Scania CV AB (publ.)

Swedish corporate identity number 556084-0976

Annual Report 2022

Contents

The Financial statements encompass pages 28-116 and were prepared in compliance with International Financial Reporting Standards (IFRS).

The Report of the Directors encompasses pages 1-27 and 117.

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 the 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 2022

- Operating income for 2022 amounted to SEK 12,375 m. (11,294) with an operating margin of 7.3 percent (7.7). Adjusting for items affecting comparability the operating income amounted to SEK 15,971 m
- Net sales in the Vehicles and Services segment, increased by 16 percent to SEK 163,260 m. (141,305) Currency rate effects had a negative impact on sales of 12 percent.
- New vehicles sales revenue increased by 12 percent. Sales were positively impacted by price and product mix, and currency effects. Power Solutions increased increased by 37 percent to SEK 3,454 m. (2,521)
- During 2022 Scania delivered 80,238 (85,930) trucks, a decrease of 7 percent. Bus deliveries, however, increased by 13 percent to 4,994 (4,436) units. The deliveries of engines increased by 14 percent to 13,400 (11,786) units.
- Service revenue increased by 21 percent and amounted to SEK 36,434 m. (30,074). Increased volumes of parts and services had a positive effect. Also currency effects was positive.
- Financial Services reported an operating income of SEK 2,194 m. (1,123), corresponding to a margin of 2.1 (1.1) percent of the average portfolio.. 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, Team 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.

MARKET TRENDS AND PERFORMANCE

Vehicles and services

Scania's vehicle deliveries decreased by 6 percent in 2022 compared to 2021. Truck deliveries decreased by 7 percent to a total of 80,238 units and bus and coach deliveries increased by 13 percent to 4,994 units. Power solutions deliveries increased by 14 percent to 13,400 units. Service sales increased by 21 percent to SEK 36,434 m.

The truck market

While 2022 saw strong demand for trucks and high transport activity among our customers, continued supply chain disruption caused production delays and problems with deliveries. The disruptions were initially mainly caused by component shortages and then later by a lack of transport capacity caused by the war in Ukraine.

During the year we continued the changeover to our new Scania Super powertrain, one the biggest industrial changes in Scania's history. This also added complexity to our supply chain. The new powertrain has been well received, winning both the Green Truck award and Germany's 1,000 Points comparison test.

Our electrification journey continued in 2022, and we saw clear momentum for electric heavy vehicles. At the IAA trade fair we showcased an extensive offering of BEVs, including our latest addition: an electric truck for regional transport. We have seen strong customer interest in the new trucks, with pre-orders reaching nearly 700 as of the year end.

We also responded to increasing customer interest in biogas by expanding our offer of biogas tank options and specifications.

Europe

The strong demand for our trucks was not reflected in the order intake as we were restrictive in the placing of orders to ensure the quality of the order book and the ability to adjust prices to the high cost inflation. Order intake in Europe decreased by 20 percent to 51,881 (64,575) trucks, primarily related to United Kingdom, Poland and Germany. Deliveries increased by 2 percent to 43,294 (42,365) trucks, mainly related to United Kingdom, Denmark and Spain partly offset by France, Austria and Poland.

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 increased by around 7 percent to about 296,800 (277,900) units during 2022. Scania truck registrations amounted to approximately 39,800 (42,900) units, equivalent to a market share of about 13.4 (15.5) percent.

During the year we collaborated with a range of customer partners to scale up the electrification of heavy transport. These included deals to deliver Scania BEV trucks to companies such as transportation company Girteka, Copenhagen municipal waste company ARC
and Swedish freight technology company Einride.

Latin America

Order intake in Latin America decreased by 51 percent to 11,638 (23,626) trucks, mainly related to Brazil and Chile. Deliveries decreased by 1 percent to 21,092 (21,201) trucks, primarily related to Brazil.

Eurasia, Asia, Africa and Oceania

Order intake in Asia decreased by 22 percent to 8,457 (10,840) trucks, primarily related to Indonesia, Hong Kong and China. Deliveries in Asia decreased by 3 percent to 9,333 (9,649) trucks, mainly related to China and Turkey party offset by Indonesia and South Korea.
In Africa and Oceania, order intake decreased by 8 percent to 7,115 (7,705) trucks, mainly related to New Zealand, Australia and Ghana partly offset by Tanzania. Deliveries in Africa and Oceania increased by 2 percent to 5,109 (4,991) trucks, primarily related to South Africa.

The bus and coach market
In Scania's bus and coach operations the recovery is continuing in line with the improving pandemic situation in large parts of the world.

Over the year, order intake for buses and coaches increased by 48 percent to 5,620 (3,796) units. In Europe order intake increased to 1,869 (1,266) units mainly explained by Italy, Spain and United Kingdom partly offset by Sweden. In Eurasia, order intake amounted to 6 (39) units. In Latin America, order intake increased to 2,624 (1,228), primarily related to Colombia, Argentina and Brazil. Order intake in Asia increased to 374 (332), mainly related to Malaysia. Order intake in Africa and Oceania decreased to 747 (931) mainly explained by Ivory Coast partly offset by Australia.

Deliveries increased in 2022 to 4,994 (4,436) units. In Europe, deliveries decreased by 16 percent to 1,344 (1,606) units, mainly related to Norway and France partly offset by Sweden and Italy. Deliveries to Eurasia decreased to 6 (40) units. In Latin America, deliveries increased by 53 percent to 2,328 (1,526) units, primarily related to Chile and Argentina. In Asia, deliveries increased by 50 percent to 526 (350) units, mainly related to Singapore and Israel. The deliveries to Africa and Oceania decreased by 14 percent to 790 (914) units, primarily related to Ghana.

Scania's market share in buses and coaches in Europe was around 4.4 percent during 2022, compared to 5.7 percent in 2021.

Business highlights during the year included the launch of Scania Interlink, a bus designed for urban and intercity applications offering fuel savings of up to 8 percent alongside a wide range of specification options.

The engines market
Within Power Solutions, demand was strong in 2022, due to high activity among OEM manufacturers.

Order intake increased by 15 percent to 18,080 (15,712) engines, primarily related to China, Italy and United Kingdom partly offset by Brazil and South Korea.
Deliveries increased by 14 percent to 13,400 (11,786) engines, primarily related to Brazil, Italy and China partly offset by South Korea.

In October we launched our new inline energy platform,
our most fuel-efficient engine yet, offering a fuel consumption reduction of up to seven percent compared with the previous generation.

Services
Scania's service business is continuing to grow strongly. Service revenue amounted to SEK 36,434 m. (30,074) during the year, an increase of 21 percent. Higher volume in most markets impacted revenue positively. In local currencies, revenue increased by 13 percent.

In Europe, service revenue increased by 17 percent to SEK 24,914 m. (21,239). In Latin America, revenue increased by 56 percent to SEK 4,845 m. (3,109) and service revenue in Eurasia decreased by 28 percent to SEK 772 m. (1,070). Revenue in Asia increased by 29 percent to SEK 3,272 m. (2,543). In Africa and Oceania, service revenue increased by 25 percent to SEK 2,631 m. (2,113).
At the IAA trade fair we launched My Scania, a personalised digital platform that gives customers access to all Scania services in one place. We also introduced the Scania Driver app, providing digital tools for Scania drivers.

Our service offering is supported by data gathered in agreement with our customers from our connected vehicles, which allows Scania to keep tailoring service packages to customers, based on how they use their vehicles. About 66 percent of the 10-year rolling fleet of Scania trucks and buses are connected.

Financial services
At the end of the financial year, the size of Scania's customer finance portfolio amounted to SEK 128.2 billion, which was SEK 19.6 billion higher than the end of 2021 including acquisition of a finance portfolio of SEK 2.4 billion. In local currencies, the portfolio increased by SEK 8.4 billion.
The penetration rate for new trucks was 41.1 (44) percent during 2022 in those markets where Scania has its own financing operations.

Operating income in Financial Services decreased to SEK –97 m. (2,194) during 2022 and adjusted operating income amounted to SEK 2,197 m. In connection with the disposal of business activities in Russia, a reclassification of the write-downs made in the first six months for the Russian entities has been made to items effecting comparability.

Most of Scania's portfolio consists of customers in European markets. The financing portfolio is well diversified in terms of customer geography and type, as well as their size, economic sector and vehicle applications. Scania reduces its risk by pursuing a conservative credit policy and a refinancing profile that matches borrowing to lending. Close collaboration between Financial Services and Scania's sales organisation is a major explanation for Scania's expanding financing portfolio. This collaboration allows both operations to mutually benefit from insights concerning customers and their businesses. Experience shows that brand loyalty is higher among customers that select financing, insurance and maintenance contracts with Scania.

From 1 April 2023, Financial services will no longer be included in the Scania balance sheet as it will be TRATON FS.

Our employees
All Scania managers are committed to ensuring that our employees feel valued and satisfied at work, and that their well-being is supported, regardless of their job and location. We believe that diverse and inclusive working groups, reflecting diversity in areas such as gender ethnicity, background and skills, are key to our success. We therefore aim to increase the diversity of our workforce across all our operations.

Our Employee Satisfaction Barometer survey is one of the main methods we use to monitor job satisfaction. The survey includes three questions to gauge employees views of Scania's performance in diversity and inclusion. The three questions are the basis for the diversity and inclusion index (D&I), which has steadily increased over the past few years.

The safety and health of all Scania employees is a top priority. We strive to create safe and healthy workplaces, preventing work-related injuries and ill health and promoting well-being through cooperation and continuous improvements. In this way, Scania has been able to maintain low levels of employee turnover and to keep healthy attendance at a consistently high level for many years. Throughout 2022, healthy attendance was 98.7 (up from 95.4 in the previous year).

As the Covid-19 pandemic eased, working life settled into a new normal in 2022, with higher levels of hybrid working. The Scania Work Playbook is our internal guide to making the most of working life at Scania, and in 2022 we adapted the Playbook to include a greater emphasis on mobility and flexibility, while still ensuring collaboration and creativity.

Production
In Europe, several introductions were made in Scania's production facilities, including our new engine (CBE), new gearbox, the first performance step in our new central gear, new hybrid powertrain component, new electric transmission and new bus generation.
Series production of assembly of battery trucks at the chassis unit in Södertälje has been running since the first quarter 2022. To increase capacity we installed a new line for assembling e-mobility powertrain components.

Scania's new battery assembly unit in Södertälje is now near completion. The unit will be ready to produce batteries in 2023.

Bus production was moved from the chassis assembly unit in Södertälje, Sweden, to Słupsk, Poland to simplify the structure, reduce costs and secure space at the unit in Södertälje to produce battery electric trucks.

In China, we are establishing our third industrial hub in Rugao in the Jiangsu province. Despite Covid-19 restrictions, great progress has been made and around 700 engineers are working on factory design, localising products and preparing future supply chains. Establishing a production base in China will enable us to offer the advantages of Scania's modular system and short lead times to our customers in China and other Asian markets.
In Latin America, the major focus has been on final preparations of the industrial system and on launching our new Super powertrain.
Research and development

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 2022, key projects resulting from our research and development investments included the complete battery electric solutions for regional haulage, fully autonomous pilot vehicles with commercial goods on Swedish public roads, and a Scania demo truck with the new standardised connector for Megawatt Charging System (MCS). In total, Scania invested SEK 9.9 billion in research and development (7.5) in 2022, and R&D expenses corresponded to 6 percent of net sales.

As part of the TRATON GROUP, Scania has access to a deep pool of technical expertise that boosts innovation and drives cost efficiency.

RISK AND RISK MANAGEMENT

Risk overview

Scania's risk overview is characterised by an increasingly complex business environment that is changing fast and where managing high uncertainty is the new normal. Scania is adapting to this new business environment, managing risks related to for example new business models, expanding production capacity, finding sustainable solutions for sourcing, reliable supply chains, and the technology shift related to climate change.

The business environment during 2022 has been impacted by the effects from Covid-19 and Russia's invasion of Ukraine. During the year, Scania has stopped production and deliveries to Russia and Belarus following Russia's invasion of Ukraine, as a consequence of the war in Ukraine, Scania announced its intention to dispose our business operations in Russia. During the year the safety situation for employees in Ukraine and Russia has been of great importance to us. Scania has also seen risks materialise with respect to lack of materials and components, disturbances in production and logistic flows and sales networks.

The prolongation of the war in Ukraine and the resulting geopolitical tensions and political uncertainty has led to increased uncertainty and higher global price levels on commodities and energy, transport and raw material. This raises concerns regarding general inflation trends, a global economic downturn and the effect this will have on Scania as well as on our customers, suppliers and partners.

Scania continues to monitor the impact the conflict could have on the macroeconomic outlook and more specifically, on operations and the markets in which Scania operates.

Scania is in the process of establishing an industrial presence in China. The risk landscape is diverse and is monitored and managed closely in order to achieve the strategic objectives for a long-term market and industrial presence in China.

There are several risks that will continue to have a potential impact on Scania. The most relevant of these risks as well as management actions are presented in a table in the following pages. The table also shows what corporate targets they might impact if materialising. 2022 is a transition year when corporate objectives, as part of the strategy deployment, are being rolled out and hence will replace the corporate targets during 2023.

Climate-related risks and opportunities
For Scania, the transition to a sustainable transport system is seen as a business opportunity and lays the foundation for the business strategy and strategic direction (read more on page 20).

An efficient transport system is fundamental to a competitive and resilient economy and a critical enabler of societal development. At the same time, transport in its current form is associated with negative impacts, such as CO_2 emissions, air pollution, traffic congestion and road accidents. The impact of the transport solutions must be viewed from a life cycle perspective – from the extraction of the raw materials all the way to end of life. There is a risk of political decisions influencing CO_2 reduction potentials in parallel parts of the value chain, outside of Scania control, that could impact our ability to reach our objectives and targets. For example, these could be drop-in rates of renewable fuel at the fuel pump and the decarbonisation of the electricity grid, among other factors.

Addressing climate change and its associated impacts is important for the transport sector. Scania's strategic direction is to drive the shift towards a sustainable transport system.

Climate-related risks refer to events or developments arising from climate change that may have a negative impact on achieving company objectives. Climate risk considerations also include events stemming from Scania's operations that contribute to the adverse effects of climate change, or indirectly have an impact on the environment and people (referred to as double materiality or impact materiality). Climate-related risks have the possibility in both shorter and longer term have an impact on our financial flows and revenue streams. Sustainability and climate-related risks are integrated in Scania's risk management process. Risks are to be found in several sub-risk categories such as business development, new and changed laws and regulations, supply chain and production.

Climate-related risks are divided into transition and physical risks. The transition risks and opportunities are considered most material to Scania in the short and medium term. Transition risks identified by Scania include risks relevant to the technology shift, as well as risks that Scania policy actions or legislation do not fully support technology developments. Physical risks include risks related to extreme weather events and long-term shifts in climate patterns, causing business interruptions and/or damage to physical assets at Scania or in the supply chain. Physical risks are mainly considered material to Scania in the long-term, but more acute situations stemming from changes in weather conditions can be seen on a smaller scale already today.

To assess the resilience of the Scania strategy, including the effects of climate-related risks (such as rising temperatures), Scania is using a scenario-based approach to strategy, technology and competence planning.

RISK OVERVIEW

Corporate targets

Driving the shift - **L**
Customers - **K**
People and planet - **B**
Profitability and flow - **%**
Growth and transformation – **V**

Risk category	Corporate targets	Context/ potential impact	Management action/ Mitigation
Strategic risks			
Geopolitical risks	L % V	As a global company, Scania operates in markets with political volatility, conflict and social unrest, which may impact Scania's ability to do business and operate in concerned markets/areas. Geopolitical tensions increase risk exposure in a number of aspects, such as trade barriers or sanctions on trading specific products and technology to certain countries, sanctions on companies and individuals, supply chain interruptions, human rights and compliance issues etc. In 2022, this includes a higher level of tensions and conflicts, including human rights violations, in Europe as well as in Asia.	The yearly scenario-based corporate strategy review outlines potential developments and shifts in the geopolitical situation as the volatility in Scania's operating environment increases. Relevant responses to high-impact changes are built into strategy and execution, for example in regard to localisation of production facilities and sourcing of components. This is complemented with political risks reported through the corporate risk process. Scania has a comprehensive framework for export control that is constantly updated for new regulations or changes in the different sanction lists. The framework is covering all entities with cross-border trade. See the risk, Trade barriers, export control and sanction risks, below. Scania organises cross-functionally to manage specific course of events. For example, Scania activated the crisis management team and established cross-functional teams to continuously analyse and act upon the risk exposure related to the war in Ukraine. During the year Scania stopped production and deliveries to Russia and Belarus following Russia's invasion of Ukraine and as a consequence of the war in Ukraine, Scania announced its intention to dispose our business operations in Russia. During the year the safety situation for employees in Ukraine and Russia has been of great importance to us. For further information see Note 2, 23, 24, 31 and 32.
Climate transition risks	L K B % V	With a central role in the ecosystem of transport and as a global player, Scania is exposed to risks stemming from the transition towards a low carbon economy. However, Scania's strategic direction is directly linked to the opportunities as well as the risks stemming from climate change and its related implications. Transition risks identified by Scania include risks relevant to the technology shift, such as the adaptation to battery electric vehicles, the cost of the transition to lower emissions technologies, customer demand and expectation and availability of components and raw materials. Transition risks also include risks related to policy actions such as CO_2-emission legislation, carbon pricing, alternative infrastructure development (including charging infrastructure, renewable energy supply and availability of biofuels) and that other climate regulations do not fully support technology developments. All of these risks have potential to both in the short and medium term affect Scania's financial streams. Future revenue flows from, for example, electrification are being estimated.	Scania's Driving the shift strategy builds on the opportunities and risks related to climate change. Consequences of climate change and related mitigation actions on legislation, business and technology have had a profound impact on Scania's strategic direction and the strategy as well as the process and the sustainability focus. The current strategy is a direct response to be able to be a resilient and profitable company both now and in the future. The annual process established by Scania for strategic planning including scenario analyses is key in testing the strategy resilience and identifying new risks and opportunities resulting in further development. One of Scania's key strategic actions has been to set carbon emission reduction targets in line with what science says is needed to reach the Paris Agreement. During 2022 Scania also complemented our decarbonisation journey with targets related to the supply chain. Proactive monitoring and understanding of technology, market and legislative development is a priority to reach the targets and is included in the strategy review process.
Business development risks	L K %	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 drivers in transforming Scania from being 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	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", a vital part of The Scania Way, 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

Risk category	Corporate targets	Context/ potential impact	Management action/ Mitigation
		to battery production involves increased social risks, for example human right violations, labor issues and discrimination. New business models based on Vehicle and Transport as a Service implies that Scania's balance sheet and need of funding will grow. If not managed properly, this creates a risk of more expensive funding which in turn undermines the financial viability of new business models.	way. In addition to this, Scania, through the annual strategy process, continuously explores 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. In order to mitigate the risk of a growing balance sheet, Scania is increasing focus to portfolio governance as well as cost control.
Business model and strategy related risks	L K B % V	Business model and strategy must continually be updated and adjusted to respond to the ever-changing business context. Scania's value proposition must be attractive and competitive to our stakeholders, and the company's responses to the changing conditions must be met in a timely manner in order for Scania to stay competitive and relevant.	Scania is regularly monitoring, evaluating and challenging our business model and strategy in order to ensure that Scania is achieving the ambition to drive the shift towards a sustainable transport system and our commitment to the Paris Agreement. A proper handling of uncertainty, complexity, and volatility is important to stay relevant to the society, customer, capital market and other stakeholders today and in the future. Scania has mechanisms to elevate important critical issues that need a cross-functional focus and effort to be addressed.
Corporate governance and policy-related risks	L K B % V	As Scania operates globally in volatile contexts it is important to effectively manage 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 maintain documentation. The management system is continuously 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 managing risks by providing knowledge in terms of governance, trainings and advice.
Financial risks			
Refinancing risks	K % V	Access to competitive funding is critical, and to a large extent dependent on Scania's issuer credit rating obtained by Standard & Poor's and to a large extent relying on the issuer credit ratings of the owners TRATON SE and Volkswagen AG. A downgrade of Scania's issuer credit rating would increase Scania's cost of funding which in turn could affect the company's profitability and potentially lead to the loss of penetration in the Financial Services Business segment. The need of a solid and reliable ESG-communication, in combination with regular issuances of green bonds is increasing over time. A failure in this field might reduce the overall attractiveness of Scania as an issuer and borrower resulting in more expensive funding in the best case and difficulties in obtaining funding in the worst case.	Refinancing risks are managed in accordance with Scania's Treasury Policy, reviewed every year by the Audit Committee. As part of Scania's management of refinancing risk, there are two credit facilities, of which one committed, both supported by TRATON SE. For further information see Note 29 and 30. Scania's strategic direction – where sustainability is placed at the core – is supporting in building an attractive financing offer from an ESG perspective. Scania's combined Annual and Sustainability Report is supporting in combining the perspectives. In 2021 Scania issued a Taxonomy aligned Green Bond Framework that received the highest sustainability ranking by third party Cicero. In 2022 Scania published its first Impact report for the bond. From a funding strategy perspective, the possibility to issue green bonds should be prioritised over any other non-green alternative.
Credit risks	K %	If Scania's contract parties fail to meet their contractual obligations as a result of their own financial situation or the political environment, Scania might be exposed to financial loss.	Credit risks are managed in accordance with the Scania Group Policies Credit Risk Governance and Treasury, reviewed every year by Audit Committee. Transactions occur only within established limits and with selected, creditworthy counterparties. Scania's 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 29.
Currency and interest rate risk	%	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-bearing assets and liabilities not being properly matched.	Currency and interest rate risks are managed in accordance with Scania Group Policy – Treasury, reviewed every year by the 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.

Risk category	Corporate targets	Context/ potential impact	Management action/ Mitigation
		For further information see Note 29	According to the Treasury Policy, Scania management may hedge future currency flows, but this option has historically been used 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 exposure flows are hedged by the use of 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. As a result of the war in Ukraine, Scania has had to deviate from policies both in terms of currency risk and interest rate risk. For further information see Note 29.
Tax risks	%	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 audits and disputes. None of these cases are deemed capable of resulting in a claim that would substantially affect Scania's financial position. For further information, see Note 2.	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.
Insurance risks	% V	Scania is within our global operations exposed to various risks which could potentially have a financial impact, 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/liabilities 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 and Compliance risks

Legal actions and administrative proceedings	L K %	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 of great importance. For further information see Note 2 and 18	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
Business ethics and compliance risks	L B K %	With a presence and operations in many markets, Scania is exposed to risks related to money laundering, fraud, embezzlement, corruption and non-compliance to applicable competition laws, all of which Scania needs to address in a systematic and transparent way. In addition, business ethics also includes privacy and data protection commitments and business and human rights compliance. See Data privacy and Human rights risks below. 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	The governing regulation structure that starts with the Scania Code of Conduct, contains a set of binding rules and guidance regarding responsible behaviors for all Scania Group employees. The core values and The Scania Way framework is laying the foundation of responsible business behavior and the culture that starts with tone from the executive board. The framework is complemented with respective internal regulations. Since we are operating in a constantly changing environment, Scania has specialised personnel both centrally and locally to support the business to monitor and manage these risks. Group Compliance Management, Group Risk Management, Group Data Protection and Group Governance are the main functions that support the businesses to achieve those targets. As risk-based third-party due diligence is an

		authorities.	important part of the Compliance Management System, Group Internal Audit is closely monitoring the effectiveness of the processes. L
Risks related to new and changed laws and regulation	L % V	We see new legislative requirements related to corporate governance in different jurisdictions. This is increasing the significance of the risk related to operating in a manner that is fully compliant with all relevant regulatory requirements. Different countries' legal systems and major changes in laws and regulations (e.g. environmental laws, safety standards, data privacy, trade laws, financial regulations, value chain due diligence, anti-corruption laws, anti-money laundering and terrorism financing laws, competition laws and laws related to business and human rights and export control regulations with extraterritorial effect) may have features that threaten the Scania comprehensive position. Incoming legislations focused on value chain obligations (and extraterritorial implementation) creates a risk of conflicting standards similar to that of sanctions and countersanctions. There is a risk that Scania lacks the 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 that the company can make the necessary changes to its strategy or internal governance and compliance arrangements. In addition, Scania's local and central specialist functions provide guidance and support regarding new and changed legislation to mitigate the risk.
Risks related to new and changed laws and regulation	L V %	We see new legislative requirements related to corporate governance in different jurisdictions. This is increasing the significance of the risk related to operating in a manner that is fully compliant with all relevant regulatory requirements. Different countries' legal systems and major changes in laws and regulations (e.g. environmental laws, safety standards, data privacy, trade laws, financial regulations, value chain due diligence, anti-corruption laws, anti-money laundering and terrorism financing laws, competition laws and laws related to business and human rights and export control regulations with extraterritorial effect) may have features that threaten the Scania comprehensive position. Incoming legislations focused on value chain obligations (and extraterritorial implementation) creates a risk of conflicting standards similar to that of sanctions and countersanctions. There is a risk that Scania lacks the 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 that the company can make the necessary changes to its strategy or internal governance and compliance arrangements. In addition, Scania's local and central specialist functions provide guidance and support regarding new and changed legislation to mitigate the risk.
Trade barriers, export control and sanction risks	L 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, may limit our business opportunities. Failure to comply with sanctions could result in significant fines and penalties. As a global company, Scania also 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 in accordance with Scania's Code of Conduct. The current geopolitical situation with regularly evolving sanctions and trade barriers is monitored within the Scania Export Control programme where central and local resources and expertise evaluate changes in the regulations and sanctions landscape to ensure compliance
Contracts and intellectual property rights	L K %	Legal risks occur in the normal course of operations in administration of contracts and essential rights. Scania's operations include a wide variety of intangible licensing agreements, patents and other intellectual property rights. Scania also concludes numerous commercial and financial contracts, which is normal for a company of Scania's scale and type. Scania's operations are not dependent on any single commercial or financial contract, patent, licensing agreement or similar right.	Scania has specialised personnel, Corporate Legal Affairs and Risk Management, to support with advisory and guidance in legal, commercial, patent, licensing and other matters. For further information see Note 2.

Business risks			
Supply chain risks	L B K 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. For examples, supply shortages of semiconductors have continued to challenge in 2022 and will require continued efforts in 2023. Scania has launched several product updates and improvements during 2022, benefiting our customers but increasing the risks when changing the supply chains. Furthermore, with a more global supply chain and changes in technology, for example focus on 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 the supply chain 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. There is a focus on risks regarding geopolitical situations, natural disasters, and energy supply with possible negative effects on our supply chains in order both to prevent and limit impact if materialised. Suppliers are required to comply with Scania's Supplier Code of Conduct and Scania assesses every sourcing nomination through a thorough due diligence process called Scania Sustainability Rating. Close cooperation within Volkswagen Group as well as with our suppliers is also key to ensure that we can adapt to changes and manage identified risks. Furthermore, Scania monitors all suppliers with a critical spend on a monthly basis via external risk ratings. Scania also has a special task force focus to ensure availability of components within short term.
Market risks	L K %	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. This also includes residual value risk for short-term rental vehicles. 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 services to customers during the contractual period in exchange for a predetermined fee. The current energy challenge related both to access and to price of energy, impacts Scania on different levels and with different stakeholders e.g. in production, with suppliers and customers.	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 a 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 continuously estimates possible future divergences from the expected cost curve. Negative divergences result in a provision which affects earnings for the period. Scania is working both internally and in close collaboration with customers and suppliers to monitor and act on the current energy challenge. For further information see Note 2.
People and competence	L B V	The technology shift will require a shift in competence and Scania must act proactively and identify future needs before they occur. Difficulties in attracting and retaining key personnel, both for ongoing activities and in the changing environment, could lead to challenges in delivering towards customer needs.	To secure business-driven competence supply Scania is continuously developing the area of people management. Presently a programme is run, as part of HR Foundation, aiming at creating an even more efficient human resources support through implementing global processes as well as a global HR IT tool. Scenario-planning is also used to plan for future competence needs in parts of the organisation. 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. Innovation Factory, and 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 several universities and institutes of technology to create and recruit cutting-edge expertise. Scania runs an upper secondary school in Södertälje, Mälardalens Tekniska Gymnasium, offering high-quality technical education.
Information risks	L K B	Scania relies on information technology for everyday business. Beside 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, cyber-attacks etc. (See Product cybersecurity risks). 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.	To ensure effective, reliable and relevant operations, Scania needs to constantly evaluate how to utilise the potential of data in our day-to-day business. To ensure the availability, integrity, and confidentiality of information, Scania uses a risk-based approach and an established Information Security Management System 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.
Product launch and Product liability risks	K %	Introducing a new product to the market is a risk exposure of product quality deviation resulting from e.g. failure in design, product selection or manufacturing. Failure to ensure product quality could result in recalled	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

		products involving significant costs, compensation for indirect cost of customers, non-compliance and reputational damage.	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.
Climate risks including natural hazards	L K B %	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 as well as disturb the logistic flow or supply chain with availability of components. It is hard to predict the frequency, geographical location and impact of natural disasters. However, with changing climate due to global warming, extreme weather situations are already today more frequently occurring as well as the weather patterns to be changing in certain areas. Acute situations can be expected to occur more frequently in the future. These risks could also potentially affect Scania's possibility to insure facilities in the future as well as affect our balance sheet if for example a number of facilities would be affected.	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. Some of the physical risks related to insurability is covered by the insurance risk process. Scania has an environmental management system in line with ISO14001 that ensures that Scania operates according to the highest global standards in all relevant environmental areas.
Production risks	L K B V	An unforeseen disruption at a production facility represents a risk and may be caused by a number of different incidents for example power failure, equipment failure, fire, 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. Production risks also encompass challenges that Scania may face in logistics, delivering trucks after the production process is completed.	Scania has a business continuity programme which focuses on that business continuity is owned, operated and embedded with local needs, resources and competence. In addition, Scania has a framework for safety & health, consisting of policy and guides. The aim is to preserve and promote safety, health and well-being at work and promote 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
Product cybersecurity risks	L K B %	Modern vehicles contain advanced computing and communication technologies and are increasingly connected. As our vehicles are critical for our customers' business and also safety-critical, these may be negatively impacted in case of a cyber security attack.	Using standardised methods, Scania works with cybersecurity risk throughout the product lifecycle. Efforts in this area include continuous work with risk assessments, technical implementations, cybersecurity culture and awareness, cooperation with suppliers, risk monitoring, incident management and more.
Data privacy	L K B %	There is a risk that Scania fails to demonstrate compliance with privacy and data protection regulations, which could lead to claims for damage and other liabilities, significant fines and penalties, loss of customers as well as negative brand reputation.	One of Scania's core values is "Respect for the individual". This is the foundation not only for our interaction with colleagues, customers, partners, drivers 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. This is particularly important when entering into new markets or establishing new business models. Scania has a specialist function, Group Data Protection, and a central as well as a global network of data protection responsible persons. They 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

CORPORATE GOVERNANCE

Corporate Governance is the framework used to direct and manage the company. It supports Scania's business model and strategy, and enables the organisation to achieve its objectives, while addressing risk and ensuring sustainable business practices. Scania's corporate governance aims at providing transparency and trust to our key stakeholders.

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 system and governing documents. Corporate governance at Scania is based on the Articles of Association, Swedish legislation, in particular the Swedish Companies Act, the Annual Accounts Act and internal governing documents. This Corporate Governance Report has been prepared in compliance with the Annual Accounts Act.

As a non-listed entity, Scania is not obligated to follow the reporting requirements of the Swedish Corporate Governance Code. Scania is preparing its reporting in accordance with the Non-Financial Reporting Directive (NFRD), Global Reporting Initiative (GRI) and is also integrating the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in its reporting. Scania is already reporting EU taxonomy information and is preparing for the increasing reporting requirements forthcoming in future years through the regulatory developments in the EU, and as the new Corporate Sustainability Reporting Directive (CSRD) will be applicable also to Scania, (see Sustainability report index starting at page 160 for further information on e.g. NFRD, taxonomy, GRI).

Scania's management of the company includes management systems like Quality Management System (ISO 9001), Environmental Management System (ISO 14001) and others.

Governance structure

The Board of Directors is mainly responsible for determining Scania's overall strategy and goals. To fulfil the Board's responsibilities, it has appointed the President and CEO, who appoints the Executive Board. The Executive Board updates the Board of Directors regularly on topics that are of long-term and strategic nature.

The Executive Board decides the strategic direction of the Scania Group. The members are jointly responsible for strategy and for maintaining a holistic view of the Scania Group when handling strategic issues for each specific area. The heads of corporate functions are responsible for ensuring that the appropriate actions are taken in their respective fields of responsibility based on the strategies that have been decided. Each corporate function reports to one of the members of the Executive Board. Business value tables with cross-functional representation, are empowered to take the necessary operational decisions within each business value flow. The business value flows are shaped around: Goods transport internal combustion engine, Goods transport e-mobility, People transport, Power solutions and Transport systems.

In the following sections, the roles and responsibilities as well as interactions between these parties are described in more detail.

Governance at Scania translates into the form of organisational structure, policies, guidelines, methods and practices that ensure transparency, responsiveness, empowerment, accountability and cross-functional participation. It is based on Scania's purpose, core values, legal requirements and requirements from our key stakeholders. Scania's governance structure helps the organisation to reliably achieve the set objectives while addressing uncertainty and acting with integrity.

Scania's governing regulation structure starts with the Scania Code of Conduct as shown in the picture. The Code of Conduct and Scania Group Policies are valid for all Scania employees and Scania entities globally. Scania has established a Supplier Code of Conduct for suppliers, as well as an Independent Distributor Code of Conduct for independent distributors, available externally to stakeholders through the corporate website.

All affected managers must ensure that the content of the respective Group Policy is implemented within their area of responsibility within the requested implementation period. Each operational unit confirms this in writing after a new policy is issued.

Owner and shareholders

The sole shareholder of Scania AB is TRATON Sweden AB, an indirectly fully owned subsidiary of TRATON SE.

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 part 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). The AGM shall be held within six months of the expiry of each financial year.

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.

At the AGM, the shareholders exercise their voting rights for, e.g. to approve the Annual Report and the Auditors' Report presented by the Board of Directors.

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 2022, the AGM did not authorise the Board of Directors to resolve on the issue or repurchase of shares.

The Board of Directors

The Board of Directors is Scania's highest administrative body and is responsible for the management of the company's operations as well as the organisation. It is also overall responsible for Scania's long-term development and strategy (see Our strategy from page 19). This includes overseeing climate and other sustainability issues relevant to reaching Scania's targets and objectives.

Scania's Board of Directors, which is identical for Scania AB and Scania CV AB, is elected by the sole shareholder at the AGM. The Board of Directors is the link between the shareholders and the company's management. The Board of Directors shall comprise a minimum of three and a maximum of eleven members plus a maximum of two deputy members. Current composition includes ten elected Board members and no deputy members. In addition, pursuant to Swedish law, some members are appointed by a party other than the AGM. The trade unions at Scania have appointed four Board members and two deputy members. The members are elected each year for the period up to the end of the next AGM. During 2022, there were no changes in the elected Board members, but one change in a deputy member appointed by the trade unions.

The Board of Directors is called to a statutory meeting plus at least four regular meetings per year. The statutory meeting, which is held directly in conjunction with the AGM, approves Rules of Procedure and working mechanisms for the Board of Directors and rules of procedure for the Audit Committee.
The Rules of Procedure include regulations on the number of meetings during the year, the role of the Chairman of the Board of Directors, instructions regarding the division of labour between the Board of Directors and the President and CEO as well as instructions for financial reporting to the Board of Directors.
The Chairman of the Board of Directors pursues a regular dialogue with Board members to evaluate the work of the Board of Directors. In addition, a written evaluation is normally carried out each year, in which all Board members are given the opportunity to present their opinions about the Board of Directors, including the Chairman, and its work.

The President and CEO is evaluated on a continuous basis by the Board of Directors. Once a year, the Board of Directors also carries out an evaluation of the President and CEO in which he does not participate.

Scania's Board of Directors has established one working committee, the Audit Committee, to which the Board of Directors appoints the members from among its own members.

Remuneration of the Board of Directors is resolved at the AGM. Information on annual remuneration is provided in Note 25 to the consolidated financial statements.

The Audit Committee

The Audit Committee monitors effectiveness of governance, risk management and internal controls processes at Scania as well as matters 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- and non-financial reporting, as well as evaluating the auditors and approving the use of external auditors for non-auditing-related services. As a minimum, all risks related to internal and external statutory reporting as well as other risks reported to the owner are presented to the Audit Committee.

The Audit Committee also regularly monitors effectiveness of Internal Audit Function and is regularly informed about Group Internal Audit performance regarding the accomplishments of the Annual Audit Plan, relevant audit results and implementations of actions resulting from audit assignments. The Audit Committee also receives and discusses possible complaints concerning accounting, internal controls or auditing in the company.

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

The President and CEO

Under the Board of Directors, the President and CEO is responsible for the day-to-day operations of the Scania Group. The President and CEO is responsible for the Group's fulfilment of its overall strategy and its financial and business controls, as well as the Group's financing, capital structure, risk management and acquisitions. The President and CEO is authorised to make decisions on matters that do not require Board of Directors approval. On matters requiring Board of Directors approval, the President and CEO produces the information and documentation needed to enable the Board of Directors to make well-informed decisions. The President and CEO of Scania AB is Christian Levin. Since 1 October, 2021 he is also the President and CEO of TRATON SE.

The Executive Board

The President and CEO is the Chairman of the Executive Board, which makes joint decisions in accordance 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 matters of strategic and high-impact operational nature. This includes, but is not limited to, the fulfilment of Scania's overall strategy, continued development of the company and its business model, sustainability, supply chain development, overall human resource and environmental, social and governance (ESG) matters, resource allocation and financing of the company.

Information on the remuneration of the Executive Board is available in Note 26 to the consolidated financial statements.

Stakeholder engagement

Scania's stakeholders range from customers and employees, owners and lenders, to transport ecosystem partners such as infrastructure providers, transport users and the wider society (see more on page 14). By working with stakeholders across our ecosystem, we can promote the adoption of today's sustainable solutions, while developing the technology and enabling conditions that will support the transport system of tomorrow.

For Scania, it is essential to create value for our stakeholders. We continuously engage to find out what they believe are the most important topics facing the transport industry as a whole and Scania as a company.

Stakeholder engagement can also be expanded to include the rightsholder perspective, meaning individuals at risk of being adversely affected throughout Scania's value chain. Scania recognises its responsibility to manage impact on rightsholders throughout the value chain, concerning human rights as well as environmental impact. Scania engages with rightsholders to understand and prioritise management of human rights, for example through the salience review performed in 2022 (see page 160 for more information).

Stakeholder engagement is integrated in Scania's strategy deployment process as well as within specific processes related to, for example, our environmental management system (ISO 14001) as well as within certain projects (salience review). Throughout the strategy process input is gathered from different stakeholder groups such as shareholders, customers and employees among others. The stakeholder engagement is a key part in determining impacts and risks, which is the foundation for Scania's materiality assessment but also key in strategy development and resilience testing. Materiality assessment is part of Scania's strategic work and continuous improvement philosophy. These assessments and continuous stakeholder dialogue lays the foundation for Scania's strategic direction and targets.

Various channels and methods are used for the stakeholder interactions. Most of them are integrated in the regular work and occur as part of our ongoing dialogue with organisations, customers, suppliers, owners, lenders and partners.

Strategy

Scania's strategic direction is decided by the Executive Board, on behalf of the Board of Directors. The strategic direction is updated on an annual basis and communicated by the Executive Board at the Top Management Meeting in quarter two and serves as the foundation for Scania Group's business and operating plans. The central support function Strategy and Corporate Management is responsible for the strategy deployment on behalf of the Executive Board.

Scania's purpose, to drive the shift towards a sustainable transport system, serves as the base for our strategic direction and is clarified through our corporate objectives.

There is no separate strategy for sustainability. Instead, sustainability is at the core of Scania's corporate strategy in order to align our business activities to sustainable development.

The annual strategy process can be described as a strategy process wheel where the current year strategy is executed. The next year's strategy is formulated and deployed in parallel.

During the strategy formulation phase, Scania's strategy is tested against future possible scenarios for the global transport ecosystem by 2040 – in order to strengthen the robustness of the strategy towards the different potential futures. The scenario-based approach to strategy, technology and competence planning and the assessment that has been carried out, including the effects of climate-related risks (such as rising temperatures), builds a deep and shared understanding of the changing business environment and conditions, and strengthens the resilience of the strategy and the ability for fast and adaptive strategy deployment. Scania's corporate strategy is based on a stakeholder thinking, where Scania can add value, and during the strategy process input is sought for and gathered from the different stakeholder groups. Input to the strategy is coming from shareholders, customers, partners, society, and employees, among others.

During the deployment phase, the strategic ambition from the Executive Board and CEO is iterated with the organisation and broken down by the business value flows, core processes and corporate functions with detailed plans on all levels.

The chairmen of the business value flows and heads of corporate functions are responsible for ensuring that the appropriate actions are taken in their respective fields of responsibility based on the strategies decided.

For Scania's subsidiaries this responsibility rests with the Board of each respective subsidiary and is carried out by the Managing Director and management team.

The successful execution of Scania's strategic direction in all parts of the Group is secured through our operational strategy – The Scania Way (see page 1).

For Scania, diversity and inclusion continues to be a strategic necessity. By having employees with the widest possible range of skills, knowledge, backgrounds and experiences, we ensure that we have the right people and with an inclusive corporate culture this drives our business forward. We call this systemic approach Skill Capture, and it is a key element of our People Sustainability strategy for Scania's nearly 57,000 employees worldwide.

Together4Integrity

In 2022, Scania continued Volkswagen's Together4Integrity (T4I) programme. The programme aims to promote Volkswagen's integrity, compliance, culture, and risk management initiatives, so that they are aligned with Scania's corporate objectives. Scania GRC functions have organised integrity perception workshops for the T4I programme, which offered a forum for employees at all levels to discuss issues of compliance and integrity, based on Scania's core values.

New operating model

In 2021, as part of supporting the Scania strategy and reaching our targets and objectives, Scania started to transform its organisation to enable an extended focus on productivity and flow, and to be better prepared for the challenges in a transformative environment. This work has continued throughout 2022 to further define the way of working and governance required for an even faster, flexible and customer centric solution development.

A part of being a great employer is being able to offer a flexible work environment to our employees to the extent the nature of the job allows, while ensuring individual productivity and well-being as well as great creativity and collaboration in our teams and communities. We continue developing our employee offering within the framework of the Scania Work Playbook, which outlines Scania's go-to approaches to a more inclusive and attractive workplace where everyone can contribute to our common purpose with their full potential.

Executive decision forums

Scania's executive decision structure is based on a number of executive decision forums that interconnect and form the basis for interaction between business areas as well as corporate functions. Decisions at executive decision meetings are assessed for integrity and compliance standards and in line with corporate environmental objectives. This ensures an integrated approach to strategic topics within Scania and that sustainability and climate, as well as compliance and integrity-related matters, are considered in all relevant decision-making.

The executive decision forums, such as the Scania Sustainability Board, the Sourcing Board, People Management Meetings and Product Quality Meetings are each chaired by a member from the Executive Board. In addition, there are support functions within Scania, including Group Governance, Risk, Compliance and Data Protection, which further support the business in making responsible, balanced and profitable business decisions.

Corporate Governance Board

The Corporate Governance Board (CGB) is an executive decision forum which prepares decisions and activities related to Scania Group Policies for final decision at the Executive Board. The purpose of the CGB meeting is to ensure that the rules and regulations formalised in Scania Group Policies are established following a standard format.

CGB monitors the implementation of Scania Group Policies throughout the Scania Group, and reports on the status on implementation to the Executive Board and the Audit Committee. CGB also follows up on implementation and requests related to TRATON Group Policies and Volkswagen Group Policies and it has 10 regular meetings per year.

CGB is chaired by the Scania CFO, and is composed by central functions and business representatives.

Scania Sustainability Board

Established in 2016, Scania Sustainability Board (SSB) is Scania's forum for cross-functional coordination of sustainability, bringing together all parts of the company. SSB is responsible for setting the sustainability direction, targets and initiatives, as well as ensuring cross-functional action on sustainability priorities. SSB tracks progress through four identified roadmaps: operations and supply chain decarbonisation; sustainable transport; people sustainability and circular business. SSB is an integrated part of the strategic yearly process where the roadmaps are evaluated quarterly.

SSB consists of executives across all our business areas and corporate functions, as well as representatives from the Business Value flows. The Board was previously led by the CEO. During 2022, the Head of Communications and Sustainability took on the role as chairperson for SSB as a result of sustainability being raised to Executive Board level.

Each SSB participant has the responsibility to contribute actively by representing their organisation as well as the whole company and bring information, decisions and actions from the meeting to relevant forums. SSB has quarterly meetings and can also have extra meetings if needed on specific agenda points. In addition to the meeting a full day was dedicated to the topic of decarbonisation and human rights framework for all SSB participants to raise their understanding of the complex topics. During 2022, SSB had five meetings.

Risk and risk management

From a governance perspective, the Scania Audit Committee/Board of Directors reviews the top Scania risks and countermeasures on a quarterly basis and acknowledges the risks for internal and external legal reporting. On behalf of Scania's Board of Directors, the Executive Board has the overall responsibility for risk management, including sustainability and climate-related risks. The risk process ensures that Scania has a transparent, systematic and hands-on approach to risk management and the risk process at Scania is guided by Scania's strategy as described in the Strategy section.

As part of our daily operation, Scania is exposed to risks, the negative impact of which, if properly managed, can be reduced or even eliminated. Risks may also turn into opportunities. The Code of Conduct, our policies, our strategy, our core values and our leadership principles all give us guidance in how to manage and act when facing situations with respect to risk. Risk awareness is an integrated part of the Scania Culture, The Scania Way. The Group Risk Management function supports management to govern business in a trustful and sustainable manner by helping stakeholders to identify, assess and manage risks with integrity and in the most competent and transparent way.

The risk management process supports each entity in gaining a greater understanding of what their important risks are, and how such risks are to be managed. The purpose is also to establish a shared view of important short-, medium- and long-term risks throughout the Scania Group allowing the Executive Board to focus on the strategic risks.

The role of the support function Group Risk Management is to support that risk management is integrated into processes efficiently and by doing that also support that legal requirements, international governance, risk and compliance standards and owner requirements are fulfilled considering Scania-specific risk environment and culture. The function shall also support the organisation by providing knowledge in terms of policies, guidelines, training and advice.

Based on a decision made by the Executive Board in 2020, the Group Risk Management function continued a comprehensive three-year internal controls improvement and standardisation project. As part of the initiative, an internal control function within Group Risk Management has been established to both coordinate the development and monitor Scania's standardised internal control management system.

The matters that pose risks to Scania may involve a broad range of topics, spanning from cyber security to supplier capacity, climate, product launch and matters related to responsible business, e.g. environment, governance and social issues. Negative impacts can be avoided, or at least minimised, if they are proactively identified and properly managed. A sound risk management practice will support making the right decisions in order to maximise reward and business opportunities. This may mean considering the ways in which Scania is involved with significant impacts on, for example, climate, environment and people even before they impact Scania. 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 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. risks 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. One part of the Scania leadership model is "Dare to try – manage the risk", which works as a guiding star within Scania (see The Scania Way page 1).

To ensure consistency in the assessment of the risks identified, risk categories (Strategic, Financial, Legal & Compliance and Business risks), sub-categories and risk assessment criteria are established.

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 risk responses are effective.

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

Business ethics and compliance management

The purpose of business ethics and compliance-related initiatives and activities at Scania is to identify, prevent, detect and respond to compliance risks that Scania's

business may face worldwide. The key areas of are anti-corruption, anti-money laundering (AML), antitrust/competition law and business and human rights.

Scania has zero tolerance for corruption and unethical business practices. Wherever in the world Scania operates, we adhere to high ethical standards. The Scania Code of Conduct is mandatory for all employees and lays down the overarching framework and provides guidance for how employees are expected to act. All new employees shall read and sign that they have understood the code and all top managers declare once per year the adherence of the code. The Code of Conduct is supplemented by several more detailed Scania Group Policies, applicable worldwide and covering compliance topics such as donation and sponsoring, benefits to and from business partners, prohibition of facilitation payments, anti-money-laundering, competition law, avoidance of conflicts of interest, due diligence of sales intermediaries and business and human rights.

Scania Group Compliance , a dedicated central function with regional reach, manages Scania's compliance and business ethics programme, by amongst other things advising on business ethics topics and providing training and support. Scania's compliance programme has a risk-based approach and is implemented globally.

Scania also focuses on integrity and ethical business practices in relation to business partners and society at large. Business partners are required to act with equally high ethical standards. For suppliers, those standards are set out in the Scania Supplier Code of Conduct, and for independent members of Scania's authorised sales network, in the Scania Independent Distributor Code of Conduct.

Assessing and managing risks form an integral part of Scania's compliance work. To this effect, anti-corruption and other business ethics risks are covered by the risk management system (see page 47), which is conducted in all Scania operations according to a yearly schedule. Additionally, a more comprehensive and detailed risk assessment with focus on anti-corruption, anti-money laundering and antitrust/competition law is performed bi-yearly. In 2021, this assessment was carried out in all Scania entities and is valid for two years.

Another cornerstone of Scania's business ethics efforts is the whistleblowing system. There are several dedicated whistleblowing channels available, also externally, to report suspected ethical violations conducted by Scania employees and procedures are in place to conduct internal investigations.

Sustainability management

Sustainability is of strategic importance to Scania and the responsibility for sustainability management rests with management within business value flows and corporate functions. The organisational structure described in this Corporate Governance Report applies to all strategic topics including climate and other sustainability matters.

Scania's strategic sustainability work is dependent on understanding our impact, including the risks and opportunities along the life cycle, with the ambition of linking targets and actions with science. Opportunities and risks related to sustainability are identified in all functions, and may relate, for example, to government regulation, technology development, customer satisfaction and physical risks. The risks and opportunities within sustainability are managed and integrated in Scania's risk and strategic process and in some cases supported by separated specific processes, for example within purchasing.

At Group level, the work is coordinated by cross-functional forums and working groups assigned to one or several Executive Board members with representatives from the relevant corporate and enabling functions. Scania Sustainability Board is the most important executive decision forum for strategic sustainability topics

Scania measure and follows up on sustainability performance in relation to set targets. To track our performance, we have developed 18 sustainability indicators linked to our most material areas with connection to impact, risk and the life cycle of our products (see more on page 144). Scania's key sustainability targets such as the science-based targets are part of our corporate objectives, and have an impact on investment decisions across our business areas, from production and logistics to product development and sales priorities.

The concept of materiality guides Scania's identification of key sustainability topics. The materiality analysis provides an overview of the most material sustainability topics to Scania. Scania's approach to materiality includes an understanding of the company's external impact as well as the internal impact on the company, referred to as double materiality. Scania's understanding of its impact should be based on relevant impact and risk assessments. Scania manages structured processes for stakeholder input and dialogue, and strives to be transparent on results, progress, challenges and improvements.

Assurance and monitoring

The main objectives of Scania's assurance and monitoring activities are to provide Executive Management and the Board of Directors with information on the effectiveness of governance and internal control system, and to build trust and credibility with internal and external stakeholders.

Assurance is provided primarily via different types of testing and evaluations performed by auditors, Group Internal Audit, Group Internal Control Function, Third Party Certification bodies and Self-assessments are used in different areas by management to increase awareness about risks, controls and regulatory requirements, e.g in relation to policy implementation. Remediating actions are monitored by Executive Management and the Board of Directors via regular reporting.

Industrial Operations, including Logistics, Production, Purchasing, Research and Development, are certified to ISO 9001 and ISO 14001. Commercial Operations, including Business Units and Dealers, are certified to ISO 9001 and ISO 14001 within markets that have a demand for certification from customers or other stakeholders.

Internal control

The cornerstones of Scania's internal control consist of the control environment, developed based on international COSO standards: risk assessment, control activities, information and communication as well as monitoring.

During 2022 Scania continued the roll-out of an internal control framework according to the three-year project aiming for an improvement and standardisation of internal controls. The project will proceed the roll-out through 2023 to give the entire organisation improved foundation to effectively manage risks and evaluate the effectiveness of control activities.

Internal Control Management System (ICMS) is based on Scania Group Control Catalogue and key activities illustrated below:

Control environment

Control environment at Scania is based both on procedures and on strong culture to do the right thing, The Scania Way. Attitudes and values of leaders and employees are important parts of driving the organisation towards the fulfilment of goals in an effective, sustainable and responsible way. Internal control framework at Scania is based on the decisions on organisational structure, mandate and guidelines made by the Board of Directors. The Board of Directors' decisions are implemented into functioning management and control systems by the Executive Board.

Organisational structure, decision-making procedures, mandates and responsibilities are documented and communicated in governing documents, such as Scania Group Policies, standards and other regulations. Scania Group Policies are issued for all main risk areas and are under revision according to decided frequency. Also included in the basis for internal control are group-wide accounting and reporting instructions, instructions regarding powers and authorisation rights as well as relevant manuals and process descriptions.

The Group reporting system for integrated reporting for financial and business information is another central element of the control environment and internal control.

Integrated reporting of financial and business information ensures that external financial reporting is based on business operations. In addition to information on final outcome figures, the reporting system also includes frequently updated forecast information. The Corporate Control function is responsible for continuous updating of accounting and reporting instructions, with due regard for external and internal legal requirements and standards.

Risk assessment and control activities

For risk related matters, Scania relies on an integrated approach to ensure that business opportunities, as well as potential risks, are considered in all relevant decision-making to ensure a sound balance between risk and reward. 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 its objectives. There is a comprehensive set of control activities established for key risk areas and processes, including risk of fraud and misstatement in financial reporting. For a closer description of the risk management process at Scania, please see section Risk and risk management on page 47.

The Group Internal Control function coordinates testing of effectiveness of internal controls designed to mitigate key risks in selected entities and processes, primarily financial reporting and compliance, as decided by Executive Management. All identified deviations are reported and followed up for remediation.

The controller organisation, such as 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 examine business operations are found at all levels of the organisation.

Information and communication

Scania strives to ensure that activities to inform and communicate on risks, financial performance and new regulations for example, is effective throughout the whole organisation.

Reporting to management on all levels takes place regularly. 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.

In order to inform, instruct and coordinate financial as well as non-financial reporting, Scania has formal information and communication channels, e.g. specific fora, committees, management teams to the affected employees regarding policies, guidelines and reporting manuals. These formal information and communication channels are supplemented by frequent dialogue between Finance and Business control, Risk and Internal Control Function, Compliance Function and the individuals in charge of financial and non-financial reporting at operational units.

Scania holds internal seminars and conferences regularly, with a focus on quality assurance in financial reporting and governance models.

Monitoring

Group Internal Audit, Governance, Risk and Compliance Functions and Corporate Control are the main control functions providing management with relevant reporting related to the control environment, including suggestions of continuous improvements.

Scania monitors compliance with the governing documents and the effectiveness of the control structure through designated routines and system support.

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 risk-based and independent reviews of internal controls over financial reporting in selected entities are performed by the Group Internal Control function.

During the 2022 financial year, in its control and monitoring activities, Scania prioritised entities and processes with large flows and values as well as selected operational risks according to the roll-out plan for internal controls improvement and standardisation project.

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

The company has a group-wide whistleblowing system, where all employees can report potential violations of laws and regulations, internal company policies and the Scania Code of Conduct. The system is also open for hints from external parties.
Scania is not aware of any circumstances that would indicate material weakness in risk management or the internal controls, however there is no absolute assurance that all relevant risks are identified in a timely manner and mitigated by suitable measures and controls.

Internal audit

Scania Group Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve Scania's operations. The main task of internal audit is to independently perform risk-based and regulation required audits according to an annual audit plan. They also monitor and review the internal control, risk management and governance. The results are being reported to Scania's Audit Committee. All audit reports are also shared with the CEO and the Executive Board in order to get their commitment to implement the necessary mitigation actions.

The risk-based approach for 2022 concluded in that all business areas have been evaluated and that the business area with the most number of executed internal audits have been in Commercial Operations and there primarily conducted in Financial Services. This is due to regulatory requirements in different countries related to Financial Services activities. Group Internal Audit reports functionally to the Audit Committee and administratively to the CEO.

External auditors

At Scania, the independent external auditors are elected annually by the shareholders at the Annual General Meeting (AGM), for a period until the end of the next financial year's AGM. EY currently serves as the external auditors of Scania.

The external 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 external auditors report on a continuous basis to the Audit Committee on all substantial accounting related matters, 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, when needed, to participate in the meeting and report to the Board of Directors.

The external auditors have no assignments for the company that affect their independence as auditors for Scania. Information on auditor remuneration is provided in Note 28.

GROUP FINANCIAL REVIEW

Revenue

The sales revenue of the Scania Group, in the Vehicles and Services segment, increased by 16 percent to SEK 163,260 m. (141,305).

New vehicle sales revenue increased by 12 percent. Sales were positively impacted by price and product mix, and market and currency effects.

Service revenue increased by 21 percent and amounted to SEK 36,434 m. (30,074). Increased volumes in parts and services had a positive effect. Also currency effects was positive.

Power solutions sales revenue increased by 37 percent due to increased volumes.
Interest and lease income in the Financial Services segment increased by 24 percent due to a higher average portfolio and positive currency effects.

Net sales by product, SEK m.	2022	2021
Trucks	99,976	88,849
Buses	7,984	7,702
Power solutions	3,454	2,521
Services	36,434	30,074
Used vehicles	9,620	8,082
Miscellaneous	4,469	4,580
Delivery sales value	161,937	141,808
Adjustment for lease income [1)]	1,324	-503
Total vehicles and services	163,260	141,305
Financial Services	10,823	8,761
Elimination [2)]	-4,079	-3,920
Scania Group total	170,004	146,146

1 The adjustment 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 repurchase obligation. Significant risks remain, therefore recognition is based on an operating lease contract.

2 The elimination refers to rental income from operating leases.

Deliveries

During 2022 Scania delivered 80,238 (85,930) trucks, a decrease of 7 percent. Bus deliveries increased by 13 percent to 4,994 (4,436) units. Power solutions deliveries increased by 14 percent to 13,400 (11,786) units.

Vehicles delivered	2022	2021
Vehicles and services		
Trucks	80,238	85,930
Busses	4,994	4,436
Total new vehicles	85,232	90,366
Used vehicles	15,902	16,714
Engines	13,400	11,786

Financial Services

Number financed (new during the year)	2022	2021
Trucks	30,477	34,683
Busses	1,298	851
Total new vehicles	31,775	35,534
Used vehicles	8,633	8,502
New financing, SEK m.	50,830	56,417
Portfolio, SEK m.	128,202	108,859

Earnings

Scania's operating income amounted to SEK 12,375 m. (11,294) during 2022. The operating margin amounted to 7.3 (7.7) percent. The operating income for 2022 was negatively affected by items affecting comparability amounting to SEK 3,596 m. mainly related to the disposal of the Russian operations. Adjusted for items affecting comparability operating income for 2022 amounted to 15,971 MSEK.

Decreased truck volume impacted negatively. Also increased raw material prices and production constraints affected negatively, this was offset by positive currency effects and increased service, bus and Power solution volume.

Scania's research and development expenditure amounted to SEK 9,909 m. (7,458). After adjusting for SEK 2,314 m. (1,986) in capitalised expenditure and SEK 1,204 m. (939) in depreciation of previously capitalised expenditures, recognised expenses increased to SEK 8,799 m. (6,411).
Compared to the full year 2021, the total currency effect was negative and amounted to SEK 4,687 m.
Operating income in Financial services amounted to SEK –97 m. Adjusted for items affecting comparability operating income amounted to SEK 2,391 m. (2,194). This was equivalent to a margin of 1.85 percent (2.15) of the average portfolio during the year. Higher portfolio and currency effects impacted positively. This was partly offset by increased credit losses.

At year end 2022, the size of the customer financing portfolio amounted to SEK 128.2 billion, which represented an increase of SEK 19.3 billion. In local currencies, the portfolio increased by SEK 8.4 billion, equivalent to an increase of 8 percent.

Operating income per segment, SEK m.	2022	2021
Vehicles and services		
Operating income	12,649	9,100
Operating margin, %	7.7	6.4
Financial Services		
Operating income	-97	2,194
Operating margin, %[1)]	-0.1	2.1
Operating income Scania CV-group	12,375	11,294
Operating margin, %	7.3	7.7
Income before taxes	12.399	10,816
Taxes	-4.541	-3,640
Net income	7,858	7,176

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

Scania's net financial items amounted to SEK 24 m. (–478) including net income from associated companies and joint ventures amounting to SEK 76 m. (–19). The increase in net income from associates and joint ventures is mainly explained by a dilution effect from one of the associates. Net interest items amounted to SEK 910 m. (–121). The net interest was positively impacted by improved funding. Other financial income and expenses amounted to SEK –810 m. (–23). These included SEK 395 m. (474) in valuation effects related to financial instruments where hedge accounting was not applied.

Income before taxes amounted to SEK 12,399 m. (10,816). The Scania Group's income tax expense for 2022 was equivalent to 36.6 percent (33.7) of income before taxes.
Net income for the year totalled SEK 7,858 m. (7,176).

Cashflow

The cash flow after investing activities attributable to operating activities in Vehicles and Services amounted to SEK –4,516 m. (5,538). Adjusted for payment of the EU Commission's fine related to the EU truck case, cash flow amounted to MSEK 5,141.

Net investments in Vehicles and Services amounted to SEK 8,641 m. (8,746), including SEK 2,314 m. (1,986) in capitalisation of development expenses. At the end of 2022, the net cash position in Vehicles and Services amounted to SEK 11,607 m. (25,520).

The Cash flow in Financial Services amounted to SEK –10,038 m. (–7,369).

Financial position

Financial ratios related to the balance sheet

SEK m.	2022	2021
Equity/assets (E/A) ratio, %	25.0	25.0
E/A ratio, Vehicles & Services, %	34.9	33.5
E/A ratio, Financial Services, %	12.9	10.7
Return on capital employed, Vehicles and Services, % [1]	20.2	14.9
Net debt/equity ratio, Vehicles and Services [2]	-0.10	-0.39

1 The calculation is based on average capital employed for the 13 most recent months.

2 Net cash (-)/Net debt (+)

During 2022, the equity of the Scania Group increased by SEK 11,412 m. and totalled SEK 79,625 m. (68,213) at year-end. Net income added SEK 7,858 m. (7,176). Dividend decreased equity with SEK 6,000 m. Equity increased by SEK 3,740 m. (1,545) because of exchange rate differences that arose when translating net assets outside Sweden. In addition, equity increased by SEK 4,244 m. (237) because of actuarial gains/losses on pension liabilities and decreased by SEK 66 m. (–483) due to fair value adjustment on equity instruments. A capital injection from TRATON SE also increased equity with SEK 1,014 m. (-208). Taxes attributable to items reported under “Other comprehensive income” totalled SEK –811 m. (–83). The non-controlling interest increased during the year with SEK 35 m. mainly due to the new subsidiary LOTS Ventures Canada Inc., with an 80 percent ownership.

The Parent Company

The Parent Company, Scania CV AB, is a public company whose assets consist of the shares in Scania CV AB. The Parent Company conducts no operations. Income before taxes of Scania AB during 2022 totalled SEK 3,240 m. (698). Scania CV AB is a public company and Parent Company of the Scania CV Group, which includes all production, sales and services and finance companies in the Scania Group.

Owner and shareholders

The sole shareholder of Scania CV AB is Scania AB who owns and controls 100 percent of the shares in Scania. Scania AB is a subsidiary of TRATON SE which in turn 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.

KEY RATIOS

Scania CV-Group

Net debt excluding provision for pensions	2022	2021
Assets		
Current investments	1,873	386
Cash and cash equivalents	22,489	29,262
Borrowings Volkswagen Group	11	2
Accrued interest current investments	–8	–14
	24,365	**29,636**
Liabilities		
Interest-bearing liabilities, non-current	76,828	62,192
Interest-bearing liabilities, current	46,862	37,953
Liabilities to group companies	6,121	3,501
Accrued interest, Interest-bearing liabilities	–607	–383
	129,204	**103,263**
Net debt	**104,839**	**73,627**

Vehicles and services

Net debt, excluding provision for pensions	2022	2021
Assets		
Current investments	5,455	2,779
Cash and cash equivalents	17,891	28,280
Loans to companies within Volkswagen Group	922	0
Accrued interest current investments	–8	–13
	24,260	**31,046**
Liabilities		
Interest-bearing liabilities, non-current	10,534	4,430
Interest-bearing liabilities, current	1,197	1,096
Liabilities to group companies	6,121	3,501
	17,852	**9,027**
Net debt	**–6,408**	**–22,019**

Capital Employed [1]	2022	2021
Total assets	167,670	158,862
– other non-current provisions + current provisions	11,444	11,666
– other liabilities	76,783	72,052
– liabilities to group companies	5,168	4,540
– net derivatives	-312	823
Capital Employed	**74,587**	**69,780**
Capital Employed excl. items affecting comparability [2]	**77,762**	**74,006**

Return on Capital employed [1]	2022	2021
Operating income	12,649	9,100
Financial income	2,445	1,305
Capital employed	74,587	69,780
Return on Capital employed	**20.2**	**14.9**
Return on Capital Employed excl. items affecting comparability [2]	**21.1**	**21.1**

Financial Services

Operating margin	2022	2021
Operating income	2,197	2,194
Average portfolio	118,531	102,146
Operating margin	**1.9%**	**2.1 %**
Operating margin excl. items affecting comparability [2]	**-0,1**	

Equity/asset ratio %	2022	2021
Equity	18,007	12,166
Assets	139,416	114,231
Equity/asset ratio %	**12.9%**	**10.7 %**
Equity/asset ratio % excluding items affecting comparability [2]	**10.1 %**	**-**

[1] The capital (Capital employed and Operating capital) is included with an average of the last 13 months.

[2] Adjusted for the provision regarding the EU case and the liquidation of the Russian operations, see note 2,18 och 32.

DEFINITIONS – KEY RATIOS

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 pension liabilities) less cash and cash equivalents, current investments and non-current intra-group loans to Volkswagen entities.

Capital employed

Total assets minus operating liabilities.

Operating capital

Total assets minus cash, cash equivalents and 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.

.

Consolidated income statement

January-December, SEK m.	Note	2022	2021
Revenue	3	170,004	146,146
Cost of goods sold and services rendered		-128,379	-109,871
Gross income		**41,625**	**36,275**
Research and development expenses [1]		-8,799	-6,411
Selling expenses		-14,445	-11,268
Administrative expenses		-2,635	-2,144
Other operating income		1,872	769
Other operating expenses		-1,647	-698
Items affecting comparability	2, 18	-3,596	-5,229
Operating income	5, 6	**12,375**	**11,294**
Interest income		1,467	673
Interest expenses		-557	-794
Share of income from associated companies and joint ventures	13	-76	-19
Other financial income		978	632
Other financial expenses		-1,788	-655
Items affecting comparability	2, 18	-	-315
Total financial items	7	**24**	**-478**
Income before income tax expense		**12,399**	**10,816**
Income tax expenses	8	-4,541	-3,640
Net income		**7,858**	**7,176**

1 Total research and development expenditures during the year amounted to SEK 9,909 m. (7,457).

Other comprehensive income

17			
Translation differences		3,366	1,545
Reversed cumulative translation differences from divested companies		374	-
Taxes		60	39
		3,800	1,584
Items that will not be reclassified to profit or loss			
Remeasurement defined benefit plans	17	4,244	237
Fair value adjustment equity instruments		-66	483
Taxes		-871	-122
		3,307	598
Other comprehensive income		**7,107**	**2,182**
Total comprehensive income		**14,965**	**9,358**
Net income attributable to:			
- Scania shareholders		7,858	7,172
- non-controlling interest		0	4
Total comprehensive income attributable to:			
- Scania shareholders		14,965	9,354
- non-controlling interest		0	4
Operating income includes depreciation of	9	-12,299	-11,239

Consolidated balance sheet

31 December, SEK m.	Note	2022	2021
Assets			
Non-current assets			
Intangible assets	10	14,995	13,587
Tangible assets	11, 12	44,456	41,465
Lease assets	11	24,926	26,659
Holdings in associated companies and joint ventures	13	1,121	1,074
Other shares and participations		1,718	1,336
Non-current interest-bearing receivables	30	69,690	57,507
Other non-current receivables	15, 30	4,003	2,351
Deferred tax assets	8	6,507	5,570
Tax receivables		636	556
Total non-current assets		**168,052**	**150,105**
Current assets			
Inventories	14	30,673	23,943
Current receivables			
Tax receivables		1,410	1,582
Interest-bearing receivables	30	44,184	35,646
Non-interest-bearing trade receivables	30	11,363	8,859
Other current receivables	15, 30	8,301	7,835
Total current receivables		65,258	53,922
Current investments	30	1,873	386
Cash and cash equivalents			
Current investments comprising cash equivalents		10,745	20,432
Cash and bank balances		8,380	8,830
Total cash and cash equivalents	30	19,125	29,262
		116,929	**107,513**
Assets held for sale	24	4,668	-
Total current assets		**121,597**	**107,513**
Total assets		**289,649**	**257,618**

Consolidated balance sheet, continued

31 December, SEK m.	Note	2022	2021
Equity and liabilities			
Equity			
Share capital		100	100
Other contributed capital		20	20
Reserves		-2,167	5,967
Retained earnings		74,478	70,327
Equity attributable to Scania shareholders		72,431	64,480
Non-controlling interest		59	24
Total equity	16	**72,490**	**64,504**
Non-current liabilities			
Non-current interest-bearing liabilities	30	76,828	62,192
Provisions for pensions	17	7,853	12,455
Other non-current provisions	2, 18	4,061	3,394
Accrued expenses and deferred income	19	7,385	6,902
Deferred tax liabilities	8	2,870	3,409
Other non-current liabilities	30	6,524	4,866
Total non-current liabilities		**105,521**	**93,218**
Current liabilities			
Current interest-bearing liabilities	30	52,983	41,454
Current provisions	18	4,578	13,540
Accrued expenses and deferred income	19	19,730	18,014
Advance payments from customers		2,223	2,459
Trade payables	30	20,441	15,301
Tax liabilities		2,733	1,711
Other current liabilities	30	8,713	7,417
		111,401	**99,896**
Liabilities directly attributable to assets held for sale	24	237	-
Total current liabilities		**111,638**	**99,896**
Total equity and liabilities		**289,649**	**257,618**

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 (SEK m.):

2022	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**	**-5,967**	70,327	64,480	**24**	**64,504**
Net income for the year				7,858	7,858		7,858
Exchange rate differences on translation			3,740		3,740		3,740
Remeasurement of defined-benefit plans				4,244	4,244		4,244
Equity instruments at fair value through OCI				-66	-66		-66
Tax attributable to items recognised in other comprehensive income			60	-871	-811		-811
Total other comprehensive income			**3,800**	**3,307**	**7,107**	**0**	**7,107**
Total comprehensive income			**3,800**	**11,165**	**14,965**		**14,965**
Change in non-controlling interest						35	35
Group contribution to TRATON SE				-1,014	-1,014		-1,014
Dividend to Scania CV AB shareholders				-6,000	-6,000		-6,0000
Equity, 31 December 2022	**100**	**20**	**-2,167**	**74,478**	**72,431**	**59**	**72,490**

2021	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**	**-7,551**	**62,765**	**55,334**	**12**	**55,346**
Net income for the year				7,172	7,172	3	7,176
Exchange rate differences on translation			1,545		1,545		1,545
Remeasurement of defined-benefit plans				237	237		237
Equity instruments at fair value through OCI				483	483		483
Tax attributable to items recognised in other comprehensive income			39	-122	-83		-83
Total other comprehensive income			**1,584**	**598**	**-2,182**		**2,182**
Total comprehensive income			**1,584**	**7,770**	**9,354**	**4**	**9,358**
Change in non-controlling interest				-		8	8
Group contribution to TRATON SE				-208	**-208**		-208
Dividend to Scania CV AB shareholders							
Equity, 31 December 2021	**100**	**20**	**-5,967**	70,327	64,480	**24**	**64,504**

Consolidated cash flow statements

January-December, SEK m.	Note	2022	2021
Operating activities			
Income before tax	22 a	12,399	10,816
Items not affecting cash flow	22 b	15,530	10,976
Taxes paid		-5,693	-4,613
Cash flow from operating activities before change in working capital		**22,236**	**17,179**
Change in working capital			
Inventories		-5,460	-2,131
Receivables		-2,239	-2,829
Financial receivables, Financial Services	22 c	-13,090	-11,691
Vehicles with repurchase obligations and rental		-3,042	-4,062
Trade payables		4,439	1,211
Other liabilities and provisions	2, 18	-7,980	8,955
Total change in working capital		**-27,372**	**-10,547**
Cash flow from operating activities		**-5,136**	**6,632**
Investing activities			
Net investments through acquisitions/divestments of businesses	22 d	-768	-45
Net investments in non-current assets	22 e	-8,280	-8,664
Cash flow from investing activities attributable to operating activities		**-9,048**	**-8,709**
Cash flow after investing activities attributable to operating activities		**-14,184**	**-2,077**
Investments in securities and loans		**-1,387**	**-309**
Cash flow from investing activities		**-10,435**	**-9,018**
Cash flow before financing activities		**-15,571**	**-2,386**
Financing activities			
Change in debt from financing activities	22 f	14,001	-1,023
Transactions with non-controlling interests		0	-2
Dividend		-6,000	0
Cash flow from financing activities		**8,001**	**-1,025**
Cash flow for the year		**-7,570**	**-3,411**
Cash and cash equivalents, 1 January		29,262	32,268
Exchange rate differences in cash and cash equivalents		797	405
Cash and cash equivalents, 31 December		**22,489**	**29,262**
Cash and cash equivalents, Reported separately in the balance sheet as assets held for sale		**-3,364**	**-**
Cash and cash equivalents, 31 December, Reported in the balance sheet	22 g	**19,125**	**29,262**

Notes to the consolidated statements

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 consolidated accounts of the Scania CV Group have been prepared in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) 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 statements 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 companies, in respect of associate companies and joint ventures, if necessary, by adjustment to the Group's principles.

Changes in accounting principles

As of 1 January 2022 the amendments to IFRS 3, IAS 16 and IAS 37 as well as annual improvements 2018–2020 has been adopted. There are no new or revised IFRS standards and interpretations adopted as of 1 January, 2022 which have had a material impact on Scania's financial statements.

Application of accounting principles

Consolidated financial statements

The consolidated financial statements encompass Scania AB and all subsidiaries. "Subsidiaries" refers to companies in which Scania directly or indirectly owns more than 50 percent of the voting rights of the shares, or otherwise has control. 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 32. 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 purchase price allocation 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 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. Equity attributable to non-controlling interests is reported separately from equity attributable to the Parent Company's shareholders.

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 have 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 subsidiaries with other functional currency than Swedish kronor are translated into 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.

In general, subsidiaries use the local currency as their functional currency. A few subsidiaries use the Euro or US dollars as their functional currency, when the functional currency is another than those currencies.

Monetary long-term items in a business outside Sweden for which settlement is not planned or will probably not occur within the foreseeable future are, in practice, part of the company's net investment in operations outside Sweden.

Exchange rate differences on such monetary items, which comprise part of the company's net investment (extended investment) are recognised under "Other comprehensive income" and accumulate in the currency translation reserve in equity.

Balance sheet – classifications

Scania's operating cycle, that is, the time that elapses from the purchase of materials until payment for goods delivered is received, is less than 12 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 12 months, counting from the balance sheet date. Cash and cash equivalents are classified as current assets unless they are restricted. Other assets and liabilities are classified as non-current. For classification of financial instruments, see the section on financial assets and liabilities under "Financial instruments."

Leasing

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 the 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 recognise any right-of-use assets or liabilities for these types of leases. The related lease payments are recognised as expenses in the income statement on a straight line basis.

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 reasonably 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 cases 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 transfers 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, sales revenue and a financial receivable equivalent to the net investment in the lease are recognised. As a result, sales 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 is 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 on mainly a straight-line basis to the estimated residual value of the asset at the end of the leasing period.

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

Balance sheet – valuation principles

Tangible non-current assets including lease assets
Tangible non-current 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, residual value and depreciation methods are examined regularly, and at least at period-end, and assumptions are 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 if applicable.

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

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 annually 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 capitalised product development expenditure, useful life is estimated between three and 15 years.

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 capitalised product development expenditure, useful life is estimated between three and 15 years.

capitalised software development expenditures
Capitalised software development expenditures include expenditures directly attributable to the completion of the software. The assets 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 an 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 an 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 collateralised 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 recognised in profit or loss.

Financial assets

All regular 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 consist of cash and cash equivalents, trade receivables, financial lease receivables and lending and are classified and measured at amortised cost.

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

The Group's investments in equity instruments are classified as at Fair Value Through Other Comprehensive Income (FVTOCI). Such investments are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in other comprehensive income.

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 a 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, trade and lease receivables, loan commitments 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 expected credit loss model under IFRS 9 takes into account both loss allowances for financial assets for which there are no objective indications of impairment and loss allowances for financial assets that are already impaired. For calculation of impairment losses IFRS 9 distinguishes between the general approach and the simplified approach.

The Group always recognises lifetime ECL for trade receivables and lease receivables, which is in line with the simplified approach. 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. y 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 cash and cash equivalents, trade receivables, financial lease receivables and 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 which normally have a maximum of 90 days, which are subject to an insignificant risk of fluctuation in value. “Current investment” consists of investments, normally with a longer maturity than 90 days.

The Group’s investments in equity instruments are classified as at FVTOCI. Such investments are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in other comprehensive income. The net gain or loss includes dividends.

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. In this assessment, the Group considers both quantitative and qualitative data that are reasonable and verifiable, including historical experience and long-term data that are available without unreasonably high costs or efforts.

Financial instruments are assigned to one of three credit risk stages:

Stage 1: Financial instruments at initial recognition and no changes in credit risk

Stage 2: Significant changes in credit risk on the basis of the lifetime expectation of the underlying contract

Stage 3: Impaired financial instruments

The assignment to the different stages is evaluated on every reporting period. 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 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 IFRS 16 "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 as 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.

Group contribution to owner

Group contributions to companies within the TRATON GROUP are recognised in Equity.

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 16, “Provisions for pensions and similar commitments.”

For provisions related to taxes, 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 remeasurements of defined benefit plans, or in equity, causing the related tax effect to be recognised in other comprehensive income or in equity, respectively. Deferred tax is recognised in case of a difference between the carrying amount of assets and liabilities and their 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 defined contribution as well as 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 recognised as an expense during the period when the employees render the services in question.

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

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

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

Most of the Swedish plan for salaried employees (the collectively agreed ITP plan), however, is accounted for by provisions in the balance sheet, safeguarded by credit insurance from the mutual insurance company Försäkringsbolaget PRI Pensionsgaranti, which also administers the plan. See also Note 16, "Provisions for pensions and similar commitments". Scania follows the rules in IAS 19 concerning limits in the valuation of net assets, the so-called asset ceiling, since these are never valued at more than the present value of available economic benefits in the form of repayments from the plan or in the form of reductions in future fees to the plan. This value is determined as present value taking into account the discount rate in effect.

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 share-based payments are measured at fair value until maturity. A liability corresponding to the fair value is recognised and remeasured 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 recognised valuation technique. The compensation cost is allocated over the vesting period.

Incentive programmes

The outcome of the incentive programme for executive officers is recognised as a salary expense in the period to which it relates.

Assets held for sale

The group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the assets or disposal group is available for immediate sale in its present condition. Management must be committed to the plan to sell the asset and the sales expected to be completed within one year from the date of the classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset/ disposal group, excluding finance costs and income tax. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated balance sheet.

Income statement – classifications

Research and development expenses

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

Items affecting comparability

Material individual income or expense items which are non-recurring to its characteristics.

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

In Note 3, “Operating segments” a split of revenues per product category and geographical area can be found.

Sales revenue is recognised as soon as a performance obligation under a customer contract has been satisfied. Discounts, customer rebates, and other sales allowances reduce the transaction price. If a contract contains multiple performance obligations, the transaction price is allocated to the relevant performance obligations.

Sales revenue from contracts for services is recognised when the services have been rendered. In the case of long-term contracts for services, revenue is recognised on a straight-line basis over the term of the contract or, if services are not rendered on a straight-line basis, based on the stage of completion using the cost-to-cost method.

Variable considerations, such as rebates based on volumes, 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 is allocated between the product and the service component based on the stand-alone selling price. If there are any discounts in such a transaction the discounts 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 is not transferred to the customer and no revenue is recognised on delivery, instead such transaction is recognised as an operating lease.

In a transaction when the customer has an option that gives the customer the right to require that the Group repurchases the vehicle no revenue is recognised since such a 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.

Contract costs 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 is recognised at a point in time.

Rendering of service
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 performance obligations are fulfilled which is measured based on the cost of the fulfilment.

Warranties that the product sold matches the agreed specifications are accounted for as provisions. Extended warranties, which customers can purchase separately, are accounted for as a separate performance obligation. Revenue from extended warranties is recognised over the contract period.

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

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

Government grants including EU grants
Grants from the government are recognised at their fair value where 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 recognised as a liability or provision because it is not probable that an outflow of resources will be required, or because the amount of the obligation cannot be measured with sufficient reliability.

Changes in accounting principles during the next years
New standards, amended standards and interpretations that enter into force on 1 January 2023 and subsequently have not been applied in advance.

New and amended standards and interpretations that enter into force on 1 January 2023 or subsequently are not expected to have any material impact on Scania’s financial statements.

Note 2 Key judgements and estimates

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

Multiple element transactions
In a transaction with a combined 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 their own.

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

Warranty costs
Scania's product obligations are mainly related to vehicle warranties in the form of 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 not classified as performance obligations and campaigns, a provision is made at the time of the decision.

Provisions are dependent on the estimated quality situation and the degree of utilisation in the case of campaigns. An essential change in the quality situation may require an adjustment in earlier provisions. Product warranties that refer 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 1,926 m. (1,725) on 31 December 2022.

Repurchase obligations
Scania delivers about seven percent of its vehicles with repurchase obligations. These are recognised as operating lease contracts. In consequence, revenues and earnings are 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 a transaction should be accounted for as a lease.

At the end of 2022, commitments regarding repurchase amounted to SEK 17,149 m. (18,467).

Credit risks

In its Financial Services operations, Scania has an exposure in the form of contractual payments. At the end of 2022, these amounted to SEK 128,202 m. (108,859). 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 each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument. Irrespective of the outcome of the assessment whether there has 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.

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 2022, the provision for doubtful receivables in the Financial Services operations amounted to SEK 2,025 m. (1,339). See also "Credit risk" under Note 28, "Financial risk management".

Intangible assets

Intangible assets in Scania are essentially attributable to capitalised product development expenditures and "acquisition goodwill". All goodwill are subject to an annual impairment test, which is mainly based on the value in use including important assumptions on the sales trend, margin and discount rate before tax; see also below.

In the long term, the increase in sales of Scania's products is deemed to be closely correlated with economic growth (GDP) in each respective market, which has been estimated at 2 percent (2). The revenue/cost ratio, or margin, for both Vehicles and Services is kept constant over time compared to the latest known level. When discounting to present value, Scania uses its average cost of capital, currently 9.4–25.9 percent (6.2–8.1) 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 2022, Scania's goodwill amounted to SEK 1,640 m. (1,376). 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 regarding 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 12,903 m. (11,788) on 31 December 2022.

Lease assets (Scania as lessee)

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 a significant improvement or customisation of the underlying asset that was not anticipated at commencement date, occurs which affects this assessment and is in the control of the Group as lessee.

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. A higher discount rate decreases the recognised pension liability. In calculating the Swedish pension liability, the discount rate used was 4.0 percent (2.0). Other vital assumptions are average life expectancy and average duration of the obligations. Changes in the above-mentioned actuarial parameters are recognised in "Other comprehensive income," net after taxes.

On 31 December 2022, provisions for pensions amounted to SEK 7,853 m. (12,455). See Note 16, "Provisions for pensions and similar commitments" and Note 1 "Accounting principles" for further details on the estimates used for calculating the pension liabilities.

Legal and tax risks
On 31 December 2022, provisions for legal and tax risks amounted to SEK 976 m. (9,792). 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 provisions that have been set aside.

In 2011, Scania became subject to an investigation by the European Commission (EC) into allegedly inappropriate cooperation with all the other European truck manufacturers. Scania always contested this view, but still made a provision of an amount of SEK 3,800 m. in June 2016. Scania then received a decision by the EC in October 2017 holding Scania liable to pay EUR 880.5 m. in fines for participation in a pan-European cartel during 1997–2011 on pricing and delayed introductions of emissions related technology relating to trucks.

In December 2017, Scania appealed against the EC decision in its entirety to the General Court of the EU (GC). Scania also provided the EC with a payment guarantee in January 2018, as security for the fines pending the outcome of the GC appeals. The GC eventually rendered its judgement in February 2022, dismissing Scania's appeal entirely and upholding the full amount of fines as set by the EC. Scania has then appealed again, to the European Court of Justice (ECJ), where the case is still pending.

Due to the GC judgement and notwithstanding the further appeals to the ECJ, Scania increased its provision to SEK 9.792 m. in December 2021 (EUR 880.5 m. plus accrued interest). Subsequently, in April 2022 Scania also paid all such amounts to the EC (including interest that continued to accrue after the provision increase) in order to avoid the significant costs of maintaining their 2018 payment guarantee pending a final ECJ judgment.

In addition, because of the EC's cartel allegations and notwithstanding Scania's appeals to the EU courts, Scania has received and continue to receive numerous follow-on, civil claims for damages from direct or indirect customers. Some of these claims are being pursued by the customers in court. However, at this stage it is not possible to give any meaningful indication as to Scania´s risk from such privately enforced damages claims, as risk assessments are associated with significant uncertainties.

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 liabilities.

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 can be utilised to offset future taxable profits. The actual outcome 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.

Items affecting comparability
As described above, in February 2022, the European Court of Justice rejected Scania's appeal related to the "EU truck case" and upheld the European Commission's fine. Scania increased the provision which affected 2021 operating income by SEK 5,229 m. and finance net by SEK 315 m. The full amount of SEK 9,657 m. was paid in April 2022. An additional amount of negative SEK 176 m. related to currency effects was also classified as an item affecting comparability in 2022.

During the third quarter of 2022, Scania announced its decision to dispose of its Russian operations. In connection with the announcement the disposal group was classified as assets held for sale and an impairment was made. The impairment and capital losses of SEK 3,454 m. have been classified as items affecting comparability in 2022.

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 revenues 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	2022	2021
Vehicles and Services		
Revenue	163,260	141,305
Cost of goods sold	-125,418	-108,425
Gross income	**37,842**	**32,880**
Research and development expenses	-8,799	-6,411
Selling expenses	-12,457	-9,996
Administrative expenses	-2,635	-2,144
Items affecting comparability	-1,302	-5,229
Operating income	**12,649**	**9,100**
Interest income	1,467	673
Interest expenses	-734	-794
Share of income in associated companies and joint ventures	-76	-19
Dividends in between segments	384	318
Other financial income	978	632
Other financial expenses	-1,788	-656
Items affecting comparability	-	-315
Total financial items	**231**	**-161**
Income before taxes	**12,880**	**8,939**
Taxes	-3,775	-3,233
Net income for the period	**9,105**	**5,706**
Financial Services		
Interest and lease income	10,488	8,439
Insurance commission	335	322
Interest and prepaid expenses	-7,040	-5,366
Gross income	**3,783**	**3,395**
Selling and administration expenses	-1,612	-1,402
Credit losses, realised and expected	-376	130
Other income	2,049	769
Other expenses	-1,647	-698
Items affecting comparability	-2,294	-
Operating income	**-97**	**2,194**
Income before tax	**-97**	**2,194**
Taxes	-757	-398
Net income for the period	**-854**	**1,796**

Note 3 Segment reporting, continued

Reconciliation of segments to the Scania Group

	Vehicles and Services		Financial Services		Eliminations		Scania Group	
January-December	2022	2021	2022	2021	2022	2021	2022	2021
Revenue	163,260	141,305	10,823	8,761	-4,079	-3,920	170,004	146,146
Cost of sales	-125,418	-108,425	-7,040	-5,366	4,079	3,920	-128,379	-109,871
Gross income	**37,842**	**32,880**	**3,783**	**3,395**	**0**	**0**	**41,625**	**36,275**
Research and development expenses	-8,799	-6,411	-	-	-	-	-8,799	-6,411
Selling expenses	-12,457	-9,996	-1,988	-1,272	-	-	-14,445	-11,268
Administrative expenses	-2,635	-2,144	-	-	-	-	-2,635	-2,144
Other operating income	-	-	2,049	769	-177	-	1,872	769
Other operating expenses	-	-	-1,647	-698	-	-	-1,647	-698
Items affecting comparability	-1,302	-5,229	-2,294	-	-	-	-3,596	-5,229
Operating income	**12,649**	**9,100**	**-97**	**2,194**	**-177**	**0**	**12,375**	**11,294**
Interest income	1,467	673	-	-	-	-	1,467	673
Interest expenses	-734	-794	-	-	177	-	-557	-794
Share of income in associated companies and joint ventures	-76	-19	-	-	-	-	-76	-19
Dividends in between segments	384	318	-	-	-384	-318	0	0
Other financial income	978	632	-	-	-	-	978	632
Other financial expenses	-1,788	-656	-	-	0	1	-1,788	-655
Items affecting comparability	-	-315	-	-	-	-		-315
Total financial items	**231**	**-161**	**-**	**-**	**-207**	**-317**	**24**	**-478**
Income before taxes	**12,880**	**8,939**	**-97**	**2,194**	**-384**	**-317**	**12,399**	**10,816**
Taxes	-3,775	-3,233	-757	-398	-9	-9	-4,541	-3,640
Net income for the period	**9,105**	**5,706**	**-854**	**1,796**	**-393**	**-326**	**7,858**	**7,176**
Depreciation/amortisation included in operating income	-12,242	-11,191	-4,096	-3,930	4,039	3,882	-12,299	-11,239

Note 3 Segment reporting, continued

Cash flow statement by segment

Cash flow statement by segment	Vehicles and Services		Financial Services		Eliminations		Scania Group	
	2022	2021	2022	2021	2022	2021	2022	2021
Cash flow from operating activities before change in working capital	21,395	15,315	4,880	5,745	-4,039	-3,881	22,236	17,179
Change in working capital etc.	-16,502	-986	-14,862	-13,046	3,992	3,485	-27,372	-10,547
Cash flow from operating activities	**4,893**	**14,329**	**-9,982**	**-7,301**	**-47**	**-396**	**-5,136**	**6,632**
Cash flow from investing activities attributable to operating activities	-9,409	-8,791	-56	-68	417	150	-9,048	-8,709
Cash flow after investing activities attributable to operating activities	**-4,516**	**5,538**	**-10,038**	**-7,369**	**370**	**-246**	**-14,184**	**-2,077**

Balance sheet	Vehicles and Services		Financial Services		Eliminations		Scania Group	
31 December	2022	2021	2022	2021	2022	2021	2022	2021
Assets								
Intangible assets	14,964	13,553	31	34	-	-	14,995	13,587
Tangible assets	44,332	41,355	6,565	7,223	-6,441	-7,113	44,456	41,465
Lease assets	24,843	26,579	83	80	-	-	24,926	26,659
Holdings in associated companies and joint ventures	11,606	6,312		-	-8,767	-3,902	2,839	2,410
Interest-bearing receivables, non-current	4	36	74,887	63,605	-5,201	-6,134	69,690	57,507
Other receivables, non-current	9,790	7,476	1,689	1,481	-333	-480	11,146	8,477
Inventories	30,673	23,943	-	-	-	-	30,673	23,943
Interest-bearing receivables, current	1,005	1,110	43,179	38,136	-	-3,600	44,184	35,646
Other receivables, current	19,524	16,753	6,945	2,587	-5,395	-856	21,074	18,484
Current investments, cash and cash equivalents	23,347	31,060	1,369	1,085	-3,718	-2,497	20,998	29,648
Assets held for sale	-	-	4,668	-	-	-	4,668	-
Total assets	**181,102**	**168,177**	**139,416**	**114,231**	**-29,855**	**-24,582**	**289,649**	**257,618**

Note 3 Segment reporting, continued

Equity and liabilities	Vehicles and Services		Financial Services		Eliminations		Scania Group	
	2022	2021	2022	2021	2022	2021	2022	2021
Equity	63,283	56,266	18,007	12,166	-8,800	-3,928	72,490	64,504
Interest-bearing liabilities, non-current	10,534	4,431	63,136	52,757	3,158	5,004	76,828	62,192
Provisions for pensions	7,762	12,346	91	109	-	-	7,853	12,455
Other non-current provisions	4,045	3,377	16	17	-	-	4,061	3,394
Other liabilities, non-current	25,122	24,875	687	875	-9,030	-10,573	16,779	15,177
Interest-bearing liabilities, current	7,318	4,597	52,607	44,464	-6,942	-7,607	46,862	37,953
Liabilities to parent company	6,121	3,501					6,121	3,501
Current provisions	4,545	13,511	33	29	-	-	4,578	13,540
Other liabilities, current	57,479	48,566	4,602	3,814	-8,241	-7,478	53,840	44,902
Liabilities attributable to assets held for sale	-	-	237	-	-	-	237	-
Total equity and liabilities	**181,102**	**168,177**	**139,416**	**114,231**	**-29,855**	**-24,582**	**289,649**	**257,618**
Gross investment for the period in								
- intangible assets	2,339	2,051	10	8	-	-	2,349	2,059
- tangible assets	7,133	7,955	5,269	5,380	-5,204	-5,305	7,198	8,030
- lease assets	6,384	7,629	23	16	-	-	6,407	7,645

Products and services Vehicles and Services	2022	2021
Trucks [1]	99,976	88,849
Buses [2]	7,984	7,702
Power solutions	3,454	2,521
Service	36,434	30,074
Used vehicles [3]	9,620	8,082
Other products	4,469	4,580
Total delivery value	**161,937**	**141,808**
Adjustment for lease income [4]	1,324	-503
Net sales, Vehicles and Services [6]	**163,260**	**141,305**
Financial Services	10,823	8,761
Eliminations [5]	-4,079	-3,920
Revenue from external customers	**170,004**	**146,146**

1 Of which SEK 6,824 m. (6,423) relates to lease income 2022.
2 Of which SEK 613 m. (744) relates to lease income 2022.
3 Of which SEK 338 m. (271) relates to lease income 2022.
4 Refers mainly to new trucks, SEK –1,287 m. (–486). 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 repurchase obligation. Significant risks remain, therefore recognition is based on an operating lease contract. This means that recognition of revenue and earnings is allocated over the term of the obligation.
5 Elimination of the amount that corresponds to operating lease expenses in the Financial Services segment. At Group level, the revenue from operating leases shall consist of accrued income in the Vehicles and Services segment and interest income in the Financial Services segment, which is achieved by elimination of lease expenses.
6 Of which SEK 155,485 m. (133,867) consists of IFRS 15 revenues.

During 2022, the selling profit for vehicles subject to finance lease contracts amounted to SEK 2,236 m. (2,448) and was recognised 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:

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:

SEK m.	2022	2021
Expected timing of revenue recognition		
Within a year	98,933	83,114
1-5 years	19,036	16,668
After 5 years	1,982	2,084

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

Note 3 Segment reporting, continued

Geographical areas

The geographic areas of Scania are based on where the customers are located. In the section Definitions, the countries in each geographical area are listed. Sales and financing of Scania's products occur in all five geographical 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

	Europe		Eurasia		Asia		America [3]		Africa & Oceania		Total	
SEK m.	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Vehicles and Services												
Revenue, January-December [1]	98,855	85,964	2,661	9,186	15,873	13,590	33,905	22,338	11,966	10,227	163,260	141,305
Assets, 31 December [2]	141,923	138,871	315	1,810	5,650	4,706	27,702	18,337	5,512	4,453	181,102	168,177
Gross investments [2]	7,259	7,412	13	17	428	319	1,495	2,068	277	190	9,472	10,006
Non-current assets	87,530	81,662	145	435	1,633	1,351	13,128	9,394	3,103	2,469	105,539	95,311
Financial Services												
Revenue, January-December [1]	6,546	6,061	731	653	276	215	1,264	1,038	507	449	8,761	8,600
Assets, 31 December [2]	90,552	79,445	5,011	6,780	5,592	4,267	16,535	11,368	5,879	4,647	114,231	99,637
New financing customers	39,049	35,558	760	5,169	3,194	2,672	8,744	5,929	3,752	2,347	56,417	42,439
Non-current assets	55,608	51,528	73	3,668	3,692	2,922	10,029	6,717	3,506	3,008	72,423	63,206

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.

The main countries are specified below:

	Sweden		Brazil	
SEK m.	2022	2021	2022	2021
Vehicles and Services				
Revenue, January - December 1),	8,796	7,406	20,383	13,630
Non-current assets	45,966	38,133	8,846	6,360
Financial Services				
Revenue, January - December 1),	516	376	1,728	878
Non-current assets	7,808	5,651	11,672	6,953

Note 4 Revenue from external customers

Revenues by product, SEK m.	2022	2021
Trucks	99,976	88,849
Busses	7,984	7,702
Power solutions	3,454	2,521
Services	36,434	30,074
Used vehicles	9,620	8,082
Miscellaneous	4,469	4,580
Delivery sales value	**161,937**	**141,808**
Adjustment for lease income [1]	1,324	-503
Total vehicle and services	163,260	141,305
Financial Services	10,823	8,761
Elimination [2]	-4,079	-3,920
Scania CV group total	**170,004**	**146,146**

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.

Note 5 Operating expenses

Scania Group	2022	2021
Cost of goods sold and services rendered		
Cost of goods	80,988	71,772
Staff	23,670	20,838
Depreciation/amortisation [1]	10,088	9,325
Other	13,633	7,936
Total	**128,379**	**109,871**

1 Of which an impairment loss of SEK 18 m. (–).

Research and development expenses		
Staff	3,922	2,971
Depreciation/amortisation	1,483	1,196
Other [1]	3,394	2,244
Total	**8,799**	**6,411**

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

Selling expenses		
Staff	8,379	7,222
Depreciation/amortisation [1]	706	692
Other	5,360	3,354
Total	**14,445**	**11,268**

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

Administrative expenses	2022	2021
Staff	1,479	1,399
Depreciation/amortisation	22	26
Other	1,134	719
Total	**2,635**	**2,144**

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.

Financial Services operating income	2022	2021
Interest income	5,910	4,056
Lease income	4,578	4,383
Depreciation	-4,022	-3,864
Interest expenses	-3,018	-1,502
Insurance commission	335	322
Gross income	**3,783**	**3,395**
Other income and expenses	402	71
Selling and administrative expenses	-1,612	-1,402
Credit losses, realised and expected [1]	-376	130
Items affecting comparability	-2,294	-
Operating income	**-97**	**2,194**

1 These expenses were equivalent to 0.32 percent (–0.13) of the average credit portfolio.

The Financial Services' financing portfolio is shown in the table below. Operating leases are included in tangible assets in the balance sheet of the Financial Services segment. See "Note 3 Operating segments".

Operating leases	2022	2021
1 January	16,730	17,675
New contracts	5,805	6,595
Depreciation	-4,022	-3,864
Terminated contracts	-4,394	-4,336
Change in value adjustments	40	117
Exchange rate differences	1,097	543
Carrying amount, 31 December [2]	**15,255**	**16,730**

2 The consolidated balance sheet also includes elimination of deferred profit of SEK 2,002 m. (2,351).

Financial receivables (Hire purchase contracts and financial leases)	2022	2021
1 January	92,129	77,758
New receivables	58,269	49,822
Loan principal payments/terminated contracts	-44,897	-38,317
Change in value adjustments	-631	88
Acquisitions	2,559	-
Exchange rate differences	8,792	2,778
Items affecting comparability	-3,274	-
Carrying amount, 31 December	**112,947**	**92,129**
Total receivables and lease assets [3]	**128,202**	**108,859**

3 The number of contracts in the portfolio on 31 December 2022 totalled approximately 189,000 (192,000).

Note 6 Financial Services, continued

Net investments in financial leases	2022	2021
Receivables related to future minimum lease payments	54,403	52,620
Imputed interest	-4,260	-3,586
Net investment [4]	**50,143**	**49,034**
Loss allowance for expected credit losses	-1,179	-876
Total	**48,964**	**48,158**

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

Future minimum lease payments [5]	Operating leases	Financial leases
2023	3,347	18,862
2024	1,850	14,352
2025	1,258	10,219
2026	650	6,250
2027	233	2,958
2028 and later	127	1,761
Total	7,466	54,403

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

	2022	2021
Interest income		
Bank balances and financial investments	427	262
Derivatives [1]	1,040	410
Total interest income	1,467	673
Interest expenses		
Borrowings	-1,153	-676
Derivatives [1]	-1,163	-960
Total borrowings and derivatives	-2,316	-1,636
Less interest expenses recognised in Financial Services [2]	2,030	1,014
Pension liability	-271	-171
Total interest expenses	-557	-794
Total net interest	**910**	**-121**
Net income from associated companies and joint ventures	-76	-19
Other financial income [3]	978	632
Other financial expenses [3]	-1,788	-655
Total other financial income and expenses	-810	-23
Items affecting comparability	0	-315
Net financial items	**24**	**-478**

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

2 Recognised in the operating income of Financial Services.

3 Refers to SEK 359 m. (474) in market valuation of financial instruments for which hedge accounting is not applied as well as exchange rate differences and unrealised/realised gains of SEK 43,808 m. (16,348) and unrealised/realised losses of SEK 40,903 m. (16,509) attributable to derivatives, bank balances, liabilities and interest expenses on lease liabilities (IFRS 16).

Not 8 Taxes

Tax expense/Income for the year	2022	2021
Current tax [1]	-6,803	-4,208
Deferred tax	2,262	568
Total	**-4,541**	**-3,640**
1 Of which, taxes paid	-5,693	-4,613

Deferred tax is attributable to the following:	2022	2021
Tax related to temporary differences	395	90
Tax due to changes in tax rates and tax rules	4	-30
Tax income due to tax value of loss carry-forwards recognised during the year	1,771	135
Tax expense due to utilisation/revaluation of previously recognised tax value of tax loss carry-forwards	-27	-42
Tax related to change in provision to tax allocation reserve	240	157
Other deferred tax liabilities/assets [2]	-121	258
Total	**2,262**	**568**

2 A temporary tax reduction for investments in inventories was introduced in Sweden in 2021, and was applicable to the income year 2022. The effect on deferred tax income is SEK 114 m. (247).

	2022		2021	
Reconciliation of effective tax	Amount	%	Amount	%
Income before tax	12,399		10,816	
Tax calculated using Swedish tax rate	-2,554	20.6	-2,228	20.6
Tax effect and percentage influence:				
Difference between Swedish and foreign tax rates	-1,316	10.6	-890	8.2
Non-taxable income	483	-3.9	575	-5.3
Non-deductible expenses [3]	-224	1.8	-1,278	11.9
Valuation of tax value in loss carry-forwards not previously capitalised	0	0.0	16	-0.2
Not recognised tax loss carry-forward	-44	0.4	-83	0.8
Adjustment for taxes pertaining to previous years	-211	1.7	31	-0.3
Changed tax rates	2	0.0	-30	0.3
Other	-677	5.5	247	-2.3
Tax recognised	**-4,541**	**36.6**	**-3,640**	**33.7**

3 The tax effect of non-deductible expenses includes the effect of the EU Truck case provision with SEK 36 m (1,077).

Note 8 Taxes, continued

Deferred tax assets and liabilities are attributable to the following:	2022	2021
Deferred tax assets		
Provisions and other liabilities	9,455	8,830
Provisions for pensions	1,375	2,542
Non-current assets	1,397	1,364
Inventories	1,214	1,026
Tax loss carry-forwards [4]	1,829	436
Offset within tax jurisdictions	-8,763	-8,628
Total deferred tax assets	**6,507**	**5,570**
Deferred tax liabilities		
Provisions and other liabilities	942	884
Non-current assets	10,543	10,838
Tax allocation reserve [5]	-	189
Other	148	126
Offset within tax jurisdictions	-8,763	-8,628
Total deferred tax liabilities	**2,870**	**3,409**
Deferred tax assets (-)/tax liabilities (+), net amount	**-3,637**	**-2,161**

4 Deferred tax assets related to tax loss carry-forwards are recognised to the extent that it is likely that the loss carry-forwards can be utilised to offset profits in future tax returns. The tax effect that refers to recognised tax loss carry-forwards amounts to SEK 1,829 m. (436), and can be utilised without time limit. The tax value that refers to tax loss carry-forwards that have not been recognised amounts to SEK 525 (497) m.

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

Reconciliation of deferred tax assets (-)/liabilities (+), net amount	2022	2021
Carrying value on 1 January	-2,161	-1,679
Deferred taxes recognised in the year’s income	-2,262	-568
Exchange rate differences	-174	-39
Acquired/divested operations	87	2
Recognised in “Other comprehensive income,” changes attributable to:		
- remeasurements of defined-benefit plans	886	23
- fair value adjustment, equity instruments	-13	100
Deferred tax assets (-)/tax liabilities (+), net amount	**-3,637**	**-2,161**

Note 9 Depreciations/Amortisation

	Vehicles and Services		Financial Services		Elimination [1]		Scania Group	
	2022	2021	2022	2021	2022	2021	2022	2021
Intangible assets								
Research and development expenses	1,230	956	-	-	-	-	1,230	956
Selling expenses	139	126	15	16	-	-	154	142
Total	**1,369**	**1,082**	**15**	**16**	**-**	**-**	**1,384**	**1,098**
Tangible non-current assets								
Cost of goods sold and services rendered	10,072	9,316	4,022	3,864	-4,013	-3,855	10,081	9,325
Research and development expenses	253	240	-	-	-	-	253	240
Selling expenses	526	527	52	50	-26	-27	552	550
Administrative expenses	22	26	-	-	-	-	22	26
Items affecting comparability [3]	-	-	7	-	-	-	7	-
Total	**10,873**	**10,109**	**4,081**	**3,914**	**-4,039**	**-3,882**	**10,915**	**10,141**
Total depreciation/amortisation [2]	**12,242**	**11,191**	**4,096**	**3,930**	**-4,039**	**-3,882**	**12,299**	**11,239**

1 Elimination relates to depreciation on right of use assets for Scania Group internal leases.
2 Whereof SEK 18 m. (15) is an impairment loss.
3 Impairment loss related to the disposal of the Russian entities.

Note 10 Intangible assets

	Goodwill		Development		Other intangibles [1]		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Accumulated cost								
1 January	1,412	1,334	19,226	17,239	1,509	1,525	22,147	20,098
Additions	-	-	2,314	1,986	35	73	2,349	2,059
Acquisition/divestments of subsidiaries	145	36	-	-	35	16	180	52
Divestments and disposals	-	-	-	-	-87	-144	-87	-144
Reclassifications	-	-	-	-	90	12	90	12
Exchange rate differences	132	42	8	1	63	27	203	70
Total	**1,689**	**1,412**	**21,548**	**19,226**	**1,645**	**1,509**	**24,882**	**22,147**
Accumulated amortisation and impairment losses								
1 January	36	35	7,438	6,498	1,086	1,052	8,560	7,585
Amortisation for the year	-	-	1,204	939	169	159	1,373	1,098
Impairment loss of the year	11	-	-	-	-	-	11	-
Divestments and disposals	-	-	-	-	-63	-144	-63	-144
Reclassifications	-	-	-	-	-50	-2	-50	-2
Exchange rate differences	2	1	3	1	51	21	56	23
Total	**49**	**36**	**8,645**	**7,438**	**1,193**	**1,086**	**9,887**	**8,560**
Carrying amount, 31 December	**1,640**	**1,376**	**12,903**	**11,788**	**452**	**423**	**14,995**	**13,587**
- of which capitalised expenditures for projects that have been placed in service	-	-	8,823	7,241	-	-	8,823	7,241
- of which capitalised expenditures for projects under development	-	-	4,080	4,547	-	-	4,080	4,547

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

Note 11 Tangible assets

	Buildings and land		Machinery and equipment		Construction in progress and advance payments		Lease assets [1]		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Accumulated cost										
1 January	31,599	28,377	49,740	45,791	7,608	7,397	37,957	37,415	126,904	118,980
Acquisitions/divestment of subsidiaries [2]	-121	-	75	12	-1	-	-9	-	-56	12
Additions	1,208	1,707	1,444	923	4,546	5,400	6,407	7,645	13,605	15,675
Divestments and disposals	-662	-623	-1,956	-1,411	-6	-15	-8,289	-7,411	-10,913	-9,460
Reclassifications	1,090	1,380	4,075	3,827	-5,253	-5,235	-1,509	-1,267	-1,597	-1,295
Exchange rate differences	1,866	758	1,799	598	416	61	3,047	1,575	7,128	2,992
Total	**34,980**	**31,599**	**55,177**	**49,740**	**7,310**	**7,608**	**37,604**	**37,957**	**135,071**	**126,904**
Accumulated depreciation and impairment losses										
1 January	13,173	11,909	34,309	31,402	-	-	11,298	9,955	58,780	53,266
Acquisition/divestment of subsidiaries [2]	-127	-	-20	-19	-	-	-8	-	-155	-19
Depreciation for the year	1,469	1,308	4,283	3,908	-	-	5,156	4,910	10,908	10,126
Impairment loss for the year	5	15	2	-	-	-	-	-	7	15
Divestments and disposals	-304	-352	-1,759	-1,375	-	-	-4,275	-3,767	-6,338	-5,494
Reclassifications	5	7	39	-5	-	-	-585	-332	-541	-330
Exchange rate differences	760	286	1,176	398	-	-	1,092	532	3,028	1,216
Total	**14,981**	**13,173**	**38,030**	**34,309**	**-**	**-**	**12,678**	**11,298**	**65,689**	**58,780**
Carrying amount, 31 December	**19,999**	**18,426**	**17,147**	**15,431**	**7,310**	**7,608**	**24,926**	**26,659**	**69,382**	**68,124**
– of which Buildings	11,775	10,830	-	-	-	-	-	-	11,775	10,830
– of which Land	3,589	3,239	-	-	-	-	-	-	3,589	3,239
– of which Right-of-use assets	4,635	4,357	839	900	-	-	-	-	5,474	5,257
– of which Financial Services	156	150	58	59	3	2	82	81	299	292

1 Including assets for short-term rentals and assets capitalised due to repurchase obligations.
2 Wherof increase from acquisition of subsidiary of SEK 451 m.

Note 12 Leases

Scania as a lessee

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:

Right-of-use assets

	Buildings and land		Machinery and equipment		Total	
	2022	2021	2022	2021	2022	2021
Accumulated cost						
1 January	5,888	4,698	1,804	1,650	7,692	6,348
Acquisitions/divestments of subsidiaries	-	-	-1	-13	-1	-13
Additions	1,011	1,419	396	440	1,407	1,859
Divestments and disposals	-613	-432	-326	-302	-939	-734
Transfers	109	-1	-1	0	108	-1
Exchange rate differences	397	204	81	29	478	233
Total	**6,792**	**5,888**	**1,953**	**1,804**	**8,745**	**7,692**
Accumulated depreciation and impairment losses						
1 January	1,531	1,061	904	698	2,435	1,759
Acquisitions/divestments of subsidiaries	-	-	-1	-6	-1	-6
Depreciation for the year	754	681	475	484	1,229	1,165
Impairment loss for the year	5	-	-	-	5	-
Divestments and disposals	-250	-256	-307	-286	-557	-542
Transfers	8	-1	-	0	8	-1
Exchange rate differences	108	46	43	14	151	60
Total	**2,156**	**1,531**	**1,114**	**904**	**3,270**	**2,435**
Carrying amount, 31 December	**4,636**	**4,357**	**839**	**900**	**5,475**	**5,257**

Amounts recognised in profit and loss	2022	**2021**
Depreciation expense on right-of-use assets	-1,229	**-1,166**
Interest expense on lease liabilities	-158	**-148**
Expense relating to short-term leases	-79	**-71**
Expense relating to leases of low value assets	-173	**-150**
Total	**-1,639**	**-1,535**

Note 12 Leases, continued

At 31 December 2022, the Group is committed to SEK 92 m. (62) for short-term leases. The total cash outflow for leases amount to SEK 1,698 m. (1,327).

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 outflows from	2022	2021
Extension options	-642	-424
Termination options	-6	-6
Leases not yet commenced (contractual commitment)	-2	-2

Lease liabilities

	2022	2021
Interest-bearing liabilities – non-current	4,378	4,439
Interest-bearing liabilities – current	1,160	1,103
Total	**5,539**	**5,542**

	2022	2021
Maturity analysis		
Not later than 1 year	1,321	1,239
Later than 1 year and not later than 5 years	4,074	3,846
Later than 5 years	1,073	1,394

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

Note 13 Holdings in associated companies and joint ventures

Balance sheet, condensed	2022	2021
Non-current assets	839	731
Current investments and cash and cash equivalents	118	79
Other current assets	1,876	1,295
Total assets	**2,833**	**2,105**
Equity	1,650	1,383
Other current liabilities	1,183	722
Total equity and liabilities	**2,833**	**2,105**
Scania Group's share of equity (50%)	825	692
Carrying amount	**825**	**692**

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

Associated companies			Value of Scania's share in consolidated financial statements	
Corporate ID number/ Country of registration	Ownership, %	Carrying amount in the parent company	2022	2021
BITS DATA i Södertälje AB, 556121-2613, Sweden	33	2	9	8
ScaValencia S.A., A46332995, Spain	26	17	34	31
Telematics GmbH, HRB 203799 B, Germany	46.73	16	1	15
Sennder GmbH, HRB 170455 B, Germany	13.69	307	244	321
Holdings in associated companies		**342**	**288**	**375**
Share of:				
- Net income			-109	-44
- Total comprehensive income			-109	-44

Joint ventures			Value of Scania's share in consolidated financial statements	
Corporate ID number/ Country of registration	Ownership, %	Carrying amount in the parent company	2022	2021
Cummins-Scania XPI Manufacturing LLC, 20-3394999, USA	50	575	825	691
Oppland Tungbilservice A/S, 982 787 602, Norway	50	1	4	5
Tynset Diesel A/S, 982 787 580, Norway	50	1	4	3
Holdings in joint ventures		**577**	**833**	**699**
Share of:				
- Net income			34	25
- Total comprehensive income			34	25

Carrying amount holdings in associated companies and joint ventures, 31 December	**1,121**	**1,074**

Note 13 Holdings in associated companies and joint ventures, continued

Income statement, condensed	2022	2021
Net sales	3,094	2,561
Operating income [1]	34	51
Interest income/expenses and Other financial expenses	30	14
Taxes	-1	-6
Net income for the year	**63**	**59**
Other comprehensive income for the year	**-**	**-**
Total comprehensive income for the year	**63**	**59**
Scania Group's share (50%)	32	30

1 Depreciation amounting to SEK 115 m. (115) is included in Operating income.

Balance sheet, condensed	2022	2021
Non-current assets	839	731
Current investments and cash and cash equivalents	118	79
Other current assets	1,876	1,295
Total assets	**2,833**	**2,105**
Equity	1,650	1,383
Other current liabilities	1,183	722
Total equity and liabilities	**2,833**	**2,105**
Scania Group's share of equity (50%)	825	692
Carrying amount	**825**	**692**

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 reported according to the equity method.

Note 14 Inventories

	2022	2021
Raw materials, components and supplies	6,529	4,703
Work in progress	2,854	1,919
Finished goods [1]	21,290	17,321
Total [2]	**30,673**	**23,943**

1 Whereof used vehicles SEK 1,062 m. (822).
2 Whereof value adjustment reserve SEK –764 m. (–1,011).

Note 15 Other receivables

	2022	2021
Prepaid expenses and accrued income	442	339
Derivatives with positive market value	2,158	845
Advance payments	78	41
Pension asset	160	292
Other receivables	1,165	834
Total other non-current receivables	**4,003**	**2,351**
Prepaid expenses and accrued income	2,260	1,717
Derivatives with positive market value	639	863
Value-added tax	2,404	2,553
Advance payments	875	586
Other receivables	2,123	2,116
Total other current receivables	**8,301**	**7,835**
Total other receivables	**12,304**	**10,186**

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 Series A shares outstanding with voting rights of one vote per share. The shares carry the same right to a portion of the company's assets and profit. The nominal value of the shares 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.) company reg. no. 556184-8564 owns all the shares.

The currency translation reserve arises when translating net assets outside Sweden according to the current method of accounting. The currency translation reserve also includes currency rate differences related to monetary items for businesses outside Sweden deemed to be a part of the company's net investment. The exchange rate difference of SEK 3,740 m. (1,545) arose as a consequence of the Swedish krona's weakening against currencies important to Scania CV. The exchange rate differences were mainly due to that the krona has weakened against the BRL.

Retained earnings consist not only of accrued profits but also of the change in pension liability attributable to remeasurements of defined-benefit plans etc. recognised in "Total other comprehensive income." Regarding changes in actuarial assumptions, see also Note 17, "Provisions for pensions and similar commitments."

The Board of Directors proposes to the 2022 Annual General Meeting that an amount of SEK 9,500 m. is distributed as dividend.

Retained earnings amounting to SEK 32,898 m. will be carried forward.

Non-controlling interests refer to the share of equity held by external owners outside of Scania in certain subsidiaries in the Group. Scania CV Group has only a few non-wholly owned subsidiaries of which none is considered to have a substantial non-controlling interest. In 2022, net income attributable to non-controlling interests amounted to SEK 0 m. (4) and accumulated non-controlling interests in the company amounted to SEK 59 m. (24) as of 31 December 2022.

The equity of the Scania CV Group consists of the sum of equity attributable to Scania's shareholders and equity attributable to non-controlling interests. At year-end 2022, the Group's equity totalled SEK 72,490 m. (64,504). According to the Group's Financial Policy, the Group's financial position shall meet the requirements of the business objectives it has established. At present, this is deemed to presuppose a financial position equivalent to the requirements for obtaining 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 companies subject to varying degrees of regulation and supervision by local financial supervisory authorities in line with local regulations. The regulatory levels and supervision is generally increasing and may cover an entity's entire operation or only certain areas. 22 companies were under more broad licensing and supervisory schemes in 2022. Some licenses include local capital adequacy requirements and these were met in 2022.

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 2022 Scania's Issuer Credit Rating according to Standard and Poor's was:

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

Reconciliation of change in number of shares outstanding	2022	2021
Number of A shares outstanding, 1 January	1,000,000	1,000,000
Number of A 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 2,266 m. (1,649) during 2022. 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 703 m. for 2023.
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 several different sectors.
Salaried employees are covered by the ITP plan, which is also a multi-employer plan based on collective agreements, covering several sfferent 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 pension provisions.

Switzerland
The Pensionskasse and the Wohlfahrtsstiftung are the legal carriers of the pension plans and they review early retirement pension. There are two pension plans:
A basic pension plan for employees and management, covering retirement pension, disability pension, spouse pension, children's pension and life insurance.
A supplementary plan for members of the management, covering retirement pension, disability pension, spouse pension, children's pension and life insurance. This plan also includes early retirement pension, which covers employees with at least five years of service or who have retired prematurely at the request of the company. Contributions are split between employer and employees for the basic pension plan and in the supplementary plan for members of the management.

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:
The Scania Staff Pension Plan
The Scania Executive Pension Plan
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.

Note Provisions for pensions and similar commitments, continued

Multi–employer defined benefit plans

Sweden

A portion of the ITP2 plan is safeguarded by premiums to Alecta. These obligations are also defined benefit plans but since Alecta cannot present information necessary to account for the plan as a defined benefit plan, it is accounted for as a defined contribution plan.

At year-end 2022, Alecta's surplus, in the form of a collective consolidation level (assets in relation to the insurance obligation), amounted to 189 percent (169). 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.

Alectas insurance obligation is calculated according to Alecta's actuarial methods and assumptions, which deviate from the methods and assumptions applied in measurement of defined benefit pensions according to IAS 19. Premiums to Alecta amounted to SEK 106 m. (122).

The Netherlands

Employees at Scania's Dutch companies are covered by the Dutch collectively agreed pension plans, which are multi-employer defined benefit plans. The plans Pensioenfonds Metaal en Techniek (PMT) and Bedrijfstakpensioenfonds 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 187 m. (153).

The consolidation level of PMT was 106 percent (103) and for PME 109 percent (105).

Information regarding the largest plans during 2022	Sweden	Switzerland	Brazil	Great Britain
Present value of defined benefit obligations	9,162	1,133	570	641
Fair value of plan assets	-2,653	-1,514	-73	-752
Net assets not fully valued due to curtailment rule	-	332	13	-
Recognised as pension liability (+)/(asset (-)) in the balance sheet, SEK m.	**6,509**	**-49**	**510**	**-111**
Breakdown into categories				
Present value of defined benefit obligations for persons in active employment, SEK m.	5,443	654	-182	-
Persons in active employment, number	10,777	273	2,209	-
Present value of defined benefit obligations for paid-up policy holders, SEK m.	1,374	-	-	306
Paid-up policy holders, number	3,085	-	-	332
Present value of defined benefit obligations for retired employees, SEK m.	2,345	479	752	335
Retired employees, number	2,835	115	1,498	271
Assumptions/Conditions				
Discount rate, %	4.0	2.2	10.2	4.8
Average life expectancy, women/men, years	88	88	86	88
Average duration of obligations, years	17.2	13.4	9.8	17.0
Sensitivity analysis concerning change in present value of obligations, SEK m.				
0.5% increase in discount rate	-1,000	-72	-1	-47
0.5% decrease in discount rate	1,132	80	19	52
1 year increase in life expectancy	340	29	19	30

Information regarding the largest plans during 2021	Sweden	Switzerland	Brazil	Great Britain
Present value of defined benefit obligations	13,271	1,227	427	991
Fair value of plan assets	-2,215	-1,510	-57	-971
Net assets not fully valued due to curtailment rule	-	-	7	-
Recognised as pension liability (+)/(asset (-)) in the balance sheet, SEK m.	**11,056**	**-283**	**377**	**20**
Breakdown into categories				
	Sweden	Switzerland	Brazil	Great Britain
Present value of defined benefit obligations for persons in active employment, SEK m.	8,481	700	-166	-
Persons in active employment, number	11,915	271	2,544	-
Present value of defined benefit obligations for paid-up policy holders, SEK m.	2,125	-	-	540
Paid-up policy holders, number	2,968	-	-	332
Present value of defined benefit obligations for retired employees, SEK m.	2,664	527	593	451
Retired employees, number	2,727	114	1,316	271
Assumptions/Conditions				
Discount rate, %	2.0	0.2	8.9	2.0
Average life expectancy, women/men, years	88	88	86	88
Average duration of obligations, years	22.4	15.7	9.5	18.0
Sensitivity analysis concerning change in present value of obligations, SEK m.				
0.5% increase in discount rate	-1,356	-89	-9	-80
0.5% decrease in discount rate	1,555	102	4	94
1 year increase in life expectancy	571	39	46	55

	Expenses for pensions and similar commitments	
Expenses for pensions and other defined-benefit payments recognised in the income statement	2022	2021
Current service expenses	-407	-611
Net Interest income/expenses	-271	-171
Past service expenses	1	-2
Net gains (+) and losses (-) due to curtailments and settlements	16	16
Total expense for defined-benefit payments recognised in the income statement	**-661**	**-768**

Pension expenses and other defined benefit payments are found in the income statement under the headings “Research and development expenses,” SEK 90 m. (146), “Cost of goods sold,” SEK 171 m. (291), “Selling expenses,” SEK 91 m. (113) and “Administrative expenses,” SEK 38 m. (47). 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 related to pensions and similar commitments	
Expenses/revenues for pensions and other defined-benefit payments recognised in “Other comprehensive income”	2022	2021
Experience-based adjustments in net liabilities	-1,257	-514
Effects of changes in demographic assumptions	125	39
Effects of changes in financial assumptions	6,354	353
Actual return on plan assets excluding amount included in interest income	-663	366
Changes in present value of asset ceiling not included in interest expense	-315	-7
Total expense/revenue for defined-benefit payments recognised in “Other comprehensive income”	**4,244**	**237**

	Pension commitments	
Recognised as provision for pensions in the balance sheet	2022	2021
Present value of defined benefit obligations, wholly or partly funded	10,474	14,912
Present value of defined benefit obligations, unfunded	2,272	2,402
Present value of defined-benefit obligations	12,746	17,314
Fair value of plan assets	-5,400	-5,159
Net assets not fully valued due to curtailment rule	347	8
Recognised in the balance sheet	**7,693**	**12,163**
- of which, pension liabilities recognised under the heading “Provisions for pensions”	7,853	12,455
- of which, pension assets recognised under the heading “Other long-term receivables”	-160	-292

	Liabilities related to pensions and similar commitments	
Present value of defined-benefit obligations changed during the year as follows:	2022	2021
Present value of defined benefit obligations, 1 January	17,314	16,501
Present value of reclassified obligations, 1 January	-12	12
Current service expenses	407	611
Interest expenses	344	209
Payments made by pension plan participants	23	18
Experience-based actuarial gains and losses	1,257	529
Adjustment effects from changes in demographic assumptions	-125	-39
Adjustment effects from changes in financial assumptions	-6,354	-353
Exchange rate differences	349	220
Payments from the company’s assets	-311	-269
Payments from plan assets	-128	-111
Past service expenses	-1	2
Gains and losses depending on net adjustments for the year	-16	-16
Present value of defined-benefit obligations, 31 December	**12,747**	**17,314**

	Plan assets related to pensions and similar commitments	
Fair value of plan assets changed as follows during the year:	2022	2021
Fair value of plan assets, 1 January	5,159	4,122
Fair value of plan assets related to reclassified obligations, 1 January	-	1
Interest income on plan assets	74	38
Actual return on plan assets excluding amount included in interest income	-663	367
Effects of changes in financial assumptions	-	-
Exchange rate differences	251	191
Payments made by employers	684	533
Payments made by pension plan participants	23	18
Payments from plan assets	-128	-111
Fair value of plan assets in acquired/divested companies	-	-
Fair value of plan assets, 31 December	**5,400**	**5,159**

Asset ceiling		
Present value of asset ceiling	2022	2021
Present value of asset ceiling, 1 January	7	0
Interest expenses	1	-
Changes in present value of asset ceiling not included in interest expense	315	7
Exchange rate differences	24	-
Present value of asset ceiling, 31 December	**347**	**7**

Allocation of fair value in plan assets	2022 Quoted price in an active market	2022 Unquoted price	2021 Quoted price in an active market	2021 Unquoted price
Cash and cash equivalents	158	-	140	-
Equity instruments issued by others	1,152	-	1,027	-
Debt instruments issued by Scania	-	52	-	47
Debt instruments issued by others	1,331	-	1,376	-
Properties leased to Scania companies	-	58	-	51
Investment properties	-	-	-	-
Equity mutual funds	684	-	729	-
Fixed income mutual funds	500	-	622	-
Real estate funds	316	-	170	-
Other investment funds	137	-	319	-
Other plan assets	559	453	227	451
Total	**4,837**	**563**	**4,610**	**549**

Note 18 Other provisions

2022	Product obligations	Legal and tax risks [2]	Other provisions [1,3]	Total
1 January	1,725	9,792	5,417	16,934
Provisions during the year	1,517	393	3,031	4,941
Provisions used during the year	-1,152	-9,206	-2,369	-12,726
Provisions reversed during the year	-160	-11	-385	-556
Exchange rate differences	-4	7	43	46
31 December	**1,926**	**976**	**5,738**	**8,639**
- of which, current provisions	1,404	44	3,130	4,578
- of which, non-current provisions	522	932	2,608	4,061

2021	Product obligations	Legal and tax risks [2]	Other provisions [1, 2, 3]	Total
1 January	1,682	4,465	4,680	10,827
Provisions during the year	1,019	5,420	2,408	8,847
Provisions used during the year	-870	-41	-1,612	-2,523
Provisions reversed during the year	-108	-54	-68	-230
Exchange rate differences	2	2	9	13
31 December	**1,725**	**9,792**	**5,417**	**16,934**
- of which, current provisions	1,235	9,215	3,091	13,540
- of which, non-current provisions	490	577	2,326	3,394

1 “Other Provisions” include provisions for potential losses on service agreements. Total number of contracts decreased in 2022 by 2,100 contracts and amounted to 277,100 contracts (279,200) at year-end.

2 “Legal and tax risks” includes a provision for the EU Truck case of SEK 9,029 m., of which SEK 5,229 m. affected 2021 and SEK 3,800 m. affected 2016. The case was settled in April 2022.

3 “Other provisions” include provisions for interest expenses related to the EU Truck case of SEK 542 m., of which SEK 315 m. affected 2021. The interest was paid in April 2022.

Note 19 Accrued expenses and deferred income

	2022	2021
Accrued employee-related expenses	8,795	7,477
Deferred income related to service and repair contracts	7,355	6,866
Deferred income related to repurchase obligations [1]	5,183	5,905
Other accrued expenses and deferred income	5,782	4,668
Total	**27,115**	**24,916**
– of which, current	19,730	18,014
– of which, non-current	7,385	6,902
Of the above total, the following was attributable to Financial Services operations	1,416	1,419

1 Of the above deferred income related to vehicles sold with repurchase obligations, SEK 1,799 m. (1,995) is expected to be recognised as revenue within 12 months. SEK 238 m. (313) 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.	2022	2021
Contract liabilities as of 1 January	6,866	6,439
Additions and disposals	78	99
Currency translation adjustments	411	328
Contract liabilities as of 31 December	**7,355**	**6,866**

Note 20 Assets pledged and contingent liabilities

Assets pledged	2022	2021
Financial receivables	8,812	663
Total [1]	**8,812**	**663**
[1] of which, assets pledged for:		
Long-term borrowing	6,500	532
Short-term borrowing	2,312	131

Contingent liabilities	2022	2021
Contingent liability related to FPG credit insurance	129	100
Other guarantees	64	180
Other contingent liability related to tax	1,100	459
Total	**1,293**	**739**

In addition to the contingent liabilities, guarantees have been provided to the customers' creditors to buy back vehicles to a value of SEK 10 m. (12)

Note 21 Government grants and assistance

During 2022, the Scania Group received government grants amounting to SEK 80 m. (59) attributable to operating expenses of SEK 531 m. (5,516). Scania also received government grants of SEK 23 m. (9) attributable to investments with a gross cost of SEK 44 m. (40).

Note 22 Cash flow statement

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

	2022	2021
a. Interest and dividends received/paid		
Dividends received from associated companies	5	5
Interest received	7,112	4,617
Interest paid	-3,650	-2,370

	2022	2021
b. Items not affecting cash flow		
Depreciation/amortisation	12,299	11,239
Associated companies	81	24
Provision for pensions	-345	-21
Impairment/capital loss sale of operations in Russia [1]	3,230	-
Other	265	-266
Total	**15,530**	**10,976**

1 Recognised as items affecting comparability in the income statement, see Note 31, “Items affecting comparability”.

	2022	2021
c. Financial Services: Net investments in credit portfolio etc.		
New financing [2]	-64,074	-56,417
Payments of principal and completed contracts	50,984	44,726
Total	**-13,090**	**-11,691**

2 Refers mainly to financing of customers purchases of Scania vehicles.

	2022	2021
d. Net investment through acquisitions/divestments of businesses [3]		
Divestments of businesses	139	13
Acquisitions of businesses	-907	-58
Total	**-768**	**-45**

3 See Note 22, “Business acquired/divested.”

	2022	2021
e. Acquisitions of non-current assets		
Investments in non-current assets [4]	-8,156	-8,179
Divestments of non-current assets	72	146
Investments in shares in other companies	-196	-631
Total	**-8,280**	**-8,664**

4 Of which, SEK 2,314 m. (1,986) in capitalised research and development expenditures.

	2022	2021
f. Change in debt through financing activities		
Decrease in current liabilities	-41,240	-49,795
Increase in current liabilities	25,300	21,830
Decrease in non-current liabilities	-3,783	-90
Increase in non-current liabilities	35,088	28,138
Lease liabilities	-1,364	-1,106
Total	**14,001**	**-1,023**

Reconciliation of liabilities arising from financing activities

	2021	Cash flow		Non-cash changes			2022
		Acquired loans during the year		Foreign exchange movements	Re-classifications	New leases	
Non-current interest-bearing liabilities	57,753	-	31,305	4,048	-20,657	-	72,449
Current interest-bearing liabilities	36,466	2,504	-15,940	3,778	20,657	-	47,465
Lease liabilities	5,542	-	-1,364	-44	-	1,405	5,539
	99,761	**2,504**	**14,001**	**7,782**	**0**	**1,405**	**125,453**
Cash and cash equivalents	29,262	-	-7,570	797	-3,364[5]	-	19,125
	129,023	**2,504**	**4,019**	**8,579**	**-3,364**	**1,405**	**142,166**

	2020		Cash flow	Non-cash changes			2021
		Acquired loans during the year		Foreign exchange movements	Re-classifications	New leases	
Non-current interest-bearing liabilities	49,697	-	28,048	350	-20,342	-	57,753
Current interest-bearing liabilities	41,147	-	-27,965	242	20,342	-	36,466
Lease liabilities	4,836	-	-1,106	-47	-	1,859	5,542
	95,680	**-**	**1,023**	**545**	**0**	**1,859**	**97,061**
Cash and cash equivalents	32,268	-	-3,411	405	-	-	29,262
	127,948	**-**	**-4,434**	**950**	**0**	**1,859**	**126,323**

5 See Note 23, “Assets held for sale.”

	2022	2021
g. Cash and cash equivalents		
Cash and bank balances	8,380	8,830
Short-term investments comprising cash and cash equivalents	10,745 [1]	20,432
Total	**19,125**	**29,262**

1 whereof SEK 3,364 m. is classified as assets held for sale.

Note 23 Businesses acquired/divested

Acquisitions

The acquisitions of business combinations executed during 2021 and 2022 are specified in the table below. All acquisitions were made through the purchase of 100 percent of shares and voting rights. Annual revenue and number of employees reflect the latest known information at the date of the respective transaction. No significant acquisitions were made during 2021.

Company	Acquisition date	Annual revenue	No of employees
Bilmetro AB	3 January 2022	3,894	614
Uppsala Danmark-Säby 8:1 AB	3 January 2022	4	-
Metrobus Aktiebolag	3 January 2022	1	-
Bilmetro Lastbilar i Hudiksvall AB	3 January 2022	3	-
Arver Lastbilar Aktiebolag	1 December 2022	749	174
Fastighetsbolaget Bärgningsbilen 2 Örebro AB	1 December 2022	8	-
Vita Gjuteriets Fastighetsbolag AB	1 December 2022	-	-
Stop 134 AB	1 December 2022	6	-
Fastighetsbolaget Gilltuna Västerås AB	1 December 2022	6	-
Fastighetsbolaget Fluoret AB	1 December 2022	8	-

Acquisitions with a significant effect on the income statement and balance sheet of the group are specified below. All acquired net assets have been accounted for at fair value.

Bilmetro

On 3 January 2022, Scania Sverige AB acquired Bilmetro AB and three real estate companies. Bilmetro AB was an authorised dealer of Scania trucks as well as of the passenger car brands Volkswagen, Audi, Skoda, SEAT, CUPRA and Volkswagen Commercial Vehicles. The passenger car business was sold to Din Bil Sverige AB as of 3 January 2022. The acquired business contributed SEK 1,241 m. in revenue and SEK 130 m. in net income. In June 2022 the acquired business was transferred to Scania Sverige AB.

Fair value recognised in 2022	
Tangible assets	42
Inventories	261
Non-interest bearing trade receivables	154
Other current receivables	3,063
Cash and cash equivalents	233
Non-current interest-bearing liabilities	-2,631
Trade payables	-194
Other current liabilities	-247
Identifiable net assets	**680**
Goodwill	96
Purchase price paid	-776
Cash and cash equivalents in the acquired business	233
Purchase price paid, net	-543
Acquired cash and cash equivalents	-233
Change in cash and cash equivalents due to acquisition	**544**

The acquisition costs amounted to SEK 20 m. and have been accounted for as an administrative cost.

Divestments
The divestments of business combinations made during 2022 are specified in the table below. No material divestments were made in 2021.

Company	Date of divestment
Passenger car business of Bilmetro AB	January 3 2022
Traton AB	October 31 2022
OOO Scania Service	December 14 2022
OOO Scania-Rus	December 14 2022

On 13 September 2022 Scania announced its intention to dispose of the commercial and financial businesses in Russia and were classified as assets held for sale in the third quarter of 2022. On 14 December 2022 the commercial entities were divested. The loss from the divestment amounted to SEK –1,012 m., including translation differences of SEK 374 m. recycled from other comprehensive income, and has been reported as an item affecting comparability in the income statement, see Note 31 Items affecting comparability. For information regarding the financial business in Russia, see Note 23 Assets held for sale.

Note 24 Assets held for sale

During quarter 3 2022, as a consequence of the war in Ukraine, Scania announced its intention to dispose of its business operations in Russia. On 14 December 2022, the sale of the commercial entities in Vehicles and Services was finalised.
As of the balance sheet date, the divestment of the Russian entities within the Financial Services segment had not yet been completed. The sale was finalised 17 January 2023. The buyers were companies within the Volkswagen Group. (See further information in Note 30, “Events after the reporting period” and Note 31, “Items affecting comparability”).

Assets and liabilities held for sale per 31 December 2022:
Assets, and liabilities included in the operations in Russia are stated below:

	Financial Services
Interest-bearing receivables	1,208
Other receivables	96
Cash and cash equivalents [1]	3,364
Assets held for Sale	**4,668**
Non-current liabilities	
Other liabilities [2]	13
Current liabilities	
Other liabilities [2]	224
Liabilities directly attributable to assets held for sale	**237**
Net carrying amount of the disposal group	**4,431**

1 Cash and cash equivalents includes deposits with Volkswagen Bank of SEK 3,184 m.
2 Other liabilities consist of leasing receivables related to the customer financing portfolio.

Note 25 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)	2022	2021
Boards of Directors, Presidents and Executive Vice Presidents [1]	484	511
- of which bonuses	181	178
Other employees	24,008	21,299
Subtotal	**24,493**	**21,811**
Pension expenses and other mandatory payroll fees	8,154	7,141
- of which pension expenses [2]	2,657	2,250
Total	**32,647**	**28,952**

1 The number of board members and executive officers was 726 (671).

2 Of the pension expense in the group, SEK 20 m. (32) was for Boards of Directors and executive officers in the Scania Group. At year-end, the total pension obligation was SEK 193 m.(205) for this category.

	2022		2021	
Average number of employees (Excluding personnel on hire)	Total	Women	Total	Women
Sweden	19,466	25%	18,518	24%
Europe (excluding Sweden)	17,095	15%	16,486	15%
Eurasia	597	26%	646	27%
America	10,053	15%	8,847	13%
Asia	1,975	23%	1,899	22%
Africa and Oceania	2,032	22%	1,986	18%
Total	**51,219**	**20%**	**48,382**	**18%**

Gender distribution	2022	2021
Board members in subsidiaries and the Parent Company	558	510
- of whom, men	493	474
- of whom, women	65	36
Presidents/Managing Directors of subsidiaries and the Parent Company, plus the Group's Executive Board	168	161
- of whom, men	148	151
- of whom, women	20	10

Number of employees, 31 December	2022	2021
Vehicles and Services		
Production and corporate units	30,179	28,340
Research and development	5,857	5,249
Sales and service companies	19,648	19,205
Subtotal	55,684	52,794
Financial Services	1,243	1,206
Total	**56,927**	**54,000**
- of whom, on temporary contracts and on hire	7,239	7,274

Note 26 Related party transactions

	Revenue		Expenses		Receivables		Liabilities	
	2022	2021	2022	2021	2022	2021	2022	2021
Volkswagen Group (excl. TRATON GROUP)	17	20	1,238	1,132	4,294	155	631	608
TRATON GROUP	493	1,167	341	172	11,150	20,177	37,597	14,286
Associated companies and joint ventures	337	305	626	585	56	29	2	0

Disclosures of relationships with related parties that include a controlling influence are provided in the list of subsidiaries. See also the presentation of Scania's Board of Directors and Executive Board as well as Note 26, "Compensation to executive officers." Disclosures of dividends from, and capital contributions to, associated companies and joint ventures etc. are provided in Note 12, "Holdings in associated companies and joint ventures." Disclosures of pension plans are provided in Note 16, "Provisions for pensions and similar commitments" and Note 23, "Wages, salaries and other remuneration and number of employees." Purchases and leases of company cars are included in the transactions with the TRATON GROUP. TRATON GROUP receivables mainly refer to short-term investments which are included in the Scania Group's cash and cash equivalents. Receivables with the Volkswagen Group include cash and cash equivalents related to assets held for sale of SEK 3,184 m. All related party transactions occur on market terms.

Note 27 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 GROUP´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 share-related programme 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 programme 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 rateably 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 percent 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 organisational 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.

In the 2022 financial year, the following performance shares were awarded to the CEO:

A total of 36,719 performance shares were awarded to Mr. Christian Levin for the time period between 1 January 2022 and 31 December 2022, when he was both CEO of Scania and TRATON SE. The fair value of the performance shares obligation as of 31 December 2022, was SEK 3,801 thousand. The expenses under the plan amounted to SEK 2,173 thousand. If Mr. Christian Levin had left the company as of 31 December 2022, the obligation (intrinsic value) would have been SEK 0 thousand.

Termination conditions for the executive board
If the President and CEO resigns of his own volition, he is entitled to his salary during 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 employment within 18 months, counting from their termination date, the severance pay ceases.

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 years.

Note 27 Compensation to executive officers, continued

Compensation to executive officers	2022		2021	
SEK thousand	President and CEO	Rest of Executive Board (7 persons)	President and CEO	Rest of Executive Board (7 persons)
Fixed salary	6,489	21,329	6,257	23,215
Variable salary	5,150	27,528	-	34,335
LTI	-	-	-	-
Other remuneration [1]	348	1,521	15,973[2]	1,760
Total salary and remuneration	**11,987**	**50,378**	**22,230**	**59,310**
Pension expenses, defined contribution system [3]	7,740	7,135	4,320	8,984
Pension expenses, defined pension system [4]	494	2,564	572	3,180
Total pension expenses	**8,234**	**9,698**	**4,892**	**12,164**
Pension obligations	**5,024**	**25,257**	**7,399[5]**	**20,499**

1 Includes the taxable portion of car allowance, newspaper subscriptions and other perquisites.
2 Includes loyalty bonus to the former CEO. SEK 855 thousand has been paid monthly during the period 1 May 2021 to 31 October 2022.
3 Annual premiums according to a defined contribution pension system and ITPK (defined contribution portion of the ITP occupational pension).
4 Risk insurance premiums and the increase of retirement pension liability according to the ITP occupational pension plan. 2021 presented as liability calculation and risk insurance. If presented in the same way in 2022 as in 2021, the CEO received SEK 1,595 thousand, and the Executive Board SEK 8,208 thousand.
5 Includes pension obligation to the former CEO of SEK 3,889,345.

Board remuneration, SEK thousand	2022	2021
Chairman of the Board		
Annette Danielski [1]	-	-
Board members		
Christian Levin	-	-
Lilian Fossum Biner	700	700
Gunnar Kilian	-	-
Julia Kuhn-Piëch	550	550
Nina Macpherson	700	700
Christian Porsche	550	550
Mark Philip Porsche	550	550
Stephanie Porsche-Schröder	700	700
Peter Wallenberg Jr.	550	550
Mattias Gründler [2]	-	-
Christian Schulz [2]	-	-

1 Annette Danielski was elected on 25 November 2021.
2 Mattias Grûndler and Christian Schulz resigned 30 September 2021.

Note 28 Fees and other remuneration to auditors

Fees and other remuneration to auditors that were expensed during the year are reported below. Remuneration for consultations is reported in cases where the same public accountancy firm has the assignment to audit an individual company. “Auditing assignments” refers to statutory examination of the annual accounts as well as the administration of the Board of Directors and

the President and CEO. “Auditing activities beyond auditing assignments” refers to examination of administration or financial information that shall be performed in accordance with laws, articles of association, statutes or agreements that is also intended for parties other than the client, and which is not included in the auditing assignment. “Tax consultancy” is consultation on matters

of tax law. “Other services” refers to consultancy that cannot be attributed to any of the other categories. Auditing expenses that have arisen because Scania is a subsidiary of Volkswagen have been reinvoiced.

	2022		2021	
Auditing firm	EY	Other auditors	EY	Other auditors
Auditing assignments	48	4	43	3
Auditing activities beyond auditing assignments	1	0	3	0
Tax consultancy	1	4	2	2
Other services	1	0	2	1
Total	**51**	**8**	**50**	**5**

Note 29 Financial risk management

Financial risk management in the Scania Group

In addition to business risks, Scania is exposed to various financial risks in its operations. The financial risks that are of the greatest importance are liquidity, 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 financial 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 three months of maturing debt less 50 percent 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.

Note 29 Financial risk management, continued

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:

1. 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).
2. 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).
3. During 2022, 95 (95) percent of Scania's sales occurred in countries outside Sweden. Since a large proportion of production occurs in Sweden, at costs denominated in Swedish kronor, this means that Scania has large net inflows of foreign currencies.
4. During 2022, total currency exposure in Scania's operating income amounted to about SEK 57,300 m. (52,400). The largest currencies in this flow were EUR, USD and GBP. 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	2022	2021
Euro (EUR)	12,300	12,100
US dollar (USD)	10,000	6,100
British pound (GBP)	9,400	6,200
Norwegian krone (NOK)	3,700	3,500
Korean won (KRW)	3,300	2,700
Danish krone (DKK)	2,700	2,100
Australian dollar (AUD)	2,200	2,000
Taiwan dollar (TWD)	2,100	1,600
South African rand (ZAR)	1,900	1,600
Swiss franc (CHF)	1,900	1,600
Other currencies	5,300	10,500
Total currency exposure in operating income	**54,800**	**50,000**

Currency exposure in operating income, Financial Services	2022	2021
Euro (EUR)	600	800
Brazilian real (BRL)	600	300
Other currencies	1,300	1,300
Total currency exposure in operating income	**2,500**	**2,400**

Total currency exposure in operating income, Scania CV Group	**57,300**	**52,400**

Note 29 Financial risk management, continued

Based on revenue and expenses in foreign currencies during 2022, a ten-percentage point change in the Swedish krona against other currencies, excluding currency hedges, has an impact on operating income of about SEK 5,730 m. (5,240) on an annual basis. In Vehicles and Services, compared to 2021, the total currency rate effects amounted to SEK 4,687 m. (–1,409).

Sensitivity analysis per currency, Scania CV Group	Operating income		Net assets	
	2022	2021	2022	2021
SEK m.	+/-10%	+/-10%	+/-10%	+/-10%
SEK/EUR	1,290	1,290	840	750
SEK/USD	1,000	610	200	210
SEK/GBP	970	650	140	110
SEK/BRL	150	180	890	830
SEK/Other	2,320	2,510	2,090	1,420

According to Scania Group Policy – Treasury, the CFO has a mandate to approve hedging of up to 75 percent of anticipated exposure by currency up to six months. The CEO has a mandate to approve hedging of up to 50 percent of anticipated exposure by currency for a period from above six 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 subsidiaries in the form of internal loans in their local currencies.

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

At the end of 2022, Scania's net assets in foreign currencies amounted to SEK 41,600 m. (33,200). 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 2022 no foreign net assets were hedged (–).

Net assets, Vehicles and Services	2022	2021
Brazilian real (BRL)	6,800	6,800
US dollar (USD)	2,000	2,100
Euro (EUR)	2,000	1,800
Chinese yuan renminbi (CNY)	1,200	1,200
Swiss franc (CHF)	1,000	1,000
Taiwandollar (TWD)	900	900
Korean won (KRW)	700	700
South African rand (ZAR)	600	600
Other currencies	4,500	4,800
Total net assets in foreign currencies, Vehicles and Services	**19,700**	**19,900**

Net assets, Financial Services	2022	2021
Euro (EUR)	6,400	5,700
Brazilian real (BRL)	2,100	1,500
British Pound (GBP)	1,700	1,400
Other currencies	11,700	4,700
Total net assets in foreign currencies, Financial Services	**21,900**	**13,300**
Total net assets in foreign currencies, Scania CV Group	**41,600**	**33,200**

Note 29 Financial risk management, continued

Effect on exchange rate differences on net income

Net income for the year was affected by exchange rate differences as shown in the following table:

	2022	2021
Operating income	-207	179
Financial income and expenses	-596	-161
Taxes	294	-4
Effect on net income for the year	**-509**	**14**

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 affected instead.

To manage interest rate risks, Scania primarily uses interest rate derivatives in the form of interest rate swap agreements.

At year-end 2022, 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 SEK 11,607 m. (25,520) at year-end 2022. The borrowing portfolio amounted to SEK 11,732 m. (5,526). Short-term investments and cash and cash equivalents amounted to SEK 23,339 m. (31,046) and the average interest rate refixing period on these assets was less than 2 (2) months. Given the same loan liabilities, short-term investments, cash and cash equivalents and interest rate refixing periods as at year-end 2022, a change in market interest rates of 100 basis points (1 percentage point) would change the interest expenses by approximately SEK 98 (41) m. and interest income in Vehicles and Services by approximately SEK 170 m. (260) on an annual basis.

Interest rate risk in Financial Services

In accordance with Scania Group Policy – Treasury interest rate risks in the Financial Services segment is that assets and liabilities 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 2022:

	2022		2021	
Interest rate refixing in Financial Services, 31 December	Interest-bearing portfolio [1]	Interest-bearing liabilities [2]	Interest-bearing portfolio [1]	Interest-bearing liabilities [2]
2022	67,250	65,795	52,744	51,324
2023	25,873	24,155	23,523	22,284
2024	17,343	16,075	16,795	15,941
2025	10,544	7,048	9,728	5,789
2026	5,055	1,536	4,334	1,106
2027 and later	2,137	1,009	1,735	656
Total	**128,202**	**115,618**	**108,859**	**97,100**

1 Including operating leases.

2 Including the effect of interest rate derivatives. Other funding consists mostly of equity.

Note 29 Financial risk management, continued

Given the same lending and borrowing structure as at year-end 2022, a change in market interest rate of 50 basis points (0.5 percent point) would change the interest in Financial Services by about SEK 9.8 m. (9.1) on an annual basis.

Scania's total borrowing portfolio amounted to SEK 118,151 m. (94,604) at year-end 2022.

Borrowings, 31 December 2022	Borrowings incl. currency swap agreements	Borrowings excl. currency swap agreements
EUR	61,411	62,583
GBP	6,095	4,995
BRL	5,886	4,345
CLP	5,023	3,393
USD	3,794	1,430
KRW	3,756	179
ZAR	3,102	2,837
DKK	2,064	-
NOK	2,035	3,915
AUD	1,861	-
MXN	1,515	-
CHF	1,369	52
NZD	859	-
THB	801	-
SEK	13,560	31,073
Other currencies	4,413	2,742
Total [1]	**117,544**	**117,544**
Accrued interest	607	607
Total	**118,151**	**118,151**

1 Total borrowings excluded SEK 607 m. (384) related to accrued interest.

Note 29 Financial risk management, continued

Credit risk

Credit risk is the risk that the counterparty in a transaction will not fulfil its contractual obligations and that any collateral will not cover the company's claim. An overwhelming share of the credit risk for Scania is related to receivables from customers. Scania sales are distributed among a large number of end customers with a large geographic dispersion, which limits the concentration of credit risk.

Reconciliation of loss allowance for financial assets measured at amortised cost, including lease receivables.

	2022					2021				
	General approach			Simplified approach	Total	General approach			Simplified approach	Total
	12 month expected credit loss (Stage 1)	Life time expected credit loss - not impaired (Stage 2)	Life time expected credit loss - impaired (Stage 3)			12 month expected credit loss (Stage 1)	Life time expected credit loss - not impaired (Stage 2)	Life time expected credit loss - impaired (Stage 3)		
Loss allowance as at 1 January	88	42	222	1,139	1,851 [1]	117	34	208	1,292	2,011 [1]
Changes due to financial instruments recognised as at 1 January										
Transfer to stage 1	1	-17	-3		-19	0	-9	-2		-11
Transfer to stage 2	-42	79	-19		18	-21	38	-2		15
Transfer to stage 3	-48	-7	107		52	-37	-12	85		36
Write-offs (Utilisation)			-60	-86	-146			-55	-80	-135
Financial assets acquired/issued	151			869	1,020	84			267	351
Changes to models or risk parameters	-	-	-	-	-					-225 [2]
Reversals	-139	-12	-43	-335	-529	-60	-11	-62	-489	-397 [2]
Foreign exchange movements	5	8	38	70	121	3	1	4	27	35
Other changes within a stage	2	3	29	113	147	2	1	46	122	171
Loss allowance as at 31 December	**18**	**96**	**271**	**1,770**	**2,515** [1]	**88**	**42**	**222**	**1,139**	**1,851** [1]

1 The total amount includes a manual overlay of SEK 360 m. added in 2020 . For more information see Note 2.

2 During 2021 SEK 225 m. of the manual overlay was allocated to offset reversals of loss allowance.

Note 29 Financial risk management, continued

Reconciliation of gross carrying amount for financial assets measured at amortised cost, including lease receivables.

	2022					2021				
	General approach			Simplified approach	Total	General approach			Simplified approach	Total
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)			12 month expected credit loss (Stage 1)	Life time expected credit loss - not impaired (Stage 2)	Life time expected credit loss - impaired (Stage 3)		
Gross carrying amount as at 1 January	74,652	1,394	704	59,102	135,852	68,950	898	718	51,480	122,046
Transfer to stage 1	331	-318	-13		-	201	-183	-18		
Transfer to stage 2	-925	985	-60		-	-628	644	-16		
Transfer to stage 3	-149	-178	326		-	-136	-113	249		
Changes in gross carrying amount (due to additions and disposals, significant modifications)	7,532	153	-66	2,323	9,942	4,647	104	-244	5,863	10,370
Foreign exchange movements	4,159	228	107	5,367	9,860	1,618	44	15	1,759	3,426
Gross carrying amount as at 31 December	**85,600**	**2,264**	**998**	**66,792**	**155,654**	**74,652**	**1,394**	**704**	**59,102**	**135,852**

Gross carrying amount of Scania´s irrevocable credit commitments related to lending at 31 December 2022 amounts to SEK 8,529 m. (7,186) with a loss allowance of SEK 1.7 m. (2.0).

Note 29 Financial risk management, continued

Gross carrying amounts of financial assets by rating category

SEK m.	2022					2021				
	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	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										
Credit Risk Rating Grade 1	85,600			60,173	145,773	74,652			54,444	129,096
Credit Risk Rating Grade 2		2,264		4,948	7,212		1,394		3,459	4,853
Credit Risk Rating Grade 3			998	1,671	2,669			704	1,199	1,903
Total	**85,600**	**2,264**	**998**	**66,792**	**155,654**	**74,652**	**1,394**	**704**	**59,102**	**135,852**

Note 29 Financial risk management, continued

Credit risk in Vehicles and Services
In the Vehicles and Services segment, carried receivables before loss allowance for expected credit losses from customers totalled SEK 12,178 m. (10,166), most of which consisted of receivables from independent dealerships and end customers. The total estimated fair value of collateral was SEK 809 m. Most of the collateral consisted of bank guarantees, mortgages and similar securities. During the year, collateral corresponding to SEK 4 m. was obtained.

	Past-due payments	
Timing analysis of portfolio assets past due but not recognised as impairment losses	**2022**	**2021**
< 30 days	1,110	723
30-90 days	705	235
91-365 days	231	195
> 180 days	209	206
Total	**2,255**	**1,359**

Loss allowance for expected credit losses amounted to SEK 617 m. (508), equivalent to 5.4 (5.4) percent of total receivables. The year's expected credit losses amounted to SEK 222 m. (54).

Expected credit losses changed as follows:

Loss allowance for expected credit losses	**2022**	**2021**
Loss allowance for expected credit losses, 1 January	508	492
Loss allowance	221	126
Withdrawals due to actual loss allowance	-136	-114
Currency rate effects	25	10
Other	-1	-6
Loss allowance, 31 December	**617**	**508**

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	**2022**	**2021**
Exposure	129,944	110,198
- of which, operating leases	15,430	16,977
Credit risk reserve	-1,764	1,339
Carrying amount	**128,202**	**108,859**
- of which, operating leases	15,255	16,730

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 exist 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 2022 was equal to that of 2021.

Note 29 Financial risk management, continued

Timing analysis of portfolio assets

Past due receivables	2022 Past-due payments	2022 Total exposure [1]	2022 Estimated fair value of collateral	2021 Past-due payments	2021 Total exposure [1]	2021 Estimated fair value of collateral
< 30 days	119	5,718	5,356	104	3,658	3,629
30-90 days	128	2,041	2,105	95	1,648	1,592
91-180 days	71	691	588	39	498	405
> 180 days	185	860	506	122	383	375
Inactive contracts	258	669	365	220	521	342
Total	**761**	**9,979**	**8,920**	**580**	**6,708**	**6,343**

1 Exposure is defined as maximum potential loss, without regard to the value of any collateral.

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

Concentration of credit risk	31 December 2022 Number of customers	31 December 2022 Percentage of total number of customers	31 December 2022 Percentage of portfolio value	31 December 2021 Number of customers	31 December 2021 Percentage of total number of customers	31 December 2021 Percentage of portfolio value
Exposure < SEK 15 m.	44,681	97.5	64.6	45,051	97.8	67.1
Exposure SEK 15-50 m.	849	1.9	17.5	774	1.7	16.2
Exposure > SEK 50 m.	281	0.6	17.9	250	0.5	16.7
Total	**45,811**	**100.0**	**100.0**	**46,075**	**100.0**	**100.0**

Note 29 Financial risk management, continued

Accounts with past-due receivables normally lead to quick repossession of the financed vehicle. Reschedulings only occur in those cases where, after a new credit evaluation, Financial Services deems the customer's payment problems to be of a short-term and temporary nature and where rescheduling can take place without greatly worsening the risk position.

For Scania's customers, the need for renegotiation steadily decreased during the year. The number of customers whose contracts where renegotiated in 2022 was 40 % lower than in 2021. The carrying amount of the financial assets, whose terms had been rescheduled at any time, amounted to SEK 10,663 m. (16,312) at year-end. This is primarily a lingering effect of Covid-19 and the sharp increase in renegotiated contracts that occurred in the first half of 2020 as a result of the pandemic and its effects on communities and transport systems.

The market for used vehicles has been well-functioning throughout 2022. The demand for used trucks remains strong. During the year, 989 (955) financed vehicles were repossessed. At year-end, the number of repossessed but not yet sold vehicles amounted to 179 (141), with a total carrying amount of SEK 122 m. (66). Financial Services sell the majority of repossessed vehicles to the Scania dealer network, who in turn sell the vehicles to new end customers."

Loss allowance for expected credit losses changed as follows:

Loss allowance for expected credit losses	2022	2021
Loss allowance, 1 January	1,339	1,519
Loss allowance	736	-71
Utilisation due to actual loss allowance	-146	-134
Exchange rate differences	96	25
Impairment items affecting comparability	-261	-
Loss allowance, 31 December	**1,764**	**1,339**
Loss allowance for expected credit losses as percentage of gross portfolio	1.4	1.2

The year's expenses for actual and potential credit losses amounted to SEK 376 m. (–130).

Asset-Backed Securities Transaction
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 4,462 m. (782). The corresponding carrying amount of financial services receivables is SEK 4,562 m. (1,116). Collateral totalling SEK 4,562 m. (1,116) 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 31 December 2022, the fair value of assigned receivables that continue to be recognised in the balance sheet was SEK 4,562 m. (1,116). The fair value of the associated liabilities amounted to SEK 4,462 m. (782) as of that date. The resulting net position is SEK 100 m. (334).

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 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.

Note 29 Financial risk management, continued

The corporate treasury unit is responsible for ensuring compliance with the rules of Scania Group Policy – Treasury. Net exposure to counterparty risk related to derivatives trading amounted to SEK –886 m. (978) at the end of 2022. Estimated gross exposure to counterparty risks related to derivatives trading totalled SEK 2,679 m. (1,661).
Estimated gross exposure to cash and cash equivalents and short-term investments amounted to SEK 24,365 m. (29,636). Short-term investments are mainly deposited with TRATON.
Scania had short-term investments worth SEK 12,610 m. (20,804), of which SEK 10,795 m. (20,482) consists of investments with a maturity of less than 90 days and SEK 1,815 m. (322) consisted of investments with a maturity of 91–365 days. In addition to short-term investments, Scania had bank balances worth SEK 8,380 m. (8,830).

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 over a two-year period.
For Financial Services, there shall be dedicated funding covering the net of the next coming three months of maturing debt less 50 percent 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 2022, Scania's liquidity reserve, consisting of guaranteed credit facilities, cash and cash equivalents and short-term investments, amounted to SEK 49,289 m. (52,721). Scania's credit facilities include customary Change of Control clauses, which means that the counterparty could demand early payment in case of significant changes in ownership involving a change in control of the company.

At year-end, Scania had borrowings, in some cases with related ceilings, as follows:

	2022		2021	
Borrowings	Total borrowings	Ceiling	Total borrowings	Ceiling
European Medium Term Note Programme	44,287	79,389	50,796	92,293
Other bonds	4,995	5,622	-	-
Credit facility (EUR, SEK)	5,539	24,927	-	23,073
Commercial paper, Sweden	-	10,000	-	10,000
Commercial paper, Belgium	8,686	16,618	10,203	15,382
Bank loans and Other loans	54,037	-	33,221	-
Total [1, 2]	**117,544**	**136,556**	**94,220**	**140,748**

1 Of the total ceiling, SEK 24,927 m. (23,073) consisted of guaranteed revolving credit facilities.
2 Total borrowings excluded SEK 607 m. (384) related to accrued interest and fair value adjustments on bonds where hedge accounting was previously applied.

Controlling Scania's refinancing risk includes safeguarding access to credit facilities and ensuring that the maturity structure of borrowings is diversified.

Note 29 Financial risk management, continued

At year-end, Scania's total borrowings had the following maturity structure:

Maturity structure of Scania's borrowings	2022	2021
2021	–	36,467
2022	45,095	27,981
2023	33,029	17,060
2024	29,634	10,759
2025	4,523	1,426
2026	1,940	188
2027 and later	3,323	339
Total [1]	**117,544 [1]**	**94,220**

1 Total borrowings excluded SEK 607 m. (384) related to accrued interest and lease liabilities. Maturity structure for lease liabilities, see Note 11.

	2022		2021	
Maturity structure of derivatives attributable to borrowings	Derivatives with positive value	Derivatives with negative value	Derivatives with positive value	Derivatives with negative value
2022	–	–	22	-11
2023	–	-185	5	-19
2024	–	-708	–	-32
2025	–	-872	–	-44
2026	–	-16	–	–
2027 and later	–	–	–	–
Total [2]	**-**	**-1,781**	**27**	**-106**

1 Does not include accrued interest.

Note 30 Financial instruments

Financial assets in the Scania Group mainly consist of financial leases and hire purchase receivables that have arisen in the Financial Services segment due to financing of customers' vehicle purchases. Other financial assets of significance are trade receivables from independent dealerships and end customers in the Vehicles and Services segment plus short-term investments and cash and cash equivalents. Scania's financial liabilities consist largely of loans, mainly taken out to fund Financial Services' lending and leasing to customers and, to a lesser extent, to fund capital employed in Vehicles and Services. Financial assets and liabilities give rise to various kinds of risks, which are largely managed by means of various derivative instruments. Scania uses derivative instruments, mainly for the purpose of:

1. Transforming corporate-level borrowings in a limited number of currencies to the currencies in which the financed assets are denominated.
2. Transforming the interest rate refixing period for borrowings in Financial Services as well as achieving the desired interest rate refixing period for other borrowings.
3. Converting future commercial payments to functional currency.
4. 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, current investments and equity instruments. For derivatives for which hedge accounting is not applied, fair value adjustment is carried at fair value via the income statement. Fair value is established according to various levels, defined in IFRS 13, that reflect the extent to which market values have been utilised. Current investments and cash and cash equivalents are carried according to Level 1, i.e., quoted prices in active markets for identical assets, and amounted to SEK 203 m. (136).

Other assets that are carried at fair value refer to derivatives. These assets are carried according to Level 2, which is based on data other than the quoted prices that are part of Level 1 and refer to directly or indirectly observable market data. Scania applies a valuation technique that consists of estimating the present value of future cash flows based on observable yield curves. The yield curve applied is derived from relevant listed yields for the respective period during which cash flows are received or paid. The derivatives are recognised under other non-current assets, other current assets, other non-current liabilities, and other current liabilities and amounted to SEK –950 m. (942) net.

For financial instruments that are carried at amortised 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.

Impairment losses on assets occur only when there is reason to believe that the counterparty will not fulfil its contractual obligations, not because 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. The carrying amounts of assets and liabilities amounted to SEK 2,679 m. (1,661) and SEK –3,565 m. (–684). The amount that can be offset from each amount was SEK 1,946 m. (564).

	2022					2021				
Scania Group, SEK m.	Measured at fair value	Measured at amortised cost	Financial liabilities measured at amortised cost	Total carrying amount	Total fair value	Measured at fair value	Measured at amortised cost	Financial liabilities measured at amortised cost	Total carrying amount	Total fair value
Equity instruments	1,312			1,312	1,312	1,144			1,144	1,144
Non-current interest-bearing receivables		69,690		69,690	67,688		57,507		57,507	56,378
Current interest-bearing receivables		45,387		45,387	45,195		35,643		35,643	36,147
Non-interest-bearing trade receivables		11,363		11,363	11,363		8,859		8,859	8,859
Current investments and cash and cash equivalents	203	24,159		24,362	24,359	136	29,512		29,648	29,598
Other non-current receivables [1]	2,157	180		2,337	2,337	845	203		1,048	1,048
Other current receivables [2]	639	799		1,437	1,437	863	94		956	956
Total assets	**4,310**	**151,578**		**155,888**	**153,690**	**2,988**	**131,818**	**-**	**134,805**	**134,130**
Non-current interest-bearing liabilities			72,450	72,450	71,414			57,753	57,753	58,154
Current interest-bearing liabilities			51,863	51,863	51,647			40,352	40,352	40,384
Trade payables			20,441	20,441	20,441			15,301	15,301	15,301
Other non-current liabilities [3]	2,614			2,614	2,614	384			384	384
Other current liabilities [4]	1,131		4,845	5,976	5,976	381		3,976	4,357	4,357
Total liabilities	**3,745**		**149,598**	**153,344**	**152,093**	**765**	**-**	**117,381**	**118,146**	**118,580**

1 Financial instruments included in the balance sheet under “Other non-current receivables,” SEK 4,003 m. (2,351).
2 Financial instruments included in the balance sheet under “Trade receivables and Other current receivables,” SEK 20,678 m. (16,904).
3 Financial instruments included in the balance sheet under “Other non-current liabilities,” SEK 6,524 m. (4,866).
4 Financial instruments included in the balance sheet under “Other current liabilities,” SEK 8,713 m. (7,417).

Note 30 Financial instruments, continued

Hedge accounting
During 2022 Scania has not applied hedge accounting.

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

Net gains/losses on financial instruments recognised in the income statement
The table below shows the following items that are recognised in the income statement:
- Gains and losses related to currency rate differences, including gains and losses attributable to derivatives.

Net gains/losses	2022	2021
Financial assets and liabilities carried at fair value	499	451
Financial assets measured at amortised cost[1]	147	568
Financial liabilities measured at amortised cost	-897	-555
Total	**-251**	**464**

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:

	2022	2021
Interest income on financial assets [1]	7,202	5,067
Interest expenses on financial liabilities [2, 3]	-3,455	-2,110
Total	**3,747**	**2,957**

1 SEK 1,137 m. (440) consists of interest income generated from financial assets carried at fair value.
2 Also includes interest expenses related to lease liabilities and interest expenses related to Financial Services that were recognised in the operating income.
3 SEK –1,165 m. (–958) consists of interest expenses generated from financial liabilities carried at fair value.

The reason 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 31 Events after the reporting period

Sale of Russian operations

In September 2022, Scania took the decision to divest its business operations in Russia as a result of the Russian war in Ukraine. The sale of the commercial operations was completed on 14 December, whilst the divestment of the financial operations was finalised on 17 January. The impairment loss in the Financial Services segment amounted to SEK 2,294 m. in 2022 and was treated as an item affecting comparability. In addition, currency translation effects of SEK –1,012 m. related to the Russian Financial Services subsidiaries has affected the operating income in 2023.

Planned restructuring within the TRATON GROUP

On 16 February the Scania Board of Directors took the decision to dispose of Scania's Financial Services segment to TRATON Sweden AB, as a part of the ongoing transformation of the TRATON Financial Services business area. The transaction is estimated to be performed in the beginning of April 2023.
TRATON Financial Services is to become a global, brand-independent finance company in the future by combining existing structures of the Scania and Navistar brands to expand customer financing options within a common foundation. A group structure is to be created to leverage customer interfaces and synergies. The aim of the group-wide and integrated financial services business unit is to meet customer requirements in the best possible way and to support the group's future growth and business models.

The transaction implies that all legal entities within the Scania Financial Services will be sold to TRATON Sweden AB.

Note 32 Items affecting comparability

	2022	2021
EU truck case [1]	-176	-5,229
Impairment and capital loss in Russia, Vehicles and Services [2]	-1,126	-
Impairment in Russia, Financial Services	-2,294	-
Total items affecting comparability within Operating income	-3,596	-5,229
Tax effect Russia	433	-
Total items affecting comparability within Net income	**-3,163**	**-5,229**

1 Currency translation effect related to the provision for the EU Truck case.
2 Includes impairment of SEK 114 m. in industrial operations.

Note 33 Shares and participations in subsidiaries

The following listing shows shareholdings owned directly and indirectly by the Parent Company as of 31 December 2022:

Company	Corporate ID no.	Registered office	Country	% Ownership
Vehicles and services				
Arver Lastbilar Aktiebolag	556557-9678	Örebro	Sweden	100
Bilmetro AB	556061-2789	Gävle	Sweden	100
Bilmetro Lastbilar i Hudiksvall AB	556564-2377	Gävle	Sweden	100
Fastighetsbolaget Bärgningsbilen 2 Örebro AB	556600-6416	Stockholm	Sweden	100
Vita Gjuteriets Fastighetsbolag AB	559348-5773	Stockholm	Sweden	100
Stop 134 AB	559129-4516	Stockholm	Sweden	100
Fastighetsbolaget Gilltuna Västerås AB	556810-1942	Stockholm	Sweden	100
Fastighetsbolaget Fluoret AB	559072-7698	Stockholm	Sweden	100
Fastighetsaktiebolaget Flygmotorn	556528-9112	Södertälje	Sweden	100
Fastighetsaktiebolaget Hjulnavet	556084-1198	Södertälje	Sweden	100
Fastighetaktiebolaget Vindbron	556040-0938	Södertälje	Sweden	100
HTD i Oskarshamn AB	556707-3472	Södertälje	Sweden	100
Kai Tak Holding AB	556548-4739	Södertälje	Sweden	100
LOTS Group AB	556593-3057	Södertälje	Sweden	100
Metrobus Aktiebolag	556328-8165	Gävle	Sweden	100
MW-hallen Restaurang AB	556616-7747	Södertälje	Sweden	100
Mälardalens Tekniska Gymnasium AB	556548-4754	Södertälje	Sweden	80
Scania Bus Financing AB	556728-9433	Södertälje	Sweden	100
Scania Delivery Center AB	556593-2976	Södertälje	Sweden	100
Scania Growth Capital AB	559090-6524	Södertälje	Sweden	90.10
Scania Growth Capital II AB	559337-6626	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
Uppsala Danmark-Säby 8:1 AB	556763-6880	Gävle	Sweden	100
Vabis Försäkringsaktiebolag	516401-7856	Södertälje	Sweden	100
Vindbron Arendal AB	556822-2367	Södertälje	Sweden	100
Laxå Specialvehicles AB	556548-4705	Laxå	Sweden	100
Ferruform AB	556528-9120	Luleå	Sweden	100
Scania Vabis 118 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.	4200363460007	Sarajevo	Bosnia-Herzegovina	100
Scania Botswana (Pty) Ltd.	CO.2000/6045	Gaborone	Botswana	100
Codema Comercial e Importadora Ltda.	60.849.197/0001-60	Guarulhos	Brazil	99.98
LOTS Latin América Logística de Transportes Ltda.	29.094.173/0001-06	São Bernardo do Campo	Brazil	100
Scania Latin America Ltda.	59.104.901/0001-76	São Bernardo do Campo	Brazil	100
Scania Bulgaria EOOD	BG121796861	Sofia	Bulgaria	100
Scania Real Estate Bulgaria EOOD	BG201589120	Sofia	Bulgaria	100
LOTS Ventures Canada Inc.	BC1306486	Victoria British Columbia	Canada	80
Scania Chile S.A.	96.538.460-K	Santiago de Chile	Chile	100
LOTS Chile S.p.A	77.418.964-5	Santiago de Chile	Chile	100
Lots Logistics (Guangxi) Co.Ltd.	32956526-9	Beihai, Guangxi Province	China	100
Scania Sales (China) Co.Ltd	110000450001661	Beijing	China	100
Scania Sales and Service (Guangzhou) Co., Ltd.	440101400126397	Guangzhou	China	100
Scania (Hong Kong) Ltd.	1205987	Hong Kong	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	Praha	Czech Republic	100
Scania Real Estate Czech Republic s.r.o.	24196746	Praha	Czech Republic	100
Scania Danmark A/S	DK17045210	Ishøj	Denmark	100
Scania Danmark Ejendom Aps	33156332	Ishøj	Denmark	100
Scania Eesti AS	10238872	Tallinn	Estonia	100

Company	Corporate ID no.	Registered office	Country	% Ownership
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 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
LOTS Germany GmbH	HRB 29133	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 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	52,50
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 (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 Crna Gora d.o.o	50950351	Danilovgrad	Montenegro	100
Scania Namibia (Pty) Ltd.	2004/438	Windhoek	Namibia	100
Scania New Zealand Limited	9429047066823	Wellington	New Zealand	100
Scania Makedonija d.o.o.e.l	7027532	Ilinden	North Macedonia	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 Unipessoal Lda.	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
Scania Romania S.R.L.	J23/588/27.04.2004	Ciorogârla	Romania	100
OOO Scania Peter	1027804908372	St. Petersburg	Russia	100
Scania Senegal SUARL	SN.DKR.2018.B.25840	Dakar	Senegal	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
SLA Treasury Spain S.L.U	B67626788	Barcelona	Spain	100
Scania Schweiz AG	CH-020.3.926.624-8	Kloten	Switzerland	100
Scania Real Estate Schweiz AG	CH-020.3.035.714-4	Kloten	Switzerland	100
Scania Tanzania Ltd.	39320	Dar es Salaam	Tanzania	100
Power Vehicle Co. Ltd.	01055547132895	Bangkok	Thailand	100
Scan Siam Service Co. Ltd.	0105545023525	Bangkok	Thailand	100
Scania Siam Co Ltd.	0105543060121	Bangkok	Thailand	100
Scania Thailand Co Ltd.	0105534098031	Bangkok	Thailand	100
Scania Group (Thailand) Co., Ltd.	0115560001383	Smutprakarn	Thailand	100
Scania Manufacturing (Thailand) Co., Ltd.	0115560001375	Smutprakarn	Thailand	100
Scania Nederland B.V.	27136821	Breda	The Netherlands	100
Scania Real Estate The Netherlands B.V.	50687921	Breda	The Netherlands	100
Scania Production Meppel B.V.	05046846	Meppel	The Netherlands	100
Scania IT Nederland B.V.	05062402	Zwolle	The Netherlands	100
Scania Logistics Netherlands B.V.	56552793	Zwolle	The Netherlands	100

Scania Production Zwolle B.V.	05020370	Zwolle	The Netherlands	100
Scania Middle East FZE	150175	Dubai	The United Arab Emirates	100
TOV Kyiv-Scan	35706433	Kyiv	Ukraine	100
TOV Scania Ukraine	30107866	Kyiv	Ukraine	100
TOV Scania-Lviv	37497108	Lviv	Ukraine	100
TOV Donbas-Scan-Service	34516735	Makijivka	Ukraine	100
LOTS Ventures USA Inc.	87-3364676	Wilmington/DE	United States	100
LOTS SPV USA LLC	87-3375105	Wilmington/DE	United States	70
Bellwether Forest Products LLC	81-336588	Camden/ SC	United States	70
Scania USA Inc.	06-1288161	San Antonio/TX	United States	100
Scania Holding Inc.	4019619	Wilmington/DE	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 Credit Argentina S.A.U	30717023990	Buenos Aires	Argentina	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 Leasing BH d.o.o.	4202996650002	Sarajevo	Bosnia-Herzegovina	100
Scania Administradora de Consórcios Ltda.	96.479.258/0001-91	Cotia	Brazil	99.99
Scania Banco S.A.	CNPJ11.417.016/00011	São Bernardo do Campo	Brazil	100
Scania Corretora de Seguros Ltda.	CNPJ11.513.179/00105	São Bernardo do Campo	Brazil	100
SCANIA LOCAÇÃO LTDA	CNPJ47.371.595/0001-55	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.A.S.	901197448	Bogotá	Colombia	100
Scania Credit Hrvatska d.o.o.	80516047	Lucko	Croatia	100
Scania Finance Czech Republic spol. s r.o.	CZ25657496	Prague	Czech Republic	100
Scania Finance France S.A.S.	350890661	Angers	France	100
Scania Location S.A.S.	402496442	Angers	France	100
Scania Finance Deutschland GmbH	HRB 3917	Koblenz	Germany	100
Scania Versicherungsvermittlung GmbH	HRB 22831	Koblenz	Germany	100
Scania Finance Great Britain Ltd.	2173954	London	Great Britain	100
Scania Finance Magyarország Zrt.	13-10-040959	Biatorbágy	Hungary	100
Scania 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 Limited	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 Credit Solutions Tanzania	113768	Dar-Es-Salaam	Tanzania	100
Scania Siam Leasing Co. Ltd.	0105550082925	Bangkok	Thailand	100
Scania Finance Nederland B.V.	3446773	Breda	The Netherlands	100
Scania Insurance Nederland B.V.	1745773	Middelharnis	The Netherlands	100
TOV Scania Credit Ukraine	33052443	Kyiv	Ukraine	100

Dormant companies are not included.

Parent company financial statements, Scania CV AB

Parent company Scania CV AB, Income statement

January – December, SEK m.	Note	2022	2021
Net sales	1	**87,876**	83,046
Cost of goods sold		**-80,886**	-71,823
Gross income		**6,990**	11,223
Research and development expenses		**-9,623**	-7,344
Selling expenses		**-3,377**	-2,416
Administrative expenses		**-2,626**	-1,940
Items affecting comparability 1)		**-**	-5,230
Operating income		**-8,636**	-5,707
Financial income and expenses	2		
Share of income from Group companies		**7,292**	5,951
Share of income in associated company/other companies		**-**	-
Interest income		**2,395**	1,087
Interest expenses.		**-3,445**	-1,655
Items affecting comparability 1)		**-**	-314
Net financial items		**6,242**	5,069
Income after financial items		**-2,394**	-638
Allocations	3	**5,078**	1,221
Income before taxes		**2,684**	583
Taxes	4	**556**	115
Net income		**3,240**	698

Statement of other comprehensive income

January – December, SEK m.		2022	2021
Net income		**3,240**	698
Other comprehensive income		**-**	-
Total comprehensive income		**3,240**	698
Depreciation/amortisation included in operating income	*5*	**-2,862**	*-2,644*

Parent company Scania CV AB, Balance sheet

31 December, SEK m.	Note	2022	2021
ASSETS			
Non-current assets			
Intangible non-current assets	6	**191**	140
Tangible non-current assets	7	**19,780**	19,813
Financial non-current assets			
Shares in group companies	8	**112,245**	101,979
Holdings in associated companies etc.	8	**817**	800
Long-term interest-bearing receivables, group companies	10	**6,465**	4,926
Other long-term non-interest bearing receivables		**2,076**	913
Tax receivable		**589**	483
Deferred tax assets		**1,190**	584
Total financial non-current assets		**123,382**	109,685
Total non-current assets		**143,353**	129,638
Current assets			
Inventories	9	**13,966**	9,880
Current receivables			
Trade receivables		**1,678**	1,552
Interest-bearing receivables, group companies	10	**13,950**	9,150
Non-interest-bearing receivables, group companies		**9,738**	9,504
Tax receivables		**615**	530
Other current receivables	11	**2,528**	2,200
Total current receivables		**28,509**	22,936
Short-term investments		**9,203**	19,102
Cash and bank balances		**3,789**	4,131
Total current assets		**55,467**	56,049
Total assets		**198,820**	185,687

Parent company Scania CV AB, Balance sheet

31 December, SEK m.	Note	2022	2021
EQUITY AND LIABILITIES			
Equity	12		
Share capital		**100**	100
Statutory reserve		**20**	20
Revaluation reserve		**27**	27
Total restricted equity		**147**	147
Unrestricted reserves		**39,158**	44,461
Net income		**3,240**	697
Total unrestricted equity		**42,398**	45,158
Total equity		**42,545**	45,305
Untaxed reserves	13	**2,140**	6,014
Provisions			
Provisions for pensions	14	**3,939**	2,948
Other provisions	15	**1,609**	11,252
Total provisions		**5,548**	14,200
Liabilities			
Long-term interest-bearing liabilities	16	**55,985**	47,958
Other long-term liabilities		**2,762**	541
Current liabilities			
Current interest-bearing liabilities	16	**34,398**	30,012
Advance payments from customers		**196**	122
Trade payables		**12,989**	10,080
Liabilities, group companies		**35,017**	25,124
Tax liabilities		**-**	-
Other current liabilities		**1,454**	860
Accrued expenses and deferred income	17	**5,786**	5,471
Total current liabilities		**89,840**	71,669
Total equity and liabilities		**198,820**	185,687

Parent company Statement of changes in equity

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

2022	Share capital	Statutory reserve	Revaluation reserve	Unrestricted shareholders' equity	Total
Equity, 1 January	**100**	**20**	**27**	**45,158**	**45,305**
Net income				**3,240**	**3,240**
Total comprehensive income				**-3,240**	**-3240**
Dividend				**-6,000**	**-6,000**
Equity, 31 December	**100**	**20**	**27**	**42,398**	**42,545**

2021	Share capital	Statutory reserve	Revaluation reserve	Unrestricted shareholders' equity	Total
Equity, 1 January	100	20	27	40,461	44,608
Net income				697	697
Total comprehensive income				697	697
Dividend				-	-
Equity, 31 December	100	20	27	45,158	45,305

Parent company Scania CV AB, Cash flow statement

January – December, SEK m.	2022	2021
Cash flow from operating activities		
Income before tax	**2,684**	583
Items not affecting cash flow		
Write-down of shares	**-439**	6,153
Fair value adjustment derivatives	**-**	-291
Depreciation/Amortisations	**152**	2,994
Change in tax allocation reserve	**-1,164**	-712
Capital loss on sales of fixed assets	**120**	28
Capital loss on sales of shares	**-484**	6
Bad debts	**94**	32
Group contribution, not settled	**-1,204**	-856
Total items not affecting cash flow	**-2,925**	7,354
Taxes paid	**-242**	-801
Cash flow from the operating activities before changes in working capital	**-483**	7,136
Cash flow change in working capital		
Inventories	**-4,086**	-1,169
Receivables	**-6,949**	-344
Provisions for pensions	**991**	-376
Non-interest bearing liabilities and provisions	**-3,660**	6,967
Total change in working capital	**-13,705**	5,078
Cash flow from operating activities	**-14,188**	12,214
Investing activities		
Investment in intangible fixed assets	**-131**	-43
Investment in tangible fixed assets	**-2,871**	-3,300
Divestments of tangible fixed assets	**2**	3
Investment in shares	**-10,679**	-1,685
Divestments of shares	**848**	19
Cash flow from investing activities	**-12,832**	-5,006
Cash flow before financing activitets	**-27,019**	7,208
Financing activities		
Change of interest-bearing Group transactions	**8,537**	-14,467
Change in consolidated transactions	**1,356**	16
Interest on borrowings	**160**	64
New borrowings	**42,739**	36,160
Amortization	**-30,014**	-33,656
Dividend	**-6,000**	-
Cash flow from financing activities	**16,777**	-11,883
Cash flow for the year	**-10,242**	-4,675
Cash and cash equivalents, 1 January	**23,234**	27,909
Cash and cash equivalents, 31 December	**12,992**	23,234
Paid interests and dividends		
Interest received during the year	**22,294**	9,889
Interest paid during the year	**-23,801**	-11,014
Received dividends during the year	**6,840**	12,111
Paid dividends during the year	**-6,000**	-

Parent company accounting principles

The parent company manufactures and sells heavy trucks, buses and engines. The business is conducted in Sweden but also through operations abroad. Sales are made to owned or independent distributors.

Invoicing during the year amounted to SEK 87,876 m. (83,046) and the operating profit after depreciation to SEK -8,636 m. (-5,707). The parent company's, Scania CV AB, invoicing referred to sales amounted to 90 percent (90) within Scania CV group while 16 percent (14) of the material purchases were from subsidiaries. The financial net amounted to SEK 6,242 m. (5,069), appropriations SEK 5,078 m. (1,221) and the annual tax SEK 556 m. (115) which resulted in a net profit of SEK 3,240 m. (697). The gross investments in intangible fixed assets amounted to SEK 1 m. (42) and for tangible fixed assets the gross investment amounted to SEK 3,243 m. (3,534).

Regarding the description of risks and uncertainties, reference is made to the company's and group's joint statements.

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.

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.

Research and Development expenses

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

Leases

The parent company does not apply IFRS 16 Leases. Lease payments are expensed on an straight-line basis over the lease term.

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.

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

	2021	2021
Trucks	**62,620**	60,772
Buses	**3,050**	3,035
Power Solutions	**2,449**	1,938
Gearboxes	**345**	1,092
Service-related products	**13,159**	11,279
Components	**5,862**	4,635
Other products	**391**	295
Total	**87,876**	83,046

Of the total net sales, SEK 87,786 m. (83,046), SEK 5,435 m. (4,772), is related to sales within Sweden, SEK 54,391 (49,401) m. was sales to countries within Europe and SEK 8,050 m. (28,873) sales to countries outside Europe. Sales to Group companies amounted to SEK 78,921 m. (74,576).

Note 2 Items affecting comparability

See "Note 2 – Key judgements and estimates" in the note section of Scania CV Group.

Note 3 Financial income and expenses

	2021	2021
Income from participations in group companies		
Sales of shares	**484**	-6
Dividends received[1)]	**6,840**	12,110
Write-down of shares	**-32**	-6,153
Total income from participations in group companies	**7,292**	5,951
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	**845**	644
Interest income from others	**1,079**	438
Other financial income [2)]	**471**	5
Total interest income and other financial income	**2,395**	1,087
Interest expenses and other financial expenses		
Interest expenses to Group companies	**-675**	-214
Interest expenses on borrowings	**-2,027**	-1,460
Interest on pension liabilities (PRI)	**-103**	-126
Adjustment marketvalue derivatives	**0**	291
Other financial expenses [2) 3)]	**-640**	-460
Total interest expenses and other financial expenses	**-3,445**	-1,969
Net financial items	**6,242**	5,069

1) For the financial year 2021, items affecting comparability of SEK 7,000 m. under dividends received and SEK -6,000 m. under write-down of shares. This refers to the dividend distribution from and subsequent write-down of the subsidiary Scania Treasury AB.
2) Exchange rate differences and unrealised gains of SEK 20,982 m. (9,468) and unrealised losses of SEK 21,179m. (9,465) attributable to foreign exchange included net.
3) Items affecting comparability related to the European Commission's competition investigation of SEK 314 m. are included in the figures for 2021.

Note 4 Allocations

	2022	2021
Allocated to excess depreciation:		
Machinery and Equipment	**2,710**	-350
Allocated to tax allocation reserve	**1,164**	712
Group contribution from subsidiaries	**1,335**	1,142
Group contribution to subsidiaries	**-131**	-283
Total	**5,078**	1,221

Note 5 Taxes

Tax income/expense for the year	2022	2021
Current tax	**-50**	-72
Deferred tax	**606**	187
Total	**556**	115

Deferred tax is attributable to the following	2022	2021
Deferred tax related to temporary differences	**606**	186
Deferred tax related to new accounting principle	**-**	1
Total	**606**	187

Reconciliation of effective tax	2022 Amount	%	2021 Amount	%
Income before tax	**2,684**		583	
Tax calculated using Swedish tax rate	**-553**	**20.6**	-120	20.6
Tax effect and percentage influence:				
Tax-exempt dividends	**1,322**	**-49**	2,457	-422
Tax-exempt income	**11**	**0**	174	-33
Non-deductible expenses	**100**	**-4**	-1,162	199
Tax on standard income concerning the tax allocation reserve	**-290**	**11**	-2	0
Write down of shares	**-7**	**0**	-1,268	218
Valuation of deferred tax assets previously not recognised	**-1**	**0**	54	-9
Effect on change in tax rate on allocation reserves	**-22**	**1**	0	0
Adjustment for taxes pertaining to previous years	**-4**	**0**	-18	3
Tax recognised	**556**	**-21**	115	-20

Deferred tax assets and tax liabilities are attributable to the following:	2022	2021
Deferred tax assets		
Provisions for pensions	**480**	521
Tax losses	**634**	-
Other reserves	**262**	248
Total deferred tax assets	**1,376**	769
Deferred tax liabilities		
Buildings and land	**-186**	-185
Total deferred tax liabilities	**-186**	-185
Net deferred tax liabilities	**1,190**	584

Reconciliation of net deferred tax liabilities	2022	2021
Carrying values 1 January	**584**	398
Deferred tax recognised in the year's income	**606**	186
Deferred tax liabilities, 31 December	**1,190**	584

Note 6 Depreciation/Amortisation

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

	2022	**2021**
Intangible fixed assets		
Cost of goods sold	**-14**	-11
Research and development expenses	**-25**	-16
Selling expenses	**-5**	-2
Administrative expenses	**-12**	-19
Total amortisation	**-56**	-48
Tangible fixed assets		
Cost of goods sold	**-2,588**	-2,380
Research and development expenses	**-214**	-212
Selling expenses	**-1**	-1
Administrative expenses	**-3**	-3
Total depreciation	**-2,806**	-2,596
Total depreciation/amortisation	**-2,862**	-2,644

Note 7 Intangible fixed assets

	Software	
	2022	**2021**
Accumulated acquisition value		
1 January	**393**	470
New acquisitions	**1**	42
Reclassification from tangible fixed assets	**82**	7
Reclassification to other assets	**-2**	-7
Divestments and disposals	**-82**	-119
Total	**392**	393
Accumulated amortisation		
1 January	**253**	325
New acquisitions	**-**	-
Reclassification from tangible fixed assets	**-46**	-1
	-4	
Divestments and disposals	**-58**	-119
Depreciation for the year	**56**	48
Total	**201**	253
Carrying amount, 31 December	**191**	140

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

Note 8 Tangible fixed assets

	Buildings and land	Machinery and equipment	Construction in progress
2022			
Accumulated acquisition value			
1 January	**7,265**	**32,524**	**5,164**
Reclassifications to other BS items		**-285**	
Reclassifications	**496**	**3,245**	**-3,741**
Reclassification to intangible fixed assets	**-**	**-**	**-82**
Divestments and disposals	**-**	**-1,246**	**-2**
Total	**7,784**	**34 694**	**4,103**
Accumulated depreciation			
1 January	**2,538**	**22,629**	
Additions			
Divestments and disposals	**226**	**2,579**	
	-	**-40**	
Depreciation for the year	**-**	**-1,150**	
Reclassifications	**-1**	**47**	
Total	**2 763**	**24,065**	
Accumulated revaluation			
1 January	**27**		
Total	**27**	**0**	**0**
Carrying amount, 31 December	**5,048**	**10,629**	**4,103**
-of which Machinery		**8,084**	
-of which Special Tools		**953**	
-of which Equipment		**1,592**	

	Buildings and land	Machinery and equipment	Construction in progress
2021			
Accumulated acquisition value			
1 January	6,187	29,782	6,266
Additions	17	225	3,292
Reclassifications to other BS items	-	-222	-
Reclassifications	1065	3,311	-4,376
Reclassification to intangible fixed assets	-	-	-7
Divestments and disposals	-4	-572	-11
Total	7,265	32,524	5,164
Accumulated depreciation			
1 January	2.355	20,767	
Additions	-	4	
Divestments and disposals	-1	-555	
Depreciation for the year	184	2,412	
Reclassifications	-	1	
Total	2,538	22,629	
Accumulated revaluation			
1 January	27		
Total	27	0	0
Carrying amount, 31 December	4,754	9,895	5,164
-of which Machinery		6,632	
-of which Special Tools		1,719	
-of which Equipment		1,544	

Note 9 Shares and participation

Shares and participations	Subsidiaries	Associated companies	Other companies
2022			
Accumulated acquistions			
1 January	**120,633**	**256**	**549**
New acquisitions	**0**	**0**	**0**
New share issue/contribution	**10,658**	**-**	**24**
Sales	**-377**	**-**	**-2**
Capital reduction	**-**	**-**	**-**
Liquidation	**-**	**-**	**-3**
Reclassification	**4**	**0**	**-4**
Total	**130,918**	**256**	**564**
Accumulated write-downs			
1 January	**-18,654**	-1	-4
Write-downs of the year	**-31**	-	-
Reduction of share capital	**13**	-	-
Liquidation	**-**	-	1
Total	**-18,673**	-1	-3
Carrying amount, 31 December	**112,245**	255	561

Shares and participations	Subsidiaries	Associated companies	Other companies
2021			
Accumulated acquistions			
1 January	119,491	74	212
New acquisitions	8	182	334
New share issue/contribution	1,160	-	12
Sales	-25	-	-
Capital reduction	-	-	-
Liquidation	-	-	-
Reclassification	-	-	-9
Total	120,633	256	549
Accumulated write-downs			
1 January	-12,502	-1	-4
Write-downs of the year	-6,152	-	-
Reduction of share capital	-	-	-
Liquidation	-	-	-
Total	-18,654	-1	-4
Carrying amount, 31 December	**101,979**	255	545

Subsidiary	Corporate ID number	Registered office	% Owner-ship [1]	Carrying amount 2022	Carrying amount 2021
Ferruform AB	556528-9120	Luleå/Sweden	100	**150**	150
Griffin Automotive Ltd	6569 78	Road Town/Great Britain	100	**11**	11
HTD i Oskarshamn AB	556707-3472	Södertälje/Sweden	100	**8**	-
Laxå Specialvehicles AB	556548-4705	Laxå/Sweden	100	**118**	93
LOTS group AB	556593-3057	Södertälje/Sweden	100	**465**	93
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	**0**	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	CNPJ11.417.016/00011	Sao Bernando do Campo/Brazil	0,01	**0**	0
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**	17
Scania Chile S.A.	96.538.460-K	Santiago/Chile	99.99	**0**	0
Scania Commercial Vehicles Pvt Ltd, India	CIN U35999KA2011FTC056984	Bangalore/India	99.99	**0**	0
Scania Credit Argentina S.A.U.	30-71702399-0				
ScaniaCrna Gora d.o.o.	50950351	Buenos Aires/Argentina	100	**5**	-
		Danilovgrad/Montenegro	100	**2**	-
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	**155**	147
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
	556548-4697	Södertälje/Sweden	100	**427**	427
Scania Finance Holding AB					
Scania Finance Italy S.P.A	03333020158	Milano/Italy	100	**227**	227
Scania Finance Leasing China Co Ltd	41000002201903280018	Shanghai/China	100	**235**	235
Scania Finance Korea	6138127196	Chung-Ang/South Korea	100	**303**	255
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**	17
Scania Finans AB	556049-2570	Södertälje/Sweden	100	**1,154**	794
Scania Holding France S.A.S	403092786	Angers/France	99.99	**478**	478
Scania Group Thailand Co, Ltd	0115560001383	Bangkok/Thailand	99,99	**0**	0
Scania Growth Capital AB	559090-6524	Södertälje/Sweden	90.1	**405**	400
Scania Growth Capital II AB	559355-3497	Södertälje/Sweden	90.1	**280**	0
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 BH d.o.o.	420299665002	Sarajevo/Bosnien-Hercegovina	100	**8**	0
Scania Leasing RS d.o.o.	21401625	Belgrade/Serbia	100	**20**	20
Scania Leasing LLC	1027700203970	Moscow/Russia	100	**4,366**	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**	62
Scania Makedonija d.o.o.e.l	7027532	Llinden/Macedonia	100	**1**	1
Scania Manufacturing (Thailand) Co, Ltd	0115560001375	Bangkok/Thailand	99,99	**0**	0
Scania Middle East FZE	150175	Jebel Ali Free zone/Dubai	100	**2**	2
Scania Nantong Gaokai Auto Manufactoring Ltd	91360924754233361N	Rugao City, Jiangsu Province/China	100	**1,157**	657
Scania New Zealand Ltd	9429047066823	Wellington/New Zealand	100	**214**	152
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**	32
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**	0
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**	18
Scania Sales and Services AB	556593-3073	Södertälje/Sweden	100	**16,125**	16,125
Scania Schweiz AG	CH-020.3.926.624-8	Kloten/Switzerland	100	**166**	166
Scania Senegal Suarl	SN.DKR.2018B25840	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	**79,073**	74,073
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**	0
Traton AB	556528-9104	Södertälje/Sweden	100	**0**	0
UAB Scania Lietuva	123873025	Vilnius/Lithuania	100	**10**	10
Vabis Försäkringsaktiebolag	516401-7856	Södertälje/Sweden	100	**100**	100
Other				**3**	3
Shares in subsidiaries, carrying amount				**112,245**	101,979

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

Associated companies	Corporate ID number	Registered office	% Owner-ship [2]	**Carrying amount 2021**	Carrying amount 2020
sennder GmbH	HRB 170455 B	Berlin/Germany	3	**255**	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				**255**	74

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

Note 10 Inventories

	2022	2021
Raw materials, components and supplies	**4,190**	3,056
Work in progress	**2,404**	1,529
Finished goods	**7,372**	5,295
Total	**13,966**	9,880
Value adjustment reserve, 31 December	**-100**	-128

Note 11 Short and long-term interest-bearing receivables, Group Companies

	2022	2021
Receivables, Financial Services	**13,741**	12,506
Receivables, Vehicles and Services	**6,674**	1,570
Total	**20,415**	14,076

Note 12 Other short-term receivables

	2022	2021
Prepaid expenses and deferred income	**1,132**	648
Other short-term receivables	**1,396**	1,552
Total	**2,528**	2,200

Note 13 Shareholders' equity

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

2022	Share capital	Statutory reserve	Revaluation reserve	Unrestricted shareholders equity	Total
1 January according to adopted balance sheet	100	20	27	**45,158**	**45,305**
Dividend				**-6,000**	**-6,000**
Net income for the year				**3,240**	**3,240**
Balance, 31 December	**100**	**20**	**27**	**42 398**	**42,545**

2021	Share capital	Stautory reserve	Revaluation reserve	Unrestricted shareholders equity	Total
1 January according to adopted balance sheet	100	20	27	44,461	44,014
Dividend					
Net income for the year				697	697
Balance, 31 December	**100**	**20**	**27**	**45,158**	**45,305**

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 of Directors proposes to the Annual General Meeting 2023 that a dividend of SEK 9,500 m. be paid. The Board of Directors' proposal means that retained earnings amounting to SEK 32,898 will be carried forward in a new account.

Note 14 Untaxed reserves

	2022	2021
Accumulated excess depreciation		
Machinery and equipment	**2,140**	4,850
Total	**2,140**	4,850
Transfer to tax allocation fund		
Transferred at assessment 2019	**-**	1,100
Transferred at assessment 2018	**-**	64
Total	**-**	1,164
Total	**2,140**	6,014

SEK 441 m. (1,248) 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 15 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 the year payments have been made to endowment insurances, the fair value of the insurances amounted to SEK 1,919 m (2,090) at year end, equal to the value of the pension obligation.

Specification of amounts recognised in the Balance sheet:	2022	2021
Present value of obligations (calculated according to Swedish principles)	**6,592**	5,162
Present value of plan assets	**-2,653**	-2,215
Net liability in Balance sheet	**3,939**	2,948
Whereof PRI pensions	**3,780**	2,788
Whereof covered by the Act on the Safeguarding of Pension Obligations	**3,921**	2,933

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: 2.85% (3.84). In January 2022, the parameters used in calculating the Swedish ITP debt were adjusted by the board of PRI non-profit association. The adjustment increased the debt by SEK 913 m.

Change in net liability pertaining to pensions	**2022**	**2021**
Net liability at start of year	**2,948**	3,324
Expense recognised in the income statement	**1,798**	278
Payment to pension fund	**-600**	-456
Pension payments	**-207**	-198
Net liability at end of year	**3,939**	2,948

Present value of plan assets	**2021**	2021
Cash and cash equivalents	**45**	47
Equity instruments	**1,152**	1,147
Debt instruments	**1,032**	1,020
Other	**424**	-
Total present value of plan assets	**2,653**	2,215

Next year´s disbursement pertaining to defined-benefit pension plans totals SEK 542 m. (714).

Note 15 Provisions for pensions and similar commitments, continued

Specification of expense and income for the period pertaining to pensions	2022	2021
Pension under own auspices		
Cost of earning pensions etc.	1,461	388
Interest expense (calculated discount effect)	176	126
Return on plan assets	161	-236
Cost of pensions under own auspieces excl. taxes	1,798	278
Pension through insurance		
Insurance premiums or equivalent	825	587
Pension expense for year excl. taxes	2,623	865
Tax on returns from pensions funds	2	2
Special employer´s contribution on pension expenses	584	331
Expense for credit insurance	12	24
Pension expense for year	3.221	1,222
Percentage return on specially identified assets	-6.6	10.7

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

Note 16 Other provisions

2022	**Product obligations**	**EU Commissions' investigation [1]**	**Miscellaneous provisions**	**Total**
1 January 2021	**841**	**9,030**	**1,381**	**11,252**
Provisions during the year	**865**	**0**	**77**	**942**
Provisions used during the year	**-689**	**-9,030**	**-729**	**-10,448**
Provisions reactivated during the year	**-111**	**-**	**-26**	**-137**
31 December 2021	**906**	**0**	**703**	**11,252**

2021	Product obligations	EU Commissions' investigation [1]	Miscellaneous provisions	Total
1 January 2020	866	3,800	944	5,610
Provisions during the year	592	5,230	572	6,394
Provisions used during the year	-536	-	-85	-621
Provisions reactivated during the year	-81	-	-50	-131
31 December 2020	866	9,030	1,381	11,252

1 Provisions related to the European Commissions´competition investigation

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 803 (10,415) are expected to be utilised within twelve months.

Note 17 Borrowings

Short- and long-term borrowings distributed by currency[1]

	2022	2021
SEK	**24,968**	24,875
EUR	**61,457**	45,394
Other currencies	**3,958**	7,701
Total	**90,383**	77,970

[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:

2023	**34,398**
2024	**24,623**
2025	**25,435**
2026	**2,825**
2027	**1,165**
2028 and later	**1,937**
Total	**90,383**

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

Note 18 Accrued expenses and prepaid income

	2022	2021
Accrued employee-related expenses	**4,874**	4,470
Other	**912**	1,001
Total	**5,786**	5,471

Note 19 Contingent liabilities

	2022	2021
Loan guarantees	**25,270**	17,330
Other guarantees	**129**	100
Total	**25,398**	17,430
Of which, on behalf of Group companies	**25,270**	17,330

Note 20 Wages, salaries and other remuneration and number of employees

Wages, salaries and other remuneration	2022	2021
Boards of Directors, Presidents and Executive Officers	62	91
- of whom bonuses	32	46
Other employees	9,821	9,117
Total	9,883	9,208
Pension costs and mandatory payroll fees	6,358	4,097
	1,096	1,417
Total wages, salaries and remuneration pension costs and mandatory payroll fees	16,242	13,305

Average number of employees (excl. temporary staff)	2022	2021
Operations in Sweden		
Average number of employees	16,856	15,688
- of whom men	12,360	11,726
- of whom women	4,496	3,962
Operations outside Sweden		
Number of countries	1	1
Average number of employees [1)]	893	822
- of whom men [2)]	549	506
- of whom women [3)]	344	316
Average total number of employees	17,749	16,857

[1)] Whereof Belgium 907 (822)
[2)] Whereof Belgium 552 (506)
[3)] Whereof Belgium 355 (316)

Number of employees on 31 December	2022	2021
Production operations and corporate staff units	21,060	19,856
-Temporary staff	2,762	2,697

Gender distribution	2022	2021
Board members	14	14
- of whom men	7	7
- of whom women	7	7
Executive officers	8	10
- of whom men	6	5
- of whom women	2	5

Note 21 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.

	2022		2021	
	EY	Other	EY	Other
Auditing assignments	**8**	**-**	7	-
Auditing activities beyond auditing assignments	**4**	**10**	5	-
Tax consultancy	**1**	**2**	1	14
Other services	**1**	**17**	1	-
Total	**13**	**29**	14	14

Note 22 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:

	2022	**2021**
Net sales	**1,040**	626
Cost of goods sold	**-1,061**	-361
Operating income	**-21**	265
Financial income and expenses	**-198**	3
Effect on the net income for the year	**-219**	268

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 23 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 2022, 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 89,993 m. (77,697) and loans from entities within the Scania CV Group amounted to SEK 30,153 m. (25,120). 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.

Note 23 Financial instruments and financial risk management, continued

	Borrowings including currency swaps [1]	Borrowings excluding currency swaps [1]
EUR	**60,050**	61,222
GBP	**1,100**	
RUB	**3,578**	
DKK	**2,067**	
USD	**3,771**	
NOK	**2,035**	3,915
SEK	**7,343**	24,857
Other	**10,049**	0
Total[2]	**89,993**	**89,993**

[1]Including currency and interest derivatives
[2]Total borrowings exclude accrued interests of SEK 390 m.(273).

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 41,034 m. (42,682), whereof SEK 30,153 m. (23,580) 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 -886 m. (978) as per 31 December 2022. Estimated gross exposure to counterparty risk, which are not Scania CV, entities related to derivatives trading, amounted to SEK 2,679 m. (1,661). As per 31 December 2022, the gross exposure of liquidity amounted to SEK 3 789 m. (4,131).

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 corresponding note for Scania CV Group.

Note 23 Financial instruments and financial risk management, continued

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 2022	Ceiling 2022	Total borrowing 2021	Ceiling 2021
European Medium Term Note Programme	**43,106**	**77,551**	50,796	92,293
Credit facility (EUR)	**5,539**	**24,927**	-	23,073
Commercial paper, Sweden	**-**	**10,000**	-	10,000
Commercial paper, Belgium	**8,686**	**16,618**	10,203	15,382
Other bonds and loans	**32,662**	**-**	16,698	-
Total [1]	**89,993**	**140,748**	77,697	140,748

1. Of the total amounts guaranteed credit promises SEK 24,927 m. (23,073).
2. Total borrowings exclude accrued interests of SEK 390 m. (273).

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

	2022	
Assets	**Carrying amount**	**Fair value**
Equity instruments	526	526
Non-current interest-bearing receivables		
Current interest-bearing receivables		
Non-interest-bearing trade receivables	1,678	1,678
Cash and cash equivalents	12,992	12,988
Other non-current receivables	2,062	2,062
Other current receivables	595	595
Total assets	17,853	17,849
Liabilities		
Non-current interest-bearing liabilities	55,985	55,303
Current interest-bearing liabilities	34,398	34,235
Trade payables	12,966	12,966
Other non-current liabilities	2,575	2,575
Other current liabilities	1,759	1,759
Total liabilities	107,683	107,838

	2021	
Assets	**Carrying amount**	**Fair value**
Equity instruments	533	533
Non-current interest-bearing receivables		
Current interest-bearing receivables		
Non-interest-bearing trade receivables	1,552	1,552
Cash and cash equivalents	23,234	23,227
Other non-current receivables	868	868
Other current receivables	725	725
Total assets	26,912	26,905
Liabilities		
Non-current interest-bearing liabilities	47,958	48,641
Current interest-bearing liabilities	30,012	30,083
Trade payables	10,068	10,068
Other non-current liabilities	367	367
Other current liabilities	1,183	1,183
Total liabilities	89,588	90,342

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

Related party relationship		Revenue	Expenses	Liabilities	Receivables
Subsidiary	**2022**	**78,821**	**15,687**	**28,815**	**30,153**
	2021	74,576	13,549	18,923	23,580
Associated companies	**2022**	**124**	**446**	**-**	**48**
	2021	135	447	-	24
Other related parties	**2022**	**486**	**1,026**	**36,113**	**10,174**
	2021	1,160	756	13,712	20,028
Parent company	**2022**	**-**	**-**	**6,201**	**-**
	2021	-	-	6,201	-

Prices for transactions with related parties are adjusted to conditions on the market. See also note 25 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 25 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 27 Scania CV Group.

Note 26 Government Grants
During 2022, the parent company received government grants amounting to SEK 29 m. (29) attributable to operating expenses of SEK 92 m. (4,636).

Note 27 Subsequent events
See Note 30 Scania CV Group.

Note 28 Sustainability report in accordance with the Swedish Annual Accounts Act
Scania CV AB, subsidiary to the parent company Scania AB (corporate identity number, 556184-8564) with domicile in Södertälje, Sweden, refers to the Sustainability report in accordance with the Swedish Annual Accounts Act of the parent company and the group which is available on www.scania.com at the publication of this report.

Proposed distribution of earnings

The Board of Directors proposes to the 2023 Annual General Meeting that an amount of SEK 9,500 m. as ordinary dividend to the shareholders will be distributed as cash dividend.

Amounts in SEK m.	
Retained earnings	39,158
Net income for the year	3,240
Total	42,398
shall be distributed as follows:	
To the shareholders, a dividend of SEK m.	9,500
To be carried forward	32,898
Total	42,398

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

Amounts in SEK m.	
Share capital	100
Statutory reserve	20
Revaluation reserve	27
Retained earnings	32,898
Total	33,045

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 6 March 2023. 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 4 May 2023.

Södertälje, 6 March 2023

Christian Levin
Styrelseledamot
President and CEO

Annette Danielski
Chairman of the Board

Gunnar Kilian
Board member

Julia Kuhn-Piëch
Board member

Nina Macpherson
Board member

Christian Porsche
Board member

Mark Philipp Porsche
Board member

Stephanie Porsche-Schröder
Board member

Lilian Fossum Biner
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 audit report was submitted on 7 March 2023
Ernst & Young AB

Heléne Siberg Wendin
Authorised Public Accountant