Scania CV AB (publ)

Annual Report 2018

Swedish corporate identity number 556084-0976

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The Financial Reports encompass pages 25-111 and were prepared in compliance with International Financial Reporting Standards (IFRS).

The Report of the Directors encompasses pages 3-24 and 112.

REPORT OF THE DIRECTORS

Scania CV AB (publ.) is a public company (as defined by the Swedish Companies Act) with head office and domicile in Södertälje, Sweden. The address for the company is Scania CV AB, SE-151 87 Södertälje. Scania CV AB is parent company of the Scania CV Group (Scania), which consists of Scania's production, marketing and finance companies in Europe and other companies. Scania CV AB is a subsidiary of Scania AB (publ.) (Swedish corporate identity number. 556184-8564, registered office Södertälje).

SCANIA'S OPERATIONS IN GENERAL

Scania, 2018

- Earnings for 2018 amounted to SEK 13,832 m with an operating margin of 10.1 percent (10.1).
- Net sales in the Vehicles and Services segment, increased by 11.2 percent to SEK 133,222 m. Currency rate effects had a positive impact on sales of 3 percent.
- New vehicles sales revenue increased by 13 percent. Sales were positively influenced by price increases and positive currency effects. This was partly offset by a less favorable market mix.
- During 2018, Scania deliveries of trucks increased by 6.7 percent to 87,995 units. Bus deliveries increased by 2 percent to 8,482 units.
- For Industrial and marine engines, demand increased during 2018 and deliveries increased by 50.3 percent to 12,809 units.
- Service and service revenue rose 12 percent and amounted to SEK 26,588 m. The increase was mainly explained by volume, price increases in spare parts and workshop as well positive currency effects.
- Financial Services reported an operating income of SEK 1,440 m. (1,274). This was equivalent to 1.7 (1.8) percent of the average portfolio during the year. The increased earnings were mainly due to a larger portfolio and positive currency rate effects partly offset by lower margins. Bad debt expenses increased during the year.
- The level of activity related to R&D projects remains high to secure and strengthen the position and ability to grow in new markets and segments.

The Scania way
Being at the forefront of the transport industry for more than a century, Scania has developed key competitive advantages that will help us deal with future challenges. With a corporate culture that stands solid on our core values, flow thinking firmly rooted in our way of working and with employees continuously challenging and improving the order of things, Scania is well equipped to drive the transformation of the transport system.

Our core values
Our core values form the basis for all we do at Scania. They have been firmly anchored and integrated in Scania's operations for generations. Our core values reflect and embody our thinking, our way of carrying out work and how we relate to each other and to others we meet outside the company – customers, suppliers, partners and society at large. The core values guide our actions, support us in creating value for the company's stakeholders and ultimately, in the aim to be a leader in the shift towards a sustainable transport system. Based on the core values and the main principles, the management system (our common way of working) together with the Thinking model (our common way of thinking) form the basis of our corporate culture – "The Scania Way".

Scania's core values are Customer first, Respect for the individual, Elimination of waste, Determination, Tema spirit and Integrity.

The business model
Scania's core value 'Customer First' is the point of departure for our own profitability. Our success is built on our ability to provide our customers with profitable and sustainable transport solutions that enable the success of their businesses. Scania's business model, our principles, working methods and approach to sustainable transport will continue to be the platform for how we create value for our stakeholders, now and in the future.

Activities subject to permission
Scania CV AB conducts activities that require permission in those places where manufacturing is conducted. The activities for which permission is required is affecting the environment through emissions to air and water, noise and use of energy. Scania CV AB holds all the necessary permits and is constantly reviewing them and renew them if necessary.

A strategy to take on the future
Major global trends have a radical impact on the ecosystem of of transport and logistics of which Scania is part. To translate these forces into opportunities, Scania's focus is to combine excellence in the core business with developing our organisation, our products, services and new business models to become the leader in the shift towards a sustainable transport system.

New technology, new business models and new competitors: combined with global trends such as digitalisation, urbanisation and sustainability, indicate that the transport ecosystem will be fundamentally transformed in the next few years. Furthermore, there are clear signals that this shift will be more profound and happen quicker than the industry previously thought. To address these rapid changes, and to translate them into possibilities, Scania needs to balance our core business with new business. While we focus on being excellent at what we are good at — our core — we must at the same time leave behind methods and projects that aren't for the transport solutions provider of the future. It means we have to selectively abandon the past. By taking this approach we can invest in creating the future, concentrating on the new technologies and business models that will become our new core, which itself will eventually give way to even newer technologies.

<u>Strategic priorities</u>
To achieve our goal of leading the way to a viable future transport system, we assess our progress against the following key priorities:

Leading in customer satisfaction: Scania´s business model is about putting the customer first. Optimised solutions, high-quality vehicles and services maximise vehicle usage and customer profit. Our sustainability focus starts with our customers and informs tomorrow's products and services.

Top employees: Having the right employees with the right skills is crucial to support Scania´s business transformation. Our competence supply has a clear business-driven focus. We encourage ge our eoour employees' innovative and entrepreneurial spirit, let them develop skills in new areas and recruit new talent to be agile enough for tomorrow's transport industry.

Expanding our sales volume:
Scania aims to expand its truck, bus and engine sales volumes year-on-year, and boost the proportion of service sales tooverall sales. Our growth strategy restson five pillars: increasing sales of services per vehicle; growing with the market; increasing market share; entering new markets; and, reaching new customer segments.

Excellent profitability: Maintaining outstanding profitability is in Scania's DNA. It gives us the platform we need to keep innovating and to take a leadership role in the transport industry.

<u>Accelerating our progress</u>
We recognise we are part of an ecosystem within transport and logistics where global driving forces are impacting our industry profoundly. But Scania can't achieve a sustainable transport system alone, and we can't leverage emerging opportunities without working closely with others.
Partnerships with people who share our vision – industry players, tech firms, academia and above all Scania's customers and their customers, are crucial and a core part of our strategic approach.

Market trend and performance in 2018

The global economy continued to expand in 2018 and so did demand for transport. Scania enjoyed an impressive volume growth with deliveries on all-time-high levels for trucks, buses and coaches and engines in the year. Service sales also reached a new record level. Demand for, and the reception of Scania's new truck generation is continuing to be very successful. With the launch in Asia and Latin America the roll-out was finalised during 2018.

Vehicles and services
Scania's vehicle deliveries increased in 2018 compared to 2017 by 6 percent. Truck deliveries increased by 7 percent to a total of 87,995 units and bus and coach deliveries increased by 2 percent to 8,462 units, both reaching all-time high levels. Engine deliveries increased by 50 percent also to an all-time high of 12,809 units. It was partly a pre-buy effect related to new engine emission standards (Stage V) coming into effect in Europe 2019. Service sales increased by 12 percent to SEK 26,588 m., the highest level ever.

The European truck market
The positive economic situation in Europe continued in 2018 and demand for transport, and thus trucks, continued to grow, driven by basic industries such as forestry, agriculture and industrial goods, supported by attractive financing levels. A shortage of drivers somewhat hampered an even stronger growth in Europe. The total market for heavy trucks in 25 of the European Union member countries (all EU countries except Greece, Bulgaria and Malta) plus Norway and Switzerland increased by 4 percent to about 322,100 units during 2018, compared to about 310,000 trucks in 2017.
Scania's deliveries in Europe increased by 7 percent in 2018 from the level in 2017, and totalled 52,016 (48,436) trucks. Demand increased in Great Britain, France, Italy, The Netherlands and Denmark, partly offset by decreases in Germany and Romania.

The new truck generation continued to receive industry recognition in 2018. The R 500 won Germany's "Green Truck Award" by a healthy margin, as the truck with the lowest fuel consumption.

Scania has the full range of all commercially available alternative fuel solutions in the market to meet all customer demand – even the most ambitious. At IAA, the biggest commercial vehicle trade fair in the industry, Scania displayed the full new generation truck range, including trucks for long-haulage, construction and urban applications – all alternatively fuelled.

To Scania's already full range of alternative fuel trucks and buses, the plug-in hybrid distribution truck was added as well as a battery electric bus, manifesting the increasing opportunities for decarbonisation.

Scania's new Euro 6 gas engines continued to generate strong interest among existing and potential customers. Offering the same performance as a similar size diesel engine, it is suitable for both heavy long-distance transport and construction haulage and delivers a CO2 reduction of up to 90 percent when powered with biogas. Nitrogen oxide emissions and noise levels are also reduced by using gas, which makes the trucks very well suited for urban traffic.

Stable market share in Europe
Scania truck registrations in Europe amounted to some 52,700 units. Thus, the company's European market share increased from 2017, at about 16.4 (16.1) percent. Scania's market share in Europe 2018 was at a stable level, reflecting continuing strong demand for the new truck generation.

Slow recovery in Latin America
In Latin America, the continued recovery in Brazil affected demand in 2018 a positive way but there is still a long way to get back to the previous high levels that were seen before Brazil's recession. Scania truck registrations in Brazil amounted to some 8,600 units, equivalent to a market share of about 16.4 (17.8) percent. Scania's truck deliveries in Latin America increased by 31 percent in 2018, and amounted to 12,725 (9,701) trucks, mainly explained by an increase in Brazil which was partly offset by Argentina.

Eurasia, Asia and Africa and Oceania

In Eurasia, and Russia in particular, the level of the market has been high overall and there is a modernisation need that impacted demand for trucks positively also in 2018. However the political uncertainty in the region remains. In Eurasia Scania's truck deliveries increased by 19 percent to 8,006 (6,748) mainly related to Russia.

In Asia, more specifically in the Middle East, truck demand fell drastically in Iran and Turkey, causing both cancelled orders and limiting new order intake in 2018. In Asia as a whole, the European truck segment continued to grow as the development of logistics systems, driven by e-commerce, advances. In Asia Scania's truck deliveries decreased by 21 percent to 10,464 (13,175) mainly explained by Iran, South Korea, China, Turkey and Israel, partly offset by Indonesia, Taiwan and Malaysia.

In the Africa and Oceania region, deliveries increased by 8 percent to 4,784 compared to (4,412) in 2017, mainly related to increases in South Africa and Nigeria, partly offset by Australia.

Scania's launch of the new truck generation reached its final stages in 2018 with the roll out of the new vehicles on the Asian and Latin American market.

Buses and coaches
Scania's deliveries of buses and coaches in 2018 rose by 2 percent and amounted to 8,482 units, compared to 8,305 units 2017. In Europe deliveries were up related to Norway, Italy and Finland, partly offset by Spain and Sweden. Deliveries to Eurasia decreased explained by a drop in Russia. In Latin America deliveries increased thanks to Brazil, Colombia, Ecuador, Chile and Peru, partly offset by a decrease in Argentina. Deliveries in Asia were down related to decreases in Iran, India and Indonesia, partly offset by Hong Kong. Deliveries in Africa and Oceania increased mainly due to Nigeria, partly offset by South Africa.

In Europe Scania's market share for buses and coaches amounted to 7.5 percent in 2018, compared to a 7.1 percent share in 2017. In 2018, Scania continued to broaden its range of buses and coaches that can run on fossil-free fuels, to extend the range of decarbonised transport options for intercity coach journeys. In 2018 Scania launched the battery electric Scania Citywide bus and the Scania Interlink Medium Decker, the world's first gasfuelled long distance coach, with a liquefied natural gas (LNG) powertrain and a range of 1,000 kilometres.

Pre-buy powers demand for Engines
The underlying strong demand for Scania engines has been boosted by the noticeable pre-buy trend in advance of the new engine emission standards (Stage V) in Europe. Deliveries were up by 50 percent compared last year at 12,809 units (8,521), mainly explained by Brazil, South Korea, Germany, Great Britain and Norway, partly offset by Poland.

As the year came to a close, Scania began its programme of rolling out connectivity to all engines, including those already sold and used by customers worldwide. Connectivity in trucks has been noticeably beneficial in strengthening the link between vehicles and services, and Scania Engines will look to gain further market share in services through this initiative.

Services continues to grow
Services continued to perform strongly in 2018. Overall revenue rose by 12 percent to SEK 26,588 m., with strong increases in Europe (up 14 percent to SEK 18,315 m.), Asia (up 12 percent to SEK 2,625 m.), and Africa and Oceania (up 11 percent to SEK 1,800 m.). Eurasia also increased, with SEK 797m. (688) while Latin America was stable at SEK 3,051 m. (3,024).

Service demand is boosted by the data from more than 350,000 connected vehicles, which allows Scania to keep tailoring service packages to customers, based on how they use their vehicles. The development of smart maintenance services in the form of Scania Flexible Maintenance continues, which now has more than 70,000 vehicles subscribed. Last year saw the launch of Scania Zone, an optional add-on to the Scania Fleet Maintenance programme, which before the journey allows the driver to predefine how and when their truck should operate according to certain considerations regarding speed, noise and carbon emissions.

Financial services
At the end of 2018, Scania's customer finance portfolio amounted to SEK 89.2 billion, which was SEK 12.1 billion higher than the end of 2017 (SEK 77.1 billion). In local currencies, the portfolio increased by SEK 10.7 billion, equivalent to 14 percent. The penetration rate was 43 (46) percent in those markets where Scania has its own financing operations. Operating income in Financial Services increased to the record level of SEK 1,440 million (SEK 1,274 million) in 2018, compared to the same period in 2017. A larger portfolio and currency effects had a positive impact on earnings, while smaller margins and increased operating cost had a negative effect. Bad debt expenses were 0.22 (0.14) percent in relation to portfolio.

Most of Scania's portfolio consists of customers in European markets. The financing portfolio is well diversified in terms of customer geography and type, 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.

Our employees
Ensuring that, regardless of their job and location, all employees, feel valued and dedicated, have job satisfaction and have a sense of well-being at work is an important task for managers at all levels of the organisation. Scania's systematic efforts to monitor job satisfaction also include a single common survey – the Employee Satisfaction Barometer – that includes three specific questions on employees' views of Scania as a diverse and inclusive company. 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 of its operations.

Issues 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 maintain low levels on the employee turnover and keep healthy attendance at a high stable level over the years, amounting to 96.3 percent in 2018, while increasing production capacity. The working principles, developed over many years at Scania's production units, have been adapted and implemented in the other parts of the company. The number of employees at Scania in 2018 increased to 52,103 compared with 49,263 at the end of 2017.

Production and environment
Scania production has continued to run at full capacity to fulfil the high demand situation, while at the same time going through the largest ever industrial changeover in Scania's history. By the end of 2018 Scania had done most of the industrial changeover from the old to the new truck programme with only the Latin American production facilities remaining.

Scania's global production system allows us to spread capacity between our production sites around the globe. Scania's technical capacity is 120,000 vehicles, and the work on ensuring flexibility to meet short-term fluctuations in demand is continuing. Scania's production units are continuously working to improve their environmental performance. The Scania Production System (SPS) is central to the work with energy efficiency and reduction of waste and chemicals. Scania places a special focus on the environmental impact from transport, both in-bound in the form of components and articles from suppliers and also from outbound delivery of parts and vehicles.

At the end of 2017, Scania committed to investing SEK 1.5 billion in a new foundry in Södertälje, Sweden, in order to triple production capacity and achieve a 50 percent reduction in energy consumption compared to the technology and methods used in the current foundry. The foundry will be operated using electricity produced from renewable energy sources and the energy usage per tonne produced in the new foundry is expected to be 50 percent lower than in the existing facility. It is one of Scania's largest single investments in an entirely new industrial plant. Construction of the new foundry started in January 2019.

Research and Development
The aim of Scania's research and development organisation is to develop sustainable solutions that improve productivity and profitability in customer operations based on low fuel consumption, high

vehicle uptime and low service costs, combined with good performance. Scania puts significant investment and resources into research and development, which is concentrated at the Scania Technical Centre in Södertälje. In 2018, Scania invested SEK 7.6 billion in research and development (6.7), which corresponded to 6 percent of net sales.

RISKS AND RISK MANAGEMENT

Risks are a natural feature of business operations and entrepreneurship, but they may have a negative impact on Scania, directly affecting business operations and the company's reputation. Therefore, part of the day-to-day work of Scania is to manage risks, to prevent them from harming the company or to limit any damage that may arise.

Scania is one of the leading companies in the heavy vehicle industry. This leads to high expectations from all stakeholders, especially customers, about how Scania should behave as a company and about the quality of its products and services.

Scania's brand and reputation are crucial to its success, so it is important to monitor events and behaviour that might have a negative effect on the company's image.

Scania has a strong corporate culture that is based on established values, principles and methods, and this corporate culture is the foundation of the company's risk management. It is Scania's Board of Directors that is responsible to the company's owners for Scania's risk management. The company continuously reports on risk-related matters to the Board and the Audit Committee of the Board as well as to our owner. As part of Volkswagen Scania has adopted processes accordingly to fulfil requirements regarding urgent risks notifications, Quarterly risk reports and Regular GRC process.

Strategic risks

Corporate governance and policy-related risks

The Executive Board has overall 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 this system is well documented. The rapid communication of appropriate information is safeguarded by following the company's management structures and processes. Management systems are continuously being improved, through day-to-day work and through regular review internally and by third parties. A central support function Governance, Risk and Compliance is in place to support both executive board and line mangers in reducing compliance and business risks by providing knowledge in terms of policies, guidelines, trainings and advice and by setting up respective structures and processes. The team also ensures that international standards, best practices and requirements are fulfilled (considering Scania specific risk environment and culture)

Business development risks

Risks associated with business development and long-term planning are mainly managed through Scania's cross- functional meeting structure, which brings together various departments for decision-making of a strategic and tactical nature, and also through the annual process established by Scania for strategic planning. Such planning is not a static process, and in fact is discussed and challenged throughout the company, based on external and internal considerations. 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 all the time. This process of continuous evaluation and adaptation minimises the risks of the company overlooking threats and opportunities and making wrong decisions that may lead to its operations not meeting the required standard. It also means that the risk of uncertainty and lack of clarity concerning the company's strategy and business development can be managed in a precise and efficient way. In addition to this Scania in a structured way continuously investigates new areas that may be of interest connected to the future development of the ECO system of transport and logistics.

Research and development projects are also 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.

Variations in world financial markets can have a large or small impact on real economic cycles and, in turn, for Scania, an impact on the demand for its products. Since commercial vehicles are capital investments, demand is not only affected by need but also by the availability and cost of the capital that must be invested. Markets may temporarily slow down or stand still, and local currencies may lose some of their value as a result. The status of public finances and the extent of fiscal austerity programmes in different countries may have a negative impact on demand for our products. Demand for service-related products is less affected by variations in the economic cycle than demand for vehicles.

Scania's well-diversified sales in more than 100 countries help to limit the effect of a downturn in any given market. In individual markets, substantial changes can occur in the business environment, such as the introduction of or increase in customs duties and taxes, the introduction or ending of stimulus measures, and a change in the requirements for vehicle specifications. The imposition of economic sanctions against certain countries can also reduce the potential for marketing Scania's products. In addition, different countries' legal systems may have features that affect Scania's ability to carry out operations and sales. Scania monitors all of its markets continuously for early warning signs, which means the company can make the necessary changes to its marketing strategy.

Risks in the sales and services network

In the major markets, distributors are mainly owned by Scania. Apart from the risks to sales volumes that are linked to the market risks described above, there are commercial risks in the sales and services network for various types of contracted services, as well as in relation to residual value obligations and used vehicle prices. Repair and maintenance contracts are one important element of the sales and services business, and help to ensure that customers can get maximum use out of their vehicle ('uptime') and that workshops' resources are used efficiently; they also help to strengthen customer loyalty. These contracts are often tied to prices that have been worked out in advance, so there are risks relating to price and handling.

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, and prices and sales figures can vary over economic cycles. Scania has extensive knowledge of handling these price and sales variations because its sales and services network are highly integrated.

Sales and services units assume a credit risk in relation to their customers, mainly for workshop services performed and parts sold. However, the company's customer base is widespread, which limits the risk in relation to each individual customer.

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

Independent dealers sometimes suffer problems that may have an adverse effect on Scania’s operations. There could be shortcomings in management or limitations on how much can be invested, or problems relating to generational changes in family businesses. If the problems prove to be more than

short-term ones, 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, allowing it to take action where necessary.

Regulatory risks in the Financial Services operations

Scania’s operations include the provision of financing and insurance services, which have to comply with the rules set out by financial services authorities (FSAs). Non-compliance with these rules can lead to penalties or even the revocation of operating licences. The company has specialised staff in the parts of the business that are affected, so it can monitor and control these risks. Those working in this area include Risk Managers, Anti Money Loundering Officers, Compliance Manager and Internal Audit.

Production risks

Scania’s integrated component manufacturing network has two bases: Europe and South America. The concentration of the network in two locations carries some risk, but that is offset by the fact that the company’s uniform global production system allows it to source components from either area.

According to the Business Continuity Concept at Scania, the company must always be prepared so it can maintain its level of operation, including delivery of products and services, without unacceptable impact to customer or other stakeholders.

Scania has a Business Continuity model which is defined in the steering and supporting structure of how Scania is managed. The concept focus on responsibility by local management to assure that Business Continuity is owned, operated and embedded with local needs, resources and competence.

At corporate-level the responsibility rest for support to line management. The concept includes Business Impact Analyses, Business Continuity Plan as well as training and exercise with the relevant employees and service providers at Scania’s production units. The concept includes areas such as suppliers’ or third parties’ effect on Scania’s capability to deliver products and services.

Yearly reports are submitted to Scania Top Management.

Production and quality risks in the workshop network’s services are managed through the Scania Retail System, the Scania Dealer Operating Standard (DOS) certification and the Scania Code of Practice.

Supplier risks

Scania continuously checks that suppliers meet the company’s requirements regarding Technology (T), Quality (Q), Delivery (D), Cost (C) and Sustainability (S) . Such checks are also made during the nomination of new agreements. This work is regularly reported to Scania Purchasing management.

Scania’s suppliers are required to comply with the Scania Supplier Code of Conduct covering the areas of human and labour rights, health and safety, environment, ethics and management. The requirements of the Scania Supplier Code of Conduct are based on the principles of United Nations Global Compact, relevant conventions of the International Labour Organisation, Volkswagen Group requirements, and international standards and values.

With a more global supply chain the sustainability risks along the chain are growing. Scania uses external risk indices for keeping track of risks in specific regions. To meet the different risk profiles measures is taken to support and follow up on for example human rights performance in some regions, by performing audits and trainings.

To minimise the impact of production interruptions or financial problems among suppliers, Scania tries wherever possible to work with more than one supplier for critical items.

Scania continuously safeguards the sustainability performance of our suppliers and the quality and delivery precision of purchased items. It carries out day-to-day monitoring, and prioritises and categorises anything that does not meet the required standard. If there are repeated instances of not meeting the standard, an escalation model to focus on the problem to ensure normal service is resumed.

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

Natural hazards

It is hard to predict the occurrence of natural disasters as well as their frequency and impact. For Scania's own business processes 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 Business Impact Analyse as well as the Business Continuity Planning process. Natural hazards are important part of dealing with risks in existing business as well as in the decision of new locations for business and suppliers.

People and Competence

The technology shift will also require a shift in competences and Scania must act proactive and identify future need before they occur.

For its future success, Scania is dependent on its ability to attract and recruit employees with the right expertise, and retain, engage and shift the workforce to ensure that the company's operations can deliver the required product and service quality. Some of the important risks from a People Management perspective that may affect deliveries are:

- Not enough of the right expertise
- Lack of business critical expertise
- Recruitment errors

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

The opportunities for professional development and career paths within the company, along with individual development plans attracts new employees and will reduce the risk of losing expertise due to external employee turnover.

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

In closely alignment with business operation Scania's Corporate HR department continue to develop the area of People Management to secure business-driven competence supply.

By collating and analysing key employee figures for health attendance, employee satisfaction, Diversity & Inclusion Index, employee turnover, age structure and professional job satisfaction, as well as using development dialogues, the company is able to monitor trends and carry out targeted actions as and when needed.

Data privacy

One of Scania's core values is "Respect for the individual". This is the foundation when interacting with our customer, a driver of our vehicles, a co-worker in our global organisation or with a business partner/supplier contributing to our delivery of sustainable transport solutions. Scania has a Data Protection Office to support and ensure that personal data is handled with integrity respecting privacy and fulfilling the legislations.

Information risks

For Scania, it is crucial to handle information in a way that enables operations to share and process it efficiently and reliably, within the company and also when working together with customers, suppliers and other business partners. The main risks that can affect information management are:

- Interruptions in critical information systems, regardless of the cause
- Strategic or other sensitive information is revealed to an unauthorised person or 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 the 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. Scania and third parties follow up with monitoring of the system to ensure that the policy is being followed properly.

Sustainability risks

The term 'sustainability risks' refers to risks associated with adverse effects on the environment, health and safety, human rights and business ethics in Scania's business operations.

Risk assessment and Business continuity management are part of every manager's responsibilities, and include analysis, planning and implementation, which has been adapted to each operating unit.

Training and drills occur with all the relevant employees and service providers at Scania's production units. There is a follow-up process of monitoring systems, reporting and response procedures.

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

Additional investigations and required actions have been carried out whenever and wherever needed. This work takes place in close cooperation with local or regional authorities.

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

Whenever it seeks to increase production levels, Scania applies for new permits covering the affected operations, although for certain Scania operations, regular 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 sustainability, the Scania Way 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. During 2017 Scania implemented a new code of conduct, that is aligned with Volkswagen AG, reflecting Scania's responsibility as a member of society, a business partner and employer.

Scania's requirements are the same no matter where in the world we operate. Our responsibilities entail ensuring the observance of human and labour rights also extending through our value chain. 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 as it is contributing to more unpredictable and more extreme weather conditions, 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, purchase to assure involvement from the supplier base, and the sales and service organisation to effectively safeguard high quality. Scania is in a process to align the development process with TRATON AG. The outcome of this cooperation is of importance to assure access to new future technologies and improve the cost efficiency.

Due to continually increasing complexity and competition in new technologies there is a technology risk. This is managed by utilising the full competence and knowledge both at Scania and in the Volkswagen Group.

New legislation

The ability to meet upcoming 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 and carbon dioxide declaration legislation for heavy vehicles in the EU.

Other important future environmental regulations are upgraded national emissions standards in several of Scania's markets. On safety standards, the revision of the general safety regulation will introduce several advance driver assistance systems as mandatory in a few years' time.

Furthermore, the revised European framework directive introduces new and stricter surveillance and certification processes in the coming years. 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

Introducing a new product to the market can include a liability risk, this risk is managed by the development, verification and validation processes at Scania. 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. Where applicable Scania has a fair risk-sharing with our suppliers regarding product liability, which minimises the financial risk for Scania.

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 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.

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 number of tax cases, as a consequence of the company's operating activities. For further information, see Note 2. 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 28.

CORPORATE GOVERNANCE in accordance with Chapter 6, Section 7 of the Annual Accounts Act

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 Volkwagen Group's governing documents are also being implemented.

Governing documents at Scania
The most important governing documents at Scania are:

- The Rules of Procedure of the Board of Directors, including the Board's instruction to the President and CEO and guidelines for essential reporting processes at Scania
- The Rules of Procedure of the Audit Committee
- How Scania is Managed
- Scania Code of Conduct
- Scania Group Policies (now also including the content of the previous 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 December 2018 are TRATON SE (former named Volkswagen Truck & Bus GmbH) and MAN SE, both subsidiaries of Volkswagen AG. TRATON SE holds 86.65 percent of the shares in Scania AB and MAN SE holds 13.35 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 2018, the AGM did not authorise the Board to resolve on the issue or repurchase of shares.

THE BOARD OF DIRECTORS

Scania's Board of Directors, 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 ten members plus a maximum of two deputy members. The members are elected each year at the AGM for the period up to the end of the next AGM.

Scania's Board is composed of seven elected Board members and no deputy members. On 31 December 2018, they were:

Henrik Henriksson
Nina Macpherson
Markus S Piëch
Stephanie Porsche-Schröder
Andreas Renschler
Christian Schulz
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 2018:
Lisa Lorentzon
Michael Lyngsie
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 Audit Committee
The Board appoints the members of the Audit Committee from among its own members. The Audit Committee discusses and monitors issues related to administrative processes, refinancing, treasury operations. 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 receives regularly reports from the Internal Audit function regarding the state of the Internal Controls and Risk Management Systems.

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

The Audit Committee is identical and common to Scania AB and 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.

Further guiding principles and binding rules for Scania and its employees are set out in Scania Code of Conduct, Scania Group Descriptions, Policies, Standards and Regulations.

Scania Group Policy No. 1, Group Regulations Management, describe the structure of the governing documents of the Scania Group.

The Scania Code of Conduct contains a set of binding rules and guidance regarding responsible behaviours for all Scania Group employees.

The Group Descriptions contain the Scania Group's binding workflow-, strategic- or organisational governing structures.

Scania Group Policies contain fundamental and binding rules for the topics of the respective Group Policies, in some case further described in Standards or other Regulations.

Financial, commercial, legal and tax risks are reported regularly to the Audit Committee.

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 as well as laws and regulations 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, which 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 Executive Board meet each week. When necessary, considering amongst others market developments, the strategies are summarised from a global perspective and updated at such meetings.

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

The members of the Executive Board and most of the heads of corporate units who are not prevented by other obligations also gather at a brief meeting once each normal working 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 frequently updated forecast information. Corporate Control is responsible for continuous updating of accounting and reporting instructions, with due regard for external and internal requirements.

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

The controller organisation, like financial responsibility, follows the company's organisational and responsibility structure.

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

Information and communication

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

Monitoring

Scania monitors compliance with the above described governing documents and the effectiveness of the control structure. Monitoring and evaluation are performed by the company's corporate controller departments in industrial operations, all sales and services companies, and finance companies. During the 2018 financial year, in its control and investigative activities the company prioritised areas and processes with large flows and values as well as selected operational risks. Monitoring compliance with the Scania Corporate Governance Manual and Scania Financial Manual remained high priority areas, along with units undergoing changes.

Scania Group's Internal Audit, whose main task is to independently monitor and review the internal control, risk management and governance of Scania, prepares a report at least twice a year, which is reported directly to the Audit Committee. Group Internal Audit functionally reports to the CEO.

The Board receives monthly financial reports. This financial information increases in terms of content in the run-up to each interim report. The full year-end and half year reports are approved by the Board.

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

GROUP FINANCIAL REVIEW

NET SALES

The net sales of the Scania Group, in the Vehicles and Services segment, increased by 11.2 percent to SEK 133,222 m. (119,759). Currency rate effects had a positive impact on sales of 3 percent.

New vehicle sales revenue increased by 13 percent. Sales were positively influenced by price increases and positive currency effects. This was partly offset by negative market mix. Engine sales revenue increased with 51 percent. Service revenue increased by 12 percent and amounted to SEK 26,588 m. (23,735). The increase was mainly explained by volume, price increases in spare parts and workshop as well positive currency effects.

Interest and lease income in the Financial Services segment increased by 11.7 percent due to a higher average portfolio and positive currency effects, partly offset by lower margins.

Net sales by product, SEK m.	**2018**	2017
Trucks	**85,231**	75,226
Buses	**11,658**	10,480
Engines	**2,769**	1,830
Services	**26,588**	23,735
Used vehicles	**7,726**	7,085
Miscellaneous	**4,843**	3,970
Delivery sales value	**138,815**	122,326
Adjustment for lease income [1]	**-5,593**	-2,567
Total Vehicles and Services	**133,222**	119,759
Financial Services	**7,797**	6,943
Elimination [2]	**-3,893**	-3,336
Scania CV Group total	**137,126**	123,366

1 Refers to the difference between sales value based on delivery value and sales recognised in revenue. The difference arises when a lease or delivery - combined with a repurchase obligation, which means that significant risks remain – is recognised as an operating lease contract.
2 Elimination refers to rental income from operating lease.

DELIVERIES

During 2018 Scania delivered 87,995 (82,472) trucks, an increase of 6.7 percent. Bus deliveries increased by 2 percent to 8,482 (8,305) units. Engine deliveries increased by 50.3 percent to 12,809 (8,521) units.

Vehicles delivered	**2018**	2017
Vehicles and Services		
Trucks	**87,995**	82,472
Buses	**8,482**	8,305
Total new vehicles	**96,477**	90,777
Used vehicles	**18,691**	18,346
Engines	**12,809**	8,521

Financial Services	**2018**	2017
Number financed (new during the year)		
Trucks	**33,017**	31,387
Buses	**967**	962
Total new vehicles	**33,984**	32,349
Used vehicles	**7,107**	5,703
New financing, SEK m.	**47,636**	41,499
Portfolio, SEK m.	**89,166**	77,028

EARNINGS

Scania’s operating income amounted to SEK 13,832 m. (12,434) during 2018. Operating margin amounted to 10.1 (10.1) percent.

Operating income in Vehicles and Services totalled SEK 12,392 m. (11,160) during 2018. Higher vehicle deliveries and higher service volume, together with positive currency rate effects, had a positive impact on earnings. This was partly offset by higher production and product cost due to the changeover to NTG and a less favourable market mix.

Scania’s research and development expenditure amounted to SEK 7,603 m. (6,681). After adjusting for SEK 1,996 m. (1,367) in capitalised expenditure and SEK 727 m. (455) in depreciation of previously capitalised expenditure, recognised expenses increased to SEK 6,334 m. (5,769). Compared to the full year 2017, the total currency rate effect was positive and amounted to SEK 2,678 m.

Operating income in Financial Services increased to SEK 1,440 m. (1,274). This was equivalent to 1.7 (1.8) percent of the average portfolio during the year. The increased earnings were mainly due to a larger portfolio and positive currency rate effects partly offset by lower margins. Bad debt expenses increased during the year.

At year-end 2018, the size of the customer finance portfolio amounted to SEK 89 billion, which represented an increase of SEK 12,1 billion since the end of 2017. In local currencies, the portfolio increased by SEK 10,7 billion, equivalent to 13.9 percent.

Operating income per segment,

SEK m.	**2018**	2017
Vehicles and Service		
Operating income	**12,392**	11,160
Operating margin, %	**9.3**	9.3
Financial Services		
Operating income	**1,440**	1,274
Operating margin, % [1]	**1.7**	1.8
Operating income, Scania Group	**13,832**	12,434
Operating margin, %	**10.1**	10.1
Income before tax	**13,319**	12,082
Taxes	**-3,585**	-3,377
Net income	**9,734**	8,705

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

Scania's net financial items amounted to SEK –513 m. (–352) including net income from associated companies and joint ventures amounting to SEK 40 m. (44). Net interest items amounted to SEK –338 m. (–373). The interest net was positively impacted by lower cost for funding due to lower interest rates as well as less negative impact from India due to less external loans. Other financial income and expenses amounted to SEK –215 m. (–23). These included SEK –44 m. (21) in valuation effects related to financial instruments where hedge accounting was not applied.

Income before taxes amounted to SEK 13,319 m. (12,082). The Scania Group's tax expense for 2018 was equivalent to 26.9 (28.0) percent of income before taxes.

Net income for the year totalled SEK 9,734 m. (8,705), corresponding to a net margin of 7.1 (7.1) percent.

CASH FLOW

Cash flow in Vehicles and Services amounted to SEK 3,665 m. (5,696).

Net investments amounted to SEK 7,234 m. (5,904), including SEK 1,996 m. (1,367) in capitalisation of development expenses. At the end of 2018, the net cash position in Vehicles and Services amounted to SEK 16,420 m. (17,058).

Cash flow in Financial Services amounted to SEK –11,073 m. (–7,215), due to a growing customer finance portfolio.

FINANCIAL POSITION

Financial ratios related to the balance sheet,

SEK m.	**2018**	2017
Equity/assets (E/A) ratio, %	**27.1**	28.3
E/A ratio, Vehicle and Services, %	**35.5**	28.3
E/A ratio, Financial Services, %	**8.9**	9.0
Return on capital employed, Vehicles and Services, % [1]	**24.1**	24.4
Net debt/equity ratio, Vehicles and Services [2]	**-0.26**	-0.29

1 Calculation is based on average capital employed for the 13 most recent month.
2 Net debt (+) and net cash position (-).

During 2018, the equity of the Scania Group increased by SEK 4,440 m. and totalled SEK 54,359 m. (49,919) at year-end. Net income added SEK 9,734 m. (8,705) . Equity decreased by SEK –529 m. (–824) because of exchange rate differences that arose when translating net assets outside Sweden. In addition, equity decreased by SEK –716 m. (–337) because of actuarial gains/losses on pension liabilities and increased by SEK 44 m.

due to fair value adjustment on equity instruments. Inflation adjustment in Argentina had a positive impact of SEK 421 m. Taxes attributable to items reported under “Other comprehensive income” totalled SEK -9 m. (63). The non-controlling interest decreased during the year with SEK -1 m. During 2018 dividend to Scania’s shareholders decreased equity with SEK -4,352 m.

FINANCIAL RISKS

Currency risk
The largest currency flows were in Euros, British pounds and Norwegian krone.

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 2018, 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 2018, no foreign net assets were hedged.

Interest rate risk
Scania CV’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 2018, Scania CV AB’s credit rating was unchanged by Standard & Poor’s (S&P) and remains at BBB+ regarding the credit risk of long-term debt, i.e. longer than one year.

For more information about management of financial risks, see also Note 28.

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 19,405 m. (16,052). During 2018, the volume of new contracts with repurchase guarantees, was about 11,700 (11,100), 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 recognized 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 2018 by 40,800 and totaled 248,800 at year-end. Most of these are in the European market.

KEY FINANCIAL RATIOS AND FIGURES

Scania presents certain performance measures that are used to explain relevant trends and performance of the group, of which not all are defined under IFRS. As these performance measures are not uniformly defined by all companies, these are not always comparable with the measures used by other companies. These performance measures should therefore not be viewed as substitutes for IFRS-defined measures. The following are the performance measured used by Scania that are not defined under
IFRS, unless otherwise stated.

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, current investments 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. 1
Operating capital - Total assets minus cash, cash equivalents and operating liabilities.
Operating margin, Financial Services - Operating income as a percentage of average portfolio.

Calculations are based on average capital employed and operating capital for the 13 most recent months.

Vehicles and services

Net debt, exluding provision for pensions

Assets	**2018**	2017
Current investments	**10,244**	12,266
Cash and cash equivalents	**6,686**	5,431
Derivatives, non current	**274**	239
Derivatives, current	**564**	377
	17,768	18,313
Liabilities		
Interest-bearing liabilities	**1,568**	1,567
Derivatives, non current	**372**	474
Derivatives, current	**976**	781
	2,916	2,822
Net debt	**-14,852**	-15,491

Scania CV Group

Net debt, exluding provision for pensions

Assets	**2018**	2017
Current investments	**652**	1,245
Cash and cash equivalents	**8,182**	6,504
Derivatives, non current	**274**	239
Derivatives, current	**564**	377
	9,672	8,365
Liabilities		
Interest-bearing liabilities	**72,872**	60,258
Derivatives, non current	**372**	778
Derivatives, current	**976**	420
	74,220	61,456
Net debt	**64,548**	53,091

Vehicles and services (cont.)

Capital Employed

	2018	2017
Total assets [2]	**130,592**	119,533
Other provisions, non-current and current	**6,200**	5,913
Other liabilities	**67,112**	61,384
Net derivatives	**-1,176**	-359
Capital Employed	**58,456**	52,595

Financial Services

Operating margin

	2018	2017
Operating income	**1,440**	1,274
Average portfolio	**83,097**	72,482
Operating margin	**1.7%**	1.8%

Return on Capital[1] Employed

	2018	2017
Operating income	**12,392**	11,160
Finacial income	**1,038**	754
Capital employed	**58,456**	52,595
Return on Capital Employed	**23.0%**	22.7%

Equity/asset ratio %

	2018	2017
Equity	**8,360**	7,261
Asset	**93,824**	80,513
Equity/asset ratio %	**8.9%**	9.0%

[1] Calculations are based on average capital employed and operating capital for the 13 most recent months.
[2] Excluding shares and participations in group companies.

PARENT COMPANY

The Parent Company's activities consist of production and sales of heavy trucks, buses and industrial - and marine engines. The activity takes place in Sweden but also through activities abroad. Sales are to Scania CV owned or independent distributors.

Sales during the year amounted to SEK 89,951 m. (78,072) and the operating income after depreciation was SEK 2,214 m. (1,828). Of sales by the Parent Company, Scania CV AB, 89 percent (87) consisted of sales to companies in the Scania CV Group, while 23 percent (22) of the Parent Company's purchases of materials were from subsidiaries. Net financial items totalled SEK 3,162 m. (3,090), allocations to reserves amounted to SEK -356 m. (-388) and this years tax were SEK -653 m. (-308). The Parent Company thus reported a net income of SEK 4,367 m. (4,222). Gross capital expenditures in intangible fixed assets totalled SEK 14 m. (50) and in tangible fixed asset gross capital expenditures totalled SEK 2,703 m. (2,086).

For a description of risks and uncertainties, see the common presentation by the Company and the Scania CV Group.

Consolidated income statement

January – December, SEK m.	Note	2018	2017
Revenue		**137,126**	123,366
Cost of goods sold and services rendered	5	**-102,888**	-92,095
Gross income		**34,238**	31,271
Research and development expenses	5,9	**-6,334**	-5,769
Selling expenses	5	**-11,996**	-11,088
Administrative expenses	5	**-2,009**	-1,899
Other operating income		**163**	169
Other operating expenses		**-230**	-250
Operating income		**13,832**	12,434
Interest income		**419**	583
Interest expenses		**-757**	-956
Share of income from associated companies and joint ventures	12	**40**	44
Other financial income		**378**	171
Other financial expenses		**-593**	-194
Total financial items	7	**-513**	-352
Income before taxes		**13,319**	12,082
Taxes	8	**-3,585**	-3,377
Net income for the period		**9,734**	-8,705
Items that may be reclassified subsequently to profit or loss			
Translation differences		**-529**	-824
Income tax relating to items that may be reclassified		**27**	-1
		-502	-825
Items that will not be reclassified to profit or loss			
Re-measurement defined benefit plans	16	**-716**	-337
Translation adjustment		**421**	
Fair value adjustment equity instruments		***44***	-
Income tax relating to items that will not be reclassified		***-36***	*64*
		-287	-273
Other comprehensive income for the period		**-789**	-1,098
Total comprehensive income for the period		**8,945**	**7,607**

Consolidated income statement, continued

	Note	2018	2017
Net income attributable to:			
-Scania CV shareholders		***9,733***	*8,708*
-Non-controlling (minority) interest		***1***	*-3*
Total comprehensive income attributable to:			
-Scania CV shareholders		***8,943***	*7,612*
-Non-controlling (minority) interest		***2***	*-5*
Operating income includes depreciation of	*9*	***-8 451***	*-8 401*

Consolidated balance sheet

31 December, SEK m.	Note	2018	2017
ASSETS			
Non-current assets			
Intangible non-current assets	10	**10,761**	9,421
Tangible non-current assets	11	**31,486**	29,711
Lease assets	11	**28,273**	25,816
Holdings in associated companies and joint ventures etc.	12	**823**	587
Long-term interest-bearing receivables	29	**43,251**	37,218
Other long-term receivables [1]	14,16,29	**1,861**	1,488
Deferred tax assets	8	**4,826**	3,901
Tax receivables		**234**	376
Total non-current assets		**121,515**	108,518
Current assets			
Inventories	13	**25,804**	21,589
Current receivables			
Tax receivables		**716**	555
Interest-bearing trade receivables	29	**27,797**	23,452
Non-interest-bearing trade receivables	29	**9,071**	9,024
Other current receivables [1]	14,29	**7,213**	5,721
Total current receivables		**44,797**	38,752
Current investments	29	**652**	1,245
Cash and cash equivalents			
Current investments comprising cash and cash equivalents	29	**4,885**	3,083
Cash and bank balances		**3,297**	3,421
Total cash and cash equivalents		**8,182**	6,504
Total current assets		**79,435**	68,090
Total assets		**200,950**	176,608

[1] Including fair value of derivatives for hedging of borrowings:

Other non-current receivables, derivatives with positive value	**274**	239
Other current receivables, derivatives with positive value	**564**	377
Other non-current liabilities, derivatives with negative value	**372**	474
Other current liabilities, derivatives with negative value	**976**	781
Net amount	**-510**	-639

Consolidated balance sheet, continued

31 December, SEK m.	Note	**2018**	2017
EQUITY AND LIABILITIES			
Equity			
Share capital		**100**	100
Contributed capital		**20**	20
Reserves		**-3,981**	-3,478
Retained earnings		**56,638**	51,695
Equity attributable to Scania shareholders		**52,777**	48,337
Non-controling (minority) interest		**14**	15
Total equity	15	**52,791**	48,352
Non-current liabilities			
Non-current interest-bearing liabilities	29	**42,950**	39,869
Provisions for pensions	16	**10,439**	9,345
Other non-current provisions	17	**6,389**	6,498
Accrued expenses and deferred income	18	**7,017**	6,827
Deferred tax liabilities	8	**3,736**	2,862
Other non-current liabilities [1]		**5,066**	5,014
Total non-current liabilities		**75,597**	70,416
Current liabilities			
Current interest-bearing liabilities	29	**29,922**	18,822
Liabilities to group companies	29	**1,568**	1,567
Current provisions	17	**3,569**	3,400
Accrued expenses and deferred income	18	**14,032**	12,115
Advance payments from customers		**1,124**	1,199
Trade payables	29	**15,579**	14,016
Tax liabilities		**815**	1,132
Other current liabilities [1]	29	**5,953**	5,589
Total current liabilities		**72,562**	57,840
Total equity and liabilities		**200,950**	176,608
Net debt, excluding provisions for pensions, SEK m.[1]		**66,117**	53,148
Net debt/equity ratio		**1,25**	1,09

Consolidated statement of changes in equity

In note 15 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:

2018	Share capital	Other Contributed capital	Currency translation reserve	Retained earnings	Total Scania CV's shareholders	Non-controlling interest	Total equity
Equity, 1 January	100	20	-3,478	51,695	48,337	15	48,352
Adjustment upon application of IFRS 9				-150	-150		-150
Adjusted equity, 1 January	100	20	-3,478	51,545	48,187	15	48,202
Exchange rate differences on translation			-530		-530	1	-529
Remeasurement of defined-benefit plans				-716	-716		-716
Adjustment upon application of hyperinflationary accounting				421	421		421
Equity instruments at fair value through OCI				44	44		44
Tax attributable to items recognised in other comprehensive income			27	-36	-9		-9
Total other comprehensive income			**-503**	**-287**	**-790**	**1**	**-789**
Net income for the year				9,733	9,733	1	9,734
Change in non-controlling interest						-3	-3
Dividend to Scania AB shareholders				-4,353	**-4,353**		-4,353
Equity, 31 December 2018	**100**	**20**	**-3,981**	**56,638**	**52,777**	**14**	**52,791**

2017	Share capital	Other Contributed capital	Currency translation reserve	Retained earnings	Total Scania CV's shareholders	Non-controlling interest	Total equity
Equity, 1 January	100	20	-2,655	43,260	40,725	20	40,745
Exchange rate differences on translation			-822		-822	-2	-824
Remeasurement of defined-benefit plans				-337	-337		-337
Tax attributable to items recognised in other comprehensive income			-1	64	63		63
Total other comprehensive income			**-823**	**-273**	**-1,096**	**-2**	**-1,098**
Net income for the year				8,708	8,708	-3	8,705
Change in non-controlling interest						0	0
Equity, 31 December 2017	**100**	**20**	**-3,478**	**51,695**	**48,337**	**15**	**48,352**

Consolidated cash flow statements

January – December, SEK m.	Note	2018	2017
Operating activities			
Income before tax	22 a	**13,319**	12,082
Items not affecting cash flow[1]	22 b	**9,427**	8,946
Taxes paid		**-3,887**	-3,343
Cash flow from operating activities before change in working capital		**18,859**	17,685
Change in working capital[2]			
Inventories		**-4,308**	-2,926
Receivables		**-1,935**	-1,578
Financial receivables, Financial Services	22 c	**-9,909**	-8,343
Vehicles with repurchase obligations and rental		**-5,577**	-5,057
Trade payables		**1,742**	1,708
Other liabilities and provisions		**990**	2,934
Total change in working capital		**-18,997**	-13,262
Cash flow from operating activities		**-138**	4,423
Investing activities			
Net investments through acquisitions/divestments of businesses	22 d	**2**	-32
Net investments in non-current assets[3]	22 e	**-7,272**	-5,905
Cash flow from investment activities		**-7,270**	-5,937
Cash flow before financing activities		**-7,408**	-1,514
Financing activities			
Change in debt from financing activities	22 f	**13,513**	705
Dividend/Group and shareholders' contribution		**-4,352**	-
Cash flow from financing activities		**9,161**	705
Cash flow of the year		**1,753**	-809
Cash and cash equivalents, 1 January		**6,504**	7,634
Exchange rate differences in cash and cash equivalents		**-75**	-321
Cash and cash equivalents, 31 December	22 g	**8,182**	6,504

Cash flow statement, Vehicles and Services

January – December, SEK m.	2018	2017
Cash flow from operating activities before change in working capital	**17,492**	16,682
Change in working capital, etc.	**-6,593**	-5,082
Cash flow from operating acitivities	**10,899**	11,600
Cash flow from investing activities	**-7,234**	-5,904
Cash flow before financing activities	**3,665**	5,696

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

As from 2018 changes have been done in Cash flow statement in accordance with Volkswagen Group presentation of cash flow. Comparitive figures for 2017 have been adjusted with:
1) Depreciation for vehicles with repurchase obligations included with SEK 4,368 m, previously presented net within operating activities. Provisions for pensions included with SEK 322 m, previously presented in change in working capital.
2) For Vehicles & Services; investments in vehicles with repurchase obligations included with SEK -4,368 m, previously presented net within operating activities. Net investments in rental included with SEK -689 m, previously presented within net investments. Provisions for pensions moved to items not affecting cash flow with SEK -322 m. For Financial Services; net investments in credit portfolio etc., previously presented within net investments.
3) For Vehicles & Services; net investments in rental moved to working capital with SEK 689 m. For Financial Services; net investments in credit portfolio etc. moved to working capital.

Parent company Scania CV AB, Income statement

January – December, SEK m.	Note	2018	2017
Net sales	1	**89,951**	78,072
Cost of goods sold		**-76,379**	-65,595
Gross income		**13,572**	12,477
Research and development expenses		**-6,880**	-6,722
Selling expenses		**-2,529**	-2,328
Administrative expenses		**-1,949**	-1,599
Operating income		**2,214**	1,828
Financial income and expenses	2		
Share of income from Group companies		**3,726**	3,517
Share of income in associated company/other companies		**-3**	2
Interest income		**934**	823
Interest expenses		**-1,495**	-1,252
Net financial items		**3,162**	3,090
Income after financial items		**5,376**	4,918
Allocations	3	**-356**	-388
Income before taxes		**5,020**	4,530
Taxes	4	**-653**	-308
Net income		**4,367**	4,222

1) Provision related to the European Commission´s competition investigation.

Statement of other comprehensive income

January – December, SEK m.	Note	2018	2017
Net income		**4,367**	4,222
Other comprehensive income		**0**	0
Total comprehensive income		**4,367**	4,222
Depreciation/amortisation included in operating income	*5*	*-2 059*	*-1,945*

Parent company Scania CV AB, Balance sheet

31 December, SEK m.	**Note**	**2018**	2017
ASSETS			
Non-current assets			
Intangible non-current assets	6	**149**	162
Tangible non-current assets	7	**16,287**	15,557
Financial non-current assets			
Shares in group companies	8	**92,718**	80,728
Holdings in associated companies etc.	8	**116**	42
Long-term interest-bearing receivables, group companies	10	**6,176**	4,756
Other long-term interest-bearing receivables			-
Other long-term non-interest bearing receivables		**244**	17
Tax receivable		**214**	359
Deferred tax assets		**332**	346
Total financial non-current assets		**99,800**	86,248
Total non-current assets		**116,236**	101,967
Current assets			
Inventories	9	**9,927**	8,372
Current receivables			
Trade receivables		**1,069**	1,229
Interest-bearing receivables, group companies	10	**9,976**	7,046
Non-interest-bearing receivables, group companies		**8,202**	7,814
Tax receivables		**249**	0
Other current receivables	11	**1,676**	1,155
Total current receivables		**21,172**	17,244
Short-term investments		**2,271**	1,005
Cash and bank balances		**1,253**	1,594
Total current assets		**34,623**	28,215
Total assets		**150,859**	130,182
EQUITY AND LIABILITIES			
Equity	12		
Share capital		**100**	100
Statutory reserve		**20**	20
Revaluation reserve		**27**	27
Total restricted equity		**147**	147
Unrestricted reserves		**37,446**	37,529
Net income		**4,367**	4,222
Total unrestricted equity		**41,813**	41,751
Total equity		**41,960**	41,898
Untaxed reserves	13	**6,390**	5,568
Provisions			
Provisions for pensions	14	**4,103**	3,745
Other provisions	15	**5,211**	5,259
Total provisions		**9,314**	9,004

31 December, SEK m.	Note	**2018**	2017
Liabilities			
Long-term interest-bearing liabilities	16	**38,812**	34,656
Other long-term liabilities		**387**	75
Current liabilities			
Current interest-bearing liabilities	16	**24,196**	12,185
Advance payments from customers		**44**	41
Trade payables		**10,764**	9,616
Liabilities, group companies		**13,559**	12,619
Tax liabilities		**0**	382
Other current liabilities		**1,188**	424
Accrued expenses and deferred income	17	**4,245**	3,714
Total current liabilities		**53,996**	38,981
Total equity and liabilities		**150,859**	130,182

Statement of changes in equity

Note 12 shows a complete reconciliation of all changes in equity.

2018	**Share capital**	**Stautory reserve**	**Revaluation reserve**	**Unrestricted shareholders equity**	**Total**
Equity, 1 January	100	20	27	41,751	41,751
Net income				4,367	4,367
Other comprehensive income				-	-
Total comprehensive income				4,367	4,367
Equity, 31 December	100	20	27	41,813	41,813
2017					
Equity, 1 January	100	20	27	37,529	37,676
Net income				4,222	4,222
Other comprehensive income				-	-
Total comprehensive income				4,222	4,222
Equity, 31 December	100	20	27	41,751	41,898

Parent company Scania CV AB, Cash flow statement

January – December, SEK m.	**2018**	2017
Cash flow from operating activities		
Income before tax	**5,020**	4,530
Items not affecting cash flow		
Write-down of shares and derivatives	**752**	1,222
Depreciation/Amortisations	**2,288**	2,495
Change in tax allocation reserve	**592**	455
Capital gain/loss on sales of shares	**-5**	0
Capital loss on sales of fixed assets	**40**	22
Bad debts	**13**	-1
Group contribution, not settled	**-465**	-664
Total items not affecting cash flow	**3,215**	3,529
Taxes paid	**-766**	-619
Cash flow from the operating activities before changes in working capital	**7,469**	7,440
Cash flow change in working capital		
Inventories	**-1,555**	-1,445
Receivables	**-4,282**	-1,148
Provisions for pensions	**358**	249
Non-interest bearing liabilities and provisions	**1,780**	849
Total change in working capital	**-3,699**	-1,495
Cash flow from operating activities	**3,770**	5,945
Investing activities		
Investment in intangible fixed assets	**-31**	-83
Investment in tangible fixed assets	**-2,789**	-2,020
Divestments of tangible fixed assets	**5**	22
Investment in shares	**-12,828**	-7,849
Divestments of shares	**44**	3
Cash flow from investing activities	**-15,599**	-9,927
Cash flow before financing activitets	**-11,829**	-3,982
Financing activities		
Change of interest-bearing Group transactions	**1,375**	57
Change in consolidated transactions	**-435**	1,796
Net change in current borrowings	**12,011**	-12,996
Transfer from non-current to current lending	**-13,701**	-1,999
Net change in non-current borrowings	**17,857**	17,054
Dividend	**-4,353**	0
Cash flow from financing activities	**12,754**	3,912
Cash flow for the year	**925**	-70
Cash and cash equivalents, 1 January	**2,599**	2,669
Cash and cash equivalents, 31 December	**3,524**	2,599
Paid interests and dividends		
Interest received during the year	**792**	835
Interest paid during the year	**-801**	-1,073
Received dividends during the year	**4,448**	4,753
Paid dividends during the year	**-4,353**	0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1 Accounting principles

The Scania CV Group encompasses the Parent Company, Scania CV Aktiebolag (publ), Swedish corporate identity number 556084-0976 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 company is a subsidiary of Scania AB (Swedish corporate identity number 556184-8564).

The consolidated accounts of the Scania Group have been prepared in compliance with 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 cost, 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 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's companies, in respect of associate companies and joint ventures, if necessary, by adjustment to the Group's principles.

CHANGES IN ACCOUNTING PRINCIPLES

<u>New Accounting standards</u>

As from 1 January 2018 the Group applies IFRS 9, "Financial Instruments" and IFRS 15, "Revenue from Contracts with Customers.

IFRS 9 has from 1 January 2018 replaced IAS 39, "Financial Instruments: Recognition and Measurement." IFRS 9 contains different rules for classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting compared to IAS 39. For Scania the impact of the new standard refers to the impairment model and the requirement to consider expected credit losses when calculating loss allowances. Scania has chosen to apply IFRS 9 retrospectively without adjusting comparative figures. The impact of the transition 1 January 2018 refers to the impairment model and amounts to SEK 150 m. net after tax recognised in equity.

IFRS 15 has replaced IAS 18 Revenue and related interpretations. The core principle of IFRS 15 is that an entity shall 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 transition to IFRS 15 has been done based on the modified approach meaning that the comparative figures are not adjusted. Scania´s previously applied accounting principles regarding revenue, as described in the Annual report, was in line with the requirements in IFRS 15 and therefore Scania has no effect in equity on transition to IFRS 15.

Other new and revised standards and interpretations that have been applied from 1 January 2018 have not had any significant impact on Scania's financial statements.

<u>Other changes in accounting principles</u>

The Group has adopted the presentation of sales transactions with repurchase obligations to the Volkswagen Group's accounting principles of such transactions. The change has only resulted in reclassifications in the balance sheet. The effect on the Group is not significant while the effect regarding internal sales transactions with repurchase obligations between the segments Vehicle and Services and Financial Services in the segments is greater. The new accounting principle have been applied retrospectively which means that comparative figures have been recalculated. See Note 31

A number of reclassifications regarding the presentation in the income statement have been done. The reclassifications have been done as a result of adoption to the presentation of different costs in the Volkswagen Group. The reclassification has been done retrospectively which mean that comparative figures have been recalculated. See Note 31

AS from 2018 the presentation of the income statement has changed due to an adoption to how the income statement is presented in the Volkswagen Group. See Note 31.

During 2018 Argentina was defined as a hyperinflationary economy and Scania's subsidiary in Argentina has therefore adjusted its non-monetary items for inflation. The inflation adjustment has been remeasured using CPI Consumer Price index with a rate of 184,13 at 31 December 2018. The cumulative effect amounting to SEK 309 m., net of tax, has been accounted for as a translation adjustment and recognized in other comprehensive income. The comparative figures in Scania consolidated financial statements has not been restated since they are presented in a stable currency. As from 1 January 2019 Scania´s subsidiary in Argentina will change its functional currency to USD since its economic environment is significantly influenced by the USD. As a consequence non-monetary assets will no longer be inflation adjusted from that date.

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. The composition of the Group is shown in note 30. 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. 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. 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.

Operating segment reporting

An operating segment is a component of the company that generates revenue and incurs expenses and whose operating results are reviewed by the Board of Directors and the Executive Board.

The operations of the Scania Group are managed and reported on the basis of two operating segments, Vehicles and Services plus Financial Services. These two segments have distinct products and differentiated risk situations. The tied-up capital and accompanying financing structure in Financial Services differ substantially from their equivalents at Vehicles and Services. Internal reporting at Scania is designed in accordance with this division into operating segments. Financial expenses and taxes are reported at the segment level in order to better reflect the operating segments. The Vehicles and Services operating segment encompasses trucks, buses and engines, including the services associated with these products. All products are built using common basic components, with coordinated development and production. In addition, the Vehicles and Services operating segment is organised under common areas of responsibility. The Financial Services operating segment encompasses financial solutions for Scania customers, such as loan financing, lease contracts and insurance solutions. The assets of this operating segment encompass the assets that are directly used in its operations. Correspondingly, the operating segment's liabilities and provisions refer to those that are directly attributable to its operations.

BALANCE SHEET – CLASSIFICATIONS

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

Classification of finance and operating leases (Scania as lessor)

Lease contracts with customers are carried as finance 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 interest income.

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 mainly on a straight-line basis to the estimated residual value of the asset at the end of the leasing period.

Transactions that include repurchase obligations, which mean that important risks remain with Scania, are recognised as operating leases; see above.

Lease obligations (Scania as lessee)

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

BALANCE SHEET – VALUATION PRINCIPLES

Tangible non-current assets including lease assets

Tangible fixed assets are carried at cost less accumulated depreciation and any impairment losses. A non-current asset is divided into separate components, each with a different useful life and depreciated separately.

Machinery and equipment as well as lease assets have useful lives of 3-15 years. Buildings have useful lives of 20-50 years. Land is not depreciated. Depreciation is 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 for at cost less any accumulated amortisation and impairment losses. Borrowing costs are included in the cost of assets that take a substantial period of time to get ready.

Goodwill

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

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 expensed 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 capitalized product development expenditures, useful life is estimated 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 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 annually to assess whether there is indication of impairment. This includes intangible assets with an indefinite 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 instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets
All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Amortised cost: Financial asset that is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise to cash flows on specific dates that are solely payments of principal and interest on the principal amount outstanding.

Fair Value Through Profit and Loss (FVTPL): By default, all other financial assets are subsequently measured at FVTPL.

The Group's financial assets consists of trade receivables, financial lease receivables, lending and are classified and measured at amortised cost.

Cash and cash equivalents consists of cash and bank balances as well as current liquid investments with a maturity with a maximum of 90 days, which are subject to an insignificant risk of fluctuation in value. "Current investment" consists of investments with a longer maturity than 90 days.

The Group's investments in equity instruments are classified as at FVTPL. Such investments are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss includes any dividends or interest earned and are presented in the "other gains and losses" line item.

Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and expenses over the relevant period.

For financial instruments the effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the financial instrument to the gross carrying amount of the financial instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see impairment section). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the net financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost, lease receivables, as well as on loan commitments, operating leases and financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and lease receivables. For trade receivables lifetime ECL is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

A financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flow, such as a default.

The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure of at default.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 “Leases.”

For undrawn loan commitments, the expected credit loss is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities in the Group are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately. The Group does not apply hedge accounting.

Provisions

Provisions are recognised if an obligation, legal or constructive, exists as a consequence of events that have occurred. 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 unavoidable expenses that exceed contractual future revenue. For provisions related to pensions, see the description under “Employee benefits” below and in Note 15, “Provisions for pensions and similar commitments.” For provisions related to deferred tax liabilities, see below under “Taxes.”

Taxes

The Group’s total tax consists of current tax and deferred tax. Income taxes are recognised in the income statement except when the underlying transaction is recognised in other comprehensive income, such as remeasururement 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 tax base (“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 plan 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 recognized 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 Pensioenfonds Metaal en Techniek, which is administered via MN Services, and Bedrijfstakpensioenfonds Metalelektro, which is administered via PVF Achmea, as well as the portion of the Swedish ITP occupational pension plan that is administered via the retirement insurance company Alecta.

Most of the Swedish plan for salaried employees (the collectively agreed ITP plan), however, is accounted for by provisions in the balance sheet, safeguarded by credit insurance from the mutual insurance company Forsakringsbolaget PRI Pensionsgaranti, which also administers the plan. See also Note 16, "Provisions for pensions and similar commitments". Scania follows the rules in IAS 19 concerning limits in the valuation of net assets, 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 fulfill the requirements for capitalisation, plus amortisation and any impairment loss during the period of previously capitalised development expenditures. See Note 10, "Intangible noncurrent assets".

Selling expenses

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

Administrative expenses

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

Financial income and expenses

"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

The Group recognises revenue from the following main sources:

- Sale of new vehicles and engines as well as used vehicles
- Sale of services

Revenue is recognised when control of a product or service is transferred to a customer and is measured based on the consideration specified in a contract with a customer taken into account any variable considerations.

Variable considerations, such as volume-based rebates, are estimated and included in the transaction price. However, it is only included with an amount that, with a high probability, will not be reversed with a significant amount.

In a transaction including both the sale of a product and a service the transaction price are allocated between the product and the service component based on the stand alone selling price. If there are any discounts in such transaction the discount are allocated in full to the price of the product.

Sale of goods
The Group sells new trucks, buses and engines as well as used vehicles.

In a transaction where the Group delivers a vehicle with a repurchase obligation control are not transferred to the customer and no revenue are recognised on delivery, instead such transaction are recognised as an operating lease. A transaction when the customer has an option that gives the customer the right to require that the Group to repurchase the vehicle no revenue is recognised since such transaction is recognised as a lease.

In transactions where the Group does not have any repurchase obligations revenue is recognised when control is transferred to the customer. That is normally when the vehicles have been delivered to the customer, the customer has approved the vehicle and the Group has received payment or invoiced with short term credit time. Product warranty refers to that products sold comply with agreed-upon specifications are accounted for in accordance with IAS 37 “Provision, contingent liabilities and contingent assets.”

Contract cost in the form of commissions for the sale of a vehicle will be recognised as incurred since the revenue from the sale of a vehicle are recognised at a point in time.

Rendering of service
Revenue from service and repairs, including spare parts used, is recognised over time when the service is performed. The transaction price allocated to service and repair contracts is recognised as a contract liability at the time of the initial sales transaction and is allocated over the life of the contracts as expenses for the fulfilment of the contract arises.

Contract costs in form of commissions for the sale of a service contract is recognised as expenses when incurred.

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 recognized 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 recognized 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 2019 and subsequently have not been applied in advance. The following new and amended standards have been issued but are not yet effective. Scania has chosen not to pre-adopt these standards.

IFRS 16, “Leases” – As from 1 January 2019 IFRS 16 “Leases” 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 exception for low value and short-term leases, 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 Scania Group applies the modified retrospective transition method for the first-time adoption of IFRS 16. As a result of the first-time recognition of the right-of-use assets and corresponding lease liabilities at the same amount the balance sheet total will increase by approximately 2 %. The increase in financial liabilities has a negative impact on the net liquidity of the Scania Group. No impact on equity is expected. In contrast to the previous approach to include expenses for operating leases in the operating profit, under IFRS 16 only the amortization of the right-of-use assets is included in the operating profit. Interest expenses from the compounding of the lease liability are shown in the financial result.Based on the lease contracts existing as of 1 January 2019, a minor not significant increase in operating profit is expected. The changed recognition of expenses from operating leases in the cash flow statement results in a slight improvement of the cash flow from operating activities and an equivalent decline of the cash flow from financing activities.

The application of IFRS 16 will also lead to more extensive disclosures..

Other changes in standards and interpretations that enter into force on 1 January 2019 or subsequently are not expected to have any material impact on Scania’s accounting.

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 relationship between accounting and taxation. The recommendation states what exceptions from IFRS and additions shall 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.

Presentation formats

The presentation format for the parent company’s income statements and balance sheets follows the model in Sweden’s Annual Accounts Act. The difference compared to the consolidated income statement and balance sheet is mainly related to equity and provisions.

Employee compensation

The parent company accounts for its defined-benefit plans in compliance with Sweden’s Security of Income Act. The difference between the consolidated and parent company accounting of defined-benefit plans is primarily related to how the discount rate is established and the fact that calculation of pension liability is performed on the basis of current salary level without taking into account assumptions about future salary increases.

Leases

All leases are recognised according to the rules for operating leases.

Research and Development expenses

Research and Development expenses are recognised in the inomce statement as incurred.

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.

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.

Multiple element transactions
In a transaction with a sale of a vehicle and a sale of a service Scania accounts for those as separate performance obligations since the vehicle and the service components are distinct from each other in the contract and the customer can benefit from the two on its own.

In those transactions the total transaction price are allocated to those distinct components. A service contract is in general not sold separately but only together, or nearby, the sale of a vehicle. When allocating the price to the different performance obligations Scania is using stand-alone selling prices. Any discounts are allocated to the vehicle.

Warranty costs
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 utilization in the case of campaigns. An essential change in the quality situation may require an adjustment in earlier provisions. Product warranty that refers to that products sold comply with agreed-upon specifications cannot be purchased separately, covers all vehicles sold and are therefore accounted for in accordance with IAS 37 "Provision, contingent liabilities and contingent assets."

Scania's product obligations can be seen in Note 17, "Other provisions" and amounted to SEK 1,575 m. (1,747) on 31 December 2018.

Repurchase obligations
Scania delivers about 13 percent of its vehicles with 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.

In transactions when customers have the option to call for Scania to repurchase the sold vehicle it is Scania's view that such transaction should be accounted for as a lease. Based on the contract and the relationship with the customer history shown that the customer has an economic incentive to exercise such option and hence it is almost always exercised.

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, the depreciation of the vehicle is adjusted accordingly.

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 2018, repurchase obligations amounted to SEK 19,405 m. (16,502).

Credit risks
In its Financial Services operations, Scania has an exposure in the form of contractual payments. At the end of 2018, these amounted to SEK 89,166 m. (77,028). 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.

The Group recognises a loss allowance for expected credit losses (ECL) and the amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Irrespective of the outcome of the assessment whether there have been a significant increase in credit risk, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Evidence that a financial asset is credit-impaired includes observable data about for example events of (i) significant financial difficulty of the borrower, (ii) a breach of contract, such as a default and (iii) it is becoming probable that the borrower will enter bankruptcy.

For internal credit risk management purposes historical experience has indicated an event of default when receivables meet either of the following criteria;
• there is a breach of financial covenants by the counterparty
• information developed internally or obtained from external sources indicates that the debtor is unlikely to pay in full'

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy
The Group writes off a financial asset when there is information that the counterparty is in default and the security for the receivable is repossessed. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

On 31 December 2018, the reserve for doubtful receivables in Financial Services operations amounted to SEK 1,199 m. (954). See also "Credit risk" under Note 28, "Financial risk management."

Intangible assets
Intangible assets at Scania are essentially attributable to capitalized 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 value in use, 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 for periods behond those covered by the latest forecasts compared to the latest known level. When discounting to present value, Scania uses its average cost of capital, currently 10 percent (10 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 2018, Scania's goodwill amounted to SEK 1,358 m (1,341). The impairment tests that were carried out showed that there are reassuring 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 8,790 m (7,525) on 31 December 2018.

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 2.5 percent (2.75). Changes in the above mentioned actuarial parameters are recognised in "Other comprehensive income", net after taxes.

Legal and tax risks

On 31 December 2018, provisions for legal and tax risks amounted to SEK 873 m (948). See Note 17, “Other provisions”.

Legal risks

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

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

In 2011, Scania became subject of an investigation by the European Commission (EC) in 2011 into allegedly inappropriate cooperation with other European truck manufacturers. A Statement of Objections was served on Scania by the EC in November 2014. In light of such statement and other developments in the investigation and in accordance with relevant accounting principles, Scania made a provision with an amount of SEK 3,800 m. in June closing 2016. Scania always cooperated fully with the EC, while all through the investigation contesting the EC’s view that Scania would have participated in a pan-European cartel during 1997-2011 on pricing and delayed introductions of emissions related technology. Scania were served a final decision by the EC in October 2017, holding Scania liable for such scope of a cartel in the amount of around SEK 8.4 bn. (EUR 881 m.) in fines. Scania have appealed against this decision in its entirety, and has in January 2018 provided a guarantee as security for the fines pending the outcome of such appeal. Scania is also the subject of related civil claims by direct or indirect customers of Scania, and may face additional similar claims. However, at this stage it is not possible to give any meaningful indication as to Scania´s risk associated with private damages. Scania’s appeal against the EU Commission decision before the General Court is still pending and there is also great uncertainty around the extent to which claims will be made against Scania. In addition, risk assessment around claims that have already been made is associated with significant uncertainties, and investigations are in their initial stages only.

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 Segment reporting

Scania's operations are divided into two different operating segments, which are based on how the Board of Directors and the Executive Board monitor operations. The results and financial position of each respective segment are monitored by the Board of Directors and the Executive Board, serving as the basis for decision making and allocation of resources.

The Vehicles and Services operating segment encompasses the following products: trucks, buses and engines, including the services associated with these products. All products are based on shared basic components, and monitoring of results thus occurs on an aggregated basis.

Vehicles and Services are, moreover, organised into shared areas of responsibility. The Financial Services operating segment provides financial solutions to Scania customers, such as loan financing, lease contracts and insurance solutions. Scania's internal pricing is determined according to market principles, at "arm's length distance." The revenue and expenses, as well as the assets and liabilities, of each operating segment are – in all essential respects – items directly attributable to that respective segment. Scania has a large number of customers all over the world, which means that its dependence on a single customer in each respective operating segment is very limited.

Income statements

January - December	**2018**	2017
Vehicles and Services		
Revenue	133,222	119,759
Cost of goods sold	-101,782	-90,944
Gross income	31,440	28,815
Research and development expenses	-6,334	-5,769
Selling expenses	-10,705	-9,987
Administrative expenses	-2,009	-1,899
Operating income	12,392	11,160
Interest income	419	583
Interest expenses	-757	-956
Share of income in associated companies and joint ventures	40	44
Dividends in between segments	241	434
Other financial income	378	171
Other financial expenses	-593	-194
Total financial items	**-272**	**82**
Income before tax	**12,120**	**11,242**
Taxes	-3,170	-3,084
Net income for the year	**8,950**	**8,158**

Financial Services

Interest and lease income	7,521	6,731
Insurance commission	276	212
Insurance and prepaid expenses	-4,999	-4,487
Interest surplus and insurance commission	2,798	2,456
Other income	163	169
Other expenses	-230	-250
Gross income	**2,731**	**2,375**
Selling and administration expenses	-1,110	-996
Bad debt expenses, realised and expected	-181	-105
Operating income	**1,440**	**1,274**
Income before tax	**1,440**	**1,274**
Taxes	-415	-293
Net income for the period	**1,025**	**981**

Reconciliation of segments to the Scania Group

	Vehicles and Services		**Financial Services**		**Eliminations**		**Scania Group**	
January - December	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Revenue	133,222	119,759	7,797	6,943	-3,893	-3,336	137,126	123,366
Cost of sales	-101,782	-90,944	-4,999	-4,487	3,893	3,336	-102,888	-92,095
Gross income	**31,440**	**28,815**	**2,798**	**2,456**			**34,238**	**31,271**
Research and development expenses	-6,334	-5,769	-	-			-6,334	-5,769
Selling expenses	-10,705	-9,987	-1,291	-1,101			-11,996	-11,088
Administrative expenses	-2,009	-1,899	-	-			-2,009	-1,899
Other operating income	-	-	163	169			163	169
Other operating expenses	-	-	-230	-250			-230	-250
Operating income	**12,392**	**11,160**	**1,440**	**1,274**			**13,832**	**12,434**
Interest income	419	583	-	-			419	583
Interest expenses	-757	-956	-	-			-757	-956
Share of income in associated companies and joint ventures	40	44	-	-			40	44
Dividends in between segments	241	434	-	-	-241	-434	0	0
Other financial income	378	171	-	-			378	171
Other financial expenses	-593	-194	-	-			-593	-194
Total financial items	**-272**	**82**	**-**	**-**	**-241**	**-434**	**-513**	**-352**

Income before tax	**12,120**	**11,242**	**1,440**	**1,274**	**-241**	**-434**	**13,319**	**12,082**
Taxes	-3,170	-3,084	-415	-293			-3,585	-3,377
Net income for the year	8,950	8,158	1,025	981	-241	-434	9,734	8,705
Depreciation/amortisation included in operating income	-8,411	-8,375	-40	-26			-8,451	-8,401

Cash flow statement by segment	**Vehicles and Services**		**Financial Services**		**Scania Group**	
SEK m.	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Cash flow from operating activities before change in working capital	17,492	16,682	1,367	1,003	18,859	17,685
Change in working capital etc.	-6,593	-5,082	-12,404	-8,180	-18,997	-13,262
Cash flow from operating activities	**10,899**	**11,600**	**-11,037**	**-7,177**	**-138**	**4,423**
Cash flow from investing activities	-7,234	-5,904	-36	-33	-7,270	-5,937
Cash flow before financing activities	**3,665**	**5,696**	**-11,073**	**-7,210**	**-7,408**	**-1,514**

BALANCE SHEET	Vehicles and Services		Financial Services		Eliminations		Scania CV Group	
31 December	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Assets								
Intangible assets	10,729	9,391	32	30	-	-	10,761	9,421
Tangible assets	31,371	29,601	115	110	0	-	31,486	29,711
Lease assets	28,237	25,816	36	0	0	0	28,273	25,816
Holdings in associated companies and joint ventures	4,448	4,044	0	0	-3,625	-3,457	823	587
Interest-bearing receivables, non-current	-15	64	50,585	44,122	-7,319	-6,968	43,251	37,218
Other receivables, non-current	6,521	5,211	4,873	5,082	-4,473	-4,528	6,921	5,765
Inventories	25,804	21,589	0	0	-	-	25,804	21,589
Interest-bearing receivables, current	182	243	31,093	26,016	-3,478	-2,807	27,797	23,452
Other receivables, current	15,275	14,926	5,577	4,053	-3,852	-3,679	17,000	15,300
Current investments, cash and cash equivalents	16,930	17,697	1,513	1,100	-9,609	-11,048	8,834	7,749
Total assets	**139,482**	**128,582**	**93,824**	**80,513**	**-32,356**	**-32,487**	**200,950**	**176,608**
Equity and liabilities								
Equity	49,495	46,115	8,360	7,261	-3,496	-3,457	54,359	49,919
Interest-bearing liabilities	0	0	82,481	69,739	-9,609	-11,048	72,872	58,691
Provisions for pensions	10,359	9,275	80	71	-	-	10,439	9,346
Other non-current provisions	6,380	6,496	9	2	-	-	6,389	6,498
Other liabilities, non-current	26,960	25,402	712	797	-11,853	-11,496	15,819	14,703
Current provisions	3,476	3,336	93	64	-	-	3,569	3,400
Other liabilities current	42,812	37,958	2,089	2,579	-7,398	-6,486	37,503	34,051
Total equity and liabilities	**139,482**	**128,582**	**93,824**	**80,513**	**-32,356**	**-32,487**	**200,950**	**176,608**

	Vehicles and Services		Financial Services		Eliminations		Scania CV Group	
Gross investment for the period in								
- Intangible assets	2,107	1,567	11	8	-	-	2,118	1,576
- Tangible assets	5,008	4,188	26	18	-	-	5,034	4,206
- Lease assets	11,884	12,219	30	0	-	-	11,914	12,219

GEOGRAPHIC AREAS	Europe		Eurasia		Asia		America[3]		Africa and Oceania		Scania CV Group	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Vehicles and Services												
Net sales, January – December [1,4]	84,113	74,362	8,393	6,637	14,759	16,552	16,511	13,596	9,446	8,612	133,222	119,759
Assets, 31 December [2]	117,950	103,538	1,165	1,112	2,704	3,227	15,280	18,568	2,383	2,137	139,482	128,582
Gross investments [2]	5,843	4,392	35	45	141	114	1,054	1,154	42	50	7,115	5,755
Non-current assets [5]	70,314	61,579	475	686	1,177	1,615	8,118	9,047	1,387	1,200	81,291	74,127
Financial Services												
Revenue, January – December[1, 6]	5,743	5,220	613	450	182	165	798	692	461	416	7,797	6,943
Assets, 31 December [2]	72,117	61,847	4,514	3,586	3,369	2,808	9,747	8,344	4,077	3,928	93,824	80,513
New financing to customers	34,915	30,852	3,841	3,166	1,560	1,446	4,612	3,765	2,708	2,270	47,636	41,499
Non-current assets[7]	42,972	39,618	2,521	1,574	2,280	1,696	5,632	4,231	2,236	2,225	55,641	49,344

1 Revenue from external customers is allocated by location of customers.
2 Assets and gross investments, respectively (excluding lease assets), by geographic location.
3 Refers mainly to Latin America.
4 Of which Sweden 6,847 (6,591).
5 Of which Sweden 27,656 (24,873)
6 Of which Sweden 256 (217).
7 Of which Sweden 4,554 (4,062)

The geographic areas of Scania are based on where the customers are located. In the section definitions the countries in each geographic area are listed. Sales and financing of Scania's products occur in all five geographic areas. Most of Scania's research and development work occurs in Sweden. Manufacturing of trucks, buses and industrial and marine engines occurs in Sweden, Argentina, Brazil, Finland, France, India, the Netherlands, Poland and Russia.

NOTE 4 Revenue from external customers

Vehicles and Service	2018	2017
Trucks[1]	**85,231**	75,226
Buses[2]	**11,658**	10,480
Engines	**2,769**	1,830
Service	**26,588**	23,735
Used vehicles[3]	**7,726**	7,085
Other products	**4,843**	3,970
Total delivery value	**138,815**	122,326
Adjustment for lease income [4]	**-5,593**	-2 567
Net sales	**133,222**	119,759
Financial Services	**7,797**	6,943
Eliminations [5]	**-3,893**	-3,336
Revenue from external customers	**137,126**	123,366

1 Of which SEK 5,665 m. relates to lease income 2018.
2 Of which SEK 718 m. relates to lease income 2018.
3 Of which SEK 163 m. relates to lease income 2018.
4 Refers mainly to new trucks, SEK -4,549 m. (-1,812) and new buses, SEK -662 m. (-464). 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.
5 Elimination of the amount that corresponds to depreciation/amortisation of operating leases in Financial Services. At group level, the revenue from operating leases shall consist of accrued income in Vehicles and Services and interest income in Financial Services, which is achieved by elimination of depreciation/amortisation.

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period and the expected timing of revenue recognition are as follows:

Msek	2018
Expected timing of revenue recognition	
Within a year	40,838
1-5 years	14,054

The transaction price allocated to remaining performance obligations for which revenue recognition is expected within a year primarily relates to the delivery of trucks. Expected revenue recognition in more than one year mainly stems from long-term service.

NOTE 5 Operating expenses

Scania Group	2018	2017
Cost of goods sold		
Cost of goods	**65,457**	58,639
Staff	**20 491**	18,027
Depreciation/amortisation[1]	**7,095**	7,310
Other	**9,845**	8,119
Total	**102,888**	92,095

1 of which an impairment loss of SEK 145 m. (4)

Research and development expenses		
Staff	**2,434**	**1,989**
Depreciation/amortisation	**964**	**742**
Other	**2,936**	**3,038**
Total	**6,334**	**5,769**

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

Selling expenses		
Staff	**6,856**	6,522
Depreciation/amortisation[1]	**376**	331
Other	**4,764**	4,235
Total	**11,996**	11,088

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

Administrative expenses		
Staff	**1,283**	1,238
Depreciation/amortisation	**17**	18
Other	**709**	643
Total	**2,009**	1,899

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 6 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.

	2018	2017
Interest income	**3,371**	2,924
Lease income	**4,150**	3,807
Lease expenses	**-3,638**	-3,291
Interest expenses	**-1,361**	-1,196
Insurance commission	**276**	212
Net interest income and insurance commission	**2,798**	2,456
Other income and expenses	**-67**	-81
Gross income	**2,731**	2,375
Selling and administrative expenses	**-1,110**	-996
Bad debt expenses [1]	**-181**	-105
Operating income	**1440**	1,274

[1] These expenses were equivalent to 0,22 (0.14) percent of the average credit portfolio.

Repurchase obligations including Operating leases	**2018**	2017
1 January	**16,665**	16,715
New contracts	**8,775**	7,636
Recogniced cost	**-3,638**	-3,291
Terminated contracts	**-3,967**	-4,739
Change in value adjustment, transition impact IFRS 9	**-125**	
Change in value adjustments	**-43**	3
Exchange rate differences	**591**	341
Carrying amount, 31 December [2]	**18,258**	16,665

2 The consolidated balance sheet also includes elimination of deferred profit of SEK 2,652 m. (2,412).

Financial receivables (hire purchase contracts and financial leases)	**2018**	2017
1 January	**66,363**	51,220
New receivables	**38,861**	33,863
Loan principal payments/terminated contracts	**-29,079**	-24,751
Change in value adjustment, transition impact IFRS 9	**-21**	
Change in value adjustments	**-56**	-44
Exchange rate differences	**840**	75
Carrying amount, 31 December	**70,908**	60,363
Total receivables and lease assets [3]	**89,166**	77,028

3 The number of contracts in the portfolio on 31 December totalled about 162,000 (146,000).

Net investments in financial leases	2018	2017
Receivables related to future minimum lease payments	**44,526**	39,214
Less:		
Reserve for bad debts	**-608**	-629
Imputed interest	**-3,169**	-2,817
Net investment [4]	**40,749**	35,768

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

Future minimum lease payments [5]	Operating leases	Financial leases
2019	**3,596**	**16,257**
2020-2023	**5,146**	**27,631**
2024 and later	**79**	**638**
Total	**8,821**	**44,526**

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

NOTE 7 Financial income and expense

	2018	2017
Interest income		
Bank balances and financial investments	**177**	325
Derivatives[1]	**242**	258
Total interest income	**419**	583
Interest expenses		
Borrowings	**-441**	-668
Derivatives[1]	**-849**	-686
Total borrowings and derivatives	**-1,290**	-1,354
Less interest expenses recognised in Financial Services[2]	**799**	660
Pension liability	**-266**	-262
Total interest expenses	**-757**	-956
Total interest net	**-338**	-373
Net income from associated companies and joint ventures	**40**	44
Other financial income[3]	**378**	171
Other financial expenses[3]	**-593**	-194
Total other financial income and expenses	**-215**	-23
Net financial items	**-513**	-352

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 primarily to SEK -44 m. (21) in market value effects of financial instruments for which hedge accounting in not applied, as well as exchange rate differences and unrealised/realised gains of SEK 20 661 m. (4,933) and unrealised/realised losses of SEK 20 689 m. (4,997) attributable to foreign exchange derivatives and bank-related costs.

NOTE 8 Taxes

Tax expense/income for the year	2018	2017
Current tax [1]	**-3,662**	-2,979
Deferred tax	**77**	-398
Total	**-3,585**	-3,377
[1] Of which, taxes paid	**-3,887**	-3,343

Deferred tax is attributable to the following	2018	2017
Tax related to temporary differences	**-117**	-162
Tax related to changes in tax rates and tax rules [2]	**154**	24
Tax income due to tax value of loss carry-forwards recognised during the year	**168**	25
Tax expense due to utilisation/revaluation of previously recognised tax value of tax loss carry-forwards	**0**	-167
Tax related to change in provision to tax allocation reserve	**-130**	-100
Other changes in deferred tax liabilities/assets	**2**	-18
Total	**77**	-398

2 The effect of changes in tax rates mainly refers to Sweden (during 2018) and mainly to France (during 2017).

Reconciliation of effective tax	2018		2017	
	Amount	%	Amount	%
Income before tax	**13,319**		12,082	
Tax calculated using Swedish tax rate	**-2,930**	**22**	-2,658	22
Tax effect and percentage influence:				
Difference between Swedish and foreign tax rates	**-450**	**3**	-401	3
Tax-exempt income	**195**	**-1**	154	-1
Non-deductible expenses	**-239**	**2**	-166	1
Utilisation of tax value of loss carry-forwards not previously recognised	**0**	**0**	19	0
Not recognised tax loss carry-forward	**-125**	**1**	-127	1
Derecognised deferred tax assets not utilised	**0**	**0**	-152	1
Adjustment for taxes pertaining to previous years	**-171**	**1**	-91	1
Changed tax rates	**172**	**-1**	30	0
Others	**-37**	**0**	15	0
Tax recognised	**3,585**	**27**	-3,377	28

Deferred tax assets and liabilities are attributable to the following:	2018	2017
Deferred tax assets		
Provisions and other current liabilities	**5,466**	3,831
Provisions for pensions	**1,751**	1,696
Non-current assets	**1,356**	2,140
Inventories	**924**	817
Unutilised tax loss carry-forwards [3]	**272**	104
Other	**0**	4
Offset within tax jurisdictions	**-4,943**	-4,691
Total deferred tax assets	**4,826**	3,901
Deferred tax liabilities		
Provisions and other current liabilities	**434**	293
Non-current assets	**7,730**	6,875
Tax allocation reserve [4]	**515**	385
Offset within tax jurisdictions	**-4,943**	-4,691
Total deferred tax liabilities	**3,736**	2,862
Deferred tax assets (-)/ Tax liabilities (+), net amount	**-1,090**	-1,039

3 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 514 m. (414) were not assigned a value.

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

Reconciliation of deferred tax assets (-)/ liabilities (+), net amount	**2018**	2017
Carrying value on 1 January	**-1,039**	-1,463
Deferred taxes recognised in the year's income	**-77**	398
Exchange rate differences	**70**	90
Tax assets/tax liabilities in acquired businesses	**-10**	0
IFRS Transition adjustment	**-70**	-
Recognised in "Other comprehensive income", changes attributable to		
Remeasurements of defined benefit plans	**-85**	-
Translation adjustment	**112**	
Fair value adjustment equity instruments	**9**	-64
Deferred tax assets (-)/ Tax liabilities (+), net amount	**-1,090**	-1,039

NOTE 9 Depreciation/amortisation

Vehicles and Services	**2018**	2017
Intangible non-current assets		
Research and development expenses	**745**	482
Selling expenses	**109**	91
Total	**854**	573
Tangible non-current assets		
Costs of goods sold	**7,095**	7,310
Research and development expenses	**219**	260
Selling expenses	**227**	214
Administrative expenses	**17**	18
Total	**7,558**	7,802
Total depreciation/amortisation, Vehicles and Services[1]	**8,411**	8,375

1 Of wich SEK 145 m. (4) is an impairment loss relating to the closing of bus operations in India.

Financial Services	**2018**	2017
Operating leases (payments of principal)	**11**	0
Other non-current assets[1]	**29**	26
Total depreciation/amortisation, Financial Services	**40**	26

1 Of which SEK 10 m. (10) are intangible assets.

NOTE 10 Intangible assets

2018	Goodwill	Development	Other intangibles [1]	Total
Accumulated cost				
1 January	1,369	11,851	1,297	**14,517**
Acquisitions/divestments of subsidiaries	0	-	0	**0**
Additions	-	1,996	122	**2,118**
Divestments and disposals	0	-	-27	**-27**
Reclassifications	-	-	29	**29**
Exchange rate differences	73	-4	1	**70**
Total	**1,442**	**13,843**	**1,422**	**16,707**
Accumulated amortisation				
1 January	28	4,326	742	**5,096**
Amortisation for the year				
-Vehicles and Services	-	728	126	**854**
-Financial Services	-	-	10	**10**
Impairment loss of the year	0	0	-	**0**
Divestments and disposals	0	-	-26	**-26**
Exchange rate differences	8	-1	6	**12**
Total	**36**	**5,053**	**857**	**5,946**
Carrying amount, 31 December	**1,406**	**8,790**	**565**	**10,761**
- of which capitalised expenditures for projects that have been placed in service		6,088		
- of which capitalised expenditures for projects under development		2,702		

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

Group borrowing expenditures

Borrowing expenditures included in cost for the item "Development during the year"	-
Interest rate for determination of borrowing expenditures included in cost	-

2017	Goodwill	Development	Other intangibles [1]	Total
Accumulated cost				
1 January	1,382	10,490	1,180	**13,052**
Acquisitions/divestments of subsidiaries	11	-	12	**23**
Additions	-	1,367	209	**1,576**
Divestments and disposals	-3	-	-99	**-102**
Reclassifications	-	-	13	**13**
Exchange rate differences	-21	-6	-18	**-45**
Total	**1,369**	**11,851**	**1,297**	**14,517**
Accumulated amortisation				
1 January	25	3,872	717	**4,614**
Amortisation for the year				
-Vehicles and Services	-	454	116	**570**
-Financial Services	-	-	9	**9**
Impairment loss of the year	3	0	-	**3**
Divestments and disposals	0	-	-90	**-90**
Exchange rate differences	0	0	-10	**-10**
Total	**28**	**4,326**	**742**	**5,096**
Carrying amount, 31 December	**1,341**	**7,525**	**555**	**9,421**
- of which capitalised expenditures for projects that have been placed in service		6,286		
- of which capitalised expenditures for projects under development		1,239		

1 Refers mainly to software, which is purchased externally in its entirety and customer relationships capitalised upon acquisitions of subsidiaries.

Group borrowing expenditures

Borrowing expenditures included in cost for the item “Development during the year"	1
Interest rate for determination of borrowing expenditures included in cost	0,39%

Scania tests the value of goodwill and other intangible assets not available for use at least yearly. Goodwill has been allocated to the cash-generating unit to which it belongs, 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. Goodwill is tested for impairment on the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment. 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 11 Tangible assets

2018	Buildings and land	Machinery and equipment	Construction in progress and advanced payments	Lease assets[1]	Total
Accumulated cost					
1 January	21,895	39,413	4,527	32,964	**98,799**
Acquisitions/divestments of subsidiaries[2]	-10	15	33	-	**38**
Additions	206	863	3,965	11,914	**16,948**
Divestments and disposals[3]	-81	-2,245	-36	-5,495	**-7,857**
Reclassifications	976	2,197	-3,221	-3,948	**-3,996**
Exchange rate differences	532	701	-82	1,287	**2,438**
Total	**23,518**	**40,944**	**5,186**	**36,772**	**106,370**
Accumulated depreciation[4]					
1 January	9,280	26,844	-	7,148	**43,272**
Acquisitions/Divestments of subsidiaries	-9	9	-	-	**0**
Depreciation for the year					
– Vehicles and Services	559	2,593	-	4,261	**7,413**
– Financial Services	2	17	-	11	**30**
Impairment loss of the year	110	35	-	0	**0**
Divestments and disposals	-48	-2,148	-	-2,297	**-4,493**
Reclassifications	4	-5	-	-1,023	**-1,024**
Exchange rate differences	250	669	-	349	**1,268**
Total	**10,148**	**28,014**	**-**	**8,449**	**46,611**
Carrying amount, 31 December	**13,370**	**12,930**	**5,186**	**28,273**	**59,759**
-of which "Buildings"	10,033				
-of which "Land"	3,337				
-of which Financial Services	60	55	0	36	151

1) Including assets for short-term rentals, as well as assets capitalised due to repurchase obligations.
2) Whereof increase through acquisition amounts to SEK 59 m.
3) Impairment losses on lease assets refer to value adjustment for credit losses.

2017	Buildings and land	Machinery and equipment	Construction in progress and advanced payments	Lease assets[1]	Total
Accumulated cost					
1 January	21,410	36,390	5,545	31,727	**95,072**
Acquisitions/divestments of subsidiaries[2]	0	8	0	-	**8**
Additions	147	1,406	2,645	12,219	**16,417**
Divestments and disposals[3]	-51	-800	-21	-8,633	**-9,505**
Reclassifications	443	2,948	-3,446	-3,070	**-3,125**
Exchange rate differences	-54	-539	-196	721	**-68**
Total	**21,895**	**39,413**	**4,527**	**32,964**	**98,799**
Accumulated depreciation[4]					
1 January	8,860	25,407	-	6,697	**40,964**
Acquisitions/Divestments of subsidiaries	0	0	-	-	**0**
Depreciation for the year					
– Vehicles and Services	473	2,529	**-**	4,799	**7,801**
– Financial Services	2	15	**-**	0	**17**
Impairment loss of the year	1	0	**-**	21	**22**
Divestments and disposals	-44	-732	**-**	-3,713	**-4,489**
Reclassifications	-1	7	**-**	-837	**-831**
Exchange rate differences	-11	-382	**-**	181	**-212**
Total	**9,280**	**26,844**		**7,148**	**43,272**
Carrying amount, 31 December	**12,615**	**12,569**	**4,527**	**25,816**	**55,527**
-of which "Buildings"	9,424				
-of which "Land"	3,191				
-of which Financial Services	59	51	0	0	110

1) Including assets for short-term rentals, well as assets capitalised due to repurchase obligations.
2) Whereof increase through acquisition amounts to SEK 8 m.
3) Impairment losses on lease assets refer to value adjustment for credit losses.

NOTE 12 Holdings in associated companies and joint ventures

	2018	2017
Carrying amount, 1 January	**529**	580
Acquisitions, capital contributions, divestments and impairment losses during the year[1]	**-47**	-
Exchange rate differences	**43**	-44
Share in income for the year	**40**	44
Dividend	**-5**	-51
Carrying amount, 31 December	**560**	529
Contingent liabilities	-	-

1 SEK -47 m. refers to acquisition of Laxå Special Vehicles AB where Scania by an additional purchase price has increased the ownership to 90.1% so the company is consolidated in the Group as subsidiary and is not longer an associated company.

Associated companies/ Corporate ID number/ Country of registration	**Owner-ship %**	**Carrying amount in Parent Company**	**Value of Scania CV's share in consolidated financial statements 2018**	**2017**
BITS DATA i Södertälje AB, 556121-2613, Sweden	33	2	**6**	5
Laxå Specialvehicles AB, 556548-4705, Sweden	-	-	**-**	47
ScaValencia S.A., A46332995, Spain	26	16	**27**	25
N.W.S S.R.L, IT1541500227, Italy	46,5	4	**1**	1
Holdings in associated companies		22	**34**	78
Share of:				
Net income			**4**	11
Total comprehensive income			**4**	11

Joint ventures/ Corporate ID number/ Country of registration	**Owner-ship %**	**Carrying amount in Parent Company**	**Value of Scania CV's share in consolidated financial statements 2018**	**2017**
Cummins-Scania XPI Manufacturing LLC, 20-3394999, USA	50	464	**514**	440
Oppland Tungbilservice A/S, 982 787 602, Norway	50	1	**7**	6
Tynset Diesel A/S, 982 787 580, Norway	50	1	**5**	5
Holdings in joint ventures		466	**526**	451
Share of:				
Net income			**36**	33
Total comprehensive income			**36**	33

	2018	2017
Holdings in associated companies and joint ventures	**560**	529
Other shares and participations	**263**	58
Total	**823**	587

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

Summarised income statement	**2018**	2017
Net sales	**2,759**	2,667
Operating income[1]	**78**	108
Interest income/expenses and Other financial expenses	**18**	-20
Taxes	**-29**	-26
Net income for the year	**67**	62
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**-67**	62
Scania Group's share (50%)	**33**	31

1 Depreciation amounting to SEK 114 m. (127) is included in Operating income

Summarised balance sheet	**2018**	2017
Non-current assets	**434**	588
Current investments and cash and cash equivalents	**295**	240
Other current assets	**1,171**	720
Total assets	**1,900**	1,548
Equity	**1,028**	880
Other current liabilities	**872**	668
Total equity and liabilities	**1,900**	1,548
Scania Group's share of equity (50%)	**514**	440
Carrying amount	**514**	440

Dividends from Cummins-Scania XPI Manufacturing LLC amounted to SEK 0 m. - (36).

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 recognized using the equity method.

NOTE 13 Inventories

	2018	2017
Raw materials, components and supplies	**2,781**	2,643
Work in progress	**1,621**	1,580
Finished goods[1]	**21,402**	17,366
Total	**25,804**	21,589
[1] Of which, used vehicles	**2,315**	2,183
Value adjustment reserve, 31 December	**-896**	-875

NOTE 14 Other receivables

	2018	2017
Prepaid expenses and accrued income	**438**	**455**
Derivatives with positive market value	**274**	**239**
Advance payments	**38**	**28**
Pension asset	**86**	**109**
Other receivables	**1,025**	**657**
Total other non-current receivables	**1,861**	**1,488**
Prepaid expenses and accrued income	**1,687**	**1,212**
Derivatives with positive market value	**564**	**377**
Value-added tax	**2,933**	**2,659**
Advance payments	**265**	**213**
Other receivables	**1,764**	**1,260**
Total other current receivables	**7,213**	**5,721**
Total other receivables	**9,074**	**7,209**

NOTE 15 Equity

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

The share capital of Scania CV AB consists of 1,000,000 shares outstanding with voting rights of one vote per share. The nominal value is SEK 100 per share. All shares are fully paid and no shares are reserved for transfer of ownership. The Parent company Scania AB (publ), Swedish corp no. 556184-8564, is the owner of all shares.

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 -529 m. (-824) arose as a result of the Swedish krona's appreciation against currencies important to Scania CV. The exchange rate differences were mainly due to the krona's depreciation against the BRL.

Retained earnings consist not only of accrued profits but also of the change in pension liability attributable to remeasururement of defined-benefit plans etc. recognised directly in "Total other comprehensive income". Regarding changes in actuarial assumptions see also Note 16, "Provisions for pensions and similar commitments".

For the Annual General Meeting in 2019 the board decided on a dividend proposal of SEK 9,500 m. for 2018. Retained earnings in parent company after implementing the proposed distribution of earnings, amounting to SEK 32,313 m., will be carried forward.

Non-controlling interest refers to the share of equity heldt by external owners without a controlling influence in certain subsidiaries in the Scania CV Group. Scania Group has a few non-wholly owned subsidiaries of which one is considered to have a substantial non-controlling interests. During 2018 the shares in Qanadeel AL Rafidain Automotive Trading Co. Ltd have been sold and additional shares in Laxå Special Vehicles have been acquired. Scania now owns 90.1 percent with a non-controlling interest of 9.9 percent. In 2018, net income attributable to non-controlling interests amounted to SEK 1 m. (–3) and accumulated noncontrolling interests in the company amounted to SEK 14 m. (15) as of 31 December 2018.

The equity of the Scania CV Group consists of the sum of equity attributable to Scania CV's shareholders and eguity attributable to non-controlling interests. At year-end 2018, the Group's equity totalled SEK 52,791 m. (48,352). According to the Group's Financial Policy, the Group's financial position shall meet the requirements of business objectives it has established. At present this is deemed to presuppose a financial position equivalent to the requirements for obtaining a Standard & Poor´s Investment Grade Stand Alone Rating.

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 12 companies that are subject to oversight by national financial inspection authorities. In some countries, Scania must comply with local capital adequacy requirements. During 2018, 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 Standard & Poor´s. At the end of 2018 Scania's Credit Rating according to Standard and Poor´s was:

- long-term borrowing: BBB+
- outlook: Stable
- short-term borrowing: A-2
- short-term borrowing: Sweden: K-1

Reconciliation of change in number of shares outstanding	**2018**	2017
Number of shares outstanding, 1 January	**1,000,000**	**1,000,000**
Number of shares outstanding, 31 December	**1,000,000**	**1,000,000**

NOTE 16 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 1,274 m. (1,106) during 2018. 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 289 m. for 2019.
The largest plans are described in more detail below.

Sweden
Blue-collar workers are covered by the SAF/LO plan, which is a defined-contribution multi-employer plan based on collective agreements, covering a number of different sectors.
Salaried employees are covered by the ITP plan, which is also a multi-employer plan based on collective agreements, covering a number of different sectors. The ITP plan has two parts, firstly, ITP1, which is a defined-contribution pension plan applying to employees born in 1979 or later, and secondly, ITP2, which is a defined-benefit pension plan applying to employees born before 1979.
Most of the ITP2 plan is managed internally by Scania in the PRI system. Financing occurs through provisions to an account in the balance sheet, safeguarded by credit insurance from the mutual insurance company Försäkringsbolaget PRI Pensionsgaranti. However, a portion of the ITP2 plan is safeguarded via preimiums to the retirement insurance company Alecta. These obligations are recognised under the heading "Multi-employer defined-benefit plans".
Aside from these obligations, there are early retirement 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 pensions.

Switzerland
The Pensionskasse and the Wohlfahrtsstiftung are the legal carriers of the pension plans.
There are three pension plans:
1. A basic pension plan for employees and management, covering retirement pension, disability pension, spouse pension, children's pension and life insurance.
2. A supplementary plan for members of the management, covering retirement pension, disability pension, spouse pension, children's pension and life insurance.This plan also includeds 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 health care plans became unfunded in February 2018.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 2018, Alecta's surplus, in the form of a collective consolidation level (assets in relation to the insurance obligation), amounted to 142 percent (154). 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 IAS19.
Premiums to Alecta excluding redemption amounted to SEK 103 m. (135).

The Netherlands
Employees at Scania's Dutch company are covered by the Dutch collectively-agreed pension plans, which are multi-employer defined benefit plans. The plans Pensioenfonds Metaal en Techniek (PMT) and Bedrijfstakpensioenfonds Metalelktro (PME) are administered by MN Services. PMT and PME do not have information about allocation and therefore these obligations are recognised as a defined-contribution plan.
In the Dutch plans, both companies and employees contribute to the plan.
Companies' premiums to MN Services totalled SEK 120 m. (104). The consolidation level of PMT was 99 percent (102) and for PME 98 percent (102).

Information regarding the largest plans during 2018	Sweden	Switzer-land	Brazil	Great Britain
Present value of defined-benefit obligations	9,164	1,034	503	849
Fair value of plan assets	-	-1,120	-66	-793
Net assets not fully valued due to curtailment rule	-	-	17	-
Recognised as pension liability (asset) in the balance sheet, SEK m.	**9,164**	**-86**	**454**	**56**

Breakdown into categories	Sweden	Switzer-land	Brazil	Great Britain
Present value of defined-benefit obligations for persons in active employment, SEK m.	5,956	568	-129	-
Persons in active employment, number	11,439	292	2,727	-
Present value of defined-benefit obligations for paid-up policy holders, SEK m.	1,339	-	-	545
Paid-up policy holders, number	2,683	-	-	399
Present value of defined-benefit obligations for retired employees, SEK m.	1,869	466	632	304
Retired employees, number	2,503	108	1,071	208

Assumptions/conditions	Sweden	Switzer-land	Brazil	Great Britain
Discount rate, %	2.5	0.7	9.2	2.9
Average life expectancy, women/men, years	88	87	83	88
Average duration of obligations, years	22.7	14.6	11.1	18.4

Sensitivity analysis concerning change in present value of obligations, SEK m.	Sweden	Switzer-land	Brazil	Great Britain
0.5% increase in discount rate	-942	-72	-15	-70
0.5% decrease in discount rate	1,084	82	26	80
1 year increase in life expectancy	368	28	55	35

Information regarding the largest plans during 2017	Sweden	Switzer-land	Brazil	Great Britain
Present value of defined-benefit obligations	8,015	942	541	953
Fair value of plan assets	-	-1,051	-72	-779
Net assets not fully valued due to curtailment rule	-	-	5	-
Recognised as pension liability (asset) in the balance sheet, SEK m.	**8,015**	**-109**	**474**	**174**

Breakdown into categories	Sweden	Switzer-land	Brazil	Great Britain
Present value of defined-benefit obligations for persons in active employment, SEK m.	5,452	498	-151	-
Persons in active employment, number	9,595	363	2,739	-
Present value of defined-benefit obligations for paid-up policy holders, SEK m.	1,204	-	-	743
Paid-up policy holders, number	2,529	-	-	393
Present value of defined-benefit obligations for retired employees, SEK m.	1,359	444	692	210
Retired employees, number	2,499	106	1,089	214

Assumptions/conditions	Sweden	Switzer-land	Brazil	Great Britain
Discount rate, %	2.8	0.6	10.3	2.4
Average life expectancy, women/men, years	88	88	83	88
Average duration of obligations, years	21.0	17.1	6.9	22.0

Sensitivity analysis concerning change in present value of obligations, SEK m.	Sweden	Switzer-land	Brazil	Great Britain
0.5% increase in discount rate	-807	-60	-18	-89
0.5% decrease in discount rate	927	69	18	101
1 year increase in life expectancy	313	9	18	37

Expenses for pensions and other defined-benefit payments recognised in the income statement	Expenses for pensions and similar commitments	
	2018	2017
Current service expenses	**-391**	-357
Net interest income/expenses	**-266**	-262
Past service expenses	**7**	-23
Net gains (+) and losses (–) due to curtailments and settlements	**0**	19
Total expense for defined-benefit payments recognised in the income statement	**-650**	-623

Pension expenses and other defined-benefit payments are found in the income statement under the headings “Research and development expenses”, SEK 148 m. (133), “Cost of goods sold”, SEK 119 m. (131), “Selling expenses”, SEK 101 m. (82) and “Administrative expenses”, SEK 16 m. (15). 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.

Great Britain: During 2018 an additional MSEK 6 has been recognised as past service cost to the three combined schemes in relation to Guaranteed Minimum Pension (“GMP”) equalisation. This represents an estimate of the cost that may be incurred in equalising the benefits paid to both male and female members a High Court case concluding on 26 October 2018. The estimate has been based on professional market experiences and represents 0.65% of liabilities as at the date of the court ruling.

Expenses for pensions and other defined-benefit payments recognised in “Other comprehensive income”	**Expenses related to pensions and similar commitments**	
	2018	2017
Experience-based adjustments in net liabilities	**-263**	-408
Effects of changes in demographic assumptions	**1**	-85
Effects of changes in financial assumptions	**-388**	-4
Actual return on plan assets excluding amount included in interest income	**-59**	150
Changes in present value of asset ceiling not included in interest expense	**-7**	10
Total expense/revenue for defined-benefit payments recognised in “Other comprehensive income”	**-716**	-337

Recognised as provision for pensions in the balance sheet	**Pension commitments**	
	2018	2017
Present value of defined-benefit obligations, wholly or partly funded	**2,492**	2,989
Present value of defined-benefit obligations, unfunded	**10,217**	8,526
Present value of defined-benefit obligations	**12,709**	11,515
Fair value of plan assets	**-2,368**	-2,283
Net assets not fully valued due to curtailment rule	**12**	5
Recognised in the balance sheet	**10,353**	9,237
Of which, pension liabilities recognised under the heading “Provisions for pensions”	**10,439**	9,346
Of which, pension assets recognised under the heading “Other long-term receivables”	**-86**	-109

Present value of defined-benefit obligations changed during the year as follows:	**Liabilities related to pensions and similar commitments**	
	2018	2017
Present value of defined-benefit obligations, 1 January	**11,515**	10,745
Present value of reclassified obligations, 1 January	**19**	4
Current service expenses	**391**	357
Interest expenses	**305**	298
Payments made by pension plan participants	**18**	13
Experience-based actuarial gains and losses	**263**	408
Adjustment effects from changes in demographic assumptions	**-1**	85
Adjustment effects from changes in financial assumptions	**388**	4
Exchange rate differences	**118**	-105
Disbursements of pension payments	**-300**	-298
Past service expenses	**-7**	23
Present value of defined-benefit obligations in acquired/divested companies	**-**	-
Settlements	**0**	0
Gains and losses due to net settlements for the year	**0**	-19
Present value of defined-benefit obligations, 31 December	**12,709**	11,515

Fair value of plan assets changed as follows during the year:	Plan assets related to pensions and similar commitments	
	2018	2017
Fair value of plan assets, 1 January	**2,283**	2,142
Fair value of plan assets related to reclassified obligations, 1 January	**-9**	-
Interest income on plan assets	**39**	38
Actual return on plan assets excluding amount included in interest income	**-59**	150
Effects of changes in financial assumptions	**0**	0
Exchange rate differences	**122**	-62
Payments to pension plan	**68**	99
Payments made by pension plan participants	**18**	16
Disbursements of pension payments	**-94**	-100
Fair value of plan assets in acquired/divested companies	**-**	-
Settlements	**-**	0
Fair value of plan assets, 31 December	**2,368**	2,283

		Asset ceiling
Present value of asset ceiling	**2018**	2017
Present value of asset ceiling, 1 January	**5**	14
Present value of reclassified asset ceiling, 1 January	**-**	-
Interest expenses	**0**	2
Changes in present value of asset ceiling not included in interest expense	**7**	-10
Exchange rate differences	**0**	-1
Present value of asset ceiling, 31 December	**12**	5

	2018	**2018**	**2017**	**2017**
Allocation of fair value in plan assets	**Quoted price in an active market**	**Unquoted price**	Quoted price in an active market	Unquoted price
Cash and cash equivalents	**14**	**23**	6	51
Equity instruments issued by others	**418**	**-**	6	-
Debt instruments issued by Scania	**-**	**38**	-	3
Debt instruments issued by others	**245**	**-**	114	-
Properties leased to Scania companies	**-**	**38**	-	36
Investment properties	**117**	**-**	24	-
Equity mutual funds	**496**	**-**	917	-
Fixed income mutual funds	**202**	**-**	649	-
Real estate funds	**232**	**-**	327	-
Other investment funds	**242**	**3**	19	20
Other plan assets	**220**	**80**	52	59
Total	**2,186**	**182**	2 114	169

Classification of plan assets has been made in 2018 compared to 2017

NOTE 17 Other provisions

During the year, the Scania CVs provisions changed as follows:

2018	Product obligations	EU investigation [2]	Legal and tax risks	Other provisions [1]	Total
1 January	1,747	3,800	948	3,403	**9,898**
Provisions during the year	1,092		94	1,631	**2,817**
Provisions used during the year	-1,004		-114	-1,331	**-2,449**
Provisions reversed during the year	-259		-51	-88	**-398**
Exchange rate difference	0		-4	-28	**-32**
31 December	**1,575**	**3,800**	**873**	**3,587**	**9,836**
-of which, current provisions	1,256		273	1,917	**3,446**
-of which, non-current provisions	319	3,800	600	1,670	**6,389**

2017	Product obligations	EU investigation [2]	Legal and tax risks	Other provisions [1]	Total
1 January	1,683	3,800	1,017	3,160	**9,660**
Provisions during the year	1,438		126	1,319	**2,883**
Provisions used during the year	-999		-91	-1,047	**-2,137**
Provisions reversed during the year	-368		-104	-25	**-497**
Exchange rate difference	-7			-4	**-11**
31 December	**1,747**	**3,800**	**948**	**3,403**	**9,898**
-of which, current provisions	1,329		225	1,846	**3,400**
-of which, non-current provisions	418	3,800	723	1,557	**6,498**

1 "Other provisions" include provisions for potential losses on service agreements. Total number of contracts increased during 2018 by 40,800 contracts (32,500) and amounted to 248,800 contracts (208,000) at year-end.

2 "EU investigation" consists of provision recognised in June 2016 for the investigation conducted by the European Commission concerning inappropriate cooperation. Uncertainty about the expected outflow dates is greatest for legal and tax disputes as well as the EU claim regarding inappropriate cooperation. 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 18 Accrued expenses and deferred income

	2018	2017
Accrued Employee-related expenses	**6,130**	5,426
Deferred income related to service and repair contracts	**6,237**	5,724
Deferred income related to repurchase obligations[1]	**5,596**	5,217
Other accrued expenses and deferred income	**3,086**	2,575
Total	**21,049**	18,942
- of which current	**14,032**	12,115
- of which long-term	**7,017**	6,827
Of the above total, the following was attributable to Financial Services operations	**609**	486

[1]Of the above deferred income related to vehicles sold with repurchase obligations, SEK 1,845 m. (1,648) is expected to be recognised as revenue within 12 months. SEK 352 m. (866) is expected to be recognised as revenue after more than five years.

The following table provides an explanation of the changes of contract liabilities during the reporting period:

MSEK	2018
Contract liabilities as of 1 January	**5,654**
Additions and disposals	**479**
Changes in the scope of consolidation	**-**
Changes in measurements and estimates as well as contract modifications	**-**
Currency translation adjustments	**-**
Contract liabilities as of 31 December	**6,133**

Sales revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period totalled 2,427 SEK m.

NOTE 19 Assets pledged and contingent liabilities

Assets pledged	2018	2017
Financial receivables[2]	**37**	111
Other	**0**	0
Total [1]	**37**	111
[1] **Of which, assets pledged for:**		
Borrowings	**37**	111
Liabilities of others	**0**	0

[2] Refers mainly to pledged leases in Financial Services, SEK 37 m. (111).

Contingent liabilities	2018	2017
Contingent liability related to FPG credit insurance	**79**	78
Loan guarantees	**0**	0
Other guarantees	**278**	278
Total	**357**	356

In addition to the above contingent liabilities, the Group has issued vehicle repurchase guarantees worth SEK 31 m. (54) to customers' creditors.

NOTE 20 Lease obligations

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

Future payment obligations on non-cancellable operating leases:

Operating lease	**2018** Future minimum lease payments	**2018** Of which, related to premises	2017 Future minimum lease payments	2017 Of which, related to premises
Within one year	**1,085**	**589**	**604**	**282**
Between one year and five years	**2,596**	**1,637**	**1,449**	**758**
Later than five years	**787**	**592**	**418**	**384**
Total	**4,468**	**2,818**	**2,471**	**1,424**

Expensed minimum lease payments amounted to SEK 1,379 m. (694), of which SEK 722 m. (282) related to costs for leases on premises.

Future payment obligations on non-cancellable financial leases:

Financial leases	**2018** **Future minimum lease payments**	**2018** **Interest**	**2018** **Present value of future lease payments**	2017 Future minimum lease payments	2017 Interest	2017 Present value of future lease payments
Within one year	**6**	**3**	**3**	6	1	5
Between one year and five years	**12**	**4**	**8**	14	8	6
Later than five years	**0**	**0**	**0**	0	0	0
Total	**18**	**7**	**11**	20	9	11

Financial lease assets in balance sheet:

Carrying amount	**2018**	2017
Buildings	**14**	28
Machinery	**10**	15
Other	**7**	6
Total	**31**	49

NOTE 21 Government grants and assistance

During 2018, the Scania Group received government grants amounting to SEK 121 m. (21) attributable to operating expenses of SEK 600 m.(105).

NOTE 22 Cash flow statement

In those cases where no allocation by segment is specified the cash flow statement below refers to Scania group.

	2018	2017
a. Interest and dividends received/paid		
Dividends received from associated companies	5	51
Interest received	3,749	3,474
Interest paid	-1,629	-1,727
b.1. Vehicles and Services: Items not affecting cash flow		
Depreciation/amortisation	**8,411**	8,375
Bad debts	**63**	54
Associated companies	**-35**	7
Provision for pensions	**404**	322
Other	**326**	-6
Total	**9,169**	8,752

b.2. Financial Services: Items not affecting cash flow		
Depreciation/amortisation	**40**	26
Bad debts	**181**	105
Other	**37**	63
Total	**258**	194

c. Financial services: Net investments in credit portfolio etc.[1]		
New financing[1]	**-47,636**	-41,499
Payments of principal and completed contracts	**37,727**	33,156
Total	**-9,909**	-8,343

[1] Refers mainly to financing of customer purchases of Scania vehicles.

d. Net investments through acquisitions/divestments of businesses[2]		
Divestments of businesses	**-5**	-
Acquisitions of businesses	**7**	-32
Total	**2**	-32

[2] See Note 23, “Businesses acquired/divested”.

e. Vehicles and Services: Acquisitions of non-current assets		
Investments in non-current assets[3]	**-7,358**	-5,947
Divestments of non-current assets	**122**	75
Total	**-7,236**	-5,872

[3] Of which, SEK 1.996 m. (1,367) in capitalised research and development expenditures.

f. Change in debt through financing activities		
Net change in current investments	**597**	-249
Net change in current borrowings	**-10,053**	-17,031
Decrease in non-current borrowings	**-964**	-481
Increase in non-current borrowings	**23,933**	18,466
Total	**13,513**	705

g. Cash and cash equivalents		
Cash and bank balances	**3,297**	3,421
Short-term investments comprising cash and cash equivalents	**4,885**	3,083
Total	**8,182**	6,504

Reconciliation of liabilities arising from financing activites

	2017	**Cash flow**	**Non-cash changes**		**2018**
			Foreign exchange movements	Re-classification	
Non-current interest-bearing liabilities	39,869	22,970	544	-17,432	**45,951**
Current interest-bearing liabilities	18,447	-10,376	1,249	17,432	**26,752**
Finance lease liabilities	11		-11		**0**
Accrued interest	375	323	-13		**685**
	58,702	12,917	1,769	0	**73,388**
Cash and cash equivalents	6,504	1,753	-75		**8,182**
	65,206	14,670	1,694	0	**81,570**

NOTE 23 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 2017–2018.

NOTE 24 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)	2018	2017
Boards of Directors, Presidents and Executive (or Group) Vice Presidents [1]	**462**	526

Number of employees, 31 December	2018	2017
Vehicles and Services		
Production and corporate units	**25,941**	24,298
Research and development	**4,203**	3,908
Sales and service companies	**20,966**	20,166
Subtotal	**51,110**	48,372
Financial Services	**993**	891
Total	**52,103**	49,263
Of whom, on temporary contracts and on hire	**6,802**	7,140
of which bonuses	**176**	227
Other employees	**18,951**	17,463
Subtotal	**19,413**	17,989
Pension expenses and other mandatory payroll fees	**6,859**	6,208
of which pension expenses [2]	**1,735**	1,568
Total	**26,272**	24,197

1 The number of Board members and executive officers in Scania CV Group in Sweden was 541 (564).
2 Of the pension expense in the Scania CV Group, SEK 24 m. (35) was for Boards of Directors and executive officers in the Scania CV Group. At year-end, the total pension obligation was SEK 122 m. (119) for this category.

Gender distribution	2018	2017
Board members in subsidiaries and the Parent company	**427**	452
Of whom, men	**400**	417
Of whom, women	**27**	35
Presidents/Managing Directors of subsidiaries and the Parent Company, plus the Group's Executive Board	**114**	112
Of whom, men	**109**	108
Of whom, women	**5**	4

	2018		2017	
Average number of employees (excluding employees on hire)	**Total**	**Women**	Total	Women
Sweden	**16,958**	**22%**	15,652	21%
Europe (excluding Sweden)	**15,822**	**15%**	15,129	14%
Eurasia	**788**	**27%**	740	26%
America	**7,694**	**12%**	6,871	13%
Asia	**2,157**	**20%**	2,269	18%
Africa and Oceania	**1,816**	**19%**	1,708	18%
Total	**45,235**	**18%**	42,369	17%

NOTE 25 Related party transactions

	Revenue		Expenses		Receivables		Liabilities	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Volkswagen Group	**1,427**	1,292	**704**	542	**2,931**	2,506	**4,226**	4,473
Associated companies and joint ventures								
BITS DATA i Södertälje AB	**0**	0	**13**	13	**0**	0	**1**	2
Cummins-Scania XPI Manufacturing L.L.C	**163**	123	**839**	843	**23**	20	**0**	0
ScaValencia S.A.	**161**	156	**79**	88	**6**	5	**1**	0
Others	**11**	7	**9**	7	**1**	1	**0**	1

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 26, "Compensation to executive officers". Disclosures of dividends from, and capital contributions to, associated companies and joint ventures etc. are provided in Note 12, "Holdings in associated companies and joint ventures". Disclosures of pension plans are provided in Note 16, "Provisions for pensions and similar commitments" and Note 24, "Wages, salaries and other remuneration and number of employees".

NOTE 26 Compensation to executive officers

Principles for compensation to executive officers

The principles for compensation to Scania executive officers are adopted by the board of directors. 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 Group´s operating income, Volkswagen Truck & Bus return of sales and Volkswagen long term incentive index. 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 board of directors. 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 sixmonth notice period. If they obtain new employment within 18 months, counting from their termination date, the severance pay ceases.

2018, SEK thousand.	Fixed salary	Board remuneration[1]	Variable salary	Other remunerations	Total salary and remuneration	Pension expenses, defined contribution system	Pension expenses, defined benefit system	Total pension expenses	Pension obligations
Chairman of the Board	-	-	-	-	**0**	-	-	0	-
President and CEO	7,547	-	14,293	271	**22,111**	2,826	436	**3,262**	2,907
Rest of Executive Board (7 persons)	25,068	-	47,478	1,721	**74,267**	8,673	3,674	**12,346**	21,329

1 Other board members' total fees: Andreas Renscher 0; Helmut Aurenz 250; Peter Wallenberg Jr 525; Christian Porsche 0; Matthias Gründler 0; Markus S. Piëch 0; Stephanie Porsche-Schröder 0; Nina Macpherson 275; Christian Schulz 0; Johan Järvklo 0; Lisa Lorentzon 0; Michael Lyngsie 0.
Helmut Aurenz resigned on 8 February 2018. Matthias Gründler resigned on 15 May 2018. Nina Macpherson was appointed on 25 April 2018 and Christian Sclulz was appointed on 28 June 2018. Johan Järvklo resigned on 25 June 2018 and was replace by Michael Lyngsie on 28 June 2018.

2017, SEK thousand.	Fixed salary	Board remuneration[1]	Variable salary	Other remunerations	Total salary and remuneration	Pension expenses, defined contribution system	Pension expenses, defined benefit system	Total pension expenses	Pension obligations
Chairman of the Board	-	-	-	-	**0**	-	-	0	-
President and CEO	7,300	-	13,359	264	**20,923**	2,708	374	**3,082**	2,539
Rest of Executive Board (7 persons)	23,949	-	43,827	1,509	**69,285**	8,329	3,512	**11,841**	18,132

1 [1] Other board members' total fees: Andreas Renscher 0; Helmut Aurenz 500; Peter Wallenberg Jr 500; Christian Porsche 0; Annika Falkengren 325; Matthias Gründler 0; Markus S. Piëch 0; Stephanie Porsche-Schröder 0; Johan Järvklo 0; Lisa Lorentzon 0.
Annika Falkengren resigned 14 July 2017. Christian Porsche resigned 13 November 2017 and was replaced by Stephanie Porsche-Schröder 28 November 2017.

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 Executive Board excluding the President and CEO. The retirement age for the ITP occupational pension is 65.

NOTE 27 Fees and other remunerations 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.

	2018		2017	
Auditing firm	**PwC**	**Other auditors**	**PwC**	**Other auditors**
Auditing assignments	**42**	**1**	**40**	**1**
Auditing activities beyond auditing assignments	**1**	**0**	**2**	**0**
Tax consultancy	**2**	**0**	**3**	**0**
Other services	**1**	**0**	2	**2**
Total	**46**	**1**	**47**	**1**

NOTE 28 FINANCIAL RISK MANAGEMENT

In addition to business risks, Scania CV 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 2018, 95 (95) percent of Scania's sales occurred in countries outside Sweden. Since a large proportion of production occurs in Sweden, at costs denominated in Swedish kronor, this means that Scania has large net inflows of foreign currencies.

During 2018, total net revenue in foreign currencies amounted to about SEK 49,000 m. (46,500). The largest currencies in this flow were EUR, GBP and BRL. The table below shows currency exposure in Scania's operating income in the most commonly occurring currencies.

Currency exposure in operating income, Vehicles and Services	**2018**	2017
British pound, GBP	**7,600**	6,000
Euro, EUR	**4,900**	4,800
Russian rouble, RUB	**5,300**	4,500
Polish zloty, PLN	**4,600**	3,600
United Arab Emirates dirham, AED	**1,700**	2,900
US dollar, USD	**1,800**	2,800
Norwegian krone NOK	**3,300**	2,800
Korean won, KRW	**2,100**	2,600
Australian dollar AUD	**2,200**	2,200
Chinese Yuan Renminbi (CNY)	**1,800**	2,000
South African rand, ZAR	**2,000**	1,900
Swiss franc ,CHF	**1,600**	1,500
Brazilian Real, BRL	**-3,700**	-3,000
Other currencies	**12,300**	10,600
Total currency exposure in operating income	**47,500**	45,200

Currency exposury in operating income, Financial Services	**2018**	2017
Euro, (EUR)	**600**	500
Other currencies	**900**	800
Total currency exposure in operating income	**1,500**	1,300

Based on revenue and expenses in foreign currencies during 2018, a one percentage point change in the Swedish krona against other currencies, excluding currency hedges, has an impact on operating income of about SEK 490 m. (465) on an annual basis.

In Vehicles and Services, compared to 2017, the total positive currency rate effects totalled about SEK 2,678 m. (425).

According yo Scania's financial policy, Scania´s Management may hedge future cash 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 2018, 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 the subsidiaries in Vehicles and Services in the form of internal loans in the local currencies of the subsidiaries.

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

At the end of 2018, Scania's net assets in foreign currencies amounted to SEK 32 600 m. (29,500). 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 2018 no foreign net assets were hedged (-).

Net assets, Vehicles and Services	2018	2017
Euro, (EUR)	**7,400**	5,600
Brazilian Real, (BRL)	**6,400**	5,000
British pound, (GBP)	**1,500**	1,100
Argentinian pesos,(ARS)	**1,000**	1,100
Norwegian krone, (NOK)	**800**	700
Polish zloty, (PLN)	**800**	800
Korean won (KRW)	**300**	400
Swiss franc, (CHF)	**600**	600
Danish krone, (DKK)	**500**	400
Australian dollar (AUD)	**500**	400
Russian rouble, RUB	**1,100**	600
Chinese Yuan Rnminibi (CNY)	**400**	500
US dollar, (USD)	**-100**	-100
Other currencies	**2,400**	2,300
Total net assets in foreign currencies, Vehicles and Services	**23,600**	19,400

Net assets, Financial Services	2018	2017
Euro, (EUR)	**5,300**	5,600
Other currencies	**4,000**	4,500
Total net assets in foreign currencies, Financial Services	**9,300**	10,100
Total net assets in foreign currencies, Scania Group	**32,600**	29,500

Effect on exchange rate differences on net income

Net income for the year was affected by exchange rate differences (excluding flow-related forward contracts) as shown in the following table:

	2018	2017
Operating income	**335**	-35
Financial income and expenses	**-28**	-5
Taxes	**0**	0
Effect on net income for the year	**307**	-40

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 2018, 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 16,419 m. (17,058) at year-end 2018. The borrowing portfolio amounted to SEK 0 m. (0). Short-term investments and cash and cash equivalents amounted to SEK 7,338 m. (17,716) 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 -510 m. (-639).

Given the same loan liabilities, short-term investments, cash and cash equivalents and interest rate refixing periods as at year-end 2018, a change in market interest rates of 100 basis points (1 percentage point) would change the interest income in Vehicles and Services by about SEK 75 m. (175) 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 2018:

Interest rate refixing in Financial Services, 31 December 2018	**Interest-bearing portfolio [1]**	**Interest-bearing liabilities [2]**
2019	45,250	46,336
2020	18,323	18,785
2021	13,778	11,714
2022	7,766	4,839
2023	3,184	685
2024 and later	865	121
Total	**89,166**	**82,480**

Interest rate refixing in Financial Services, 31 December 2017	Interest-bearing portfolio [1]	Interest-bearing liabilities [2]
2018	38,617	17,424
2019	16,260	15,332
2020	11,978	11,533
2021	6,607	4,226
2022	2,844	750
2023 and later	722	118
Total	**77,028**	**69,383**

1 Including operating leases.
2 Including the effect of interest rate derivates. Other funding consists mostly of equity.

Given the same lending and borrowing structure as at year-end 2018 a change in market interest rate of 50 basis points (0,5 percentage point) would change the interest in Financial Services by about SEK 15,6 m. (3,2) on an annual basis.

Scania's total borrowing portfolio amounted to SEK 72,873 m. (58,691) at year-end 2018.

Borrowings, 31 December 2018	**Borrowings including currency swap agreements**	**Borrowings excluding currency swap agreements**
EUR	48,818	32,171
BRL	4,872	4,065
GBP	4,799	2,848
ZAR	3,334	1,107
AUD	670	47
HKD	257	-
CLP	2,204	157
DKK	1,789	-
PEN	1,254	722
NOK	1,464	-
USD	3,226	1,257
SEK	-7,733	26,990
CHF	939	83
THB	950	1,201
OTH	396	47
Other Currencies	4,949	1,493
Total [1]	**72,188**	**72,188**
Accrued interest	685	685
Total	**72,873**	**72,873**

[1] Total borrowing excluded SEK 685 m. (375) related to accrued interest.

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.

Reconciliation of loss allowance for financial assets at amortized cost, including lease receivables

	General approach				
SEK m.	12 month expected credit loss (Stage 1)	Life time expected credit loss - not impaired (Stage 2)	Life time expected credit loss - impaired (Stage 3)	Simplified approach	Total
Loss allowance as at 1/1/18	64	96	173	1,127	1,460
Changes due to financial instruments recognised as at 1 January					
Transfer to level 1	1	-16	-6		-21
Transfer to level 2	-23	33	-4		6
Transfer to level 3	-17	-47	182		118
Write-offs (Utilization)			-11	-53	-64
New originated or purchased financial assets	64	0	0	353	417
Changes in models/ risk parameters	-	-	-	-	-
Reversals	-34	-24	-58	-444	-560
Foreign exchange movements	1	5	2	1	9
Other changes within a stage	1	1	27	184	213
Loss allowance as at 31/12/18	**57**	**48**	**305**	**1,168**	**1,578**

Reconciliation of gross carrying amount for financial assets at amortized cost, including lease receivables

	General approach				
SEK m.	12 month expected credit loss (Stage 1)	Life time expected credit loss - not impaired (Stage 2)	Life time expected credit loss - impaired (Stage 3)	Simplified approach in SEK	Total
Gross carrying amount as at 1/1/18	32,412	1,364	480	46,526	80,782
					0
Transfer to level 1	250	-230	-20		0
Transfer to level 2	-444	458	-14		0
Transfer to level 3	-456	-339	795		0
Changes in gross carrying amount (non significant changes)	0	0	0	0	0
Changes in gross carrying amount (additions and disposals, significant modifications)	6,165	-136	-88	5,544	11,485
Foreign exchange movements	-49	73	2	-50	-24
Gross carrying amount as at 31/12/18	**37,878**	**1,190**	**1,155**	**52,020**	**92,243**

Gross carrying amount of Scania´s irrevocable credit commitments at 31 December 2018 amounts to SEK 5,985 m. (7,326 at 1/1 2018) with a loss allowance of SEK 2 m (8 at 1/1 2018).

Gross carrying amounts of other financial assets by rating category

SEK m.	12 month expected credit loss (Stage 1)	Life time expected credit loss - not impaired (Stage 2)	Life time expected credit loss - impaired (Stage 3)	Financial assets - simplified approach	Total
Rating Grade 2018					
Credit Risk Rating Grade 1	37,878	-	-	45,742	83,620
Credit Risk Rating Grade 2	-	1,190	-	4,948	6,138
Credit Risk Rating Grade 3	-	-	1,155	1,330	2,485
Total	**37,878**	**1,190**	**1,155**	**52,020**	**92,243**

Credit risk, Vehicles and Services

In the Vehicles and Services segment, carried receivables from customers totalled SEK 9,362 m. (9,265), most of which consisted of receivables from independent dealerships and end customers. The total estimated fair value of collateral was SEK 1,282 m. Most of the collateral consisted of repossession rights and bank guarantees. During the year, collateral valued at SEK 229 m. was repossessed.

Timing analysis of portfolio assets past due but not recognised as impairment losses	**Past-due payments 2018**	Past-due payments 2017
< 30 days	**572**	1,159
30-90 days	**269**	313
91-180 days	**25**	82
>180 days	**303**	112
Total	**1,169**	1,666

Provisions for bad debts amounted to SEK 362 m. (292), equivalent to 4.0 (3,1) percent of total receivables. The year's bad debt expense amounted to SEK 63 m. (54). Provisions for bad debts changed as follows:

Provisions for bad debts	**2018**	2017
Provisions, 1 January	**292**	332
Adjustment transition IFRS 9	**64**	-
Adjusted provision, 1 January	**356**	332
Provision for potential losses	**63**	41
Withdrawals due to actual credit losses	**-69**	-85
Currency rate effect	**6**	2
Other	**6**	2
Provisions, 31 December	**362**	292

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	**2018**	2017
Exposure	**90,365**	77,982
- of which, Repurchase obligations including operating leases	**18,440**	16,679
Credit risk reserve	**1,199**	954
Carrying amount	**89,166**	77,028
- of which, Repurchase obligations including operating leases	**18,258**	16,665

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.

The portfolio mainly consists of financing of trucks, buses and trailers for small and medium-sized companies. The credit risk concentration in 2018 was equivalent to that of 2017.

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

	31 December, 2018			31 December, 2017		
Concentration of credit risk	**Number of customers**	**Percentage of total number of customers**	**Percentage of portfolio value**	Number of customers	Percentage of total number of customers	Percentage of portfolio value
Exposure < SEK 15 m.	36,753	97.9	66.1	34,284	98.1	68.2
Exposure SEK 15-50 m.	649	1.7	18.0	545	1.6	17.2
Exposure > SEK 50 m.	137	0.4	15.9	110	0.3	14.6
Total	**37,539**	**100.0**	**100.0**	**34,939**	**100.0**	**100.0**

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

For Scania's customers the renegotiation need was at the same level during 2018 as in 2017. The carrying amount of the financial assets whose terms had been renegotiated was SEK 2,001 m. (2,236) 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 2018. During the year 1,490 (1,360) financed vehicles were repossessed. At year-end, the number of repossessed but not yet sold vehicles amounted to 425 (270), with a total carrying amount of SEK 195 m. (102). 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.

Timing analysis of portfolio assets

Past due but not recognised as impairment losses	**Past due payments 2018**	**Total exposure 2018**[1]	**Estimated fair value of collateral 2018**	Past due payments 2017	Total exposure 2017[1]	Estimated fair value of collateral 2017
< 30 days	**102**	**4,711**	**4,636**	86	4,195	4,096
30-90 days	**294**	**2,379**	**2,106**	167	2,316	2,212
Past due and recognised as impairment losses						
91-180 days	**68**	**613**	**528**	36	294	266
> 180 days	**130**	**357**	**343**	43	160	145
Inactive contracts	**225**	**1,213**	**812**	138	609	421
Total	**819**	**9,273**	**8,425**	**470**	**7,574**	**7,140**

[1] 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	**2018**	2017
Provisions, 1 January	**954**	973
IFRS9 transition impact	**146**	-
Adjusted Provision, 1 January	**1,100**	973
Provision for potential losses	**173**	95
Withdrawals due to actual credit losses	**-79**	-97
Exchange rate differences	**5**	-17
Provisions, 31 December	**1,199**	**954**
Provisions as percentage of gross portfolio	**1.3**	**1.2**

The year's expenses for actual and potential credit losses amounted to SEK 181 m. (105).

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 -515 m. (-651). Estimated gross exposure to counterparty risks related to derivatives trading totalled SEK 838 m. (616). Estimated gross exposure to cash and cash equivalents and short-term investments amounted to SEK 8,834 m. (7,749). Short-term investments are deposited with various banks.

Scania had short-term investments worth SEK 5,537 m. (4,328) of which SEK 4,884 (3,083) consists of investments with a maturity of less than 90 days and SEK 652 m. (1,245) consisted of investments with a maturity of 91–365 days. In addition to short-term investments, Scania had bank balances worth SEK 3,297 m. (3,421).

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 six month. There shall also always be borrowings that safeguard the refinancing of the existing portfolio.

At the end of 2018, Scania's liquidity reserve, consisting of unutilised guaranteed credit facilities, cash and cash equivalents and short-term investments, amounted to SEK 41,136 m. (38,877).Scania's credit facilities include customary change in control clauses, which means that the counterparty could demand early payment in case of significant changes in ownership involving a change in control of the company.

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

Borrowings	**Total borrowings 2018**	**Ceiling 2018**	Total borrowings 2017	Ceiling 2017
European Medium Term Note Programme	**49,393**	**71,755**	33,872	49,157
Credit facility (EUR, SEK)	**-**	**32,302**	-	31,128
Commercial paper, Sweden	**50**	**10,000**	500	10,000
Commercial paper, Belgium	**3,188**	**10,251**	4,178	9,831
Bank loans	**19,557**	**-**	19,766	-
Total[1]	**72,188**	**124,308**	58,316	100,116

[1]Of the total ceiling, SEK 32,302 m. (31,128) consisted of guaranteed revolving credit facilities.
[2]Total borrowings excluded SEK 685 m. (375) related to accrued interest

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

Maturity structure of Scania`s borrowings	**2018**	2017
2018	**-**	18,447
2019	**29,237**	21,777
2020	**21,315**	9,650
2021	**13,250**	5,122
2022	**7,090**	3,303
2023	**494**	17
2024 and later	**802**	-
Total	**72,188**	58,316

[1] Total borrowings excluded SEK 685 m. (375) related to accrued interest and fair value adjustments on bonds for which hedge accounting was previously applied.

Maturity structure of derivates attributable to borrowings	2018 Derivates with positive value	2018 Derivates with negative value	2017 Derivates with positive value	2017 Derivates with negative value
2018	-	-	6	-
2019	1	-8	9	-3
2020	28	-2	25	-
2021	-	-83	-	-42
2022	10	-2	-	-5
2023	-	-	-	-
2024 and later	-	-	-	-
Total [1]	39	-95	40	-50

[1]Does not include accrued interest.

NOTE 29 Financial instruments

Financial assets in the Scania CV 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.. Fair value is established according to various levels, defined in IFRS 13, that reflect the extent to which market values have been utilised. Current investments and cash and cash equivalents are carried according to Level 1, i.e. quoted prices in active markets for identical assets, and amounted to SEK 1,005 m. (738). 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 carried under other non-current assets, other current assets, other non-current liabilities and other current liabilities and amounted to SEK -515 m. (-651) 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 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 836 m. (608) and SEK 1,260 m. (1,253). The amount that was not offset from each amount was SEK 662 m. (540).

Scania Group, 2018, SEK m.	Measured at fair value	Measured at amortized cost	Financial liabilities measured at amortized cost	**Total carrying amount**	**Total fair value**
Equtiy instruments	256		0	256	256
Non-current interest-bearing receivables	0	43,250	0	43,251	42,902
Current interest-bearing receivables	0	27,797	0	27,797	27,758
Non-interest-bearing trade receivables	0	9,071	0	9,071	9,071
Current investments and Cash and cash equivalents	1,005	7,828	0	8,834	8,834
Other non-current receivables[1]	274	25	0	299	299
Other current receivable[2]	564	8	0	572	572
Total assets	**2,099**	**87,980**	**0**	**90,080**	**89,682**
Non-current interest-bearing liabilities	0	0	42,951	42,950	43,016
Current interest-bearing liabilities	0	0	29,922	29,922	29,734
Trade payables	0	0	15,579	15,579	15,579
Other non-current liabilities [3]	372	0	0	372	372
Other current liabilites [4]	981	0	0	981	981
Total liabilities	**1,353**	**0**	**88,452**	**89,804**	**89,682**

[1] Financial instruments included in the balance sheet under “Other long-term receivables”, SEK 1,861 m.
[2] Financial instruments included in the balance sheet under “Other current receivables”, SEK 16,284 m.
[3] Financial instruments included in the balance sheet under “Other non-current liabilities”, SEK 5,066 m.
[4] Financial instruments included in the balance sheet under “Other current liabilities”, SEK 5,953 m.

Scania Group, 2017, SEK m.	Financial assets and financial liabilities carried at fair value via the income statement (”through profit and loss”)	Loan receivables and trade receivables	Other financial liabilities	Total carrying amount	Total fair value
Non-current interest-bearing receivables	-	37,218	-	37,218	37,463
Current interest-bearing receivables	-	23,452	-	23,452	23,267
Non-interest-bearing trade receivables	-	9,024	-	9,024	9,024
Current investments and Cash and cash equivalents	738	7,011	-	7,749	7,750
Other non-current receivables[1]	239	101	-	340	313
Other current receivable[2]	377	1	-	378	378
Total assets	**1,354**	**76,807**	**-**	**78,161**	**78,195**
Non-current interest-bearing liabilities	-	-	39,869	39,869	39,951
Current interest-bearing liabilities	-	-	18,822	18,822	18,733
Trade payables	-	-	14,016	14,016	14,016
Other non-current liabilities[3]	474	-	-	474	474
Other current liabilites [4]	793	-	-	793	793
Total liabilities	**1,267**	**-**	**72,707**	**73,974**	**73,967**

[1] Financial instruments included in the balance sheet under “Other long-term receivables”, SEK 1,488 m.
[2] Financial instruments included in the balance sheet under “Other current receivables”, SEK 5,721 m.
[3] Financial instruments included in the balance sheet under “Other non-current liabilities”, SEK 744 m.
[4] Financial instruments included in the balance sheet under “Other current liabilities”, SEK 4,494 m.

HEDGE ACCOUNTING
During 2018 Scania did not apply cash flow hedge accounting

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

NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS RECOGNISED IN THE INCOME STATEMENT
The table below shows the following items that are recognised in the income statement:

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

Net gains/losses	**2018**	2017
Financial assets and liabilities held for trading, carried at fair value	**-324**	-129
Loan and trade receivables[1]	**1,444**	196
Other financial liabilities	**-1,192**	-236
Total	**-72**	-169

[1] Also includes operating leases.

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

INTEREST INCOME AND EXPENSES ON FINANCIAL INSTRUMENTS
The table below shows interest income and interest expenses for all of Scania's financial assets and financial liabilities:

	2018	2017
Interest income on financial assets[1]	**3,641**	3,380
Interest expenses on financial liabilities[2,3]	**- 1,826**	-1,851
Total	**1,815**	1,529

[1] SEK 241 m. (252) consists of interest income generated from financial investments carried at fair value.

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

[3] SEK -843 m. (-681) 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 30 Shares and participations in subsidiaries

The following listing shows shareholdings owned directly and indirectly by the Parent company as of 31 December, 2018.

Company	Corporate ID no.	Registered office	Country	% Ownership
• **Vehicles and Services**				
DynaMate Industrial Services AB	556528-9286	Södertälje	Sweden	100
Fastighetsaktiebolaget Flygmotorn	556528-9112	Södertälje	Sweden	100
Fastighetsaktiebolaget Hjulnavet	556084-1198	Södertälje	Sweden	100
Fastighetsaktiebolaget Vindbron	556040-0938	Södertälje	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	80,00
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 Growth Capital AB	559090-6524	Södertälje	Sweden	90,10
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 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 Sverige AB	556051-4621	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
Sågverket 6 AB	556528-9062	Södertälje	Sweden	100
Vabis Försäkringsaktiebolag	516401-7856	Södertälje	Sweden	100
Vindbron Arendal AB	556822-2367	Södertälje	Sweden	100
TRATON AB	556528-9104	Södertälje	Sweden	100
Laxå Special Vehicles AB	556548-4705	Laxå	Swedn	90,10
Ferruform AB	556528-9120	Luleå	Sweden	100
CNC Factory AB	556387-4659	Värnamo	Sweden	100
TimmerLogistikVäst AB	556636-2959	Åmål	Sweden	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 Real Estate Belgium N.V.	BE0423.251.481	Neder-Over-Heembeek	Belgium	100
Scania BH d.o.o., Sarajevo	4200363460007	Sarajevo	Bosnia-Herzegovina	100
Santa Catarina Veículos e Serviços Ltda.	22.416.982/0001-30	Biguaçu	Brazil	100
Scania Administradora de Consórcios Ltda.	96.479.258/0001-91	Cotia	Brazil	99,99
Suvesa Super Veics Pesados Ltda.	88.301.668/0001-10	Eldorado do Sul	Brazil	99,98
Scania Botswana (Pty) Ltd.	CO.2000/6045	Gaborone	Brazil	100
Codema Comercial e Importadora Ltda.	60.849.197/0001-60	Guarulhos	Brazil	99,98
LOTS Latin América Logística de Transportes Ltda.	29.094.173/0001-06	São Bernardo do Campo	Brazil	100
Scania Latin America Ltda.	59.104.901/0001-76	São Bernardo do Campo	Brazil	100
Scania Bulgaria EOOD	BG121796861	Sofia	Bulgaria	100
Scania Real Estate Bulgaria EOOD	BG201589120	Sofia	Bulgaria	100
Scania Chile S.A.	96.538.460-K	Santiago de Chile	Chile	100
Lots Logistics (Guangxi) Co.Ltd	32956526-9	Beihai, Guangxi Province	China	100
Scania Sales (China) Co., Ltd.	110000450001661	Beijing	China	100
Scania Sales and Service (Guangzhou) Co., Ltd.	440101400126397	Guangzhou	China	100
Scania (Hong Kong) Ltd.	1205987	Hongkong	China	100

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania Colombia S.A.S.	900.353.873-2	Bogotá	Colombia	100
Scania Hrvatska d.o.o.	080213913	Zagreb	Croatia	100
Scania Czech Republic s.r.o.	CZ61251186	Praha	Czech Republic	100
Scania Real Estate Czech Republic s.r.o.	24196746	Praha	Czech Republic	100
Scania Danmark A/S	DK17045210	Ishøj	Denmark	100
Scania Danmark Ejendom Aps	33156332	Ishøj	Denmark	100
Scania Eesti AS	10238872	Tallinn	Estonia	100
Scania Real Estate Finland Oy	2559582-1	Helsinki	Finland	100
Scania Real Estate Holding Oy	2566377-5	Helsinki	Finland	100
Scania Suomi Oy	0202014-4	Helsinki	Finland	100
SOE Busproduction Finland Oy	26121679	Lahti	Finland	100
Scania France S.A.S.	307166934	Angers	France	100
Scania Holding France S.A.S.	403092786	Angers	France	100
Scania IT France S.A.S.	412282626	Angers	France	100
Scania Production Angers S.A.S.	378442982	Angers	France	100
Scania Real Estate France S.A.S.	78961241300011	Angers	France	100
B. + V. Grundstücksverwertungs-GmbH & Co. KG	HRA 3377	Koblenz	Germany	100
B. + V. Grundstücks- Verwaltungs- und Verwertungs-GmbH	HRB 2277	Koblenz	Germany	100
Scania CV Deutschland Holding GmbH	HRB 6077	Koblenz	Germany	100
SCANIA DEUTSCHLAND GmbH	HRB 532	Koblenz	Germany	100
SCANIA Real Estate Deutschland GmbH	HRB 23796	Koblenz	Germany	100
SCANIA Real Estate Deutschland Holding GmbH	HRB 23798	Koblenz	Germany	100
SCANIA Vertrieb und Service GmbH	HRB 20490	Koblenz	Germany	100
Scania West Africa Ltd.	CS450862014	Accra	Ghana	100
Scania Great Britain Ltd.	831017	Milton Keynes	Great Britain	100
Scania Real Estate (UK) Ltd.	7648886	Milton Keynes	Great Britain	100
Griffin Automotive Ltd.	27922106	Road Town	Great Britain	100
Scania Hungaria Kft.	10415577	Biatorbágy	Hungary	100
Scania Real Estate Hungaria Kft.	13-09-159119	Biatorbágy	Hungary	100
Scania Commercial Vehicles India Pvt. Ltd.	U35999KA2011FTC05698	Bangalore	India	100
SST Sustainable Transport Solutions India Private Ltd	U74999MH2017PTC29098	Nagpur	India	100
PT Scania Parts Indonesia	AHU-09655.40.10.2014	Balikpapan	Indonesia	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.	PO51426902Z	Nairobi	Kenya	100
Scania Real Estate Kenya Ltd	PVT-XYUME96	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.àr.l	B160795	Münsbach	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	100
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	879263662	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 Real Estate Polska Sp.z o.o.	435941	Nadarzyn	Poland	100
Scania Production Slupsk S.A.	KRS0000083601	Slupsk	Poland	100
Scania Power Polska Sp. z o.o.	517301	Warszawa	Poland	100
Scania Portugal S.A.	PT502929995	Santa Iria de Azóia	Portugal	100
Scania Investimentos Imobiliários S.A.	PT508948118	Vialonga	Portugal	100

Company	Corporate ID no.	Registered office	Country	% Ownership
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 Scania Service	1035006456044	Golitsino	Russia	100
OOO Scania-Rus	1025004070079	Golitsino	Russia	100
OOO Scania Peter	1027804908372	St. Petersburg	Russia	100
Scania Senegal SUARL	SN.DKR.2018B.25840	Dakar	Senegal	100
Scania Real Estate d.o.o. Beograd	20659874	Beograd	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.	1124773	Ljubljana	Slovenia	100
Scania South Africa Pty Ltd.	1995/001275/07	Aeroton	South Africa	100
Scania Korea Group Ltd.	110111-5304681	Seoul	South Korea	100
Scania Hispania Holding S.L.	B82853938	San Fernando de Henares	Spain	100
Scania Hispania S.A.	A59596734	San Fernando de Henares	Spain	100
Scania Real Estate Hispania, S.L.U.	B36682003	San Fernando de Henares	Spain	100
Scania Schweiz AG	CH-020.3.926.624-8	Kloten	Switzerland	100
Scania Real Estate Schweiz AG	CH-020.3.035.714-4	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 Group (Thailand) Co., Ltd.	0115560001383	Smutprakarn	Thailand	100
Scania Manufacturing (Thailand) Co., Ltd.	0115560001375	Smutprakarn	Thailand	100
Scania Nederland B.V.	27136821	Breda	The Netherlands	100
Scania Real Estate The Netherlands B.V.	50687921	Breda	The Netherlands	100
Scania Production Meppel B.V.	05046846	Meppel	The Netherlands	100
Scania IT Nederland B.V.	05062402	Zwolle	The Netherlands	100
Scania Logistics Netherlands B.V.	56552793	Zwolle	The Netherlands	100
Scania Production Zwolle B.V.	05020370	Zwolle	The Netherlands	100
Scania Middle East FZE	150175	Dubai	The United Arab Emirates	100
TOV Kyiv-Scan	35706433	Kyiv	Ukraine	100
TOV Scania Ukraine	30107866	Kyiv	Ukraine	100
TOV Scania-Lviv	37497108	Lviv	Ukraine	100
TOV Donbas-Scan-Service	34516735	Makijivka	Ukraine	100
Scania USA Inc.	06-1288161	San Antonio/ TX	United States	100
Scania Holding Inc.	4019619	Wilmington	United States	100
Scanexpo International S.A.	21.490591.0012	Montevideo	Uruguay	100
Scania de Venezuela S.A.	J-30532829-3	Valencia	Venezuela	100

- Financial Services

Scania Credit AB	556062-7373	Södertälje	Sweden	100
Scania Finance Holding AB	556548-4697	Södertälje	Sweden	100
Scania Finans AB	556049-2570	Södertälje	Sweden	100
Scania Finance Australia Pty Ltd.	609637596	Melbourne	Australia	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 Banco S.A.	CNPJ11.417.016/00011	São Bernardo do Campo	Brazil	100
Scania Corretora de Seguros Ltda.	CNPJ11.513.179/00105	São Bernardo do Campo	Brazil	100
Scania Finance Bulgaria EOOD	BG175108126	Sofia	Bulgaria	100
Scania Rent Bulgaria EOOD	175108126	Sofia	Bulgaria	100

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania Finance Chile S.A.	76.574.810-0	Santiago de Chile	Chile	100
Scania Credit (Hong Kong) Ltd.	1945045	Hongkong	China	100
Scania Finance Colombia S.AS.	901197448	Bogotá	Colombia	100
Scania Credit Hrvatska d.o.o.	80516047	Lucko	Croatia	100
Scania Finance Czech Republic spol. s r.o.	CZ25657496	Praha	Czech Republic	100
Scania Finance France S.A.S.	350890661	Angers	France	100
Scania Location S.A.S.	402496442	Angers	France	100
Scania Finance Deutschland GmbH	HRB 3917	Koblenz	Germany	100
Scania Versicherungsvermittlung GmbH	HRB 22831	Koblenz	Germany	100
Scania Finance Great Britain Ltd.	2173954	London	Great Britain	100
Scania Finance Magyarország Zrt.	13-10-040959	Biatorbágy	Hungary	100
Scania Lízing Kft.	13-09-107823	Biatorbágy	Hungary	100
Scania Finance Ireland Ltd.	482137	Dublin	Ireland	100
Scania Finance Italy S.p.A.	03333020158	Milano	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	Stara Wies	Poland	100
Scania Insurance Polska Sp.z o.o.	0000478529	Stara Wies	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	Moskva	Russia	100
OOO Scania Leasing	1027700203970	Moskva	Russia	100
OOO Scania Strachovanie	1127747003097	Moskva	Russia	100
Scania Leasing RD d.o.o.	21401625	Krnjesevci	Serbia	100
Scania Credit Singapore Pte.Ltd.	201816765C	Singapore	Singapore	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	San Fernando de Henares	Spain	100
Scania Finance Hispania EFC S.A.	A82853987	San Fernando de Henares	Spain	100
Scania Finance Schweiz AG	CH-020.3.029.627-6	Kloten	Switzerland	100
Scania Credit Taiwan Ltd.	54330725	Taipeh	Taiwan	100
Scania Siam Leasing Co. Ltd.	0105550082925	Bangkok	Thailand	100
Scania Finance Nederland B.V.	3446773	Breda	The Netherlands	100
Scania Insurance Nederland B.V.	1745773	Middelharnis	The Netherlands	100
TOV Scania Credit Ukraine	33052443	Kyiv	Ukraine	100

Dormant companies are not included.

NOTE 31 Changes in financial statements 2018

New accounting principles from 2018
As from 1 January 2018 the Group applies IFRS 9, “Financial Instruments” and IFRS 15, “Revenue from Contracts with Customers.

IFRS 9 has from 1 January 2018 replaced IAS 39, “Financial Instruments: Recognition and Measurement.” IFRS 9 contains different rules for classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting compared to IAS 39. For Scania the impact of the new standard refers to the impairment model and the requirement to consider expected credit losses when calculating loss allowances. Scania has chosen to apply IFRS 9 retrospectively without adjusting comparative figures. The impact of the transition 1 January 2018 refers to the impairment model and amounts to SEK 150 m. net after tax recognised in equity.

IFRS 15 has replaced IAS 18 Revenue and related interpretations. The core principle of IFRS 15 is that an entity shall 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 transition to IFRS 15 has been done based on the modified approach meaning that the comparative figures are not adjusted. Scania´s previously applied accounting principles regarding revenue, as described in the Annual report, was in line with the requirements in IFRS 15 and therefore Scania has no effect in equity on transition to IFRS 15.

Other new and revised standards and interpretations that have been applied from 1 January 2018 have not had any significant impact on Scania’s financial statements.

Sales with repurchase obligations
As from 2018 the Group has adopted the presentation of sales transactions with repurchase obligations to the Volkswagen Group’s accounting principles of such transactions. The change has only resulted in reclassifications in the balance sheet. The effect on the Group is not significant while the effect regarding internal sales transactions with repurchase obligations between the segments Vehicle and Services and Financial Services in the segments is greater. The new accounting principle have been applied retrospectively which means that comparative figures have been recalculated.

Reclassifications 2018
As from 2018 some reclassifications regarding the presentation in the income statement have been done. The reclassifications have been done as a result of adoption to the presentation of different costs in the Volkswagen Group. The reclassification has been done retrospectively which mean that comparative figures have been recalculated.

Presentation of the income statement
AS from 2018 the presentation of the income statement has changed due to an adoption to how the income statement is presented in the Volkswagen Group.

Changes in Income statement

Income statements 2017 Amounts in SEK m. unless otherwise stated	**Previous presentation income statement**	**Adjust to new presentation income statement**	**Re-classifications**	**Eliminations**	**Total**	**Notes**
Vehicles and Services						
Revenue	119,713	6,943		-3,290	123,366	
Cost of sales	-90,238	-4,487	-660	3,290	-92,095	a),b), d)
Gross income	29,475	2,456	-660	0	31,271	
Research and development expenses	-6,587	-	818		-5,769	a), d)
Selling expenses	-9,934	-1,101	-53		-11,088	a), c), d)
Administrative expenses	-1,794	-	-105		-1,899	a), b), c), d)
Other operating income	-	169	-		169	
Other operating expenses	-	-250	-		-250	
Operating income	**11,160**	**1,274**	**0**	**0**	**12,434**	
Financial Services						
Interest and lease income	6,731	-6,731			-	
Insurance commission	212	-212			-	
Interest and depreciation expenses	-4,487	4,487			-	
Interest surplus and insurance commission	*2,456*	*-2,456*			-	
Other income	169	-169			-	
Other expenses	-250	250			-	
Gross income	**2,375**	**-2,375**			**-**	
Selling and administration expeses	-996	996				
Bad dept expenses, realised and anticipated	-105	105			-	
Operating income	**1,274**	**-1,274**			**-**	
Operating income	**12,434**	**-**			**12,434**	
Interest income	583	-			583	
Interest expenses	-956	-			-956	
Share of income in associated companies and joint ventures	44	-			44	
Other financial income	171	-			171	
Other financial expenses	-194	-			-194	
Total financial items	-352	-			-352	
Income before taxes	**12,082**	**-**			**12,082**	
Taxes	-3,377	-			-3,377	
Net income	**8,705**	**-**			**8,705**	

Notes

a) IT cost previously presented as administration-, R&D- and selling expenses (SEK 134 m., 15 m., 1 m. respectively) now presented as cost of goods sold (SEK -150 m.)

b) Administration costs in Treasury SLA of SEK 23 m. now presented as cost of goods sold

c) Reclassification of costs for controlling function previously presented as selling expenses (SEK 44 m.), now presented as administration expenses.

d) Alignment with the Volkswagen Group regarding presentation of different types of costs resulting in costs previoulsly presented as R&D (SEK 803 m.) is now allocated to cost of goods sold (SEK -489 m.), Selling expenses (SEK -98 m.), Administration expenses (SEK -218 m.).

Sales with repurchase obligations

As from 2018 Scania applies the Volkswagen Group accounting concept for an internal buyback transaction between the Vehicle and Service segment and the Financial Services segment. Comparative figures or year-end have been reclassified according to the tables below.

The changed concept for internal transactions with repurchase obligations only have effects on the balance sheet. Under previoius accounting principles an internal buyback transaction resulted in a presentation of a net liability in the Vehicle and Service segment. However, in the income statment the deferred revenue and cost was presented gross on the same line items (Revenue and Cost of gods sold) as it will be under the concept applied as from January 2018. In Vehicle and Service segment the depreciation of the restated asset is presented as cost of goods sold which is the same presentation as how the cost of the sold vehicle was presented previously.

Scania Group - Balance Sheet

Amounts in MSEK	**Dec'17 before reclassification**	**Reclassification**	**Dec'17 after reclassification**	**Notes**
Non-current assets				
Intangible non-current assets	9 421		**9 421**	
Tangible non-current assets	29 711		**29 711**	
Lease assets	26 547	-731	**25 816**	**a)**
Shares and participations	587		**587**	
Interest-bearing receivables	37 218		**37 218**	
Other receivables	5 765		**5 765**	
Current assets				
Inventories	21 589		**21 589**	
Interest-bearing receivables	23 452		**23 452**	
Other receivables	15 300		**15 300**	
Current investments	1 245		**1 245**	
Cash and cash equivalents	6 504		**6 504**	
Total assets	177 339	-731	**176 608**	
Equity and liabilities				
Scania shareholders	49 904		**49 904**	
Non-controlling interest	15		**15**	
Total equity	49 919	0	**49 919**	
Non-current liabilities				
Interest-bearing liabilities	39 869		**39 869**	
Provisions for pensions	9 346		**9 346**	
Other provisions	6 498		**6 498**	
Financial liabilities, Buy Back external		4 270	**4 270**	**b)**
Other liabilities	15 792	-8 934	**6 858**	**b)**
Other liabilities, Buy Back external		3 575	**3 575**	**b)**
Current liabilities				
Interest-bearing liabilities	18 822		**18 822**	
Provisions	3 523	-123	**3 400**	**a)**
Financial liabilities, Buy Back external		1 095	**1 095**	**c)**
Other liabilities	33 570	-2 256	**31 314**	**a), c)**
Other liabilities, Buy Back external		1 642	**1 642**	**c)**
Total equity and liabilities	177 339	-731	**176 608**	

Vehicles and Services segment - Balance Sheet

Amounts in MSEK	Dec'17 before reclassification	Reclassification	Dec'17 after reclassification	Notes
Non-current assets				
Intangible non-current assets	9 391		**9 391**	
Tangible non-current assets	29 601		**29 601**	
Lease assets, Buy back external and Rental	12 294	-284	**12 010**	**d)**
Lease assets, Buy back internal		13 806	**13 806**	**e)**
Shares and participations	587	3 457	**4 044**	**f)**
Interest-bearing receivables	64		**64**	
Other receivables	5 211		**5 211**	
Current assets				
Inventories	21 589		**21 589**	
Interest-bearing receivables	243		**243**	
Other receivables	14 926		**14 926**	
Current investments	12 266		**12 266**	
Cash and cash equivalents	5 431		**5 431**	
Total assets	111 603	16 979	**128 582**	
Equity and liabilities				
Scania shareholders	42 643	3 457	**46 100**	**f)**
Non-controlling interest	15		**15**	
Total equity	42 658	3 457	**46 115**	
Non-current liabilities				
Provisions for pensions	9 275		**9 275**	
Other provisions	6 496		**6 496**	
Financial liabilities, Buy Back internal		6 968	**6 968**	**g)**
Financial liabilities, Buy Back external		4 270	**4 270**	**g)**
Other liabilities	14 995	-8 934	**6 061**	**g)**
Other liabilities, Buy Back internal		4 528	**4 528**	**g)**
Other liabilities, Buy Back external		3 575	**3 575**	**g)**
Current liabilities				
Provisions	3 459	-123	**3 336**	**d), e)**
Financial liabilities, Buy Back internal		2 807	**2 807**	**g)**
Financial liabilities, Buy Back external		1 095	**1 095**	**g)**
Other liabilities	34 720	-4 668	**30 052**	**e), g)**
Other liabilities, Buy Back internal		2 362	**2 362**	**g)**
Other liabilities, Buy Back external		1 642	**1 642**	**g)**
Total equity and liabilities	111 603	16 979	**128 582**	

Financial Services segment - Balance Sheet

Amounts in MSEK	Dec'17 before reclassification	Reclassification	Dec'17 after reclassification	Notes
Non-current assets				
Intangible non-current assets	30		**30**	
Tangible non-current assets	110		**110**	
Lease assets	16 665	-16 665	**0**	**h)**
Financial receivables	37 154		**37 154**	
Financial receivables, Buy Back internal		6 968	**6 968**	**h)**
Other receivables	554		**554**	
Other receivables, Buy Back internal		4 528	**4 528**	**h)**
Current assets				
Financial receivables	23 209		**23 209**	
Financial receivables, Buy Back internal		2 807	**2 807**	**h)**
Other receivables	1 691		**1 691**	
Other receivables, Buy Back internal		2 362	**2 362**	**h)**
Current investments	27		**27**	
Cash and cash equivalents	1 073		**1 073**	
Total assets	80 513	0	**80 513**	
Equity and liabilities				
Scania shareholders	7 261		**7 261**	
Total equity	7 261	0	**7 261**	
Interest-bearing liabilities	69 739		**69 739**	
Non-current liabilities				
Provisions for pensions	71		**71**	
Other provisions	2		**2**	
Other liabilities	797		**797**	
Current liabilities				
Provisions	64		**64**	
Other liabilities	2 579		**2 579**	
Total equity and liabilities	80 513	0	**80 513**	
Financing portfolio	77 028		**77 028**	

Note

a) Reclassification of provision relating to previous accounting where provisions were made for differences of market value and repurchase price. Also includes reclassification of Artificial price committments previously accounted for as other liabilities. The reclassification is reducing provisions and other liabilites as well as reducing leased assets.

b) Reclassification of previous recognised non-current liability into two parts, one part that is the prepayment (deferred revenue) and one part that is the committment value (repurchase price).

c) Reclassification of previous recognised current liability to one part that is the prepayment (deferred revenue) and one part that is the committment value (repurchase price) regarding external sold vehicles with repurchase commitment (i.e no internal transaction with the Financial Serviced segment).

d) Adjustment for provision regarding differences between market value and agreed repurchase price and other liabilites regarding artificial price committments.

e) In accordance with the Volksvagen Group buyback concept the vehicles is accounted for in Vehicle and Service, hence the vehicles have been moved from the Financial Services segment and added in the Vehicle and Services segment. Compared to the accounted value in the Financial Services segment the value has been adjusted for regarding internal profit, provision for differences between market value and agreed repurchase price and other liabilites regarding artificial price committments.

f) Restate regarding shares in owned entities in Vehicle and Service segment regarding subsidiaries in Financial Services segment.

g) Splitting current and non-current other liabilities into one part that is the prepaid revenue and one part that is the commitment value and further divided prepaid revenue and commitment value into current and non-current. Other liabilites also contained one part corresponding to internal profit which has been adjusted against leased asset, see comment e) above.

h) Under previous accounting policy Financial Services segment recognised the vehicle in a buyback transaction. After applying the Volkswagen Group buyback concept Financial Services no longer recognises the vehicle. Instead the amount paid initially for the vehicle is recognised as a receivable and are allocated to one part that is the prepayment and one part that is the repurchase committment which is the amount that Vehicle and Service segment will repurchase the car for in subsequent period. Those are further divided into a current and non-current part.

IFRS 9 - Transition

Effects on receivables as per 1 January 2018

	Presented under IAS 39 as per 31 December 2017		**Effect of transition to IFRS 9**	**IFRS 9 remeasured as of 1 January 2018**	
Category	Financial assets carried at fair value through profit and loss	Loan and trade receivables		Hold to collect	Hold to collect and Sell
Measurment	Fair value through profit and loss	Amortized cost		Amortized cost	Fair value through profit and loss
Assets					
Interest-bearing receivables		60 670	-154	60 516	
Non-interest bearing trade receivables		9 024	-66	8 958	
Current investments and Cash and Cash equivalents	738	7 011		7 011	738
Other receivables	616	102		102	616
Total	**1 354**	**76 807**	**-220**	**76 587**	**1 354**

Notes to the Parent Company financial statements

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

NOTE 1 Net sales

	2018	2017
Trucks	**64,908**	56,712
Buses	**6,198**	5,822
Engines	**2,226**	1,426
Gearboxes	**1,347**	1,134
Service-related products	**10,400**	8,977
Components	**4,582**	3,782
Other products	**290**	219
Total	**89,951**	78,072

Of the total net sales, SEK 89,951 m. (78,072), SEK 4,445 m. (3,960), is referable to sales within Sweden, SEK 56,554 m. (46,971) sales to countries within Europe and SEK 28,952 m. (27,141) sales to countries outside Europe. Sales to Group companies amounted to SEK 80,105 m. (68,099).

NOTE 2 Financial income and expenses

		2018	2017
Income from participations in group companies			
Sales of shares		**5**	0
Dividends received		**4,449**	4,745
Write-down of shares		**-728**	-1,228
Total income from participations in group companies		**3,726**	3,517
Income from participations in associated companies and other companies			
Dividends received		**-**	8
Write-down of shares		**-3**	-6
Total income from participations in associated companies and other companies		**-3**	2
Interest income and other financial income			
Interest income from Group companies		**703**	600
Interest income from others		**231**	165
Other financial income [1]		**-**	58
Total interest income and other financial income		**934**	823
Interest expenses and other financial expenses			
Interest expenses to Group companies		**-43**	-22
Interest expenses on borrowings		**-1,091**	-982
Interest on pension liabilities (PRI)		**-156**	-144
Adjustment marketvalue derivatives	**-27**		
Other interest bearing liabilities		**-58**	-
Other financial expenses [1]		**-121**	-104
Total interest expenses and other financial expenses		**-1,495**	-1,252
Net financial items		**3,162**	3,090

1) Exchange rate differences and unrealised gains of SEK 11,364 m. (3,049) and unrealised losses of SEK 11,368 m. (3,048) attributable to foreign exchange included net.

NOTE 3 Allocations

	2018	2017
Allocated to excess depreciation:		
Machinery and Equipment	**-230**	-550
Allocated to tax allocation reserve	**-592**	-455
Group contribution from subsidiaries	**691**	729
Group contribution to subsidiaries	**-225**	-112
Total	**-356**	-388

NOTE 4 Taxes

Tax income/expense for the year	**2018**	2017
Current tax	**-637**	-341
Deferred tax	**-16**	33
Total	**-653**	-308

Deferred tax is attributable to the following	**2018**	2017
Deferred tax related to temporary differences	**-16**	33
Deferred tax reated to new accounting principe	**2**	
Total	**-14**	33

Reconciliation of effective tax	**2018 Amount**	%	2017 Amount	%
Income before tax	**5,020**		4,530	
Tax calculated using Swedish tax rate	**-1,104**	**22**	-997	22
Tax effect and percentage influence:				
Tax-exempt dividends	**911**	**-14**	977	-15
Tax-exempt income	**0**	**0**	1	0
Non-deductible expenses	**-61**	**1**	-59	1
Tax on standard income concerning the tax allocation reserve				
Write down of shares	**-160**	**2**	-272	4
Valuation of deferred tax assets previously not recognised	**-20**	**0**	32	0
Taxable income	**-7**	**0**	10	-
Adjustment for taxes pertaining to previous years	**-212**	**3**	0	0
Tax recognised	**-653**	**10**	-308	5

Deferred tax assets and tax liabilities are attributable to the following:	**2018**	2017
Deferred tax assets		
Provisions for pensions	**398**	514
Warranty	**117**	18
Total deferred tax assets	**515**	532
Deferred tax liabilities		
Buildings and land	**-183**	-186
Total deferred tax liabilities	**-183**	-186
Net deferred tax liabilities	**332**	346

Reconciliation of net deferred tax liabilities	**2018**	2017
Carrying values 1 January	**346**	313
Deferred tax recognised in the year’s income	**-14**	33
Deferred tax liabilities, 31 December	**332**	346

NOTE 5 Depreciation/Amortisation

The operating income has been charged with depreciation/amortisation distributed by function according to the table below:

	2018	2017
Intangible fixed assets		
Cost of goods sold	**-11**	-4
Research and development expenses	**-15**	-22
Selling expenses	**-7**	-18
Administrative expenses	**-11**	-7
Total amortisation	**-44**	-51
Tangible fixed assets		
Cost of goods sold	**-1,809**	-1,650
Research and development expenses	**-199**	-235
Selling expenses	**-2**	-5
Administrative expenses	**-5**	-4
Total depreciation	**-2,015**	-1,894
Total depreciation/amortisation	**-2,059**	-1,945

NOTE 6 Intangible fixed assets

	Software	
	2018	2017
Accumulated acquisition value		
1 January	**403**	331
New acquisitions	**14**	50
Reclassification from tangible fixed assets	**17**	33
Divestments and disposals	**-20**	-11
Total	**414**	403
Accumulated amortisation		
1 January	**241**	196
Divestments and disposals	**-20**	-6
Depreciation for the year	**44**	51
Total	**265**	241
Carrying amount, 31 December	**149**	162

Of the reported value of capitalised software, none is related to internally developed assets.

NOTE 7 Tangible fixed assets

	Buildings and land	Machinery and equipment	Construction in progress
2018			
Accumulated acquisition value			
1 January	**5,573**	**27,335**	**2,277**
Additions	**30**	**233**	**2,440**
Merger	**145**	**72**	**-**
Reclassifications	**166**	**1,650**	**-1,815**
Reclassification to intangible fixed assets	**-**	**-**	**-17**
Divestments and disposals	**-**	**-1,845**	**-1**
Total	**5,914**	**27,445**	**2,884**
Accumulated depreciation			
1 January	**1,806**	**17,849**	-
Merger	**55**	**56**	
Additions	**-**	**4**	
Divestments and disposals	**-**	**-1,802**	-
Depreciation for the year	**154**	**1,861**	-
Reclassifications	**-**	**-**	-
Total	**2,015**	**17,968**	-
Accumulated revaluation			
1 January	**27**	**-**	
Total	**3,926**	**9,477**	**2,884**
Carrying amount, 31 December			
-of which Machinery		**7,463**	
-of which Special Tools		**720**	
-of which Equipment		**1,294**	

	Buildings and land	Machinery and equipment	Construction in progress
2017			
Accumulated acquisition value			
1 January	5,368	24,154	4,010
Additions	33	508	1,545
Reclassifications	214	3,043	-3,257
Reclassification to intangible fixex assets	-	-33	-
Divestments and disposals	-42	-337	-21
Total	5,573	27,335	2,277
Accumulated depreciation			
1 January	1,694	16,395	-
Divestments and disposals	-10	-318	-
Reclassifications	1	-1	
Depreciation for the year	121	1,773	-
Total	1,806	17,849	-
Accumulated revaluation			
1 January	27	-	-
Total	27	-	-
Carrying amount, 31 December	3,794	9,486	2,277
-of which Machinery		8,229	
-of which Equipment		1,257	

NOTE 8 Shares and participation

Subsidiary	Corporate ID number	Registered office	% Owner -ship [1]	Carrying amount 2018	Carrying amount 2017
DynaMate Industrial Services AB	556528-9286	Södertälje/Sweden	100	12	12
DynaMate IntraLog AB	556718-5409	Södertälje/Sweden	100	0	0
Fastighetsaktiebolaget Motorblocket	556716-6698	Södertälje/Sweden	-	-	0
Ferruform AB	556528-9120	Luleå/Sweden	100	150	150
Griffin Automotive Ltd	6569 78	Road Town/Great Britain	100	11	11
Laxå Specialvehicles AB	556548-4705	Södertälje/Sweden	90,1	55	0
LOTS group AB	556593-3057	Södertälje/Sweden	100	26	26
MW-hallen Restaurang AB	556616-7747	Södertälje/Sweden	100	2	2
Mälardalens Tekniska Gymnasium AB	556548-4754	Södertälje/Sweden	80	1	1
Qanadeel Al Rafidain Automotive Trading Co. LTD	7500	Erbil/Iraq	-	-	0
OOO Scania Rus	1025004070079	Golitsino/Russia	99,99	340	340
Scania (Malaysia) Sdn Bhd	518606-D	Kuala Lumpur/Malaysia	100	36	36
Scania Argentina S.A	30-517 424 30-3	Buenos Aires/Argentina	100	358	347
Scania Australia Pty Ltd	000537333	Melbourne/Australia	100	181	181
Scania Belgium SA-NV	BE0402.607.507	Neder-Over-Heembeek/Belgium	99.99	76	76
Scania Bosnia Hertzegovina d.o.o.	4200363460007	Sarajevo/Bosnien-Hercegovina	100	13	13
Scania Bulgaria EOOD	BG121796861	Sofia/Bulgaria	100	14	14
Scania Bus Financing AB	556728-9433	Södertälje/Sweden	100	0	0
Scania Central Asia LLP	84931-1910-TOO	Almaty/Kazakhstan	100	31	31
Scania Chile S.A.	96.538.460-K	Santiago/Chile	99.99	0	0
Scania Commercial Vehicles Pvt Ltd, India	CIN U35999KA2011 FTC056984	Bangalore/India	99.99	0	0
Scania Czech Republic s.r.o.	CZ61251186	Prague/Czech Republic	100	30	30
Scania del Peru S.A.	101-36300	Lima/Peru	3.6	15	15
Scania Delivery Center AB	556593-2976	Södertälje/Sweden	100	5	5
Scania Eesti AS	10238872	Tallin/Estonia	100	8	8
Scania Finance Czech Republic s.r.o.	CZ25657496	Prague/Czech Republic	100	158	158
Scania Finance Deutschland GmbH	DE811292425	Koblenz/Germany	100	299	299
Scania Finance Great Britain Ltd	02173954	London/ Great Britain	100	53	53
Scania Finance Hispania EFC S.A.	A82853987	Madrid/Spain	100	707	707
Scania Finance Holding AB	556548-4697	Södertälje/Sweden	100	427	427
Scania Finance Italy S.P.A	03333020158	Milano/Italy	100	227	227
Scania Finance Korea	6138127196	Kyoung Sang/South Korea	100	156	156
Scania Finance Luxembourg S.A.	20012217359	Luxembourg/Luxembourg	99.9	23	23
Scania Finans AB	556049-2570	Södertälje/Sweden	100	562	442
Scania Holding France S.A.S	403092786	Angers/France	99.99	478	478
Scania Group Thailand Co, Ltd	0115560001383	Bangkok/Thailand	99,99	15	15
Scania Growth Capital AB	559090-6524	Södertälje/Sweden	100	108	108
Scania Holding Europe AB	556017-7825	Södertälje/Sweden	100	0	0
Scania Holding Inc	4019619	Wilmington/USA	100	100	100
Scania Hungaria KFT	HU 10415577	Biatorbágy/Hungary	100	35	35
Scania IT AB	556084-1206	Södertälje/Sweden	100	62	62
Scania IT France S.A.S	412282626	Södertälje/Sweden	100	1	1
Scania IT Nederland B.V.	05062402	Zwolle/The Netherlands	100	2	2
Scania Japan Limited	0104-01-083452	Tokyo/Japan	100	0	0
Scania Korea Ltd	120111-0122515	Seoul/South Korea	-	-	-
Scania Korea Seoul Ltd	110111-5304681	Seoul/South Korea	100	44	44
Scania Kringlan AB	556053-7903	Södertälje/Sweden	100	5	5
Scania Latin America Ltd	59.104.901/0001-76	Sao Bernardo/Brazil	100	2,257	2,257
Scania Latvia SIA	LV000311840	Riga/Latvia	100	11	11
Scania Leasing RS d.o.o.	21401625	Belgrade/Serbia	100	7	-
Scania Logistics Netherlands B.V.	NL8521.82.697.	Zwolle/The Netherlands	100	9	9

	B.01				
Scania Luxembourg S.A.	LU165291-18	Münsbach/Luxembourg	99.96	25	25
Scania Industrial Maintenance AB	556070-4818	Södertälje/Sweden	100	49	49
Scania Makedonija d.o.o.e.l	7027532	Llinden/Macedonia	100	1	1
Scania Manufacturing (Thailand) Co, Ltd	0115560001375	Bangkok/Thailand	99,99	35	35
Scania Middle East FZE	150175	Jebel Ali Free zone/Dubai	100	2	2
Scania Omni AB	556060-5809	Södertälje/Sweden	100	3	3
Scania Overseas AB	556593-2984	Södertälje/Sweden	100	133	133
Scania Peter OOO	1027804908372	St.Petersburg/Russia	100	41	-
Scania Polska S.A.	5521-10-14-579	Warsaw/Poland	100	80	80
Scania Portugal S.A.	PT502929995	Santa Iria da Azóia/Potugal	100	110	110
Scania Power Polska SP.ZO.O.	517,301	Warsaw/Poland	100	2	2
Scania Production Meppel B.V.	05046846	Meppel/The Netherlands	100	96	96
Scania Production Slupsk S.A.	839-000-53-10	Slupsk/Poland	100	9	9
Scania Production Zwolle B.V.	05020370	Zwolle/The Netherlands	100	418	418
Scania Real Estate AB	556084-1180	Katrineholm/Sweden	-	-	28
Scania Real Estate Services AB	556593-3024	Södertälje/Sweden	100	915	915
Scania Romania S.r.L	J40/10908/1999	Bukarest/Rumania	99.99	21	21
Scania Sales and Services AB	556593-3073	Södertälje/Sweden	100	15,795	15,795
Scania Schweiz AG	CH-020.3.926.624-8	Kloten/Switzerland	100	166	166
Scania Senegal Suarl	SN.DKR.2018B 25840	Dakar/Senegal	100	0	-
Scania Siam Co., Ltd	3030112774	Bangkok/Thailand	99.99	95	30
Scania Singapore Pte Ltd	200309593R	Singapore/Singapore	100	9	9
Scania Slovenija d.o.o.	1124773	Ljubljana/Slovenia	100	35	35
Scania Srbia d.o.o.	17333321	Belgrad/Serbia	100	11	11
Scania Sverige Bussar AB	556060-0586	Katrineholm/Sweden	100	25	25
Scania Tanzania Ltd	39320	Dar Es Saalam/Tanzania	100	62	62
Scania Thailand Co Ltd	3011041239	Bangkok/Thailand	99.99	3	3
Scania Trade Development	556013-2002	Södertälje/Sweden	100	26	304
Scania Transportlaboratorium AB	556528-9294	Södertälje/Sweden	100	1	1
Scania Treasury AB	556528-9351	Södertälje/Sweden	100	67,073	55,073
Scania Truck and Buses	556267-1585	Södertälje/Sweden	100	68	68
Scania Ukraine LLC	30107866	Kiev/Ukraine	100	4	4
Scania USA Inc	06-1288161	San Antonio/USA	100	14	14
Scania Österreich GmbH	ATU66643000	Brunn am Geb/Austria	100	141	141
SOE Busproduction Finland OY	26121679	Lahti/Finland	100	19	19
Stockholms Industriassistans AB	556662-3459	Södertälje/Sweden	-	-	10
Traton AB	556528-9104	Södertälje/Sweden	100	6	0
UAB Scania Lietuva	123873025	Vilnius/Lithuania	100	10	10
Vabis Försäkringsaktiebolag	516401-7856	Södertälje/Sweden	100	100	100
Övriga				4	4
Shares in subsidiaries, carrying amount				**92,718**	80,728

[1] Refers to both proportion of equity and share of voting power.

Associated companies	Corporate ID number	Registered office	% Owner-ship [2]	**Carrying amount 2018**	Carrying amount 2017
Laxå Specialvehicles AB[3]	556548-4705	Laxå/Sweden		**-**	24
Stoxy solutions AB	559099-3910	Södertälje/Sweden	50	**1**	5
Shares in associated companies				**1**	29

[2] Refers to both proportion of equity and share of voting power.
[3] The company is classified as a subsidiary 2018.

NOTE 9 Inventories

	2018	2017
Raw materials, components and supplies	**1,716**	1,464
Work in progress	**573**	526
Finished goods	**7,638**	6,382
Total	**9,927**	8,372
Value adjustment reserve, 31 December	**-769**	-667

NOTE 10 Short and long-term interest-bearing receivables, Group Companies

	2018	2017
Receivables, Financial Services	**12,502**	8,354
Receivables, Vehicles and Service	**3,650**	3,448
Total	**16,152**	11,802

NOTE 11 Other short-term receivables

	2018	2017
Prepaid expenses and deferred income	**369**	229
Other short-term receivables	**1,307**	926
Total	**1,676**	1,155

As from 2018 the parent company applies IFRS 9 meaning that derivatives are measured at fair value. During 2018 the fair value of derivatives amounts to MSEK 512. 2017 the amortize cost for the derivatives amounted to MSEK 65. The market value was MSEK 370.

NOTE 12 Shareholders' equity

The shareholders' equity of the Parent company has changed as follows:

2018	Share capital	Stautory reserve	Revaluation reserve	Unrestricted shareholders equity	Total
1 January according to adopted balance sheet	100	20	27	41,751	41,898
Dividend				-4,353	-4,353
IFRS9 transition				2	2
Mergers				46	46
Net income for the year				4,367	4,367
Balance, 31 December	**100**	**20**	**27**	**41,813**	**41,960**

2017	Share capital	Stautory reserve	Revaluation reserve	Unrestricted shareholders equity	Total
1 January according to adopted balance sheet	100	20	27	37,529	37,676
Net income for the year				4,222	4,222
Balance, 31 December	**100**	**20**	**27**	**41,751**	**41,898**

Scania CV AB consists of a share capital of 1,000,000 shares with a nominal value of SEK 100 a piece.

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

Restricted equity consists of share capital and non-distributable equity. Scania CV AB has 1,000,000 shares outstanding with voting rights of one vote per share. The shares have the nominal value of SEK 100 a piece. 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.

Unrestricted equity consists of distributable funds and includes net income for the year. The income statement and balance sheet are adopted at the Annual Meeting. Legally required transfer to statutory reserve is not necessary.

The board decided on a dividend proposal of MSEK 9,500 for the financial year of 2018. Retained earnings amounting to MSEK 32,313 m. will therefore be carried forward.

NOTE 13 Untaxed reserves

	2018	2017
Accumulated excess depreciation		
Machinery and equipment	**4,050**	3,820
Total	**4,050**	3,820
Transfer to tax allocation fund		
Transferred at assessment 2018	**592**	
Transferred at assessment 2017	**455**	455
Transferred at assessment 2016	**845**	845
Transferred at assessment 2015	**448**	448
Total	**2,340**	1,748
Total	**6,390**	5,568

SEK 1,316 m. (1,147) of “Untaxed reserves” consists of a deferred tax liability, which is part of the Scania CV Group’s deferred tax liability but not the tax liability for the parent company.

NOTE 14 Provisions for pensions and similar commitments

Provisions for pensions consist mainly of the collectively agreed ITP plan, safequarded by credit insurance from the mutual insurance company Försäkringsbolaget PRI Pensionsgaranti or other insurance companies. There are a few, older obligations not safeguarded by credit insurance or pension fund.
During the year payments have been made to endowment insurances, the fair value of the insurances amounted to SEK 1,672 m (1,686) at year end, equal to the value of the pension obligation.

Specification of amounts recognised in the Balance sheet:	2018	2017
Present value of obligations (calculated according to Swedish principles)	**4,103**	3,745
Net liability in Balance sheet	**4,103**	3,745
Whereof PRI pensions	**3,926**	3,570
Whereof covered by the Act on the Safeguarding of Pension Obligations	**4,086**	3,728

The present value of provisions for pensions is calculated according to the Swedish principles stated in The Act on Safeguarding of Pension Obligations. These principles differ from IFRS projected unit credit method, among other things, by not taking into account expected salary and pension increases. Discount rate set by the Swedish Pension Registration Institute: 3,86% (3.84).

Change in net liability pertaining to pensions	2018	2017
Net liability at start of year	**3,745**	3,496
Expense recognised in the income statement	**515**	391
Pension payments	**-157**	-142
Net liability at end of year	**4,103**	3,745

Next year´s disbursement pertaining to defined-benefit pension plans totals SEK 171 m. (141).

Specification of expense and income for the period pertaining to pensions	2018	2017
Pension under own auspices		
Cost of earning pensions etc.	**359**	**247**
Interest expense (calculated discount effect)	**156**	**144**
Cost of pensions under own auspieces excl. taxes	**515**	391
Pension through insurance		
Insurance premiums or equivalent	**606**	506
Pension expense for year excl. taxes	**1,121**	897
Tax on returns from pensions funds	**3**	3
Special employer´s contribution on pension expenses	**250**	202
Expense for credit insurance	**17**	16
Pension expense for year	**1,391**	1,118
Percentage return on specially identified assets		

Interest expense is recognised in the net financial items, other expenses are recognised in operational items.

NOTE 15 Other provisions

2018	Product obligations	EU Commissions' investigation [1]	Miscellaneous provisions	Total
1 January 2018	944	**3,800**	**515**	**5,259**
Provisions during the year	751	**0**	**126**	**877**
Provisions used during the year	-628	**0**	**-22**	**-650**
Provisions reactivated during the year	-232	**0**	**-43**	**-275**
31 December 2018	835	**3,800**	**576**	**5,211**

2017	Product obligations	EU Commissions' investigation [1]	Miscellaneous provisions	Total
1 January 2017	919	**3,800**	**1,283**	**6,002**
Provisions during the year	917	**0**	**85**	**1,002**
Provisions used during the year	-695	**0**	**-853**	**-1,548**
Provisions reactivated during the year	-197	**0**	**0**	**-197**
31 December 2017	944	**3,800**	**515**	**5,259**

Provisions for factory warranties on vehicles sold during the year are based on the terms of factory warranties and the projected quality situation. For other product obligations, the provisions reflected the net amount of funds set aside and provisions used. Of the above provisions, about SEK 694 m. (733), are expected to be utilised within twelve months.

1 Provisions related to the European Commissions´competition investigation

NOTE 16 Borrowings

Short- and long-term borrowings distributed by currency[16]

	2018	2017
SEK **25,906**		20,554
EUR	**33,228**	25,624
Other currencies	**3,874**	663
Total	**63,008**	48,841

1 Does not take into account any currency hedging that has been used to match the borrowing per currency towards the financing need per currency.

The above loans fall due for repayment as follows:

2019	**24,196**
2020	**18,519**
2021	**15,166**
2022	**3,910**
2023	**449**
2024 and later	**768**
Total	**63,008**

For further information on Scania CV AB's borrowing program and financial risk management, see Note 22.

NOTE 17 Accrued expenses and prepaid income

	2018	2017
Accrued employee-related expenses	**3,567**	**3,045**
Other	**678**	**669**
Total	**4,245**	**3,714**

NOTE 18 Contingent liabilities

	2018	2017
Loan guarantees	**6,924**	10,471
Other guarantees	**86**	102
Total	**7,010**	10,573
Of which, on behalf of Group companies	**6,924**	10,471

NOTE 19 Wages, salaries and other remuneration and number of employees

Wages, salaries and other remuneration	**2018**	2017
Boards of Directors, Presidents and Executive Officers	**97**	**92**
-of which, bonuses	**62**	57
Other employees	**6 964**	**6,158**
Total	**7 061**	6,250
Pension costs and mandatory payroll fees	**3 865**	3,132
- of which, pension costs	**981**	768
Total wages, salaries and remuneration pension costs and mandatory payroll fees	**10 926**	9,382

Average number of employees (excl. Temporary staff)	**2018**	2017
Operations in Sweden		
Average number of employees	**14 325**	12,729
- of whom men	**10 870**	9,777
- of whom women	**3 455**	2,952
Operations outside Sweden		
Number of countries	**1**	1
Average number of employees [1]	**721**	653
- of whom men [2]	**452**	399
- of whom women [3]	**269**	254
Average total number of employees	**15 046**	13,382

[1] Whereof Belgium 717 (653)
[2] Whereof Belgium 452 (399)
[3] Whereof Belgium 265 (254)

Number of employees on 31 December	**2018**	2017
Production operations and corporate staff units	**18 869**	17,738
-Temporary staff	**2 371**	3,220

Gender distribution	**2018**	2017
Board members	**9**	6
- of whom men	**6**	5
- of whom women	**3**	1
Executive officers	**9**	8
- of whom men	**6**	8
- of whom women	**3**	0

NOTE 20 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.

	2018		2017	
	PwC	Other Auditors	PWC	Other Auditors
Auditing assignments	**5**	**0**	6	0
Auditing activities beyond auditing assignments	**1**	**0**	1	0
Tax consultancy	**0**	**0**	1	0
Other services	**1**	**0**	0	0
Total	**7**	**0**	8	0

NOTE 21 Effect of exchange rate differences on net income

Net income for the year was affected by exchange rate differences (excluding flow-related forward contracts) as shown in the table below:

	2018	2017
Net sales	**900**	-50
Cost of goods sold	**-493**	-136
Operating income	**407**	-186
Financial income and expenses	**-4**	1
Effect on the net income for the year	**403**	-185

The amounts above refer to exchange rate gains minus exchange rate losses on the difference between the invoicing exchange rate and the exchange rate on the payment date, on receivables and liabilities.

NOTE 22 Financial instruments and financial risk management

Scania CV's treasury operation is partly included in Scania CV AB, which means that parts of the financial risks are managed within the parent company. A detailed description of financial instruments and financial risk management can be seen in Note 28 and in Note 29 for Scania CV Group.

Currency risk
A large part of Scania CV's total commercial flows of payments in foreign currencies take place within Scania CV AB, which give rise to currency risks. Hedging of currency flows is managed by the treasury operation. According to Scania's policy, future currency flows may be hedged with a hedging period varying between 0 and 12 months. Maturity over 12 months is decided by the Board of Directors. When currency risks are hedged, currencies are mainly sold by means of forward contracts, but currency options may also be used. During 2018, no currency flows were hedged.

Interest rate risk
Please see Note 28 for the Scania CV Group, for a more extensive description of interest rate risk within Scania. Borrowings within Scania CV AB are mainly used for investments in shares in subsidiaries and for loans to subsidiaries.

At year-end, the external loan portfolio within Scania CV AB amounted to SEK xxx m. (46,771) and loans from entities within the Scania CV Group amounted to SEK xx m. (12,619). Hereafter, only the external loan portfolio will be described. The average interest rate refixing period at year end was less than x (6) months. Borrowing occurs largely at the corporate level in a small number of currencies. By means of currency swaps, these loans are then converted to the desired currencies.

	Borrowings including currency swaps [1]	Borrowings excluding currency swaps [1]
EUR	**49,803**	**33,157**
GBP	**4,799**	**-**
RUB	**3,278**	**-**
DKK	**1,789**	**-**
USD	**3,226**	**-**
NOK	**1,464**	**722**
SEK	**8,901**	**25,822**
Other	**7,091**	**2,848**
Total[2]	**62,549**	**62,549**

[1]Including currency and interest derivatives
[2]Total borrowings exclude accrued interests of SEK 459 m.(70).

The interest rate refixing related to the credit portfolio and borrowings in Financial Services is shown in the corresponding table in Note 28 for the Scania CV Group.

Credit risk
See Note 28 for the Scania CV Group, for a more extensive description of the credit risk within Scania CV. The receivables of Scania CV AB amounted to SEK xx m. (18,745), whereof SEK xx m. (17,717) receivables within the Scania CV Group.

The administration of the credit risks that mainly arise in corporate treasury operations, among other things when investing liquidity and in derivatives trading, is regulated in Scania CV's financial policy. Transactions occur only within established limits and with selected, creditworthy counterparties. "Creditworthy counterparty" means that the counterparty has received an approved credit rating from Standard and Poor's and/or Moody's. To further limit credit risk, the volume of exposure allowed per counterparty is limited, depending on the counterparty's credit rating. Net exposure to counterparty risk, which are not Scania CV entities, related to derivatives trading, amounted to SEK xx m. (-645) as per 31 December 2018. Estimated gross exposure to counterparty risk, which are not Scania CV, entities related to derivatives trading, amounted to SEK xx m. (608). As per 31 December 2018, the gross exposure of liquidity amounted to SEK xx m. (2,599).

For information for the Financial Service segment on the portfolio, concentration of credit risk, timing analyses of the portfolio and provisions for bad debts, see the corresponding note for Scania CV Group.

For information on receivables from customers, timing analyses on the portfolio and provisions for bad debts, see the corresponing note for Scania CV Group.

Refinancing risk

See Note 28 for the Scania CV Group, for a detailed description of refinancing risk within Scania CV.

External borrowing and ceiling, SEK m.	**Total borrowing 2018**	**Ceiling 2018**	Total borrowing 2017	Ceiling 2017
European Medium Term Note Programme	**49,393**	**71,755**	33,872	49,157
Credit facility (EUR)	**-**	**32,302**	-	31,128
Commercial paper, Sweden	**50**	**10,000**	500	10,000
Commercial paper, Belgium	**3,188**	**10,251**	4,178	9,831
Other bonds and loans	**9,918**	**-**	8,221	-
Total [1]	**62,549**	**124,308**	46,771	100,116

1. Of the total amounts guaranteed credit promises SEK 32,302 m. (31 128).
2. Total borrowings exclude accrued interests of SEK 459 m. (70).

Aside from safeguarding access to credit facilities, Scania CV AB controls its refinancing risk by diversifying the maturity structure of its borrowing portfolio. The maturity structure of Scania CV AB can be found in Note 16.

Fair value of financial instruments
See Note 29 Scania CV Group, for a detailed description of principles and methods used when establishing the fair value of financial instruments.

	2018	
Assets	**Carrying amount**	**Fair value**
Equity instruments	**116**	**116**
Non-current interest-bearing receivables	**0**	**0**
Current interest-bearing receivables	**0**	**0**
Non-interest-bearing trade receivables	**1,069**	**1,069**
Cash and cash equivalents	**3,524**	**3,524**
Other non-current receivables	**239**	**239**
Other current receivables	**512**	**512**
Total assets	**5,460**	**5,460**
Liabilities		
Non-current interest-bearing liabilities	**38,812**	**38,982**
Current interest-bearing liabilities	**24,196**	**24,232**
Trade payables	**10,764**	**10,764**
Other non-current liabilities	**294**	**294**
Other current liabilities	**836**	**836**
Total liabilities	**74,902**	**74,902**

	2017	
Assets	**Carrying amount**	**Fair value**
Non-current interest-bearing receivables	0	0
Current interest-bearing receivables	0	0
Non-interest-bearing trade receivables	1,229	1,229
Cash and cash equivalents	2,599	2,599
Other non-current receivables	10	10
Other current receivables	65	65
Total assets	**3,903**	**3,903**
Liabilities		
Non-current interest-bearing liabilities	34,669	34,669
Current interest-bearing liabilities	12,215	12,215
Trade payables	9,770	9,770
Other non-current liabilities	21	21
Other current liabilities	91	91
Total liabilities	**56,723**	**56,766**

Accounting and valuation
Net gains and losses on financial instruments accounted in the income statement and interest income/expenses on financial instruments, see Note 29 Scania CV Group.

NOTE 23 Related party

The parent company has a related party relationship with its subsidiaries. Please see note 8.

Related party relationship		**Revenue**	**Expenses**	**Liabilities**	**Receivables**
Subsidiary	2018	80,105	18,553	11,977	24,335
	2017	68,099	16,722	10,898	19,615
Associated companies	2018	156	839	0	23
	2017	154	984	43	30
Other related parties	2018	1,350	526	3,312	2,214
	2017	1,135	248	3,277	1,160
Parent company	2018			1,568	
	2017	-	-	1,567	-

Prices for transactions with related parties are adjusted to conditions on the market. See also note 24 Compensation to executive officers and the note 25 Related party transactions for the Scania CV Group. Within Other related parties are Volkswagen AG and other VW Group companies included.

NOTE 24 Compensation to executive officers

The principles for compensation and pension to the executive officers, salary, pension and other remunerations to the President and CEO and termination conditions for executive board, see Note 26 Scania CV group.

NOT 25 Sustainability report in accordance with the Swedish Annual Accounts Act

Scania CV AB, subsidiary to the parent company Scania AB (corporate identity number, 556184-8564) with domicile in Södertälje, Sweden, refers to the Sustainability report in accordance with the Swedish Annual Accounts Act of the parent company and the group which is available on www.scania.com at the publication of this report.

Proposed distribution of earnings

The board decided on a dividend proposal of SEK 9,500 m. for 2018.

Amounts in SEK m.	
Retained earnings	37,446
Net income for the year	4,367
Total	**41,813**
shall be distributed as follows:	
To the shareholders, a dividend of SEK m.	9,500
To be carried forward	32,313
Total	**41,813**

After implementing the proposed distribution of earnings the equity of the Parent Company, Scania CV AB, is as follows:

Amounts in SEK m.	
Share capital	100
Statutory reserve	20
Revaluation reserve	27
Retained earnings	32,313
Total	**32,460**

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 14 March 2019. 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 14 March 2019.

Södertälje, 14 March 2019

Andreas Renschler
Chairman of the Board

Nina Macpherson
Board member

Markus S.Piëch
Board member

Stephanie Porsche-Schröder
Board member

Christian Schulz
Board member

Peter Wallenberg Jr
Board member

Henrik Henriksson
Board member
President and CEO

Lisa Lorentzon
Board member
Employee representative

Michael Lyngsie
Board member
Employee representative

Our auditiors' report was submitted on 14 March 2019

PricewaterhouseCoopers AB

Bo Karlsson
Authorised Public Accountant

Björn Irle
Authorised Public Accountant