Scania CV AB (publ)

Annual Report 2020

Swedish corporate identity number 556084-0976

Contents

The Financial statements encompass pages 23-108 and were prepared in compliance with International Financial Reporting Standards (IFRS).

The Report of the Directors encompasses pages 3-22 and 109.

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, 2020

- Operating income for 2020 amounted to SEK 8,887 m (17,488) with an operating margin of 7.1 percent (11.5).
- Net sales in the Vehicles and Services segment, decreased by 18 percent to SEK 120,590 m. (147,557) Currency rate effects had a negative impact on sales of 4 percent.
- New vehicles sales revenue decreased by 28 percent. Sales were negatively influenced by lower volumes due to Covid 19 and negative currency effects. Power solutions sales revenue decreased with 1 percent.
- During 2020 Scania delivered 66,899 (91,680) trucks, a decrease of 27 percent. Bus deliveries decreased by 33 percent to 5,186 (7,777) units. Power solution deliveries increased by 8 percent to 10,991 (10,152) units.
- Service revenue decreased by 6 percent and amounted to SEK 27,132 m. (28,971). Lower volumes and currency effects had a negative impact..
- Financial Services reported an operating income of SEK 1,123 m. (1,511). This was equivalent to 1,1 (1.6) percent of the average portfolio during the year. Negative currency effects and lower margins had a negative impact on earnings, which was partly offset by a higher average portfolio.

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.

MARKET TRENDS AND PERFORMANCE 2020
2020 was dominated by the effect of the global outbreak of Covid-19, impacting people and businesses all over the world. For Scania, the first half of the year saw lower demand and decreased production due to component shortages and disruptions in the supply and logistics chain as a result of the Covid-19 virus outbreak, impacting both sales and profitability negatively. The negative effects were mitigated by powerful cost saving measures and an increase in production in the second half of 2020 as demand for trucks picked up strongly, while demand for buses and coaches remained weak. Despite the impact of the pandemic we remained focused on our sustainable strategy, and in September we launched our first fully electric truck range.

Vehicles and services
Scania's vehicle deliveries decreased in 2020 compared to 2019 by 28 percent, with lower volume in all markets except for Asia. Truck deliveries decreased by 27 percent to a total of 66,899 units and bus and coach deliveries decreased by 33 percent to 5,186 units. Power solutions deliveries increased by 8 percent to 10,991 units. Our service business is stable and in 2020 sales decreased by only 3 percent in local currency to SEK 27,132m.

The truck market
The impact of the pandemic resulted in a sharp drop in demand for trucks in the first half of 2020. However, demand picked up significantly in the second half of the year, and is currently very strong in most regions. In 2020, Scania's total truck deliveries decreased by 27 percent to 66,899 units, compared to 91,680 units in 2019.

In the third quarter of 2020, Scania unveiled its range of electrified trucks, a milestone in the ambition to lead the shift towards a sustainable transport system. Electrification of the heavy commercial truck fleet is crucial to achieving the Paris Agreement target of limiting global warming to below 2°C.

Europe
Order bookings in Europe decreased to 43,494 from 45,831 in 2019, a decrease of 5 percent. Demand increased in several major European markets such as France, Portugal and Spain, which was partly offset by increases in Poland, Austria and Sweden.

Scania's deliveries in Europe decreased by 38 percent in 2020 compared to 2019, and totalled 36,747 trucks.

For the fourth year in a row, Scania's R 450 won Germany's prestigious Green Truck Award 2020 as the most fuel-efficient and sustainable commercial vehicle in its class.

The total market for heavy trucks in 27 of the European Union member countries (all EU countries except Malta) plus Norway, Great Britain, Switzerland and Iceland decreased by about 28 percent to about 230,800 units in 2020, compared to about 322,300 units in 2019.Scania truck registrations amounted to some 37,400 units, equivalent to a market share of about 16.2 (18.7) percent.

Latin America
Order bookings in Latin America fell steeply in the first half of 2020 but then rose sharply from the third quarter of 2020, mainly related to higher demand in Brazil. The total for order bookings in Latin America in 2020 amounted to 20,707 trucks compared with 17,709 in 2019, an increase of 21 percent.

Scania's truck registrations in Brazil amounted to 8,700 units, equivalent to a market share of about 12,9 percent.

Scania's truck deliveries in Latin America decreased by 18 percent in 2020, and amounted to 12,173

(14,905) trucks.

Eurasia, Asia, Africa and Oceania
In Eurasia, order bookings rose by 65 percent compared with 2019 and amounted to 10,049 trucks, an upturn that was primarily related to Russia. Deliveries decreased by 11 percent to 5,148 trucks.

In Asia, order bookings rose by 27 percent to 10,250 trucks. The increase was related to Turkey, China and Taiwan, which was partly offset by India. Deliveries rose by 18 percent to 9,072 trucks.

In Africa and Oceania, order bookings decreased by 3percent compared with 2019 and amounted to 4,408 units, mainly related to New Zeeland. Deliveries decreased by 16 percent to 3,759 trucks.

In the third quarter Scania decided to close down its operations in the regional product centre in Bangkok in Thailand. Trucks for the Thai market in the future will be supplied from Scania's other production units.

The bus and coach market
The global bus and coach market was severely affected by the pandemic in 2020. Demand for coaches and tourist buses essentially came to a standstill, while demand was at low levels in urban traffic and public transport.

Scania's bus and coach deliveries in 2020 totalled 5,186 units compared with 7,777 in 2019, a decrease of 33 percent. In Europe, deliveries decreased by 13 percent compared with 2019 to1,827 units. In Latin America, deliveries decreased by 36 percent to 2,182 units. In Asia, deliveries decreased by 45 percent to 582 units, while deliveries of buses and coaches in Africa and Oceania decreased to 511 units. Deliveries to Eurasia decreased to 84 units.

In Europe, Scania's market share for buses and coaches was around 6.7 percent for in 2020 compared with a 6.3 percent share in 2019.

Due to the current market situation, Scania has decided to stop serial production of buses and coaches at the plant in Lahti, Finland. The unit will continue to serve as a centre for Scania's development of new buses and coaches and for parts management.

Power solutions
In Power solutions, the business area formerly known as Engines, demand remains strong compared to 2019. The name change is in line with the development that is also taking place in this business area, where electrified solutions are complementing the range of combustion engines.

Engine deliveries in 2020 totalled 10,991 units compared with 10,152 in 2019, an increase of 8 percent. The increase was primarily related to South Korea and China.

Services
Despite the impact of the pandemic, our service business remained relatively stable in 2020, with overall revenue dipping only slightly to SEK 27 132 m., a decrease of 6 percent compared with 2019. Lower volume in most markets impacted revenue negatively. In local currencies, revenue decreased by 3 percent.

In Europe, service revenue decreased by 2 percent compared with 2019 to SEK 14,914m. There were also decreases in Latin America (down 23 percent to SEK 2,554 m.) Eurasia (down 16 percent to SEK 829 m.), Asia down 8 percent to SEK 2,606 m.) and Africa and Oceania (down 10 percent to SEK 1,724 m.).

Service demand is boosted by the data from more than 485,000 connected vehicles, which allows Scania to keep tailoring service packages to customers, based on how they use their vehicles. About 57 percent of the rolling fleet of trucks and buses in Europe are connected. Other parts of the world are following. The development of smart maintenance services in the form of Scania Flexible Maintenance continues and now has more than 124,000 vehicles subscribed.

Financial services
The impact of the pandemic was mainly visible in the first half of the year and the number of customers in need of re-scheduling their financial contracts increased. During the third and fourth quarters, the re-scheduling returned to normal levels and the vast majority of customers returned to previous payment plans.

At the end of 2020, Scania's customer finance portfolio amounted to SEK 95.4 bn, which was SEK 8.3 bn lower than the end of 2019. In local currencies, the portfolio increased by SEK 1.1 bn. The penetration rate was 40.4 (41.9) percent in those markets where Scania has its own financing operations. Operating income in Financial Services decreased to SEK 1,123 m. (1,511 m.) in 2020, down 26 percent from its previous record level in 2019. Negative currency effects and lower margins were partly offset by a higher average portfolio during the period. Operating expenses decreased mainly due to cost savings, partly offset by project costs and increased personnel during the second half of previous year. Bad debt expenses increased mainly related to an expected deteriorated payment ability among customers.

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. In 2020 Scania implemented new global minimum standards for employees, including an Employment Policy and a Human Rights Policy. 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 and inclusive work groups, reflecting diversity in areas such as gender, ethnicity, background and skills, are key to success and therefore aims to work for a more diversified workforce in all of its operations.

The safety and health of all Scania employees is a top priority. Scania prevents work-related injuries and ill health, and promotes well-being at work by creating good working conditions. We work together with employees to continuously improve standards of health and safety in our workplaces. In this way, Scania has been able to maintain low levels of employee turnover and to maintain a high level of attendance over the years, amounting to 96.4 percent in 2020.

The Covid-19 pandemic required great focus on safeguarding our employees, minimising the risk for virus transmission while keeping operations and activities going both on site and at home. This brought with it new demands, but also new possibilities as digitalisation and new ways of working were accelerated.

Globally, different government furlough schemes were launched to support companies financially during the pandemic. This allowed employees to dedicate time they would have otherwise spent working to other activities, such as supporting local healthcare initiatives or developing competencies. In Sweden, in dialogue with the unions, Scania employees were encouraged to use up to 50 percent of their furloughed time for competence development through easy-to-start training packages. These included our Digitalization and Electrification learning paths, each of which had around 1,500 Scania employees taking part..

Production

In January the constraints in supply chain cause by the outbreak of the covid-19 virus in China triggered crises mode. The situation got even worse with the lock down in Italy but was still in control. By end of March 2020 the covid-19 virus outbreak and the extraordinary social measures taken to reduce the spread of infection made Scania's delivery capacity increasingly limited, due to component shortages and disruptions in the supply and logistics chain. A decision to stop Scania's European production was taken at the end of March, which was then followed by a structured shutdown of remaining truck production globally. After a complete stop for 20 days in Scania's global truck production a cautious restart began at low levels in April reaching full capacity end of May. In the second half of 2020 the production capacity increased to higher levels than before the shutdown in the first half, however still affected by the covid-19 virus with extra manning to coop with higher absence caused by sickness, quarantine as well as regulations and constraints in the supply chain.

Extensive measures to address structural cost were initiated in the second quarter and reviewing

Scania's industrial and commercial operations led to the decision to close down the bus and coach production in Lahti, Finland and the regional product centre in Bangkok, Thailand.

In 2020, Scania took a major step forward in its expansion into the Asia with the establishment of a wholly-owned truck production facility in Rugao in Jiangsu Province, 150 km northwest of Shanghai. The construction of the new site is planned to start during 2021. The investment is part of Scania's strategy to expand operations in China into a full-scale unit in the company's global production and supplier structure.

During the year Scania also announced an investment of over 1 billion SEK in a battery assembly plant in Södertälje, Sweden. The plant will support the rapid expansion of Scania's electrified range of trucks, buses and engines.

To support the production of Scania's new powertrain platform, Scania has put into operation several new production facilities, including a foundry, new lines for engine assembly for the CBE-1 and the new gearbox GW.

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 2020, Scania invested SEK 6.5 bn in research and development (7.2), which corresponded to 5 percent of net sales.

Scania benefits from the synergies as part of the TRATON GROUP. The group's deep pool of technical expertise boosts innovation and drives cost efficiency, while its financial muscle means Scania can invest early in new innovations and bring ideas to market quickly.

RISK AND RISK MANAGEMENT

Purpose of Risk management within Scania

As a company, Scania is continuously exposed to risks that, if not properly managed, may impact the opportunity to drive the shift towards a sustainable transport system, to execute its strategies and to achieve our objectives. Such matters pose risks to Scania and may involve a broad range of topics spanning from cyber security to supplier capacity, product launch and matters related to responsible business e.g. environmental, governance and social issues. Negative impacts can be avoided, or at least minimised, if they are proactively identified and properly managed. A systematic approach to risk management enables Scania to maintain focus on its core business, its customers and identify opportunities while spending less time and effort on remediating unwanted situations.

The risk management process also enables informed decision making and effective risk management and risk reporting

How we drive risk management within Scania

On behalf of Scania's Board of Directors, the Executive Board has the overall responsibility for risk management within Scania.
However, as the business operations are exposed to risks that need to be managed,they are responsible for identifying and assessing key risks, assuming risk ownership and managing risks, as well as periodically reporting risks to the Executive Board via the central support function Group Risk Management.

Scania Group promotes a risk awareness culture which is characterised by openness and encourages people throughout the organisation to speak up and discuss the risks the Group is facing. Transparency is fundamental for dealing effectively with risks and avoiding blind spots, i.e. risk which remain undetected and therefore are not addressed properly. As a principle, all management across the organisation is responsible for managing risks within its area of responsibility.

Risk management at Scania is performed in accordance with the Scania Group Policy on Risk management and supporting instructions.

Risk process

The risk process ensures that Scania has a transparent, systematic and hands on approach to risk management.
The aim of the risk process is for each entity within Scania to gain a greater understanding of which their important risks are, and how such risks are managed. The purpose is also to establish a shared view of important short-term and long-term risks throughout the Scania Group.

To ensure consistency in the assessment of the risks identified, pre-defined risk categories (Strategic, Financial, Legal & Compliance and Business risks), sub-categories and risk assessment criteria are established that help organise consistent identification, assessment, analysis, and monitoring of risks.

The recurrent risk process consists of four phases: identify, assess, respond, and follow-up and report.

The first step, **identify**, involves identifying risks of targets not being achieved and emerging risks. Secondly, the identified risks shall be **assessed** in terms of probability of occurrence and potential financial, reputational and legal impact in order for the appointed risk owner to be able to prioritise risks for further analysis. The following analysis is the basis for evaluating response options as part of the third step, **respond**, as well as to design and implement risk response plans. The final step, **follow-up and report**, is to monitor the implementation and status of the risks to ensure that the risks response is effective.

The process run through an annual workshop and additionally updates and reports on a quarterly basis.

Risk process in 2020

A few changes which have made an impact on Scania's risk overview 2020 is related to the ongoing roll-out of our strategy, commitment to Science based targets initiative and release of our Green bond framework. Scania is also in the process of integrating the Task Force for Climate related Disclosure (TCFD) in our reporting starting from 2021.

This year's risk overview is also impacted by the Covid-19 pandemic resulting in a need to adapt to among other things increased unknowns, medical complications, slowing global economy, supply chain disturbances and changing cyber security threats. To further support the business operations and decision making in times of uncertainty, virtual risk management trainings has been launched.

A selection of risks identified in the risk process during 2020 as well as management actions are presented on the following pages.

Risk overview

Corporate targets
- Leader in sustainable transport (L)
- Customer satisfaction (C)
-Top employees (T)
- Profitability (P)
- Volume growth (V)

Risk category	Corporate target effected	Context/ Potential Impact	Management actions/ Mitigation
Strategic risks			
Geopolitical risks	L CP V	As a global company Scania might operate in markets with political volatility, conflict and social unrest which may impact Scania's ability to trade in concerned markets/ areas. In 2020 this includes for examples quarantines and other restrictions due to Covid-19 pandemics, an escalation of the US-China tensions and Brexit.	As geopolitical events can influence market conditions it is requires more from Scania to uphold standards to manage adverse environmental and social effects. Assessing and understanding the risks through the conduct of effective risk assessments helps mitigate risk exposure. For example, Scania has established a cross-functional organisation for BREXIT to ensure awareness and that preparations are undertaken to mitigate the risk.
Business development risks	L C P	The transport industry is facing new technologies, business models, competitors, and global trends such as digitalisation which combined create a highly disruptive environment. These factors are transforming Scania from a heavy commercial vehicle manufacturer into a provider of transport and logistics solutions. Hence there is a risk related to the ability to respond to specific customer needs with tailored products and services, and the availability of technological innovations that respond to the major trends of the industry (i.e. Connected, Autonomous and Electrified vehicles). The complex supply chain related to battery production involve increased social risks for example human right violations, labour issues and discrimination.	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 is in fact 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. Through a culture of integrity and speak up all unclarities and queries are to be identified and discussed openly. 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 continuously investigates new areas that may be of interest connected to the future development of the ecosystem of transport and logistics. Research and development projects are also revised continuously, based on each project's technological and commercial relevance.
Business model and strategy related risks	L C T P V	There might be a risk that the current business model and strategy will not support Scania to protect, create value or to further strengthen the value proposition for stakeholders and in our commitment to climate and people.	Scania is regularly monitoring, evaluating and challenging our business model and strategy in order to ensure Scania achieving our ambition to drive the shift towards a sustainable transport system and our commitment to the Paris agreement. Aspects of uncertainty, complexity, volatility are important to stay relevant to the society, customer, capital market and other stakeholders today and in the future.
Corporate governance and policy-related risks	L C T P V	As Scania operates globally in volatile contexts it is important to effectively manages and develop the business in the right direction, otherwise there would be a risk of the company not achieving our ambition and targets.	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. Management systems are continuously being improved, through day-to-day work and through regular review internally and by third parties. The central support function Governance, Risk and Compliance (GRC) is in place to support both Executive Board and line managers in reducing risks by providing knowledge in terms of governance, trainings and advice. For further information see Corporate Governance report.
Financial risks			
Refinancing risk	C P	Access to competitive funding is critical and to a large extent dependent on Scania's credit rating on the financial markets. A downgrade of Scania credit rating would increase Scania's cost of funding which in turn could affect the company's profitability. For further information see Note 28.	Refinancing risks are managed in accordance with Scania Group Policy, reviewed every year by Scania Audit Committee. As part of Scania's management of refinancing risk, there are two committed credit facilities: one in the international borrowing market and one supported by TRATON SE. For further information see Note 28.
Credit risk	C P	If Scania's contract parties fail to	Credit risks are managed in accordance with the Scania Group Policies

		meet their contractual obligations as a result of their own financial situation or the political environment, Scania might thereby be exposed to financial loss. For further information see Note 2 and 28.	– Credit Risk Governance and Treasury, reviewed every year by Scania Audit Committee. Transactions occur only within established limits and with selected, creditworthy counterparties. Scania sales are distributed among a large number of end customers with a geographic dispersion, which limits the concentration of credit risk. For further information see Note 2 and Note 28.
Currency and interest rate risk	P	Currency exposures result from the widely spread geographic sales of products and the more concentrated production operations. Currency and interest rate movements may result in negative effects on earnings and balance sheet items. Interest rate risk may occur from interest rate-sensitive assets and liabilities. For further information see Note 28.	Currency and interest rate risks are managed in accordance with Scania Group Policy – Treasury, reviewed every year by Scania Audit Committee. To improve visibility and manageability, Scania generally concentrates currency exposures to its major industrial operations in Sweden and Brazil. Regarding the commercial currency flows in Vehicle and Services, Scania works primarily with adjusting prices to compensate for exchange rate fluctuations. According to the Scania Group Policy, Scania management may hedge future currency flows but are used only to a limited extent. 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. In Financial Services currency flows are hedged using derivatives. The goal of interest rate risk management is to largely reduce these risks using derivatives. In Financial Services receivables and liabilities should match in terms of interest rates and maturity periods. For further information see Note 28.
Tax risks	P	Scania is subject to various taxes in multiple jurisdictions. A certain degree of judgement and estimation is required in determining Scania Group's provisions for income tax, sales and use tax, value-added tax, and other taxes. Additionally, Scania and its subsidiaries are involved in a number of tax cases, and disputes. 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.	Scania has central and local resources that ensure compliance with current legislation and take an active part in tax related issues and assist with tax expertise. Furthermore, in addition to statutory audits, Scania is regularly audited by tax authorities, who may disagree with Scania's tax treatments. Although Scania believes its tax estimates are correct, the final determination of tax audits or reviews could differ from our tax provisions and accruals. As a result, Scania may be subject to additional tax liabilities, interest, penalties, or any regulatory, administrative, or other sanctions relating thereto. Tax risks above a certain level are monitored and reported regularly to management. Once a year, a report is submitted to the Audit Committee of the Board of Directors.
Insurance risks	P V	Scania is within our global operations exposed to various risks which could potentially affect the balance sheet if not transferred to external insurers. Not all risks can be transferred but for selected insurable risks we seek to minimise Scania's exposure.	Scania works continuously with the identification, analysis and administration of insurable risks, both at Group and local level. A central function 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 governing document. 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 with 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 loss prevention level and a low incidence of claims.
Legal & Compliance risks			
Legal actions and administrative proceedings	L C P	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. Some of the associated risks may be able. For further information see Note 2.	Scania has introduced a legal risk reporting system, according to which risks are defined and reported to the head office as they occur. At least once a year, a report on such risks is submitted to the Audit Committee of the Board of Directors. Scania has specialised personnel, Corporate Legal Affairs and Risk Management to support with advisory and guidance in legal matters.
Contracts and rights	L C P	Administration of contracts, essential rights and legal risks occur in the normal course of operations. Scania's operations include a wide variety of intangible licensing agreements, patents and other	Scania has specialised personnel, Corporate Legal Affairs and Risk Management to support with advisory and guidance in legal, commercial, patent, licensing and other matters.

		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.	
Risks related to new and changed laws and regulation	L P V	Different countries' legal systems and major changes in laws and regulation (e.g. environmental laws, safety standards, data privacy, trade laws, and export control regulations with extraterritorial effect) may have features that threaten the comprehensive position and its capacity to efficiently conduct business as well as the capacity to consummate important transactions, enforce contractual agreements or complement specific strategies and activities.	Scania monitors all markets continuously for early warning signs, which means the company can make the necessary changes to its marketing strategy. In addition, Scania's local and central specialist functions provide guidance and support regarding new and changed legislation to mitigate the risk.
Business ethics and compliance risks	L C T P	Scania needs to address anti-money laundering, fraud, embezzlement, anti-corruption and adherence to applicable competition laws in a systematic and transparent way. Scania's operations also include the provision of financing and insurance services, which must comply with the rules set out by financial supervisory authorities and other competent authorities.	Scania has specialised personnel both centrally and locally to support the business to monitor and manage these risks. Group Compliance management, Group Risk Management and Group Internal Audit are the main functions that support the businesses to achieve those targets. In addition, the governing regulation structure that starts with the Scania Code of Conduct, contains a set of binding rules and guidance regarding responsible behaviours for all Scania Group employees.
Trade barriers, export control and sanctions risks	LC V	Changes in foreign trade policy and trade barriers, as well as governments or international bodies imposing sanctions on countries, goods and services, or persons, impedes our opportunities to do business. Failure to comply with sanctions could result in significant fines and penalties. As a global company, Scania needs to manage conflicting sanction regulations.	All entities within the Scania Group conduct their business in accordance with national and international laws and regulations, including but not limited to export control legislations and sanctions regulations of all relevant jurisdictions and regimes in which we operate as well as Scania's Code of Conduct.
Human rights risks	L T P	Scania encounters contexts with human rights risks throughout the value chain. The Covid-19 pandemic might cause economic downturn, pressure on social safety systems and social unrest affecting the context for human rights. This is an area which is impacted by legal development for human rights due diligence and expectation on companies to disclose information on human rights challenges etc.	Management of human rights includes a twofold perspective; to manage risk that Scania causes, contributes or is linked to negative impact on human rights, and to manage reputational and legal risk to Scania as a company. One of Scania's core values is "Respect for the individual". This together with Scania's human rights policy in place, is guiding the daily work and strives to integrate business and human rights into relevant process including Scania's Due Diligence Program. Furthermore, Scania maintains dialogue with relevant internal and external stakeholders. For more information on how Scania manages human rights risk as part of its supply chain sustainability program, see Supply Chain Risk.
Business risks			
Market risks	L V	The commercial vehicles, industry is influenced by external impact such as competition, price, political conditions as well as potential financial downturn which may result in both opportunities and risks regarding the demand for Scania's products. In addition Scania delivers some of its vehicles with repurchase obligations, where Scania thus has residual value exposure. There is also residual value risk for short-term rental vehicles with an estimated residual value. Further, 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.	Scania can partly address the fluctuation in the demand for our products by well-diversified sales in more than 100 countries, which limits the risk in relation to each individual customer and market. Furthermore, Scania continuously manages and oversees existing contractual obligations towards customers which otherwise could result in challenges to properly forecast future asset values of used vehicles. The cost of the contract is allocated over the contractual period according to estimated consumption of service, and actual divergences from this are recognised in the accounts during the period. From a portfolio perspective, Scania continually estimates possible future divergences from the expected cost curve. Negative divergences from this result in a provision, which affects earnings for the period. For further information see Note 2.
Information risks	L C P	Scania relies on information technology for everyday business. Beside	To ensure effective, reliable and relevant operations Scania needs to constantly evaluate how to utilise the potential of data in our day-to-

		opportunities for improving efficiency and effectiveness of Scania's internal operations and customer offer, this might also give rise to various risks. Digital information, systems and infrastructure may be negatively impacted because of accidents, disasters, technical damage, outdated technology, or cyber attacks etc. If not properly managed Scania might be exposed to the risk of information being revealed to unauthorised person(s) or intentionally/unintentionally changed, corrupted or lost.	day business. To ensure the availability, integrity, and confidentiality of information, Scania uses a risk-based information security management system (ISMS) as well as a combination of the latest hardware and software technologies and effective IT organisational mechanisms. Furthermore, Scania has a central specialist function for Information Security, which is responsible for the introduction and follow-up on Scania's information security policy.
Supply chain risks	L C T V	If one or more suppliers are unable or unwilling to fulfil delivery obligations, for example due to supply shortages, labour strikes, capacity allocation to other customers, or financial distress of the supplier, Scania might face the risk of production downtime, increased production costs, delays and loss of customer confidence. Furthermore, with a more global supply chain and changes in technology, for example focus in electrification, there are sustainability risks such as adverse effects on the environment, health and safety, human rights and business ethics in Scania's business operations.	Scania has taken a variety of preventive and detective measures to counter these risks. This includes a pre-qualification process to ensure suppliers meet the company's requirements regarding technology, quality, delivery, cost and sustainability, and which is regularly reported to Scania Purchasing management. Suppliers are required to comply with Scania's Supplier Code of Conduct and Scania continuously assess and consider the risk in sourcing nominations. Furthermore, Scania monitors all suppliers with a critical spend on a monthly basis via external risk ratings. Close cooperation within Volkswagen Group as well as with our suppliers is also key to ensure we can adapt to changes and manage identified risks.
Production risks	L C P V	An unforeseen disruption of a production facility represents a risk and may be caused by a number of different incidents — for example power failure, equipment failure, fires, floods, social unrest or terrorist activity, infectious diseases, labour difficulties, or other operational issues. If overestimating the demand for our products, there might be a risk that the available capacity will be underutilised, while pessimistic forecasts could result in insufficient capacity to meet demand.	Scania has a business continuity programme which focus on responsibility by local management to ensure that business continuity is owned, operated and embedded with local needs, resources and competence. In addition, Scania has a safety, health and environment standard as well as activities with the aim to preserve and promote the performance. Production, environmental and quality risks in the workshop network's services are managed through the Scania Retail System, the Scania Dealer Operating Standard Certification, as well as the environmental management policy and specialised personnel. The production capacity is closely monitored in cross-functional meetings and continuously adopted accordingly.
Climate risks including natural hazards	L C P	As Scania and our suppliers are located all over the world, we are exposed to physical risks, resulting from extreme weather conditions, floods, heat or water stress and other natural hazards that could damage physical assets such as buildings. It is hard to predict the frequency and impact of natural disasters. However with changing climate due to global warming, extreme weather situations are expected to be more frequently occurring as well as the weather patterns to be changing in certain areas. With a central role in the ecosystem of transport Scania is also exposed to transition risks related to adaptations to low-carbon technologies. Transition risks and opportunities stemming from emission legislation, technology development and changing market demands is of importance to Scania.	As Scania's business operations and suppliers are located all over the world the risk of changing climate and weather patterns, natural disaster and resource scarcity are given attention in the business impact analysis as well as the business continuity planning process. The usage of predictions and scenario planning for different regions support decision making. The realisation of the consequences of climate change and related mitigation actions on legislation, business and technology have a profound impact on Scania's strategic direction. Scania has set carbon emission reduction targets in line with what science says is needed to reach the Paris agreement (Science based targets). The targets are covering own operations and customers usage of the vehicles provided by Scania. Proactive monitoring and understanding of technology, market and legislative development is a priority to reach the targets.
Risks related to people and competence	L T V	The technology shift will require a shift in competence and Scania must act proactively and identify future needs before they occur. Difficulties to attract and retain key personnel could lead to challenges in delivering towards customer needs. Due to the nature of Scania´s business, some travel is still an essential part of operations. It is, however, vital that staff is not exposed to unnecessary risks when on a trip. The risks can be related to medical as well as security issues with	To secure business-driven competence supply Scania is continuously developing the area of people management. The people perspective is key in driving the shift – both for the company and its employees. Therefore, Scania focuses on various re-skilling programmes as well as entrepreneurial and innovation learning e.g. skill capture. In order to manage transformation/ competence shift in a responsible way at the global level, ensuring meaningful social dialogue is key. Scania has a global standard for social dialogue and proactively addresses the challenge through the Global Deal initiative. Further, 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

		possible physical harm, even death, as a result.	Gymnasium, offering high-quality technical education. To ensure a uniform approach towards travel risks The Steering Group Travel Risk Management agrees on the scope and focus of mitigative measures. Example of implemented measures are a mandatory e-learning for business travellers, a safety on travel risk assessment tool, automated pre-trip advisories for travellers and a travel based crisis management system. Specialists from Occupational health and Corporate security are available to all Scania employees for support.
Data privacy	L C P	There is a risk that Scania fails to demonstrate compliance with privacy and data protection regulations, claims for damage and other liabilities, significant fines and penalties, as well as loss of customers and negative brand reputation could materialize.	One of Scania's core values is "Respect for the individual". This is the foundation not only for our interaction with colleagues, customers, partners etc., but also for how we manage privacy and personal data protection. Scania's compliance with privacy and data protection regulations should be the result of an actively present privacy mindset with personal data protection practices embedded everywhere in the business by default and by design. Scania has a specialist function in regards to data protection to support the business in ensuring that personal data is handled appropriately. However, the business is responsible for embedding privacy from the ground up and for demonstrating compliance with privacy and data protection regulations.
Product launch and Product liability	C P	Introducing a new product to the market is a risk exposure of product quality deviation resulting from example failure in design, product selection or manufacturing. Failure to ensure product quality could result in recalled products involving significant costs, compensation for indirect cost of customers and reputational damage.	This risk is managed by the development, verification and validation process 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, planet 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.

CORPORATE GOVERNANCE

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

Owner and shareholders

Shareholders of Scania that hold more than 10 percent of the voting rights on 31 December 2020 are TRATON SE and its subsidiary MAN SE. 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. TRATON SE thus directly or indirectly owns and controls 100 percent of the shares in Scania.
TRATON SE is a subsidiary of Volkswagen AG and is listed on the Frankfurt Stock Exchange and the Nasdaq Stockholm Stock Exchange. Both Scania and TRATON are members of the Volkswagen Group.

The Annual General Meeting

The right of shareholders to make decisions on Scania's affairs is ultimately exercised at the Annual General Meeting (AGM). An Annual General Meeting of shareholders shall be held within six months of the expiry of each financial year, where the Board of Directors shall present the Annual Report and the Auditors' Report.

The Notice convening the AGM shall be issued no earlier than six and no later than four weeks before the Meeting. A 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 of Directors 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 2020, the AGM did not authorise the Board of Directors to resolve on the issue or repurchase or 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 Annual General Meeting. The Board of Directors 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.
In addition to those members of the Board of Directors who are appointed pursuant to Swedish law by a party other than the AGM, the Board of Directors shall comprise a minimum of three and a maximum of eleven 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 of Directors is composed of eleven elected Board members and no deputy members. On 31 December 2020, they were:

Matthias Gründler
Henrik Henriksson
Lilian Fossum Biner
Gunnar Kilian
Julia Kuhn-Piëch
Nina Macpherson
Christian Porsche
Mark Philipp Porsche
Stephanie Porsche-Schröde
Christian Schulz
Peter Wallenberg Jr

Matthias Gründler is the Chairman of the Board of Directors. In addition, the trade unions at Scania have according to Swedish law appointed two Board members and two deputy members for them. For 2020 they were:
Mari Carlquist
Mikael Johansson
Lisa Lorentzon
Michael Lyngsie
Bo Luthin, deputy member
Mikael Svalefors, deputy member

The Board of Directors is responsible for establishing the Rules of Procedure of the Board of Directors, and their instruction to the President and CEO, where the Board of Directors specifies the duties and powers of the CEO. Furthermore, the Board of Directors is also responsible for establishing the Rules of Procedure of the Audit Committee.

The Audit Committee
Scania's Board of Directors have established one working committee, the Audit Committee, to which the Board of Directors appoints the members from among its own members. The Audit Committee monitors issues related to administrative processes, refinancing and 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.

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

The Audit Committee also regularly receives reports regarding Internal Audits and 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.

External 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. The auditors report to the shareholders at the company's AGM.
To ensure that the requirements concerning information and controls that are incumbent on the Board of Directors 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 of Directors meeting per year and are invited, as needed, to participate in and report to the meetings of the Board of Directors.

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.

Internal audit
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 to Scania's Audit Committee. The report is also shared with the CEO and the Executive Board. Group Internal Audit reports functionally to the Audit Committee and administratively to the CEO. Group Internal Audit performs risk-based and by regulation required reviews according to an annual audit plan.

The management of the company
The decision-making structure and management of Scania is described at Scania's intranet. The governing regulation structure starts with the Scania Code of Conduct, which contains a set of binding rules and guidance regarding responsible behaviours for all Scania Group employees.

Scania Group Policies are internal regulations on topics and areas that need to be regulated on a group-wide level. Examples of such areas are: Risk, Environment, Product Compliance, Business Ethics/Compliance and Finance. The purpose of our Group Policies is to set clear expectations, enabling Scania to achieve our business objectives while addressing uncertainty and risks and considering our core values.

Scania Group Policy 1 – Group Regulations Management – defines binding rules for the creation and approval, publication, implementation, exception, review and withdrawal of Group Policies. In addition, Scania Group Policy 1 provides a set of fundamental guidelines for the creation of other governing regulations.

The main responsibility for the operations of Scania's subsidiaries rests with the Board of each respective subsidiary.This Board ensures that the established targets are achieved and that all of Scania's internal rules and principles, as well as laws and regulations, are followed. All managers in the company are responsible for working and communicating in compliance with the company's strategy. Scania is governed to drive the shift towards a sustainable transport system which includes the areas on environmental, social and governmental responsibility. For further information see Scania's Sustainability report index.

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 Governance, Risk and Compliance (GRC) function shall ensure that legal requirements, international GRC standards and owner requirements are fulfilled considering Scania specific risk environment and culture. The function shall also support in reducing compliance and other risks by providing knowledge in terms of policies, guidelines, training and advice and by setting up respective structures and processes. In line with these responsibilities, the Executive Board 2020 tasked the function Group Risk management, to commence an internal controls improvement and standardisation project.

In addition, the Governance, Risk and Compliance (GRC) function secures alignment with the Volkswagen Group
as well as TRATON Group regulations through the policy management function.

In 2017 Volkswagen Group introduced an improvement programme named Together for Integrity with the target of achieving an improved culture of openness, transparency and accountability. In 2020, it was announced that this has resulted in that Volkswagen AG and its subsidiaries successfully concluded the Independent Compliance Monitorship.

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

The Executive Board
Next to the President and CEO is the Executive Board. The Executive Board makes joint decisions in compliance with guidelines approved by the Board of Directors and the instruction on the division of labour between the Board of Directors and the President and CEO. The Executive Board decides on issues in its area of competency that are of a long-term and 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 meets every week. When necessary, considering amongst others market developments, the strategies are summarised from a global perspective and updated at such meetings.

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 of Directors' 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 policies, standards and other regulations. 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 elements of the business management and decision-making processes. For a closer description of the risk management and how it is run at Scania please see section Risk and risk management. The controller organisation, like financial responsibility, follows the company's organisational and responsibility structure. Risk areas identified in financial reporting are handled and scrutinised via Scania's controller organisation.

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 governing documents and the effectiveness of the control structure. Monitoring and evaluation is performed by the company's corporate controller departments in industrial operations, all sales and services companies, and finance companies. In addition, starting in 2018, the Group Risk management function performs representative, and independent reviews for internal controls over financial reporting in selected target entities.

During the 2020 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 Group Policies remained a high priority area, along with units undergoing changes.

The Board of Directors 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 of Directors. 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

2020 was a year heavly impacted by the corona virus outbreak. Scania was impacted by closedown of production and considerably lower vehicle volumes. After the summer Truck business recovered, whereas the Bus business continued at a low level. In Financial Services re-scheduling of financial contracts increased during the first two quarters 2020. During the third and fourth quarters, the re-scheduling returned to normal levels and the vast majority of customers returned to previous payment plans.

REVENUE

The sales revenue of the Scania Group, in the Vehicles and Services segment, decreased by 18 percent to SEK 120,590 m. (147,557). Currency effects had a negative impact on sales of 4 percent.

New vehicle sales revenue decreased by 28 percent. Sales were negatively impacted by lower volumes and negative currency effects. Power solutions sales revenue decreased with 1 percent.

Service revenue decreased by 6 percent and amounted to SEK 27,132 m. (28,971). Lower volumes and currency effects had a negative impact.

Interest and lease income in the Financial Services segment decreased by 4 percent due to negative currency effects and lower margins, partly offset by a higher average portfolio.

Revenue by product, SEK m.	**2020**	2019
Trucks	69,934	98,292
Buses	9,686	11,958
Engines	2,373	2,409
Services	27,132	28,971
Used vehicles	8,582	8,411
Miscellaneous	4,001	4,615
Delivery sales value	121,708	154,656
Adjustment for lease income [1]	-1,118	-7,099
Total Vehicles and Services	120,590	147,557
Financial Services	8,600	8,992
Elimination [2]	-4,065	-4,130
Scania CV Group total	**125,125**	**152,419**

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 2020 Scania delivered 66,899 (91,680) trucks, a decrease of 27 percent. Bus deliveries decreased by 33 percent to 5,186 (7,777) units. Power solutions deliveries increased by 8 percent to 10,991 (10,152) units.

Vehicles delivered	**2020**	2019
Vehicles and Services		
Trucks	**66,899**	91,680
Buses	**5,186**	7,777
Total new vehicles	**72,085**	99,457
Used vehicles	**21,278**	19,753
Engines	**10,991**	10,152

Financial Services Number financed (new during the year)		2019
Trucks	**24,534**	35,814
Buses	**1,122**	1,212
Total new vehicles	**25,656**	37,026
Used vehicles	**8,835**	7,016
New financing, SEK m.	**42,439**	54,221
Portfolio, SEK m.	**95,433**	103,781

EARNINGS

Scania's operating income amounted to SEK 8,887 m. (17,488) during 2020. Operating margin amounted to 7.1 (11.5) percent.

Operating income in Vehicles and Services totalled SEK 7,764 m. (15,977) during 2020. Lower vehicle and service volume and currency effects contributed negatively.

Scania's research and development expenditure amounted to SEK 6,528 m. (7,244). After adjusting for SEK 1,624 m. (1,788) in capitalised expenditure and SEK 744 m. (706) in depreciation of previously capitalised expenditures, recognised expenses decreased to SEK 5,648 m. (6,162).

Compared to the full year 2019, the total currency effect was negative and amounted to SEK 1,762 m.

Operating income in Financial Services decreased to SEK 1,123 m. (1,511). This was equivalent to a margin by 1.1 (1.6) percent of the average portfolio during the year. Negative currency effects and lower margins had a negative impact on earnings, which was partly offset by a higher average portfolio.

At year-end 2020, the size of the customer finance portfolio amounted to SEK 95,4 bn, which represented a decrease of SEK 8,3 bn since the end of 2019. In local currencies, the portfolio increased by SEK 1 bn, equivalent to 1 percent.

Operating income per segment, SEK m.	**2020**	2019
Vehicles and Service		
Operating income	7,764	15,977
Operating margin, %	6,4	10,8
Financial Services		
Operating income	1,123	1,511
Operating margin, % [1]	1,1	1,6
Operating income, Scania Group	8,887	17,488
Operating margin, %	7,1	11,5
Income before tax	7,827	16,476
Taxes	-2,427	-4,092
Net income	5,400	12,384

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 -1,060 m. (–1,012) including net income from associated companies and joint ventures amounting to SEK 169 m. (46). The increase in net income from associates and joint ventures is mainly explained by a dilution effect in one investment in associates. Net interest items amounted to SEK- 452 m. (–456). The net interest was negatively impacted by increased funding volumes. Other financial income and expenses amounted to SEK -777 m. (–602). These included SEK 90 m. (-150) in valuation effects related to financial instruments where hedge accounting was not applied.

Income before taxes amounted to SEK 7,827 m. (16,476). The Scania Group's tax expense for 2020 was equivalent to 31.0 (24,8) percent of income before taxes.

Net income for the year totalled SEK 5,400 m. (12,384), corresponding to a net margin of 4.3 (8.1) percent.

CASH FLOW

Cash flow after investing activities attributable to operating activities in Vehicles and Services amounted to SEK 9,180 m. (10,994). Cash flow from investing activities attributable to operating activities amounted to SEK -8,137 m. (-7,518), including SEK 1,624 m. (1,788) in capitalisation of development expenses. At the end of 2020, the net cash position in Vehicles and Services amounted to SEK 21,824 m. (17,057).

Cash flow in Financial Services amounted to SEK 113 m. (–10,632).

FINANCIAL POSITION

Financial ratios related to the balance sheet,

SEK m.	**2020**	2019
Equity/assets (E/A) ratio, %	23.5	22.9
E/A ratio, Vehicle and Services, %	31.1	30.5
E/A ratio, Financial Services, %	9.7	9.4
Return on capital employed, Vehicles and Services, % [1]	12.9	25.4
Net debt/equity ratio, Vehicles and Services [2]	-0,32	-0,23

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

During 2020, the equity of the Scania Group increased by SEK 659 m. and totalled SEK 55,346 m. (54,687) at year-end. Net income added SEK 5,400 m. (12,384) . Equity decreased by SEK 4,470 m. (945) because of exchange rate differences that arose when translating net assets outside Sweden. In addition, equity decreased by SEK -394 m. (–2,427) because of actuarial gains/losses on pension liabilities and increased by SEK 127 m. (-48) due to fair value adjustment on equity instruments.

Taxes attributable to items reported under “Other comprehensive income” totalled SEK -2 m. (542). The non-controlling interest decreased during the year with SEK -6 m.

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 interest borrowings (excluding provision for pensions) less cash and cash equivalents, current investments and non-current intra-group loans to Volkswagen entities.
Net debt/equity ratio - Net debt, net cash as a percentage of total equity.
Capital employed - Total assets minus operating liabilities. [1]
Return on capital employed - Operating income plus financial income as a percentage of capital employed. [1]
Operating margin, Financial Services - Operating income as a percentage of average portfolio.

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

Reconciliation of Key ratios

Vehicles and services

Net debt, exluding provision for pensions

Assets	2020	2019
Current investments	**54**	**1,795**
Cash and cash equivalents	**31,535**	**20,358**
Borrowing Volkswagen Group	**-**	**-**
Accrued interest in current investments	**0**	**-6**
	31,589	**22,147**
Liabilities		
Interest-bearing liabilities, non-current	**3,837**	**4,014**
Interest-bearing liabilities, current	**5,928**	**1,076**
Liabilities to group companies	**6,201**	**6,201**
Accrued interest in interest-bearing liabilities	**-**	**-**
	15,966	**11,291**
Net debt	**-15,623**	**-10,856**

Scania CV Group

Net debt, exluding provision for pensions

Assets	2020	2019
Current investments	**54**	**814**
Cash and cash equivalents	**32,268**	**20,981**
Borrowing Volkswagen Group	**4**	**8**
Accrued interest in current investments	**-1**	**-2**
	32,325	**21,801**
Liabilities		
Interest-bearing liabilities, non-current	**53,564**	**54,008**
Interest-bearing liabilities, current	**42,478**	**43,979**
Liabilities to group companies	**6,201**	**6,201**
Accrued interest in interest-bearing liabilities	**-361**	**-387**
	101,882	**103,801**
Net debt	**69,557**	**82,000**

Vehicles and services (cont.)

Capital Employed[1]

	2020	2019
Total assets [2]	**153,428**	**148,900**
Other provisions, non-current and current	**10,503**	**10,225**
Other liabilities	**71,499**	**74,243**
Liabilities to group companies	**6,201**	**5,132**
Net derivatives	**965**	**-1,556**
Capital Employed	**64,260**	**60,856**

Return on Capital[1] *Employed*

	2020	2019
Operating income	**7,764**	15,977
Financial income[3]	**1,310**	754
Capital employed	**64,260**	60,856
Return on Capital Employed	**14.1%**	27.5%

Financial Services

Operating margin

	2020	2019
Operating income	**1,123**	**1,511**
Average portfolio	**99,607**	**96,474**
Operating margin	**1,1%**	**1,6%**

Equity/asset ratio %

	2020	2019
Equity	**9,631**	10,138
Asset	**99,637**	107,830
Equity/asset ratio %	**9,7%**	9,4%

[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.
[3] Excluding intra group dividends.

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 68,171 m. (93,623) and the operating income after depreciation was SEK -2,090 m. (5,358). Of sales by the Parent Company, Scania CV AB, 91 percent (93) consisted of sales to companies in the Scania CV Group, while 18 percent (15) of the Parent Company's purchases of materials were from subsidiaries. Net financial items totalled SEK 3,807 m. (4,952), allocations to reserves amounted to SEK 1,948 m. (-725) and this years tax were SEK -71 m. (-988). The Parent Company thus reported a net income of SEK 3,594 m. (8,597). Gross capital expenditures in intangible fixed assets totalled SEK 18 m. (63) and in tangible fixed asset gross capital expenditures totalled SEK 4,329 m. (3, 226).

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	2020	2019
Revenue	3	**125,125**	152,419
Cost of goods sold and services rendered		**-96,833**	-113,689
Gross income		**28,292**	38,730
Research and development expenses[1]		**-5,648**	-6,162
Selling expenses		**-11,564**	-12,680
Administrative expenses		**-2,125**	-2,306
Other operating income		**138**	153
Other operating expenses		**-206**	-247
Operating income	5,6	**8,887**	17,488
Interest income		**477**	501
Interest expenses		**-929**	-957
Share of income from associated companies and joint ventures	13	**169**	46
Other financial income		**833**	253
Other financial expenses		**-1,610**	-855
Total financial items	7	**-1,060**	-1 012
Income before taxes		**7,827**	16,476
Taxes	8	**-2,427**	-4,092
Net income for the period		**5,400**	12,384
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation differences		**-4,470**	945
Income tax relating to items that may be reclassified		**-65**	19
		-4,535	964
Items that will not be reclassified to profit or loss			
Re-measurement defined benefit plans	17	**-394**	-2,427
Fair value adjustment equity instruments		**127**	-48
Income tax relating to items that will not be reclassified		**63**	523
		-204	-1,952
Other comprehensive income for the period		**-4,739**	-988
Total comprehensive income for the period		**661**	11,396

Consolidated income statement, continued

	Note	**2020**	2019
Net income attributable to:			
-Scania CV shareholders		**5,397**	12,381
-Non-controlling (minority) interest		**3**	3
Total comprehensive income attributable to:			
-Scania CV shareholders		**658**	11,392
-Non-controlling (minority) interest		**3**	4
Operating income includes depreciation of	9	**-11,097**	-10,914

[1] Total research and development expenditures during the year amounted to SEK 6,528 m (7,244)

Consolidated balance sheet

31 December, SEK m.	Note	2020	2019
ASSETS			
Non-current assets			
Intangible non-current assets	10	**12,513**	11,905
Tangible non-current assets	11,12	**38,254**	38,481
Lease assets	11	**27,460**	31,336
Holdings in associated companies and joint ventures etc.	13	**1,248**	964
Long-term interest-bearing receivables	29	**48.004**	50,938
Other long-term receivables	15,29	**3,300**	1,444
Deferred tax assets	8	**5,171**	5,561
Tax receivables		**227**	297
Total non-current assets		**136,177**	140,926
Current assets			
Inventories	14	**21,105**	26,065
Current receivables			
Tax receivables		**764**	848
Interest-bearing trade receivables	29	**30,817**	32,808
Non-interest-bearing trade receivables	29	**6,936**	8,368
Other current receivables	15,29	**7,260**	7,513
Total current receivables		**45,777**	49,537
Current investments	29	**54**	814
Cash and cash equivalents			
Current investments comprising cash and cash equivalents	29	**25,202**	15,143
Cash and bank balances		**7,066**	5,838
Total cash and cash equivalents		**32,268**	20,981
Total current assets		**99,204**	97,397
Total assets		**235,381**	238,323

Consolidated balance sheet, continued

31 December, SEK m.	Note	**2020**	2019
EQUITY AND LIABILITIES			
Equity			
Share capital		**100**	100
Other contributed capital		**20**	20
Reserves		**-7,551**	-3,018
Retained earnings		**62,765**	57,567
Equity attributable to Scania shareholders		**55,334**	54,669
Non-controling (minority) interest		**12**	18
Total equity	16	**55,346**	54,687
Non-current liabilities			
Non-current interest-bearing liabilities	29	**53,564**	54,008
Provisions for pensions	17	**12,384**	12,262
Other non-current provisions	18	**6,865**	6,776
Accrued expenses and deferred income	19	**7,502**	8,568
Deferred tax liabilities	8	**3,492**	3,873
Other non-current liabilities [1]	29	**5,303**	6,580
Total non-current liabilities		**89,110**	92,067
Current liabilities			
Current interest-bearing liabilities	29	**42,478**	43,979
Liabilities to group companies	29	**6,201**	6,201
Current provisions	18	**3,962**	3,986
Accrued expenses and deferred income	19	**14,882**	15,973
Advance payments from customers		**1,567**	1,195
Trade payables	29	**13,886**	12,737
Tax liabilities		**1,051**	1,352
Other current liabilities [1]	29	**6,898**	6,146
Total current liabilities		**90,925**	91,569
Total equity and liabilities		**235,381**	238,323
Net debt, excluding provisions for pensions, SEK m.		**69,556**	82,000
Net debt/equity ratio		**1,26**	1,50

Consolidated statement of changes in equity

In note 16 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:

2019	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	-3,981	56,638	52,777	14	52,791
Net income for the year				12,381	12,381	3	12,384
Exchange rate differences on translation			944		944	1	945
Remeasurement of defined-benefit plans				-2,427	-2,427		-2,427
Equity instruments at fair value through OCI				-48	-48		-48
Tax attributable to items recognised in other comprehensive income			19	523	542		542
Total other comprehensive income			**963**	**-1,952**	**-989**	**1**	**-988**
Total comprehensive income			**963**	**10,429**	**11,392**	**4**	**11,396**
Dividend to Scania CV AB shareholders				-9,500	-9,500		-9,500
Equity, 31 December 2019	**100**	**20**	**-3,018**	**57,567**	**54,669**	**18**	**54,687**

2020	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**	**-3,018**	**57,567**	**54,669**	**18**	**54,687**
Net income for the year				5,397	5,397	3	5,400
Exchange rate differences on translation			-4,470		-4,470		-4,470
Remeasurement of defined-benefit plans				-394	-394		-394
Equity instruments at fair value through OCI				127	127		127
Tax attributable to items recognised in other comprehensive income			-65	63	-2		-2
Total other comprehensive income			**-4,535**	**-204**	**-4,739**		**-4,739**
Total comprehensive income			**-4,535**	**5,193**	**658**	**3**	**661**
Change in non-controlling interest				7	7	-9	-2
Dividend to Scania CV AB shareholders							
Equity, 31 December 2020	**100**	**20**	**-7,553**	**62,767**	**55,334**	**12**	**55,346**

Consolidated cash flow statements

January – December, SEK m.	Note	**2020**	2019
Operating activities			
Income before tax	22 a	**7,827**	16,476
Items not affecting cash flow	22 b	**11,666**	10,416
Taxes paid		**-3,009**	-3,885
Cash flow from operating activities before change in working capital		**16,484**	23,007
Change in working capital			
Inventories		**2,845**	426
Receivables		**653**	383
Financial receivables, Financial Services	22 c	**-2,687**	-10,444
Vehicles with repurchase obligations and rental		**-3,687**	-5,490
Trade payables		**1,597**	-2,937
Other liabilities and provisions		**2,216**	2,931
Total change in working capital		**937**	-15,131
Cash flow from operating activities		**17,421**	7,876
Investing activities			
Net investments through acquisitions/divestments of businesses	22 d	**-27**	0
Net investments in non-current assets	22 e	**-8,131**	-7,558
Cash flow from investing activities attributable to operating activities		**-8,158**	-7,558
Cash flow after investing activities attributable to operating activities		**9,263**	318
nvestments in securities and loans		**762**	818
Cash flow from investing activities		**-7,396**	-6,740
Cash flow before financing activities		**10,025**	1,136
Financing activities			
Change in debt from financing activities	22 f	**2,208**	21,992
Transactions with non-controlling interests		**-12**	0
Dividend/Group and shareholders' contribution		**0**	-9,500
Cash flow from financing activities		**2,196**	12,492
Cash flow for the year		**12,221**	13,628
Cash and cash equivalents, 1 January		**20,981**	7,222
Exchange rate differences in cash and cash equivalents		**-934**	131
Cash and cash equivalents, 31 December	22 g	**32,268**	20,981

Cash flow statement, Vehicles and Services	**2020**	2019
Cash flow from operating activities before change in working capital	**14,990**	21,884
Change in working capital, etc.	**2,327**	-3,372
Cash flow from operating activities	**17,317**	18,512
Cash flow from investing activities attributable to operating activities	**-8,137**	-7,518
Cash flow after investing activities attributable to operating activities	**9,180**	10,994

Parent company Scania CV AB, Income statement

January – December, SEK m.	Note	2020	2019
Net sales	1	**68,171**	93,623
Cost of goods sold		**-59,731**	-76,577
Gross income		**8,440**	17,046
Research and development expenses		**-6,308**	-7,134
Selling expenses		**-2,136**	-2,505
Administrative expenses		**-2,086**	-2,049
Operating income		**-2,090**	5,358
Financial income and expenses	2		
Share of income from Group companies		**4,760**	5,716
Share of income in associated company/other companies		**-**	-
Interest income		**1,236**	1,427
Interest expenses		**-2,189**	-2,191
Net financial items		**3,807**	4,952
Income after financial items		**1,717**	10,310
Allocations	3	**1,948**	-725
Income before taxes		**3,665**	9,585
Taxes	4	**-71**	-988
Net income		**3,594**	8,597

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

Statement of other comprehensive income

January – December, SEK m.	Note	2020	2019
Net income		**3,594**	8,597
Other comprehensive income		**-**	-43
Total comprehensive income		**3,594**	8,554
Depreciation/amortisation included in operating income	*5*	*-2,355*	*-2,297*

Parent company Scania CV AB, Balance sheet

31 December, SEK m.	**Note**	**2020**	2019
ASSETS			
Non-current assets			
Intangible non-current assets	6	**145**	187
Tangible non-current assets	7	**19,140**	17,200
Financial non-current assets			
Shares in group companies	8	**106,989**	105,795
Holdings in associated companies etc.	8	**282**	211
Long-term interest-bearing receivables, group companies	10	**4,423**	6,748
Other long-term non-interest bearing receivables		**2,654**	426
Tax receivable		**249**	284
Deferred tax assets		**398**	392
Total financial non-current assets		**114,995**	113,856
Total non-current assets		**134,280**	131,243
Current assets			
Inventories	9	**8,711**	8,180
Current receivables			
Trade receivables		**881**	747
Interest-bearing receivables, group companies	10	**8,920**	10,341
Non-interest-bearing receivables, group companies		**7,101**	6,145
Tax receivables		**35**	0
Other current receivables	11	**2,816**	1,399
Total current receivables		**19,753**	18,632
Short-term investments		**24,171**	14,841
Cash and bank balances		**3,738**	3,210
Total current assets		**56,373**	44,863
Total assets		**190,653**	176,106

31 December, SEK m.	Note	2020	2019
EQUITY AND LIABILITIES			
	12		
Equity			
Share capital		**100**	100
Statutory reserve		**20**	20
Revaluation reserve		**27**	27
Total restricted equity		**147**	147
Unrestricted reserves		**40,867**	32,270
Net income		**3,594**	8,597
Total unrestricted equity		**44,461**	40,867
Total equity		**44,608**	41,014
Untaxed reserves	13	**6,376**	7,665
Provisions			
Provisions for pensions	14	**3,324**	3,479
Other provisions	15	**5,610**	5,284
Total provisions		**8,934**	8,763
Liabilities			
Long-term interest-bearing liabilities	16	**41,520**	44,470
Other long-term liabilities		**532**	1,225
Current liabilities			
Current interest-bearing liabilities	16	**34,173**	37,234
Advance payments from customers		**91**	72
Trade payables		**9,278**	8,215
Liabilities, group companies		**39,574**	21,518
Tax liabilities		**0**	210
Other current liabilities		**984**	922
Accrued expenses and deferred income	17	**4,583**	4,798
Total current liabilities		**88,683**	72,969
Total equity and liabilities		**190,653**	176,106

Parent company Statement of changes in equity

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

2020	Share capital	Stautory reserve	Revaluation reserve	Unrestricted shareholders equity	Total
Equity, 1 January	100	20	27	40,867	41,014
Net income				3,594	3,594
Total comprehensive income				3,594	3,594
Dividend				-	-
Equity, 31 December	100	20	27	44,461	44,608

2019	Share capital	Stautory reserve	Revaluation reserve	Unrestricted shareholders equity	Total
Equity, 1 January	100	20	27	41,813	41,960
Net income				8,597	8,597
Other comprehensive income				-43	-43
Total comprehensive income				8,554	8,554
Dividend				-9,500	-9,500
Equity, 31 December	100	20	27	40,867	41,014

Parent company Scania CV AB, Cash flow statement

January – December, SEK m.	**2020**	2019
Cash flow from operating activities		
Income before tax	**3,665**	9,585
Items not affecting cash flow		
Write-down of shares	**124**	316
Fair value adjustment derivatives	**-103**	
Depreciation/Amortisations	**2,630**	2,471
Change in tax allocation reserve	**-1,564**	1,100
Capital loss on sales of fixed assets	**75**	29
Bad debts	**65**	107
Group contribution, not settled	**-658**	-550
Total items not affecting cash flow	**569**	3,473
Taxes paid	**-287**	-658
Cash flow from the operating activities before changes in working capital	**3,947**	12,400
Cash flow change in working capital		
Inventories	**-531**	1,747
Receivables	**-20**	1,352
Provisions for pensions	**-155**	-624
Non-interest bearing liabilities and provisions	**185**	-1,320
Total change in working capital	**-521**	1,155
Cash flow from operating activities	**3,426**	13,555
Investing activities		
Investment in intangible fixed assets	**-15**	-78
Investment in tangible fixed assets	**-4,320**	-3,205
Divestments of tangible fixed assets	**7**	7
Investment in shares	**-1,389**	-13,349
Divestments of shares	**-**	2
Cash flow from investing activities	**-5,717**	-16,623
Cash flow before financing activitets	**-2,291**	-3,068
Financing activities		
Change of interest-bearing Group transactions	**17,081**	8,613
Change in consolidated transactions	**975**	-11
Interest on borrowings	**98**	-368
New borrowings	**33,494**	43,646
Amortization	**-39,499**	-24,785
Dividend	**-**	-9,500
Cash flow from financing activities	**12,149**	17,595
Cash flow for the year	**9,858**	14,527
Cash and cash equivalents, 1 January	**18,051**	3,524
Cash and cash equivalents, 31 December	**27,909**	18,051
Paid interests and dividends		
Interest received during the year	**624**	1,137
Interest paid during the year	**-1,889**	-2,081
Received dividends during the year	**4,884**	5,889
Paid dividends during the year	**-**	-9,500

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. 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

New Accounting standards

Amended standards and new interpretations that entered into force during 2020 have had no impact on Scania´s consolidated financial statements. The accounting policies and definitions corresponds with those applied 2019.

APPLICATION OF ACCOUNTING PRINCIPLES

Consolidated financial statements

The consolidated financial statements encompass Scania CV 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. In the case of a structured entity consolidated in the Group, Scania is able to direct the material relevant activities even if it is not invested in the structured entity concerned and is thus able to influence the variable returns from its involvement. Structured entities are used primarily to enter into asset-backed securities transactions to refinance the financial services business. 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. 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".

Leases

Scania as lessee

The group recognises a right-of-use asset and a corresponding lease liability for all lease arrangements in which it is the lessee. The assessment whether a contract is or contains a lease is made at inception of the contract. IFRS 16 contains practical expedients for short-term and low-value leases, which the Scania Group exercises and hence does not recognize any right-of-use assets or liabilities for these types of leases. The related lease payments are recognized as expenses in the income statement.

The lease liability is initially measured at the present value of the outstanding lease payments at the commencement date, discounted using the Scania Groups incremental borrowing rate. The lease term underlying the lease liability is determined as the non-cancellable period of the lease together with any periods covered by options to extend or terminate the lease, if it is reasonable certain that such options will be exercised.

In subsequent periods the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method. The carrying amount of the lease liability is reduced reflecting the lease payments made.

The lease liability is remeasured, with the corresponding adjustment to the related right-of-use asset, whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option. In such case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a residual value guarantee, in which the lease liability is remeasured by discounting the revised lease payments using the initial discount rate. If the change in lease payments is due to a change in a floating interest rate a revised discount rate is used.

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise of the initial measurement of the corresponding lease liability, lease payment made at or before the commencement date and any initial direct costs. The right-of-use assets are presented as tangible assets in the balance sheet items in which the assets underlying the lease would be presented if they were owned by the Scania Group.

In subsequent periods the right-of-use assets are measured at cost less accumulated depreciation and impairment losses. Right of use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If the lease agreement transfer the ownership or the lease agreement contains an option, that is expected to be exercised, to purchase the underlying asset the right-of-use asset is depreciated over the useful life of the underlying asset.

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, revenue and a financial receivable equivalent to the net investment in the lease are recognised. As a result, revenue and the cost of the leased asset is recognised in the income statement. Lease payments received reduce the financial receivable and interest income from the net investment in the lease are recognised over the lease term.

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.

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.

In case contractual cash flows of a financial asset are renegotiated or modified (e.g., timing and/or amount of cash flows has changed) and this change results in a significant modification, the financial asset is derecognised and a new asset is recognised reflecting the modified cash flows and the new effective interest rate. If changes in contractual cash flows do not result in a significant modification, the financial asset is not derecognised and instead the gross carrying amount is recalculated using the original effective interest rate and a modification gain or loss is recognized 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.

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 17, "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 17, "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.

Share-based payment

The share-based payment consists of performance shares. The obligations arising from the share-based payment are accounted for as cash-settled plans in accordance with IFRS 2. The cash-settled sharebased payments are measured at fair value until maturity. A liability corresponding to the fair value is recognised and reamesured each reporting period until the liability is settled, with any changes in fair value recognised in profit or loss. Fair value is determined using a recognized valuation technique. The compensation cost is allocated over the vesting period.

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.

Government grants including EU grants
Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. 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.

MISCELLANEOUS
Related party transactions
Related party transactions occur on market terms.

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 2021 and subsequently have not been applied in advance.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 as a result of Interest Rate Benchmark Reform—Phase 2 shall be applied for annual reporting periods beginning on or after 1 January 2021. Earlier application is permitted. The amendments was endored by the EU on January 13, 2021.

Following the financial crisis the reform and replacement of benchmark interest rates such as USD LIBOR and GBP LIBOR, among other interbank offered rates, has been a priority for global regulators. On transition of existing contracts and agreements that reference USD LIBOR to SOFR and GBP LIBOR and SONIA, adjustments for term differences and credit differences might need to be applied to SOFR and SONIA, to enable the benchmark rates to be economically equivalent on transition.

Scania has established a project to manage the transition to alternative benchmark rates. This transition project coordinates needed changes to systems, processes, risk and valuation models, as well as managing accounting implications. At the same time, the group is continuously monitoring and actively participating in discussions with external counterparties to further prepare for a smooth transition.

The IBOR reform will not expose Scania to any new financial risks. The impact of the reform on the financial statements is not expected to be material.

Other changes in standards and interpretations that enter into force on 1 January 2021 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 IFRS 9, “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
The parent company does not apply IFRS 16 Leases. In accordance with RFR 2 a finance lease, when risks and benefits that are associated with the leased asset has been transferred to Scania, is accounted for as a tangible asset and the future the obligation as a liability. The asset is initially valued at present value of the minimum lease payments at the beginning of the lease period. The the leased asset is depreciated on a straight-line basis and the lease payments reported as interest and amortization of the lease liability.

Operating leases is not accounted for as an asset, as risks and benefits associated with holding the asset do not has been transferred to Scania. Lease payments are expensed on an straight-line basis over the lease term.

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.

During 2020 Scania have continuously assessed the impact of the coronavirus outbreak and will continue to asses potential impacts on future development and/or risks that can affect the future financial position. In the current year the corona virus outbreak has, in Vehicle & Service segment, mainly impacted the sales volume and the capacity utilisation in the production. Also to a minor extent valuation of used bus inventory. In the Financial service segment the impact has mainly been an increase of re-scheduling of financial contracts during the first two quarters 2020. During the third and fourth quarters, the re-schedulings returned to normal levels and the vast majority of customers returned to previous payment plans. During the year Scania companies has received Government grants forshort-term allowances, amounting to SEK 873 m.

It is difficult to assess the continuing impact, and dependent on how the outbreak develops and which measures different countries take to handle the situation, this can lead to:

- Decreased market demand in the short and medium term in several important markets for Scania, leading to decreased sales of vehicles and services and also price pressure on new and used vehicles. This, in turn, also can lead to needs to make write-downs in vehicle inventory and changed estimates of residual value on buy-back commitments.
- The supplier network could be unable to deliver components and articles, leading to shorter or longer periods of close down of Scania's global production system.
- Customers facing financial problems leading to deteriorating ability to pay outstanding receivables to Scania.
- Impairment of goodwill and other intangible assets.

The text above is not an exhaustive list and one or several of them can occur independently or in combination and could have a negative impact on the Scania Groups' business and financial development and performance.

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 18, “Other provisions” and amounted to SEK 1,682 m. (1,828) on 31 December 2020.

Leases

Many leases feature extension and termination options. To determine the lease terms, all relevant facts and circumstances that create an economic incentive to exercise, or not to exercise, such options are considered. Factors that are considered are for example historical lease durations and any costs and business disruption required to replace the leased asset. Optional periods are considered when determining the lease term if it is reasonably certain that the option will, or will not, be exercised. This assessment is updated if a significant event or a significant change in circumstances, such as significant improvement or customisation of the underlying asset that was not anticipated at commencement date, occurs which affects this assessment and is in control of the Group as lessee.

Repurchase obligations

Scania delivers about 12 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 2020, repurchase obligations amounted to SEK 19,079 m. (21,310).

Credit risks

In its Financial Services operations, Scania has an exposure in the form of contractual payments. At the end of 2020, these amounted to SEK 95,422 m. (103,781). 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 at the latest 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.

In the Financial Services operations Scania has during 2020 agreed with a number of our customers to reschedule our finance contracts. The majority of the reschedulings was performed during the first half of 2020. The reschedulings were different kinds of moratoria and payment holiday solutions with a corresponding extension of the contract term, having no impact on the net present value of these cash flows. The underlying reason for agreed reschedulings was temporary liquidity constraints with our customers due to the Covid-19 pandemic. During the second half of 2020 the re-schedulings returned to normal levels and the vast majority of customers returned to previous payment plans. Scania is continuously assessing the credit risk and decided during 2020 to add a manual overlay considering macroeconomic forecasts relevant for Scania. The manual overlay due to the Covid-19 situation has, as per 31 december 2020, resulted in an increased loss allowance of SEK 360 m.

In the Vehicle and Services segment, due to the Covid-19 pandemic, a risk premium of 20% was applied 2020 based on the valuation allowance by means of which the expected credit loss (ECL) on trade receivables is estimated. This has resulted in an increased loss allowance of SEK 18 m.

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 2020, the reserve for doubtful receivables in Financial Services operations amounted to SEK 1,519 m. (1,243). 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.

Due to the corona virus pandemic Scania has as of 30 June 2020, performed a review of the impairment testing for the year 2019 regarding the recoverable amount of intangible assets, mainly goodwill. The review did not result in any impairments of goodwill.The review was followed up with an full impairment test of goodwill, performed during November 2020. That impairment test did not result in any impairment of goodwill.

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 (5.6 – 8.5 percent (5.2 - 7.5 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 2020, Scania's goodwill amounted to SEK 1,299 m (1,430). 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 10,741 m (9,873) on 31 December 2020.

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 1.25 percent (1.5). Changes in the above mentioned actuarial parameters are recognised in "Other comprehensive income", net after taxes.

Legal and tax risks

On 31 December 2020, provisions for legal and tax risks amounted to SEK 4,465 m (4,624). See Note 18, "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 still 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 power solutions, 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	**2020**	2019
Vehicles and Services		
Revenue	120,590	147,557
Cost of goods sold	-95,482	-112,053
Gross income	25,108	35,504
Research and development expenses	-5,648	-6,162
Selling expenses	-9,571	-11,059
Administrative expenses	-2,125	- 2,306
Operating income	7,764	15,977
Interest income	477	501
Interest expenses	-929	-957
Share of income in associated companies and joint ventures	169	46
Dividends in between segments	301	726
Other financial income	833	253
Other financial expenses	-1,611	-856
Total financial items	**-760**	-287
Income before tax	**7,004**	15,690
Taxes	**-2,097**	-3,666
Net income for the year	**4,907**	12,024

Financial Services		
Interest and lease income	8,292	8,675
Insurance commission	308	317
Insurance and prepaid expenses	-5,416	-5,766
Interest surplus and insurance commission	3,184	3,226
Other income	138	153
Other expenses	-206	-247
Gross income	**3,116**	3,132
Selling and administration expenses	-1,263	-1,307
Bad debt expenses, realised and expected	-730	-314
Operating income	**1,123**	1,511
Income before tax	**1,123**	1,511
Taxes	-340	-423
Net income for the period	**783**	1,088

Reconciliation of segments to the Scania Group

January - December	Vehicles and Services 2020	Vehicles and Services 2019	Financial Services 2020	Financial Services 2019	Eliminations 2020	Eliminations 2019	Scania Group 2020	Scania Group 2019
Revenue	120,590	147,557	8,600	8,992	-4,065	-4,130	125,125	152,419
Cost of sales	-95,482	-112,053	-5,416	-5,766	4,065	4,130	-96,833	-113,689
Gross income	**25,108**	**35,504**	**3,184**	**3,226**	**0**	**0**	**28,292**	38,730
Research and development expenses	-5,648	-6,162	-	-	-	-	-5,648	-6,162
Selling expenses	-9,571	-11,059	-1,993	-1,621	-	-	-11,564	-12,680
Administrative expenses	-2,125	-2,306	-	-	-	-	-2,125	-2,306
Other operating income	-	-	138	153	-	-	138	153
Other operating expenses	-	-	-206	-247	-	-	-206	-247
Operating income	**7,764**	**15,977**	**1,123**	**1,511**	**0**	**0**	**8,887**	17,488
Interest income	477	501	-	-	-	-	477	501
Interest expenses	-929	-957	-	-	-	-	-929	-957
Share of income in associated companies and joint ventures	169	46	-	-	-	-	169	46
Dividends in between segments	301	726	-	-	-301	-726	-	-
Other financial income	833	253	-	-	-	-	833	253
Other financial expenses	-1,611	-856	-	-	1	1	-1,610	-855
Total financial items	**-760**	**-287**	**-**	**-**	**-300**	**-725**	**-1,060**	-1,012
Income before tax	**7,004**	**15,690**	**1,123**	**1,511**	**-300**	**-725**	**7,827**	16,476
Taxes	-2,097	-3,666	-340	-423	10	-3	-2,427	-4,092
Net income for the year	**4,907**	**12,024**	**783**	**1,088**	**-290**	**-728**	**5,400**	**12,384**
Depreciation/amortisation included in operating income	-11,053	-10,869	-4,061	-4,136	4,017	4,091	-11,097	-10,914

Cash flow statement by segment	**Vehicles and Services**		**Financial Services**		**Elimination**		**Scania Group**	
SEK m.	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Cash flow from operating activities before change in working capital	14,990	21,884	5,511	5,240	-4,017	-4,117	16,484	23,007
Change in working capital etc.	2,327	-3,372	-5,377	-15,832	3,987	4,073	937	-15,131
Cash flow from operating activities	**17,317**	**18,512**	**134**	**-10,592**	**-30**	**-44**	**17,421**	**7,876**
Cash flow from investing activities attributable to operating activities	-8,137	-7,518	-21	-40	-	-	-8,158	-7,558
Cash flow after investing activities attributable to operating activities	**9,180**	**10,994**	**113**	**-10,632**	**-30**	**-44**	**9,263**	**318**

BALANCE SHEET	Vehicles and Services		Financial Services		Eliminations		Scania CV Group	
31 December	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Assets								
Intangible assets	12,474	11,859	39	46	-	-	12,513	11,905
Tangible assets	38,137	38,358	7,687	8,833	-7,570	-8,710	38,254	38,481
Lease assets	27,388	31,287	72	49	-	-	27,460	31,336
Holdings in associated companies and joint ventures	4,901	4,283	-	-	-3,653	-3,319	1,248	964
Interest-bearing receivables, non-current	96	122	54,678	59,061	-6,770	-8,245	48,004	50,938
Other receivables, non-current	8,283	6,884	730	545	-315	-127	8,698	7,302
Inventories	21,105	26,065	-	-	-	-	21,105	26,065
Interest-bearing receivables, current	1,198	249	33,218	36,096	-3,599	-3,537	30,817	32,808
Other receivables, current	13,775	15,359	2,479	2,560	-1,294	-1,190	14,960	16,729
Current investments, cash and cash equivalents	31,588	22,153	734	640	-	-998	32,322	21,795
Total assets	**158,945**	**156,619**	**99,637**	**107,830**	**-23,201**	**-26,126**	**235,381**	**238,323**
Equity and liabilities								
Equity	49,387	47,721	9,631	10,138	-3,672	-3,172	55,346	54,687
Interest-bearing liabilities, non-current	3,837	4,014	47,079	53,174	2,648	-3,180	53,564	54,008
Provisions for pensions	12,278	12,163	106	99	-	-	12,384	12,262
Other non-current provisions	6,857	6,765	8	11	-	-	6,865	6,776
Other liabilities, non-current	27,077	31,820	610	689	-11,390	-13,488	16,297	19,021
Interest-bearing liabilities, current	5,928	1,076	39,304	41,038	-2,754	1,865	42,478	43,979
Liabilities to group companies	6,201	6,201	-	-	-	-	6,201	6,201
Current provisions	3,896	3,924	66	62	-	-	3,962	3,986
Other liabilities current	43,484	42,935	2,833	2,619	-8,033	-8,151	38,284	37,403
Total equity and liabilities	**158,945**	**156,619**	**99,637**	**107,830**	**-23,201**	**-26,126**	**235,381**	**238,323**

	Vehicles and Services		Financial Services		Eliminations		Scania CV Group	
Gross investment for the period in								
- Intangible assets	1,678	1,901	15	29	-	-	1,693	1,930
- Tangible assets	7,853	7,328	5,511	7,818	-5,488	-7,792	7,876	7,354
- Lease assets	7,951	13,867	38	24	-	-	7,989	13,891

GEOGRAPHIC AREAS	Europe		Eurasia		Asia		America[3]		Africa and Oceania		Scania CV Group	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Vehicles and Services												
Net sales, January – December [1,4]	77,121	96,289	6,000	7,427	13,330	12,610	16,121	21,030	8,018	10,201	120,590	147,557
Assets, 31 December [2]	136,727	132,294	1,355	1,378	3,553	3,522	14,068	16,170	3,242	3,255	158,945	156,619
Gross investments [2]	7,920	7,470	26	29	149	304	1,254	1,212	182	214	9,531	9,229
Non-current assets [5]	80,655	79,558	407	573	1,106	1,431	7,112	9,030	1,999	2,201	91,279	92,793
Financial Services												
Revenue, January – December[1, 6]	6,267	6,398	631	734	215	206	1,038	1,125	449	529	8,600	8,992
Assets, 31 December [2]	75,152	80,365	4,203	5,660	4,267	3,892	11,368	13,043	4,647	4,870	99,637	107,830
New financing to customers	28,292	38,260	3,199	3,770	2,672	1,628	5,929	7,497	2,347	3,066	42,439	54,221
Non-current assets[7]	48,359	52,521	2,200	2,859	2,922	2,542	6,717	7,772	3,008	2,840	63,206	68,534

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 SEK 7 390 (7,205).
5 Of which Sweden SEK 31 971 (26,418)
6 Of which Sweden SEK 384 (395).
7 Of which Sweden SEK 4 893 (4,537)

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, France, the Netherlands, Poland and Russia.

NOTE 4 Revenue from external customers

Vehicles and Service	**2020**	2019
Trucks[1]	69,934	98,292
Buses[2]	9,686	11,958
Power solutions	2,373	2,409
Service	27,132	28,971
Used vehicles[3]	8,582	8,411
Other products	4,001	4,615
Total delivery value	**121,708**	154,656
Adjustment for lease income [4]	-1,118	-7,099
Net sales	**120,590**	147,557
Financial Services	8,600	8,992
Eliminations [5]	-4,065	-4,130
Revenue from external customers	**125,125**	152,419

1 Of which SEK 6,299 m. (6,368) relates to lease income 2020.
2 Of which SEK 695 m. (761) relates to lease income 2020.
3 Of which SEK 191 m. (250) relates to lease income 2020.
4 Refers mainly to new trucks, SEK -1,081 m. (6,353). 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.

During 2020, the selling profit for vehicles subject to finance lease contracts amounted to SEK 1,421 m. and was recognized in the Vehicle and Services segment

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	**2020**	2019
Expected timing of revenue recognition		
Within a year	51,475	38,747
1-5 years	14,455	15,463
More than 5 years	2,523	2,042

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	2020	2019
Cost of goods sold		
Cost of goods	62,498	72,345
Staff	18,201	21,428
Depreciation/amortisation[1]	9,391	9,108
Other	6,743	10,808
Total	96,833	113,689

1 of which an impairment loss of SEK 276 m. (12)

Research and development expenses		
Staff	2,566	2,737
Depreciation/amortisation	959	916
Other	2,123	2,509
Total	5,648	6,162

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

Selling expenses		
Staff	6,816	7,336
Depreciation/amortisation[1]	711	856
Other	4,037	4,488
Total	11,564	12,680

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

Administrative expenses		
Staff	1,306	1,428
Depreciation/amortisation	36	34
Other	783	844
Total	2,125	2,306

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.

	2020	2019
Interest income	**3,753**	4,035
Lease income	**4,539**	4,640
Depreciation	**-3,995**	-4,070
Interest expenses	**-1,421**	-1,696
Insurance commission	**308**	317
Net interest income and insurance commission	**3,184**	3,226
Other income and expenses	**-68**	-94
Gross income	**3,116**	3,132
Selling and administrative expenses	**-1,263**	-1,307
Bad debt expenses [1]	**-730**	-314
Operating income	**1,123**	1,511

[1] These expenses were equivalent to 0.73 (0.33) percent of the average credit portfolio.

Operating leases	2020	2019
1 January	**20,191**	18,258
New contracts	**7,157**	9,714
Depreciation	**-3,995**	-4,070
Terminated contracts	**-4,600**	-4,158
Change in value adjustments	**-24**	-41
Exchange rate differences	**-1,054**	488
Carrying amount, 31 December [2]	**17,675**	20,191

2 The consolidated balance sheet also includes elimination of deferred profit of SEK 2,737 m. (3,152).

Financial receivables (hire purchase contracts and financial leases)	2020	2019
1 January	**83,590**	70,908
New receivables	**35,282**	44,507
Loan principal payments/terminated contracts	**-31,931**	-33,996
Change in value adjustments	**-392**	-2
Exchange rate differences	**-8,791**	2,173
Carrying amount, 31 December	**77,758**	83,590
Total receivables and lease assets [3]	**95,433**	103,781

3 The number of contracts in the portfolio on 31 December totalled about 178,000 (176,000).

Net investments in financial leases	2020	2019
Receivables related to future minimum lease payments	**46,405**	50,461
Imputed interest	**-3,022**	-3,454
Net investment [4]	**43,383**	47,007
Reserve for bad debts	**-938**	-601
Total	**42,445**	46,406

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

Future minimum lease payments [5]	Operating leases	Financial leases
2021	**3,505**	**16,418**
2022	**2,475**	**12,427**
2023	**1,492**	**8,499**
2024	**718**	**4,920**
2025	**282**	**2,283**
2026 and later	**177**	**1,858**
Total	**8,649**	**46,405**

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

	2020	2019
Interest income		
Bank balances and financial investments	**94**	144
Derivatives[1]	**383**	357
Total interest income	**477**	501
Interest expenses		
Borrowings	**-663**	-500
Derivatives[1)]	**-1,063**	-1,349
Total borrowings and derivatives	**-1,726**	-1,849
Less interest expenses recognised in Financial Services[2)]	**991**	1,179
Pension liability	**-194**	-287
Total interest expenses	**-929**	-957
Total interest net	**-452**	-456
Net income from associated companies and joint ventures	**169**	46
Other financial income[3)]	**833**	253
Other financial expenses[3)]	**-1,610**	-855
Total other financial income and expenses	**-777**	-602
Net financial items	**-1,060**	-1,012

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 90 m. (-150) 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 25,319 m. (20,873) and unrealised/realised losses of SEK 23,289 m. (21,009) attributable to derivatives, bank balances, liabilities and interest expenses on lease liabilities.

NOTE 8 Taxes

Tax expense/income for the year	**2020**	2019
Current tax [1]	**-2,681**	-4,166
Deferred tax	**254**	74
Total	**-2,427**	-4,092
[1] Of which, taxes paid	-3,009	-3,885
Deferred tax is attributable to the following		
Tax related to temporary differences	**-119**	258
Tax related to changes in tax rates and tax rules	**-2**	-23
Tax income due to tax value of loss carry-forwards recognised during the year	**58**	103
Tax expense due to utilisation/revaluation of previously recognised tax value of tax loss carry-forwards	**-12**	-25
Tax related to change in provision to tax allocation reserve	**345**	-234
Other changes in deferred tax liabilities/assets	**-16**	-5
Total	**254**	74

Reconciliation of effective tax	2020		2019	
	Amount	%	Amount	%
Income before tax	**7,827**		16,476	
Tax calculated using Swedish tax rate	**-1,675**	**21**	-3,526	21
Tax effect and percentage influence:				
Difference between Swedish and foreign tax rates	**-356**	**5**	-436	3
Non-taxable income	**68**	**-1**	118	-1
Non-deductible expenses	**-265**	**3**	-162	1
Not recognised tax loss carry-forward	**-55**	**1**	-17	0
Derecognised deferred tax assets not utilised	**0**	**0**	0	0
Adjustment for taxes pertaining to previous years	**-148**	**2**	-61	0
Changed tax rates	**-7**	**0**	-17	0
Others	**11**	**0**	9	0
Tax recognised	**-2,427**	**31**	-4,092	25

Deferred tax assets and liabilities are attributable to the following:	2020	2019
Deferred tax assets		
Provisions and other liabilities	**8,085**	8,626
Provisions for pensions	**2,425**	2,356
Non-current assets	**1,455**	1,284
Inventories	**821**	898
Unutilised tax loss carry-forwards [3]	**375**	344
Offset within tax jurisdictions	**-7,990**	-7,948
Total deferred tax assets	**5,171**	5,561
Deferred tax liabilities		
Provisions and other liabilities	**776**	913
Non-current assets	**10,319**	10,157
Tax allocation reserve [4]	**345**	750
Other	**42**	0
Offset within tax jurisdictions	**-7,990**	-7,948
Total deferred tax liabilities	**3,492**	3,873
Deferred tax assets (-)/ Tax liabilities (+), net amount	**-1,679**	-1,688

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 471 m. (358 m.) 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	2020	2019
Carrying value on 1 January	**-1,688**	-1,090
Deferred taxes recognised in the year's income	**-254**	-74
Exchange rate differences	**325**	-1
Reported in equity, changes attributable to:		
Tax on IAS 29 inflation adjustment		
Remeasurements of defined benefit plans	**-88**	-513
Fair value adjustment equity instruments	**26**	-10
Deferred tax assets (-)/ Tax liabilities (+), net amount	**-1,679**	-1,688

NOTE 9 Depreciation/amortisation

Depreciation/amortisation	Vehicles and Services 2020	Vehicles and Services 2019	Financial Services 2020	Financial Services 2019	Eliminations[1] 2020	Eliminations[1] 2019	Scania Group 2020	Scania Group 2019
Intangible non-current assets								
Research and development expenses	764	713	-	-	-	-	764	713
Selling expenses	151	130	14	15	-	-	165	145
Total	915	843	14	15	-	-	929	858
Tangible non-current assets								
Costs of goods sold and services rendered	9,382	9,099	3,995	4,070	-3,986	-4,061	9,391	9,108
Research and development expenses	195	203	-	-	-	-	195	203
Selling expenses	525	690	52	51	-31	-30	546	711
Administrative expenses	36	34	-	-	-	-	36	34
Total	**10,138**	**10,026**	**4,047**	**4,121**	**-4,017**	**-4,091**	**10,168**	**10,056**
Total depreciation/amortisation[2]	11,053	10,896	4,061	4,136	-4,017	-4,091	11,097	10,914

1 Elimination relates to depreciation on right of use assets for Scanuia group internal leases.
2 Of wich SEK 276 m. (12) is an impairment loss.

NOTE 10 Intangible assets

2020	Goodwill	Development	Other intangibles[1]	Total
Accumulated cost				
1 January	1,466	15,632	1,596	**18,694**
Acquisition of subsidiaries	19	-	-	**19**
Additions	-	1,624	69	**1,693**
Divestments and disposals	-	-	-60	**-60**
Reclassifications	-	-	21	**21**
Exchange rate differences	-151	-17	-101	**-269**
Total	**1,334**	**17,239**	**1,525**	**20,098**
Accumulated amortisation				
1 January	36	5,759	994	**6,789**
Amortisation for the year	-	744	170	**914**
Impairment loss of the year	-	-	15	**15**
Divestments and disposals	-	-	-53	**-53**
Reclassifications	-	-	-2	**-2**
Exchange rate differences	-1	-5	-72	**-78**
Total	**35**	**6,498**	**1,052**	**7,585**
Carrying amount, 31 December	**1,299**	**10,741**	**473**	**12,513**
- of which capitalised expenditures for projects that have been placed in service		6,795		
- of which capitalised expenditures for projects under development		3,946		

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

2019	Goodwill	Development	Other intangibles [1]	Total
Accumulated cost				
1 January	1,442	13,843	1,422	**16,707**
Additions	-	1,788	142	**1,930**
Divestments and disposals	-	-	-33	**-33**
Reclassifications	-	0	49	**49**
Exchange rate differences	24	1	16	**41**
Total	**1,466**	**15,632**	**1,596**	**18,694**
Accumulated amortisation				
1 January	36	5,053	857	**5,946**
Amortisation for the year	-	706	152	**858**
Impairment loss of the year	-	-	-	**-**
Divestments and disposals	-	-	-28	**-28**
Reclassifications	-	-	1	**1**
Exchange rate differences	0	0	12	**12**
Total	**36**	**5,759**	**994**	**6,789**
Carrying amount, 31 December	**1,430**	**9,873**	**602**	**11,905**
- of which capitalised expenditures for projects that have been placed in service		6,091		
- of which capitalised expenditures for projects under development		3,782		

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

NOTE 11 Tangible assets

2020	Buildings and land	Machinery and equipment	Construction in progress and advanced payments	Lease assets[1)]	Total
Accumulated cost					
1 January	28,946	46,908	4,726	40,278	**120,858**
Acquisition of subsidiaries	-	143	-	-	**143**
Additions	1,190	1,064	5,622	7,989	**15,865**
Divestments and disposals	-441	-1,815	-19	-6,360	**-8,635**
Reclassifications	504	2,029	-2,654	-1,725	**-1,846**
Exchange rate differences	-1,822	-2,538	-278	-2,767	**-7,405**
Total	**28,377**	**45,791**	**7,397**	**37,415**	**118,980**
Accumulated depreciation					
1 January	11,419	30,680	-	8,942	**51,041**
Acquisition of subsidiaries	-	34	-	-	**34**
Depreciation for the year	1,236	3,669	-	5,002	**9,907**
Impairment loss of the year	155	106	-	-	**261**
Divestments and disposals	-249	-1,613	-	-2,640	**-4,502**
Reclassifications	-1	-8	-	-523	**-532**
Exchange rate differences	-651	-1,466	-	-826	**-2,943**
Total	**11,909**	**31,402**	**-**	**9,955**	**53,266**
Carrying amount, 31 December	**16,468**	**14,389**	**7,397**	**27,460**	**65,714**
-of which “Buildings”	9,694				
-of which “Land”	3,137				
-of which “Right of use”	3,637	952			
-of which Financial Services	164	58	0	72	

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

2019	Buildings and land	Machinery and equipment	Construction in progress and advanced payments	Lease assets[1]	Total
Accumulated cost					
1 January	23,518	40,944	5,186	36,722	**106,370**
Transition IFRS	3,542	1,048	-	-	**4,590**
Additions	1,411	1,455	4,488	13,891	**21,245**
Divestments and disposals	-376	-1,255	-4	-9,001	**-10,636**
Reclassifications	399	4,571	-5,073	-2,501	**-2,604**
Exchange rate differences	452	145	129	1,167	**1,893**
Total	**28,946**	**46,908**	**4,726**	**40,278**	**120,858**
Accumulated depreciation					
1 January	10,148	28,014	-	8,449	**46,611**
Depreciation for the year	1,232	3,641	-	5,171	**10,044**
Impairment loss of the year	11	1	-	-	**12**
Divestments and disposals	-125	-1,142	-	-4,183	**-5,450**
Reclassifications	3	-9	-	-806	**-812**
Exchange rate differences	150	175	-	311	**636**
Total	**11,419**	**30,680**	**-**	**8,942**	**51,041**
Carrying amount, 31 December	**17,527**	**16,228**	**4,726**	**31,336**	**69,817**
-of which “Buildings”	10,325				
-of which “Land”	3,382				
-of which “Right of use”	3,820	1,168			
-of which Financial Services	52	112	0	49	

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

NOTE 12 Lease obligations

The Scania Group acts as a lessee in many areas of the Company. These transactions relate primarily to leases of office equipment, real estate, and other production facilities. The leases are individually negotiated and contain a large number of contractual terms and conditions. Right-of-use assets arising from leases are reported in the following balance sheet items:

2020	Buildings and land	Machinery and equipment	Total
Accumulated cost			
1 January	4 426	1 631	**6 057**
Additions	909	404	**1 313**
Disposals	-309	-308	**-617**
Transfers	0	0	**0**
Exchange rate differences	-328	-77	**-405**
Total	**4 698**	**1 650**	**6 348**
Accumulated amortisation			
1 January	606	462	**1 068**
Depreciation for the year	630	492	**1 122**
Impairment loss of the year	58	5	**63**
Disposals	-155	-229	**-384**
Transfers	-4	1	**-3**
Exchange rate differences	-74	-33	**-107**
Total	**1 061**	**698**	**1 759**
Carrying amount, 31 December	**3,637**	**952**	**4,589**

2019	Buildings and land	Machinery and equipment	Total
Accumulated cost			
1 January	3,542	1,048	4,590
Additions	982	613	1,595
Disposals	-184	-35	-219
Transfers	0	-1	-1
Exchange rate differences	86	6	92
Total	**4 426**	**1 631**	**6 057**
Accumulated amortisation			
1 January	5	12	17
Depreciation for the year	624	471	1,095
Impairment loss of the year	-	-	-
Disposals	-18	-18	-36
Transfers	-	0	0
Exchange rate differences	-5	-3	-8
Total	**606**	**462**	**1 068**
Carrying amount, 31 December	**3,820**	**1,168**	**4,988**

Amounts recognised in profit and loss	**2020**	2019
Depreciation expense on right-of-use assets	**-1,185**	-1,095
Interest expense on lease liabilities	**-163**	-190
Expense relating to short-term leases	**-70**	-103
Expense relating to leases of low value assets	**-168**	-168

At 31 December 2020, the Group is committed to SEK 27 m. (70) for short-term leases.
The total cash outflow for leases amount to SEK 1,298 m. (1,235).

The following table shows an overview of potential future cash outflows from leases that were not included in the measurement of lease liabilities:

Potential exposure to future cash outflow from	2020	2019
Extension options	-341	-350
Termination options	-5	-4
Leases not yet commenced (contractual commitment)	-435	-575

Lease liabilities	2020	2019
Interest bearing liabilities - noncurrent	3,867	4,041
Interest bearing liabilities - current	969	1,054
Total	4,836	**5,095**

Maturity analysis	2020	2019
No later than 1 year	1,102	1,235
Later than 1 year and not later than 5 years	3,383	3,468
Later than 5 years	1,251	1,480
Total	5,736	**6,183**

The Group does not face a significant liquidity risk with regard to its lease liabilities.

NOTE 13 Holdings in associated companies and joint ventures

	2020	2019
Carrying amount, 1 January	747	560
Acquisitions, capital contributions, divestments and impairment losses during the year[1]	13	128
Exchange rate differences	-86	18
Share in income for the year [2]	169	46
Dividend	-3	-5
Carrying amount, 31 December	840	747
Contingent liabilities	-	-

1) SEK 127 m. relates to sennder GmbH which was reclassified during 2019 from other shares and participations to associate.

2) SEK 102 m. is attributable to a dilution of ownership in sennder GmbH. In 2020, Sender made a directed new share issue, which resulted in a decrease of Scania's shareholding from 16.85 to 14.64%. The dilution effect of SEK 102 m. is the sum of the reduced ownership share and Scania's share of the contributed capital from the new share issue.

Associated companies/ Corporate ID number/ Country of registration	Ownership %	Carrying amount in Parent Company	Value of Scania CV's share in consolidated financial statements	
			2020	2019
BITS DATA i Södertälje AB, 556121-2613, Sweden	33,0	2	8	6
ScaValencia S.A., A46332995, Spain	26,0	16	30	30
N.W.S S.r.L, IT1541500227, Italy [3]	-	-	-	1
Telematics GmbH, HRB 203799B	46,7	15	15	-
sennder GmbH, HRB 170455B, Germany	14,6	127	180	117
Holdings in associated companies		160	233	154
Share of:				
Net income			77	-3
Total comprehensive income			77	-3

3) During 2020 Scania acquried additional 6% of the company N.W.S S.r.L, increasing ownership to 52,5% and reclassifying it as a Group Company.

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 2020	2019
Cummins-Scania XPI Manufacturing LLC, 20-3394999, USA	50	515	594	579
Oppland Tungbilservice A/S, 982 787 602, Norway	50	1	7	8
Tynset Diesel A/S, 982 787 580, Norway	50	1	6	6
Holdings in joint ventures		517	607	593
Share of:				
Net income			92	49
Total comprehensive income			92	49
Holdings in associated companies and joint ventures			840	747
Other shares and participations			408	217
Total			1,248	964

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

Summarised income statement	**2020**	2019
Net sales	2,284	2,995
Operating income[1]	106	94
Interest income/expenses and Other financial expenses	-29	7
Taxes	103	-10
Net income for the year	180	91
Other comprehensive income for the year	-	-
Total comprehensive income for the year	180	91
Scania Group's share (50%)	90	45

1 Depreciation amounting to SEK 107 m. (121) is included in Operating income

Summarised balance sheet	**2020**	2019
Non-current assets	712	828
Current investments and cash and cash equivalents	123	129
Other current assets	948	806
Total assets	1,783	1,763
Equity	1,187	1,159
Other current liabilities	596	604
Total equity and liabilities	1,783	1,763
Scania Group's share of equity (50%)	594	579
Carrying amount	**594**	**579**

Scania´s dividend from Cummins-Scania XPI Manufacturing LLC amounted to SEK 0 m. (0).

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 14 Inventories

	2020	2019
Raw materials, components and supplies	**3,152**	3,598
Work in progress	**1,739**	1,631
Finished goods[1]	**16,214**	20,836
Total [2]	**21,105**	26,065

1 Whereof used vehicles SEK 1,067 m. (3,193).
2 Whereof value adjustment reserv SEK -939 m. (–1,274).

NOTE 15 Other receivables

	2020	**2019**
Prepaid expenses and accrued income	**340**	461
Derivatives with positive market value	**2,565**	370
Advance payments	**35**	41
Pension asset	**5**	30
Other receivables	**355**	542
Total other non-current receivables	**3,300**	1,444
Prepaid expenses and accrued income	**2,070**	2,079
Derivatives with positive market value	**826**	182
Value-added tax	**1,883**	2,623
Advance payments	**296**	411
Other receivables	**2,185**	2,218
Total other current receivables	**7,260**	7,513
Total other receivables	**10,560**	8,957

NOTE 16 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 exchange rate difference of SEK -4 470 m. (945) arose as a result of the Swedish krona's strengthening against currencies important to Scania CV. The exchange rate differences were mainly due to the krona's strengthening 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 17, "Provisions for pensions and similar commitments".

For the Annual General Meeting in 2021 the board of directors propose no dividend for 2020.
Retained earnings in parent company, amounting to SEK 44,461 m., will be carried forward.

Non-controlling interest refers to the share of equity held 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 none is considered to have a substantial non-controlling interests. In 2020, net income attributable to non-controlling interests amounted to SEK 3 m. (3) and accumulated noncontrolling interests in the company amounted to SEK 12 m. (18) as of 31 December 2020.

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 2020, the Group's equity totalled

SEK 55,346 m. (54,687). 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 of BBB.

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 2020, 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 2020 Scania's Credit Rating according to Standard and Poor´s was:

- long-term borrowing: BBB
- outlook: Negative
- short-term borrowing: A-2
- short-term borrowing: Sweden: K-2

Reconciliation of change in number of shares outstanding	**2020**	2019
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 17 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 1,670 m. (1,949) during 2020. 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 528 m. for 2021.
The largest plans are described in more detail below.

Sweden
Blue-collar workers are covered by the Avtalspension 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 partly through provisions to an account in the balance sheet and partly through provisions to a pension foundation, both safeguarded by credit insurance from the mutual insurance company Försäkringsbolaget PRI Pensionsgaranti. However, a portion of the ITP2 plan is safeguarded via premiums to the retirement insurance company Alecta. These obligations are recognised under the heading "Multi-employer defined-benefit plans".
Aside from these obligations, there are 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 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.

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 2020, Alecta's surplus, in the form of a collective consolidation level (assets in relation to the insurance obligation), amounted to 144 percent (148). If the consolidation level falls below or exceeds the normal range (125-175), 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 111 m. (111).

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 155 m. (134). The consolidation level of PMT was 95 percent (100) and for PME 97 percent (99).

Information regarding the largest plans during 2020	**Sweden**	**Switzer-land**	**Brazil**	**Great Britain**
Present value of defined-benefit obligations	12,449	1,211	405	1,041
Fair value of plan assets	-1,523	-1,216	-52	-922
Net assets not fully valued due to curtailment rule	-	-	0	-
Recognised as pension liability (asset) in the balance sheet, SEK m.	**10,926**	**-5**	**353**	**119**

Breakdown into categories	**Sweden**	**Switzer-land**	**Brazil**	**Great Britain**
Present value of defined-benefit obligations for persons in active employment, SEK m.	7,953	708	-209	-
Persons in active employment, number	10,356	282	2,544	-
Present value of defined-benefit obligations for paid-up policy holders, SEK m.	2,072	-	-	700
Paid-up policy holders, number	2,880	-	-	399
Present value of defined-benefit obligations for retired employees, SEK m.	2,424	503	614	341
Retired employees, number	2,693	109	1,224	208

Assumptions/conditions	**Sweden**	**Switzer-land**	**Brazil**	**Great Britain**
Discount rate, %	1.3	0.1	7.6	1.4
Average life expectancy, women/men, years	88	88	86	88
Average duration of obligations, years	22.9	16.0	11.5	20.0

Sensitivity analysis concerning change in present value of obligations, SEK m.	**Sweden**	**Switzer-land**	**Brazil**	**Great Britain**
0.5% increase in discount rate	-1,305	-91	-27	-97
0.5% decrease in discount rate	1,503	103	16	109
1 year increase in life expectancy	539	35	42	43

Information regarding the largest plans during 2019	Sweden	Switzer-land	Brazil	Great Britain
Present value of defined-benefit obligations	11,771	1224	548	1,011
Fair value of plan assets	-997	-1254	-74	-971
Net assets not fully valued due to curtailment rule	-	-	2	-
Recognised as pension liability (asset) in the balance sheet, SEK m.	**10,774**	**-30**	**476**	**40**

Breakdown into categories	Sweden	Switzer-land	Brazil	Great Britain
Present value of defined-benefit obligations for persons in active employment, SEK m.	7,618	690	-253	-
Persons in active employment, number	10,814	296	2,544	-
Present value of defined-benefit obligations for paid-up policy holders, SEK m.	1,848	-	-	664
Paid-up policy holders, number	2,778	-	-	399
Present value of defined-benefit obligations for retired employees, SEK m.	2,305	534	801	347
Retired employees, number	2,600	112	1,124	208

Assumptions/conditions	Sweden	Switzer-land	Brazil	Great Britain
Discount rate, %	1.5	0.1	7.8	2.0
Average life expectancy, women/men, years	89	88	86	88
Average duration of obligations, years	23.1	15.9	12.2	20.0

Sensitivity analysis concerning change in present value of obligations, SEK m.	Sweden	Switzer-land	Brazil	Great Britain
0.5% increase in discount rate	-1,246	-91	-12	-91
0.5% decrease in discount rate	1,438	104	4	107
1 year increase in life expectancy	507	36	57	44

Expenses for pensions and other defined-benefit payments recognised in the income statement	Expenses for pensions and similar commitments	
	2020	2019
Current service expenses	**-606**	-472
Net interest income/expenses	**-193**	-287
Past service expenses	**12**	12
Net gains (+) and losses (–) due to curtailments and settlements	**-2**	-
Total expense for defined-benefit payments recognised in the income statement	**-789**	-747

Pension expenses and other defined-benefit payments are found in the income statement under the headings “Research and development expenses”, SEK 126 m. (102), “Cost of goods sold”, SEK 271 m. (210), “Selling expenses”, SEK 126 m. (99) and “Administrative expenses”, SEK 73 m. (50). 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.

Expenses for pensions and other defined-benefit payments recognised in "Other comprehensive income"	**Expenses related to pensions and similar commitments**	
	2020	2019
Experience-based adjustments in net liabilities	**-134**	-321
Effects of changes in demographic assumptions	**-2**	-2
Effects of changes in financial assumptions	**-303**	-2,217
Actual return on plan assets excluding amount included in interest income	**44**	101
Changes in present value of asset ceiling not included in interest expense	**1**	12
Total expense/revenue for defined-benefit payments recognised in "Other comprehensive income"	**-394**	-2,427

Recognised as provision for pensions in the balance sheet	**Pension commitments**	
	2020	2019
Present value of defined-benefit obligations, wholly or partly funded	**14,233**	13,578
Present value of defined-benefit obligations, unfunded	**2,268**	2,369
Present value of defined-benefit obligations	**16,501**	15,947
Fair value of plan assets	**-4,122**	-3,717
Net assets not fully valued due to curtailment rule	**0**	2
Recognised in the balance sheet	**12,379**	12,232
Of which, pension liabilities recognised under the heading "Provisions for pensions"	**12,384**	12,262
Of which, pension assets recognised under the heading "Other long-term receivables"	**-5**	-30

Present value of defined-benefit obligations changed during the year as follows:	**Liabilities related to pensions and similar commitments**	
	2020	2019
Present value of defined-benefit obligations, 1 January	**15,947**	12,709
Present value of reclassified obligations, 1 January	**-4**	-3
Current service expenses	**606**	472
Interest expenses	**237**	328
Payments made by pension plan participants	**18**	19
Experience-based actuarial gains and losses	**134**	321
Adjustment effects from changes in demographic assumptions	**2**	2
Adjustment effects from changes in financial assumptions	**303**	2,323
Exchange rate differences	**-379**	146
Payments from company´s assets	**-255**	-234
Payments from plan assets	**-96**	-124
Past service expenses	**-12**	-12
Present value of defined-benefit obligations, 31 December	**16,501**	15,947

Fair value of plan assets changed as follows during the year:	Plan assets related to pensions and similar commitments	
	2020	2019
Fair value of plan assets, 1 January	**3,717**	2,368
Fair value of plan assets related to reclassified obligations, 1 January	**-5**	-2
Interest income on plan assets	**44**	42
Actual return on plan assets excluding amount included in interest income	**44**	101
Effects of changes in financial assumptions	**0**	106
Exchange rate differences	**-175**	132
Payments made by employers	**576**	1,075
Payments made by pension plan participants	**18**	19
Payments from plan assets	**-96**	-124
Fair value of plan assets in acquired/divested entities	**-1**	-
Settlements	**-**	-
Fair value of plan assets, 31 December	**4,122**	3,717

	Asset ceiling	
Present value of asset ceiling	**2020**	2019
Present value of asset ceiling, 1 January	**2**	**12**
Interest expenses	**0**	**1**
Changes in present value of asset ceiling not included in interest expense	**-1**	**-12**
Exchange rate differences	**-1**	**1**
Present value of asset ceiling, 31 December	**0**	**2**

	2020	**2020**	**2019**	**2019**
Allocation of fair value in plan assets	**Quoted price in an active market**	**Unquoted price**	Quoted price in an active market 1)	Unquoted price
Cash and cash equivalents	**195**	**-**	25	-
Equity instruments issued by others	**973**	**-**	1,088	-
Debt instruments issued by Scania	**-**	**-**	-	51
Debt instruments issued by others	**794**	**-**	548	-
Properties leased to Scania companies	**-**	**48**	-	40
Investment properties	**-**	**-**	132	-
Equity mutual funds	**538**	**-**	604	-
Fixed income mutual funds	**455**	**47**	411	3
Real estate funds	**238**	**-**	266	-
Other investment funds	**300**	**-**	-	-
Other plan assets	**48**	**486**	51	498
Total	**3,541**	**581**	3,125	592

1) Plan Assets reported in 2019 have been reclassified in 2020 and the comprative figures 2019 have been adjusted accordingly.

NOTE 18 Other provisions

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

2020	Product obligations	Legal and tax risks [2]	Other provisions [1]	Total
1 January	1,828	4,624	4,310	10,762
Provisions during the year	1,053	145	2,167	3,365
Provisions used during the year	-1,116	-274	-1,737	-3,127
Provisions reversed during the year	-84	-39	-60	-183
Exchange rate difference	1	9	0	10
31 December	**1,682**	**4,465**	**4,68**	10,827
-of which, current provisions	1,247	221	2,494	3,962
-of which, non-current provisions	435	4,244	2,186	6,865

2019	Product obligations	Legal and tax risks [2]	Other provisions [1]	Total
1 January	1,575	4,673	3,710	9,958
Provisions during the year	1,264	143	1,871	3,278
Provisions used during the year	-920	-81	-1,246	-2,247
Provisions reversed during the year	-92	-104	-16	-212
Exchange rate difference	1	-7	-9	-15
31 December	**1,828**	**4,624**	**4,310**	10,762
-of which, current provisions	1,495	204	2,287	3,986
-of which, non-current provisions	333	4,420	2,023	6,776

1 “Other provisions” include provisions for potential losses on service agreements. Total number of contracts increased during 2020 by 7,300 contracts (3,500) and amounted to 259,600 contracts (252,300) at year-end.

2 “EU investigation” consists of provision of SEK 3,800 m. 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 19 Accrued expenses and deferred income

	2020	2019
Accrued employee-related expenses	**6,172**	6,764
Deferred income related to service and repair contracts	**6,439**	7,176
Deferred income related to repurchase obligations[1]	**6,001**	6,724
Other accrued expenses and deferred income	**3,772**	3,877
Total	**22,384**	24,541
- of which current	**14,882**	15,973
- of which non-current	**7,502**	8,568
Of the above total, the following was attributable to Financial Services operations	**794**	687

1 Of the above deferred income related to vehicles sold with repurchase obligations, SEK 2,039 m. (2,172) is expected to be recognised as revenue within 12 months. SEK 284 m. (407) 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 year:

SEK m.	**2020**	2019
Contract liabilities as of 1 January	**7,176**	6,133
Additions and disposals	**-242**	796
Currency translation adjustments	**-495**	247
Contract liabilities as of 31 December	**6,439**	7,176

Sales revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period totalled SEK 3,076 m. (2,840)

NOTE 20 Assets pledged and contingent liabilities

Assets pledged	2020	2019
Financial receivables[2]	**-**	-
Other	**0**	5
Total [1]	**0**	5
[1] **Of which, assets pledged for:**		
Borrowings	**-**	**-**
Liabilities of others	**0**	5

Contingent liabilities	2020	2019
Contingent liability related to FPG credit insurance	**93**	86
Other guarantees	**247**	327
Other contingent liability related to tax	**629**	863
Total	**969**	1,276

In addition to the above contingent liabilities, the Group has issued vehicle repurchase guarantees worth SEK 6 m. (11) to customers' creditors.

NOTE 21 Government grants and assistance

During 2020, the Scania Group received government grants amounting to SEK 953 m. (87) attributable to operating expenses of SEK 14,144 m. (425).

Of the received grant during 2020, SEK 873 m. relates to short-term allowances of employees due to Covid-19.

NOTE 22 Cash flow statement

In those cases a breakdown in segment is not done, the cash flow specification below refers to Scania group.

	2020	2019
a. Interest and dividends received/paid		
Dividends received from associated companies	**3**	5
Interest received	**4,243**	4,451
Interest paid	**-2,460**	-3,074
b. Items not affecting cash flow		
Depreciation/amortisation	**11,097**	10,914
Associated companies	**-166**	-41
Provision for pensions	**-48**	-562
Other	**783**	105
Total	**11,666**	10,416
c. Financial services: Net investments in credit portfolio etc.		
New financing[1]	**-42,439**	-54,221
Payments of principal and completed contracts	**39,752**	43,777
Total	**-2,687**	-10,444

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

d. Net investments through acquisitions/divestments of businesses[2]		
Divestments of businesses	**0**	0
Acquisitions of businesses	**-27**	-
Total	**-27**	0

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

e. Vehicles and Services: Acquisitions of non-current assets		
Investments in non-current assets[3]	**-8,338**	-7,787
Divestments of non-current assets	**228**	269
Total	**-8,110**	-7,518

[3] Of which, SEK 1,624 m. (1,788) in capitalised research and development expenditures.

f. Change in debt through financing activities

Net change in current liabilities	**-30,373**	-3,586
Decrease in non-current liabilities	**-1,107**	-400
Increase in non-current liabilities	**34,755**	26,954
Lease liabilities	**-1,067**	-976
Total	**2,208**	21,992

g. Cash and cash equivalents

Cash and bank balances	**7,066**	5,838
Short-term investments comprising cash and cash equivalents	**25,202**	15,143
Total	**32,268**	20,981

Reconciliation of liabilities arising from financing activites

	2019	Cash flow	Non-cash changes			2020
			Foreign exchange movements	Re-classifications	New leases	
Non-current interest-bearing liabilities	49,967	33,648	-2,423	-31,495	-	**49,697**
Current interest-bearing liabilities	48,719	-30,373	-2,492	31,495	-	**47,349**
Lease liabilities	5,116	-1,067	-526	-	1,313	**4,836**
	103,802	2,208	-5,441	0	1,313	**101,882**
Cash and cash equivalents	20,981	12,221	-934	-	-	**32,268**
	124,783	14,429	-6,375	0	1,313	**134,150**

	2018	Cash flow	Non-cash changes			2019
			Foreign exchange movements	Re-classifications	New leases	
Non-current interest-bearing liabilities	42,950	26,554	-128	-19,409	-	**49,967**
Current interest-bearing liabilities	30,806	-3,586	2,090	19,409	-	**48,719**
Lease liabilities[1]	4,544	-976	-15	-	1,563	**5,116**
	78,300	21,992	1,947	0	1,563	**103,802**
Cash and cash equivalents	7,222	13,628	131	-	-	**20,981**
	85,522	35,620	2,078	0	1,563	**124,783**

1) Including adjusted opening balance lease liability of SEK 4,544 m.

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 2019–2020.

In November 2020, Scania completed a strategic acquisition of a small subsidiary in China. The aim is to establish a wholly-owned truck production facility to start series production in early 2022.

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)	2020	2019
Boards of Directors, Presidents and Executive (or Group) Vice Presidents [1]	**499**	512
of which bonuses	**189**	193
Other employees	**19,967**	20,696
Subtotal	**20,466**	21,208
Pension expenses and other mandatory payroll fees	**7,082**	7,535
of which pension expenses [2]	**2,269**	2,430
Total	**27,548**	28,743

1 The number of Board members and executive officers in Scania CV Group in Sweden was 562 (538).
2 Of the pension expense in the Scania CV Group, SEK 23 m. (50) was for Boards of Directors and executive officers in the Scania CV Group. At year-end, the total pension obligation was SEK 209 m. (146) for this category.

	2020		2019	
Average number of employees (excluding personnel on hire)	**Total**	**Women**	Total	Women
Sweden	**18,137**	**24%**	17,998	23%
Europe (excluding Sweden)	**16,477**	**14%**	16,589	14%
Eurasia	**758**	**25%**	802	26%
America	**7,665**	**13%**	7,928	13%
Asia	**1,973**	**21%**	2,149	21%
Africa and Oceania	**2,006**	**18%**	2,023	19%
Total	**47,016**	**18%**	47,489	18%

Gender distribution	2020	2019
Board members in subsidiaries and the Parent company	**435**	421
Of whom, men	**401**	392
Of whom, women	**34**	29
Presidents/Managing Directors of subsidiaries and the Parent Company, plus the Group's Executive Board	**127**	117
Of whom, men	**121**	112
Of whom, women	**6**	5

Number of employees, 31 December	2020	2019[1]
Vehicles and Services		
Production and corporate units	**25,825**	25,224
Research and development	**4,229**	4,651
Sales and service companies	**18,896**	20,345
Subtotal	**48,950**	50,220
Financial Services	**1,061**	1,058
Total	**50,011**	51,278
Of whom, on temporary contracts and on hire	4,707	4,684

NOTE 25 Related party transactions

	Revenue		Expenses		Receivables		Liabilities	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Volkswagen Group	**870**	1,295	**980**	1,171	**24,370**	14,234	**776**	936
Associated companies and joint ventures								
Cummins-Scania XPI Manufacturing L.L.C	**109**	155	**631**	706	**14**	12	**0**	0
ScaValencia S.A.	**170**	247	**97**	175	**4**	4	**2**	1
Others	**12**	13	**23**	11	**1**	2	**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 13, "Holdings in associated companies and joint ventures". Disclosures of pension plans are provided in Note 17, "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 Scania's 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, TRATON SE's return of sales and a Volkswagen long-term incentive index. For the CEO, part of the annual fixed salary is paid from TRATON SE. The CEO has variable earnings-dependent salary based on the TRATON GROUP's return on sales, return on invested capital and a sharerelated program TRATON SE. Executive officers are covered under the ITP Plan. Executive officers covered under the defined benefit ITP Plan are also covered under a defined contribution pension plan that applies in addition to the public pension and the ITP Plan.

The share-related program relates to a long-term incentive (LTI) bonus which is determined by the Supervisory Board of TRATON SE at its reasonable discretion. The LTI was introduced in January 2019. The terms and conditions for the LTI provide for a period of three years for calculating the target achievement, and may be amended from time to time. In this plan, a new performance period ("performance period") starts at the beginning of each fiscal year.

At the beginning of each new performance period the CEO is conditionally awarded a certain number of performance shares. The number of performance shares depends (i) on the individual target amounts and (ii) on the calculated price of Volkswagen AG preferred shares (in the pre-IPO phase) or the price of TRATON SE shares (in the post-IPO phase), with the arithmetic mean of the closing prices of the 30 trading days preceding the performance period being used to calculate the price.

If the employment contract begins or ends in the course of a year, the target amount for the LTI is calculated ratably for the period of service.

The number of performance shares at the end of a performance period ("final number of performance shares") depends on the number of performance shares conditionally awarded at the beginning of the performance period and the achievement of the "earnings per share" target amounts. These are determined at the beginning of the performance period. The payout amount depends on the final number of performance shares and the calculated price of Volkswagen AG preferred shares (in the pre-IPO phase) or the price of TRATON SE shares (in the post-IPO phase), using the arithmetic mean of the closing prices of the last 30 trading days of the performance period and including any dividends paid out during the performance period.

The amount paid out is capped at 200% of the target amount.

In the case of extraordinary events or developments, e.g., a business combination, significant changes in the shareholder structure, or certain corporate actions or structural measures implemented by the Company, the Company is entitled, under certain conditions, to modify the terms and conditions of the plan or the number of performance shares. In “bad leaver” cases, which are defined in the relevant performance share plan (in particular in the case of the extraordinary termination of an Executive Board member), all the performance shares of a current performance period are forfeited and not replaced or otherwise compensated.

The terms and conditions of the LTI for each performance period are determined by the Supervisory Board of TRATON SE at its reasonable discretion. The Supervisory Board of TRATON SE has introduced provisions governing penalties and salary clawbacks in the event of misconduct (including breaches of oversight or organizational duties as a “cultural and integrity corrective”), which can lead to a reduction or the complete forfeiture of the LTI or to the clawback of an LTI that has already been paid out.

A total of 32,417 (5,180) performance shares were awarded to the CEO. The fair value of the performance shares obligation as of December 31, 2020, was SEK 1 m. (4). The expenses under the plan amounting to SEK 3 m. (4). were recognised in personnel expenses. If the beneficiaries of the performance share plan had left the Company as of December 31, 2020, the obligation (intrinsic value) would have been SEK 0 m. (0).

Termination conditions for the executive board
If the President and CEO resigns of his own volition, he is entitled to his salary for a 12-month notice period. Any variable salary during the year in question is disbursed according to conditions adopted by Scania’s Board of Directors. In case of termination by the company, a 12-month notice period applies with retained benefits and severance pay equivalent to 24 months of salary is payable.

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

2020, SEK thousand.	Fixed salary	Board remuneration[1]	Variable salary	LTI	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	-	-	-	-	-	**-**	-	-	**-**	-
President and CEO	6,026	-	1,923	2,782	469	**11,200**	3,243	495	**3,738**	3,742
Rest of Executive Board (7 persons)	24,369	-	37,546	-	1,754	**63,669**	7,628	3,306	**10,934**	24,550

1) Other Board members' total fees: Matthias Gründler 0; Andreas Renschler 0; Peter Wallenberg Jr. 550; Markus S. Piëch 0; Stephanie Porsche-Schröder 0; Nina Macpherson 700; Christian Schulz 0; Lilian Fossum Biner 700; Gunnar Kilian 0; Julia Kuhn-Piëch 0; Mark Philipp Porsche 0: Christian Porsche 0; Lisa Lorentzon 0; Michael Lyngsie 0; Mari Carlquist 0; Mikael Johansson 0. Andreas Renschler resigned on 15 July 2020. Mattihias Gründler was elected on 11 August 2020. Gunnar Kilian, Julia Kuhn-Piëch, Mark Philipp Porsche, Christian Porsche, Mari Carlquist and Mikael Johansson was elected on 20 August 2020.

2019, SEK thousand.	Fixed salary	Board remuneration[1]	Variable salary	LTI	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	-	-	-	-	-	**-**	-	-	**-**	-
President and CEO	6,180	-	7,336	4,158	305	**17,979**	2,898	480	**3,378**	3,319
Rest of Executive Board (7 persons)	23,564	-	48,993	-	1,849	**74,406**	6,685	3,520	**10,205**	25,008

1) Other Board members' total fees: Andreas Renschler 0; Peter Wallenberg Jr. 550; Markus S. Piëch 0; Stephanie Porsche-Schröder 0; Nina Macpherson 700; Christian Schulz 0; Lilian Fossum Biner 350; Lisa Lorentzon 0; Michael Lyngsie 0. Markus S. Piëch resigned on 20 November 2019 and Lilian Fossum Biner was appointed on 23 May 2019.

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 President and CEO is covered by the ITP plan and a defined contribution pension plan with premiums up to 65 years. Members of the Executive Board are covered by the ITP Plan with premiums up to 65 years. Members of the Executive Board covered under the defined benefit ITP Plan are also covered under defined contribution pension plan with premiums payments up to 65 years and, to a lesser extent, with premium payments up to 60 year

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.

	2020		**2019**	
Auditing firm	**EY**	**Other auditors**	**PwC**	**Other auditors**
Auditing assignments	**40**	**4**	44	**1**
Auditing activities beyond auditing assignments	**1**	**0**	1	**1**
Tax consultancy	**10**	**3**	2	**-**
Other services	**0**	**0**	2	**0**
Total	**51**	**7**	49	**2**

NOTE 28 FINANCIAL RISK MANAGEMENT

In addition to business risks, Scania is exposed to various financial risks in its operations. The financial risks that are of the greatest importance are currency, interest rate, credit and refinancing risk, which are regulated by Scania Group Policies 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 Scania Group Policy - Treasury.

LIQUIDITY RISK

Liquidity risk describes the risk that the Scania Group will have difficulty in meeting its obligations associated with financial liabilities or that it can only procure liquidity at a higher price.

To counter this risk, cash inflows and outflows and due dates are continuously monitored and managed. Cash requirements are primarily met by our operating business and by external financing arrangements. As a result, there are no material concentrations of risk.

The solvency and liquidity of Scania are ensured at all times by rolling liquidity planning, a liquidity reserve in the form of cash, confirmed credit lines and the issuance of securities on the international money and capital markets. For Scania Financial Services, there shall be dedicated funding covering the net of the next coming 3 months of maturing debt less 50% of maturing customer contracts. There shall also always be borrowings and/or dedicated equity that safeguard the existing portfolio.

Local cash funds in certain countries (e.g. Brazil, China, India, Russia and South Korea) are only available to the Group for cross-border transactions subject to exchange controls. There are no significant restrictions over and above these.

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 2020, 94 (95) percent of Scania's sales occurred in countries outside Sweden. Since a large proportion of production occurs in Sweden, at costs denominated in Swedish kronor, this means that Scania has large net inflows of foreign currencies. During 2020, total currency exposure in the operating income amounted to about SEK 35,800 m. (54,200). The largest currencies in this flow were USD, GBP and EUR. 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	**2020**	2019
US dollar (USD)	**6,200**	-400
British pound (GBP)	**5,900**	10,300
Euro (EUR)	**5,300**	5,200
Russian rouble, (RUB)	**3,700**	4,800
Norwegian krone (NOK)	**3,500**	4,200
Chinese yuan renminbi (CNY)	**2,600**	2,100
Korean won (KRW)	**2,300**	1,900
Swiss franc (CHF)	**1,700**	2,000
Danish krone (DKK)	**1,600**	2,000
Taiwain dollar (TWD)	**1,400**	1,300
South African rand (ZAR)	**1,300**	2,000
Brazilian real (BRL)	**-1,200**	-1,300
Other currencies	**-100**	18,300
Total currency exposure in operating income	**34,200**	52,400

Currency exposury in operating income, Financial Services	**2020**	2019
Euro, (EUR)	**600**	600
Other currencies	**1,000**	1,200
Total currency exposure in operating income	**1,600**	1,800

Based on revenue and expenses in foreign currencies during 2020, a one percentage point change in the Swedish krona against other currencies, excluding currency hedges, has an impact on operating income of about SEK 358 m. (542) on an annual basis.

In Vehicles and Services, compared to 2019, the total negative currency rate effects totalled SEK -1,762 m. (1,900).

According to Scania Group Policy - Treasury, the CFO has a mandate to approve hedging of up to 75% of anticipated exposure by currency up to 6 months. The CEO has a mandate to approve hedging of up to 50% of anticipated exposure by currency for a period from above 6 months up to 12 months. When currency risks are hedged, currencies are mainly sold by means of forward contracts, but currency options may also be used.

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 2020, Scania's net assets in foreign currencies amounted to SEK 27,400 m. (39,100). 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 2020 no foreign net assets were hedged (-).

Net assets, Vehicles and Services	**2020**	2019
Brazilian real (BRL)	**4,600**	9,200
Euro (EUR)	**3,400**	5,500
US dollar (USD)	**1,600**	2,100
Chinese yuan renminbi (CNY)	**600**	0
Taiwain dollar (TWD)	**600**	400
Norwegian krone (NOK)	**500**	1,000
Polish zloty (PLN)	**500**	700
Colombian pesos (COP)	**500**	800
Korean won (KRW)	**500**	500
South African rand (ZAR)	**500**	800
Australian dollar (AUD)	**400**	700
Danish krone (DKK)	**400**	600
Swiss franc (CHF)	**400**	600
Other currencies	**2,200**	5,100
Total net assets in foreign currencies, Vehicles and Services	**16,700**	28,000

Net assets, Financial Services	**2020**	2019
Euro (EUR)	**5,300**	5,200
Other currencies	**5,400**	5,900
Total net assets in foreign currencies, Financial Services	**10,700**	11,100
Total net assets in foreign currencies, Scania Group	**27,400**	39,100

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:

	2020	2019
Operating income	**-56**	156
Financial income and expenses	**-446**	-52
Taxes	**155**	-26
Effect on net income for the year	**-347**	78

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 2020, 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 Group Policy - Treasury 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 21,824 m. (17,057) at year-end 2020. The borrowing portfolio amounted to SEK 9,765 m. (5,090). Short-term investments and cash and cash equivalents amounted to SEK 31,535 m. (21,196) and the average interest rate refixing period on these assets was less than 2 (2) month.

Given the same loan liabilities, short-term investments, cash and cash equivalents and interest rate refixing periods as at year-end 2020, 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 315 m. (175) on an annual basis.

Interest rate risk in Financial Services

Scania's Group Policy - Treasury 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 2020:

Interest rate refixing in Financial Services, 31 December 2020	**Interest-bearing portfolio [1]**	**Interest-bearing liabilities [2]**
2021	47,906	47,262
2022	20,265	19,359
2023	14,422	13,169
2024	8,096	4,933
2025	3,372	964
2026 and later	1,372	557
Total	**95,433**	**86,244**

Interest rate refixing in Financial Services, 31 December 2019	Interest-bearing portfolio [1]	Interest-bearing liabilities [2]
2020	51,559	50,251
2021	21,589	21,137
2022	16,047	14,427
2023	9,553	6,873
2024	3,880	1,219
2025 and later	1,153	150
Total	103,781	94,057

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 2020 a change in market interest rate of 50 basis points (0.5 percentage point) would change the interest in Financial Services by about SEK 4,8 m. (4,2) on an annual basis.

Scania's total borrowing portfolio amounted to SEK 91,206 m. (92,871) at year-end 2020.

Borrowings, 31 December 2020	**Borrowings including currency swap agreements**	**Borrowings excluding currency swap agreements**
EUR	44,051	56,265
NOK	4,695	1,565
BRL	3,387	5,372
GBP	2,783	5,079
CLP	1,408	2,570
USD	969	2,740
ZAR	787	2,348
KRW	79	1,909
CHF	47	750
THB	5	888
AUD	0	1,162
SEK	30,777	1,824
Other Currencies	1,856	8,370
Total [1]	**90,844**	**90,844**
Accrued interest	361	361
Total	**91,205**	**91,205**

[1] Total borrowing excluded SEK 361 m. (387) 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

SEK m.	General approach 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 1/1/20	59	45	306	1,289	1,699
Changes due to financial instruments recognised as at 1 January					
Transfer to stage 1	4	-19	-13		-28
Transfer to stage 2	-14	33	-11		8
Transfer to stage 3	-14	-8	48		26
Write-offs (Utilization)			-77	-133	-210
Financial assets acquired/issued	93			378	471
Changes to models or risk parameters					360
Reversals	-22	-11	-44	-368	-445
Foreign exchange movements	-10	-9	-63	-88	-170
Other changes within a stage	21	3	62	214	300
Loss allowance as at 31/12/20	**117**	**34**	**208**	**1,292**	**2,011**

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

SEK m.	General approach 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 1/1/19	57	48	305	1,168	1,578
Changes due to financial instruments recognised as at 1 January					
Transfer to stage 1	0	-9	-7		-16
Transfer to stage 2	-25	37	-1		11
Transfer to stage 3	-18	-11	60		31
Write-offs (Utilization)			-8	-104	-112
Financial assets acquired/issued	75			527	602
Reversals	-31	-32	-106	-497	-666
Foreign exchange movements	1	3	10	28	42
Other changes within a stage	0	9	53	167	229
Loss allowance as at 31/12/19	**59**	**45**	**306**	**1,289**	**1,699**

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

SEK m.	General approach: 12 month expected credit loss (Stage 1)	General approach: Life time expected credit loss - not impaired (Stage 2)	General approach: Life time expected credit loss - impaired (Stage 3)	Simplified approach in SEK	Total
Gross carrying amount as at 1/1/20	58,886	1,419	995	56,648	117,948
Transfer to stage 1	469	-427	-42		0
Transfer to stage 2	-479	511	-32		0
Transfer to stage 3	-93	-166	259		0
Changes in gross carrying amount (additions and disposals, significant modifications)	15,648	-213	-311	-683	14,441
Foreign exchange movements	-5,481	-226	-151	-4,485	-10,343
Gross carrying amount as at 1/12/20	**68,950**	**898**	**718**	**51,480**	**122,046**

Gross carrying amount of Scania´s irrevocable credit commitments related to lending at 31 December 2020 amounts to SEK 4,949 m. (4,345) with a loss allowance of SEK 2 m. (2).

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

SEK m.	General approach: 12 month expected credit loss (Stage 1)	General approach: Life time expected credit loss - not impaired (Stage 2)	General approach: Life time expected credit loss - impaired (Stage 3)	Simplified approach in SEK	Total
Gross carrying amount as at 1/1/19	37,878	1,190	1,155	52,020	92,243
Transfer to stage 1	209	-190	-19		0
Transfer to stage 2	-521	527	-6		0
Transfer to stage 3	-95	-175	270		0
Changes in gross carrying amount (additions and disposals, significant modifications)	20,680	23	-449	2,824	23,078
Foreign exchange movements	735	44	44	1,804	2,627
Gross carrying amount as at 1/12/19	**58,886**	**1,419**	**995**	**56,648**	**117,948**

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 2020					
Credit Risk Rating Grade 1	68,950			46,612	115,562
Credit Risk Rating Grade 2		898		3,577	4,475
Credit Risk Rating Grade 3			718	1,291	2,009
Total	**68,950**	**898**	**718**	**51,480**	**122,046**

Gross carrying amounts of other financial assets by rating category (cont.)

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 2019					
Credit Risk Rating Grade 1	58,886			49,780	108,666
Credit Risk Rating Grade 2		1,419		5,546	6,965
Credit Risk Rating Grade 3			995	1,322	2,317
Total	**58,886**	**1,419**	**995**	**56,648**	**117,948**

Credit risk, Vehicles and Services

In the Vehicles and Services segment, carried receivables from customers totalled SEK 8,506 m. (9,265), most of which consisted of receivables from independent dealerships and end customers. The total estimated fair value of collateral was SEK 1,163 m. Most of the collateral consisted of bank guarantees, mortgages and similar securities. During the year, collateral corresponding to SEK 376 m. was obtained.

Timing analysis of portfolio assets past due but not recognised as impairment losses	**Past-due payments 2020**	Past-due payments 2019
< 30 days	**783**	1,064
30-90 days	**351**	300
91-180 days	**90**	163
>180 days	**90**	355
Total	**1,314**	1,882

Provisions for bad debts amounted to SEK 492 m. (455), equivalent to 6.4 (5.4) percent of total receivables. The year's bad debt expense amounted to SEK 167 m. (173). Provisions for bad debts changed as follows:

Provisions for bad debts	**2020**	2019
Provisions, 1 January	**455**	362
Provision for potential losses	**198**	202
Withdrawals due to actual credit losses	**-122**	-146
Currency rate effect	**-33**	10
Other	**-6**	27
Provisions, 31 December	**492**	455

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	**2020**	2019
Exposure	**96,952**	105,024
- of which, operating leases	**17,917**	20,418
Credit risk reserve	**-1,519**	-1,243
Carrying amount	**95,433**	103,781
- of which, operating leases	**17,675**	20,184

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 2020 was equivalent to that of 2019.

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

	31 December, 2020			31 December, 2019		
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.	42,270	97.9	66.7	39,426	97.5	65.0
Exposure SEK 15-50 m.	752	1.7	17.6	806	2.0	19.0
Exposure > SEK 50 m.	175	0.4	15.7	193	0.5	16.0
Total	**43,197**	**100.0**	**100.0**	**40,425**	**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.

In 2020, the renegotiation of financing contracts increased sharply during the first and second quarters due to the pandemic's effects on societies and transport systems. During the third and fourth quarters, the renegotiations returned to normal levels and the vast majority of customers returned to previous payment plans. It is mainly customers in the tourism and bus industry who experience continued weak demand.The carrying amount of the financial assets whose terms had been renegotiated at any time amounted to SEK 22,554 m. (1,847) 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 2020. During the year 1,652 (2,392) financed vehicles were repossessed. At year-end, the number of repossessed but not yet sold vehicles amounted to 248 (591), with a total carrying amount of SEK 103 m. (321). 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 receivables	**Past due payments 2020**	**Total exposure 2020**[1]	**Estimated fair value of collateral 2020**	Past due payments 2019	Total exposure 2019[1]	Estimated fair value of collateral 2019
< 30 days	**73**	**3,119**	**2,925**	158	5,552	**5,366**
30-90 days	**85**	**1,563**	**1,441**	149	2,154	**2,037**
91-180 days	**71**	**511**	**480**	76	733	**652**
> 180 days	**174**	**684**	**599**	97	399	**384**
Inactive contracts	**197**	**744**	**424**	316	1,383	**848**
Total	**600**	**6,621**	**5,869**	796	10,221	**9,287**

[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	**2020**	2019
Provisions, 1 January	**1,243**	1,199
Provision for potential losses	**657**	155
Withdrawals due to actual credit losses	**-242**	-142
Exchange rate differences	**-139**	31
Provisions, 31 December	**1,519**	1,243
Provisions as percentage of gross portfolio	**1.6**	1.2

The year's expenses for actual and potential credit losses amounted to SEK 730 m. (314).

Asset-Backed Securities Transactions

As of the reporting date, financial liabilities included asset-backed securities transactions implemented to refinance the Financial Services segment with a carrying amount of SEK 1,750 m. (3,064) The corresponding carrying amount of financial services receivables is SEK 2,068 m. (3,477). Collateral totaling SEK 2,068 m. (3,477) was provided in connection with asset-backed securities transactions. The expected payments to structured entities are assigned in this process and ownership of the financed vehicles pledged as collateral is transferred. These asset-backed securities transactions did not lead to the derecognition of financial services receivables in the balance sheet because the Scania group retains the bad debt and payment date risk. The difference between the amount of receivables assigned and the associated liabilities is the result of different terms and conditions and the proportion of bonds held by Scania itself.

Under certain conditions, the asset-backed securities transactions implemented by the Scania group may be repaid early (clean-up call). The assigned receivables cannot be assigned a second time or used as collateral in any other way. The bondholders' claims are limited to the assigned receivables, the cash inflows arising from these receivables are intended for the settlement of the corresponding liability.

As of December 31, 2020, the fair value of assigned receivables that continue to be recognized in the balance sheet was SEK 2,068 m. (3,477). The fair value of the associated liabilities amounted to SEK 1,750 m (3,064) as of that date. The resulting net position is SEK 318 m. (413).

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 Group Policy - Treasury. 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 2,686 m. (-1,154). Estimated gross exposure to counterparty risks related to derivatives trading totalled SEK 3,391 m. (552). Estimated gross exposure to cash and cash equivalents and short-term investments amounted to SEK 32,322 m. (21,818). Short-term investments are deposited with various banks.

Scania had short-term investments worth SEK 25,256 m. (15,956) of which SEK 25,253 (15,954) consists of investments with a maturity of less than 90 days and SEK 3 m. (2) consisted of investments with a maturity of 91–365 days. In addition to short-term investments, Scania had bank balances worth SEK 7,066 m. (5,838).

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 covering the net of the next coming 3 months of maturing debt less 50% of maturing customer contracts. There shall also always be borrowings and/or dedicated equity that safeguard the refinancing of the existing portfolio.

At the end of 2020, Scania's liquidity reserve, consisting of unutilised guaranteed credit facilities, cash and cash equivalents and short-term investments, amounted to SEK 61,391 m. (51,064).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 2020**	**Ceiling 2020**	Total borrowings 2019	Ceiling 2019
European Medium Term Note Programme	**70,178**	**120,296**	63,872	83,560
Credit facility (EUR, SEK)	**-**	**28,069**	-	29,246
Commercial paper, Sweden	**-**	**10,000**	80	10,000
Commercial paper, Belgium	**2,105**	**15,037**	9,233	15,668
Bank loans	**18,561**	**-**	19,299	-
Total[1, 2]	**90,844**	**173,402**	92,484	138,474

[1] Of the total ceiling, SEK 28,069 m. (29,246) consisted of guaranteed revolving credit facilities.
[2] Total borrowings excluded SEK 361 m. (387) 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	2020	2019
2020	**-**	42,517
2021	**41,147**	32,417
2022	**23,577**	14,192
2023	**14,331**	1,276
2024	**1,940**	1,025
2025	**8,320**	1,057
2026 and later	**1,529**	-
Total[1]	**90,844**	92,484

[1] Total borrowings excluded SEK 361 m. (387) related to accrued interest and fair value adjustments on bonds for which hedge accounting was previously applied, and lease liabilities. For details on maturity structure for lease liabilities, please see note 12.

	2020		2019	
Maturity structure of derivates attributable to borrowings	**Derivates with positive value**	**Derivates with negative value**	Derivates with positive value	Derivates with negative value
2020			2	-15
2021	**2**	**-49**	0	-104
2022	**57**	**-2**	40	-15
2023	**19**	**0**	1	0
2024	**0**	**-18**	0	-12
2025 and later	**47**	**0**	0	0
Total [1]	**125**	**-69**	43	-146

[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 are carried according to Level 1, i.e. quoted prices in active markets for identical assets, and amounted to SEK 130 m. (86). 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 -2,686 m. (-1,154) 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 3,337 m. (537) and SEK -672 m. (-1,696). The amount that can be offset from each amount was SEK 636 m. (475).

Scania Group, 2020, SEK m.	Measured at fair value	Measured at amortized cost	Financial liabilities measured at amortized cost	**Total carrying amount**	**Total fair value**
Equtiy instruments	341			341	341
Non-current interest-bearing receivables		48,004		48,004	48,103
Current interest-bearing receivables		30,815		30,815	30,906
Non-interest-bearing trade receivables		6,936		6,936	6,936
Current investments and Cash and cash equivalents	130	32,192		32,322	32,317
Other non-current receivables[1]	2,565	50		2,615	2,615
Other current receivable[2]	826			826	826
Total assets	**3,862**	**117,997**		**121,859**	**122,043**
Non-current interest-bearing liabilities			49,696	49,696	50,980
Current interest-bearing liabilities			47,710	47,710	47,560
Trade payables			13,886	13,886	13,886
Other non-current liabilities [3]	355			355	355
Other current liabilites [4]	350			350	350
Total liabilities	**705**		**111,292**	**111,997**	**113,131**

[1] Financial instruments included in the balance sheet under “Other long-term receivables”, SEK 3,300.
[2] Financial instruments included in the balance sheet under “Other current receivables”, SEK 14,196 m.
[3] Financial instruments included in the balance sheet under “Other non-current liabilities”, SEK 5,303 m.
[4] Financial instruments included in the balance sheet under “Other current liabilities”, SEK 6,898 m.

Scania Group, 2019 SEK m.	Measured at fair value	Measured at amortized cost	Financial liabilities measured at amortized cost	Total carrying amount	Total fair value
Equtiy instruments	143	-	-	143	143
Non-current interest-bearing receivables	-	50,938	-	50,938	51,149
Current interest-bearing receivables	-	32,792	-	32,792	33,000
Non-interest-bearing trade receivables	-	8,368	-	8,368	8,368
Current investments and Cash and cash equivalents	86	21,708	-	21,794	21,790
Other non-current receivables[1]	370	46	-	416	416
Other current receivable[2]	182	291	-	473	473
Total assets	781	114,143	-	114,924	115,339
Non-current interest-bearing liabilities	-	-	49,967	49,967	50,280
Current interest-bearing liabilities	-	-	49,105	49,105	49,081
Trade payables	-	-	12,738	12,738	12,738
Other non-current liabilities [3]	1,076	-	-	1,076	1,076
Other current liabilites [4]	630	-	-	630	630
Total liabilities	1,706	-	111,810	113,516	113,805

[1] Financial instruments included in the balance sheet under “Other long-term receivables”, SEK 1,444 m.
[2] Financial instruments included in the balance sheet under “Other current receivables”, SEK 15,881 m.
[3] Financial instruments included in the balance sheet under “Other non-current liabilities”, SEK 6,580 m.
[4] Financial instruments included in the balance sheet under “Other current liabilities”, SEK 6,146 m.

HEDGE ACCOUNTING
During 2020 Scania did not apply hedge accounting

Scania considers that it is hedged economically, and risk management follows the Scania Group Policy - Treasury approved by the Board.

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 derivatives.

Net gains/losses	**2020**	2019
Financial assets and liabilities held for trading, carried at fair value	**333**	60
Loan and trade receivables[1]	**-784**	-861
Other financial liabilities	**-236**	900
Total	**-687**	99

[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:

	2020	2019
Interest income on financial assets[1]	**3,372**	4,368
Interest expenses on financial liabilities[2,3]	**-1,168**	-2,320
Total	**2,204**	2,048

[1] SEK -336 m. (357) 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 -139 m. (-1,376) 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, 2020.

Company	Corporate ID no.	Registered office	Country	% Ownership
Vehicles and Services				
DynaMate 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 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 Transportlaboratorium AB	556528-9294	Södertälje	Sweden	100
Scania Treasury AB	556528-9351	Södertälje	Sweden	100
Scania Trucks & Buses AB	556267-1585	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 Specialvehicles AB	556548-4705	Laxå	Sweden	100
Ferruform AB	556528-9120	Luleå	Sweden	100
CNC Factory AB	556387-4659	Värnamo	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
Scania Botswana (Pty) Ltd.	CO.2000/6045	Gaborone	Botswana	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
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 and Service (Guangzhou) Co., Ltd.	440101400126397	Guangzhou	China	100
Scania (Hong Kong) Ltd.	1205987	Hongkong	China	100
Scania Production (China) Co., Ltd.	91360924754233361N	Rugao City	China	100
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	Prague	Czech Republic	100
Scania Real Estate Czech Republic s.r.o.	24196746	Prague	Czech Republic	100

Company	Corporate ID no.	Registered office	Country	% Ownership
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
Tachy Experts S.A.S	824579163	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	99,99
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
N.W.S. S.r.l.	IT 1541500227	Trento	Italy	52,5
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
Scania New Zealand Limited	9429047066823	Wellington	New Zealand	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
Scania Real Estate Romania S.R.L.	J23/2019/29.07.2011	Ciorogârla	Romania	100

Company	Corporate ID no.	Registered office	Country	% Ownership
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	Kiev	Ukraine	100
TOV Scania Ukraine	30107866	Kiev	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 Corretora de Seguros Ltda.	CNPJ11.513.179/00105	São Bernardo do Campo	Brazil	100
Scania Banco S.A.	CNPJ11.417.016/00011	São Bernardo do Campo	Brazil	100
Scania Finance Bulgaria EOOD	BG175108126	Sofia	Bulgaria	100
Scania Finance Chile S.A.	76.574.810-0	Santiago de Chile	Chile	100
Scania Financial Leasing (China) Co., Ltd.	41000002201903280018	Shanghai	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

Company	Corporate ID no.	Registered office	Country	% Ownership
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 Israel Ltd	515988814	Ashdod	Israel	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 Finance Mexico, S.A. de C.V. SOFOM, E.N.R.	NPR19158-4	Querétaro	Mexico	100
Scania Finance New Zealand Ltd	7857037	Auckland	New Zealand	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	Moscow	Russia	100
OOO Scania Leasing	1027700203970	Moscow	Russia	100
OOO Scania Strachovanie	1127747003097	Moscow	Russia	100
Scania Leasing RS 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	Chung-Ang	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	Kiev	Ukraine	100

Dormant companies are not included.

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

	2020	2019
Trucks	**47,680**	69,864
Buses	**4,663**	5,432
Engines	**1,829**	1,750
Gearboxes	**773**	1,230
Service-related products	**9,915**	10,884
Components	**3,048**	4,167
Other products	**272**	296
Total	**68,171**	93,623

Of the total net sales, SEK 68,171 m. (93,623), SEK 4,995 m. (4,796), is referable to sales within Sweden, SEK 42,315 m. (64,168) sales to countries within Europe and SEK 20,861 m. (24,660) sales to countries outside Europe. Sales to Group companies amounted to SEK 60,899 m. (86,894).

NOTE 2 Financial income and expenses

	2020	2019
Income from participations in group companies		
Sales of shares	**0**	0
Dividends received	**4,884**	5,890
Write-down of shares	**-124**	-174
Total income from participations in group companies	**4,760**	5,716
Income from participations in associated companies and other companies		
Dividends received	**-**	-
Write-down of shares	**-**	-
Total income from participations in associated companies and other companies	**-**	-
Interest income and other financial income		
Interest income from Group companies	**712**	1,028
Interest income from others	**523**	388
Other financial income [1)]	**1**	11
Total interest income and other financial income	**1,236**	1,427
Interest expenses and other financial expenses		
Interest expenses to Group companies	**-261**	-114
Interest expenses on borrowings	**1,708**	-1,624
Interest on pension liabilities (PRI)	**-135**	-150
Adjustment marketvalue derivatives	**103**	-142
Other financial expenses [1)]	**-181**	-161
Total interest expenses and other financial expenses	**-2,189**	-2,191
Net financial items	**3,807**	4,952

1) Exchange rate differences and unrealised gains of SEK 14,542 m. (11,883) and unrealised losses of SEK 14,542 m. (11,873) attributable to foreign exchange included net.

NOTE 3 Allocations

	2020	2019
Allocated to excess depreciation:		
Machinery and Equipment	**-275**	-175
Allocated to tax allocation reserve	**1,564**	-1,100
Group contribution from subsidiaries	**825**	757
Group contribution to subsidiaries	**-165**	-207
Total	**1,949**	-725

NOTE 4 Taxes

Tax income/expense for the year	**2020**	2019
Current tax	**-76**	-1,029
Deferred tax	**5**	60
Total	**-71**	-969

Deferred tax is attributable to the following	**2020**	2019
Deferred tax related to temporary differences	**8**	60
Deferred tax reated to new accounting principe		-
Total	**-3**	60
	5	

Reconciliation of effective tax	**2020 Amount**	**%**	2019 Amount	%
Income before tax	**3,665**		9,585	
Tax calculated using Swedish tax rate	**-784**	**21,4**	-2,051	21,4
Tax effect and percentage influence:				
Tax-exempt dividends	**1,006**	**-27**	1,186	-12
Non-deductible expenses	**-266**	**7**	-103	1
Tax on standard income concerning the tax allocation reserve	**-4**	**0**	-3	0
Write down of shares	**-27**	**1**	-37	1
Valuation of deferred tax assets previously not recognised	**11**	**0**	52	-1
Effect on change in tax rate on allocation reservs	**10**	**0**	-10	0
Adjustment for taxes pertaining to previous years	**-17**	**0**	-22	0
Tax recognised	**-71**	**2**	-988	10

Deferred tax assets and tax liabilities are attributable to the following:	**2020**	2019
Deferred tax assets		
Provisions for pensions	**475**	456
Warranty	**107**	120
Total deferred tax assets	**582**	576
Deferred tax liabilities		
Buildings and land	**-184**	-184
Total deferred tax liabilities	**-184**	-184
Net deferred tax liabilities	**398**	392

Reconciliation of net deferred tax liabilities	**2020**	2019
Carrying values 1 January	**392**	332
Deferred tax recognised in the year’s income	**6**	60
Deferred tax liabilities, 31 December	**398**	392

NOTE 5 Depreciation/Amortisation

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

	2020	2019
Intangible fixed assets		
Cost of goods sold	**-11**	-10
Research and development expenses	**-20**	-7
Selling expenses	**-8**	-7
Administrative expenses	**-18**	-13
Total amortisation	**-57**	-37
Tangible fixed assets		
Cost of goods sold	**-2,126**	-2,081
Research and development expenses	**-166**	-172
Selling expenses	**-2**	-2
Administrative expenses	**-4**	-5
Total depreciation	**-2,298**	-2,260
Total depreciation/amortisation	**-2,355**	-2,297

NOTE 6 Intangible fixed assets

	Software	
	2020	2019
Accumulated acquisition value		
1 January	**483**	414
New acquisitions	**18**	63
Reclassification from tangible fixed assets	**-**	16
Divestments and disposals	**-31**	-10
Total	**470**	483
Accumulated amortisation		
1 January	**296**	265
	3	
Divestments and disposals	**-31**	-6
Depreciation for the year	**57**	37
Total	**325**	296
Carrying amount, 31 December	**145**	187

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
2020			
Accumulated acquisition value			
1 January	**5,979**	**29,320**	**3,673**
Additions	**21**	**129**	**4,179**
Reclassifications to other BS items	**-**	**-5**	**-3**
Reclassifications	**192**	**1,390**	**-1,582**
Reclassification to intangible fixed assets	**-**	**-**	**-**
Divestments and disposals	**-5**	**-1,052**	**-1**
Total	**6,187**	**29,782**	**6,266**
Accumulated depreciation			
1 January	**2,181**	**19,618**	
Additions	**-**	**4**	
Divestments and disposals	**-**	**-976**	
Depreciation for the year	**170**	**2,128**	
	-	**-3**	
Reclassifications	**4**	**-4**	
Total	**2,355**	**20,767**	
Accumulated revaluation			
1 January	**27**		
Total	**3,859**	**9,015**	**6,266**
Carrying amount, 31 December			
-of which Machinery		**5,575**	
-of which Special Tools		**2,019**	
-of which Equipment		**1,421**	

	Buildings and land	Machinery and equipment	Construction in progress
2019			
Accumulated acquisition value			
1 January	5,914	27,445	2,884
Additions	29	204	2,993
Merger	-5	-	-
Reclassifications	41	2,150	-2,191
Reclassification to intangible fixex assets	-	-7	-9
Divestments and disposals	0	-472	-4
Total	5,979	29,320	3,673
Accumulated depreciation			
1 January	2,015	17,968	-
Merger	-	-2	-
Additions			
Divestments and disposals	0	-442	-
Reclassifications			
Depreciation for the year	166	2,094	-
Total	0	-	-
	2,181	19,618	-
Accumulated revaluation			
1 January	27	-	-
Total	27	-	-
Carrying amount, 31 December	3,825	9,702	3,673
-of which Machinery		6,755	
-of which Special Tools		1,569	
-of which Equipment		1,378	

NOTE 8 Shares and participation

Shares and participations	Subsidiaries	Associated companies	Other companies
2020			
Accumulated acquistions			
1 January	118 173	74	139
New acquisitions	420	-	16
New share issue/contribution	898	-	57
Sales	-	-	-
Capital reduction	-	-	-
Liquidation	-	-	-
Reclassification	-	-	-
Total	119 491	74	212
Accumulated write-downs			
1 January	-12 378	-	-2
Write-downs of the year	-124	-	-
Reduction of share capital	-	-	-2
Liquidation	-	-	-
Total	106 989	74	208
Carrying amount, 31 December			

Shares and participations	Subsidiaries	Associated companies	Other companies
2019			
Accumulated acquistions			
1 January	105,200	11	117
New acquisitions	6	74	22
New share issue/contribution	13,637	-	-
Reduction of share capital	-279	-	-
Merger	-391	-	-
Liquidation	-	-11	-
Reclassification	-	-	0
Total	118,173	74	139
Accumulated write-downs			
1 January	-12,482	-10	-2
Write-downs of the year	-174	-	-
Reduction of share capital	278	-	-
Liquidation	-	10	-
Total	-12,378	0	-2
Carrying amount, 31 December	105,795	74	137

Subsidiary	**Corporate ID number**	**Registered office**	**% Owner -ship** [1]	**Carrying amount 2020**	Carrying amount 2019
DynaMate AB	556528-9286	Södertälje/Sweden	100	**25**	12
Dynamate Industrial Services AB	556387-4659	Södertälje/Sweden	100	**3**	
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	Laxå/Sweden	100	**93**	55
LOTS group AB	556593-3057	Södertälje/Sweden	100	**93**	56
MW-hallen Restaurang AB	556616-7747	Södertälje/Sweden	100	**2**	2
Mälardalens Tekniska Gymnasium AB	556548-4754	Södertälje/Sweden	80	**1**	1
OOO Scania Rus	1025004070079	Golitsino/Russia	100	**341**	341
Scania (Malaysia) Sdn Bhd	518606-D	Kuala Lumpur/Malaysia	100	**37**	37
Scania Argentina S.A	30-517 424 30-3	Buenos Aires/Argentina	100	**358**	358
Scania Australia Pty Ltd	000537333	Melbourne/Australia	100	**181**	181
Scania Banco Brazil	CNPJ11.417.01	Sao Bernando do	0,01	**0**	0

	6/00011	Campo/Brazil			
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 Central Asia LLP	84931-1910-TOO	Almaty/Kazakhstan	100	**17**	22
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 LLC	1045005504774	Moscow/Russia	100	**80**	80
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	**115**	115
Scania Finance Hispania EFC S.A.	A82853987	Madrid/Spain	100	**341**	341
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 Leasing China Co Ltd	410000022019 03280018	Shanghai/China	100	**235**	136
Scania Finance Korea	6138127196	Chung-Ang/South Korea	100	**172**	164
Scania Finance Luxembourg S.A.	20012217359	Luxembourg/Luxembourg	99.9	**23**	23
Scania Finance Mexico S.A. de CV	SFM191127T21	El Marqués/Mexico	99,99	**17**	
Scania Finans AB	556049-2570	Södertälje/Sweden	100	**794**	562
Scania Holding France S.A.S	403092786	Angers/France	99.99	**478**	478
Scania Group Thailand Co, Ltd	0115560001383	Bangkok/Thailand	99,99	**0**	15
Scania Growth Capital AB	559090-6524	Södertälje/Sweden	90.1	**170**	170
Scania Holding Inc	4019619	Wilmington/USA	100	**100**	100
Scania (Hong Kong) Limited	1205987	Hong Kong/China	100	**0**	0
Scania Hungaria KFT	HU 10415577	Biatorbágy/Hungary	100	**35**	35
Scania Insurance OOO	1127747003097	Moscow/Russia	100	**0**	0
Scania IT AB	556084-1206	Södertälje/Sweden	100	**62**	62
Scania IT France S.A.S	412282626	Angers/France	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 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	**20**	10
Scania Leasing LLC	1027700203970	Moscow/Russia	100	**3**	3
Scania Logistics Netherlands B.V.	NL8521.82.697.B.01	Zwolle/The Netherlands	100	**9**	9
Scania Luxembourg S.A.	LU165291-18	Münsbach/Luxembourg	99.96	**25**	25
Scania Industrial Maintenance AB	556070-4818	Södertälje/Sweden	100	**62**	49
Scania Makedonija d.o.o.e.l	7027532	Llinden/Macedonia	100	**1**	1
Scania Manufacturing (Thailand) Co, Ltd	0115560001375	Bangkok/Thailand	99,99	**0**	35
Scania Middle East FZE	150175	Jebel Ali Free zone/Dubai	100	**2**	2
Scania Nantong Gaokai Auto Manufactoring Ltd	9136092475423 3361N	Rugao City, Jiangsu Province/China	100	**407**	-
Scania New Zealand Ltd	9429047066823	Wellington/New Zealand	100	**152**	93
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	**32**	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	**0**	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 Services AB	556593-3024	Södertälje/Sweden	100	**915**	915
Scania Romania S.r.L	J40/10908/1999	Bukarest/Rumania	99.99	**18**	21
Scania Sales and Services AB	556593-3073	Södertälje/Sweden	100	**16,125**	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**	0
Scania Siam Co., Ltd	3030112774	Bangkok/Thailand	99.99	**95**	95
Scania Singapore Pte Ltd	200309593R	Singapore/Singapore	100	**9**	9
Scania Slovakia s.r.o	35826649	Senec/Slovakia	100	**0**	0
Scania Slovenija d.o.o.	1124773	Ljubljana/Slovenia	100	**35**	35
Scania Serbia d.o.o.	17333321	Belgrad/Serbia	100	**11**	11
Scania Sverige Bussar AB	556060-0586	Södertälje/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	**-**	-
Scania Transportlaboratorium AB	556528-9294	Södertälje/Sweden	100	**1**	1
Scania Treasury AB	556528-9351	Södertälje/Sweden	100	**80,073**	80,073
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
Scania Österreich Holding GmbH	FN 316321 D	Brunn am Geb/Austria	100	**0**	0
SOE Busproduction Finland OY	26121679	Lahti/Finland	100	**0**	19
Traton AB	556528-9104	Södertälje/Sweden	100	**23**	6
UAB Scania Lietuva	123873025	Vilnius/Lithuania	100	**10**	10
Vabis Försäkringsaktiebolag	516401-7856	Södertälje/Sweden	100	**100**	100
Övriga				**3**	3
Shares in subsidiaries, carrying amount				**106,989**	105,795

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

Associated companies	Corporate ID number	Registered office	% Owner-ship [2)]	**Carrying amount 2020**	Carrying amount 2019
sennder GmbH	HRB 170455 B	Berlin/Germany	3	**74**	74
Scania-MAN Administration ApS	559066-0394	Copenhagen/Denmark	50	**0**	0
Södertälje Science Park	559066-0394	Södertälje/Sweden	25	**0**	0
Stoxy solutions AB	559099-3910	Södertälje/Sweden	-	**0**	0
Shares in associated companies				**-**	-
				74	74

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

NOTE 9 Inventories

	2020	2019
Raw materials, components and supplies	**2,176**	2,196
Work in progress	**1,426**	694
Finished goods	**5,109**	5,290
Total	**8,711**	8,180
Value adjustment reserve, 31 December	**-119**	-884

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

	2020	2019
Receivables, Financial Services	**11,048**	13,389
Receivables, Vehicles and Service	**2,295**	3,700
Total	**13,343**	17,089

NOTE 11 Other short-term receivables

	2020	2019
Prepaid expenses and deferred income	**880**	569
Other short-term receivables	**1,936**	830
Total	**2,816**	1,399

NOTE 12 Shareholders' equity

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

2020	**Share capital**	**Stautory reserve**	**Revaluation reserve**	**Unrestricted shareholders equity**	**Total**
1 January according to adopted balance sheet	100	20	27	40,867	41,014
Dividend				-	-
Net income for the year				3,594	3,594
Balance, 31 December	**100**	**20**	**27**	**44,461**	**44,608**

2019	**Share capital**	**Stautory reserve**	**Revaluation reserve**	**Unrestricted shareholders equity**	**Total**
1 January according to adopted balance sheet	100	20	27	41,813	41,960
Dividend				-9,500	-9,500
IFRS9 transition				-43	-43
Net income for the year				8,597	8,597
Balance, 31 December	**100**	**20**	**27**	**40,867**	**41,014**

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 proposal that no dividend will be distributed for 2020. Retained earnings amounting to MSEK 44,461 m. will therefore be carried forward.

NOTE 13 Untaxed reserves

	2020	2019
Accumulated excess depreciation		
Machinery and equipment	**4,500**	4,225
Total	**4,500**	4,225
Transfer to tax allocation fund		
Transferred at assessment 2019	**1,100**	1,100
Transferred at assessment 2018	**592**	592
Transferred at assessment 2017	**184**	455
Transferred at assessment 2016	**-**	845
Transferred at assessment 2015	**-**	448
Total	**1,876**	3,440
Total	**6,376**	7,665

SEK 1,332 m. (1,621) 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. During 2019 a pension fund was started. During the year payments have been made to endowment insurances, the fair value of the insurances amounted to SEK 1,897 m (1,880) at year end, equal to the value of the pension obligation.

Specification of amounts recognised in the Balance sheet:	2020	2019
Present value of obligations (calculated according to Swedish principles)	**4,847**	4,476
Present value of plan assets	**-1,523**	-997
Net liability in Balance sheet	**3,324**	3,479
Whereof PRI pensions	**3,146**	3,309
Whereof covered by the Act on the Safeguarding of Pension Obligations	**3,302**	3,460

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: 3,84% (3.84).

Change in net liability pertaining to pensions	2020	2019
Net liability at start of year	**3,479**	4,103
Expense recognised in the income statement	**528**	546
Payment to pension fund	**-500**	-1,000
Pension payments	**-183**	-170
Net liability at end of year	**3,324**	3,479

Present value of plan assets	2020	2019
Cash and cash equivalents	**100**	3
Equity instruments	**712**	561
Debt instruments	**711**	433
Total present value of plan assets	**1,523**	997

Next year´s disbursement pertaining to defined-benefit pension plans totals SEK 401 m. (637).

Specification of expense and income for the period pertaining to pensions	**2020**	2019
Pension under own auspices		
Cost of earning pensions etc.	**419**	393
Interest expense (calculated discount effect)	**135**	150
Return on plan assets	**-26**	3
Cost of pensions under own auspieces excl. taxes	**528**	546
Pension through insurance		
Insurance premiums or equivalent	**687**	727
Pension expense for year excl. taxes	**1,215**	1,273
Tax on returns from pensions funds	**2**	3
Special employer´s contribution on pension expenses	**311**	337
Expense for credit insurance	**23**	21
Pension expense for year	**1,551**	1,634
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

2020	**Product obligations**	**EU Commissions' investigation [1]**	**Miscellaneous provisions**	**Total**
1 January 2019	792	3,800	692	5,284
Provisions during the year	579	-	322	901
Provisions used during the year	-436	-	-29	-465
Provisions reactivated during the year	-69	-	-41	-110
31 December 2019	866	3,800	944	5,610

2019	Product obligations	EU Commissions' investigation [1]	Miscellaneous provisions	Total
1 January 2018	835	3,800	576	5,211
Provisions during the year	638	-	190	828
Provisions used during the year	-601	-	-54	-655
Provisions reactivated during the year	-80	-	-20	-100
31 December 2018	792	3,800	692	5,284

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 752 m. (670), 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[1]

	2020	2019
SEK	**25,859**	30,070
EUR	**42,293**	45,878
Other currencies	**7,541**	5,756
Total	**75,693**	81,704

[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:

2021	**34,173**
2022	**19,857**
2023	**12,574**
2024	**766**
2025	**7,572**
2026 and later	**751**
Total	**75,693**

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

NOTE 17 Accrued expenses and prepaid income

	2020	2019
Accrued employee-related expenses	**3,663**	4,077
Other	**920**	721
Total	**4,583**	4,798

NOTE 18 Contingent liabilities

	2020	2019
Loan guarantees	**14,205**	8,089
Other guarantees	**93**	102
Total	**14,298**	8,191
Of which, on behalf of Group companies	**14,205**	8,089

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

Wages, salaries and other remuneration	**2020**	2019
Boards of Directors, Presidents and Executive Officers	**92**	93
-of which, bonuses	**60**	62
Other employees	**7,852**	7,884
Total	**7,944**	7,997
Pension costs and mandatory payroll fees	**4,033**	4,173
- of which, pension costs	**1,417**	1,484
Total wages, salaries and remuneration pension costs and mandatory payroll fees	**11,977**	12,150

Average number of employees (excl. Temporary staff)	**2020**	2019
Operations in Sweden		
Average number of employees	**15 688**	15,389
- of whom men	**11 726**	11,598
- of whom women	**3 962**	3,791
Operations outside Sweden		
Number of countries	**1**	1
Average number of employees [1]	**822**	777
- of whom men [2]	**506**	481
- of whom women [3]	**316**	296
Average total number of employees	**16,510**	16,166

[1] Whereof Belgium 822 (777)
[2] Whereof Belgium 506 (481)
[3] Whereof Belgium 316 (296)

Number of employees on 31 December	**2020**	2019
Production operations and corporate staff units	**17,734**	18,326
-Temporary staff	**1,401**	1,784

Gender distribution	**2020**	2019
Board members	**15**	9
- of whom men	**9**	5
- of whom women	**6**	4
Executive officers	**11**	9
- of whom men	**7**	8
- of whom women	**4**	1

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.

	2020		2019	
	EY	PwC	EY	PwC
Auditing assignments	**8**	**1**	-	6
Auditing activities beyond auditing assignments	**2**	**-**	2	1
Tax consultancy	**5**	**-**	5	0
Other services	**-**	**-**	3	-
Total	**15**	**1**	10	7

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:

	2020	2019
Net sales	**-593**	506
Cost of goods sold	**217**	-101
Operating income	**-376**	405
Financial income and expenses	**0**	10
Effect on the net income for the year	**-376**	415

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 2020, 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 75,484 m. (81,593) and loans from entities within the Scania CV Group amounted to SEK 39,574 m. (21,518). Hereafter, only the external loan portfolio will be described. The average interest rate refixing period at year end was less than 6 (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	**42,214**	**54,427**
GBP	**2,783**	**5,079**
RUB		**3,139**
DKK		**1,521**
USD		**2,593**
NOK	**4,695**	**1,564**
SEK	**25,793**	**-3,161**
Other		**10,321**
Total[2]	**75,484**	**75,484**

[1]Including currency and interest derivatives
[2]Total borrowings exclude accrued interests of SEK 209 m.(111).

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 45,453 m. (37,696), whereof SEK 20,445 m. (22,920) 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 2,692 m. (-1,134) as per 31 December 2020. Estimated gross exposure to counterparty risk, which are not Scania CV, entities related to derivatives trading, amounted to SEK 3,364 m. (562). As per 31 December 2020, the gross exposure of liquidity amounted to SEK 3,738 m. (3,210).

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 2020**	**Ceiling 2020**	Total borrowing 2019	Ceiling 2019
European Medium Term Note Programme	**70,178**	**120,296**	63,872	83,560
Credit facility (EUR)	**-**	**28,069**	-	29,246
Commercial paper, Sweden	**-**	**10,000**	80	10,000
Commercial paper, Belgium	**2,105**	**15,037**	9,233	15,668
Other bonds and loans	**3,201**	**-**	8,408	-
Total [1]	**75,484**	**173,402**	81,593	138,474

1. Of the total amounts guaranteed credit promises SEK 28,069 m. (29,246).
2. Total borrowings exclude accrued interests of SEK 209 m. (111).

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.

	2020	
Assets	**Carrying amount**	**Fair value**
Equity instruments	**208**	**208**
Non-current interest-bearing receivables		
Current interest-bearing receivables		
Non-interest-bearing trade receivables	**881**	**881**
Cash and cash equivalents	**27,910**	**27,908**
Other non-current receivables	**2,606**	**2,606**
Other current receivables	**799**	**799**
Total assets	**32,404**	**32,402**
Liabilities		
Non-current interest-bearing liabilities	**41,520**	**42,724**
Current interest-bearing liabilities	**34,173**	**34,258**
Trade payables	**9,272**	**9,272**
Other non-current liabilities	**352**	**352**
Other current liabilities	**320**	**320**
Total liabilities	**85,637**	**86,926**

	2019	
Assets	**Carrying amount**	**Fair value**
Equity instruments	137	137
Non-current interest-bearing receivables	0	0
Current interest-bearing receivables	0	0
Non-interest-bearing trade receivables	747	747
Cash and cash equivalents	18,051	18,049
Other non-current receivables	410	410
Other current receivables	192	192
Total assets	19,537	19,535
Liabilities		
Non-current interest-bearing liabilities	44,470	44,747
Current interest-bearing liabilities	37,234	37,251
Trade payables	8,201	8,201
Other non-current liabilities	1,076	1,076
Other current liabilities	620	620
Total liabilities	91,601	91,895

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	2020	**60,899**	**12,854**	**33,373**	**20,444**
	2019	86,894	14,877	15,317	23,234
Associated companies	2020	**103**	**631**	**-**	**14**
	2019	148	706	-	12
Other related parties	2020	**844**	**566**	**299**	**24,355**
	2019	1,256	749	327	14,202
Parent company	2020	**-**	**-**	**6,201**	**.**
	2019	-	-	6,201	-

Prices for transactions with related parties are adjusted to conditions on the market. See also note 26 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.

Note 26 Government Grants

During 2020, the parent company received government grants amounting to SEK 926 m. (34) attributable to operating expenses of SEK 10 276 m. (91).

Of the received grant during 2020, SEK 617 m. relates to short-term allowances of employees due to the covid-19.

Proposed distribution of earnings

The board decided on a proposal that no dividend will be distributed for 2020.

Amounts in SEK m.	
Retained earnings	40,867
Net income for the year	3,594
Total	**44,461**

shall be distributed as follows:	
To the shareholders, a dividend of SEK m.	0
To be carried forward	44,461
Total	**44,461**

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	44,461
Total	**44,608**

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 10 March 2021. 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 6 May 2021.

Södertälje, 10 March 2021

Matthias Gründler
Chairman of the Board

Lilian Fossum Biner
Board member

Gunnar Kilian
Board member

Julia Kuhn-Piëch
Board member

Nina Macpherson
Board member

Christian Porsche
Board member

Mark Philipp Porsche
Board member

Henrik Henriksson
Board member
President and CEO

Stephanie Porsche-Schröder
Board member

Christian Schulz
Board member

Peter Wallenberg Jr
Board member

Mari Carlquist
Board member
Employee representative

Lisa Lorentzon
Board member
Employee representative

Mikael Johansson
Board member
Employee representative

Michael Lyngsie
Board member
Employee representative

Our auditiors' report was submitted on 11 March 2021
Ernst & Young AB

Heléne Siberg Wendin
Authorised Public Accountant