribution and defined-benefit plans related to post-employment compensation. The plans include retirement pensions, early retirement pensions, survivor pensions, health care and severance pay. For defined-contribution plans, Scania makes continuous payments to public authorities and independent organisations, which thus take over obligations towards employees.

The Group's expenses for defined-contribution plans amounted to SEK 847 m. (756) during 2015. The commitment that is recognised in the balance sheet stems from the defined-benefit plans. The plans are secured through reinsured provisions in the balance sheet, foundations and funds. Calculations are performed according to the Projected Unit Credit Method, using the assumptions presented under each country below. Scania's forecast pension payments related to defined-benefit plans, both funded and unfunded plans, is SEK 258 m. for 2016.

The largest plans are described in more detail below.

**Sweden**

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

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

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

Aside from these obligations, there are defined-benefit obligations in Scania CV relating to blue-collar workers who at the age of 62 have worked for 30 years or who at the age of 63 have worked for 25 years in the company, as well as to a limited number of persons in managerial positions. Special payroll tax is now included in the provision for pension provisions.

**Switzerland**

The Pensionskasse and the Wohlfahrtsstiftung are the legal carriers of the pension plans and reviewing early retirement pension. There are two pension plans:

1. A basic pension plan for employees and management, covering retirement pension, disability pension, spouse pension, children's pension and life insurance.
2. A supplementary plan for members of the management, covering retirement pension, disability pension, spouse

pension, children's pension and life insurance. This plan also includes early retirement pension, which covers employees with at least five years of service or who have retired prematurely at the request of the company.

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

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

**Brazil**

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

**Great Britain**

Employees at Scania Great Britain (SGB) are covered by a premium-based occupational pension. Both the company and employees contribute to the plan. There are defined-benefit plans, which are closed for future accruals since 31 May 2003. The defined-benefit plans operated by SGB include the following:

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

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

The normal retirement age in the schemes is 65.

**MULTI-EMPLOYER DEFINED-BENEFIT PLANS****Sweden**

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

At year-end 2015, Alecta's surplus, in the form of a collective consolidation level (assets in relation to the insurance obligation), amounted to 153 percent (143). If the consolidation level falls below or exceeds the normal range (122-155), Alecta shall take measures, for example raise agreed subscription prices and extension of existing benefits, or introduce premium reductions.

Alecta's insurance obligation is calculated according to Alecta's actuarial methods and assumptions, which deviate from the methods and assumptions applied in measurement of defined-benefit pensions according to IAS 19. Premiums to Alecta amounted to SEK 109 m. (112).

**NOTE 15 Provisions for pensions and similar commitments, continued****The Netherlands**

Employees at Scania's Dutch companies are covered by the Dutch collectively-agreed pension plans, which are multi-employer defined benefit plans. The plans Pensioenfonds Metaal en Techniek (PMT) and Bedrijfstakpensioenfonds Metaalelektronica (PME) are administered by MN Services. PMT and PME do not have information about allocation

and therefore these obligations are recognised as a defined-contribution plan. In the Dutch plans, both companies and employees contribute to the plan. Companies' premiums to MN Services totalled SEK 82 m. (74). The consolidation level of MN Services was 98 percent (103).

<b>Information regarding the largest plans during 2015</b>	<b>Sweden</b>	<b>Switzerland</b>	<b>Brazil</b>	<b>Great Britain</b>
Present value of defined-benefit obligations	6,107	821	490	816
Fair value of plan assets	–	–928	–55	–665
Net assets not fully valued due to curtailment rule	–	–	16	–
<b>Recognised as pension liability (asset) in the balance sheet, SEK m.</b>	<b>6,107</b>	<b>-107</b>	<b>451</b>	<b>151</b>
<b>Breakdown into categories</b>				
Present value of defined-benefit obligations for persons in active employment, SEK m.	4,046	434	83	–
Persons in active employment, number	8,396	334	3,127	–
Present value of defined-benefit obligations for paid-up policy holders, SEK m.	997	–	–	607
Paid-up policy holders, number	2,557	–	–	433
Present value of defined-benefit obligations for retired employees, SEK m.	1,064	387	407	209
Retired employees, number	2,304	99	1,131	183
<b>Assumptions/conditions</b>				
Discount rate, %	3.0	0.9	13.3	3.7
Average life expectancy, women/men, years	86	86	83	88
Average duration of obligations, years	22.0	14.9	14.3	22.0
<b>Sensitivity analysis concerning change in present value of obligations, SEK m.</b>				
0.5% increase in discount rate	–608	–55	–34	–81
0.5% decrease in discount rate	698	64	36	94
1 year increase in life expectancy	235	9	10	24

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

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

Expenses for pensions and other defined-benefit payments recognised in the income statement	Expenses for pensions and similar commitments	
	2015	2014
Current service expenses	–371	–223
Interest expenses, net liabilities	–256	–251
Interest income, net assets	3	4
Past service expenses	0	–9
Net gains (+) and losses (–) due to curtailments and settlements	0	0
<b>Total expense for defined-benefit payments recognised in the income statement</b>	<b>–624</b>	<b>–479</b>

Pension expenses and other defined-benefit payments are found in the income statement under the headings "Research and development expenses", SEK 140 m. (80), "Cost of goods sold", SEK 114 m. (77), "Selling expenses", SEK 102 m. (66) and "Administrative expenses", SEK 15 m. (9). The interest portion of the net liability is recognised as an interest expense and the interest portion in net assets is recognised as interest income.

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

	Expenses related to pensions and similar commitments	
	2015	2014
<b>Expenses for pensions and other defined-benefit payments recognised in "Other comprehensive income"</b>		
Experience-based adjustments in net liabilities	409	-930
Effects of changes in demographic assumptions	-71	278
Effects of changes in financial assumptions	1,452	-2,469
Actual return on plan assets excluding amount included in interest income	-18	122
Changes in present value of asset ceiling not included in interest expense	1	33
<b>Total expense/revenue for defined-benefit payments recognised in "Other comprehensive income"</b>	<b>1,773</b>	<b>-2,966</b>

	Pension commitments	
	2015	2014
<b>Recognised as provision for pensions in the balance sheet</b>		
Present value of defined-benefit obligations, wholly or partly funded	2,626	2,720
Present value of defined-benefit obligations, unfunded	6,581	8,091
Present value of defined-benefit obligations	9,207	10,811
Fair value of plan assets	-1,992	-1,937
Net assets not fully valued due to curtailment rule	17	21
<b>Recognised in the balance sheet</b>	<b>7,232</b>	<b>8,895</b>
Of which, pension liabilities recognised under the heading "Provisions for pensions"	7,339	9,039
Of which, pension assets recognised under the heading "Other long-term receivables"	-107	-144

	Liabilities related to pensions and similar commitments	
	2015	2014
<b>Present value of defined-benefit obligations changed during the year as follows:</b>		
Present value of defined-benefit obligations, 1 January	10,811	7,202
Present value of reclassified obligations, 1 January	0	26
Current service expenses	371	223
Interest expenses	302	303
Payments made by pension plan participants	12	11
Experience-based actuarial gains and losses	-409	930
Adjustment effects from changes in demographic assumptions	71	-278
Adjustment effects from changes in financial assumptions	-1,452	2,469
Exchange rate differences	-156	212
Disbursements of pension payments	-343	-291
Past service expenses	0	9
Present value of defined-benefit obligations in acquired/divested companies	-	-
Settlements	-	-4
Gains and losses due to net settlements for the year	-	-1
<b>Present value of defined-benefit obligations, 31 December</b>	<b>9,207</b>	<b>10,811</b>



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

Fair value of plan assets changed as follows during the year:	Plan assets related to pensions and similar commitments	
	2015	2014
Fair value of plan assets, 1 January	1,937	1,575
Fair value of plan assets related to reclassified obligations, 1 January	-1	14
Interest income on plan assets	51	57
Actual return on plan assets excluding amount included in interest income	-18	122
Effects of changes in financial assumptions	0	0
Exchange rate differences	35	158
Payments to pension plan	102	92
Payments made by pension plan participants	15	14
Disbursements of pension payments	-129	-95
Fair value of plan assets in acquired/divested companies	-	-
Settlements	-	0
<b>Fair value of plan assets, 31 December</b>	<b>1,992</b>	<b>1,937</b>

Present value of asset ceiling	Asset ceiling	
	2015	2014
Present value of asset ceiling, 1 January	21	51
Present value of reclassified asset ceiling, 1 January	-	-
Interest expenses	2	2
Changes in present value of asset ceiling not included in interest expense	-1	-33
Exchange rate differences	-5	1
<b>Present value of asset ceiling, 31 December</b>	<b>17</b>	<b>21</b>

Allocation of fair value in plan assets	2015		2014	
	Quoted price in an active market	Unquoted price	Quoted price in an active market	Unquoted price
Cash and cash equivalents	12	-	32	-
Equity instruments issued by others	8	-	10	-
Debt instruments issued by Scania	-	3	-	4
Debt instruments issued by others	95	-	99	-
Properties leased to Scania companies	-	43	-	40
Investment properties	18	-	17	-
Equity mutual funds	771	-	720	-
Fixed income mutual funds	629	-	679	-
Real estate funds	311	-	256	-
Other investment funds	14	20	17	20
Other plan assets	68	-	43	-
<b>Total</b>	<b>1,926</b>	<b>66</b>	<b>1,873</b>	<b>64</b>

**NOTE 16 Other provisions**

2015	Product obligations	Legal and tax risks	Other provisions <sup>1</sup>	Total
1 January	1,572	1,377	2,026	4,975
Provisions during the year	1,372	282	1,528	3,182
Provisions used during the year	-960	-38	-1,181	-2,179
Provisions reversed during the year	-532	-69	-105	-706
Exchange rate differences	-71	-216	-91	-378
<b>31 December</b>	<b>1,381</b>	<b>1,336</b>	<b>2,177</b>	<b>4,894</b>
– of which, current provisions	1,024	82	895	2,001
– of which, non-current provisions	357	1,254	1,282	2,893

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

1 "Other provisions" include provisions for potential losses on service agreements. Total number of contracts increased during 2015 by 12,900 contracts (7,800) and amounted to 150,000 contracts (137,100) at year-end.

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

**NOTE 17 Accrued expenses and deferred income**

	2015	2014
Accrued employee-related expenses	3,944	3,676
Deferred income related to service and repair contracts	4,030	3,287
Deferred income related to repurchase obligations <sup>1</sup>	7,589	6,396
Other accrued expenses and deferred income	2,800	2,075
<b>Total</b>	<b>18,363</b>	15,434
– of which, current	9,278	8,912
– of which, non-current	9,085	6,522
Of the above total, the following was attributable to Financial Services operations	336	307

1 Of the above deferred income related to vehicles sold with repurchase obligations, SEK 1,214 m. (1,299) is expected to be recognised as revenue within 12 months. SEK 472 m. (319) is expected to be recognised as revenue after more than 5 years.

**NOTE 18 Assets pledged and contingent liabilities**

Assets pledged	2015	2014
Financial receivables <sup>2</sup>	198	3,216
Other	2	1
<b>Total <sup>1</sup></b>	<b>200</b>	<b>3,217</b>
<b>1 Of which, assets pledged for:</b>		
Borrowings	198	3,216
Liabilities of others	2	1

<sup>2</sup> Refers mainly to pledged leases in Financial Services, SEK 180 m. (3,197).

Contingent liabilities	2015	2014
Contingent liability related to FPG credit insurance	62	58
Loan guarantees	2	3
Other guarantees	229	211
<b>Total</b>	<b>293</b>	<b>272</b>

In addition to the above contingent liabilities, the Group has issued vehicle repurchase guarantees worth SEK 73 m. (67) to customers' creditors.

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

**NOTE 19 Lease obligations**

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

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

	2015		2014	
	Future minimum lease payments	Of which, related to premises	Future minimum lease payments	Of which, related to premises
<b>Operating leases</b>				
Within one year	577	255	561	275
Between one year and five years	1,052	595	1,077	714
Later than five years	369	352	365	313
<b>Total</b>	<b>1,998</b>	<b>1,202</b>	<b>2,003</b>	<b>1,302</b>

Expensed minimum lease payments amounted to SEK 713 m. (652), of which SEK 313 m. (265) related to costs for leases on premises.

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

	2015			2014		
	Future minimum lease payments	Interest	Present value of future minimum lease payments	Future minimum lease payments	Interest	Present value of future minimum lease payments
<b>Financial leases</b>						
Within one year	10	1	9	7	3	4
Between one year and five years	17	7	10	14	9	5
Later than five years	5	5	0	7	7	0
<b>Total<sup>2</sup></b>	<b>32</b>	<b>13</b>	<b>19</b>	<b>28</b>	<b>19</b>	<b>9</b>

<sup>2</sup> Refers to financial leases where the obligation exceeds one year.

**NOTE 19 Lease obligations, continued****Financial lease assets in balance sheet**

Carrying amount	2015	2014
Vehicles for leasing	0	0
Buildings	17	19
Machinery	0	0
Other	25	21
<b>Total</b>	<b>42</b>	<b>40</b>

**NOTE 20 Government grants and assistance**

During 2015, the Scania Group received government grants amounting to SEK 1 m. (19) attributable to operating expenses of SEK 38 m. (143).

**NOTE 21 Cash flow statement**

	2015	2014
<b>a. Vehicles and Services: Interest and dividends received/paid</b>		
Dividends received from associated companies	79	77
Interest received	484	557
Interest paid	-432	-611
<b>b.1. Vehicles and Services: Items not affecting cash flow</b>		
Depreciation/amortisation	3,242	3,107
Bad debts	26	32
Associated companies	33	45
Deferred profit recognition, lease assets	642	238
Other	182	67
<b>Total</b>	<b>4,125</b>	<b>3,489</b>
<b>b.2. Financial Services: Items not affecting cash flow</b>		
Depreciation/amortisation	19	18
Bad debts	244	167
Other	35	10
<b>Total</b>	<b>298</b>	<b>195</b>
<b>c. Net investment through acquisitions/ divestments of businesses<sup>1</sup></b>		
Divestments of businesses	0	67
Acquisitions of businesses	-125	-221
<b>Total</b>	<b>-125</b>	<b>-154</b>

<sup>1</sup> See Note 22, "Businesses acquired/divested".

	2015	2014
<b>d.1. Vehicles and Services: Acquisitions of non-current assets</b>		
Investments in non-current assets <sup>2</sup>	-8,561	-6,598
Divestments of non-current assets <sup>3</sup>	949	1,037
<b>Total</b>	<b>-7,612</b>	<b>-5,561</b>

<sup>2</sup> Of which, SEK 1,863 m. (1,454) in capitalised research and development expenditures.

<sup>3</sup> Also includes moving vehicles for short-term rentals to inventory.

	2015	2014
<b>d.2. Financial Services: Net investments in credit portfolio etc.</b>		
New financing <sup>4</sup>	-32,158	-27,491
Payments of principal and completed contracts	27,361	22,975
<b>Total</b>	<b>-4,797</b>	<b>-4,516</b>

<sup>4</sup> Refers mainly to financing of customer purchases of Scania vehicles. Includes other tangible and intangible assets.

	2015	2014
<b>e. Change in debt through financing activities</b>		
Net change in current investments	-190	-4
Net change in current borrowings <sup>5</sup>	1,161	2,831
Reclassification of non-current borrowings to current borrowings	-9,953	-11,089
Decrease in non-current borrowings	-5,447	-168
Increase in non-current borrowings <sup>5</sup>	16,391	8,483
<b>Total</b>	<b>1,962</b>	<b>53</b>

	2015	2014
<b>f. Cash and cash equivalents</b>		
Cash and bank balances	4,070	3,754
Short-term investments comprising cash and cash equivalents	8,225	7,161
<b>Total</b>	<b>12,295</b>	<b>10,915</b>

**NOTE 22 Businesses acquired/divested**

Scania is not an acquisition-intensive Group or a Group that divests businesses to a large extent and no significant acquisitions or divestments have occurred during the years 2014–2015. Business acquisitions usually consist mainly of dealerships. During 2015, an acquisition was made of a dealership in Brazil. During 2014, two minor acquisitions were made of dealerships in Kenya and China and one acquisition of a bus body manufacturer in Finland. During 2014, the Financial services business in Turkey and the private car dealership in Switzerland were sold.

Total consideration transferred for the acquisition of the dealership in Brazil was SEK 218 m., of which SEK 60 m. consisted of remission of previous receivables to the seller. In 2015, SEK 128 m. was paid out and the remaining amount is expected to be disbursed during 2016. The acquisition was made in the end 2015 and therefore no result was recorded for the year. If the acquisitions had occurred in the beginning of 2015, the acquired operations would have had the following impact on the 2015 financial statements: Net sales minus intra-Group sales, SEK 85 m. and Income before taxes, SEK –7 m.

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

Wages, salaries and other remuneration, pension expenses and other mandatory payroll fees (excluding personnel on hire)	2015	2014
Boards of Directors, Presidents and Executive (or Group) Vice Presidents <sup>1</sup>	391	374
– of which bonuses	99	93
Other employees	14,983	13,936
Subtotal	15,374	14,310
Pension expenses and other mandatory payroll fees	5,021	4,397
– of which pension expenses <sup>2</sup>	1,290	1,055
<b>Total</b>	<b>20,395</b>	<b>18,707</b>

<sup>1</sup> The number of Board members and executive officers was 539 (552).

<sup>2</sup> Of the pension expense in the Group, SEK 37 m. (29) was for Boards of Directors and executive officers in the Scania Group. At year-end, the total pension obligation was SEK 154 m. (150) for this category.

Average number of employees (excluding personnel on hire)	2015		2014	
	Total	Women	Total	Women
Sweden	13,335	20%	13,061	20%
Europe (excluding Sweden)	14,347	14%	13,484	13%
Eurasia	850	25%	965	22%
America	6,083	14%	6,354	13%
Asia	2,248	18%	2,095	18%
Africa and Oceania	1,630	17%	1,575	16%
<b>Total</b>	<b>38,493</b>	<b>17%</b>	<b>37,534</b>	<b>16%</b>



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

Gender distribution	2015	2014
Board members in subsidiaries and the Parent Company	434	451
– of whom, men	402	423
– of whom, women	32	28
Presidents/Managing Directors of subsidiaries and the Parent Company, plus the Group's Executive Board	105	101
– of whom, men	102	99
– of whom, women	3	2
Number of employees, 31 December	2015	2014
Vehicles and Services		
Production and corporate units	20,428	19,304
Research and development	3,904	3,671
Sales and service companies	19,253	18,395
Subtotal	43,585	41,370
Financial Services	824	759
<b>Total</b>	<b>44,409</b>	<b>42,129</b>
– of whom, on temporary contracts and on hire	5,411	5,172

**NOTE 24 Related party transactions**

	Revenue		Expenses		Receivables		Liabilities	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Volkswagen Group</b>	<b>257</b>	169	<b>731</b>	535	<b>917</b>	1,302	<b>11,579</b>	1,359
<b>Associated companies and joint ventures</b>								
BITS DATA i Södertälje AB	0	–	17	18	0	–	2	3
Cummins-Scania HPI L.L.C	–	–	25	24	–	–	–	7
Cummins-Scania XPI Manufacturing L.L.C	88	62	666	461	12	7	88	38
Laxå Special Vehicles AB	44	19	176	165	11	4	48	47
ScaValencia S.A.	119	64	52	48	4	3	0	–
Others	8	8	5	5	1	–	0	–

Disclosures of relationships with related parties that include a controlling influence are provided in the list of subsidiaries. See also the presentation of Scania's Board of Directors and Executive Board as well as Note 25, "Compensation to executive officers". Disclosures of dividends from, and capital contributions to, associated companies and joint ventures etc. are provided in Note 11, "Holdings in associated companies and joint ventures". Disclosures of pension plans are provided in Note 15, "Provisions for pensions and similar

commitments" and Note 23, "Wages, salaries and other remuneration and number of employees". Purchases and leases of company cars are included in the transactions with the Volkswagen Group.

All related party transactions occur on market terms.

Liabilities to the Volkswagen Group for the dividend decided on in December 2015 amounts to SEK 9,600 m.

**NOTE 25 Compensation to executive officers****PRINCIPLES FOR COMPENSATION TO EXECUTIVE OFFICERS**

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

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

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

**TERMINATION CONDITIONS FOR THE EXECUTIVE BOARD**

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

If the company terminates their employment, the other members of the Executive Board are entitled to severance pay equivalent to a maximum of 18 months of salary, in addition to their salary during the six-month notice period. If they obtain new employment within 18 months, counting from their termination date, the severance pay ceases.

2015, SEK thousand	Fixed salary	Board remuneration <sup>1</sup>	Variable salary	Other remuneration	Total salary and remuneration	Pension expenses, defined contribution system	Pension expenses, defined benefit system	Total pension expenses	Pension obligations
Chairman of the Board		–							
President and CEO	4,523		5,271	139	9,933	1,777	867	2,644	8,154
Former President and CEO	2,739		–	10,359 <sup>2</sup>	13,098	2,544	318	2,862	2,655
Rest of Executive Board (7 persons)	25,673		22,097	2,087	49,857	5,353	2,768	8,121	22,274

1 Other Board members' total fees: Hans Dieter Pötsch 0; Francisco J. Garcia Sanz 0; Peter Abele 375; Helmut Aurenz 550; Peter Wallenberg Jr 500; Ferdinand K. Piëch 0; Leif Östling 0; Christian Porsche 0; Annika Falkengren 325; Matthias Gründer 0; Markus S. Piëch 0. Ferdinand K. Piëch resigned on 27 April 2015. Leif Östling, Peter Abele, Francisco J. Garcia Sanz and Hans Dieter Pötsch resigned at the Annual General Meeting on 26 June 2015.

2 Includes payment of vacation pay liability and salary during notice period.

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

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

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

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

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

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

**NOTE 26 Fees and other remuneration to auditors**

Fees and other remuneration to auditors that were expensed during the year are reported below. Remuneration for consultations is reported in cases where the same public accountancy firm has the assignment to audit an individual company. "Auditing assignments" refers to statutory examination of the annual accounts as well as the administration of the Board of Directors and the President and CEO. "Auditing activities beyond auditing assignments" refers to examination of administration or financial information that shall be performed in accordance with laws, articles of association,

statutes or agreements that is also intended for parties other than the client, and which is not included in the auditing assignment. "Tax consultancy" is consultation on matters of tax law. "Other services" refers to consultancy that cannot be attributed to any of the other categories. Auditing expenses that have arisen because Scania is a subsidiary of Volkswagen have been reinvoiced.

Auditing firm	2015		2014	
	PwC	Other auditors	EY	Other auditors
Auditing assignments	34	1	46	1
Auditing activities beyond auditing assignments	1	3	2	0
Tax consultancy	3	1	2	0
Other services	1	1	2	0
<b>Total</b>	<b>39</b>	<b>6</b>	52	1

**NOTE 27 Financial risk management****FINANCIAL RISK MANAGEMENT IN THE SCANIA GROUP**

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

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

**CURRENCY RISK**

Currency Risk is the risk of negative effects on earnings and balance sheet items denominated in foreign currency, due to currency movements. Changes in exchange rates also affect Scania's income statement and balance sheet as follows:

- An individual company may have monetary assets and liabilities in a currency other than its functional currency, which are translated to the functional currency using the exchange rate on the balance sheet date. When settling monetary assets and liabilities, an exchange rate difference arises between the exchange rate on the balance sheet date and on the payment date. All changes in exchange rates attributable to translation or settlement of monetary items are recognised in the income statement (transaction effect).

- Revenue, expenses, assets and liabilities in a functional currency other than the reporting currency of the Parent Company (SEK) are translated at the average exchange rate during the year and the exchange rate on the balance sheet date, respectively. The effect that arises because the exchange rate on the balance sheet date is changed from the beginning of the year and the average exchange rate of the year deviates from the balance sheet rate is recognised in the translation reserve in other comprehensive income (translation effect).

During 2015, 94 (95) percent of Scania's sales occurred in countries outside Sweden. Since a large proportion of production occurs in Sweden, at costs denominated in Swedish kronor, this means that Scania has large net inflows of foreign currencies.

During 2015, total currency exposure in Scania's operating income amounted to about SEK 37,800 m. (34,600). The largest currencies in this flow were EUR, BRL and GBP. The table on the next page shows currency exposure in Scania's operating income in the most commonly occurring currencies.

## NOTE 27 Financial risk management, continued

Currency exposure in operating income, Vehicles and Services	2015	2014
British pound (GBP)	7,000	4,300
Euro (EUR)	5,200	2,100
Norwegian krone (NOK)	2,900	2,700
Polish zloty (PLN)	2,200	1,600
US dollar (USD)	2,100	2,000
Korean won (KRW)	1,800	1,300
Australian dollar (AUD)	1,800	1,800
South African rand (ZAR)	1,700	1,400
Russian rouble (RUB)	1,500	3,700
Danish krone (DKK)	1,400	1,300
Arabic dirham (AED)	1,100	–
Swiss franc (CHF)	1,100	1,200
Argentine peso (ARS)	–1,400	–1,100
Brazilian real (BRL)	–1,800	2,400
Other currencies	10,000	8,700
<b>Total currency exposure in operating income</b>	<b>36,600</b>	<b>33,400</b>

Currency exposure in operating income, Financial Services	2015	2014
Euro (EUR)	500	600
Other currencies	700	600
<b>Total currency exposure in operating income</b>	<b>1,200</b>	<b>1,200</b>

Based on revenue and expenses in foreign currencies during 2015, a one percentage point change in the Swedish krona against other currencies, excluding currency hedges, has an impact on operating income of about SEK 378 m. (346) on an annual basis. In Vehicles and Services, compared to 2014, the total positive currency rate effects amounted to about SEK 2,270 m.

According to Scania's financial policy, Scania's Management may hedge future currency flows with a hedging period varying between 0 and 12 months. Maturity over 12 months is decided by the Board of Directors. When currency risks are hedged, currencies are mainly sold by means of forward contracts, but currency options may also be used. At year-end 2015, no future currency flows were hedged.

To ensure efficiency and risk control, borrowings in Scania's subsidiaries largely occur through the corporate treasury unit, mainly in EUR and SEK, and are then transferred to subsidiaries in the form of internal loans in their local currencies.

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

At the end of 2015, Scania's net assets in foreign currencies amounted to SEK 23,700 m. (24,900). The net foreign assets of subsidiaries are normally not hedged. To the extent subsidiaries have significant net monetary assets in functional currencies, however, they may be hedged. At year-end 2015 no foreign net assets were hedged (–).

Net assets, Vehicles and Services	2015	2014
Brazilian real (BRL)	4,600	6,300
Euro (EUR)	4,100	4,400
Argentine peso (ARS)	1,500	1,100
British pound (GBP)	1,100	1,300
Norwegian krone (NOK)	600	600
Swiss franc (CHF)	500	600
Polish zloty (PLN)	500	300
Indian rupee (INR)	500	100
Danish krone (DKK)	400	300
Australian dollar (AUD)	400	300
Russian rouble (RUB)	300	400
Korean won (KRW)	300	–100
US dollar (USD)	–100	–150
Other currencies	1,500	1,850
<b>Total net assets in foreign currencies, Vehicles and Services</b>	<b>16,200</b>	<b>17,300</b>

Net assets, Financial Services	2015	2014
Euro (EUR)	4,300	4,600
Other currencies	3,200	3,000
<b>Total net assets in foreign currencies, Financial Services</b>	<b>7,500</b>	<b>7,600</b>
<b>Total net assets in foreign currencies, Scania Group</b>	<b>23,700</b>	<b>24,900</b>

## Effect on exchange rate differences on net income

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

	2015	2014
Operating income	–187	99
Financial income and expenses	–62	14
Taxes	0	–4
<b>Effect on net income for the year</b>	<b>–249</b>	<b>109</b>

**NOTE 27 Financial risk management, continued****INTEREST RATE RISK**

Interest Rate Risk is the risk of negative effects on interest income and expenses due to movements in interest rates. For Scania's assets and liabilities that carry variable interest rates, a change in market interest rates has a direct effect on cash flow, while for fixed-interest assets and liabilities, the fair value of the portfolio is instead affected. To manage interest rate risks, Scania primarily uses interest rate derivatives in the form of interest rate swap agreements.

At year-end 2015, Scania's interest-bearing assets mainly consisted of assets in Financial Services and of short-term investments and cash and cash equivalents. Interest-bearing liabilities consisted mainly of loans, to a great extent intended to fund lending in Financial Services operations and to a lesser extent to fund working capital in Vehicles and Services.

**Interest rate risk in Vehicles and Services**

Borrowings in Vehicles and Services are mainly used for funding of working capital. To match the turnover rate of working capital, a short interest rate refixing period is used in the borrowing portfolio.

Scania's policy concerning interest rate risks in the Vehicles and Services segment is that the interest rate refixing period on its net debt should normally be within 0–6 month range, but that divergences are allowed up to 24 months. The Board of Directors approves maturities of more than 24 months.

Net cash in Vehicles and Services was SEK 7,579 m. (12,139) at year-end 2015. The borrowing portfolio amounted to SEK 9,728 m. (166) and the average interest rate refixing period for this portfolio was less than 6 (6) months. Short-term investments and cash and cash equivalents amounted to SEK 17,056 m. (12,310) and the average interest rate refixing period on these assets was less than 1 (1) month. The net cash also includes derivatives that hedge borrowings with a net value of SEK 251 m. (–5).

Given the same loan liabilities, short-term investments, cash and cash equivalents and interest rate refixing periods as at year-end 2014, a change in market interest rates of 100 basis points (1 percentage point) would change the interest expenses in Vehicles and Services by about SEK 50 m. (5) and interest income by about SEK 160 m. (120) on an annual basis.

**Interest rate risk in Financial Services**

Scania's financial policy regarding interest rate risks in the Financial Services segment is that lending and borrowing should match in terms of interest rates and maturity periods. Interest rate refixing related to the credit portfolio and borrowing in Financial Services had the following structure as of 31 December 2015:

Interest rate refixing in Financial Services, 31 December 2015	Interest-bearing portfolio <sup>1</sup>	Interest-bearing liabilities <sup>2</sup>
2016	29,232	28,872
2017	11,662	10,971
2018	8,699	8,034
2019	4,750	2,629
2020	1,736	285
2021 and later	407	35
<b>Total</b>	<b>56,486</b>	<b>50,826</b>

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

<sup>1</sup> Including operating leases.

<sup>2</sup> Including the effect of interest rate derivatives. Other funding consists mostly of equity.

Scania's total borrowing portfolio amounted to SEK 54,942 m. (46,741) at year-end 2015.

Borrowings, 31 December 2015	Borrowings incl. currency swap agreements	Borrowings excl. currency swap agreements
EUR	22,011	19,147
SEK	6,863	26,170
BRL	4,675	4,675
GBP	5,184	–
ZAR	2,116	972
USD	1,885	1,085
NOK	1,646	478
RUB	1,497	62
DKK	1,371	–
CLP	1,258	330
AUD	1,099	–
KRW	775	195
CHF	661	–
THB	559	87
PLN	156	–
CZK	–22	–
Other currencies	3,074	1,607
<b>Total<sup>1</sup></b>	<b>54,808</b>	<b>54,808</b>
Accrued interest	134	134
<b>Total</b>	<b>54,942</b>	<b>54,942</b>

<sup>1</sup> Total borrowings excluded SEK 134 m. related to accrued interest.



**NOTE 27 Financial risk management, continued****CREDIT RISK**

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

**Credit risk in Vehicles and Services**

In the Vehicles and Services segment, carried receivables before provisions for bad debts from customers totalled SEK 7,097 m. (7,728), most of which consisted of receivables from independent dealerships and end customers. The total estimated fair value of collateral was SEK 1,075 m. Most of the collateral consisted of repossession rights and bank guarantees. During the year, collateral valued at SEK 12 m. was repossessed.

Timing analysis of portfolio assets past due but not recognised as impairment losses	Past-due payments 2015	Past-due payments 2014
< 30 days	687	1,032
30–90 days	362	296
91–180 days	57	155
> 180 days	56	102
<b>Total</b>	<b>1,162</b>	<b>1,585</b>

Provisions for bad debts amounted to SEK 313 m. (370), equivalent to 4.2 (4.6) percent of total receivables. The year's bad debt expense amounted to SEK 26 m. (32).

**Timing analysis of portfolio assets**

Past due but not recognised as impairment losses	2015			2014		
	Past-due payments	Total exposure <sup>1</sup>	Estimated fair value of collateral	Past-due payments	Total exposure <sup>1</sup>	Estimated fair value of collateral
< 30 days	60	2,209	2,146	69	3,005	2,728
30–90 days	93	1,315	1,301	100	1,704	1,717
<b>Past due and recognised as impairment losses</b>						
91–180 days	31	229	206	52	423	409
> 180 days	44	130	122	79	272	251
Inactive contracts	78	310	196	123	586	383
<b>Total</b>	<b>306</b>	<b>4,193</b>	<b>3,971</b>	<b>423</b>	<b>5,990</b>	<b>5,488</b>

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

Provisions for bad debts changed as follows:

Provisions for bad debts	2015	2014
Provisions, 1 January	370	383
Provisions for potential losses	-16	7
Withdrawals due to actual credit losses	-22	-42
Currency rate effects	-20	22
Other	1	0
<b>Provisions, 31 December</b>	<b>313</b>	<b>370</b>

**Credit risk in Financial Services**

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

Credit portfolio	2015	2014
Exposure	57,358	56,425
– of which, operating leases	13,899	11,628
Credit risk reserve	872	869
Carrying amount	56,486	55,556
– of which, operating leases	13,889	11,613

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

**NOTE 27 Financial risk management, continued**

The portfolio mainly consists of financing of trucks, buses and trailers for small and medium-sized companies. The credit risk concentration in 2015 was equivalent to that of 2014.

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

Concentration of credit risk	31 December 2015			31 December 2014		
	Number of customers	Percentage of total number of customers	Percentage of portfolio value	Number of customers	Percentage of total number of customers	Percentage of portfolio value
Exposure < SEK 15 m.	29,970	98.6	69.4	28,459	98.5	69.6
Exposure SEK 15–50 m.	334	1.1	14.1	349	1.2	13.9
Exposure > SEK 50 m.	87	0.3	16.5	87	0.3	16.5
<b>Total</b>	<b>30,391</b>	<b>100.0</b>	<b>100.0</b>	<b>28,895</b>	<b>100.0</b>	<b>100.0</b>

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

For Scania's customers the renegotiation need was at the same level during 2015 as in 2014. The carrying amount of the financial assets, whose terms had been renegotiated, amounted to SEK 1,458 m. (1,505) at year-end. Contracts are regarded as bad debts when payment is more than 90 days past due or when there is information that causes Scania to terminate the contracts early.

The resale market for repossessed and used vehicles functioned smoothly during 2015. During the year, 1,283 (1,759) financed vehicles were repossessed. At year-end, the number of repossessed but not yet sold vehicles amounted to 214 (404), with a total carrying amount of SEK 73 m. (115). Repossessed vehicles are sold off by means of a new financing contract with another customer, direct sale to an end customer or sale via Scania's dealership network.

Provisions for bad debts changed as follows:

Provisions for bad debts	2015	2014
Provisions, 1 January	869	805
Provisions for potential losses	210	162
Withdrawals due to actual credit losses	-160	-104
Exchange rate differences	-47	23
Divestment of subsidiaries	-	-17
<b>Provisions, 31 December</b>	<b>872</b>	<b>869</b>
<b>Provisions as percentage of gross portfolio</b>	<b>1.5</b>	<b>1.6</b>

The year's expenses for actual and potential credit losses amounted to SEK 244 m. (167).

**Other credit risks at Scania**

The administration of the financial credit risks that arise primarily in

corporate treasury operations, among other things when investing liquidity and in derivatives trading, is regulated in Scania's Financial Policy. Transactions occur only within established limits and with selected, creditworthy counterparties. To reduce credit risk, the volume of exposure allowed per counterparty is limited, depending on the counterparty's credit rating. To further limit credit risk, Scania has entered into International Swaps and Derivatives Association (ISDA) netting contracts with all of its counterparties.

The corporate treasury unit is responsible for ensuring compliance with the rules of Scania's Financial Policy.

Net exposure to counterparty risk related to derivatives trading amounted to SEK 255 m. (-25) at the end of 2015. Estimated gross exposure to counterparty risks related to derivatives trading totalled SEK 1,175 m. (1,148). Estimated gross exposure to cash and cash equivalents and short-term investments amounted to SEK 12,508 m. (10,966). Short-term investments are deposited with various banks.

Scania had short-term investments worth SEK 8,438 m. (7,212), of which SEK 8,225 m. (7,161) consists of investments with a maturity of less than 90 days and SEK 213 m. (51) consisted of investments with a maturity of 91–365 days. In addition to short-term investments, Scania had bank balances worth SEK 4,070 m. (3,754).

**NOTE 27 Financial risk management, continued****REFINANCING RISK**

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

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

At the end of 2015, Scania's liquidity reserve, consisting of unutilised credit facilities, cash and cash equivalents and short-term investments, amounted to SEK 49,913 m. (40,134). Scania's credit facilities include customary Change of Control clauses, which means that the counterparty could demand early payment in case of significant changes in ownership involving a change in control of the company.

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

<b>Borrowings, 2015</b>	<b>Total borrowings</b>	<b>Ceiling</b>
Medium Term Note Programme	–	–
European Medium Term Note Programme	<b>23,233</b>	31,973
Other bonds	–	–
Credit facility (EUR, SEK)	–	37,405
Commercial paper, Sweden	<b>535</b>	10,000
Commercial paper, Belgium	<b>1,635</b>	3,654
Bank loans and Other loans	<b>29,405</b>	–
<b>Total<sup>1</sup></b>	<b>54,808<sup>2</sup></b>	<b>83,032</b>

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

<sup>1</sup> Of the total ceiling, SEK 37,405 m. (29,168) consisted of guaranteed revolving credit facilities.

<sup>2</sup> Total borrowings excluded SEK 134 m. (174) related to accrued interest and fair value adjustments on bonds where hedge accounting was previously applied.

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

<b>Maturity structure of Scania's borrowings</b>	<b>2015</b>	2014
2015	–	20,065
2016	<b>28,602</b>	13,982
2017	<b>14,925</b>	6,579
2018	<b>3,149</b>	3,410
2019	<b>2,602</b>	2,375
2020	<b>3,227</b>	156
2021 and later	<b>2,303</b>	–
<b>Total</b>	<b>54,808<sup>1</sup></b>	46,567 <sup>1</sup>

<sup>1</sup> Total borrowings excluded SEK 134 m. (174) related to accrued interest and fair value adjustments on bonds for which hedge accounting was previously applied.

<b>Maturity structure of derivatives attributable to borrowings, 2015</b>	<b>Derivatives with positive value</b>	<b>Derivatives with negative value</b>
2016	<b>8</b>	–
2017	<b>40</b>	–
2018	–	–
2019	–	–
2020	–	–
2021 and later	–	–
<b>Total<sup>1</sup></b>	<b>48</b>	–

<b>Maturity structure of derivatives attributable to borrowings, 2014</b>	<b>Derivatives with positive value</b>	<b>Derivatives with negative value</b>
2015	2	81
2016	38	–
2017	49	–
2018	–	–
2019	–	–
2020 and later	–	–
<b>Total<sup>1</sup></b>	<b>89</b>	<b>81</b>

<sup>1</sup> Does not include accrued interest.

**NOTE 28 Financial instruments**

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

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

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

In Scania's balance sheet, items carried at fair value are mainly derivatives and current investments. For derivatives for which hedge accounting is not applied, fair value adjustment is carried via the income statement. Derivatives attributable to cash flow hedging are carried at fair value via "Other comprehensive income". Fair value is established according to various levels, defined in IFRS 13, that reflect the extent to which market values have been utilised. Current investments and cash and cash equivalents are carried according to Level 1, i.e. quoted prices in active markets for identical assets, and amounted to SEK 3,089 m. (1,093). Other assets that are carried at fair value refer to derivatives. These assets are carried according to Level 2, which is based on data other than the quoted prices that are part of Level 1 and refer to directly or indirectly observable market data. Scania applies a valuation technique that consists of estimating the present value of future cash flows based on observable yield curves. The yield curve applied is derived from relevant listed yields for the respective period during which cash flows are received or paid. The derivatives are recognised under other non-current assets, other current assets, other non-current liabilities and other current liabilities and amounted to SEK 256 m. (-2) net.

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

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

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

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

Financial assets and liabilities that have been offset against each other consist of loans receivable and payable. The gross amounts totalled SEK 131 m. (417). The amount that has been offset from each amount totals SEK 131 m. (417).

Financial assets and liabilities that can be offset against each other consist of derivatives covered by legally binding master netting agreements. Carrying amounts of assets and liabilities amounted to SEK 1,148 m. (1,135) and SEK 863 m. (1,149). The amount that was not offset from each amount was SEK 690 m. (708).

## NOTE 28 Financial instruments, continued

	Financial assets and financial liabilities carried at fair value via the income statement ("through profit and loss")*	Held-to- maturity investments	Loan receivables and trade receivables	Other financial liabilities	Net investment hedges	Cash flow hedges	Total carrying amount	Total fair value
<b>Scania Group, 2015, SEK m.</b>								
Non-current interest-bearing receivables			26,359				26,359	26,481
Current interest-bearing receivables			16,373				16,373	16,409
Non-interest-bearing trade receivables			6,981				6,981	6,981
Current investments and Cash and cash equivalents	3,089		9,419				12,508	12,491
Other non-current receivables <sup>1</sup>	594		63				657	657
Other current receivables <sup>2</sup>	580		–			–	580	580
<b>Total assets</b>	<b>4,263</b>	<b>–</b>	<b>59,195</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>63,458</b>	<b>63,599</b>
Non-current interest-bearing liabilities				26,206			26,206	25,938
Current interest-bearing liabilities				28,736			28,736	28,701
Trade payables				10,841			10,841	10,841
Other non-current liabilities <sup>3</sup>	508					–	508	508
Other current liabilities <sup>4</sup>	411					–	411	411
<b>Total liabilities</b>	<b>919</b>	<b>–</b>	<b>–</b>	<b>65,783</b>	<b>–</b>	<b>–</b>	<b>66,702</b>	<b>66,399</b>

1 Financial instruments included in the balance sheet under "Other long-term receivables", SEK 1,353 m.

2 Financial instruments included in the balance sheet under "Other current receivables", SEK 4,094 m.

3 Financial instruments included in the balance sheet under "Other non-current liabilities", SEK 567 m.

4 Financial instruments included in the balance sheet under "Other current liabilities", SEK 3,161 m.

\* Held for trading

	Financial assets and financial liabilities carried at fair value via the income statement ("through profit and loss")*	Held-to- maturity investments	Loan receivables and trade receivables	Other financial liabilities	Net investment hedges	Cash flow hedges	Total carrying amount	Total fair value
<b>Scania Group, 2014, SEK m.</b>								
Non-current interest-bearing receivables			27,156				27,156	27,311
Current interest-bearing receivables			16,929				16,929	16,952
Non-interest-bearing trade receivables			7,205				7,205	7,205
Current investments and Cash and cash equivalents	1,093 <sup>5</sup>		9,653				10,746	10,883
Other non-current receivables <sup>1</sup>	504		466				970	970
Other current receivables <sup>2</sup>	644		8			0	652	652
<b>Total assets</b>	<b>2,241</b>	<b>–</b>	<b>61,417</b>	<b>–</b>	<b>–</b>	<b>0</b>	<b>63,658</b>	<b>63,973</b>
Non-current interest-bearing liabilities				26,503			26,503	26,664
Current interest-bearing liabilities				20,238			20,238	20,347
Trade payables				9,707			9,707	9,707
Other non-current liabilities <sup>3</sup>	706						706	706
Other current liabilities <sup>4</sup>	444					23	467	467
<b>Total liabilities</b>	<b>1,150</b>	<b>–</b>	<b>–</b>	<b>56,448</b>	<b>–</b>	<b>23</b>	<b>57,621</b>	<b>57,891</b>

1 Financial instruments included in the balance sheet under "Other long-term receivables", SEK 1,382 m.

2 Financial instruments included in the balance sheet under "Other current receivables", SEK 3,717 m.

3 Financial instruments included in the balance sheet under "Other non-current liabilities", SEK 836 m.

4 Financial instruments included in the balance sheet under "Other current liabilities", SEK 3,097 m.

5 Comparative figures have been adjusted.

\* Held for trading



**NOTE 28 Financial instruments, continued****HEDGE ACCOUNTING**

Scania applies hedge accounting according to IAS 39 as follows:

- To a minor extent in 2015, Scania applied cash flow hedge accounting on currency derivatives in order to hedge parts of the commercial flow in GBP against SEK.

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

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

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

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

<b>Net gains/losses</b>	<b>2015</b>	2014
Financial assets and liabilities held for trading, carried at fair value	<b>310</b>	–815
Loan and trade receivables <sup>1</sup>	<b>204</b>	1,168
Other financial liabilities	<b>–952</b>	–370
<b>Total</b>	<b>–438</b>	–17

<sup>1</sup> Also includes operating leases.

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

**INTEREST INCOME AND EXPENSES ON FINANCIAL INSTRUMENTS**

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

	<b>2015</b>	2014
Interest income on financial assets <sup>1</sup>	<b>2,920</b>	3,150
Interest expenses on financial liabilities <sup>2, 3</sup>	<b>–1,692</b>	–1,857
<b>Total</b>	<b>1,228</b>	1,293

<sup>1</sup> SEK 239 m. (516) consists of interest income generated from financial assets carried at fair value.

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

<sup>3</sup> SEK –624 m. (–458) consists of interest expenses generated from financial liabilities carried at fair value.

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

## NOTE 29 Shares and participations in subsidiaries

The following listing shows shareholdings owned directly and indirectly by the Parent Company as of 31 December 2015

Company	Corporate ID no.	Registered office	Country	% Ownership
DynaMate Industrial Services AB	556528-9286	Södertälje	Sweden	100
Fastighetsaktiebolaget Flygmotorn	556528-9112	Södertälje	Sweden	100
Fastighetsaktiebolaget Hjulnavet	556084-1198	Södertälje	Sweden	100
Fastighetsaktiebolaget Motorblocket	556716-6698	Södertälje	Sweden	100
Fastighetsaktiebolaget Vindbron	556040-0938	Södertälje	Sweden	100
Ferruform AB	556528-9120	Luleå	Sweden	100
Kai Tak Holding AB	556548-4739	Södertälje	Sweden	100
LOTS Group AB	556593-3057	Södertälje	Sweden	100
MW-Hallen Restaurang AB	556616-7747	Södertälje	Sweden	100
Mälardalens Tekniska Gymnasium AB	556548-4754	Södertälje	Sweden	80
Scania Bus Financing AB	556728-9433	Södertälje	Sweden	100
Scania CV AB	556084-0976	Södertälje	Sweden	100
Scania Delivery Center AB	556593-2976	Södertälje	Sweden	100
Scania Holding Europe AB	556017-7825	Södertälje	Sweden	100
Scania Industrial Maintenance AB	556070-4818	Södertälje	Sweden	100
Scania IT AB	556084-1206	Södertälje	Sweden	100
Scania Overseas AB	556593-2984	Södertälje	Sweden	100
Scania Real Estate AB	556084-1180	Södertälje	Sweden	100
Scania Real Estate Lund AB	556791-9823	Södertälje	Sweden	100
Scania Real Estate Services AB	556593-3024	Södertälje	Sweden	100
Scania Sales and Services AB	556593-3073	Södertälje	Sweden	100
Scania Trade Development AB	556013-2002	Södertälje	Sweden	100
Scania Transportlaboratorium AB	556528-9294	Södertälje	Sweden	100
Scania Treasury AB	556528-9351	Södertälje	Sweden	100
Scania Trucks & Buses AB	556267-1585	Södertälje	Sweden	100
Scania Used Vehicles AB	556548-4713	Södertälje	Sweden	100
Scania-Bilar Sverige AB	556051-4621	Södertälje	Sweden	100
SRE Kiruna AB	556185-2129	Södertälje	Sweden	100
Stockholms Industriassistans AB	556662-3459	Södertälje	Sweden	100
Sågverket 6 AB	556528-9062	Södertälje	Sweden	100
Vabis Försäkringsaktiebolag	516401-7856	Södertälje	Sweden	100
Vindbron Arendal AB	556822-2367	Södertälje	Sweden	100
Volkswagen Truck & Bus AB	556528-9104	Södertälje	Sweden	100
Aconcaagua Vehiculos Comerciales S.A.	30-70737179-6	Buenos Aires	Argentina	100
Automotores del Atlantico S.A.	30-70709795-3	Buenos Aires	Argentina	100
Concesionaria Automotores Pesados S.A.	30-55137605-9	Buenos Aires	Argentina	100
Motorcam S.A.	33-70791031-9	Buenos Aires	Argentina	100
Scania Argentina S.A.	30-51742430-3	Buenos Aires	Argentina	100
Scania Australia Pty Ltd.	000537333	Melbourne	Australia	100
Scania Real Estate Österreich GmbH	FN95419y	Brunn am Gebirge	Austria	100
Scania Österreich GmbH	FN366024x	Brunn am Gebirge	Austria	100
Scania Belgium N.V.	BE0402.607.507	Neder-Over-Heembeek	Belgium	100
Scania Group Treasury Belgium N.V.	BE0809.445.796	Neder-Over-Heembeek	Belgium	100
Scania Real Estate Belgium N.V.	BE0423.251.481	Neder-Over-Heembeek	Belgium	100
Scania Treasury Belgium N.V.	BE0888.285.319	Neder-Over-Heembeek	Belgium	100
Scania BH d.o.o., Sarajevo	4200363460007	Sarajevo	Bosnia-Herzegovina	100
Scania Botswana (Pty) Ltd.	CO.2000/6045	Gaborone	Botswana	100
Santa Catarina Veículos e Serviços Ltda.	22.416.982/0001-30	Biguaçu	Brazil	100
Codema Comercial e Importadora Ltda.	60.849.197/0001-60	Guarulhos	Brazil	99.99
Scania Administradora de Consórcios Ltda.	96.479.258/0001-91	Cotia	Brazil	99.99
Scania Latin America Ltda.	59.104.901/0001-76	São Bernardo do Campo	Brazil	100
Suvesa Super Veics Pesados Ltda.	88.301.668/0001-10	Eldorado do Sul	Brazil	99.98
Scania Bulgaria EOOD	BG121796861	Sofia	Bulgaria	100
Scania Real Estate Bulgaria EOOD	201589120	Sofia	Bulgaria	100
Scania Chile S.A.	96.538.460-K	Santiago	Chile	100
Scania (Hong Kong) Ltd.	1205987	Hongkong	China	100
Scania Real Estate Hong Kong Ltd.	2083208	Hongkong	China	100
Scania Sales (China) Co., Ltd.	110000450001661	Beijing	China	100
Scania Sales and Service (Guangzhou) Co., Ltd.	440101400126397	Guangzhou	China	100
Vabis Transportation Services (Guangxi) Ltd	32956526-9	Beihai, Guangxi Province	China	100
Scania Colombia S.A.	900.353.873-2	Bogotá	Colombia	100
Scania Hrvatska d.o.o.	080213913	Zagreb	Croatia	100
Scania Czech Republic s.r.o.	CZ61251186	Prague	Czech Republic	100
Scania Real Estate Czech Republic s.r.o.	24196746	Prague	Czech Republic	100
Scania Danmark A/S	DK17045210	Ishøj	Denmark	100
Scania Danmark Ejendom Aps	33156332	Ishøj	Denmark	100
Scania Eesti AS	10238872	Tallinn	Estonia	100
Scania Real Estate Finland Oy	2559582-1	Helsinki	Finland	100
Scania Real Estate Holding Oy	2566377-5	Helsinki	Finland	100
Scania Suomi Oy	0202014-4	Helsinki	Finland	100
SOE Busproduction Finland Oy	26121679	Lahti	Finland	100
Scania France S.A.S.	307166934	Angers	France	100
Scania Holding France S.A.S.	403092786	Angers	France	100
Scania IT France S.A.S.	412282626	Angers	France	100
Scania Production Angers S.A.S.	378442982	Angers	France	100

## NOTE 29 Shares and participations in subsidiaries, continued

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania Real Estate France S.A.S.	78961241300011	Angers	France	100
SCANIA Vertrieb und Service GmbH	HRB 20490	Koblenz	Germany	100
B. + V. Grundstücks- Verwaltungs- und Verwertungs-GmbH	HRB 2277	Koblenz	Germany	100
B. + V. Grundstücksverwertungs-GmbH & Co. KG	HRA 3377	Koblenz	Germany	100
Scania CV Deutschland Holding GmbH	HRB 6077	Koblenz	Germany	100
Scania Danmark GmbH	DE 15 295 18862	Flensburg	Germany	100
SCANIA DEUTSCHLAND GmbH	HRB 532	Koblenz	Germany	100
Scania Flensburg GmbH	15 295 18587	Flensburg	Germany	100
SCANIA Real Estate Deutschland GmbH	HRB 23796	Koblenz	Germany	100
SCANIA Real Estate Deutschland Holding GmbH	HRB 23798	Koblenz	Germany	100
SCANIA Vertrieb und Service GmbH	HRB 59787	Kerpen	Germany	100
Scania West Africa Ltd.	CS450862014	Accra	Ghana	100
Griffin Automotive Ltd.	27922106	Road Town	Great Britain	100
Scania Great Britain Ltd.	831 017	Milton Keynes	Great Britain	100
Scania Real Estate (UK) Ltd.	7648886	Milton Keynes	Great Britain	100
Scania Hungaria Kft.	10 415 577	Biatorbágy	Hungary	100
Scania Real Estate Hungaria Kft.	13-09-159119	Biatorbágy	Hungary	100
Scania Commercial Vehicles India Pvt. Ltd.	U35999KA2011FTC05698	Bangalore	India	100
PT Scania Parts Indonesia	AHU-09655.40.10.2014	Balikpapan	Indonesia	100
Qanadeel AL Rafidain Automotive Trading Co. Ltd.	7500	Erbil	Iraq	51
Scania Iraq Automotive Trading Company Ltd	000088307-02	Basra	Iraq	100
Italscania S.p.A.	11749110158	Trento	Italy	100
Scania Commerciale S.p.A.	IT 01184460226	Trento	Italy	100
Scania Milano S.p.A.	IT 02170120220	Trento	Italy	100
Scania Japan Ltd.	0104-01-083452	Tokyo	Japan	100
Scania Central Asia LLP	84931-1910-TOO	Almaty	Kazakhstan	100
Scania East Africa Ltd.	PO5142690Z2	Nairobi	Kenya	100
Scania Latvia SIA	50003118401	Riga	Latvia	100
UAB Scania Lietuva	123873025	Vilnius	Lithuania	100
Scania Luxembourg S.A.	B53.044	Münsbach	Luxembourg	100
Scania Real Estate Holding Luxembourg S.à.r.l.	B160795	Münsbach	Luxembourg	100
Scania Treasury Luxembourg S.à.r.l.	19992418373	Luxembourg	Luxembourg	100
Scania Makedonija d.o.o.e.l	7027532	Ilinden	Macedonia	100
Scania (Malaysia) Sdn. Bhd.	518606-D	Shah Alam	Malaysia	100
Scania Comercial, S.A. de C.V.	SCO031124MF5	Queretaro	Mexico	100
Scania Servicios, S.A. de C.V.	SSE031124MF5	Queretaro	Mexico	99.99
Scania Maroc S.A.	06100472	Casablanca	Morocco	100
Scania Moçambique, S.A.	100453150	Beira	Mozambique	100
Scania Namibia (Pty) Ltd.	2004/438	Windhoek	Namibia	100
Norsk Scania A/S	879 263 662	Oslo	Norway	100
Norsk Scania Eiendom A/S	996036545	Oslo	Norway	100
Scania del Perú S.A.	20101363008	Lima	Peru	100
Scania Polska S.A.	KRS0000091840	Nadarzyn	Poland	100
Scania Power Polska Sp. z o.o.	517301	Warszawa	Poland	100
Scania Production Slupsk S.A.	KRS0000083601	Slupsk	Poland	100
Scania Real Estate Polska Sp.z o.o.	435 941	Nadarzyn	Poland	100
Scania Investimentos Imobiliários S.A.	PT508948118	Vialonga	Portugal	100
Scania Portugal S.A.	PT502929995	Santa Iria de Azóia	Portugal	100
Scania Real Estate Romania S.R.L.	J23/2019/29.07.2011	Ciorogârla	Romania	100
Scania Romania S.R.L.	J23/588/27.04.2004	Ciorogârla	Romania	100
OOO Petroskan	1027808004102	St. Petersburg	Russia	100
OOO Scania Peter	1027804908372	St. Petersburg	Russia	100
OOO Scania Service	1035006456044	Golitsino	Russia	100
OOO Scania-Rus	1025004070079	Golitsino	Russia	100
Scania Real Estate d.o.o. Beograd	20659874	Belgrade	Serbia	100
Scania Srbija d.o.o.	17333321	Krnjesevci	Serbia	100
Scania Singapore Pte. Ltd.	200309593R	Singapore	Singapore	100
Scania Real Estate Slovakia s.r.o.	44767668	Senec	Slovakia	100
Scania Slovakia s.r.o.	35826649	Senec	Slovakia	100
Scania Slovenija d.o.o.	1 124 773	Ljubljana	Slovenia	100
Scania South Africa Pty Ltd.	1995/001275/07	Aeroton, Guateng	South Africa	100
Scania Incheon Ltd.	120111-0639065	Incheon	South Korea	100
Scania Korea Ltd.	120111-0122515	Seoul	South Korea	100
Scania Korea Seoul Ltd.	110111-5304681	Seoul	South Korea	100
Scania Yangsang Ltd.	234111-0084495	Yangsan	South Korea	100
Scania Hispania Holding S.L.	B82853938	Madrid	Spain	100
Scania Hispania S.A.	ESA59596734	Madrid	Spain	100
Scania Real Estate Hispania, S.L.U.	B36682003	Pontevedra	Spain	100
Garage Vetterli AG	CH-020.3.909.930-2	Seuzach	Switzerland	100
Scania Real Estate Schweiz AG	CH-020.3.035.714-4	Kloten	Switzerland	100
Scania Schweiz AG	CH-020.3.926.624-8	Kloten	Switzerland	100
Scania Tanzania Ltd.	39320	Dar es Salaam	Tanzania	100
Power Vehicle Co. Ltd.	01055547132895	Bangkok	Thailand	100
Scan Siam Service Co. Ltd.	0105545023525	Bangkok	Thailand	100
Scania Siam Co Ltd.	0105543060121	Bangkok	Thailand	100
Scania Thailand Co Ltd.	0105534098031	Bangkok	Thailand	100
Scania IT Nederland B.V.	05062402	Zwolle	The Netherlands	100

## NOTE 29 Shares and participations in subsidiaries, continued

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania Logistics Netherlands B.V.	NL8521.82.697.B.01	Zwolle	The Netherlands	100
Scania Nederland B.V.	27136821	Breda	The Netherlands	100
Scania Production Meppel B.V.	05046846	Meppel	The Netherlands	100
Scania Production Zwolle B.V.	05020370	Zwolle	The Netherlands	100
Scania Real Estate The Netherlands B.V.	50687921	Breda	The Netherlands	100
Scania Middle East FZE	150175	Dubai	The United Arab Emirates	100
TOV Donbas-Scan-Service	34516735	Makijivka	Ukraine	100
TOV Kyiv-Scan	35706433	Kiev	Ukraine	100
TOV Scania Ukraine	30 107 866	Kiev	Ukraine	100
TOV Scania-Lviv	37497108	Lviv	Ukraine	100
Scania Holding Inc.	4019619	Wilmington	United States	100
Scania USA Inc.	06-1288161	San Antonio/ TX	United States	100
Scanexpo International S.A.	21.490591.0012	Montevideo	Uruguay	100
Scania de Venezuela S.A.	J-30532829-3	Valencia	Venezuela	100
<b>Financial Services</b>				
Scania Credit AB	556062-7373	Södertälje	Sweden	100
Scania Finance Holding AB	556548-4697	Södertälje	Sweden	100
Scania Finans AB	556049-2570	Södertälje	Sweden	100
Scania Projektfinans AB	556593-3008	Södertälje	Sweden	100
Scania Leasing Österreich GmbH	FN246699v	Brunn am Gebirge	Austria	100
Scania Österreich Holding GmbH	FN 316321 d	Brunn am Gebirge	Austria	100
Scania Finance Belgium N.V.	BE0413.545.048	Neder-Over-Heembeek	Belgium	100
Scania Insurance Belgium N.V.	BE0819.368.007	Neder-Over-Heembeek	Belgium	100
Scania Banco S.A.	CNPJ11.417.016/00011	São Paulo	Brazil	100
Scania Corretora de Seguros Ltda.	CNPJ11.513.179/00105	São Paulo	Brazil	100
Scania Finance Bulgaria EOOD	BG175108126	Sofia	Bulgaria	100
Scania Rent Bulgaria EOOD	175108126	Sofia	Bulgaria	100
Scania Finance Chile S.A.	76.574.810-0	Santiago	Chile	100
Scania Credit (Hong Kong) Ltd.	1945045	Hongkong	China	100
Scania Credit Hrvatska d.o.o.	80516047	Lucko	Croatia	100
Scania Finance Czech Republic spol. s r.o.	CZ25657496	Prague	Czech Republic	100
Scania Finance France S.A.S.	350890661	Angers	France	100
Scania Location S.A.S.	402496442	Angers	France	100
Scania Finance Deutschland GmbH	HRB 3917	Koblenz	Germany	100
Scania Versicherungsvermittlung GmbH	HRB 22831	Koblenz	Germany	100
Scania Finance Great Britain Ltd.	2173954	London	Great Britain	100
Scania Finance Magyarország Zrt.	13-10-040959	Biatorbágy	Hungary	100
Scania Lizing Kft.	13-09-107823	Biatorbágy	Hungary	100
Scania Finance Ireland Ltd.	482137	Dublin	Ireland	100
Scania Finance Italy S.p.A.	03333020158	Milan	Italy	100
Scania Finance Luxembourg S.A.	B0082907	Münsbach	Luxembourg	100
Scania Credit (Malaysia) Sdn. Bhd.	1011611-H	Shah Alam	Malaysia	100
Scania Services del Perú S.A.	20392923277	Lima	Peru	100
Scania Finance Polska Sp.z.o.o.	0000036594	Nadarzyn	Poland	100
Scania Insurance Polska Sp.z o.o.	0000478529	Nadarzyn	Poland	100
Scanrent - Alguer de Viaturas sem Condutor, S.A.	502631910	Santa Iria de Azóia	Portugal	100
Scania Credit Romania IFN S.A.	J23/1818/2005	Ciorogârla	Romania	100
Scania Regional Agent de Asigurare S.R.L.	J23/534/2011	Ciorogârla	Romania	100
Scania Rent Romania S.R.L.	J23/1669/2008	Ciorogârla	Romania	100
OOO Scania Finance	1045005504774	Moscow	Russia	100
OOO Scania Leasing	1027700203970	Moscow	Russia	100
OOO Scania Strachovanie	1127747003097	Moscow	Russia	100
Scania Finance Slovak Republic s.r.o.	43874746	Senec	Slovakia	100
Scania Leasing d.o.o.	356417700	Ljubljana	Slovenia	100
Scania Credit Solutions Pty Ltd.	2009/016998/07	Aeroton, Gauteng	South Africa	100
Scania Finance Southern Africa (Pty) Ltd.	2000/025215/07	Aeroton, Guateng	South Africa	100
Scania Finance Korea Ltd.	195411-0007994	Kyungam	South Korea	100
Scania Commercial Vehicles Renting S.A.	A82853995	Madrid	Spain	100
Scania Finance Hispania EFC S.A.	A82853987	Madrid	Spain	100
Scania Finance Schweiz AG	CH-020.3.029.627-6	Kloten	Switzerland	100
Scania Credit Taiwan Ltd.	54330725	Taipei	Taiwan	100
Scania Siam Leasing Co. Ltd.	010550082925	Bangkok	Thailand	100
Scania Finance Nederland B.V.	3446773	Breda	The Netherlands	100
Scania Insurance Nederland B.V.	1745773	Middelharnis	The Netherlands	100
TOV Scania Credit Ukraine	33052443	Kiev	Ukraine	100

Dormant companies are not included.

# PARENT COMPANY FINANCIAL STATEMENTS, SCANIA AB

## INCOME STATEMENT

January – December, SEK m.	Note	2015	2014
Administrative expenses		0	0
Operating income		0	0
Financial income and expenses	1	0	29
Income after financial items		0	29
Appropriations	2	–	–29
Income before taxes		0	0
Taxes	3	–	–
<b>Net income</b>		<b>0</b>	<b>0</b>

## STATEMENT OF OTHER COMPREHENSIVE INCOME

January – December, SEK m.	2015	2014
Net income	0	0
Other comprehensive income	–	–
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>

## BALANCE SHEET

31 December, SEK m.	Note	2015	2014
<b>ASSETS</b>			
<b>Financial non-current assets</b>			
Shares in subsidiaries	4	8,435	8,435
<b>Current assets</b>			
Due from subsidiaries	5	11,167	11,167
<b>Total assets</b>		<b>19,602</b>	<b>19,602</b>
<b>SHAREHOLDERS' EQUITY</b>			
<b>Restricted Equity</b>			
Share capital		2,000	2,000
Statutory reserve		1,120	1,120
<b>Unrestricted shareholders' equity</b>			
Retained earnings		6,882	16,482
Net income		0	0
<b>Total shareholders' equity</b>		<b>10,002</b>	<b>19,602</b>
<b>Current liabilities</b>			
Interest-bearing liabilities		9,600	–
<b>Total equity and liabilities</b>		<b>19,602</b>	<b>19,602</b>
<b>Assets pledged</b>			
Contingent liabilities	7	34,754	31,925

## STATEMENT OF CHANGES IN EQUITY

2015	Restricted equity		Unrestricted share-holders' equity	Total
	Share capital	Statutory reserve		
Equity, 1 January	2,000	1,120	16,482	<b>19,602</b>
Total comprehensive income for the year			0	<b>0</b>
Dividend			–9,600	<b>–9,600</b>
<b>Equity, 31 December 2015</b>	<b>2,000</b>	<b>1,120</b>	<b>6,882</b>	<b>10,002</b>

2014	Restricted equity		Unrestricted share-holders' equity	Total
	Share capital	Statutory reserve		
Equity, 1 January	2,000	1,120	16,482	19,602
Total comprehensive income for the year			0	0
Dividend			–	–
Equity, 31 December 2013	2,000	1,120	16,482	19,602

## CASH FLOW STATEMENT

January – December, SEK m.	Note	2015	2014
<b>Operating activities</b>			
Income after financial items	8	0	29
Items not affecting cash flow		–	–
Taxes paid		–	–
<b>Cash flow from operating activities before change in working capital</b>		<b>0</b>	<b>29</b>
<b>Cash flow from change in working capital</b>			
Due from subsidiaries		–	–29
<b>Total change in working capital</b>		<b>–</b>	<b>–29</b>
<b>Cash flow from operating activities</b>		<b>0</b>	<b>0</b>
<b>Investing activities</b>			
Shareholders' contribution paid		–	–
<b>Cash flow from investing activities</b>		<b>–</b>	<b>–</b>
<b>Total cash flow before financing activities</b>		<b>–</b>	<b>–</b>
<b>Financing activities</b>			
Change in debt from financing activities		–	–
<b>Cash flow from financing activities</b>		<b>–</b>	<b>–</b>
<b>Cash flow for the year</b>		<b>–</b>	<b>–</b>
Cash and cash equivalents, 1 January		–	–
Cash and cash equivalents, 31 December		–	–



# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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

## NOTE 1 Financial income and expenses

	2015	2014
Interest income from subsidiaries	–	29
Dividend from Scania CV AB	–	–
Other	0	0
<b>Total</b>	<b>0</b>	<b>29</b>

## NOTE 2 Appropriations

	2015	2014
Group contributions provided to Scania CV AB	–	–29
<b>Total</b>	<b>–</b>	<b>–29</b>

## NOTE 3 Taxes

Tax expense/income for the year	2015	2014
Current tax	–	–
<b>Total</b>	<b>–</b>	<b>–</b>

Reconciliation of effective tax	2015		2014	
	Amount	%	Amount	%
Income before tax	0		0	
Tax calculated using Swedish tax rate	0	22.0	0	22.0
Tax effect and percentage influence:				
Tax-exempt dividends	–	22.0	–	22.0
<b>Tax recognised</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

## NOTE 4 Shares in subsidiaries

Subsidiary / Corporate ID number / registered office	Ownership, %	Thousands of shares	Carrying amount	
			2015	2014
Scania CV AB, 556084-0976, Södertälje	100.0	1,000	8,435	8,435
<b>Total</b>			<b>8,435</b>	<b>8,435</b>

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

**NOTE 5 Due from subsidiaries**

	2015	2014
Current interest-bearing receivable from Scania CV AB	11,167	11,167
<b>Total</b>	<b>11,167</b>	11,167

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

**NOTE 6 Equity**

For changes in equity, see the equity report, page 105.

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

**Restricted equity** consists of share capital plus statutory reserve. Scania AB has 400,000,000 Series A shares outstanding with voting rights of one vote per share and 400,000,000 Series B shares outstanding with voting rights of 1/10 vote per share. A and B shares carry the same right to a portion of the company's assets and profit. The nominal value of both A and B shares is SEK 2.50 per share. All shares are fully paid and no shares are reserved for transfer of ownership. No shares are held by the company itself or its subsidiaries.

**NOTE 7 Contingent liabilities**

	2015	2014
Loan guarantees on behalf of borrowings in Scania CV AB	34,754	31,925
<b>Total</b>	<b>34,754</b>	31,925

**NOTE 8 Cash flow statement**

Interest received was SEK 0 m. (29).

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

The Board of Directors, the President and CEO of Scania AB and the other executive officers hold identical positions in Scania CV AB. Wages, salaries and other remuneration are paid by Scania CV AB. The reader is therefore referred to the notes to the consolidated financial statements: Note 23, "Wages, salaries and other remuneration and number of employees" and Note 25, "Compensation to executive officers". Compensation of KSEK 15 (20) was paid to auditors with respect to the Parent Company.

**NOTE 10 Transactions with related parties**

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

The consolidated Annual Report of Scania's foreign parent company is available on the website [www.volkswagenag.com](http://www.volkswagenag.com).

Transactions with related parties consist of dividends paid to Volkswagen AG and MAN SE. Dividends decided in 2015 amounted to SEK 8,319 m. (-) to Volkswagen AG and SEK 1,281 m. (-) to MAN SE.

# PROPOSED DISTRIBUTION OF EARNINGS

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

Amounts in SEK m.	
Retained earnings	6,882
Net income for the year	0
Other comprehensive income for the year	–
<b>Total</b>	<b>6,882</b>

Shall be distributed as follows:

To the shareholders, a dividend of SEK - per share <sup>1</sup>	–
To be carried forward	6,882
<b>Total</b>	<b>6,882</b>

After implementing the proposed distribution of earnings, the equity of the Parent Company, Scania AB, is as follows:

Amounts in SEK m.	
Share capital	2,000
Statutory reserve	1,120
Retained earnings	6,882
<b>Total</b>	<b>10,002</b>

<sup>1</sup> In Scania AB, an Extraordinary General Meeting in December decided on a dividend of SEK 9,600 m. The dividend proposals decided by the board in 2014 and 2015 were never executed by the Annual General Meetings. The dividend of SEK 9,600 m. corresponds to approximately 50 percent of the net income for the financial years of 2013, 2014 and 2015. This is in line with Scania's historical benchmark of distributing approximately 50 percent of the net income to the shareholders. No changes are anticipated in relation to this historical benchmark.

The undersigned certify that the consolidated accounts and the annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted for use in the European Union, and generally accepted accounting principles respectively, and give a true and fair view of the financial positions and results of the Group and the Parent Company, and that the Report of the Directors for the Group and the Parent Company gives a true and fair review of the development of the operations, financial positions and results of the Group and the Parent Company and describes substantial risks and uncertainties faced by the companies in the Group. The annual accounts and the consolidated financial statements were approved for issuance by the Board of Directors on 2 February 2016. The consolidated income statement and balance sheet and the Parent Company income statement and balance sheet will be subject to adoption by the Annual General Meeting on 11 May 2016.

Södertälje, 2 February 2016

Andreas Renschler  
*Chairman of the Board*

Helmut Aurenz  
*Board member*

Annika Falkengren  
*Board member*

Matthias Gründler  
*Board member*

Markus S. Piëch  
*Board member*

Christian Porsche  
*Board member*

Peter Wallenberg Jr  
*Board member*

Johan Järvklo  
*Board member*  
*Employee representative*

Lisa Lorentzon  
*Board member*  
*Employee representative*

Henrik Henriksson  
*Board member*  
*President and CEO*

Our Audit Report was submitted on 16 February 2016

PricewaterhouseCoopers AB

Bo Karlsson  
*Authorised Public Accountant*

Mikael Winkvist  
*Authorised Public Accountant*

# AUDIT REPORT

TRANSLATION FROM THE SWEDISH ORIGINAL

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

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Scania AB (publ) for the year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 39–108.

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

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

### Auditor's responsibility

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

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

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

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The Report of the Directors is consistent with the other parts of the annual accounts and consolidated accounts.

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

# AUDIT REPORT, CONTINUED

## Other information

The audit of the annual accounts and the consolidated accounts for the year 2014 was performed by another auditor who submitted its audit report dated February 18, 2015, with unmodified opinions in the report on these annual accounts and consolidated accounts.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Scania AB (publ) for the year 2015.

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE PRESIDENT

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

## Auditor's responsibility

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

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

## Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the Report of the Directors and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 16 February 2016

PricewaterhouseCoopers AB

Bo Karlsson

*Authorised Public Accountant*

Mikael Winkvist

*Authorised Public Accountant*



# KEY FINANCIAL RATIOS AND FIGURES

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Scania Group</b>										
Operating margin, %	<b>10.2</b>	9.5	9.7	10.4	14.1	16.3	4.0	14.1	14.4	12.4
Equity/assets ratio, %	<b>26.8</b>	31.4	31.2	30.6	31.1	30.2	23.7	19.9	27.1	29.7
Net debt, excl. provisions for pensions, SEK m. <sup>1</sup>	<b>42,183</b>	35,780	34,696	31,591	28,213	24,606	39,767	50,112	31,534	23,297
Net debt/equity ratio <sup>1</sup>	<b>1.11</b>	0.86	0.93	0.90	0.82	0.82	1.71	2.28	1.27	0.89
<b>Vehicles and Services</b>										
Operating margin, %	<b>9.1</b>	8.4	8.9	9.7	13.5	16.1	4.3	13.6	13.8	11.7
Capital turnover rate, times	<b>1.99</b>	2.18	2.15	2.02	2.47	2.35	1.77	3.01	2.82	2.35
Return on capital employed, %	<b>19.3</b>	19.9	20.9	21.4	35.9	39.1	9.2	42.8	40.5	29.9
Return on operating capital, %	<b>25.6</b>	24.5	26.0	27.1	44.3	48.7	9.0	47.1	51.2	35.2
Net debt, excl. provisions for pensions, SEK m. <sup>1</sup>	<b>-7,579</b>	-12,139	-8,019	-8,026	-8,834	-6,575	4,038	8,364	-1,902	-4,335
Net debt/equity ratio <sup>1</sup>	<b>-0.24</b>	-0.35	-0.25	-0.27	-0.29	-0.25	0.21	0.49	-0.09	-0.19
<b>Financial Services</b>										
Operating margin, %	<b>1.9</b>	1.9	1.5	1.4	1.3	0.5	-0.4	1.0	1.5	1.6
Equity/assets ratio, %	<b>9.8</b>	11.5	10.4	10.3	10.3	11.1	10.4	9.6	10.1	9.6

<sup>1</sup> Net debt (+) and net cash position (-).

# DEFINITIONS

## Operating margin

Operating income as a percentage of net sales.

## Equity/assets ratio

Total equity as a percentage of total assets on each respective balance sheet date.

## Net debt, net cash excluding provision for pensions

Current and non-current borrowings (excluding pension liabilities) minus cash and cash equivalents and net fair value of derivatives for hedging borrowings.

## Net debt/equity ratio

Net debt, net cash as a percentage of total equity.

## Capital employed

Total assets minus operating liabilities.

## Operating capital

Total assets minus cash, cash equivalents and operating liabilities.

## Capital turnover

Net sales divided by capital employed.<sup>1</sup>

## Return on capital employed

Operating income plus financial income as a percentage of capital employed.<sup>1</sup>

## Return on operating capital

Operating income as a percentage of operating capital.<sup>1</sup>

## Operating margin, Financial Services

Operating income as a percentage of average portfolio.

<sup>1</sup> Calculations are based on average capital employed and operating capital for the thirteen most recent months.

## Geographic areas

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

**Eurasia:** Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Moldova, Russia, Turkmenistan, Ukraine.

**Asia:** Afghanistan, Bahrain, Bangladesh, Bhutan, China, Dem. Republic of Yemen, Hong Kong, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, Kuwait, Lebanon, Malaysia, Mongolia, Oman, Qatar, Saudi Arabia, Singapore, South Korea, Sri Lanka, Syria, Taiwan, Thailand, Turkey, the United Arab Emirates.

**America:** Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Uruguay, the United States, Venezuela.

**Africa and Oceania:** Algeria, Angola, Australia, Botswana, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Ghana, Kenya, Liberia, Malawi, Morocco, Mozambique, Namibia, New Zealand, Nigeria, Rwanda, the Seychelles, South Africa, Sudan, Tanzania, Tunisia, Uganda, Zambia, Zimbabwe.

# MULTI-YEAR STATISTICAL REVIEW

SEK m. unless otherwise stated	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Delivery value by market area</b>										
Europe	<b>65,100</b>	53,211	46,712	43,490	47,747	41,533	37,988	60,360	59,553	53,117
Eurasia	<b>2,623</b>	5,319	6,047	5,966	6,084	2,413	1,449	5,267	5,126	2,534
America <sup>1</sup>	<b>11,799</b>	17,648	23,552	18,391	20,912	21,725	11,812	12,822	10,573	8,420
Asia	<b>13,044</b>	12,155	7,758	7,853	10,182	9,035	6,097	6,665	5,699	4,603
Africa and Oceania	<b>7,991</b>	6,952	5,925	5,796	5,360	5,403	5,243	4,364	4,511	3,953
Adjustment for lease income <sup>2</sup>	<b>-5,660</b>	-3,234	-3,146	-1,894	-2,599	-1,941	-515	-501	-976	-1,889
<b>Total</b>	<b>94,897</b>	92,051	86,847	79,603	87,686	78,168	62,074	88,977	84,486	70,738
<b>Operating income</b>										
Vehicles and Services	<b>8,601</b>	7,705	7,736	7,694	11,881	12,575	2,648	12,098	11,632	8,260
Financial Services	<b>1,040</b>	1,016	719	606	517	171	-175	414	532	493
<b>Total</b>	<b>9,641</b>	8,721	8,455	8,300	12,398	12,746	2,473	12,512	12,164	8,753
<b>Operating margin, %</b>										
Vehicles and Services	<b>9.1%</b>	8.4	8.9	9.7	13.5	16.1	4.3	13.6	13.8	11.7
<b>Total<sup>3</sup></b>	<b>10.2%</b>	9.5	9.7	10.4	14.1	16.3	4.0	14.1	14.4	12.4
Net financial items	<b>-532</b>	-399	-47	-19	214	-213	-871	-534	-258	-170
Net income	<b>6,753</b>	6,009	6,194	6,640	9,422	9,103	1,129	8,890	8,554	5,939
<b>Specification of research and development expenses</b>										
Expenditures	<b>-7,043</b>	-6,401	-5,854	-5,312	-4,658	-3,688	-3,234	-3,955	-3,214	-2,842
Capitalisation	<b>1,863</b>	1,454	1,123	860	387	351	282	202	289	180
Amortisation	<b>-393</b>	-357	-293	-229	-169	-168	-264	-475	-418	-361
<b>Research and development expenses</b>	<b>-5,573</b>	-5,304	-5,024	-4,681	-4,440	-3,505	-3,216	-4,228	-3,343	-3,023
Net investments through acquisitions/ divestments of businesses	<b>125</b>	154	26	-25	-44	56	118	-61	268	-
Net investments in non-current assets	<b>7,612</b>	5,561	5,294	4,480	3,776	2,753	3,031	5,447	4,277	3,810
Portfolio, Financial Services operations	<b>56,486</b>	55,556	48,863	45,038	42,235	36,137	40,404	47,220	38,314	31,841
Cash flow, Vehicles and Services	<b>4,376</b>	4,690	3,231	3,025	6,970	11,880	5,512	1,774	8,229	6,942
Inventory turnover rate, times <sup>4</sup>	<b>5.3</b>	5.4	5.8	5.4	6.1	6.4	4.5	6.5	7.5	6.9

1 Refers mainly to Latin America.

2 The adjustment amount consists of the difference between sales value based on delivery and revenue recognised as income. This difference arises when a lease or delivery is combined with a residual value guarantee or a repurchase obligation. Significant risks remain, therefore recognition is based on an operating lease contract. This means that recognition of revenue and earnings is allocated based on the term of the obligation. See also Note 3.

3 Includes Financial Services.

4 Calculated as net sales divided by average inventory (adjusted for divested car operations).

# MULTI-YEAR STATISTICAL REVIEW, CONTINUED

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Number of vehicles produced</b>										
Trucks	72,382	75,287	75,957	60,647	75,349	60,963	29,573	72,656	71,017	60,867
Buses	6,964	6,921	6,897	6,283	8,708	6,700	6,236	7,709	7,314	5,870
<b>Total</b>	<b>79,346</b>	82,208	82,854	66,930	84,057	67,663	35,809	80,365	78,331	66,737
<b>Number of trucks delivered by market area</b>										
Europe	43,082	34,008	32,625	27,720	31,443	23,315	18,824	41,184	44,433	40,349
Eurasia	2,583	5,964	6,260	6,798	7,445	2,369	1,084	5,455	5,765	2,877
America <sup>5</sup>	8,118	16,150	23,756	15,391	17,632	18,056	9,566	10,775	9,790	7,957
Asia	11,514	12,889	7,400	8,089	12,485	10,179	4,843	6,721	6,061	5,546
Africa and Oceania	4,465	4,004	3,570	3,053	3,115	2,918	2,490	2,381	2,605	2,615
<b>Total</b>	<b>69,762</b>	73,015	73,611	61,051	72,120	56,837	36,807	66,516	68,654	59,344
<b>Number of buses and coaches delivered by market area</b>										
Europe	1,917	1,361	1,000	1,312	1,916	1,760	1,954	2,412	2,212	2,426
Eurasia	94	105	850	198	84	82	130	194	235	284
America <sup>5</sup>	2,123	2,542	2,778	2,738	3,272	2,104	1,421	2,009	2,344	1,679
Asia	1,806	1,620	1,388	1,304	2,065	2,120	1,876	1,721	1,495	879
Africa and Oceania	859	1,139	837	798	651	809	1,255	941	938	669
<b>Total</b>	<b>6,799</b>	6,767	6,853	6,350	7,988	6,875	6,636	7,277	7,224	5,937
<b>Total number of vehicles delivered</b>	<b>76,561</b>	79,782	80,464	67,401	80,108	63,712	43,443	73,793	75,878	65,281
<b>Number of industrial and marine engines delivered by market area</b>										
Europe	2,664	2,823	2,719	3,664	3,450	2,634	1,834	3,019	3,538	3,578
America	3,180	3,176	2,925	2,582	2,809	3,281	1,775	2,798	2,537	2,245
Other markets	2,641	2,288	1,139	817	701	611	626	854	1,153	723
<b>Total</b>	<b>8,485</b>	8,287	6,783	7,063	6,960	6,526	4,235	6,671	7,228	6,546
<b>Total market for heavy trucks and buses, units</b>										
Europe (EU28) <sup>6</sup>										
Trucks	265,769	223,187	237,325	221,188	241,200	178,100	161,100	316,000	326,200	299,300
Buses	27,928	24,815	22,962	21,813	25,200	25,400	26,500	28,700	28,100	25,900
<b>Number of employees December 31<sup>7</sup></b>										
Production and corporate units	20,453	19,304	19,069	17,663	17,489	17,006	14,672	16,264	17,291	16,517
Research and development	3,904	3,671	3,596	3,509	3,327	2,930	2,642	2,922	2,528	2,174
Sales and service companies	19,228	18,395	17,549	16,734	16,038	14,987	14,475	15,079	14,797	13,682
Total Vehicles and Services	43,585	41,370	40,214	37,906	36,854	34,923	31,789	34,265	34,616	32,373
Financial Services companies	824	759	739	691	642	591	541	512	480	447
<b>Total</b>	<b>44,409</b>	42,129	40,953	38,597	37,496	35,514	32,330	34,777	35,096	32,820

<sup>5</sup> Refers to Latin America.

<sup>6</sup> Twenty-five of the European Union member countries (all EU countries except Greece, Malta and Croatia) plus Norway and Switzerland.

<sup>7</sup> Including employees with temporary contracts and employees on hire.

# GRI INDEX

The Global Reporting Initiative (GRI) is an independent, network-based organisation that has developed the world's most widely used sustainability reporting framework. Its voluntary framework sets out principles and indicators for measuring and reporting economic, environmental and social performance.

Scania's aim is to provide our stakeholders with regular and relevant information about our sustainability efforts. We are committed to transparent sustainability reporting. The Scania report, Annual and sustainability report 2015 has been prepared in accordance with the GRI G4 guidelines. By containing Standard Disclosures we aim to fulfil the "In accordance – Core" criteria. Use the index below to find out where to find information related to the applicable GRI indicators.

On Scania's sustainability web pages a more comprehensive GRI index is published, including references to Scania's material areas and UN Global Compact principles.

**IR: The Scania Report 2015, Annual and sustainability report 2015.**

## GENERAL STANDARD DISCLOSURES

Indicators	Disclosure Requirements	Location of Disclosure
<b>STRATEGY AND ANALYSIS</b>		
G4-1	Statement from the most senior decision-maker of the organization.	IR 4-5
G4-2	Description of key impacts, risks, and opportunities.	IR 8-11, 43-47
<b>ORGANIZATIONAL PROFILE</b>		
G4-3	Name of the organization.	Scania AB
G4-4	Primary brands, products, and services.	IR 3, 16
G4-5	Location of the organization's headquarters.	Södertälje, Sweden
G4-6	Countries where the organization operates.	IR 2
G4-7	Nature of ownership and legal form.	IR 36
G4-8	Markets served.	IR 30-31, 71
G4-9	Scale of the organization.	IR 113-114
G4-10	Total number of employees.	IR 0, 90
G4-11	Percentage of total employees covered by collective bargaining agreements.	<a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>
G4-12	Describe the organization's supply chain.	IR 32, <a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>
G4-13	Significant changes regarding the organization's size, structure, ownership or supply chain.	IR 36-38
G4-14	Explanation of precautionary principle addressed by the organization.	<a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>
G4-15	Subscription to externally developed economic, environmental and social charters or principles.	IR 1, 4-5, 115
G4-16	Memberships in advocacy organizations.	<a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>		
G4-17	Entities included in the organization's consolidated financial statement.	IR 102-104
G4-18	Process for defining report content and aspect boundaries.	IR 10-11
G4-19	Material Aspects identified in the process for defining report content.	IR 10-11
G4-20	Aspect Boundary within the organization.	Not relevant
G4-21	Aspect Boundary outside the organization.	Not relevant
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Not relevant
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Not relevant



## GENERAL STANDARD DISCLOSURES

Indicators	Disclosure Requirements	Location of Disclosure
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### STAKEHOLDER ENGAGEMENT

G4-24	Stakeholder groups engaged by the organization.	IR 10-11, 32-33
G4-25	Basis for identification and selection of stakeholders with whom to engage.	IR 10-11, 32-33
G4-26	Approaches to stakeholder engagement.	IR 10-11, 32-33
G4-27	Key topics and concerns that have been raised through stakeholder engagement.	IR 8-11, 32-33

### REPORT PROFILE

G4-28	Reporting period for information provided.	1/1- 31/12 2015
G4-29	Date of most recent previous report.	March 2015
G4-30	Reporting cycle.	Annual reporting cycle
G4-31	Contact point for questions regarding the report.	Sustainability manager <a href="http://www.scania.com/group/en/sustainability-contact/">www.scania.com/group/en/sustainability-contact/</a>
G4-32	The "in accordance" option and GRI content index.	IR 115
G4-33	Policy and current practice with regard to seeking external assurance for the report.	Report of the Directors is audited

### GOVERNANCE

G4-34	Governance structure of the organization.	IR 36-38
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### ETHICS AND INTEGRITY

G4-56	The organization's values, principles, standards and norms of behavior.	IR 6-7, 34-35, 36-37 <a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>
G4-57	Mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity.	<a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>
G4-58	Mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity.	<a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>

## SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Disclosure Requirements	Location of Disclosure
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### CATEGORY: ECONOMIC

#### ASPECT: ECONOMIC PERFORMANCE

G4-DMA	Economic performance.	IR 62-68
G4-EC1	Direct economic value generated and distributed.	IR 56-57

#### ASPECT: INDIRECT ECONOMIC IMPACTS

G4-DMA	Indirect economic impacts.	IR 20-21, 32-33
G4-EC7	Development and impact of infrastructure investments and services supported.	IR 20-21, 32-33 <a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	IR 20-21, 32-33 <a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>

### CATEGORY: ENVIRONMENTAL

#### ASPECT: MATERIALS

G4-DMA	Materials.	IR 34-35
G4-EN1	Materials used by weight or volume.	IR 21, 34-35
G4-EN2	Percentage of materials used that are recycled input materials.	IR 32, 34-35

#### ASPECT: ENERGY

G4-DMA	Energy.	IR 34-35
G4-EN3	Energy consumption within the organization.	IR 25, 34-35 <a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>
G4-EN6	Reduction of energy consumption.	IR 24, 34-35 <a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>
G4-EN7	Reductions in energy requirements of products and services.	IR 34-35 <a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>

#### ASPECT: WATER

G4-DMA	Water.	IR 34-35
G4-EN8	Total water withdrawal by source.	IR 34-35 <a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>

#### ASPECT: EMISSIONS

G4-DMA	Emissions.	IR 34-35
G4-EN15	Direct greenhouse gas emissions by weight (Scope 1).	IR 34-35 <a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>
G4-EN16	Energy indirect greenhouse gas emissions (Scope 2).	IR 34-35 <a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>
G4-EN17	Other indirect greenhouse gas emissions (Scope 3).	IR 22-29, 34-35 <a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>
G4-EN19	Reduction of greenhouse gas (GHG) emissions.	IR 22-29, 34-35 <a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>
G4-EN20	Emissions of ozone-depleting substances (ODS).	<a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>
G4-EN21	NOX, SOX, and other significant air emissions.	<a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>

## SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Disclosure Requirements	Location of Disclosure
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### ASPECT: EFFLUENTS AND WASTE

G4-DMA	Effluents and waste.	IR 34-35
G4-EN23	Total weight of hazardous and non-hazardous waste.	IR 34-35 <a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>

### ASPECT: PRODUCTS AND SERVICES

G4-DMA	Products and services.	IR 16-17, 20-21, 30-31
G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	IR 22-29, 34-35

### ASPECT: COMPLIANCE

G4-DMA	Compliance.	IR 43-47
G4-EN29	Monetary value of significant fines for non-compliance with environmental laws and regulations.	<a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>

### ASPECT: TRANSPORT

G4-DMA	Transport.	IR 34-35
G4-EN30	Significant environmental impacts of transporting products.	IR 25, 34-35

## CATEGORY: SOCIAL

### SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK

#### ASPECT: EMPLOYMENT

G4-DMA	Employment.	IR 18-19
G4-LA1	Number and rates of new employee hires and employee turnover by age group, gender and region.	IR 18-19, 90-91

#### ASPECT: OCCUPATIONAL HEALTH AND SAFETY

G4-DMA	Occupational health and safety.	IR 18-19
G4-LA5	Percentage of workforce represented in formal joint management-worker health and safety committees.	<a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>
G4-LA6	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	<a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>

#### ASPECT: TRAINING AND EDUCATION

G4-DMA	Training and education.	IR 18-19
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	IR 33, <a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>

## SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Disclosure Requirements	Location of Disclosure
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### ASPECT: DIVERSITY AND EQUAL OPPORTUNITY

G4-DMA	Diversity and equal opportunity.	IR 18-19
G4-LA12	Composition of governance bodies and breakdown of employees per category.	IR 90-91

### ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES

G4-DMA	Supplier assessment for labor practices.	IR 34-35
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	IR 34-35

### SUB-CATEGORY: HUMAN RIGHTS

#### ASPECT: INVESTMENT

G4-DMA	Investment.	IR 34-35
G4-HR1	Number of significant investment agreements that include human rights clauses or underwent human rights screening.	Not relevant

#### ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT

G4-DMA	Supplier human rights assessment.	IR 34-35
G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	IR 34-35

### SUB-CATEGORY: SOCIETY

#### ASPECT: ANTI-CORRUPTION

G4-DMA	Anti-corruption.	IR 34-35
G4-SO3	Number of operations assessed for risks related to corruption and the significant risks identified.	IR 34-35 <a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>
G4-SO4	Communication and training on anti-corruption policies and procedures.	IR 34-35 <a href="http://www.scania.com/group/en/gri-index">www.scania.com/group/en/gri-index</a>

### SUB-CATEGORY: PRODUCT RESPONSIBILITY

#### ASPECT: CUSTOMER HEALTH AND SAFETY

G4-DMA	Customer health and safety.	IR 20-21, 43-47
G4-PR1	Percentage of significant products and services for which health and safety impacts are assessed for improvement.	IR 20-21, 43-47

## FINANCIAL INFORMATION

On Scania's website, [www.scania.com/group/en](http://www.scania.com/group/en), it is easy to follow the company's performance during the year. The website provides truck registration statistics, key financial ratios and more.

You may subscribe to financial reports and press releases via e-mail and it is also possible to order printed reports in single copies.

[www.scania.com/group/en/subscribe-to-financial-reports](http://www.scania.com/group/en/subscribe-to-financial-reports)

[www.scania.com/group/en/order-printed-reports](http://www.scania.com/group/en/order-printed-reports)

## FINANCIAL CALENDAR

Interim Report, January–March, on 19 April 2016

Interim Report, January–June, on 22 July 2016

Interim Report, January–September, on 19 October 2016

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A Scania truck with a white and yellow cab and a white trailer is driving on a winding asphalt road that curves through a mountainous landscape. The road is bordered by a concrete guardrail on the left and a steep, vegetated hillside on the right. In the background, there are more mountains under a clear blue sky. The truck is positioned in the middle ground, moving away from the viewer along the curve of the road.

## ABOUT THIS REPORT

This Report summarises the financial year 2015 as well as provides an overview of Scania's business and operations and is prepared in accordance to the Global Reporting Initiative (GRI) guidelines for sustainability reporting. All of Scania's business units, subsidiaries and production units worldwide are included in its scope. With this report, another step is taken towards integrated reporting with financial and non-financial (social and environmental) information being reported in the same one publication.

This is the English language version of Scania's integrated Annual and Sustainability Report. The Swedish language Report is the binding version that shall prevail in case of discrepancies. The Financial Reports encompass pages 54–107, and were prepared in compliance with International Financial Reporting Standards (IFRSs).

The Report of the Directors encompasses pages 39–53 and 108.

The Report of the Directors and accompanying Financial Reports also fulfil the requirements of the Swedish Annual Accounts Act and have been audited by Scania's auditors. Scania Swedish corporate identity number: Scania AB (publ) 556184-8564. Unless otherwise stated, all comparisons in the Annual and Sustainability Report refer to the same period of the preceding year.



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