THE SCANIA REPORT 2020

Annual and Sustainability Report

2020 HIGHLIGHTS

The COVID-19 outbreak marked the beginning of a turbulent year for Scania, bringing unprecedented disruption but also major achievements. Important milestones in 2020 included the introduction of our first fully electric truck, and the official launch of two far-reaching science-based climate targets.

Scania scoops fourth consecutive Green Truck Award

For the fourth year in a row, Scania won the prestigious German Green Truck Award for most fuel-efficient truck.

100%

All 10 of our major production facilities worldwide are now powered by fossil-free electricity, achieving our target for 2020.

Science-based climate targets approved

Scania became the first heavy commercial vehicle manufacturer to have climate targets formally approved by the Science Based Targets initiative. The ambitious targets commit us to significantly reducing carbon emissions, not only from our own operations, but from our customers' vehicles while they are in use.

Partnership brings autonomous transport a step closer

In December, the first Scania self-driving test trucks went on public roads, thanks to a new partnership between the TRATON GROUP and US self-driving technology company TuSimple. Through the partnership, Scania and TuSimple operate an autonomous hub-to-hub route in Sweden, using Scania trucks equipped with TuSimple's technology. The trucks will be used in Scania Transport Laboratory's regular transports of goods for Scania's production.

New production site in China

In the latest step in our strategy to grow our presence in China, Scania initiated the establishment of a wholly owned truck production facility in Jinagsu Province, northwest of Shanghai. Production is expected to begin in early 2022.

Green bonds: investing in sustainable transport

Scania successfully released a green bond framework to invite investors to join the journey to a sustainable transport system. The proceeds from the bonds will be channelled exclusively to the transport solutions of the future.

FIRST FULLY ELECTRIC TRUCK LAUNCHED

In September, Scania took a significant step forward in our electrification journey, with the launch of our first commercially available fully electric truck. Designed for urban applications, the high-performance truck has a range of up to 250 km on a full charge.

First out in the new powertrain range: Scania's new V8

Scania introduced its new V8 range, offering record level power and vastly improved fuel efficiency, especially with the new G33 gearbox included in the powertrain. A fast way to increase transport efficiency is with longer and heavier truck combinations. For certain applications a V8 truck offers the best total operating economy and a very favourable CO_2-per-tonne calculation, especially if running on renewable fuels.

SUPPORTING COMMUNITIES DURING THE PANDEMIC

As COVID-19 swept across the world in 2020, Scania employees in all markets stepped up to help. Going the extra mile to keep trucks rolling, they ensured not only the supply chains of essential goods but also volunteered their time and expertise to societal critical functions such as hospitals struggling to cope.

At Scania we have employees with a broad range of skills and competencies. During the pandemic they have shown an enormous level of engagement and power of initiative, ready to support society where needed the most, whether in their normal line of duty or stepping into new arenas to support societal critical functions. Below are some examples of the extraordinary efforts, but there are many more.

Keeping trucks on the move

Many of Scania's customers play an essential role in society, including ensuring that critical supplies of food and medicine get to where they are needed. These customers depend on Scania's network of service workshops around the world to keep their trucks up and running. To support our customers during lockdown, Scania took an early decision to do whatever was necessary to keep our workshops open.

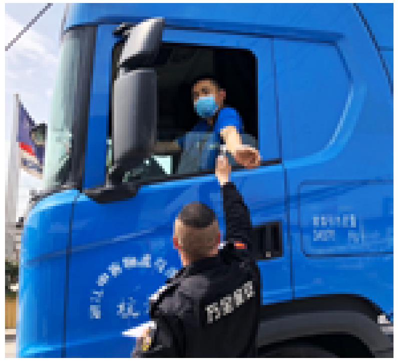
As well as introducing social distancing practices, we took a number of other measures to keep drivers and our workshop staff safe for example thorough disinfection procedures and having service technicians wear gloves and face masks at all times while carrying out maintenance.

Getting protective equipment to the front line

When the COVID-19 pandemic hit Europe in March 2020, Sweden's health care system found itself facing an unprecedented challenge. In hospitals such as Stockholm's Karolinska University Hospital, life-saving protective equipment was suddenly in desperately short supply. As a leader in logistics Scania saw an opportunity to help, and teamed up with Karolinska to offer purchasing and logistical support.

Operating from a newly built command centre in the hospital, and working in coordination with Scania's Transport Lab, Scania employees worked tirelessly to ensure that masks, visors, gowns and disinfectant were available to front-line doctors and nurses.

In the Stockholm region, Scania also supported the healthcare system by providing truck trailers for use as mobile sampling stations for patients who may need hospital care. Carrying out testing outside hospitals helps reduce the risk of spreading infection to patients and healthcare professionals.



Filling the ventilator gap

As COVID-19 spread across the world in the early months of 2020, hospitals began to be overwhelmed by the growing number of patients in intensive care. The shortage of ventilators was acute and Getinge, the Swedish medical technology company that accounts for one-quarter of the world market, needed to swiftly boost production.

With Scania's production in Södertälje at a standstill due to shortages of components, Scania offered to lend 40 of its skilled workers to Getinge to rapidly ramp up production. Within six months, Scania had helped Getinge reach its production target of 30,000 ventilators, tripling production from the normal output of 10,000.

In Brazil, to cope with the gap of the equipment in the public health system, a task force amongst the vehicles manufactures was put in place to repair around 3,600 ventilators in the country. Scania participated in the project with technicians from our maintenance department as volunteers and employees from other areas in a cross-functional effort.

Powering hospitals

In Argentina, hospitals have been under increasing strain since the coronavirus outbreak. To support the health service, three new hospitals were rapidly constructed in Buenos Aires, with power supplied by high-powered generators with engines provided by Scania.

Two of the new hospitals exclusively serve COVID-19 patients who have no health insurance. Together, the three hospitals have the capacity to treat more than 200 COVID-19 patients simultaneously.

Support for drivers

When COVID-19 first emerged in China's Hubei Province, hospitals in the region quickly found themselves in urgent need of support. Many truck drivers volunteered to help, going out of their way to deliver life-saving medical supplies.

To show our support, Scania in China has been distributing protective equipment for drivers through our dealer network, including face masks and hand sanitiser. In addition, all Scania vehicles operating as part of the relief effort in Hubei are eligible for free vehicle maintenance and vehicle inspection services, and road rescue trip fees have been waived. Drivers may also have their truck cleaned at no additional cost.

As trucks stops, cafés and roadside pull-ins around the world closed during lockdown periods, the simple matter of buying a meal became a challenge for many drivers. In Brazil, we supported drivers by distributing meals through two main initiatives: on our workshop network and in a roadside pull-in in one of the main roads in the country, where during three months we supported 33,500 truck drivers. In Great Britain, we transformed our hospitality trailer into a free, mobile café, serving complimentary refreshments to truck drivers who keep the country moving.

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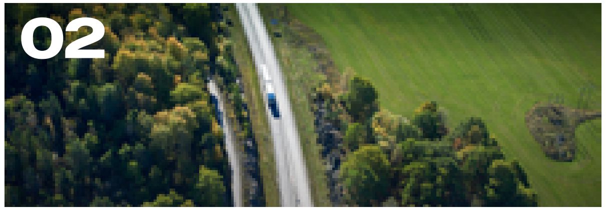

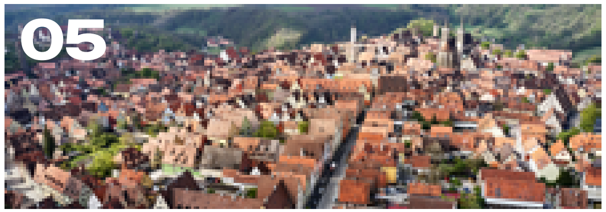

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UN Global Compact — Communication on Progress

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

We welcome feedback on its contents.

The Scania Group's formal financial reports can be found on pages 36–120 and are audited by the company's auditors.

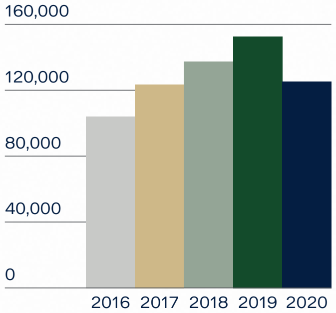
2020 IN NUMBERS

Though significantly impacted by disruptions in the wake of the global pandemic, Scania effectively managed through 2020 with a strong underlying performance.

Net sales

125,125

SEK m.

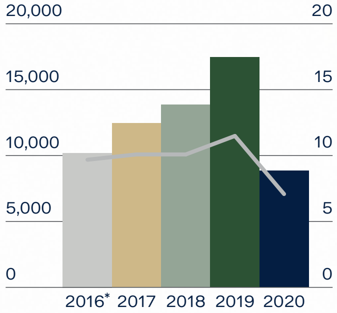


Scania's net sales were impacted by lower vehicle volumes, while sales of engines and services held up well.

Operating income

8,887

Operating Income SEK m. — Operating Margin %



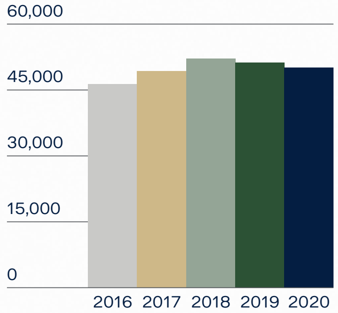
Though heavily affected by lower sales volumes, the negative effects on operating income were mitigated by powerful cost-saving measures.

* Operating income 2016 excluding items affecting comparability (a provision of SEK 3.8 bn related to the European Commission's competition investigation).

Number of employees

50,011

No.

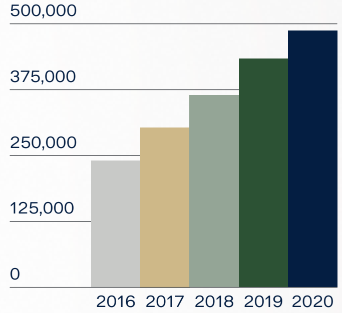


Scania's total number of employees decreased in 2020, as part of the cost-saving measures introduced due to the pandemic.

Connected Scania vehicles

485,693

Units (accumulated)



The number of connected vehicles is steadily increasing. 57 percent of Scania's 10-year rolling fleet of trucks and buses is now connected.

SCANIA AT A GLANCE 2020

Scania is a world-leading provider of transport solutions, including trucks and buses for heavy transport applications combined with an extensive product-related service offering. Scania offers vehicle financing, insurance and rental services to enable our customers to focus on their core business. Scania is also a leading provider of industrial and marine engines.

Trucks

Scania supports transport companies across the world by delivering heavy trucks for each customer's need. We offer solutions for a range of different applications including long-distance, urban applications and construction.

Sales and deliveries

America*	18%
Europe	55%
Africa and Oceania	6%
Eurasia	8%
Asia	13%

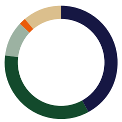
66,899 UNITS

* Refers to Latin America

Buses and coaches

Scania offers a complete range of city buses and coaches for public transport operators and coach companies. Our offer also includes solutions to help solve today's urban mobility challenges.

Sales and deliveries



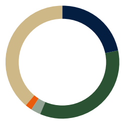
America*	42%
Europe	35%
Africa and Oceania	10%
Eurasia	2%
Asia	11%

5,186 UNITS

Power solutions

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

Sales and deliveries



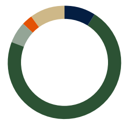
America	22%
Europe	35%
Africa and Oceania	3%
Eurasia	2%
Asia	38%

10,991 UNITS

Services

Scania's extensive service offering includes workshop services, customised maintenance with flexible plans, driver training and services for support and management of our customers' operations.

Sales



America	9%
Europe	72%
Africa and Oceania	6%
Eurasia	3%
Asia	10%

SEK 27,132 M.

Financial services

Scania Financial Services provides flexible financing and insurance solutions tailored to give our customers predictable costs and manageable risks over the entire life cycle of their vehicles.

Products financed

New trucks	59%
New buses	3%
Used vehicles	21%
Other	17%

41,704 UNITS

SCANIA AT A GLANCE 2020, CONTINUED

With 50,000 employees in about 100 countries, our sales and service network is strategically placed where our customers need us, no matter where they operate.

Research and development activities are mainly concentrated in Sweden. Production takes place in Europe and Latin America with facilities for global interchange of both components and complete vehicles. In addition we have regional product centres in Africa, Asia and Eurasia.

Scania is part of TRATON GROUP. Under this umbrella the brands Scania, MAN and Volkswagen Caminhões e Ônibus work closely together with the aim to turn TRATON GROUP and its brands into a Global Champion.

Global net sales

Trucks	58%
Buses	8%
Power solutions	2%
Service-related products	22%
Used vehicles	7%
Other	3%

- Regional product centres
- Production units
- Research and development
- Sales and services

HOW SCANIA CREATES VALUE

By providing increasingly sustainable transport solutions, Scania creates lasting value for all our stakeholders along the life cycle of our products – from our customers to society as a whole.

OUR PURPOSE

Scania's purpose is to drive the shift towards a sustainable transport system, creating a world of mobility that is better for business, society and the environment.

Creating value by driving the shift to a sustainable transport system is our purpose as a company. We seek to create value at every stage of our product life cycle, by working to minimise the negative impacts of our operations and products and increase the positive ones.

Our approach to value creation is centred around our business model, which recognises that Scania's success depends on delivering sustained value for our customers. This is underpinned by our deeply embedded culture: our core values and principles that guide our decisions and actions. We call it The Scania Way.

Our business model

Increasing customer revenue – reducing customer costs

+ **Customer sales revenue**	+ **Scania sales revenue**
- **Customer cost**	- **Scania cost**
= **Customer operating income**	= **Scania operating income**

Increasing customer revenue Scania's high-quality, optimised vehicles and services, supported by vehicle data gathered from connected vehicles, ensure maximum time in operation and thereby boost customer revenue.

Reducing customer costs Scania influences factors like fuel, repair and maintenance costs, the residual value of the vehicle and the cost and availability of financing.

+ Read about our business model

Our product life cycle

We create value and manage our impacts across our product life cycle.

Research and development
Scania makes significant yearly R&D investments to make our transport solutions efficient and profitable for our customers, and sustainable for society as a whole.

Sourcing
We are committed to increase transparency in our supply chain, and to work with our suppliers to improve sustainability performance.

Logistics
We continuously eliminate waste, improve energy efficiency and reduce emissions in our logistical flows, while promoting fair working conditions for drivers.

Production
We are committed to reducing the carbon footprint of our production facilities, while ensuring that they are safe, healthy environments to work in.

Sales
Our sales staff work with our customers to ensure that products are optimised for their specific transport assignment and to address their environmental impact.

In use
Our transport solutions keep people and goods moving efficiently and sustainably, supporting social and economic development.

Service
Our services boost uptime and efficiency for our customers, while also reducing fuel consumption and emissions, improving safety and extending the life of the Scania products.

End of life
Scania aims to promote a circular life cycle, where parts and materials from Scania products at the end of their life are reused or recycled.

+ Read about our product life cycle

Value for our stakeholders

Customers
Our transport solutions help our customers build profitable and sustainable businesses by maximising uptime, lowering emissions, increasing efficiency and reducing running costs and climate impact.

Employees
We reward our people for the work they do, and provide them with an inspiring, purpose driven, safe and inclusive work environment where everyone can contribute and be their best.

Suppliers
Our sourcing activities provide economic value and business opportunities, and contribute to improving labour and environmental standards in our supply chain.

Owners and lenders
We deliver growth with profitability and generate positive cash flow for our owners and lenders.

Society
Improving transport flows contributes to social and economic growth. Our solutions reduce the environmental impact of transport while increasing access to mobility and providing jobs and investment.

+ Read about value for our stakeholders

HOW SCANIA CREATES VALUE CONTINUED

Our success derives from elements that are unique to Scania. Together, these provide the platform for delivering value to our stakeholders.

Our business model

Scania's approach to value creation is defined by our business model. At its core, our business model is about putting the customer at the heart of everything we do, by linking value for Scania with value for our customers. Only by ensuring our customers' profitability can we ensure that our own business is profitable. We do this responsibly, identifying and managing impacts along our entire value chain.

A holistic view
For Scania, ensuring our customers' success begins with gaining a deep understanding of their businesses. We work closely with our customers to develop a holistic view not only of their transport needs, but also the needs of their own customers (buyers of transport services). By combining this holistic view with a detailed knowledge of transport flows across different industries, we are able to provide solutions tailored specifically to our customers' needs.

Tailored solutions
The transport solutions we provide are optimised for our customers' operations to increase their revenue and reduce their costs. Our aim is to eliminate waste and inefficiency throughout the entire transport flow, with highly customised solutions based on our three-pillar approach to sustainable transport: energy efficiency; renewable fuels and electrification; and smart and safe transport (see page 20).

Working in partnership
Creating value through tailored solutions requires a close dialogue with our customers, built on trust and often based on long-term relationships. Building partnerships with stakeholders across the ecosystem of transport and logistics is also a vital component of our strategy for driving the shift to sustainable transport. See page 19 for more on our ecosystem partnerships.

Our culture: The Scania Way

Our value creation is underpinned by our corporate culture, which we call The Scania Way. Deeply ingrained in our business, this culture is based on six core values that reflect our way of thinking and guide our day-to-day actions and decision-making. They support us in creating value for our stakeholders and ultimately, in our aim to be the leader in the shift towards a sustainable transport system.

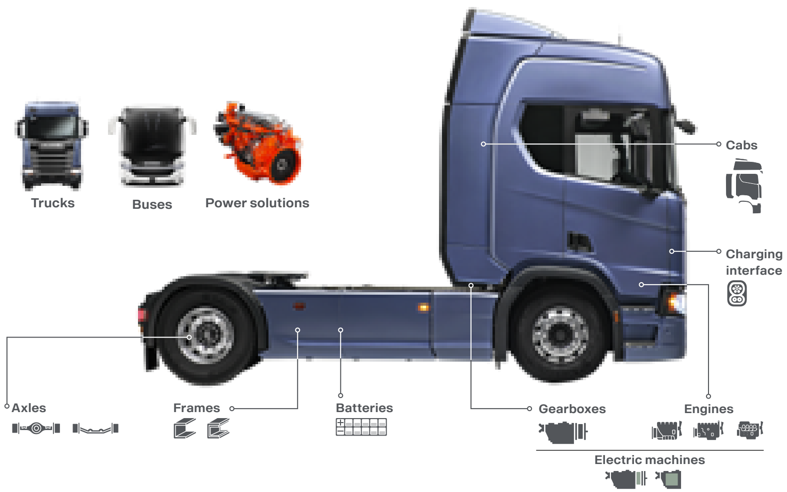
Our six core values:

- Customer first
- Respect for the individual
- Elimination of waste
- Determination
- Team spirit
- Integrity

+ Read about The Scania Way and our core values

Our key success factors

Over the years, Scania has developed a number of unique business offerings and ways of working that give us critical competitive advantages, and deliver enhanced value for our customers.



+ Read about our modular system

Our modular system
Our tailored approach to providing transport solutions is supported by our modular system. Our entire product portfolio is based on a modular design, composed of a fixed number of standardised interfaces, giving interchangeable components and parts of different performance. This allows us to optimise our solutions quickly and easily for specific customer needs, applications and markets: for example, by adjusting cargo capacity and engine outputs.

Modularisation creates a lean and flexible production system that allows us to introduce new technologies rapidly, bring them to market and scale them up quickly. The technology for hybrid and battery electric vehicles (BEV) trucks build upon the modular system with components tried-and-tested throughout Scania's truck range, well-known for their durability and reliability. As well as vehicles and hardware, we also apply our modular approach to the design of services and software.

Our service network
Tailored services are integral to how Scania creates value. With dealers and workshops strategically located along transport routes and near logistics centres, our service network gives us direct contact with our customers and greater understanding of their market and business needs. By providing quick access to parts, repairs, driver training and tailor-made maintenance plans, our service network enhances our vehicles' performance and customers' profitability.

Connected vehicles
Today, Scania has around 490,000 connected vehicles (57 percent of our 10 year rolling fleet) and that number is rapidly increasing. The data this provides enhances our service network by giving us detailed, real-time insight into our vehicles' performance, driver behaviour and our customers' transport flows. This allows us to develop highly customised sales tools and intelligent services that lower fuel consumption, maximise uptime and improve overall efficiency.

As new transport technologies emerge, our data-driven service network will play an ever more important role in creating value for our customers.

CEO STATEMENT – A TIME FOR COURAGE

2020 has been a year like no other. During the pandemic we rose to adversity and never lost sight of our purpose to drive the shift towards a sustainable transport system.

In a year dominated by a devastating pandemic that has shaken the whole world, we fought hard and rose to the challenge. Throughout 2020 I saw amazing courage and initiatives within our organisation. I feel proud of the way that the company pulled together to respond to the crisis so quickly. It is a testament to who we are: a big company with a family spirit.

If not before, the pandemic has made it evident that transport really is the lifeblood of a functioning society. As the first wave of lockdowns began to take hold, our priority was to keep our customers on the road, and help ensure that critical supplies of medicine, equipment and food could get to hospitals and stores. The people at Scania have also shown incredible commitment to helping out society in many different ways.

Naturally, another priority was to manage the operational and financial impacts to our own business. Here we were helped by support packages in different countries, and we were able to keep a large part of our workforce furloughed during the most financially challenging time. However, the severity of the situation also led to the painful decision to decrease our workforce significantly.

A large part of our operation was put on hold during the initial several months of the pandemic. However, a few areas, like sustainable solutions and electrification, continued to move forward at a high pace, accelerating the transformation of our company. The digitalisation of our business has increased significantly during the pandemic, including in customer interaction, which is reflected in the increased share of digital sales.

Despite the extraordinary challenges of 2020, we moved into 2021 in better shape than ever to take on the future. We emerged from the year with our yellow leader's jersey still on and the aim set to lead the shift towards sustainable transport.

The beginning of a new era

2020 was also significant for Scania in that it marked the closing of a strategy that was put in place to increase our focus on growth. Looking at our increasing market share, sales volume and service penetration, it is clear we have made excellent progress. The introduction of digitalisation and sustainability was also a notable focus. This has laid the foundation we can now leverage, as we shift focus to the future and a new strategy era.

We are in a period of transformative change – a time when the industry will experience some of the greatest shifts in its history. As electrification and autonomous technology disrupts our industry, exciting new business opportunities are emerging. We will reshape our business model in close cooperation with current and new customers to explore these opportunities and use them to drive growth. One key priority going forward is to move away from developing products and services to developing solutions.

As always, our success, depends first and foremost on our people. Ensuring a broad diversity of talent and perspectives, and fully harnessing the competence and experience of every individual in our business, is becoming increasingly important. In the transformation, we have reached the milestone where more of our engineers work in software development than in hardware design. We have also been able to attract some of the very best talent globally, for example in the areas of electrification and autonomous solutions. To me this is proof of what an exciting time it is to work in the transport industry.

CEO STATEMENT – A TIME FOR COURAGE CONTINUED

The team and the focus gives me confidence for the future. My hope is for Scania to become the worldwide reference not just for how to transform a company, but an entire industry.

Science-based targets: our North Star

In May 2020, we became the world's first heavy commercial vehicle manufacturer to have climate targets formally approved by the Science Based Targets initiative. The targets include halving carbon emissions from our own operations from 2015 to 2025 as well as reaching a 20 percent reduction of CO_2 emissions from our trucks and buses when in use. The latter constitutes more than 90 percent of Scania's environmental impact. We will get there by working closely with our customers, focusing on energy efficiency in the conventional powertrain, increasing the share of biofuels which has an immediate as well as a retroactive effect on the rolling fleet of vehicles, and we will ramp up the volumes of electric vehicles.

Our climate targets are now deeply embedded in daily decisions we make across the company. They are fundamental to our strategy and part of our corporate targets. They are our North Star – a guide that shows us clearly the direction we want to take.

Our climate targets are now deeply embedded in daily decisions we make across the company. They are fundamental to our strategy and part of our corporate targets. They are our North Star – a guide that shows us clearly the direction we want to take.

Strategic milestones

The year saw us achieve a milestone in our electrification journey with the commercial launch of our first series-produced electric truck range, which will play an important role in our ongoing efforts to decarbonise our portfolio. To prepare for bigger sales volumes of electric vehicles, we have made significant investments in the battery space, including a battery assembly plant, a battery lab and in our partnership with Northvolt.

In 2020 we also took the historic decision to invest in our own industrial operation in China. This opportunity to purchase a company with manufacturing rights in China is unique, as historically foreign companies have mainly operated in China through joint ventures with local manufacturers. Apart from being the world's single largest market for commercial vehicles, China is in the forefront regarding technology and our presence will provide increased access to leading expertise in areas such as electrified and autonomous vehicles. Scania's strategy in China is the same as everywhere else; to focus on sustainable transport and we will be able to contribute with our expertise – efficiency and sustainability in the transport system.

Alliances for change

To reach a sustainable transport system, brave decisions, huge investments and political will is required. Initiatives such as the European Green Deal are paving the way for the transition to a low-carbon economy, with sustainable transport a key part of the agenda. Nationally, we also need to make sure that we are not slowed down by long decision processes.

In the investor community, there has been a remarkable shift towards prioritising sustainability and factoring in climate change into investment decisions. This is very positive and we see it not the least in the large interest in our green bonds, issued in September.

Business also has to step up and drive change. This year we have seen an important step taken in our own industry. In an unprecedented commitment, the truck makers that are part of the European industry association for commercial vehicles ACEA, all pledged to stop selling vehicles that run on fossil fuels by 2040. The commitment is aligned with the Paris Agreement and anchored in science with the help of the Potsdam Institute for Climate Impact Research. To me it is a sign that competitors are coming together to drive a joint agenda for the good of the planet.

Another such example is the CEO Alliance that Scania is part of. We have joined forces with CEOs from 11 other European companies, representing a broad range of sectors, to drive change towards a zero-carbon future and a more resilient Europe.

Through these initiatives we can use our platform, forge powerful alliances, raise our collective voices and influence decision-making, advocating for the changes we need to see to make sustainable transport a reality.

It's up to us

Over the past several years, we've been lucky in that our business environment has remained fairly stable. Now our world has become a lot more unpredictable and ahead of us we are looking at huge, transformative leaps. To navigate this new world, we need to be ready to explore new ways of working, and new ways of creating value for our customers.

The good news is that we already have most of the elements we need to succeed. We have the right technology, a powerful brand, closeness to customers and amazing people in the Scania family. And we have early on put a stake in the ground with a clear purpose which has developed into a fantastic business asset.

Our response to 2020 showed Scania has what it takes. We were quick to adapt, while staying true to our values. The whole team showed courage, and that saw us through a challenging year. I have had a fantastic journey at Scania and I feel proud of what we have achieved. My journey will continue with a new company, but I know the team at Scania will continue to drive the shift, changing the world for the better. All the building blocks are in place and the Scania family will make it happen!

Henrik Henriksson
President and CEO, Scania

THE FORCES SHAPING SUSTAINABLE TRANSPORT

A climate crisis, urban population growth and technological disruption: three of the global forces that are shaping a sustainable transport revolution.

We are living in a period of unprecedented change. The upheaval caused by COVID-19 is just one example of the many challenges the world is facing, from rising social inequality to the threat of climate change. The political landscape is equally volatile, with populism and nationalism still significant disruptive forces in many countries. Meanwhile, global initiatives such as the European Commission's Green Deal are accelerating the transition to a sustainable low-carbon economy.

Among these global forces, three in particular are reshaping the transport industry.

GLOBAL FORCES

Decarbonisation

The escalating climate crisis is a great threat to our planet's ecosystem and society. The transport sector is one of the world's largest energy consuming sectors, contributing 23 percent of global energy-related greenhouse gas emissions and 18 percent of all man-made emissions in the global economy.

To achieve the goal of the Paris Agreement and avoid catastrophic increases in global temperatures, radical action is required from both government and business to decarbonise the transport sector. At the same time, the world needs to ensure this transition is managed in a way that benefits all of society and leaves no-one behind, in line with the UN's 2030 Agenda for sustainable development.

As public awareness grows, and legislation and policy around carbon emissions evolves, demand is growing from providers and users of transport services for cleaner, fossil-free forms of transport

Urbanisation

The world is experiencing the largest wave of urban growth in history, with an additional 2.5 billion people expected to be living in cities by 2050.

This growth in population is far outstripping the growth in public transport. As cities grow bigger and more crowded, so does the strain on urban transport infrastructure, increasing the risk of air pollution and other major health and environmental impacts such as traffic noise and increased risk of road accidents. There is also the risk that access to transport services will become more limited, disproportionately affecting people from vulnerable groups.

The challenges of urbanisation call for resilient transport infrastructure and solutions that keep people and goods moving, and ensure the cities of the future are healthy, safe, inclusive and liveable.

Digitalisation

We are living through the fourth industrial revolution – an era of radical and disruptive technological change, in which digital trends such as the Internet of Things, robotics, virtual reality and artificial intelligence are transforming the way we live and work.

Digitalisation is altering business models within the transport sector, as products, production processes and supply chains become more interconnected. Emerging technologies drive innovation and create new opportunities and risks such as challenges to personal integrity and ethical dilemmas along the value chain.

+ Sources: Sustainable Mobility for All, United Nations 2030 Agenda, and United Nations

SUSTAINABLE TRANSPORT

These global forces are creating an urgent need for sustainable transport – transport that is clean, safe, efficient, inclusive and resilient. They are also shaping the tools and technologies that the transport industry is using to respond to this demand. Four technologies have emerged that, together, are accelerating the shift towards a sustainable transport system – autonomous, connected, electrified and the use of renewable fuels.

FORCES SHAPING SUSTAINABLE TRANSPORT, CONTINUED

TRANSPORT TECHNOLOGIES

Autonomous

The rapid evolution of artificial intelligence and other technologies has paved the way for autonomous transport.

Automation has great potential for transforming mobility. Self-driving trucks will profoundly change heavy goods transport in the future, transforming logistical flows and enabling goods to travel for longer distances without stopping, significantly increasing productivity for transport companies. Safety is also an important factor: with autonomous vehicles, operators can avoid using human drivers in potentially dangerous environments such as mines and large logistic terminals.

Meanwhile highly automated vehicles could revolutionise public transport, decreasing congestion, improving access to mobility and making our cities safer and more liveable.

This shift is already taking place. Many logistical centres, ports and mines around the world are becoming partly or entirely autonomous. Vehicles with high levels of automation are being trialled and automated minibuses are being operated in urban or suburban environments in several European cities.

Connected

Digitalisation is bringing huge growth in vehicle connectivity, with vehicles continuously producing and sharing data. Connectivity can be a key enabler for autonomous transport, allowing vehicles to communicate with each other and the road infrastructure around them, thereby making transport smarter and more efficient.

Connectivity also brings significant benefits for transport logistics, with real-time data enabling users and manufacturers to track how vehicles are being used and how they are performing with far greater precision, enabling efficient logistical flows and greater filling rates. Connectivity also allows maintenance times to be optimised, maximising uptime, reducing fuel consumption and improving overall efficiency.

Electrified

Electrification is central in a sustainable, decarbonised transport system. Electric vehicles operate cleanly and quietly, with zero particle and NOx (nitrogen oxides) emissions and a greatly reduced total carbon footprint (electricity provided from fossil-free energy sources). Battery technology is improving rapidly, and other solutions such as fuel cell technology are in development.

While electrification has major benefits for our climate and air quality, it also brings new sustainability challenges. It puts increasing strain on the battery raw materials supply chain, creating knock-on environmental and human rights risks. To be truly sustainable, these risks must be managed carefully.

Mass adoption of electric vehicles are depending on an infrastructure with charging solutions, widely available. The transport industry needs to take an active role in developing this infrastructure, working in partnership with infrastructure providers, electricity producers and governments.

Renewable fuels

Sustainable transport depends on sustainable energy. While electrification is playing an important role in fulfilling this need, studies such as the Pathways Study (see page 19) show that renewable fuels are key to decarbonising here and now, at the pace required to meet the goals of the Paris Agreement.

Renewable fuels such as biogas and biodiesel, in combination with energy efficient combustion powertrains, or used alongside electricity in hybrid powertrains, can reduce the total well-to-wheel carbon emissions of a vehicle by up to 90 percent, compared with fossil diesel.

As biofuels can be derived from organic material such as agricultural waste, they also support circular models of energy sourcing.

Rapidly scaling up the use of renewable fuels is key to achieving the carbon reductions we need to see in the short term. As almost all vehicles on the roads today already can run on renewable fuels, the potential reduction of emissions is huge, also providing cost effectiveness of sustainable solutions to transport providers.

+ Read about Scania's strategy for sustainable transport on page 14

A STRATEGY TO DRIVE THE SHIFT

Our vision for the future is clear. And we have the right strategy in place to take us there.

The beginning of a new era

Now we mark the end of our strategy to 2020 and begin focusing on the next stage on our journey to leadership in sustainable transport.

Since the introduction of the strategy leading up to 2020, Scania has succeeded in combining growth with profitability. We have also laid the foundation for the transformation of Scania, creating a more diverse company in terms of our product and service offering, our geographical footprint and our people and competencies. This gives us key competitive advantages as we move forward.

Today, in line with our changing business landscape and the complex global forces shaping our industry, we are ready to take the next leap. We have identified the technologies, geographies and enablers we need to invest in to support our transformation and reduce our carbon emissions at a pace in line or even exceeding the Paris Agreement. Increasingly, we will harness autonomous, connected and electrified (ACE) technologies, integrating them into our three-pillar approach to providing sustainable transport solutions (see page 20).

Driving the shift to a sustainable transport system has been our purpose for some time. Now we will accelerate the shift by incorporating sustainability firmly into the strategy leading us up to 2025 and beyond. We will do this by focusing on new strategic priorities, while using our legacy as a platform.

Evolving our business model

We are entering a highly complex business landscape. ACE technologies are disrupting the transport industry and making the business environment less predictable. Who our customers are, and what their needs will be, is also less certain. As the landscape shifts, our business model needs to evolve with it.

The principle underpinning our business model is that Scania's profitability depends on our customers' profitability. That principle will continue to hold in the future. Electrification and other emerging transport technologies will create new drivers for profitability.

To succeed in this environment, we need to embrace ACE technologies and fully explore and develop the new business opportunities that they offer, while at the same time continuing to excel in what is our core business today.

Adopting the right mindset

Our new business landscape demands a questioning mindset. Being a transport leader requires us to be highly attuned to technological breakthroughs, regulatory changes and other shifts in our current market, and be quick to grasp the risks and opportunities these changes bring.

Most importantly, we need to keep learning from our customers to develop the products and services that are right for them. This means bringing solutions to market rapidly to test what works, and changing course quickly when necessary.

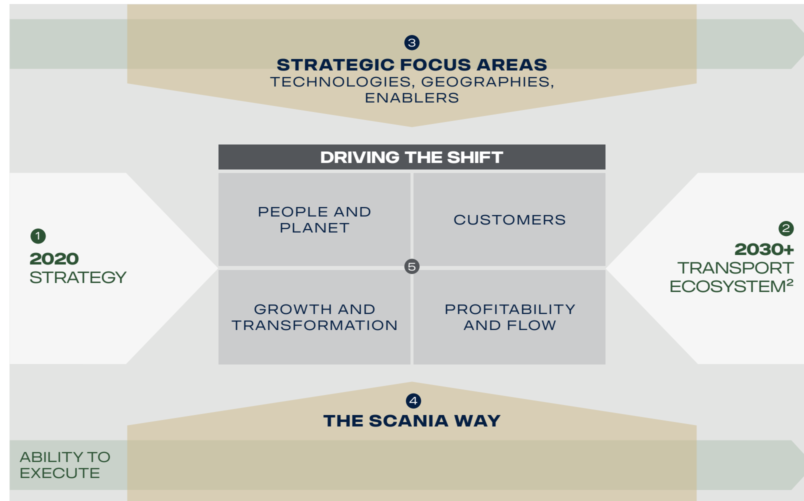
Working in this way requires an open mindset and a competence shift within our organisation. It demands that we think and act less like a traditional manufacturing business, and more like a software and services business.

This transformation is already underway, and we have made great progress in developing the entrepreneurial mindset and skills we need to take on the future (see page 27).

Sustainability at the core

At Scania, we do not have a separate sustainability strategy: sustainability is at the core of our purpose and direction as a business. We take a broad approach to sustainability, focusing on three areas where we must be capable to deliver in order to operate sustainably in the future: carbon reduction, circular business, and people sustainability. Find out more on page 31.

Science-based carbon targets
Carbon emissions are our greatest impact on the environment, and the area where we can make the biggest difference. In 2020, we introduced two science-based carbon reduction targets that commit us to reducing our carbon impact in line with the Paris Agreement. These targets are a part of our corporate targets and will have a major influence on our business decisions. See the following page for more about our commitment.



A high-level illustration of the main components of the strategy that will support Scania in delivering on our purpose of 'Driving the shift'.

1. On our journey, we build on our heritage and learnings from the strategy leading us up to 2020.
2. Our view of what the transport ecosystem will look like in 2030 and beyond is affecting the business decisions we make today – investments, competence development, projects and mindset.
3. The strategic focus areas represent the technologies that will change our industry and ecosystem but also the important enablers and geographies we need to focus on.
4. Ability to execute gives guidance on how we do it, applying The Scania Way.
5. The four factors by which we measure success and which are closely aligned with our corporate targets: people and planet, customers, growth and transformation, and profitability and flow.

SCIENCE BASED CARBON REDUCTION TARGETS

Our ambitious science-based carbon targets are integral to our business strategy.

Our carbon targets

Our carbon targets commit us to reducing our total carbon footprint at the scale and pace required by the Paris Agreement. In May 2020, the targets were formally approved by the Science Based Targets initiative, making Scania the world's first heavy commercial vehicle manufacturer to officially adopt science-based carbon reduction targets.

The targets are far-reaching because they commit us to reducing our total value chain carbon impact not only of our own operations, but of our vehicles while they are in use by our customers. Our two targets commit us to reducing carbon emissions from our operations by 50 percent, and from our products in use by 20 percent by 2025 (both from a 2015 baseline).

Focusing on our biggest impacts

To calculate the climate impact from Scania the Green House Gas Protocol (GHG Protocol) is used. The GHG protocol is the most commonly used global standard to measure greenhouse gas (GHG) emissions. The GHG protocol divides a company's emissions into three scopes.

Scope 1 and 2 emissions

The direct carbon emissions from our own operations such as burning of fossil fuels for heating, engine testing and emissions from company vehicles is considered Scope 1, and indirect emissions generated by purchased energy, heat and steam are considered Scope 2 emissions.

Our 50 percent science-based target cover all our Scope 1 and Scope 2 emissions and is ambitious enough to be aligned with a 1.5 degree scenario – the most stringent decarbonisation scenario according to Science Based Targets Initiative.

Scope 3 emissions

The indirect emissions stemming from the value chain both upstream and downstream is considered Scope 3. These include all emissions generated from the production of parts in the supply chain to the use of our products and all the way to end of life.

Of the impacts related to our indirect downstream activities, the 20 percent science-based target is focusing on the user phase of our trucks and buses, which accounts for more than 90 percent of our total carbon footprint. According to the Science Based Targets initiative, this target is far-reaching and aligned with the most ambitious decarbonisation scenario developed by the initiative.

Well-to-wheel vs tailpipe emissions

Scania takes a well-to-wheel approach to measuring carbon emissions from the vehicles in use. This takes into account carbon impacts across the value chain, starting with the production and distribution of fuel or electricity, all the way up to the tailpipe emissions from the vehicles while they are in use. While tailpipe emissions provide the legal minimum scope for assessing vehicle carbon impacts, we believe that measuring well-to-wheel impacts gives a more accurate, transparent picture of the total carbon footprint of our customers' vehicles. For example, although natural gas and biogas produce roughly the same tailpipe emissions, we can see that the global carbon impact of biogas is significantly better than natural gas based on well-to-wheel emissions.

How we will reach our targets

Our operations

To achieve our Scope 1 and 2 target we are focusing on three areas. Firstly, we will eliminate energy waste through continuous improvements in a number of areas. Secondly, we will improve energy efficiency by optimising heat, ventilation and lighting in our production processes. Finally, we will switch to fossil-free forms of energy and electricity to power our operations.

> "Scania's commitment to science-based targets will not only contribute to reducing climate risks, but sends a strong signal through the economy that decarbonising constitutes an investment in future competitiveness."
>
> Johan Rockström, Director Of The Potsdam Institute For Climate Impact Research

Our products in use

Reducing emissions from our vehicles in use will depend on a combination of improving the efficiency of conventional powertrains and increasing the use of renewable fuels, while also increasing the share of electrified vehicles.

Although electrification is critical to our overall decarbonisation journey, our new powertrain range will play a key role in accelerating progress towards our targets in the short term, by providing a major increase in fuel efficiency.

These measures will be supported by other initiatives and services that further reduce carbon emissions, both in conventional and electrified vehicles. These include customised driver training to improve energy efficiency, enhancing our vehicle specifications, and creating new models for supplying green electricity and renewable fuels to our customers.

Delivering on our purpose

Our carbon targets are integral to our business strategy. They will accelerate the transformation of our business, and support in defining our priorities to deliver on our purpose of driving the shift.

The targets are a part of our corporate targets, and will steer our business decisions from this point forwards. Achieving these targets will require coordinated action across our entire organisation, as well as close collaboration with our customers and other partners across the transport ecosystem. For more about how we are using partnerships to make sustainable transport possible, see page 19.

SCIENCE BASED CARBON REDUCTION TARGETS, CONTINUED

+ Complete reporting on our science-based targets on page 133

FOCUSING ON OUR BIGGEST IMPACTS

SCOPES

1 Direct emissions from owned or controlled sources

2 Indirect emissions from the generation of purchased energy, heat and steam

ALIGNING OUR DECARBONISATION STRATEGY WITH SCIENCE

1.5°C

50%

CO_2 REDUCTION FROM OUR OPERATIONS IN 2025 (TONNES CO_2e COMPARED TO 2015)

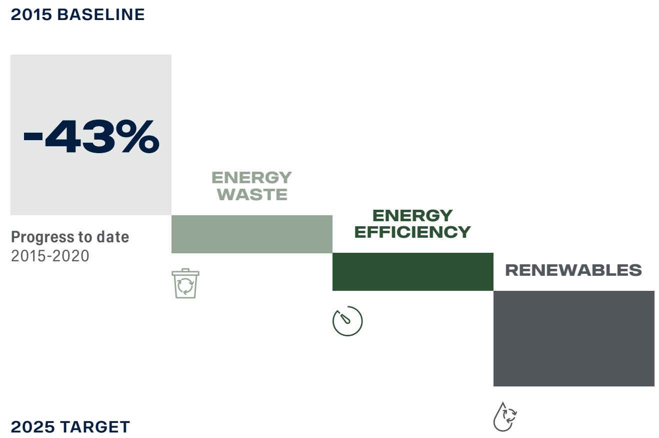
OUR WAY OF REACHING THE TARGETS

HOW TO IMPACT EMISSIONS FROM OPERATIONS

ENERGY WASTE
Eliminating energy waste through continuous improvements

ENERGY EFFICIENCY
Optimising heat, ventilation, lighting and production processes

RENEWABLES
Purchasing fossil-free electricity and transition to renewable fuels



3 Indirect emissions that occur in the value chain both upstream and downstream

>90%

OF ALL SCANIA'S EMISSIONS COME FROM WHEN OUR CUSTOMERS USE SCANIA TRUCKS AND BUSES

20%

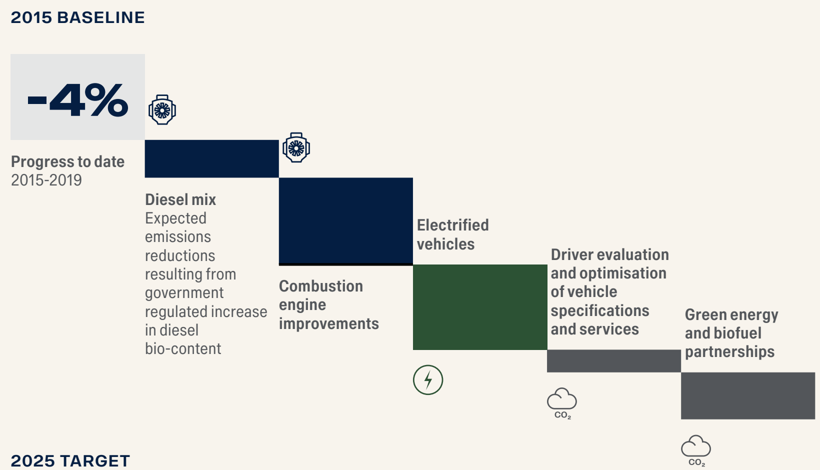
CO_2 REDUCTION FROM OUR PRODUCTS IN USE IN 2025 (TONNES CO_2e/km COMPARED TO 2015)

HOW TO IMPACT CUSTOMER EMISSIONS

CONVENTIONAL POWERTRAINS
Developing more fuel efficient solutions of the traditional combustion engine

ELECTRIFICATION
Selling an increased share of electrified vehicles

ADJACENT INITIATIVES
Adjacent mechanisms that can improve CO_2 reduction within both conventional and electrified technology



POWER UP – SCANIA'S ELECTRIFICATION JOURNEY

2020 saw the launch of Scania's first fully electric truck. As we celebrate this milestone we reflect on where we are in our electrification journey, and consider the opportunities and challenges ahead.

Electrification: the key to sustainable transport

Making transport sustainable depends on many tools and technologies. At Scania, our sustainable transport solutions range from biofuels to energy efficient powertrains. Many of these tools are complementary, and each have an important part to play in the transition. However, of all of these technologies, none will have a greater long-term impact than electrification.

BEVs offer major environmental benefits compared with petrol and diesel vehicles. They produce no tailpipe emissions of harmful air pollutants such as NOx and particles. They also significantly reduce traffic noise. As well as having a positive impact on health and wellbeing, the quietness of electric machines also makes it possible for trucks to operate in cities at night, for safer, faster and more efficient deliveries.

But perhaps the single biggest benefit of BEVs is their contribution to decarbonisation. A sustainable world depends on fossil-free transport – and realising this aim is a cornerstone of our strategy. We have committed to science-based targets to reduce our carbon footprint across our value chain, in line with the goals of the Paris Agreement. Tailpipe zero-emission vehicles are key to reaching our targets, and battery-electric solutions will be the first such technology to reach the market.

Of course, when measuring the climate footprint of an electric vehicle, tailpipe emissions tell only part of the story. For an accurate picture, we need to consider well-to-wheel emissions, in particular the carbon impact of producing the electricity that powers the battery. But even with the current electricity mix in Europe, of which is still sourced from coal-fired power stations, BEVs offer clear carbon reduction benefits – and these will increase as the shift to renewable energy accelerates.

Buses, trucks, e-machines

Our own electrification journey is gathering pace. In September 2020 we took a major step forward, with the launch of our first commercially available, fully electric truck, together with a high-performance hybrid truck. The truck launch followed last year's launch of our fully electric Citywide bus, offering speedy in-route charging and a battery capacity capable of covering most city routes. At the same time we are developing e-machines for other applications, and recently launched an electrified power systems concept for motorised heavy equipment.

We waited for the right time to do this. Battery performance, charging infrastructure and cost issues have improved to the point where BEVs are now a viable solution for commercial transport providers. Charging time, charging cycles and economics per kg are improving rapidly. This means these solutions will become more cost effective, primarily in repetitive and predictable applications. As a result, the number and range of commercially available BEVs will increase rapidly over the next few years. We are committed to launching at least one new electrified solution every year from now on. By 2025, Scania expects that electrified vehicles will account for around 10 percent or our total vehicle sales volumes in Europe and by 2030, 50 percent of our total vehicle sales volumes are expected to be electrified.

Currently, Scania's BEVs are focused on urban applications. However, advances in battery technology will soon make long-haul, heavy transport solutions possible. In a few years, we will introduce long-distance electric trucks capable of carrying a total weight of 40 tons for 4.5 hours, and fast-charge during the drivers' compulsory 45-minute rest periods.

Investing in batteries

As production of BEVs ramps up, so will demand for batteries. To prepare for our electrified future, we are making major investments in battery production, testing and deployment, to secure durability and safety, building on the flexibility of the modular system.

In 2020, we invested in a new battery laboratory at our research and development facility in Södertälje, Sweden. Expected to be up and running by autumn 2021, the 1,000 square metre lab will focus on testing battery cells, modules and packs. Over the next few years, we will also invest well over 1 billion

POWER UP – SCANIA'S ELECTRIFICATION JOURNEY, CONTINUED

SEK in a battery assembly plant at our Södertälje production site. Construction will begin in early 2021, with the aim to be fully operational by 2023. For electrified transport to be truly sustainable, the industry needs sustainable batteries. Scania is working in partnership with battery specialist Northvolt to develop battery cell technology for heavy commercial vehicles. Northvolt was founded on a mission to build the world's greenest battery cell, with a minimal carbon footprint and the highest ambitions for recycling.

Infrastructure partnerships

Neither Scania, nor the wider automotive industry, can achieve this transition by ourselves. We need cooperation with other parts of industry and society to make it happen.

Great vehicles are crucial, but we also need a reliable, sustainable energy infrastructure to power them. To enable this, major investments are required to upgrade the current electricity grid infrastructure, and to shift to renewable energy sources to supply the grid.

Heavy vehicles have different charging requirements than passenger cars, and the transition demands a mega-charger infrastructure where trucks can recharge quickly in depots and along the roads. This could be combined with electric highway solutions, allowing vehicles on the busiest routes to charge on the move using overhead power lines. Scania is currently trialling this solution in Germany and Italy, in partnership with regional public authorities.

For our customers, finding the right charging solution can be a complex challenge. In 2020, we joined forces with the global energy group ENGIE and their subsidiary EVBox Group to provide a complete depot charging solution to transport providers in 13 European countries. The solution encompasses energy supply, charging hardware and software as well as installation, maintenance and other related services adapted to customer's specific needs.

Putting a price on carbon

Aside from infrastructure, total cost of ownership is another key factor in achieving the transition. Switching to electric has to make good economic sense for transport customers – and that means ensuring at least parity between the total cost of operating a battery electric vehicle compared to a diesel-powered alternative.

The good news is that BEVs are decreasing in price, as batteries grow cheaper and more efficient. But to accelerate the transition and boost customer demand for greener vehicles, we also need to increase the cost of emitting CO_2. Through multi-stakeholder partnerships such as the Pathways Coalition, we take an active role in advocating for an emissions trading system for road transport fuels, as well as road charges and energy taxation based on carbon emissions.

New challenges, new opportunities

Electric transport will bring huge sustainability advantages, but it can also create new challenges. For example, mining for the minerals used to make batteries often takes place in areas of the world experiencing conflict, and carries human rights and environmental risks. There are also questions about how to deal with used parts and materials at the end of the battery's life.

As part of our commitment to responsible sourcing, we have contributed to a number of industry-wide risk assessments to create more transparency about battery raw materials in automotive supply chains. Based on the findings of these assessments, we have created a due diligence management system approach on high-risk raw materials, together with the Volkswagen Group. To create a more circular business for batteries, we are also exploring opportunities to reuse and resell batteries and battery components after their first use.

As electrification transforms the transport business, the disruption is bringing a lot of uncertainty. Who will own the vehicles? How will charging solutions and batteries fit into our business offering – and what does that mean for our overall business model? Scania is working with our customers to find answers to these, and many other questions. For the time being, one thing is certain. The future of electrified heavy transport is an exciting place. And Scania will be at the forefront of it.

PARTNERSHIPS FOR SUSTAINABLE TRANSPORT

Driving the shift is not something we can do on our own. Scania is working with others across industry, academia and government to make sustainable transport possible.

Creating a sustainable transport system in line with the Paris Agreement demands close partnership and collaboration across the whole ecosystem of transport, logistics and beyond.

Lack of infrastructure, political and legal challenges and issues around costs and financing are just a few of the barriers to sustainable transport. Scania is working in partnerships with others across our industry, as well as government and academia, to overcome these barriers.

We work in close cooperation with society and policy makers in order to create the enabling conditions for making sustainable transport possible. In recent years, we have seen several positive developments in this area. Examples of new schemes in Europe include a major increase in state funding for the electrification of Sweden's transport sector, and a plan to incentivise the use of low-carbon commercial vehicles in Germany. During 2020 we have also seen the European Green Deal taking shape, including an EU-wide action plan to accelerate the shift to sustainable mobility.

We focus on building two types of partnership: strategic cross-sector partnerships that target political change; and industry partnerships with our suppliers, customers, infrastructure providers and others to pilot and scale solutions. They are the most efficient when combined to include all stakeholders.

Encouraging dialogue between science and business

Dialogue between science and business is vital for decarbonising the heavy transport industry. To support this, Scania and other members of the European Automobile Manufacturers Association (ACEA) joined forces with the Potsdam Institute for Climate Impact Research to create a platform for dialogue between science and business on pathways to a carbon-neutral road freight transport system. In a joint declaration they outline the roadmap and conditions for transforming the transport system and concludes that by 2040 all new trucks sold need to be fossil free in order to reach carbon-neutrality by 2050. It will be possible provided the right charging/refuelling infrastructure is built and a coherent policy framework is put into place, including comprehensive CO_2 pricing to drive the transition.

CEO Alliance to fight climate change

Scania's CEO and president Henrik Henriksson, together with CEOs from 11 other European companies from different industries, have joined forces for a zero-carbon future and a more resilient Europe. All member companies support the Paris 2050 goals, the EU Green Deal and the ambition to raise EU climate targets. CEO Alliance channels their decarbonisation efforts: it connects sectors and strategies, identifies potential for collaboration, and fosters projects and investments for a sustainable economy and society.

The Global Deal: supporting inclusive growth

As the world of work becomes more globalised and disrupted by new technologies, it's vital that no-one is left behind. The Global Deal is a multi-stakeholder partnership for decent working conditions and inclusive growth, highlighting the value of social dialogue among business, government, trade unions, civil society and others.

Scania has been a partner of the Global Deal since it was launched in 2016. At Scania, we believe that meaningful social dialogue and equality are key to a just transition, and our engagement with the initiative reflects this belief.

In 2020, we supported the publication of the Global Deal's flagship report, which highlights the role of social dialogue in responding to the COVID-19 pandemic.

Pathways to a fossil-free transport system

Achieving net zero carbon emissions in the commercial transport sector by 2050 is possible, but it requires powerful new partnerships across the transport ecosystem. That is the rationale behind the Pathways Coalition, an initiative set up by Scania and other global business leaders representing different areas of the transport value chain. By sharing learnings and showcasing best practices, the coalition promotes a cross-sector approach to accelerating the decarbonisation of heavy transport.

Since it was founded in 2018, the coalition has hosted seminars and published several papers on the viability of fossil-free commercial transport in Europe, as well as advocating on a national level for changes to policy and regulation that would support the transition. Next steps for 2021 and beyond include opening up policy discussions on an EU-level, and taking an active role in showcasing new transport technology breakthroughs.

In 2020, Swedish telecom company Ericsson joined the Pathways Coalition. Ericsson's membership will bring valuable insights into the role connectivity and technology can play in sustainable transport.

The Pathways Coalition is based on the findings of the Pathways Study.

+ Read the Pathways Study

+ Read about the Pathways Coalition

Improving transport flows in cities

Improving transport flows and addressing traffic congestion is key to creating safer, cleaner and more liveable cities. To address the challenge, Scania has launched HITS (Sustainable and Integrated Urban Transport System). The initiative brings together partners from across the transport ecosystem, from city authorities to logistics companies and academics, to explore efficient urban transport solutions. The project is led by Scania, funded by innovation agency Vinnova and coordinated by transport platform CLOSER.

Issues that the HITS initiative is exploring include the challenges of dealing with increased urban waste and online package deliveries, and the potential role of transport hubs in improving logistical flows.

SUSTAINABLE TRANSPORT SOLUTIONS

Using our three-pillar approach, Scania makes transport flows sustainable and profitable, with solutions precisely tailored to individual need.

Scania's approach to sustainable transport is based on three pillars: energy efficiency, renewable fuels and electrification, and smart and safe transport. By using these pillars either individually or together, and combining them with our in-depth understanding of transport flows, we can provide sustainable transport solutions customised for any application.

Energy efficiency

Energy efficiency is a vital factor in reducing fuel and energy consumption, cutting carbon emissions and pollution while increasing transport providers' sustainability and profitability. At Scania, optimising the efficiency of our vehicles while they are in use is core to our approach to sustainable transport.

To optimise energy efficiency we focus on continuously improving our powertrain technology, as well as enhancing our vehicles' specifications, including tyre performance. We support this with a range of services designed to further reduce fuel consumption. These include individual driver training on fuel-efficient driving techniques, based on real-time operational data from our connected vehicles.

Renewable fuels and electrification

We are focused on shifting our production to vehicles and engines that can be powered by sustainable sources of energy, in particular renewable fuels and electricity.

Scania offers the largest portfolio of engines on the market that can run on renewable fuels, ranging from HVO (Hydrotreated Vegetable Oil) and FAME (Fatty Acid Methyl Ester) to biogas. Our gas engines can be fuelled with both natural gas and biogas. Natural gas is a fossil fuel, but an important transition tool for sustainable transport, since it opens for an increased use of renewable biogas. Locally sourced biofuels in particular can significantly reduce carbon emissions across the entire fuel value chain from production to the tailpipe, as well as contribute to a circular, sustainable economy. Scania and partners support our customers in setting up complete waste-to-biogas solutions.

Electrification is key to delivering sustainable transport. Today, our electric vehicle portfolio includes fully electric battery-powered trucks and buses, as well as hybrids. At the same time we are exploring models for sourcing renewable energy for our battery-powered vehicles in partnership with energy providers, for example on-the-move charging on electric roads. We are also testing other electrification solutions such as hydrogen-powered fuel cell technology.

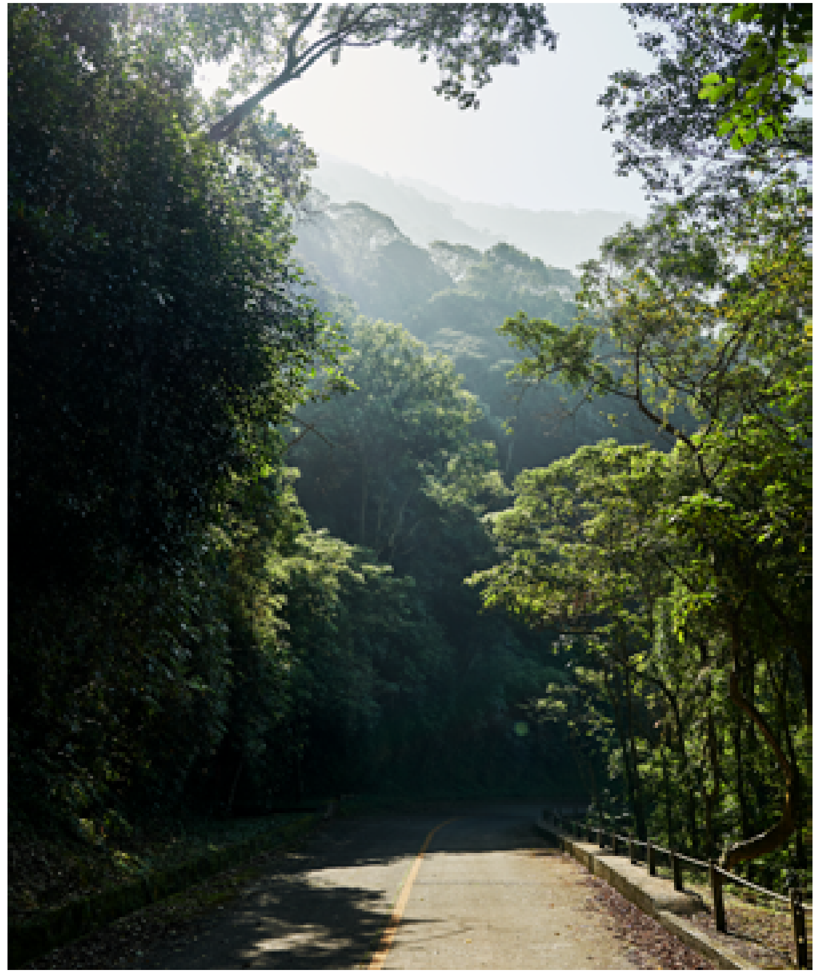
Smart and safe transport

A truly sustainable transport system depends on smarter and safer mobility. To ensure that our increasingly urbanised world is resilient, and that transport is accessible and inclusive, the movement of goods and people must be as intelligently coordinated and efficient as possible.

Connectivity is a key enabler of transport efficiency. The real-time data we gather from our connected Scania vehicles makes it possible for us to develop highly customised services that lower fuel consumption and maximise vehicle uptime. As our business evolves to become more service and software-focused, this data is increasingly important to our product offering.

Connectivity also provides the platform for developing autonomous vehicles, which will be an important part of Scania's smart transport solutions later this decade.

+ Read about our sustainability KPI's related to transport on page 133



CITIES

Around the world, Scania's transport solutions are making cities cleaner and more liveable, while also supporting the economic development and empowering local communities.

As our cities grow bigger and more crowded, urban transport systems are under increasing pressure – with knock-on impacts for the environment, public health and society. Working with others across the transport ecosystem, Scania is helping to address the challenge, delivering solutions that are making our cities cleaner, healthier and more resilient.

In cities around the world, our electrified trucks and buses are beginning to help reducing air pollution, traffic noise, and CO_2 emissions. We are also working with cities to make sustainably sourced biofuels more readily available. This not only accelerates CO_2 reduction, but can bring value to local communities by creating jobs, reducing waste and creating a circular business around fuel production.

Limited access to mobility is a problem in many cities, particularly for people with disabilities and those from other vulnerable social groups. Through our sustainable public transport solutions, we are helping to empower communities by ensuring that urban transport is safe, affordable and accessible by everyone.

By helping to shift urban transport away from a private car ownership model, bus rapid transit systems (BRTs) have a major role to play in improving urban mobility and reducing emissions. Using our understanding of logistical flows, we are working with city transport planners to develop efficient, high-capacity BRTs.

CITIES

A COMPLETE URBAN TRANSPORT SOLUTION FOR ABIDJAN

Improving urban mobility is a highly complex challenge, particularly in the developing world. For any public transport solution to be truly sustainable, a range of closely linked environmental, social and economic factors must be considered.

Keeping people moving is of course vital – but how do you do that while also reducing emissions and improving air quality? With so many stakeholders involved, how do you ensure that everyone stands to benefit from the new system? And can all this be achieved while also creating lasting value for the local economy? Through our holistic approach to urban transport, Scania offers solutions that can address all of these issues – as a new project in Abidjan, Côte d'Ivoire demonstrates.

With a population expected to increase to 7.7 million by 2030, Abidjan is one of West Africa's fastest growing urban centres. To ensure the city is prepared for the future, Scania is working on a major project to rethink Abidjan's public transport system, in partnership with the Ministry of Transport, the transport company SOTRA, and several other partners.

Rolled out over the next three years, the project will involve the delivery of 450 Scania buses (400 compatible with biodiesel and 50 with biogas). The project will also involve a complete intelligent transport system, the construction of a new bus depot, the establishment of an "excellence centre" for drivers and service technicians and a 10 km dedicated BRT track. The aim is to have all Scania buses running on local biodiesel and biogas when the BRT "Latrille" will start operations. As part of the project Scania is promoting and providing technical assistance to develop local biofuels produced from agricultural waste in partnership with the national rural agency ANADER and the local start-up LONO. A feasibility study has been completed and a pilot phase has started. The first biodiesel production will come from rubber seeds while the first biogas production will use sources such as banana and cassava waste as well as chicken and pork manures.

The project is designed to offer a complete sustainable solution for Abidjan, delivering lasting environmental, social and economic benefits. For example, as well as reducing CO_2 emissions and improving air quality, using gas buses powered by biofuels will create a market for agricultural waste, improving living standards for farmers in the region.

Job creation and social inclusion have been key considerations in the project. As well as providing jobs through the construction of the BRT system, the project will fund the SOTRA Institute to strengthen its training programmes for drivers and service technicians, with a focus on women and young people.

For the project to succeed, it is vital that all stakeholders – from local farmers to informal minibus drivers – have an opportunity to contribute and make their voices heard. By listening and working in close partnership, we can ensure that Abidjan's new public transport system will bring long-term benefits to everyone concerned.

BIOGAS: FUELLING THE LOCAL ECONOMY

In Spain, Scania is working on a pilot project that will explore the advantages of using biogas as a bus fuel, both for reducing emissions and for the local economy. Beginning in December 2020, the pilot will see a Scania Citywide biogas bus operate for three months in Zaragoza, the capital of Spain's Aragon region.

The pilot turns waste into a resource, by converting pig manure from a local farm into biogas (biomethane). The biogas is produced by energy company Naturgy, and supplied to the bus by Calvera, a local supplier of storage and transport solutions for compressed gas. The bus line is operated by Aragon Tours.

CITYWIDE BUS HITS THE ROAD IN SWITZERLAND

Scania's fully electric Citywide bus is currently in service on a route in Wettingen, a residential community in northern Switzerland. Operated by the Baden-Wettingen Regional Transport Authority (RVBW), the bus runs quietly with no emissions, providing outstanding driving comfort and major benefits for the environment.

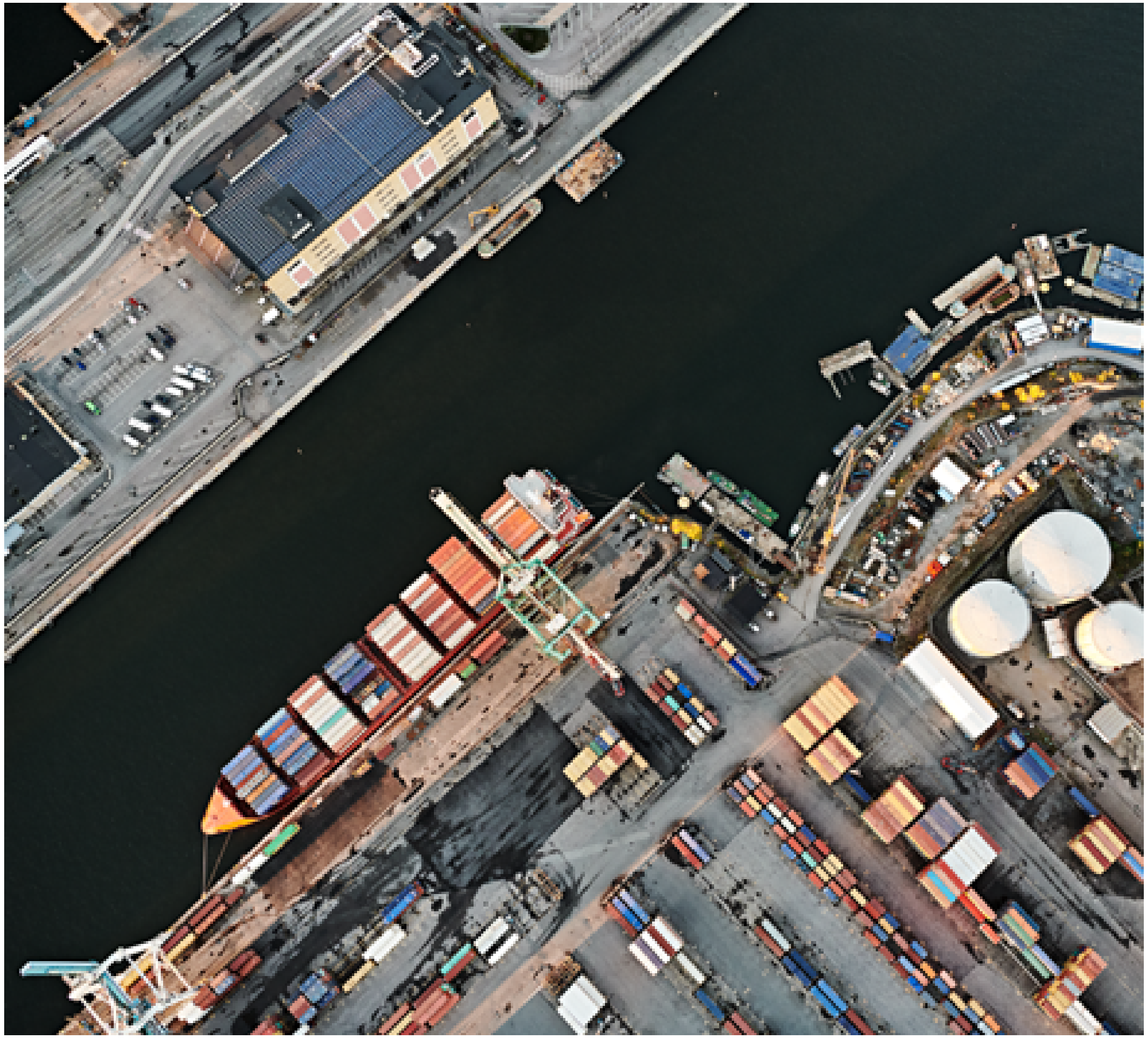
The bus is charged by electricity from an overhead pantograph, sourced from locally produced hydropower. A four-minute charge is enough to keep the bus running for the full 12-kilometre route.

> "We are betting on this e-mobility technology. It will be our future."
>
> Stefan Kalt, Director, RVBW

ELECTRIC TRUCKS TO ASKO

Electric trucks will soon be making food deliveries in Norwegian cities, thanks to a new agreement between Scania and Norwegian food wholesaler ASKO. Through the agreement, Scania will deliver up to 75 battery electric trucks to ASKO over the next three years. The agreement is part of a longstanding collaboration with ASKO exploring new electrification technologies. Scania and ASKO are also trialling another technical solution: hydrogen-powered fuel cell electric trucks and a hydrogen gas station in Trondheim, Norway.

> "Our goal is to have an emission free fleet of trucks by 2026. The battery electric trucks from Scania are an important step."
>
> Torbjørn Johannson, Chairman of the Board, ASKO NORGE AS



INDUSTRIES

By taking a holistic approach to industrial value chains, Scania is helping our customers eliminate waste, reduce costs and improve sustainability.

For industries, leaner logistics is the key to sustainable success. Margins are small, and transport economy is vital. Any waste or disruption along the chain means longer production times and higher costs, reducing profitability and impacting sustainability.

At Scania, we believe that developing transport solutions for industry customers calls for a holistic approach. We start by looking at all aspects of the production journey, from raw material to finished product. In this way we can identify blockages along the entire production line and devise a complete solution for the overall logistical flow.

Our solutions are supported by the latest technology. Data from our connected vehicles allows us to analyse industry flows in real time, pinpointing where inefficiencies lie and unlocking insights on how to correct deviations and eliminate waste. This also allows us to create highly customised services, from maintenance services that can predict exactly when repairs need to take place, to driver training programmes that reduce idling time and fuel consumption.

From mining and construction to agriculture and forestry, every industry has its own individual challenges. By working in close partnership with our customers, and using our deep understanding of industry flows, we develop flexible solutions tailor-made to suit the specific needs of each customer.

INDUSTRIES

OPTIMISING TRANSPORT FLOWS IN BRAZIL'S FORESTRY INDUSTRY

How can the Brazilian forestry industry develop more efficient, sustainable transport flows? To find out, Suzano, the world's largest market pulp producer has teamed up with LOTS Group, a Scania subsidiary focusing on industry transport solutions. Over the first five-year iteration of the partnership, LOTS has taken over responsibility for Suzano's inbound transport for the Três Lagoas pulp mill in Mato Grosso do Sul state, running 43 fuel-efficient Scania trucks with optimised payloads and highly skilled drivers, achieving class-leading fuel consumption.

Suzano and LOTS are also investigating operation of another transport flow with gas-powered trucks in a sugarcane operation. This would be the first time this fuel type has been used in this application in Brazil.

The idea is to use gas-powered trucks in Suzano's forestry operation as well, and tests are up and running. The use of gas-powered-trucks is expected to reduce CO_2 emissions by 18 percent compared to running diesel-powered trucks, with a greater reduction to follow with the introduction of biogas.

To further optimise the operation, the two companies are working together to develop a common roadmap for piloting and commercialising autonomous trucks in Suzano's transport flows.

HITTING THE ROAD WITH THE NEXT GENERATION POWERTRAIN

When it comes to reducing fuel consumption and CO_2 emissions in heavy industry flows, size matters. In industries such as construction or timber, large vehicles make for a more efficient use of energy than smaller vehicles that have to make multiple trips. However, bigger vehicles with heavier loads require more powerful engines to match – especially when dealing with adverse road and weather conditions. Which is where Scania's new V8 engine and gearbox comes in.

Lars Johansson, part-owner of Swedish transport company Johanssons Åkeri, has hauled timber from forest to sawmill on the icy roads of northern Sweden for nearly 30 years. For the past two of those years, he has been secretly testing one of Scania's new generation 590 hp V8 engines and the all-new G33 gearbox.

He's found it to be a powertrain combination that can make both timber and other heavy transport faster, safer and cheaper than before.

"Up here in the north, we have long winters," says Lars. "This means you have to have a good truck that can manage the forest. But the terrain can also be quite hilly when I reach the public road, and that places great demands on the gearbox, which has to work hard on all the gears. In this business it is very important to have trucks you can trust. You can't be stuck in the woods, many miles from the nearest workshop," he continues.

The new V8 engine and gearbox do not just have advantages in terms of reliability and performance – they also bring real benefits of fuel consumption and emissions. Fuel consumption can decrease by about six percent, and in some cases by even more. As Lars explains, that makes a big difference for the profitability of a transport company, as well as for the environment.

HYBRID COMMUTER FERRY SETS SAIL IN STOCKHOLM

Scania's electrification technology is proving to be a game changer for on-road vehicles in terms of reducing carbon emissions, but would not the technology also have the same benefits for marine vehicles? That was the idea behind a new project to repower the Swedish passenger ferry M/S Rex for hybrid operations. The project is a partnership between Scania and Blidösundsbolaget, a subsidiary of transport operator Transdev.

Built in 1937, the M/S Rex carries up to 150 commuters on the 75-minute journey between Stockholm and the island of Ekerö on lake Mälaren, on behalf of Stockholm Transport. The transport authority is aiming for 90 percent of all regional public transport vessels to be operated on fossil-free fuels by 2021, and the hybridisation of the M/S Rex is an important step towards that goal.

LOGISTICS

Can hauliers be both responsive and responsible? With Scania's transport solutions, they can.

In an era of e-commerce and just-in-time supply chains, operators are under pressure to provide fast deliveries. At the same time, as awareness of the environmental and social impacts of road transport grows, transport service buyers and their end-customers increasingly expect hauliers to operate sustainably. To stay competitive, hauliers must find a way to reconcile both of these demands. Scania's transport solutions are designed to address the challenge, helping our customers be lean, responsible and consumer-focused.

Scania truly understands our customers' business with our holistic overview of the industry and knowledge of logistical flows. We analyse issues such as fuel consumption, driver performance, fleet management, supply chain waste and harmful emissions. Based on these insights, we can then develop and provide the solutions that hauliers need to be both sustainable and profitable.

At Scania, we know that staying on the road is crucial to our customers' success – and we offer a range of services to increase uptime while ensuring sustainability. These include driver training, with techniques that increase fuel efficiency and road safety while significantly reducing downtime and operating costs. Reducing downtime is also the integral aim of Scania Maintenance with Flexible Plans, where vehicles are maintained based on actual usage.

Emerging technologies such as automation offer major advantages for long-haul transport, boosting uptime and improving safety, efficiency and cost savings. To prepare for the future, Scania is making significant investments in self-driving technology for heavy vehicles, including a programme to develop an autonomous hub-to-hub route in Sweden.

LOGISTICS

DRIVERLESS TRUCKS: THE FUTURE OF LONG-HAUL FREIGHT TRANSPORT

The future of driverless long-haul transport took a step closer to being realised in 2020, with the launch of a new partnership between Scania and self-driving technology company TuSimple. The companies will work together to develop and operate a 300 km autonomous hub-to-hub route between Södertälje and Jönköping in Sweden using Scania trucks. The test route is the first in Sweden to meet SAE Level 4 standards of automation, meaning that no human interaction with the vehicles is required.

The use of self-driving trucks offers customers powerful advantages for long-distance freight transportation and can increase safety and efficiency while reducing operating costs. It is also addressing the issue of shortage of drivers.

CUTTING CARBON EMISSIONS IN MALAYSIA

If you want to understand the impact that driving technique can have on reducing the carbon emissions, just ask long-haul operators in Malaysia. Here, Scania's customers have achieved a total reduction of 681,000 kg of CO_2, roughly the equivalent of planting 10,000 trees.

The reduction is down to improved fuel efficiency, achieved through a combination of fleet optimisation and driver training.

Scania Driver Services are based on Scania Fleet Management. The system allows Scania to analyse data on vehicle performance and driver behaviour in real time. Based on these insights, we can provide drivers with techniques to improve fuel efficiency, such as reducing idling and avoiding harsh braking. These bespoken services are complemented with vehicle and fleet optimisation to further reduce fuel consumption and increase margins.

> "In Malaysia, Scania and our customers have proven that sustainability and profitability can go hand-in-hand. This bodes well for the shift towards a more sustainable transport system in the country."
>
> Marie Sjödin Enström, Managing Director, Scania Southeast Asia

ELECTRIC DELIVERIES IN DENMARK

Scania has signed an agreement to deliver a fleet of hybrid electric trucks to Hørkram Foodservice A/S, one of the largest catering wholesalers in Denmark. Six hybrid trucks have already been delivered to Hørkram, and the wholesaler is so pleased with the results that thirteen more are currently on order.

The hybrid trucks can travel up to 10 km in pure electric mode, for silent and emission-free deliveries. The noise level of the trucks in electric mode is significantly below 78 dB. This enables deliveries to take place at night, easing congestion and improving road safety.

Around the world, digital technology is driving exciting new developments in sustainable transport – and Scania is at the forefront of this revolution.

TOOLS TO CHANGE THE WORLD

INNOVATION AT SCANIA

Think of an automobile manufacturer, and what do you see? Mechanical engineers in overalls working alongside robots on assembly lines? Or programmers writing code and designing algorithms? While both pictures are true to some extent, cutting-edge companies in the ecosystem of transport and logistics like Scania increasingly resemble tech businesses rather than traditional manufacturers. Today, Scania's Research and Development department has more engineers working in software development than in mechanical design, working with the hardware.

This shift reflects the rapidly changing nature of our industry, and the growing role that digital technology is playing in transport and mobility. IT specialists are increasingly attracted to the transport sector because they know it is an environment where their skills can have a significant impact on the world. Quite simply, transport is one of the most exciting industries for any ambitious software developer to be in right now. And if you really want to make a difference, there are few more exciting transport companies to work for than Scania.

Scania is driving the shift to a sustainable transport system – and digital technology is key to making that shift possible. In all parts of our business, in our markets across the world, technology is shaping new transport solutions that will help address some of the world's most urgent sustainability challenges, from urban mobility to climate change. To support this, we foster a dynamic, entrepreneurial working culture where everyone – no matter their background – can make a contribution.

> "The software engineers do the programming in the morning, and then go out and test it in the afternoon, in a vehicle, on the road. You can figure out what works and what doesn't very quickly, and make rapid course adjustments. That is one of the things that makes working at Scania so rewarding for developers. It is hard to get that kind of short-loop feedback anywhere else."
>
> Claes Erixon, Executive Vice President, Head of Research and Development, Scania

TOOLS TO CHANGE THE WORLD, CONTINUED

EXPLORING THE CHINESE MARKET

China has developed into one of the global leaders in innovation of transport, but also in fintech and e-commerce. That is why Scania has an Innovation Centre in Beijing as well as a Digital Business Lab in Shanghai. Scania Innovation Centre has the vision to better than anyone else understand the future transport system in China, and the surrounding markets, through university cooperation, partnerships and collaboration with stakeholders in the ecosystem. The Digital Business Lab focuses on learning more about the Chinese market, customer needs and competitor offerings, so that Scania better can build digital products and services tailored to the Chinese market. To boost innovation Scania China adopted a number of start-up processes and recently the Innovation Centre and Digital Business Lab teamed up on a five-day bootcamp to develop ideas and solutions for the Chinese market, including a tool for customers to assess driver skills. Key to Scania's success in China is to attract and retain the right people for employment and to ensure the fast-growing company has a dynamic mix of employees with different backgrounds, ages and origins. As an integral part of this effort Scania China has launched a broad Graduate Trainee Programme to develop future leaders and specialists. We have so much to gain from a deeper knowledge of the Chinese market – and we are ready to help ensure Scania stays at the forefront of the adventure that lies ahead.

BUILD, MEASURE, LEARN

Laura Dal Col is a manager in Scania Autonomous Transport Research department. We caught up with Laura to find out more about her job, and what she finds inspiring about it.

Can you give an overview of your role at Scania?

I manage a team that works in an area of autonomous transport known as HD maps (High Definition) and localisation. Our focus is on environmental perception, more specifically to estimate the location of the vehicle is within its environment.

How would you describe the way you work in your department?

In traditional manufacturing, products are developed over time in small incremental steps. But with disruptive technologies like automation, we do not have time to do that. Taking big steps and getting new products out there quickly is the only way to learn what works and be competitive.

Our mantra is build, measure, learn, in fast iterations. Have a plan, but do not plan too far ahead. And try to focus on the learning part. We might not have all the answers right now, but what we can do is learn really fast.

As a developer, what would you say are the advantages to working at Scania?

In pure software companies, developers focus on building the framework for autonomous driving, and then partner with vehicle companies to test their products. At Scania it is different, because we have the advantage of being able to develop the software and hardware together. There are not many other companies where new software services and products can be deployed so fast. Focusing on both the software and hardware at the same time is challenging, but it gives us an amazing opportunity to learn quickly.

How do you keep the customer in mind in your work?

In our team, we have a saying: "you have to create what the customer needs, not what the customer wants". Customer need is actually the starting point for all of our work. And that comes directly from The Scania Way, and in particular our core value, Customer First. The Scania Way is part of the history and legacy of our company, but it's just as relevant to our work in emerging technologies today.

What are the benefits of working in a diverse team?

Our team is very diversified in terms of competence and experience. That is very important when so much of our work is about trying out new angles and figuring things out for ourselves. Bringing different approaches and perspectives to the table is really crucial for our success.

What inspires you most about your job?

I honestly find it hard to imagine any job being more rewarding than the one that I have at the moment. And that is because the work we are doing is having a real impact on society. New technologies like automation, electrification and connectivity are reinventing transport. We are building a better and more sustainable transport system – and I feel really proud to be playing a role in that.

OUR PEOPLE ARE OUR FUTURE: DEVELOPING OUR CULTURE AND COMPETENCIES

Transport is changing – and Scania is changing with it. Throughout our business, we are embracing new ways of working and developing the diverse skill base we need to succeed.

Our industry is changing fast. As new technology disrupts the landscape, new competitors are emerging, and the needs of our customers are becoming much less predictable. To succeed in this rapidly evolving business environment, we are working to ensure we have the right working culture and skills in place to take on the future.

To do this, we are embracing new ways of working, adopting a more agile, entrepreneurial mindset. We are improving the diversity of our workforce, while fostering the kind of inclusive work environment that makes the most of the outstanding talent within our organisation. At the same time, we are ensuring we retain and develop the core skills that made our business great in the first place.

Delivering on our strategy depends on leadership, and a common vision. Through processes like Skill Capture and online learning portals, we are ensuring that our business transformation is led from the top, and embraced throughout our organisation. Scania is committed to a just and inclusive transition, and consider the cooperation with our employee representatives to be one of the keys in this journey.

START-UP CULTURE

Throughout our business, we are developing the probing, entrepreneurial mindset that today's transport business demands. Our Growth Capital exchange programme and Innovation Factory are just two examples of Scania initiatives that encourage this way of working.

Growth Capital exchange programme
Scania Growth Capital is Scania's venture capital fund, investing in high-growth companies with strategic relevance to the customers and partners in the ecosystem in the automotive- and transport industries. Through the Growth Capital exchange programme, we partner with companies funded by Scania Growth Capital to give Scania employees hands-on experience of the culture in a high-growth company. Through the programme, Scania employees are given a placement at one of the companies we invest in. The programme gives employees a chance to acquire vital new skills and an agile mindset, as well as for Scania to strengthen its partnerships and develop our entrepreneurial culture.

Innovation Factory
For Scania, being equipped for the future depends on having the entrepreneurial skills to turn bright ideas into business opportunities. For that reason, we created Scania Innovation Factory: an in-house accelerator programme that channels our employees' ideas and gives them experience of releasing new products and services to the market that could benefit Scania.

SKILL CAPTURE: HOW SCANIA IS HARNESSING THE POWER OF DIVERSITY

For Scania, diversity and inclusion is a strategic necessity. As our business landscape evolves, it is vital that we stay attuned to the changing needs of our customers, and be ready to explore new business opportunities and innovative solutions, created by emerging technology. To do that, we need a workforce that is truly diverse, with a broad range of skills, knowledge, backgrounds and experiences, and where this diversity can be fully used in an inclusive environment.

> "Diversity is like being invited to the party, but inclusion is also being invited to dance"
>
> Helle Bay, Executive Vice President, Head of Human Resources, Scania

At Scania, we achieve this through Skill Capture, our way of developing diversity and inclusion across all parts of our organisation. By improving our abilities, we are more innovative, efficient and attractive – all essential to lead in sustainable transport. It is not only about developing people processes, but also incorporating the Skill Capture mindset in everything we do, e.g. business development.

We are currently rolling out the Skill Capture programme globally, and continuously develop the programme through all the interactions with the people in the organisation as well as external partners.

OUR PEOPLE ARE OUR FUTURE, CONTINUED

DEVELOPING NEW SKILLS

As well as building on the skills we already have, we also need to develop new ones. Through Scania Academy, we provide a range of tailor-made programmes designed to help our employees foster and develop the knowledge and expertise they need in today's dynamic transport industry. These include our Front-end Developer Programme, which gives employees with no prior experience of software development the chance to gain valuable coding skills and begin a new career in IT.

"Since I joined the programme my professional career has taken a totally different path. I'm still learning new things every day."

Tina Tizro, graduate of Scania's Front-end Developer Programme

RAISING AWARENESS

Driving the shift calls for energy and total commitment. We want everyone across our business to feel inspired and motivated by our strategic direction. To raise awareness, strategy information is made accessible to all employees, alongside learning portals for a deeper learning of the focus areas in Scania's strategy. Another very tangible example of increasing the whole company's awareness, was during Scania's Climate Day in 2019, when operations stopped in more than 50 countries to learn more about climate change and to share ideas on how all employees can contribute to addressing climate change in their daily work.

STRATEGICALLY DEVELOPING THE RIGHT SKILLS

At Scania, we know that delivering on our strategy depends on having the right workforce in place. Through Strategic Workforce Planning (SWP), we take a strategic approach to developing skills and nurturing talent, ensuring we have the right people and competencies available when they are needed. SWP is our way of ingraining workforce planning into our strategic thinking.

OUR COMMITMENT TO SUSTAINABILITY LEADS THE WAY

For Scania driving the shift to a sustainable transport system begins with ensuring that sustainability is part of everything we do.

At Scania, there is no separate strategy for sustainability. Instead, sustainability is at the core of our business strategy aiming to align our targets and activities with sustainable development. Scania's overarching purpose is to drive the shift towards a sustainable transport system. To achieve this goal, Scania must do the right thing and act as a responsible business – environmentally, socially and ethically.

Scania's corporate focus areas for sustainability in the coming decade are defined by our social and environmental impact and in dialogue with our stakeholders. As part of Scania's business strategy, we have set three priority areas where we must deliver in order to operate sustainably in the future: carbon reduction, circular business and people sustainability.

In each of these areas, we have made ambitious commitments. Fulfilling them demands bold, transformative action across every part of our business, from our products and services, to how the company operates all the way to our business models.

Success in this journey rests on our ability to work cross-functionally. Established in 2016, Scania Sustainability Board (previously Sustainability Advisory Board) is Scania's forum for cross-functional coordination of sustainability, bringing together all parts of the company. It plays a key role to track progress on sustainability as part of the business strategy.

Expectations and requirements within the area of sustainability are constantly developing, and Scania´s understanding and ambitions needs to evolve in tandem with society. We need to be transparent about our challenges and constantly be open to seek out new and unexpected alliances to meet them.

Carbon reduction

CO_2 emissions are our main environmental impact, and the area where we can make the biggest contribution to sustainable development. To manage our climate impact, we are committed to reducing emissions throughout our entire value chain and across all relevant scopes. Through our science-based carbon reduction targets, we have set clear goals for carbon reduction and defined the areas we need to prioritise in order to achieve them. Read about the targets on page 15.

Circular business

At Scania, we believe that being a sustainable business depends on adopting a more circular economic model, where use of existing resources is maximised and waste is minimised all along the value chain. Circular business aligns with our core value, Elimination of waste, as well as our lean production system and our modularisation approach.

Circularity plays a role in our value chain and for our business model today, and we believe it will grow to become vital in the future. Therefore we are taking actions to gain a deeper understanding of the opportunities of a circular approach in the different parts of our value chain. This includes exploring new business models, working with our supply chain, extending the life of our products, optimising the use of resources and energy, maintaining product value as far as possible, remanufacturing spare parts and promoting recycling at the end-of-life product phase. As we move into an electrified transport system, we are also exploring business opportunities around recycling and reusing battery components and raw materials. Read more on our approach to batteries on page 17.

People sustainability

People and society depend on transport. Sustainable transport makes life better for people, strengthens economies and keeps society moving forward. Through our solutions, we are helping our customers address major social

challenges such as air and noise pollution, congestion, road safety and unequal access to transport.

Scania is dependent on people in everything we do, and we have an impact on the lives of millions of people every day, both directly and indirectly. At Scania, we believe that enhancing the positive impact we have on people and society, while assessing and minimising the negative effects, is integral to our mission to drive the shift to a sustainable transport system. Through our People Sustainability approach, Scania intends to move towards a sustainable offering with true positive impact on business, people and society, and to make this tangible to stakeholders.

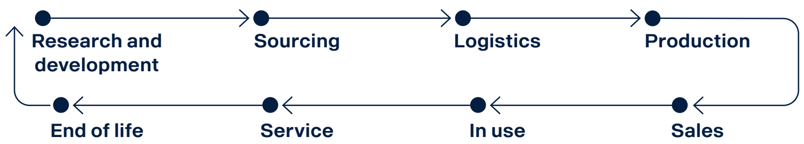
+ Read about Sustainability at Scania

MANAGING OUR IMPACTS

Scania is a global company working on five continents, with customers in more than 100 countries. Our operations and products have far-reaching impacts on people, society and the planet. We are committed to managing these impacts responsibly across our value chain.

+ Read about our sustainbility KPI's on responsible business on page 136

Life cycle



Every day, our operations and products impact millions of people, both directly and indirectly. For Scania, being a responsible business means understanding and managing these impacts across every stage in our value chain, from the way we source materials all the way through to the end-of-life phase of our products.

Actions towards fossil-free operations

Our science-based target to reduce carbon emissions from our own operations by 50 percent is key to our internal decarbonisation journey (see page 15).

One underlying target that will help us achieve the science-based target is the commitment to sourcing 100 percent fossil-free electricity for all of our production sites. In 2020, we met that target. All ten of our production sites worldwide are now powered by fossil-free electricity. Together, the ten plants consume nearly 450,000 MWh annually. The transition to fossil-free electricity will save around 33,000 tonnes of CO_2 every year.

While this is a major achievement, our truck cab production site in Oskarshamn has gone even further. In addition to fossil-free electricity supplying the facilities general energy needs, the complete site is now powered by fossil-free fuels, including its seven paint shop ovens. That makes Oskarshamn the first Scania production site to be 100 percent fossil-free also contributing to a reduction of around 12 percent of the total CO_2 emission from Scania production.

During 2020 Scania also reworked our biggest inbound logistics flows with great results. In the flow between Meppel and Angers, a CO_2 reduction of 59 percent is achieved.

Circular thinking is also key in reducing CO_2 emissions. We have a target to ensure that 80 percent of the plastic in our inbound packaging is made from recycled or bio-based plastic by 2025.

+ Read about our environmental work

Human rights

Scania is committed to respect human rights in our operations and in our supply chain, in line with the UN's Guiding Principles on Business and Human Rights. Human rights includes issues that have been core to Scania's operations for decades, such as a commitment to safety and health and high standards for rights at work. In 2020, Scania launched a new global Employment Policy, setting out our global ambitions as an employer within areas such as working hours, family responsibilities and work-life balance.

We are striving to integrate human rights into decision-making and to work in partnerships, increasing our leverage to uphold high standards globally. In 2020, Scania launched a Human Rights Policy to guide Scania on this journey and creates a clear commitment to do this in dialogue with our stakeholders.

Legislation for mandatory human rights due diligence is evolving rapidly through national and international initiatives. In 2020, we joined the multi-stakeholder campaign Visa Handlingskraft, encouraging an aligned approach to mandatory Human Rights Due Diligence at an EU-level.

Understanding the impact of raw materials

The lack of reliable data around the impact of raw materials is one of the main barriers to responsible sourcing in our sector. To address this challenge, we have been working alongside our partners in Drive Sustainability to develop the Raw Materials Observatory: a process for assessing risks and increasing transparency in the raw material supply chains. The results of the first round of raw material assessments were presented in the Material Change report, commissioned by Drive Sustainability. Based on this assessment, a raw material human rights management system was created within the Volkswagen Group. Working together increases our capacity to obtain transparency in the supply chains and our ability to mitigate the risks.

Read more about our approach on raw materials in batteries on page 17 and risk management on page 48.

Scania sources materials, parts and other resources from around 1,000 direct and more than 10,000 indirect suppliers around the world. We are committed to assessing and mitigating human rights risk throughout our supply chain. Working with our partners in the Volkswagen Group, we have developed a group-wide approach that increases our leverage and ensures greater transparency on human rights challenges. As part of this approach the Volkswagen Group has a joint management system for sustainability rating for suppliers. In 2020 a management system for raw materials was established. In 2021 the approach will be completed with a system for human rights due diligence covering other materials outside the raw materials scope.

+ Read about Human Rights Management at Scania

Being a trusted partner

Driving the shift depends on building partnerships based on trust and credibility. To earn that trust, it's essential that we act with integrity and to the highest ethical standards.

Scania's standards for business ethics are set out in our Code of Conduct. Together with our core values and our leadership principles, the Code of Conduct provides the ethical framework that guides all our decisions as a business. The function Group Compliance advises the Scania organisation on business integrity matters globally. It also manages a comprehensive business ethics programme, including a new tool and process for due diligence of sales intermediaries. Group Compliance as a global function has the role to advise, train and see to that the organisation is equipped to uphold these standards.

Highlights from 2020 include the Responsible Business Week in Brazil, an event raising awareness of the importance of conducting responsible business for sustainable development. Topics from several functions were discussed during the event, ranging from anti-corruption and competition law compliance to diversity and inclusion, harassment and data protection. We also continued our global roll-out of Code of Conduct training, which is now available in 34 languages.

+ Read about our work in Business Ethics

CORPORATE GOVERNANCE

Scania AB and its direct wholly-owned subsidiary Scania CV AB (together "Scania") maintains 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 Chapter 6, Section 7 of the Annual Accounts Act.

Owner and shareholders

Shareholders of Scania that hold more than 10 percent of the voting rights on 31 December 2020 are TRATON SE and its subsidiary MAN SE. TRATON SE holds 86.65 percent of the shares in Scania AB and MAN SE holds 13.35 percent of the shares in Scania AB. TRATON SE thus directly or indirectly owns and controls 100 percent of the shares in Scania.

TRATON SE is a subsidiary of Volkswagen AG and is listed on the Frankfurt Stock Exchange and the Nasdaq Stockholm Stock Exchange. Both Scania and TRATON are members of the Volkswagen Group.

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

The Notice convening the AGM shall be issued no earlier than six and no later than four weeks before the meeting. A Notice convening an Extraordinary General Meeting (EGM) shall be issued no earlier than six and no later than three weeks before the meeting. In accordance with the Swedish Companies Act and Scania's Articles of Association, the composition of the Board of Directors is decided by election. Decisions at the AGM are usually made by simple majority. In some cases, such as an amendment to the Articles of Association, however, the Swedish Companies Act or the Articles of Association stipulates either a certain level of attendance in order to reach a quorum or a qualified majority of votes. During 2020, the AGM did not authorise the Board of Directors to resolve on the issue or repurchase of shares.

The Board of Directors

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

In addition to those members of the Board of Directors who are appointed pursuant to Swedish law by a party other than the AGM, the Board of Directors shall comprise a minimum of three and a maximum of eleven members plus a maximum of two deputy members. The members are elected each year at the AGM for the period up to the end of the next AGM. Scania's Board of Directors is composed of eleven elected Board members and no deputy members.
On 31 December 2020, they were:

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

Matthias Gründler is the Chairman of the Board of Directors. In addition, the trade unions at Scania have according to Swedish law appointed four Board members and two deputy members for them. On 31 December 2020, they were:

Mari Carlquist
Mikael Johansson
Lisa Lorentzon
Michael Lyngsie
Bo Luthin, deputy member
Mikael Svalefors, deputy member

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

The Audit Committee
Scania's Board of Directors have established one working committee, the Audit Committee, to which the Board of Directors appoints the members from among its own members. The Audit Committee monitors issues related to administrative processes, refinancing and treasury operations. Its brief also includes discussing and evaluating the company's application of important accounting issues and principles and the company's financial reporting, as well as evaluating the auditors and approving the use of external auditors for non-auditing-related services.

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

The Audit Committee also regularly receives reports regarding internal audits and the state of the internal controls and risk management systems.

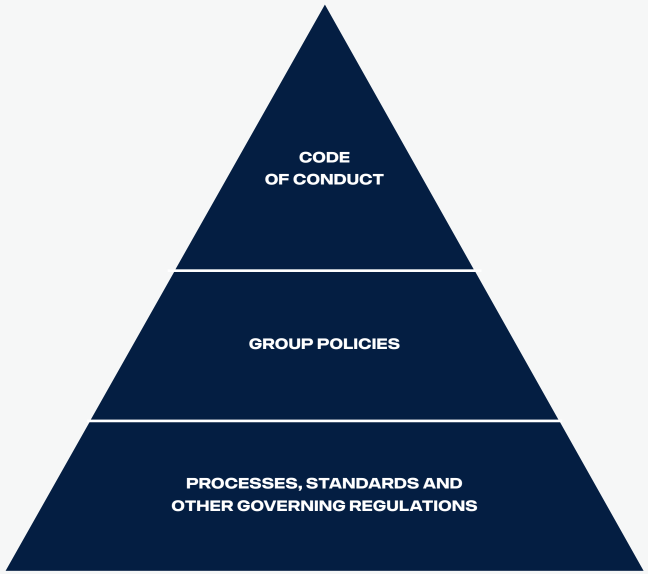
The Audit Committee shall also receive and discuss complaints concerning accounting, internal controls or auditing in the company.

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

External auditors
At Scania, the independent auditors are elected annually by the shareholders at the Annual General Meeting, for a period until the end of the next financial year's AGM. The auditors report to the shareholders at the company's AGM.

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

CORPORATE GOVERNANCE, CONTINUED



Hierarchy of governing documents within Scania

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

Internal audit
Scania Group's Internal Audit, whose main task is to independently monitor and review the internal control, risk management and governance of Scania, prepares a report at least twice a year to Scania's Audit Committee. The report is also shared with the CEO and the Executive Board. Group Internal Audit reports functionally to the Audit Committee and administratively to the CEO. Group Internal Audit performs risk-based and by regulation required reviews according to an annual audit plan.

The management of the company

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

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

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

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

At the Top Management Meetings, the Executive Board communicates the Scania Group's strategic direction, which serves as the foundation for the Scania Group's business and operating plans.

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

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

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

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

The Executive Board
Next to the President and CEO is the Executive Board. The Executive Board makes joint decisions in compliance with guidelines approved by the Board of Directors and the instruction on the division of labour between the Board of Directors and the President and CEO.

CORPORATE GOVERNANCE, CONTINUED

The Executive Board decides on issues in its area of competency that are of a long-term and strategic nature such as the development of the company, research and development, purchasing, overall human resource matters, environmental work, marketing, pricing policy, capital expenditures and financing. The Executive Board also prepares such issues that shall be decided by the Board of Directors.

The Executive Board meets every week. When necessary, considering amongst others market developments, the strategies are summarised from a global perspective and updated at such meetings.

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

Control environment
Internal control at Scania is based on the decisions on organisational structure, powers and guidelines made by the Board of Directors. The Board of Directors' decisions have been transformed into functioning management and control systems by the Executive Board.

Organisational structure, decision-making procedures, powers and responsibilities are documented and communicated in governing documents, such as policies, standards and other regulations. Also included in the basis for internal control are group-wide accounting and reporting instructions, instructions regarding powers and authorisation rights as well as manuals. The Group reporting system for integrated financial and operational information is another central element of the control environment and internal control.

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

Risk assessment and control activities
Risk management and risk assessment are integral elements of the business management and decision-making processes. For a closer description of the risk management and how it is run at Scania, please see section Risk and risk management, page 42. The controller organisation, like financial responsibility, follows the company's organisational and responsibility structure. Risk areas identified in financial reporting are handled and scrutinised via Scania's controller organisation.

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

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

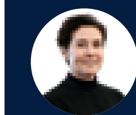
Monitoring
Scania monitors compliance with the governing documents and the effectiveness of the control structure. Monitoring and evaluation is performed by the company's corporate controller departments in industrial operations, all sales and services companies, and finance companies. In addition, starting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

During the 2020 financial year, in its control and investigative activities, Scania prioritised areas and processes with large flows and values as well as selected operational risks. Monitoring compliance with the Scania Group Policies remained a high priority area, along with units undergoing changes.

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

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

+ Read about corporate governance at Scania



Sofia Vahlne
Head of People Strategy and Labour Relations, Scania

What are the biggest challenges within corporate governance?

Scania has always had a decentralised way of working. This allows us to keep close to our customers and make decisions that are right for them. However, it can be challenging to implement global standards for corporate governance in a way that does not interfere with this. It is about finding the right balance.

As our external environment grows more complex, new areas of responsibility are emerging. So another challenge is to make sure we coordinate between all our functions effectively, so that our organisation can keep on top of what is happening and plan accordingly.

Why is it important to have a corporate governance structure?

Our business landscape is growing more unpredictable, and that makes it increasingly important to have global minimum standards around corporate governance, along with our core values. When we have clearly defined governance processes, it is easier for all of us to understand how to act with integrity in any situation.

What advice would you give Scania employees?

The most important thing is to keep Scania's purpose and our core values in mind. These should be our guiding star, and I think they go a long way in helping us decide how to act in our daily work. But it is also really useful to have corporate governance as a reference, so we can get more details whenever we need it.

MARKET TRENDS AND PERFORMANCE 2020

2020 was dominated by the effect of the global outbreak of COVID-19, impacting people and businesses all over the world. For Scania, the first half of the year saw lower demand and decreased production due to component shortages and disruptions in the supply and logistics chain as a result of the COVID-19 virus outbreak. Despite the impact of the pandemic we remained focused on our purpose and strategy and in September we launched our first fully electric truck range.

Vehicles and services

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

The truck market

The impact of the pandemic resulted in a sharp drop in demand for trucks in the first half of 2020. However, demand picked up significantly in the second half of the year, and is currently very strong in most regions.

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

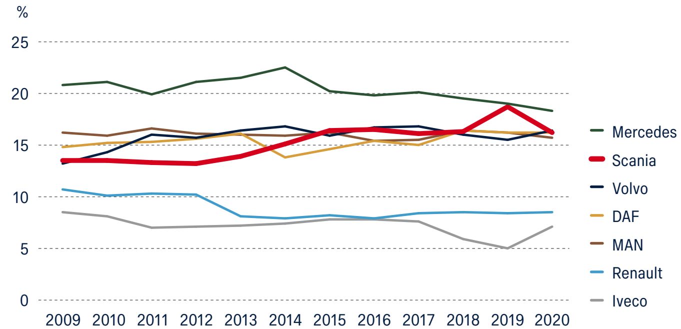
Europe

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

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

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

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



Latin America

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

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

Scania's truck deliveries in Latin America decreased by 18 percent in 2020, and amounted to 12,173 (14,905) trucks.

MARKET TRENDS AND PERFORMANCE 2020, CONTINUED

Eurasia, Asia, Africa and Oceania

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

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

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

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

The bus and coach market

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

Scania's bus and coach deliveries in 2020 totalled 5,186 units compared with 7,777 in 2019, a decrease of 33 percent. In Europe, deliveries decreased by 13 percent compared with 2019 to 1,827 units. In Latin America, deliveries decreased by 36 percent to 2,182 units. In Asia, deliveries decreased by 45 percent to 582 units, while deliveries of buses and coaches in Africa and Oceania decreased to 511 units. Deliveries to Eurasia decreased to 84 units.

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

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

The engines market

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

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

Services

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

In Europe, service revenue decreased by 2 percent compared with 2019 to SEK 19,419m. There were also decreases in Latin America (down 23 percent to SEK 2,554 m.) Eurasia (down 16 percent to SEK 829 m.), Asia down 8 percent to SEK 2,606 m.) and Africa and Oceania (down 10 percent to SEK 1,724 m.).

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

MARKET TRENDS AND PERFORMANCE 2020, CONTINUED

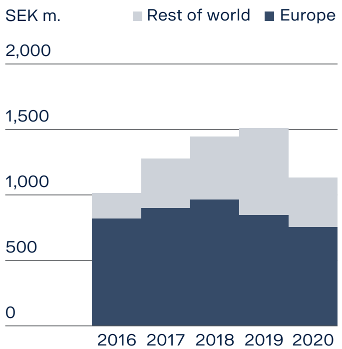
Financial services

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

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

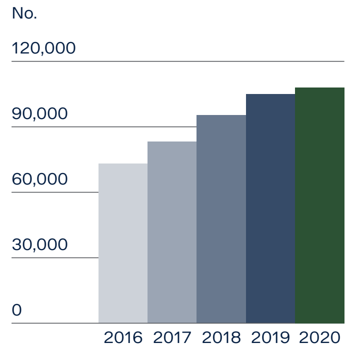
Operating income Financial Services

Operating income in Financial Services for 2020 decreased to SEK 1,123 m. (1,511). Currency effects and lower margins impacted earnings negatively, which was partly offset by a larger average portfolio and a lower cost level.



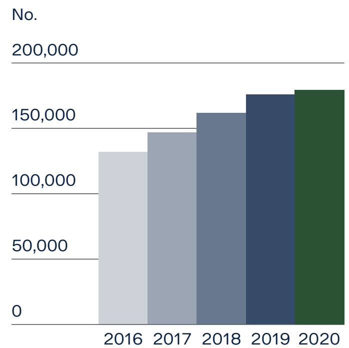
Insurance contracts

There was an increasing demand for Scania's insurance solutions during 2020. Efficient claims management and fast repairs in Scania's service network are the core of the offer.



Finance contracts

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



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.

MARKET TRENDS AND PERFORMANCE 2020, CONTINUED

Our employees

Ensuring that, regardless of their job and location, all employees feel valued and dedicated, have job satisfaction and have a sense of well-being at work is an important task for managers at all levels of the organisation. In 2020 Scania implemented new global minimum standards for employees, including an Employment Policy and a Human Rights Policy. Scania's systematic efforts to monitor job satisfaction also include a single common survey – the Employee Satisfaction Barometer – that includes three specific questions on employees' views of Scania as a diverse and inclusive company. Scania is convinced that diverse and inclusive work groups, reflecting diversity in areas such as gender, ethnicity, background and skills, are key to success and therefore aims to work for a more diversified workforce in all of its operations.

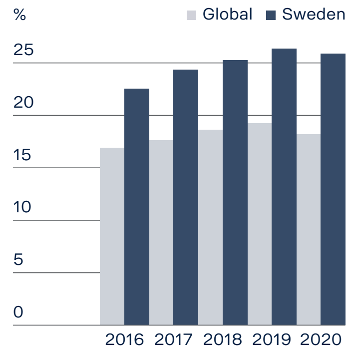
The safety and health of all Scania employees is a top priority. Scania prevents work-related injuries and ill health, and promotes well-being at work by creating good working conditions. We work together with employees to continuously improve standards of health and safety in our workplaces. In this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

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

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

Share of female managers

Diversity is important to Scania. Within the Skill Capture programme, Scania has taken a number of actions to increase the number of women in managerial positions.



Production

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

Extensive measures to address structural cost were initiated in the second quarter and reviewing Scania's industrial and commercial operations led to the decision to close down the bus and coach production in Lahti, Finland and the regional product centre in Bangkok, Thailand.

MARKET TRENDS AND PERFORMANCE 2020, CONTINUED

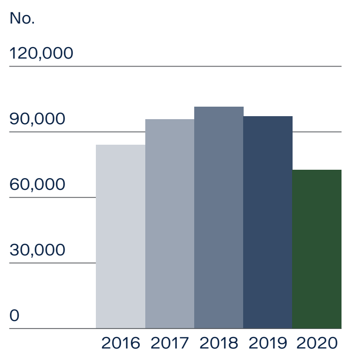
In 2020, Scania took a major step forward in its expansion into the Asia market with the establishment of a wholly-owned truck production facility in Rugao in Jiangsu Province, 150 km northwest of Shanghai. The construction of the new site is planned to start during 2021. The investment is part of Scania's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

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

To support the production of Scania's new powertrain platform, Scania is putting several new production facilities into operation, including a foundry, new lines for engine assembly for the new engine generation and the new gearbox GW.

Vehicles produced

During 2020, Scania produced 72,536 vehicles (96,995).



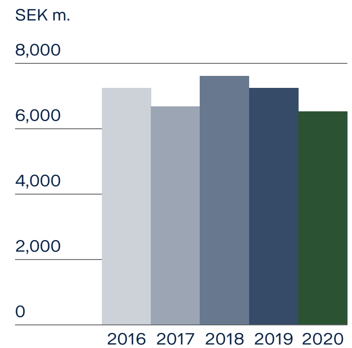
Research and development

The aim of Scania's research and development organisation is to develop sustainable solutions that improve productivity and profitability in customer operations based on low fuel consumption, high vehicle uptime and low service costs, combined with good performance. Scania puts significant investment and resources into research and development, which is concentrated at the Scania Technical Centre in Södertälje. In 2020, Scania invested SEK 6.5 bn in research and development (7.2), which corresponded to 5 percent of net sales.

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

R&D Investments

Scania maintains a high level of investment to strengthen the product portfolio in the coming years.



SUSTAINABILITY REPORT STATEMENT

In accordance with the Swedish Annual Accounts Act 6 Chapter 11§, Scania AB has chosen to draw up the Sustainability Report as a report separated from the Annual Report. The extent of the Sustainability Report can be found on page 142 of this document.

RISK AND RISK MANAGEMENT

Purpose of risk management within Scania

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

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

+ Read about risk and risk management

How we drive risk management within Scania

On behalf of Scania's Board of Directors, the Executive Board has the overall responsibility for risk management within Scania.

However, as the business operations are exposed to risks that need to be managed, they are responsible for identifying and assessing key risks, assuming risk ownership and managing risks, as well as periodically reporting risks to the Executive Board via the central support function Group Risk Management. The roles and responsibilities within Scania's risk management are illustrated and described to the right.

Scania Group promotes a risk awareness culture which is characterised by openness and encourages people throughout the organisation to speak up and discuss the risks the Group is facing. Transparency is fundamental for dealing effectively with risks and avoiding blind spots, i.e. 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.

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

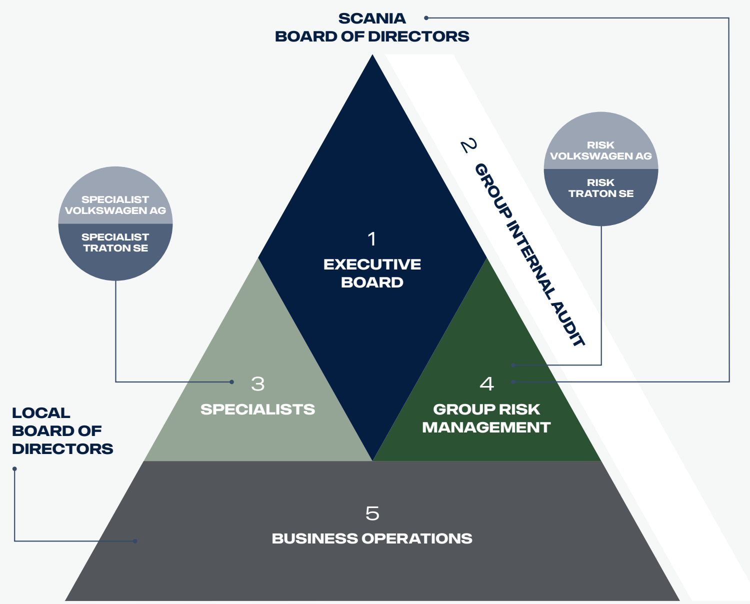
1
- Foster a sustainable risk culture
- Ratify key components of the group-wide risk management programme
- Discuss risks and assume ownership of group-wide risks
- Assume responsibility for core process and cross-functional risks
- Evaluate that strategies for managing group-wide and cross-functional risks have been developed to reach acceptable risk levels

2
- Provide assurance on the effectiveness of the risk management programme, the controls and risk response plans for significant risks

3
- Provide guidance and support to the central support function Group Risk Management and business units on specific topics

4
- Compile risk information for transparent reporting
- Identify and assess group-wide risks for escalation
- Monitor risks and risk response plans
- Facilitate assessment and mitigation activities for cross-functional and group-wide risks
- Create and maintain a common risk management framework
- Provide direction and support on how to apply the framework
- Provide guidance and training programme

5
- Identify and assess key risks
- Assume risk ownership and manage risks
- Monitor risks and report to Group Risk Management
- Escalate emerging risk issues



Roles and responsibilities within Scania's risk management

RISK AND RISK MANAGEMENT, CONTINUED

Risk process

The risk process ensures that Scania has a transparent, systematic and hands on approach to risk management.

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

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

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

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

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

Risk process in 2020

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

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

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

The four phases in the risk process

Emil Bojvall

Electrification Officer R&D, Scania

How is risk management supporting Scania?

In the electrification team, we use risk management as a structured way to identify what really matters to us in reaching the 2025 strategic targets. We can monitor KPIs and work with scenarios in a proactive way, which helps us take the right decisions going forward.

What risks have you identified related to electrification?

Some risks are related to customer adoption of electrified vehicles, and whether customers feel the charging network has built up to the point where they are comfortable making the switch. Operating costs will be a lot lower with electrification, so we are also looking at how the shift in business model might change customer behaviour and the risks involved in that.

How does risk management contribute to delivering Scania's strategy?

The world of electrification is moving fast, and our electrified solutions and the way we do business with our customers are constantly evolving. Risk management is really useful for helping us zoom out and see the big picture of how this connects with strategy, in terms of the big strategy picture, as well as supporting individual projects.

Mats Harborn

President, Scania China Group

How is risk management supporting Scania?

Scania has made a strategic bet on China, based on a number of assumptions that we think are very well founded. But it is important that we consider these assumptions in a methodological way. Our risk discussions have been really useful in assessing which of these assumptions are more critical to our success than others, as well as sharpening our thinking around our strategy in general.

What risks have you identified related to China?

One of the risks we face is that we do not connect our other strategic focus areas to the China developments. That is because what happens in China will affect all the other parts of our strategy. Other key risks include geopolitical issues, and ensuring that our Scania Way and values are embedded in how we act in our China organisation.

What are the learnings so far?

Our risk assessment work has taught us how important it is to keep an eye on our identified risks in a very structured way. We have performed workshops in cross-functional groups to examine some of our assumptions around megatrends more closely in order to be able to take considered decisions going forward.

RISK OVERVIEW

STRATEGIC PRIORITIES

Leader in sustainable transport
Top employees
Volume growth
Customer satisfaction
Profitability

Risk category	Strategic priorities	Context/Potential impact	Management actions/Mitigation
Strategic risks			
Geopolitical risks		As a global company Scania might operate in markets with political volatility, conflict and social unrest which may impact Scania's ability to trade in concerned markets/areas. In 2020 this includes for example quarantines and other restrictions due to COVID-19 pandemics, an escalation of the US-China tensions and Brexit.	As geopolitical events can influence market conditions, more is required from Scania to uphold standards to manage adverse environmental and social effects. Assessing and understanding the risks through the conduct of effective risk assessments helps mitigate risk exposure. For example, Scania has established a cross-functional organisation for Brexit to ensure awareness and that preparations are undertaken to mitigate the risk.
Business development risks		The transport industry is facing new technologies, business models, competitors, and global trends such as digitalisation which combined create a highly disruptive environment. These factors are transforming Scania from a heavy commercial vehicle manufacturer into a provider of transport and logistics solutions. Hence there is a risk related to the ability to respond to specific customer needs with tailored products and services, and the availability of technological innovations that respond to the major trends of the industry (i.e. Connected, Autonomous and Electrified vehicles). The complex supply chain related to battery production involve increased social risks for example human right violations, labour issues and discrimination.	Risks associated with business development and long-term planning are mainly managed through Scania's cross-functional meeting structure, which brings together various departments for decision-making of a strategic and tactical nature, and also through the annual process established by Scania for strategic planning. Such planning is not a static process and is in fact discussed and challenged throughout the company, based on external and internal considerations. All units and levels of the company are involved in the strategic process. Achieving our strategy and targets also demand close partnerships and collaboration across the whole ecosystem of transport and logitistics. Through a culture of integrity and speak up all that is unclear and queries are to be identified and discussed openly. It also means that the risk of uncertainty and lack of clarity concerning the company's strategy and business development can be managed in a precise and efficient way. In addition to this Scania continuously investigates new areas that may be of interest connected to the future development of the ecosystem of transport and logistics. Research and development projects are also revised continuously, based on each project's technological and commercial relevance.
Business model and strategy related risks		There might be a risk that the current business model and strategy will not support Scania to protect, create value or to further strengthen the value proposition for stakeholders and in our commitment to climate and people.	Scania is regularly monitoring, evaluating and challenging our business model and strategy in order to ensure Scania achieves its ambition to drive the shift towards a sustainable transport system and our commitment to the Paris agreement. Aspects of uncertainty, complexity and volatility are important to stay relevant to the society, customer, capital market and other stakeholders today and in the future. For further information see page 8, 9 and 14.
Corporate governance and policy related risks		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 this system is well documented. Management systems are continuously being improved, through day-to-day work and through regular review internally and by third parties. The central support function Governance, Risk and Compliance is in place to support both Executive Board and line managers in reducing risks by providing knowledge in terms of governance, training and advice. For further information see Corporate Governance on page 33.

RISK OVERVIEW, CONTINUED

STRATEGIC PRIORITIES

Leader in sustainable transport
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Risk category	Strategic priorities	Context/Potential impact	Management actions/Mitigation
Financial risks			
Refinancing risks	Customer satisfaction, Profitability	Access to competitive funding is critical and to a large extent dependent on Scania's credit rating on the financial markets. A downgrade of Scania credit rating would increase Scania's cost of funding which in turn could affect the company's profitability.	Refinancing risks are managed in accordance with Scania Group Policy – Treasury, reviewed every year by Scania Audit Committee. As part of Scania's management of refinancing risk, there are two committed credit facilities: one in the international borrowing market and one supported by TRATON SE. For further information see Note 27.
Credit risks	Customer satisfaction, Profitability	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 thereby 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 Scania Audit Committee. Transactions occur only within established limits and with selected, creditworthy counterparties. Scania sales are distributed among a large number of end customers with a geographic dispersion, which limits the concentration of credit risk. For further information see Note 2 and Note 27.
Currency and interest rate risks	Profitability	Currency exposures result from the widely spread geographic sales of products and the more concentrated production operations. Currency and interest rate movements may result in negative effects on earnings and balance sheet items. Interest rate risk may occur from interest rate-sensitive assets and liabilities.	Currency and interest rate risks are managed in accordance with Scania Group Policy – Treasury, reviewed every year by Scania Audit Committee. To improve visibility and manageability, Scania generally concentrates currency exposures to its major industrial operations in Sweden and Brazil. Regarding the commercial currency flows in Vehicle and Services, Scania works primarily with adjusting prices to compensate for exchange rate fluctuations. According to the Scania Group Policy, Scania management may hedge future currency flows but are used only to a limited extent. The net foreign assets of subsidiaries are normally not hedged. However, to the extent a foreign subsidiary has significant net monetary assets in functional currency, they may be hedged. In Financial Services currency flows are hedged using derivatives. The goal of interest rate risk management is to largely reduce these risks using derivatives. In Financial Services receivables and liabilities should match in terms of interest rates and maturity periods. For further information see Note 27.
Tax risks	Profitability	Scania is subject to various taxes in multiple jurisdictions. A certain degree of judgement and estimation is required in determining Scania Group's provisions for income tax, sales and use tax, value-added tax, and other taxes. Additionally, Scania and its subsidiaries are involved in a number of tax cases, and disputes. For further information, see Note 2. None of these cases is deemed capable of resulting in a claim that would substantially affect Scania's financial position.	Scania has central and local resources that ensure compliance with current legislation and take an active part in tax related issues and assist with tax expertise. Furthermore, in addition to statutory audits, Scania is regularly audited by tax authorities, who may disagree with Scania's tax treatments. Although Scania believes its tax estimates are correct, the final determination of tax audits or reviews could differ from our tax provisions and accruals. As a result, Scania may be subject to additional tax liabilities, interest, penalties, or any regulatory, administrative, or other sanctions relating thereto. Tax risks above a certain level are monitored and reported regularly to management. Once a year, a report is submitted to the Audit Committee of the Board of Directors.

RISK OVERVIEW, CONTINUED

STRATEGIC PRIORITIES

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Risk category	Strategic priorities	Context/Potential impact	Management actions/Mitigation
Financial risks, continued			
Insurance risks	Profitability, Volume growth	Scania is within our global operations exposed to various risks which could potentially affect the balance sheet if not transferred to external insurers. Not all risks can be transferred but for selected insurable risks we seek to minimise Scania's exposure.	Scania works continuously with the identification, analysis and administration of insurable risks, both at Group and local level. A central function is responsible for the Group's global insurance portfolio. Customary Group insurance policies to protect the Group's goods shipments, assets and obligations are arranged in accordance with Scania's governing document. Local insurance policies are obtained in accordance with the laws and standards of the country in question. When needed, Scania receives assistance from outside insurance consultancy companies with identifying and managing risks. Insurance is obtained only from well-reputed insurance companies, whose financial strength is continuously monitored. Risk inspections, mainly focusing on physical risks, are performed yearly in most cases at all production units and at a number of Scania-owned sales and services units/workshops according to the standardised Scania Blue Rating Fire Safety system. This work maintains a high loss prevention level and a low incidence of claims.
Legal & Compliance risks			
Legal actions and administrative proceedings	Leader in sustainable transport, Customer satisfaction, Profitability	Scania is affected by legal proceedings as a consequence of the company's operating activities. This includes alleged breaches of contract, non-delivery of goods or services, producer liability, patent infringement or infringements related to other intellectual property, or alleged violations of laws and regulations in force. Some of the associated risks may be able.	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. For further information see Note 2.
Contracts and rights risks	Leader in sustainable transport, Customer satisfaction, Profitability	Administration of contracts, essential rights and legal risks occur in the normal course of operations. Scania's operations include a wide variety of intangible licensing agreements, patents and other 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 Group Risk Management to support with advisory and guidance in legal, commercial, patent, licensing and other matters. For further information see Note 2.

RISK OVERVIEW, CONTINUED

STRATEGIC PRIORITIES

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Risk category	Strategic priorities	Context/Potential impact	Management actions/Mitigation
Legal & Compliance risks, continued			
Risks related to new and changed laws and regulation	Leader in sustainable transport, Profitability, Volume growth	Different countries' legal systems and major changes in laws and regulation (e.g. environmental laws, safety standards, data privacy, trade laws, and export control regulations with extraterritorial effect) may have features that threaten the comprehensive position and its capacity to efficiently conduct business as well as the capacity to consummate important transactions, enforce contractual agreements or complement specific strategies and activities.	Scania monitors all markets continuously for early warning signs, which means the company can make the necessary changes to its marketing strategy. In addition, Scania's local and central specialist functions provide guidance and support regarding new and changed legislation to mitigate the risk.
Business ethics and compliance risks	Leader in sustainable transport, Customer satisfaction, Top employees, Profitability	Scania needs to address anti-money laundering, fraud, embezzlement, anti-corruption and adherence to applicable competition laws in a systematic and transparent way. Scania's operations also include the provision of financing and insurance services, which must comply with the rules set out by financial supervisory authorities and other competent authorities.	Scania has specialised personnel both centrally and locally to support the business to monitor and manage these risks. Group Compliance Management, Group Risk Management and Group Internal Audit are the main functions that support the businesses to achieve those targets. In addition, the governing regulation structure that starts with the Scania Code of Conduct, contains a set of binding rules and guidance regarding responsible behaviours for all Scania Group employees. For further information see page 32.
Trade barriers, export control and sanctions risks	Leader in sustainable transport, Customer satisfaction, Volume growth	Changes in foreign trade policy and trade barriers, as well as governments or international bodies imposing sanctions on countries, goods and services, or persons, impedes our opportunities to do business. Failure to comply with sanctions could result in significant fines and penalties. As a global company, Scania needs to manage conflicting sanction regulations.	All entities within the Scania Group conduct their business in accordance with national and international laws and regulations, including but not limited to export control legislations and sanctions regulations of all relevant jurisdictions and regimes in which we operate as well as Scania's Code of Conduct.
Human rights risks	Leader in sustainable transport, Top employees, Profitability	Scania encounters contexts with human rights risks throughout the value chain. The COVID-19 pandemic might cause economic downturn, pressure on social safety systems and social unrest affecting the context for human rights. This is an area which is impacted by legal development for human rights due diligence and expectation on companies to disclose information on human rights challenges etc.	Management of human rights includes a twofold perspective; to manage risk that Scania causes, contributes or is linked to negative impact on human rights, and to manage reputational and legal risk to Scania as a company. One of Scania's core values is "Respect for the individual". This together with Scania's human rights policy in place, is guiding the daily work and strives to integrate business and human rights into relevant process including Scania's Due Diligence Programme. Furthermore, Scania maintains dialogue with relevant internal and external stakeholders. For more information on how Scania manages human rights risk as part of its supply chain sustainability programme, see Supply chain risk on page 32.

RISK OVERVIEW, CONTINUED

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Risk category	Strategic priorities	Context/Potential impact	Management actions/Mitigation
Business risks			
Market risks	Leader in sustainable transport, Volume growth	The commercial vehicle industry is influenced by external impact such as competition, price, political conditions as well as potential financial downturn which may result in both opportunities and risks regarding the demand for Scania's products. In addition Scania delivers some of its vehicles with repurchase obligations, where Scania thus has residual value exposure. There is also residual value risk for short-term rental vehicles with an estimated residual value. Further, a large proportion of Scania's sales of parts and workshop hours occurs through repair and service contracts. Selling a service contract involves a commitment by Scania to provide servicing to customers during the contractual period in exchange for a predetermined fee.	Scania can partly address the fluctuation in the demand for our products by well-diversified sales in more than 100 countries, which limits the risk in relation to each individual customer and market. Furthermore, Scania continuously manages and oversees existing contractual obligations towards customers which otherwise could result in challenges to properly forecast future asset values of used vehicles. The cost of the contract is allocated over the contractual period according to estimated consumption of service, and actual divergences from this are recognised in the accounts during the period. From a portfolio perspective, Scania continually estimates possible future divergences from the expected cost curve. Negative divergences from this result in a provision, which affects earnings for the period. For further information see Note 2.
Information risks	Leader in sustainable transport, Customer satisfaction, Profitability	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, or cyber attacks etc. If not properly managed Scania might be exposed to the risk of information being revealed to unauthorised person(s) or intentionally/unintentionally changed, corrupted or lost.	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 information security management system (ISMS) as well as a combination of the latest hardware and software technologies and effective IT organisational mechanisms. Furthermore, Scania has a central specialist function for Information Security, which is responsible for the introduction and follow-up on Scania's information security policy.
Supply chain risks	Leader in sustainable transport, Customer satisfaction, Top employees, Volume growth	If one or more suppliers are unable or unwilling to fulfil delivery obligations, for example due to supply shortages, labour strikes, capacity allocation to other customers, or financial distress of the supplier, Scania might face the risk of production downtime, increased production costs, delays and loss of customer confidence. Furthermore, with a more global supply chain and changes in technology, for example focus in electrification, there are sustainability risks such as adverse effects on the environment, health and safety, human rights and business ethics in Scania's business operations.	Scania has taken a variety of preventive and detective measures to counter these risks. This includes a pre-qualification process to ensure suppliers meet the company's requirements regarding technology, quality, delivery, cost and sustainability, and which is regularly reported to Scania Purchasing management. Suppliers are required to comply with Scania's Supplier Code of Conduct and Scania continuously assess and consider the risk in sourcing nominations. Furthermore, Scania monitors all suppliers with a critical spend on a monthly basis via external risk ratings. Close cooperation within Volkswagen Group as well as with our suppliers is also key to ensure we can adapt to changes and manage identified risks. For further information see page 32.

RISK OVERVIEW, CONTINUED

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Risk category	Strategic priorities	Context/Potential impact	Management actions/Mitigation
Business risks, continued			
Production risks	Leader in sustainable transport, Customer satisfaction, Profitability, Volume growth	An unforeseen disruption of a production facility represents a risk and may be caused by a number of different incidents — for example power failure, equipment failure, fires, floods, social unrest or terrorist activity, infectious diseases, labour difficulties, or other operational issues. If overestimating the demand for our products, there might be a risk that the available capacity will be underutilised, while pessimistic forecasts could result in insufficient capacity to meet demand.	Scania has a business continuity programme which focuses on responsibility by local management to ensure that business continuity is owned, operated and embedded with local needs, resources and competence. In addition, Scania has a safety, health and environment standard as well as activities with the aim to preserve and promote the performance. Production, environmental and quality risks in the workshop network's services are managed through the Scania Retail System, the Scania Dealer Operating Standard Certification, as well as the environmental management policy and specialised personnel. The production capacity is closely monitored in cross-functional meetings and continuously adopted accordingly.
Climate risks including natural hazards	Leader in sustainable transport, Customer satisfaction, Profitability	As Scania and our suppliers are located all over the world, we are exposed to physical risks, resulting from extreme weather conditions, floods, heat or water stress and other natural hazards that could damage physical assets such as buildings. It is hard to predict the frequency and impact of natural disasters. However with changing climate due to global warming, extreme weather situations are expected to be more frequently occurring as well as the weather patterns to be changing in certain areas. With a central role in the ecosystem of transport Scania is also exposed to transition risks related to adaptations to low-carbon technologies. Transition risks and opportunities stemming from emission legislation, technology development and changing market demands is of importance to Scania.	As Scania's business operations and suppliers are located all over the world the risk of changing climate and weather patterns, natural disaster and resource scarcity are given attention in the business impact analysis as well as the business continuity planning process. The usage of predictions and scenario planning for different regions support decision-making. The realisation of the consequences of climate change and related mitigation actions on legislation, business and technology have a profound impact on Scania's strategic direction. Scania has set carbon emission reduction targets in line with what science says is needed to reach the Paris agreement (Science-based targets). Our targets are covering own operations and customers usage of the vehicles provided by Scania. Proactive monitoring and understanding of technology, market and legislative development is a priority to reach the targets. For further information see page 12.
Risks releated to product launch and product liability	Customer satisfaction, Profitability	Introducing a new product to the market is a risk exposure of product quality deviation resulting from, for example, failure in design, product selection or manufacturing. Failure to ensure product quality could result in recalled products involving significant costs, compensation for indirect cost of customers and reputational damage.	This risk is managed by the development, verification and validation process at Scania. It is Scania's objective to develop products that are reliable and safe to the user, the general public and the environment. However, if a product should show signs of technical shortcomings that might be harmful to people, planet or property, that is dealt with by the Scania Product Liability Council. This body decides what technical solutions should be used in order to solve the problem and what marketing measures are needed. The Product Liability Council also conducts a review of the processes in question to ensure that the problem does not recur. Where applicable, Scania has a fair risk-sharing with our suppliers regarding product liability, which minimises the financial risk for Scania.

RISK OVERVIEW, CONTINUED

STRATEGIC PRIORITIES

Leader in sustainable transport
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Risk category	Strategic priorities	Context/Potential impact	Management actions/Mitigation
Business risks, continued			
Risks related to people and competence	Leader in sustainable transport, Top employees, Volume growth	The technology shift will require a shift in competence and Scania must act proactively and identify future needs before they occur. Difficulties to attract and retain key personnel could lead to challenges in delivering towards customer needs. Due to the nature of Scania´s business, some travel is still an essential part of operations. It is, however, vital that staff is not exposed to unnecessary risks when on a trip. The risks can be related to medical as well as security issues with possible physical harm, even death as a result.	To secure business-driven competence supply Scania is continuously developing the area of people management. The people perspective is key in driving the shift – both for the company and its employees. Therefore, Scania focuses on various re-skilling programmes as well as entrepreneurial and innovation learning e.g. skill capture. In order to manage transformation/ competence shift in a responsible way at the global level, ensuring meaningful social dialogue is key. Scania has a global standard for social dialogue and proactively addresses the challenge through the Global Deal initiative. Further, Scania has structured working methods for close cooperation with a number of universities and institutes of technology to create and recruit cutting-edge expertise. Scania runs an upper secondary school in Södertälje, Mälardalens Tekniska Gymnasium, offering high-quality technical education. To ensure a uniform approach towards travel risks The Steering Group Travel Risk Management agrees on the scope and focus of mitigative measures. Example of implemented measures are a mandatory e-learning, a safety on travel risk assessment tool, automated pre-travel advisories and a crisis management system. Specialists from Occupational Health and Corporate Security are available to all Scania employees for support.
Data privacy risks	Leader in sustainable transport, Customer satisfaction, Top employees, Profitability	There is a risk that Scania fails to demonstrate compliance with privacy and data protection regulations, claims for damage and other liabilities, significant fines and penalties, as well as loss of customers and negative brand reputation could materialise.	One of Scania's core values is "Respect for the individual". This is the foundation not only for our interaction with colleagues, customers, partners etc., but also for how we manage privacy and personal data protection. Scania's compliance with privacy and data protection regulations should be the result of an actively present privacy mindset with personal data protection practices embedded everywhere in the business by default and by design. Scania has a specialist function in regards to data protection to support the business in ensuring that personal data is handled appropriately. However, the business is responsible for embedding privacy from the ground up and for demonstrating compliance with privacy and data protection regulations.

BOARD OF DIRECTORS


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BOARD OF DIRECTORS, CONTINUED

1. **Matthias Gründler**
Chairman of the Board of Directors since 2020.

Born: 1965.

Education: Training as an industrial management assistant and studies of Business Economics.

Other directorships: Chairman of the Supervisory Board, MAN SE; Chairman of the Supervisory Board, MAN Truck & Bus AG.

Relevant work experience: After holding a variety of management positions in Germany and abroad, Matthias Gründler was named Chief Finance Officer at Mitsubishi Fuso Trucks & Bus Corp. in Japan in 2008. Three years later, he took over management of the Powertrain Procurement and Business Development unit at Daimler Trucks & Buses. He served as Chief Financial Officer of Daimler Trucks & Buses, responsible for Finance and Controlling, from 2012 to 2015. In September 2015, Matthias Gründler took over the position as Chief Financial Officer of Volkswagen Truck & Bus GmbH (today: TRATON SE). Since 17 July 2020 he is CEO of TRATON.

2. **Henrik Henriksson**
Member of the Board of Directors since 2016.

Born: 1970.

Education: Bachelor of Science in Business Administration, BSc.

Other directorships: Member of the Board of Hexagon AB and Electrolux AB.

Relevant work experience: Various managerial positions at Scania since 1999. President and CEO of Scania since 2016. Member of Executive Board at TRATON SE.

Chairman of the Commercial Vehicle Board of Directors of ACEA (European Automobile Manufacturers' Association) during 2020. Member of the Board of the Association of Swedish Engineering Industries and the Board of Confederation of Swedish Enterprise. Member of the Swedish government's Electrification Commission.

3. **Lilian Fossum Biner**
Member of the Board of Directors since 2019. Member, Audit Committee.

Born: 1962.

Education: Bachelor of Science in Business Administration, BSc.

Other directorship: Board member of LE Lundbergföretagen, Carlsberg Group, Givaudan S.A. and a-connect (group) ag.

Relevant work experience: Broad experience from retail and consumer companies and managerial positions Axel Johnson AB and at Electrolux Group.

4. **Gunnar Kilian**
Member of the Board of Directors since 2020.

Born: 1975.

Education: Journalist.

Other directorships: Member of the Supervisory Board of TRATON SE. Supervisory Board mandates at Wolfsburg AG, Autostadt GmbH, Audi AG, Dr. Ing. h.c. F. Porsche AG, Porsche Holding Stuttgart GmbH, TRATON SE, MAN Energy Solutions, MAN Truck & Bus SE, Volkswagen Group Services GmbH, FAW-Volkswagen Automotive Co., Ltd. and Allianz für die Region GmbH.

Relevant work experience: Various positions, Volkswagen AG. Member of the Board of Management, Volkswagen AG, responsible for Human Resources and responsible for the Truck & Bus division.

5. **Julia Kuhn-Piëch**
Member of the Board of Directors since 2020.

Born: 1981.

Education: Doctor of Law (Dr iur).

Other directorships: Member of the Supervisory Board of TRATON SE Audi AG, MAN SE and MAN Truck & Bus SE.

Relevant work experience: Self-employed real estate manager.

6. **Nina Macpherson**
Member of the Board of Directors since 2018. Member, Audit Committee.

Born: 1958.

Education: Master of Laws, LL.M.

Other directorships: Member of the Supervisory Board of TRATON SE and member of its Audit Committee since 2019. Member of the Board of Scandinavian Enviro Systems AB since 2020.

Relevant work experience: Chief Legal Officer, secretary to the Board and member of the Ericsson Executive Team until 2018. Previous positions include in-house legal positions and private practice in corporate and commercial law.

Member of the Swedish Securities Council.

7. **Christian Porsche**
Member of the Board of Directors since 2020.

Born: 1974.

Education: Medical Doctor, Dr. med., Doctor of natural sciences, Dr. rer. nat.

Other directorships: Member of the Supervisory Board of TRATON SE and MAN Truck & Bus SE.

Relevant work experience: Neurologist. Partnership interests for several companies at Porsche Holding GmbH between 2005-2009. Member of the Supervisory Board of MAN Truck & bus SE, Scania AB and MAN SE between 2013-2017.

8. **Mark Philipp Porsche**
Member of the Board of Directors since 2020.

Born: 1977.

Education: Master of social and business administration.

Other directorships: Member of the Supervisory Board of MAN SE, MAN Truck & Bus SE and serves on comparable governing bodies of the following companies: Familie Porsche AG Beteiligungsgesellschaft (Austria), FAP Beteiligungen AG (Austria), and SEAT S. A. (Spain).

Relevant work experience: From 2007 onward, director at various companies, including F.A. Porsche Beteiligungen GmbH in Stuttgart, Prof. Ferdinand Alexander Porsche GmbH in Salzburg, Ferdinand Alexander Porsche GmbH in Grünwald, and Ferdinand Porsche Familien-Holding GmbH. In addition to the above, member of the Executive Board of the Ferdinand Porsche Familien-Privatstiftung foundation in Salzburg since 2014.

BOARD OF DIRECTORS, CONTINUED

9. **Stephanie Porsche-Schröder**
Member of the Board of Directors since 2017. Member, Audit Committee.

Born: 1978.

Education: Diplom Designer.

Other directorships: Member of the Board of MAN SE and MAN Truck & Bus SE.

Relevant work experience: Designer at Bosch Siemens Haushaltsgeräte GmbH, Munich, 2004-2012.

10. **Christian Schulz**
Member of the Board of Directors since 2018. Chairman, Audit Committee.

Born: 1977.

Education: Business and administration.

Other directorships: Member of the Supervisory Board of MAN Truck & Bus SE and Navistar Inc. Corp.

Relevant work experience: Member of Executive Board at TRATON SE, CFO responsible for Finance and Business Development. Various managerial positions at Daimler AG, Mitsubishi Fuso Truck & Bus and Mercedes-Benz Cars.

11. **Peter Wallenberg Jr**
Member of the Board of Directors since 2005.

Born: 1959.

Education: Master of Business Administration, MBA.

Other directorships: Chair of the Board of Knut and Alice Wallenberg Foundation, Wallenberg Foundations AB, The Grand Group AB. Board member of Atlas Copco AB and EQT AB.

Relevant work experience: Leading positions within the service industry for over 30 years, including CEO for the Grand Hôtel Group. Several board positions in The Wallenberg Foundations.

12. **Mari Carlquist**
Representative of PTK at Scania. Member of the Board of Directors since 2020. Previously deputy member since 2015.

Born: 1969.

Other directorships: Employee representative, Supervisory Board of TRATON SE.

Relevant work experience: Various positions at Scania since 1987.

13. **Lisa Lorentzon**
Representative of PTK at Scania. Member of the Board of Directors since 2015. Previously deputy member since 2012.

Born: 1982.

Education: Master of Science, MSc.

Other directorships: Employee representative, Supervisory Board of TRATON SE.

Relevant work experience: Various positions at Scania since 2007.

14. **Mikael Johansson**
Representative of the Swedish Metal Workers' Union at Scania. Deputy Member of the Board of Directors since 2008.

Born: 1963.

Relevant work experience: Various positions at Scania.

15. **Michael Lyngsie**
Representative of the Swedish Metal Workers´ Union at Scania. Member of the Board of Directors since 2018.

Born: 1977.

Other directorships: Employee representative, Supervisory Board of TRATON SE.

Relevant work experience: Various positions at Scania since 1993.

16. **Mikael Svalefors**
Representative of PTK at Scania. Deputy member of the Board of Directors since 2020.

Born: 1960.

Relevant work experience: Various positions at Scania since 1982.

17. **Bo Luthin**
Representative of the Swedish Metal Workers ´Unions at Scania. Deputy member of the Board of Directors Since 2020.

Born: 1967.

Other directorships: Employee Representative, supervisory Board of TRATON SE.

Relevant work experience: Various positions at Scania since 1985.

EXECUTIVE BOARD

Henrik Henriksson leaves Scania to join another company. The Board of Directors has appointed Christian Levin as new President and CEO of Scania from 1 May 2021. Henriksson remains at Scania until Levin takes up the CEO position.

1. **Henrik Henriksson**
   Member of the Board of Directors.
   President and CEO.
   Born: 1970.
   Education: Bachelor of Science in Business Administration, BSc.
   Joined Scania in 1997.

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

3. **Helle Bay**
   Executive Vice President,
   Head of Human Resources.
   Born: 1972.
   Education: Bachelor's Degree in HR and Organisation.
   Joined Scania in 2020.

4. **Mathias Carlbaum**
   Executive Vice President,
   Head of Commercial Operations.
   Born: 1972.
   Education: Master of Business Administration, MBA.
   Joined Scania in 1997.

5. **Claes Erixon**
   Executive Vice President,
   Head of Research and Development.
   Born: 1969.
   Education: Master of Science in Engineering Physics, MSc.
   Joined Scania in 1994.

6. **Anders Williamsson**
   Executive Vice President,
   Head of Purchasing.
   Born: 1969.
   Education: Master of Science, Industrial Engineering and Management.
   Joined Scania in 1994.

7. **Alexander Vlaskamp**
   Executive Vice President,
   Head of Sales and Marketing.
   Born: 1971.
   Education: Bachelor's Degree in Automotive Engineering.
   Joined Scania in 1997, employed until 2007. Rejoined Scania in 2008.

8. **Ruthger de Vries**
   Executive Vice President,
   Head of Production and Logistics.
   Born: 1965.
   Education: Master of Science in Industrial Engineering and Management, MSc.
   Joined Scania in 1990.

GROUP FINANCIAL REVIEW

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

Revenue

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

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

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

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

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

1 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 Elimination refers to rental income from operating leases.

Deliveries

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

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

Financial Services		
Number financed (new during the year)	2020	2019
Trucks	24,534	35,814
Buses	1,122	1,212
Total new vehicles	**25,656**	**37,026**
Used vehicles	8,835	7,016
New financing, SEK m.	42,439	54,221
Portfolio, SEK m.	**95,433**	**103,781**

Earnings

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

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

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

GROUP FINANCIAL REVIEW, CONTINUED

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

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

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

Operating income per segment, SEK m.	2020	2019
Vehicles and Services		
Operating income	7,764	15,977
Operating margin, %	6.4	10.8
Financial Services		
Operating income	1,123	1,511
Operating margin, % [1]	1.1	1.6
Operating income, Scania Group	8,887	17,488
Operating margin, %	7.1	11.5
Income before taxes	7,827	16,476
Taxes	–2,427	–4,092
Net income	**5,400**	**12,384**

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

Scania's net financial items amounted to SEK –1,060 m. (–1,012) including net income from associated companies and joint ventures amounting to SEK 169 m. (46). The increase in net income from associates and joint ventures is mainly explained by a dilution effect in one investment in associates. Net interest items amounted to SEK –452 m. (–456). The net interest was negatively impacted by increased funding volumes. Other financial income and expenses amounted to SEK –777 m. (–602). These included SEK 91 m. (–150) in valuation effects related to financial instruments where hedge accounting was not applied.

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

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

Cash flow

Cash flow after investing activities attributable to operating activities in Vehicles and Services amounted to SEK 9,180 m. (10,994).

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

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

Financial position

Financial ratios related to the balance sheet	2020	2019
Equity/assets (E/A) ratio, %	26.1	25.5
E/A ratio, Vehicles and Services, %	35.0	34.4
E/A ratio, Financial Services, %	9.7	9.4
Return on capital employed, Vehicles and Services, % [2]	12.9	25.4
Net debt/equity ratio, Vehicles and Services [3]	–0.39	–0.32

1 Calculation is based on average capital employed for the 13 most recent months.
2 Net cash (-) / Net debt (+)

During 2020, the equity of the Scania Group increased by SEK 659 m. and totalled SEK 61,547 m. (60,888) at year-end. Net income added SEK 5,400 m. (12,384). Equity decreased by SEK –4,470 m. (945) because of exchange rate differences that arose when translating net assets outside Sweden. In addition, equity decreased by SEK –394 m. (–2,427) because of actuarial gains/losses on pension liabilities and increased by SEK 127 m. (–48) due to fair value adjustment on equity instruments. Taxes attributable to items reported under "Other comprehensive income" totalled SEK –2 m. (542). The non-controlling interest decreased during the year with SEK –6 m. mainly due to an increase in ownership in Laxå Special Vehicles AB which now is 100 percent (90.1) owned subsidiary.

The Parent Company

The Parent Company, Scania AB, is a public company whose assets consist of the shares in Scania CV AB. The Parent Company conducts no operations. Income before taxes of Scania AB during 2020 totalled SEK 0 m. (0).

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

FINANCIAL REPORTS

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CONSOLIDATED INCOME STATEMENTS

January–December, SEK m.	Note	2020	2019
Revenue	3	125,125	152,419
Cost of goods sold and services rendered		–96,833	–113,689
Gross income		**28,292**	**38,730**
Research and development expenses [1]		–5,648	–6,162
Selling expenses		–11,564	–12,680
Administrative expenses		–2,125	–2,306
Other operating income		138	153
Other operating expenses		–206	–247
Operating income	4, 5	**8,887**	**17,488**
Interest income		477	501
Interest expenses		–929	–957
Share of income from associated companies and joint ventures	12	169	46
Other financial income		833	253
Other financial expenses		–1,610	–855
Total financial items	6	**–1,060**	**–1,012**
Income before taxes		**7,827**	**16,476**
Taxes	7	–2,427	–4,092
Net income		**5,400**	**12,384**

January–December, SEK m.	Note	2020	2019
Other comprehensive income	15		
Items that may be reclassified subsequently to profit or loss			
Translation differences		–4,470	945
Taxes		–65	19
		–4,535	964
Items that will not be reclassified to profit or loss			
Re-measurement defined benefit plans	16	–394	–2,427
Fair value adjustment equity instruments		127	–48
Taxes		63	523
		–204	–1,952
Other comprehensive income		**–4,739**	**–988**
Total comprehensive income		**661**	**11,396**
Net income attributable to:			
– Scania shareholders		5,397	12,381
– non-controlling interest		3	3
Total comprehensive income attributable to:			
– Scania shareholders		658	11,392
– non-controlling interest		3	4
Operating income includes depreciation of	8	–11 097	–10,914

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

CONSOLIDATED BALANCE SHEETS

31 December, SEK m.	Note	2020	2019
Assets			
Non-current assets			
Intangible assets	9	12,513	11,905
Tangible assets	10, 11	38,254	38,481
Lease assets	10	27,460	31,336
Holdings in associated companies and joint ventures	12	1,248	964
Non-current interest-bearing receivables	28	48,004	50,938
Other non-current receivables	14, 28	3,300	1,444
Deferred tax assets	7	5,171	5,561
Tax receivables		227	297
Total non-current assets		**136,177**	**140,926**
Current assets			
Inventories	13	21,105	26,065
Current receivables			
Tax receivables		764	848
Interest-bearing receivables	28	30,817	32,808
Non-interest-bearing trade receivables	28	6,936	8,368
Other current receivables	14, 28	7,260	7,513
Total current receivables		45,777	49,537
Current investments	28	54	814
Cash and cash equivalents	28		
Current investments comprising cash and cash equivalents		25,202	15,143
Cash and bank balances		7,066	5,838
Total cash and cash equivalents		32,268	20,981
Total current assets		99,204	97,397
Total assets		**235,381**	**238,323**

31 December, SEK m.	Note	2020	2019
Equity and liabilities			
Equity			
Share capital		2,000	2,000
Other contributed capital		10,864	10,864
Reserves		–6,842	–2,307
Retained earnings		55,513	50,313
Equity attributable to Scania shareholders		61,535	60,870
Non-controlling interest		12	18
Total equity	15	**61,547**	**60,888**
Non-current liabilities			
Non-current interest-bearing liabilities	28	53,564	54,008
Provisions for pensions	16	12,384	12,262
Other non-current provisions	17	6,865	6,776
Accrued expenses and deferred income	18	7,502	8,568
Deferred tax liabilities	7	3,492	3,873
Other non-current liabilities	28	5,303	6,580
Total non-current liabilities		**89,110**	**92,067**
Current liabilities			
Current interest-bearing liabilities	28	42,478	43,979
Current provisions	17	3,962	3,986
Accrued expenses and deferred income	18	14,882	15,973
Advance payments from customers		1,567	1,195
Trade payables	28	13,886	12,737
Tax liabilities		1,051	1,352
Other current liabilities	28	6,898	6,146
Total current liabilities		84,724	85,368
Total equity and liabilities		**235,381**	**238,323**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In Note 15 there is a description of the consolidated equity items and information about the company's shares.
The equity of the Scania Group has changed as follows (SEK m.):

	2020							2019						
	Share capital	Other contributed capital	Currency translation reserve	Retained earnings	Total, Scania share-holders	Non-controlling interest	Total equity	Share capital	Other contributed capital	Currency translation reserve	Retained earnings	Total, Scania share-holders	Non-controlling interest	Total equity
Equity, 1 January	2,000	10,864	–2,307	50,313	60,870	18	60,888	2,000	1,120	–3,270	54,495	54,345	14	54,359
Net income for the year				5,397	5,397	3	5,400				12,381	12,381	3	12,384
Other comprehensive income														
Exchange differences on translation			–4,470	–	–4,470	–	–4,470			944	–	944	1	945
Remeasurements of defined-benefit plans			–	–394	–394	–	–394			–	–2,427	–2,427	–	–2,427
Fair value adjustment equity instruments			–	127	127	–	127			–	–48	–48	–	–48
Tax attributable to items recognised in other comprehensive income			–65	63	–2	–	–2			19	523	542	–	542
Total other comprehensive income			**–4,535**	**–204**	**–4,739**	**–**	**–4,739**			**963**	**–1,952**	**–989**	**1**	**–988**
Total comprehensive income			**–4,535**	**5,193**	**658**	**3**	**661**			**963**	**10,429**	**11,392**	**4**	**11,396**
Change in non-controlling interest			–	7	7	–9	–2			–	–	–	–	–
Dividend to Scania AB Shareholders			–	–	–	–	–			–	–14,611	–14,611	–	–14,611
Capital contribution			–	–	–	–	–		9,744	–	–	9,744	–	9,744
Equity, 31 December	**2,000**	**10,864**	**–6,842**	**55,513**	**61,535**	**12**	**61,547**	**2,000**	**10,864**	**–2,307**	**50,313**	**60,870**	**18**	**60,888**

CONSOLIDATED CASH FLOW STATEMENTS

January–December, SEK m.	Note	2020	2019
Operating activities			
Income before tax	21 a	7,827	16,476
Items not affecting cash flow	21 b	11,666	10,416
Taxes paid		–3,009	–3,885
Cash flow from operating activities before change in working capital		**16,484**	**23,007**
Change in working capital			
Inventories		2,845	426
Receivables		653	383
Financial receivables, Financial Services	21 c	–2,687	–10,444
Vehicles with repurchase obligations and rental		–3,687	–5,490
Trade payables		1,597	–2,937
Other liabilities and provisions		2,216	2,931
Total change in working capital		**937**	**–15,131**
Cash flow from operating activities		**17,421**	**7,876**
Investing activities			
Net investments through acquisitions/divestments of businesses	21 d	–27	0
Net investments in non-current assets	21 e	–8,131	–7,558
Cash flow from investing activities attributable to operating activities		**–8,158**	**–7,558**
Cash flow after investing activities attributable to operating activities		**9,263**	**318**
Investments in securities and loans		**762**	**818**
Cash flow from investing activities		**–7,396**	**–6,740**
Cash flow before financing activities		**10,025**	**1,136**

January–December, SEK m.	Note	2020	2019
Financing activities			
Change in debt from financing activities	21 f	2,208	17,359
Transactions with non-controlling interests		–12	–
Dividend		–	–4,867
Cash flow from financing activities		**2,196**	**12,492**
Cash flow for the year		**12,221**	**13,628**
Cash and cash equivalents, 1 January		20,981	7,222
Exchange rate differences in cash and cash equivalents		–934	131
Cash and cash equivalents, 31 December	21 g	**32,268**	**20,981**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1
Accounting principles

The Scania Group encompasses the Parent Company, Scania Aktiebolag (publ), Swedish corporate identity number 556184- 8564 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 Group have been prepared in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as the interpretations by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union. In addition, Recommendation RFR 1, "Supplementary Accounting Rules for Groups" from the Swedish Financial Reporting Board has been applied. The Parent Company applies the same accounting policies as the Group except in the instances described below in the section "Parent Company accounting principles." The functional currency of the Parent Company is Swedish kronor (SEK), and the financial reports are presented in Swedish kronor. Assets and liabilities are recognised at costs, aside from certain financial assets and liabilities which are carried at fair value. Financial assets and liabilities that are carried at fair value are mainly derivative instruments. Preparing the financial reports in compliance with IFRS requires that management make judgements and estimates as well as 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
Amended standards and new interpretations that entered into force during 2020 have had no impact on Scania´s consolidated financial statements. The accounting policies and definitions corresponds with those applied 2019.

Application of accounting principles

Consolidated financial statements
The consolidated financial statements encompass Scania 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 29. Subsidiaries are reported according to the acquisition method of accounting. This method means that acquisition of a subsidiary is treated as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis establishes the fair value on the acquisition date of the acquired identifiable assets, liabilities assumed and contingent liabilities. The consideration transferred on acquisition of a subsidiary consists of the fair values on the transfer date of assets given, liabilities that have arisen to previous owners and equity instruments issued as payment in exchange for the acquired net assets. Transaction costs directly attributable to the acquisition are recognised directly in the income statement as they arise.

Non-controlling interests are either recognised at their proportionate share of net assets or at their fair value. The choice between the various alternatives may be made for each acquisition.

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

A separate disclosure of the portion of the year's earnings that belongs to non-controlling interests is provided.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 Accounting principles, continued

Foreign currencies – translation
Transactions in foreign currencies are translated to the functional currency at the exchange rate on the transaction date. Monetary receivables and liabilities in foreign currencies are translated at the exchange rate on the balance sheet date, and exchange rate differences that arise are recognised in the income statement. Non-monetary items are recognised at historic cost using the exchange rate on the transaction date.

When preparing the consolidated financial statements, the income statements and balance sheets of foreign subsidiaries are translated to the Group's reporting currency, Swedish kronor. All items in the income statements of foreign subsidiaries are translated using the average exchange rates during the year. All balance sheet items are translated using the exchange rates on the balance sheet date. The translation differences that arise when translating the financial statements of subsidiaries outside Sweden are recognised under "Other comprehensive income" and accumulate in the currency translation reserve in equity.

Subsidiaries use the local currency as their functional currency, aside from a few subsidiaries for which the euro is the functional currency.

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

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

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."

Leases

Scania as lessee
The Group recognises a right-of-use asset and a corresponding lease liability for all lease arrangements in which it is the lessee. The assessment whether a contract is or contains a lease is made at inception of the contract. IFRS 16 contains practical expedients for short-term and low-value leases, which the Scania Group exercises and hence does not 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.

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 transfer the ownership or the lease agreement contains an option, that is expected to be exercised, to purchase the underlying asset the right-of-use asset is depreciated over the useful life of the underlying asset.

Scania as lessor
Lease contracts with customers are carried as finance leases in cases where substantially all risks and rewards associated with ownership of the asset have been transferred to the lessee. At the beginning of the leasing period, 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 are recognised over the lease term.

Other lease contracts are classified as operating leases and are carried as lease assets among tangible non-current assets. Revenue from operating leases is recognised on a straight-line basis over the leasing period. Depreciation of the asset occurs 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 important risks remain with Scania, are recognised as operating leases; see above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 Accounting principles, continued

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 adjusted in case of changed circumstances.

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

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

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 are 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 ten years.

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

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

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

Financial instruments

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

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

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

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

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 Accounting principles, continued

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

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

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

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

The Group's financial assets consists of trade receivables, financial lease receivables 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 Accounting principles, continued

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

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

Provisions

Provisions are recognised if an obligation, legal or constructive, exists as a consequence of events that have occurred. It must also be deemed likely that an outflow of resources will be required to settle the obligation and that the amount can be reliably estimated. Provisions for warranties for vehicles sold during the year are based on warranty conditions and the estimated quality situation. Provisions on service contracts are related to expected future unavoidable expenses that exceed contractual future revenue. For provisions related to pensions, see the description under "Employee benefits" below and in Note 15, "Provisions for pensions and similar commitments."

For provisions related to 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 both defined contribution and defined benefit pension and similar plans, some of which have plan assets that are managed by special foundations, funds or the equivalent.

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

Plans in which Scania only pays fixed contributions and has no obligation to pay additional contributions if the assets of the plan are insufficient to pay all compensation to the employee are classified as defined contribution plans.

The Group's expenditures for defined contribution plans are recognised as an expense during the period when the employees render the services in question.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 Accounting principles, continued

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 15, "Provisions for pensions and similar commitments." Scania follows the rules in IAS 19 concerning limits in the valuation of net assets, the so-called asset ceiling, since these are never valued at more than the present value of available economic benefits in the form of repayments from the plan or in the form of reductions in future fees to the plan. This value is determined as present value taking into account the discount rate in effect.

Share-based payment
The share-based payment consists of performance shares. The obligations rising 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.

Income statement – classifications

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

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

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

Financial income and expenses
"Interest income" refers to income from financial investments and pension assets. "Other financial income" includes gains that arise from the valuation of non-hedge-accounted derivatives (see the section on financial instruments) and exchange rate gains attributable to financial items.

"Interest expenses" refers to expenses attributable to loans, pension liability and changes in the value of loan hedging derivatives. "Other financial expenses" include current bank fees, losses arising from valuation of non-hedge-accounted derivatives and exchange rate losses attributable to financial items.

Income statement – valuation principles

Revenue recognition
The Group recognises revenue from the following main sources:

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

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

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

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

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

In a transaction where the Group delivers a vehicle with a repurchase obligation control is not transferred to the customer and no revenue are recognised on delivery, instead such transaction is recognised as an operating lease.

A transaction when the customer has an option that gives the customer the right to require that the Group to repurchase the vehicle no revenue is recognised since such a transaction is recognised as a lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 Accounting principles, continued

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

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

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

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

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

Changes in accounting principles during the next years

New standards, amended standards and interpretations that enter into force on 1 January 2021 and subsequently have not been applied in advance.

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

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

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

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

Other changes in standards and interpretations that enter into force on 1 January 2021 or subsequently are not expected to have any material impact on Scania's financial statements.

Parent company

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

Financial Instruments
The Parent Company does not apply IFRS 9 Financial instruments, but instead applies a cost-based method in accordance with the Annual Accounts Act.

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

Leases
The Parent Company does not apply IFRS 16 Leases, instead expenses relating to lease contracts for which the parent company is the lessee are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 Accounting principles, continued

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

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

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

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

NOTE 2 Key judgements and estimates

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

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

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

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

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

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

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

Warranty costs
Scania's product obligations are mainly related to vehicle warranties in the form of a one-year "factory warranty" plus extended warranties and, in some cases, special quality campaigns. For each vehicle sold, Scania makes a warranty provision. For extended warranties and campaigns, a provision is made at the time of the decision.

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

Scania's product obligations can be seen in Note 17, "Other provisions" and amounted to SEK 1,682 m. (1,828) on 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 2 Key judgements and estimates, continued

Leases

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

Repurchase obligations

Scania delivers about 12 percent of its vehicles with repurchase obligations. These are recognised as operating lease contracts, with the consequence that recognition of revenue and earnings is allocated over the life of the obligation.

In transactions when customers have the option to call for Scania to repurchase the sold vehicle it is Scania's view that such transaction should be accounted for as a lease.

Based on the contract and the relationship with the customer history shown that the customer has an economic incentive to exercise such option and hence it is almost always exercised.

If there are major downturns in the market value of used vehicles, this increases the risk of future losses when divesting the returned vehicles. When a residual value guarantee is deemed likely to result in a future loss, the depreciation of the vehicle is adjusted accordingly.

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

At the end of 2020, repurchase obligations amounted to SEK 19,079 m. (21,310).

Credit risks

In its Financial Services operations, Scania has an exposure in the form of contractual payments. At the end of 2020, these amounted to SEK 95,422 m. (103,781). In all essential respects, Scania has collateral in the form of the right to repossess the underlying vehicle. In case the market value of the collateral does not cover the exposure to the customer, and the customer has a problem completing its contractual payments, Scania has a risk of loss.

The Group recognises a loss allowance for expected credit losses (ECL) and the amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Irrespective of the outcome of the assessment whether there 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.

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

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

Write-off policy

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

On 31 December 2020, the reserve for doubtful receivables in Financial Services operations amounted to SEK 1,519 m. (1,243). See also "Credit risk" under Note 27, "Financial risk management."

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 2 Key judgements and estimates, continued

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

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

In the long term, the increase in sales of Scania’s products is deemed to be closely correlated with economic growth (GDP) in each respective market, which has been estimated at 2 percent (2 percent). The revenue/cost ratio, or margin, for both vehicles and service is kept constant over time compared to the latest known level. When discounting to present value, Scania uses its average cost of capital, currently 5.6-8,5 percent (5.2-7.5 percent) before taxes.

These assumptions do not diverge from information from external information sources or from earlier experience. To the extent the above parameters change negatively, an impairment loss may arise. On 31 December 2020, Scania’s goodwill amounted to SEK 1,299 m. (1,430). The impairment tests that were carried out showed that there are reassuring margins before impairment losses will arise.

Scania’s development costs are capitalised in the phase of product development where decisions are made on future production and market introduction. At that time there is future predicted revenue and a corresponding production cost. In case future volume or the price and cost trend diverges negatively from the preliminary calculation, an impairment loss may arise. Scania’s capitalised development costs amounted to SEK 10,741 m. (9,873) on 31 December 2020.

Pension obligations
In the actuarial methods that are used to establish Scania’s pension liabilities, a number of assumptions are highly important. The most critical one is related to the discount rate on the obligations. Other vital assumptions are average life expectancy and average duration of the obligations. A higher discount rate decreases the recognised pension liability. In calculating the Swedish pension liability, the discount rate used was 1,25 percent (1.5). Changes in the above-mentioned actuarial parameters are recognised in “Other comprehensive income,” net after taxes.

Legal and tax risks
On 31 December 2020, provisions for legal and tax risks amounted to SEK 4,465 m. (4,624). See Note 17, “Other provisions.”

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

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

In 2011, Scania became subject of an investigation by the European Commission (EC) in 2011 into allegedly inappropriate cooperation with other European truck manufacturers.

A Statement of Objections was served on Scania by the EC in November 2014. In light of such statement and other developments in the investigation and in accordance with relevant accounting principles, Scania made a provision with an amount of SEK 3,800 m. in June 2016. Scania always cooperated fully with the EC, while all through the investigation contesting the EC’s view that Scania would have participated in a pan-European cartel during 1997–2011 on pricing and delayed introductions of emissions related technology. Scania were served a final decision by the EC in October 2017, holding Scania liable for such scope of a cartel in the amount of around SEK 8.4 bn. (EUR 881 m.) in fines. Scania has appealed against this decision in its entirety, and has in January 2018 provided a guarantee as security for the fines pending the outcome of such appeal.

Scania is also the subject of related civil claims by direct or indirect customers of Scania, and may face additional similar claims. However, at this stage it is not possible to give any meaningful indication as to Scania´s risk associated with private damages. Scania’s appeal against the EU Commission decision before the General Court is still pending and there is also great uncertainty around the extent to which claims will be made against Scania. In addition, risk assessment around claims that have already been made is associated with significant uncertainties, and investigations are still in their initial stages only.

Tax risks
The Group is party to tax proceedings. Scania’s management has made the assessment, based on individual examination, that the final outcome of these proceedings will not have any material impact on the financial position of the Group, beyond the recognised reserves.

Significant judgements are made in order to determine both current and deferred tax liabilities/assets. As for deferred tax assets, Scania must assess the likelihood that deferred tax assets will be utilised to offset future taxable profits. The actual result may diverge from these judgements, among other things due to future changes in business climate, altered tax rules or the outcome of still uncompleted examinations of filed tax returns by authorities or tax courts. The judgements that have been made may affect income both negatively and positively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 3 Operating segments

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	2020	2019
Vehicles and Services		
Revenue	120,590	147,557
Cost of goods sold	–95,482	–112,053
Gross income	**25,108**	**35,504**
Research and development expenses	–5,648	–6,162
Selling expenses	–9,571	–11,059
Administrative expenses	–2,125	–2,306
Operating income	**7,764**	**15,977**
Interest income	477	501
Interest expenses	–929	–957
Share of income in associated companies and joint ventures	169	46
Dividends in between segments	301	726
Other financial income	833	253
Other financial expenses	–1,611	–856
Total financial items	**–760**	**–287**
Income before taxes	**7,004**	**15,690**
Taxes	–2,097	–3,666
Net income for the period	**4,907**	**12,024**
Financial Services		
Interest and lease income	8,292	8,675
Insurance commission	308	317
Interest and prepaid expenses	–5,416	–5,766
Interest surplus and insurance commission	3,184	3,226
Other income	138	153
Other expenses	–206	–247
Gross income	**3,116**	**3,132**
Selling and administration expenses	–1,263	–1,307
Bad debt expenses, realised and anticipated	–730	–314
Operating income	**1,123**	**1,511**
Income before tax	**1,123**	**1,511**
Taxes	–340	–423
Net income for the period	**783**	**1,088**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 3 Operating segments, continued

Reconciliation of segments to the Scania Group

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 3 Operating segments, continued

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

Balance sheet	Vehicles and Services		Financial Services		Eliminations		Scania Group	
31 December	2020	2019	2020	2019	2020	2019	2020	2019
Assets								
Intangible assets	12,474	11,859	39	46	–	–	12,513	11,905
Tangible assets	38,137	38,358	7,687	8,833	–7,570	–8,710	38,254	38,481
Lease assets	27,388	31,287	72	49	–	–	27,460	31,336
Holdings in associated companies and joint ventures	4,901	4,283	–	–	–3,653	–3,319	1,248	964
Interest–bearing receivables, non–current	96	122	54,678	59,061	–6,770	–8,245	48,004	50,938
Other receivables, non–current	8,283	6,884	730	545	–315	–127	8,698	7,302
Inventories	21,105	26,065	–	–	–	–	21,105	26,065
Interest–bearing receivables, current	1,198	249	33,218	36,096	–3,599	–3,537	30,817	32,808
Other receivables, current	13,775	15,359	2,479	2,560	–1,294	–1,190	14,960	16,729
Current investments, cash and cash equivalents	31,588	22,153	734	640	–	–998	32,322	21,795
Total assets	**158,945**	**156,619**	**99,637**	**107,830**	**–23,201**	**–26,126**	**235,381**	**238,323**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 3 Operating segments, continued

Equity and liabilities	Vehicles and Services		Financial Services		Eliminations		Scania Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Equity	55,588	53,922	9,631	10,138	–3,672	–3,172	61,547	60,888
Interest–bearing liabilities, non–current	3,837	4,014	47,079	53,174	2,648	–3,180	53,564	54,008
Provisions for pensions	12,278	12,163	106	99	–	–	12,384	12,262
Other non–current provisions	6,857	6,765	8	11	–	–	6,865	6,776
Other liabilities, non–current	27,077	31,820	610	689	–11,390	–13,488	16,297	19,021
Interest–bearing liabilities, current	5,928	1,076	39,304	41,038	–2,754	1,865	42,478	43,979
Current provisions	3,896	3,924	66	62	–	–	3,962	3,986
Other liabilities, current	43,484	42,935	2,833	2,619	–8,033	–8,151	38,284	37,403
Total equity and liabilities	**158,945**	**156,619**	**99,637**	**107,830**	**–23,201**	**–26,126**	**235,381**	**238,323**
Gross investment for the period in								
– intangible assets	1,678	1,901	15	29	–	–	1,693	1,930
– tangible assets	7,853	7,328	5,511	7,818	–5,488	–7,792	7,876	7,354
– lease assets	7,951	13,867	38	24	–	–	7,989	13,891

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 3 Operating segments, continued

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

1 Of which SEK 6,299 m. (6,368) relates to lease income 2020.
2 Of which SEK 695 m. (761) relates to lease income 2020.
3 Of which SEK 191 m. (250) relates to lease income 2020.
4 Refers mainly to new trucks, SEK –1,081 m. (–6,353). The adjustment amount consists of the difference between sales value based on delivery and revenue recognised as income. This difference arises when a lease or delivery is combined with a 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.

During 2020, the selling profit for vehicles subject to finance lease contracts amounted to SEK 1,421 m. 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:

SEK m.	2020	2019
Expected timing of revenue recognition		
Within a year	51,475	38,747
1–5 years	14,455	15,463
After 5 years	2,523	2,042

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 3 Operating segments, continued

Geographical areas

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

1 Revenue from external customers is allocated by location of customers.
2 Assets and gross investments, respectively (excluding lease assets), by geographic location.
3 Refers mainly to Latin America.
4 Of which Sweden SEK 7,390 m. (7,205).
5 Of which Sweden SEK 31,971 m. (26,418).
6 Of which Sweden SEK 384 m. (395).
7 Of which Sweden SEK 4,893 m. (4,537).

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 and Russia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 4 Operating expenses

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

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

Research and development expenses		
Staff	2,566	2,737
Depreciation/amortisation	959	916
Other[1]	2,123	2,509
Total	**5,648**	**6,162**

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

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

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

Administrative expenses	2020	2019
Staff	1,306	1,428
Depreciation/amortisation	36	34
Other	783	844
Total	**2,125**	**2,306**

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

NOTE 5 Financial Services

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

	2020	2019
Interest income	3,754	4,035
Lease income	4,538	4,640
Depreciation	–3,995	–4,070
Interest expenses	–1,421	–1,696
Insurance commission	308	317
Net interest income and insurance commission	3,184	3,226
Other income and expenses	–68	–94
Gross income	**3,116**	**3,132**
Selling and administrative expenses	–1,263	–1,307
Bad debt expenses[1]	–730	–314
Operating income	**1,123**	**1,511**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 5 Financial Services, continued

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 6 Financial income and expenses

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

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

NOTE 7 Taxes

Tax expense/Income for the year	2020	2019
Current tax[1]	–2,681	–4,166
Deferred tax	254	74
Total	**–2,427**	**–4,092**
1 Of which, taxes paid	–3,009	–3,885

Deferred tax is attributable to the following:	2020	2019
Tax related to temporary differences	–119	258
Tax due to changes in tax rates and tax rules	–2	–23
Tax income due to tax value of loss carry-forwards recognised during the year	58	103
Tax expense due to utilisation/revaluation of previously recognised tax value of tax loss carry-forwards	–12	–25
Tax related to change in provision to tax allocation reserve	345	–234
Other deferred tax liabilities/assets	–16	–5
Total	**254**	**74**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 7 Taxes, continued

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

3 Deferred tax assets related to tax loss carry-forwards are recognised to the extent that it is likely that the loss carry-forwards can be utilised to offset profits in future tax returns. Deferred tax assets related to unutilised tax loss carry-forwards of SEK 471 m. (358) were not assigned a value. Unused tax loss carry-forwards for which no deferred tax asset is recognised can be utilised without time limit.

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

Reconciliation of deferred tax assets (–)/liabilities (+), net amount	2020	2019
Carrying value on 1 January	–1,688	–1,090
Deferred taxes recognised in the year's income	–254	–74
Exchange rate differences	325	–1
Recognised in "Other comprehensive income," changes attributable to:		
– remeasurements of defined-benefit plans	–88	–513
– fair value adjustment, equity instruments	26	–10
Deferred tax assets (–)/tax liabilities (+), net amount	**–1,679**	**–1,688**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 8 Depreciation/Amortisation

	Vehicles and Services		Financial Services		Elimination[2]		Scania Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Intangible assets								
Research and development expenses	764	713	–	–	–	–	764	713
Selling expenses	151	130	14	15	–	–	165	145
Total	**915**	**843**	**14**	**15**	**–**	**–**	**929**	**858**
Tangible non-current assets								
Cost of goods sold and services rendered	9,382	9,099	3,995	4,070	–3,986	–4,061	9,391	9,108
Research and development expenses	195	203	–	–	–	–	195	203
Selling expenses	525	690	52	51	–31	–30	546	711
Administrative expenses	36	34	–	–	–	–	36	34
Total	**10,138**	**10,026**	**4,047**	**4,121**	**–4,017**	**–4,091**	**10,168**	**10,056**
Total depreciation/Amortisation [1]	**11,053**	**10,869**	**4,061**	**4,136**	**–4,017**	**–4,091**	**11,097**	**10,914**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 9 Intangible assets

	Goodwill		Development		Other intangibles[1]		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Accumulated cost								
1 January	1,466	1,442	15,632	13,843	1,596	1,422	18,694	16,707
Additions	–	–	1,624	1,788	69	142	1,693	1,930
Acquisition of subsidiaries	19	–	–	–	–	–	19	–
Divestments and disposals	–	–	–	–	–60	–33	–60	–33
Reclassifications	–	–	–	–	21	49	21	49
Exchange rate differences	–151	24	–17	1	–101	16	–269	41
Total	**1,334**	**1,466**	**17,239**	**15,632**	**1,525**	**1,596**	**20,098**	**18,694**
Accumulated amortisation and impairment losses								
1 January	36	36	5,759	5,053	994	857	6,789	5,946
Amortisation for the year	–	–	744	706	170	152	914	858
Impairment loss of the year	–	–	–	–	15	–	15	–
Divestments and disposals	–	–	–	–	–53	–28	–53	–28
Reclassifications	–	–	–	–	–2	1	–2	1
Exchange rate differences	–1	0	–5	0	–72	12	–78	12
Total	**35**	**36**	**6,498**	**5,759**	**1,052**	**994**	**7,585**	**6,789**
Carrying amount, 31 December	**1,299**	**1,430**	**10,741**	**9,873**	**473**	**602**	**12,513**	**11,905**
– of which capitalised expenditures for projects that have been placed in service			6,795	6,091				
– of which capitalised expenditures for projects under development			3,946	3,782				

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 9 Intangible assets, continued

Scania tests the value of goodwill and other intangible assets not yet available for use at least annually. Goodwill has been allocated to the cash-generating unit to which it belongs, which usually corresponds to a reporting unit. Goodwill has been allocated among a number of cash-generating units, and the amount allocated to each unit is not significant compared to the Group's total carrying amount for goodwill. Goodwill that has been allocated to cash-generating units coincides with the total carrying value of goodwill. Goodwill is tested for impairment on the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment. The assumptions used in estimating recoverable amounts are disclosed in Note 2, "Key judgements and estimates".

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 10 Tangible assets

	Buildings and land		Machinery and equipment		Construction in progress and advance payments		Lease assets[1]		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Accumulated cost										
1 January	28,946	23,518	46,908	40,944	4,726	5,186	40,278	36,722	120,858	106,370
Transition IFRS 16	–	3,542	–	1,048	–	–	–	–	–	4,590
Acquisitions of subsidiaries	–	–	143	–	–	–	–	–	143	–
Additions	1,190	1,411	1,064	1,455	5,622	4,488	7,989	13,891	15,865	21,245
Divestments and disposals	–441	–376	–1,815	–1,255	–19	–4	–6,360	–9,001	–8,635	–10,636
Reclassifications	504	399	2,029	4,571	–2,654	–5,073	–1,725	–2,501	–1,846	–2,604
Exchange rate differences	–1,822	452	–2,538	145	–278	129	–2,767	1,167	–7,405	1,893
Total	**28,377**	**28,946**	**45,791**	**46,908**	**7,397**	**4,726**	**37,415**	**40,278**	**118,980**	**120,858**
Accumulated depreciation and impairment losses										
1 January	11,419	10,148	30,680	28,014	–	–	8,942	8,449	51,041	46,611
Acquisition of subsidiaries	–	–	34	–	–	–	–	–	34	–
Depreciation for the year	1,236	1,232	3,669	3,641	–	–	5,002	5,171	9,907	10,044
Impairment loss for the year	155	11	106	1	–	–	–	–	261	12
Divestments and disposals	–249	–125	–1,613	–1,142	–	–	–2,640	–4,183	–4,502	–5,450
Reclassifications	–1	3	–8	–9	–	–	–523	–806	–532	–812
Exchange rate differences	–651	150	–1,466	175	–	–	–826	311	–2,943	636
Total	**11,909**	**11,419**	**31,402**	**30,680**	**–**	**–**	**9,955**	**8,942**	**53,266**	**51,041**
Carrying amount, 31 December	**16,468**	**17,527**	**14,389**	**16,228**	**7,397**	**4,726**	**27,460**	**31,336**	**65,714**	**69,817**
– of which "Buildings"	9,694	10,325								
– of which "Land"	3,137	3,382								
– of which right-of-use assets	3,637	3,820	952	1,168						
– of which Financial Services	164	52	58	112	0	0	72	49		

1 Including assets for short-term rentals and assets capitalised due to repurchase obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 11 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	
	2020	2019	2020	2019	2020	2019
Accumulated cost						
1 January	4,426	3,542	1,631	1,048	6,057	4,590
Additions	909	982	404	613	1,313	1,595
Disposals	–309	–184	–308	–35	–617	–219
Transfers	0	0	0	–1	0	–1
Exchange rate differences	–328	86	–77	6	–405	92
Total	**4,698**	**4,426**	**1,650**	**1,631**	**6,348**	**6,057**
Accumulated depreciation and impairment losses						
1 January	606	5	462	12	1,068	17
Depreciation for the year	630	624	492	471	1,122	1,095
Impairment loss for the year	58	–	5	–	63	–
Disposals	–155	–18	–229	–18	–384	–36
Transfers	–4	–	1	0	–3	0
Exchange rate differences	–74	–5	–33	–3	–107	–8
Total	**1,061**	**606**	**698**	**462**	**1,759**	**1,068**
Carrying amount, 31 December	**3,637**	**3,820**	**952**	**1,168**	**4,589**	**4,988**

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

At 31 December 2020, the Group is committed to SEK 27 m. (70) for short-term leases.

The total cash outflow for leases amount to SEK 1,298 m. (1,235).

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

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

Lease liabilities

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

	2020	2019
Maturity analysis		
Not later than 1 year	1,102	1,235
Later than 1 year and not later than 5 years	3,383	3,468
Later than 5 years	1,251	1,480

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 12 Holdings in associated companies and joint ventures

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

1 SEK 127 m. relates to sennder GmbH which was reclassified 2019 from other shares and participations to associate.
2 SEK 102 m. is attributable to a dilution of ownership in sennder GmbH. In 2020, sennder made a directed new share issue, which resulted in a decrease of Scania's shareholding from 16.85 to 14.64 percent. The dilution effect of SEK 102 m. is the sum of the reduced ownership share and Scania's share of the contributed capital from the new share issue.

			Value of Scania's share in consolidated financial statements	
Associated companies/Corporate ID number/ Country of registration	Ownership, %	Carrying amount in Parent Company financial statements	2020	2019
BITS DATA i Södertälje AB, 556121-2613, Sweden	33.0	2	8	6
ScaValencia S.A., A46332995, Spain	26.0	16	30	30
N.W.S.S.r.L, IT1541500227, Italy[3]	–	–	–	1
Telematics GmbH, HRB 203799 B, Germany	46.73	15	15	0
sennder GmbH, HRB 170455 B, Germany	14.64	127	180	117
Holdings in associated companies		160	233	154
Share of:				
– net income			77	–3
– total comprehensive income			77	–3

3 During 2020, Scania acquired additional 6 percent of shares in N.W.S S.r.L, which increased the ownership to 52.5 percent and the entity is now a consolidaded subsidiary.

			Value of Scania's share in consolidated financial statements	
Joint ventures/Corporate ID number/ Country of registration	Ownership, %	Carrying amount in Parent Company financial statements	2020	2019
Cummins-Scania XPI Manufacturing LLC, 20-3394999, USA	50	515	594	579
Oppland Tungbilservice A/S, 982 787 602, Norway	50	1	7	8
Tynset Diesel A/S, 982 787 580, Norway	50	1	6	6
Holdings in joint ventures		517	607	593
Share of:				
– net income			92	49
– total comprehensive income			92	49
Holdings in associated companies and joint ventures			**840**	**747**
Other shares and participations	–	–	408	217
Total	**–**	**–**	**1,248**	**964**

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 12 Holdings in associated companies and joint ventures, continued

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

Scania´s dividend from Cummins-Scania XPI Manufacturing LLC amounted to SEK 0 m. (0). Cummins-Scania XPI Manufacturing LLC is a joint venture with Scania and Cummins as partners. The joint venture manufactures fuel injection systems with extra-high pressure injection (XPI). Cummins-Scania XPI Manufacturing LLC is recognised using the equity method.

NOTE 13 Inventories

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

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

NOTE 14 Other receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 15 Equity

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

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

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

The currency translation reserve arises when translating net assets outside Sweden according to the current method of accounting. The currency translation reserve also includes currency rate differences related to monetary items for businesses outside Sweden deemed to be a part of the company's net investment. The exchange rate difference of SEK –4,470 m. (945) arose as a result of the Swedish krona's strengthening against currencies important to Scania. The exchange rate differences were mainly due to that the krona has strengthened 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 16, "Provisions for pensions and similar commitments."

The board decided on a proposal to the 2021 Annual General Meeting that an amount of SEK 2,700 m. as ordinary dividend, which represents 50 percent of the net income SEK 5,400 m. for 2020, to be distributed to the shareholders as cash dividend.

Retained earnings amounting to SEK 8,816 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 Group has only a few non-wholly owned subsidiaries of which none is considered to have a substantial non-controlling interest. In 2020, net income attributable to non-controlling interests amounted to SEK 3 m. (3) and accumulated non-controlling interests in the company amounted to SEK 12 m. (18) as of 31 December 2020.

Reconciliation of change in number of shares outstanding	2020	2019
Number of A shares outstanding, 1 January	400,000,000	400,000,000
Number of A shares outstanding, 31 December	**400,000,000**	**400,000,000**
Number of B shares outstanding, 1 January	400,000,000	400,000,000
Number of B shares outstanding, 31 December	**400,000,000**	**400,000,000**
Total number of shares, 31 December	**800,000,000**	**800,000,000**

The equity of the Scania Group consists of the sum of equity attributable to Scania's shareholders and equity attributable to non-controlling interests. At year-end 2020, the Group's equity totalled SEK 61,547 m. (60,888). 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 12 companies that are subject to oversight by national financial inspection authorities. In some countries, Scania must comply with local capital adequacy requirements. During 2020, these units met their capital adequacy requirements.

The Group's Financial Policy contains targets for key ratios related to the Group's financial position. These coincide with the ratios used by Standard & Poor's. At the end of 2020 Scania's Credit Rating according to Standard and Poor's was:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 16 Provisions for pensions and similar commitments

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

The Group's expenses for defined-contribution plans amounted to SEK 1,670 m. (1,949) during 2020. The commitment that is recognised in the balance sheet stems from the defined benefit plans. The plans are secured through reinsured provisions in the balance sheet, foundations and funds. Calculations are performed according to the Projected Unit Credit Method, using the assumptions presented under each country below.

Scania's forecast pension payments related to defined benefit plans, both funded and unfunded plans, is SEK 528 m. for 2021.

The largest plans are described in more detail below.

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

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

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

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

1. A basic pension plan for employees and management, covering retirement pension, disability pension, spouse pension, children's pension and life insurance.
2. A supplementary plan for members of the management, covering retirement pension, disability pension, spouse pension, children's pension and life insurance. This plan also includes early retirement pension, which covers employees with at least five years of service or who have retired prematurely at the request of the company.

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

Brazil
Employees at Scania Latin America Ltda are covered by four post-employment defined benefit plans. Three health care plans cover medical, dental and pharmaceutical expenses as well as the cost of a life insurance plan. The health care plans became unfunded in February 2018. The plans are open to personnel retiring at a minimum age of 55 with at least 10 years' service.

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

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

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

The normal retirement age in the schemes is 65.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 16 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 2020, Alecta's surplus, in the form of a collective consolidation level (assets in relation to the insurance obligation), amounted to 144 percent (148). If the consolidation level falls below or exceeds the normal range (125–175), Alecta shall take measures, for example raise agreed subscription prices and extension of existing benefits, or introduce premium reductions.

Alecta's insurance obligation is calculated according to Alecta's actuarial methods and assumptions, which deviate from the methods and assumptions applied in measurement of defined benefit pensions according to IAS 19. Premiums to Alecta amounted to SEK 111 m. (111).

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

Information regarding the largest plans during 2020	Sweden	Switzerland	Brazil	Great Britain
Present value of defined benefit obligations	12,449	1,211	405	1,041
Fair value of plan assets	–1,523	–1,216	–52	–922
Net assets not fully valued due to curtailment rule	–	–	0	–
Recognised as pension liability/(asset) in the balance sheet, SEK m.	**10,926**	**–5**	**353**	**119**
Breakdown into categories				
Present value of defined benefit obligations for persons in active employment, SEK m.	7,953	708	–209	–
Persons in active employment, number	10,356	282	2,544	–
Present value of defined benefit obligations for paid-up policy holders, SEK m.	2,072	–	–	700
Paid–up policy holders, number	2,880	–	–	399
Present value of defined benefit obligations for retired employees, SEK m.	2,424	503	614	341
Retired employees, number	2,693	109	1,224	208
Assumptions/Conditions				
Discount rate, %	1.3	0.1	7.6	1.4
Average life expectancy, women/men, years	88	88	86	88
Average duration of obligations, years	22.9	16.0	11.5	20.0
Sensitivity analysis concerning change in present value of obligations, SEK m.				
0.5% increase in discount rate	–1,305	–91	–27	–97
0.5% decrease in discount rate	1,503	103	16	109
1 year increase in life expectancy	539	35	42	43

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 16 Provisions for pensions and similar commitments, continued

Information regarding the largest plans during 2019	Sweden	Switzerland	Brazil	Great Britain
Present value of defined benefit obligations	11,771	1,224	548	1,011
Fair value of plan assets	–997	–1,254	–74	–971
Net assets not fully valued due to curtailment rule	–	–	2	–
Recognised as pension liability/(asset) in the balance sheet, SEK m.	**10,774**	**–30**	**476**	**40**
Breakdown into categories				
Present value of defined benefit obligations for persons in active employment, SEK m.	7,618	690	–253	–
Persons in active employment, number	10,814	296	2,544	–
Present value of defined benefit obligations for paid–up policy holders, SEK m.	1,848	–	–	664
Paid–up policy holders, number	2,778	–	–	399
Present value of defined benefit obligations for retired employees, SEK m.	2,305	534	801	347
Retired employees, number	2,600	112	1,124	208
Assumptions/conditions				
Discount rate, %	1.5	0.1	7.8	2.0
Average life expectancy, women/men, years	89	88	86	88
Average duration of obligations, years	23.1	15.9	12.2	20.0
Sensitivity analysis concerning change in present value of obligations, SEK m.				
0.5% increase in discount rate	–1,246	–91	–12	–91
0.5% decrease in discount rate	1,438	104	4	107
1 year increase in life expectancy	507	36	57	44

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

Pension expenses and other defined benefit payments are found in the income statement under the headings "Research and development expenses," SEK 126 m. (102), "Cost of goods sold," SEK 271 m. (210), "Selling expenses," SEK 126 m. (99) and "Administrative expenses," SEK 73 m. (50). The interest portion of the net liability is recognised as an interest expense and the interest portion in net assets is recognised as interest income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 16 Provisions for pensions and similar commitments, continued

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 16 Provisions for pensions and similar commitments, continued

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

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

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

NOTE 17 Other provisions

2020	Product obligations	Legal and tax risks[2]	Other provisions[1]	Total
1 January	1,828	4,624	4,310	10,762
Provisions during the year	1,053	145	2,167	3,365
Provisions used during the year	–1,116	–274	–1,737	-3,127
Provisions reversed during the year	–84	–39	–60	–183
Exchange rate differences	1	9	0	10
31 December	**1,682**	**4,465**	**4,680**	**10,827**
– of which, current provisions	1,247	221	2,494	3,962
– of which, non-current provisions	435	4,244	2,186	6,865

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

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

2 “EU investigation” consists of provision of SEK 3,800 m. recognised in June 2016 for the investigation conducted by the European Commission concerning inappropriate cooperation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 18 Accrued expenses and deferred income

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

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

The following table provides an explanation of the changes of contract liabilities during the year.

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

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

NOTE 19 Assets pledged and contingent liabilities

Assets pledged	2020	2019
Financial receivables	–	–
Other	0	5
Total[1]	**0**	**5**
[1] Of which, assets pledged for:		
– liabilities of others	0	5

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

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

NOTE 20 Government grants and assistance

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

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

NOTE 21 Cash flow statement

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

	2020	2019
a. Interest and dividends received/paid		
Dividends received from associated companies	3	5
Interest received	4,243	4,451
Interest paid	–2,460	–3,074

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 21 Cash flow statement, continued

	2020	2019
b. Items not affecting cash flow		
Depreciation/amortisation	11,097	10,914
Associated companies	–166	–41
Provision for pensions	–48	–562
Other	783	105
Total	**11,666**	**10,416**

	2020	2019
c. Financial Services: Net investments in credit portfolio etc.		
New financing[1]	–42,439	–54,221
Payments of principal and completed contracts	39,752	43,777
Total	**–2,687**	**–10,444**

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

	2020	2019
d. Net investment through acquisitions/divestments of businesses[2]		
Divestments of businesses	0	0
Acquisitions of businesses	–27	–
Total	**–27**	**0**

2 See Note 22, "Business acquired/divested."

	2020	2019
e. Vehicles and Services: Acquisitions of non-current assets		
Investments in non-current assets[3]	–8,338	–7,787
Divestments of non-current assets	228	269
Total	**–8,110**	**–7,518**

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

	2020	2019
f. Change in debt through financing activities		
Net change in current liabilities	–30,373	–8,219
Decrease in non-current liabilities	–1,107	–400
Increase in non-current liabilities	34,755	26,954
Lease liabilities	–1,067	–976
Total	**2,208**	**17,359**

Reconciliation of liabilities arising from financing activities

	2019	Cash flow	Non-cash changes			2020
			Foreign exchange movements	Re-classifications	New leases	
Non-current interest-bearing liabilities	49,967	33,648	–2,423	–31,495	–	49,697
Current interest-bearing liabilities	42,517	–30,373	–2,492	31,495	–	41,147
Lease liabilities	5,116	–1,067	–526	–	1,313	4,836
	97,600	**2,208**	**–5,441**	**0**	**1,313**	**95,680**
Cash and cash equivalents	20,981	12,221	–934	–		32,268
	118,581	**14,429**	**–6,375**	**0**	**1,313**	**127,948**

	2018	Cash flow	Non-cash changes			2019
			Foreign exchange movements	Re-classifications	New leases	
Non-current interest-bearing liabilities	42,950	26,554	–128	–19,409	–	49,967
Current interest-bearing liabilities	29,237	–8,219	2,090	19,409	–	42,517
Lease liabilities[1]	4,544	–976	–15	–	1,563	5,116
	76,731	**17,359**	**1,947**	**0**	**1,563**	**97,600**
Cash and cash equivalents	7,222	13,628	131	–	–	20,981
	83,953	**30,987**	**2,078**	**0**	**1,563**	**118,581**

1 Including adjustment opening balance lease liability SEK 4,544 m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 21 Cash flow statement, continued

	2020	2019
g. Cash and cash equivalents		
Cash and bank balances	7,066	5,838
Short-term investments comprising cash and cash equivalents	25,202	15,143
Total	**32,268**	**20,981**

NOTE 22 Businesses acquired/divested

Scania is not an acquisition-intensive Group or a Group that divests businesses to a large extent and no significant acquisitions or divestments have occurred during the years 2019–2020.

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

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

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

1 The number of Board members and executive officers was 562 (538).

2 Of the pension expense in the Group, SEK 23 m. (50) was for Boards of Directors and executive officers in the Scania Group. At year-end, the total pension obligation was SEK 209 m. (146) for this category.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 24 Related party transactions

	Revenue		Expenses		Receivables		Liabilities	
	2020	2019	2020	2019	2020	2019	2020	2019
Volkswagen Group	870	1,295	980	1,171	24,350	14,234	776	936
Associated companies and joint ventures								
Cummins-Scania XPI Manufacturing L.L.C.	109	155	631	706	14	12	0	0
ScaValencia S.A.	170	247	97	175	4	4	2	1
Others	12	13	23	11	1	2	1	1

Disclosures of relationships with related parties that include a controlling influence are provided in the list of subsidiaries. See also the presentation of Scania's Board of Directors and Executive Board as well as Note 25, "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 Volkswagen Group. Volkswagen Group receivables mainly refers to short-term investments which are included in the Scania Group's cash and cash equivalents. All related party transactions occur on market terms.

NOTE 25 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 25 Compensation to executive officers, continued

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

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

2020, SEK thousand	Fixed salary	Board remuneration[1]	Variable salary	LTI	Other remuneration	Total salary and remuneration	Pension expenses, defined contribution system	Pension expenses, defined benefit system	Total pension expenses	Pension obligations
Chairman of the Board	–	–	–	–	–	–	–	–	–	–
President and CEO	6,026	–	1,923	2,782	469	11,200	3,243	495	3,738	3,742
Rest of Executive Board (7 persons)	24,369	–	37,546	–	1,754	63,669	7,628	3,306	10,934	24,550

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

2019, SEK thousand	Fixed salary	Board remuneration[1]	Variable salary	LTI	Other remuneration	Total salary and remuneration	Pension expenses, defined contribution system	Pension expenses, defined benefit system	Total pension expenses	Pension obligations
Chairman of the Board	–	–	–	–	–	–	–	–	–	–
President and CEO	6,180	–	7,336	4,158	305	17,979	2,898	480	3,378	3,319
Rest of Executive Board (7 persons)	23,564	–	48,993	–	1,849	74,406	6,685	3,520	10,205	25,008

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 25 Compensation to executive officers, continued

Pension expenses, defined-contribution system: annual premiums according to a defined contribution pension system and ITPK (defined contribution portion of the ITP occupational pension).

Pension expenses, defined-benefit system (ITP): risk insurance premiums and the increase of retirement pension liability according to the ITP occupational pension plan.

Other remuneration: taxable portion of car allowance, newspaper subscriptions and other perquisites.

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

NOTE 26 Fees and other remuneration to auditors

Fees and other remuneration to auditors that were expensed during the year are reported below. Remuneration for consultations is reported in cases where the same public accountancy firm has the assignment to audit an individual company. “Auditing assignments” refers to statutory examination of the annual accounts as well as the administration of the Board of Directors and the President and CEO. “Auditing activities beyond auditing assignments” refers to examination of administration or financial information that shall be performed in accordance with laws, articles of association, statutes or agreements that is also intended for parties other than the client, and which is not included in the auditing assignment. “Tax consultancy” is consultation on matters of tax law. “Other services” refers to consultancy that cannot be attributed to any of the other categories. Auditing expenses that have arisen because Scania is a subsidiary of Volkswagen have been reinvoiced.

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

NOTE 27 Financial risk management

Financial risk management in the Scania Group

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

Credit risk related to customer commitments is managed, within established limits, on a decentralised basis by means of local credit assessments. Decisions on major credit commitments are made in corporate credit committees. Other risks are managed primarily at corporate level by Scania’s treasury unit. On a daily basis, the corporate treasury unit measures the risks of outstanding positions, which are managed within established limits in compliance with the Scania Group Policy – Treasury.

Liquidity risk

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

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

The solvency and liquidity of Scania are ensured at all times by rolling liquidity planning, a liquidity reserve in the form of cash, confirmed credit lines and the issuance of securities on the international money and capital markets. For Scania Financial Services, there shall be dedicated funding covering the net of the next coming 3 months of maturing debt less 50 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.

Currency risk

Currency risk is the risk of negative effects on earnings and balance sheet items denominated in foreign currency, due to currency movements. Changes in exchange rates also affect Scania’s income statement and balance sheet as follows:

- An individual company may have monetary assets and liabilities in a currency other than its functional currency, which are translated to the functional currency using the exchange rate on the balance sheet date. When settling monetary assets and liabilities, an exchange rate difference arises between the exchange rate on the balance sheet date and on the payment date. All changes in exchange rates attributable to translation or settlement of monetary items are recognised in the income statement (transaction effect).
- Revenue, expenses, assets and liabilities in a functional currency other than the reporting currency of the Parent Company (SEK) are translated at the average exchange rate during the year and the exchange rate on the balance sheet date, respectively. The effect that arises because the exchange rate on the balance sheet date is changed from the beginning of the year and the average exchange rate of the year deviates from the balance sheet rate is recognised in the translation reserve in other comprehensive income (translation effect).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 Financial risk management, continued

During 2020, 94 (95) percent of Scania's sales occurred in countries outside Sweden. Since a large proportion of production occurs in Sweden, at costs denominated in Swedish kronor, this means that Scania has large net inflows of foreign currencies.

During 2020, total currency exposure in Scania's operating income amounted to about SEK 35,800 m. (54,200). The largest currencies in this flow were USD, GBP and EUR. The table below shows currency exposure in Scania's operating income in the most commonly occurring currencies.

Currency exposure in operating income, Vehicles and Services	2020	2019
US dollar (USD)	6,200	–400
British pound (GBP)	5,900	10,300
Euro (EUR)	5,300	5,200
Russian rouble (RUB)	3,700	4,800
Norwegian krone (NOK)	3,500	4,200
Chinese yuan remnimbi (CNY)	2,600	2,100
Korean won (KRW)	2,300	1,900
Swiss franc (CHF)	1,700	2,000
Danish krone (DKK)	1,600	2,000
Taiwandollar (TWD)	1,400	1,300
South African rand (ZAR)	1,300	2,000
Brazilian real (BRL)	–1,200	–1,300
Other currencies	–100	18,300
Total currency exposure in operating income	**34,200**	**52,400**

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

Based on revenue and expenses in foreign currencies during 2020, a one percentage point change in the Swedish krona against other currencies, excluding currency hedges, has an impact on operating income of about SEK 358 m. (542) on an annual basis. In Vehicles and Services, compared to 2019, the total negative currency rate effects amounted to SEK –1,762 m. (1,900).

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 6 months. The CEO has a mandate to approve hedging of up to 50 percent of anticipated exposure by currency for a period from above 6 months up to 12 months. When currency risks are hedged, currencies are mainly sold by means of forward contracts, but currency options may also be used.

To ensure efficiency and risk control, borrowings in Scania's subsidiaries largely occur through the corporate treasury unit, mainly in EUR and SEK, and are then transferred to 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 2020, Scania's net assets in foreign currencies amounted to SEK 27,400 m. (39,100). The net foreign assets of subsidiaries are normally not hedged. To the extent subsidiaries have significant net monetary assets in functional currencies, however, they may be hedged. At year-end 2020 no foreign net assets were hedged (–).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 Financial risk management, continued

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

Effect on exchange rate differences on net income

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

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

Interest rate risk

Interest rate risk is the risk of negative effects on interest income and expenses due to movements in interest rates. For Scania's assets and liabilities that carry variable interest rates, a change in market interest rates has a direct effect on cash flow, while for fixed-interest assets and liabilities, the fair value of the portfolio is affected instead. To manage interest rate risks, Scania primarily uses interest rate derivatives in the form of interest rate swap agreements.

At year-end 2020, Scania's interest-bearing assets mainly consisted of assets in Financial Services and of short-term investments and cash and cash equivalents. Interest-bearing liabilities consisted mainly of loans, to a great extent intended to fund lending in Financial Services operations and to a lesser extent to fund working capital in Vehicles and Services.

Interest rate risk in Vehicles and Services

Borrowings in Vehicles and Services are mainly used for funding of working capital. To match the turnover rate of working capital, a short interest rate refixing period is used in the borrowing portfolio. Scania's Group policy – Treasury concerning interest rate risks in the Vehicles and Services segment is that the interest rate refixing period on its net debt should normally be within 0–6 month range, but that divergences are allowed up to 24 months. The Board of Directors approves maturities of more than 24 months.

Net cash in Vehicles and Services was SEK 21,824 m. (17,057) at year-end 2020. The borrowing portfolio amounted to SEK 9,765 m. (5,090). Short-term investments and cash and cash equivalents amounted to SEK 31,588 m. (22,153) and the average interest rate refixing period on these assets was less than 2 (2) month.

Given the same loan liabilities, short-term investments, cash and cash equivalents and interest rate refixing periods as at year-end 2020, a change in market interest rates of 100 basis points (1 percentage point) would change the interest expenses by approximately SEK 98 (51) m. and interest income in Vehicles and Services by approximately SEK 315 m. (175) 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 2020:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 Financial risk management, continued

Given the same lending and borrowing structure as at year-end 2020, a change in market interest rate of 50 basis points (0.5 percent point) would change the interest in Financial Services by about SEK 4.8 m. (4,2) on an annual basis.

Scania's total borrowing portfolio amounted to SEK 91,205 m. (92,871) at year-end 2020.

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

1 Total borrowings excluded SEK 361 m. (387) related to accrued interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 Financial risk management, continued

Credit risk

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

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

	2020					2019				
	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 2020	59	45	306	1,289	1,699	57	48	305	1,168	1,578
Changes due to financial instruments recognised as at 1 January										
Transfer to stage 1	4	–19	–13		–28	0	–9	–7		–16
Transfer to stage 2	–14	33	–11		8	–25	37	–1		11
Transfer to stage 3	–14	–8	48		26	–18	–11	60		31
Write-offs (Utilization)			–77	–133	–210			–8	–104	–112
Financial assets acquired/issued	93			378	471	75			527	602
Changes to models or risk parameters [1]					360					
Reversals	–22	–11	–44	–368	–445	–31	–32	–106	–497	–666
Foreign exchange movements	–10	–9	–63	–88	–170	1	3	10	28	42
Other changes within a stage	21	3	62	214	300	0	9	53	167	229
Loss allowance as at 31 December 2020	**117**	**34**	**208**	**1,292**	**2,011**	**59**	**45**	**306**	**1,289**	**1,699**

1 Refers to manual overlay of SEK 360 m. For more information see Note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 Financial risk management, continued

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

	2020					2019				
	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 2020	58,886	1,419	995	56,648	117,948	37,878	1,190	1,155	52,020	92,243
Transfer to stage 1	469	–427	–42		0	209	–190	–19		0
Transfer to stage 2	–479	511	–32		0	–521	527	–6		0
Transfer to stage 3	–93	–166	259		0	–95	–175	270		0
Changes in gross carrying amount (due to additions and disposals, significant modifications)	15,648	–213	–311	–683	14,441	20,680	23	–449	2,824	23,078
Foreign exchange movements	–5,481	–226	–151	–4,485	–10,343	735	44	44	1,804	2,627
Gross carrying amount as at 31 December 2020	**68,950**	**898**	**718**	**51,480**	**122,046**	**58,886**	**1,419**	**995**	**56,648**	**117,948**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 Financial risk management, continued

Gross carrying amounts of financial assets by rating category

	2020					2019				
	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 2019										
Credit Risk Rating Grade 1	68,950			46,612	115,562	58,886			49,780	108,666
Credit Risk Rating Grade 2		898		3,577	4,475		1,419		5,546	6,965
Credit Risk Rating Grade 3			718	1,291	2,009			995	1,322	2,317
Total	**68,950**	**898**	**718**	**51,480**	**122,046**	**58,886**	**1,419**	**995**	**56,648**	**117,948**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 Financial risk management, continued

Credit risk in Vehicles and Services

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

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

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

Provisions for bad debts changed as follows:

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

Credit risk in Financial Services

The credit portfolio including operating leases in the Financial Services segment can be seen in the table below:

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

To maintain a controlled level of credit risk in the segment, the process of issuing credit is supported by a credit policy as well as credit instructions. Credit risks are limited by active credit assessment, management of the loan portfolio and its underlying assets as well as an intensive focus and constructive dialogue with those customers who do not follow the agreed payment plan. Collateral in Financial Services operations mainly 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 2020 was equal to that of 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 Financial risk management, continued

Timing analysis of portfolio assets

	2020			2019		
Past due receivables	Past-due payments	Total exposure[1]	Estimated fair value of collateral	Past-due payments	Total exposure[1]	Estimated fair value of collateral
< 30 days	73	3,119	2,925	158	5,552	5,366
30–90 days	85	1,563	1,441	149	2,154	2,037
91–180 days	71	511	480	76	733	652
> 180 days	174	684	599	97	399	384
Inactive contracts	197	744	424	316	1,383	848
Total	**600**	**6,621**	**5,869**	**796**	**10,221**	**9,287**

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

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

	31 December 2020			31 December 2019		
Concentration of credit risk	Number of customers	Percentage of total number of customers	Percentage of portfolio value	Number of customers	Percentage of total number of customers	Percentage of portfolio value
Exposure < SEK 15 m.	42,270	97.9	66.7	39,426	97.5	65.0
Exposure SEK 15–50 m.	752	1.7	17.6	806	2.0	19.0
Exposure > SEK 50 m.	175	0.4	15.7	193	0.5	16.0
Total	**43,197**	**100.0**	**100.0**	**40,425**	**100.0**	**100.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 Financial risk management, continued

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

In 2020, the renegotiation of financing contracts increased sharply during the first and second quarters due to the pandemic's effects on societies and transport systems. During the third and fourth quarters, the renegotiations returned to normal levels and the vast majority of customers returned to previous payment plans. It is mainly customers in the tourism and bus industry who experience continued weak demand. The carrying amount of the financial assets, whose terms had been renegotiated at any time, amounted to SEK 22,554 m. (1,847) at year-end. Contracts are regarded as impaired when payment is more than 90 days past due or when there is information that causes Scania to terminate the contracts early.

The resale market for repossessed and used vehicles functioned smoothly during 2020. During the year, 1,652 (2,392) financed vehicles were repossessed. At year-end, the number of repossessed but not yet sold vehicles amounted to 248 (591), with a total carrying amount of SEK 103 m. (321). Repossessed vehicles are sold off by means of a new financing contract with another customer, direct sale to an end customer or sale via Scania's dealership network.

Provisions for bad debts changed as follows:

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

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

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

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

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

Other credit risks at Scania

The administration of the financial credit risks that arise primarily in corporate treasury operations, among other things when investing liquidity and in derivatives trading, is regulated in Scania Group Policy – Treasury. Transactions occur only within established limits and with selected, creditworthy counterparties. To reduce credit risk, the volume of exposure allowed per counterparty is limited, depending on the counterparty's credit rating. To further limit credit risk, Scania has entered into International Swaps and Derivatives Association (ISDA) netting contracts with all of its counterparties.

The corporate treasury unit is responsible for ensuring compliance with the rules of Scania Group Policy – Treasury.

Net exposure to counterparty risk related to derivatives trading amounted to SEK 2,686 m. (–1,154) at the end of 2020. Estimated gross exposure to counterparty risks related to derivatives trading totalled SEK 3,391 m. (552). Estimated gross exposure to cash and cash equivalents and short-term investments amounted to SEK 32,322 m. (21,818). Short-term investments are mainly deposited with TRATON.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 27 Financial risk management, continued

Refinancing risk

Refinancing risk is the risk of not being able to meet the need for future funding. Scania applies a conservative policy concerning refinancing risk. For Vehicles and Services, there shall be a liquidity reserve consisting of available cash and cash equivalents as well as unutilised credit facilities which exceeds the funding needs 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 2020, Scania's liquidity reserve, consisting of guaranteed credit facilities, cash and cash equivalents and short-term investments, amounted to SEK 61,391 m. (51,064). Scania's credit facilities include customary Change 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:

Borrowings, 2020	Total borrowings	Ceiling
European Medium Term Note Programme	70,178	120,296
Credit facility (EUR, SEK)	–	28,069
Commercial paper, Sweden	–	10,000
Commercial paper, Belgium	2,105	15,037
Bank loans and Other loans	18,561	–
Total[1,2]	**90,844**	**173,402**

Borrowings, 2019	Total borrowings	Ceiling
European Medium Term Note Programme	63,872	83,560
Credit facility (EUR, SEK)	–	29,246
Commercial paper, Sweden	80	10,000
Commercial paper, Belgium	9,233	15,668
Bank loans and Other loans	19,299	–
Total[1,2]	**92,484**	**138,474**

1 Of the total ceiling, SEK 28,069 m. (29,246) consisted of guaranteed revolving credit facilities.
2 Total borrowings excluded SEK 361 m. (387) related to accrued interest and fair value adjustments on bonds where hedge accounting was previously applied.

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

Maturity structure of Scania's borrowings	2020	2019
2020	–	42,517
2021	41,147	32,417
2022	23,577	14,192
2023	14,331	1,276
2024	1,940	1,025
2025	8,320	1,057
2026 and later	1,529	–
Total[1]	**90,844**	**92,484**

1 Total borrowings excluded SEK 361 m. (387) related to accrued interest and lease liabilities. Maturity structure for lease liabilities, see Note 11.

Maturity structure of derivatives attributable to borrowings, 2020	Derivatives with positive value	Derivatives with negative value
2021	2	–49
2022	57	–2
2023	19	0
2024	0	–18
2025 and later	47	0
Total[1]	**125**	**–69**

Maturity structure of derivatives attributable to borrowings, 2019	Derivatives with positive value	Derivatives with negative value
2020	2	–15
2021	0	–104
2022	40	–15
2023	1	0
2024 and later	0	–12
Total[1]	**43**	**–146**

1 Does not include accrued interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 28 Financial instruments

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

- Transforming corporate-level borrowings in a limited number of currencies to the currencies in which the financed assets are denominated.
- Transforming the interest rate refixing period for borrowings in Financial Services as well as achieving the desired interest rate refixing period for other borrowings.
- Converting future commercial payments to functional currency.
- To a lesser extent, converting surplus liquidity in foreign currencies to SEK.

Fair value of financial instruments

In Scania's balance sheet, items carried at fair value are mainly derivatives, 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 130 m. (86). Other assets that are carried at fair value refer to derivatives. These assets are carried according to Level 2, which is based on data other than the quoted prices that are part of Level 1 and refer to directly or indirectly observable market data. Scania applies a valuation technique that consists of estimating the present value of future cash flows based on observable yield curves. The yield curve applied is derived from relevant listed yields for the respective period during which cash flows are received or paid. The derivatives are recognised under other non-current assets, other current assets, other non-current liabilities and other current liabilities and amounted to SEK -2,686 m. (–1,154) net.

For financial instruments that are carried at 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 as a consequence of changes in market interest rates.

Financial assets and liabilities that can be offset against each other consist of derivatives covered by legally binding master netting agreements. Carrying amounts of assets and liabilities amounted to SEK 3,337 m. (537) and SEK –672 m. (1,696). The amount that can be offset from each amount was SEK 636 m. (475).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 28 Financial instruments, continued

	2020					2019				
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	341			341	341	143			143	143
Non-current interest-bearing receivables		48,004		48,004	48,103		50,938		50,938	51,149
Current interest-bearing receivables		30,815		30,815	30,906		32,792		32,792	33,000
Non-interest-bearing trade receivables		6,936		6,936	6,936		8,368		8,368	8,368
Current investments and Cash and cash equivalents	130	32,192		32,322	32,317	86	21,708		21,794	21,790
Other non-current receivables [1]	2,565	50		2,615	2,615	370	46		416	416
Other current receivables [2]	826			826	826	182	291		473	473
Total assets	**3,862**	**117,997**	**–**	**121,859**	**122,043**	**781**	**114,143**	**–**	**114,924**	**115,339**
Non-current interest-bearing liabilities			49,696	49,696	50,980			49,967	49,967	50,280
Current interest-bearing liabilities			41,509	41,509	41,359			42,904	42,904	42,880
Trade payables			13,886	13,886	13,886			12,738	12,738	12,738
Other non-current liabilities [3]	355			355	355	1,076			1,076	1,076
Other current liabilities [4]	350			350	350	630			630	630
Total liabilities	**705**	**–**	**105,091**	**105,796**	**106,930**	**1,706**	**–**	**105,609**	**107,315**	**107,604**

1 Financial instruments included in the balance sheet under "Other long-term receivables," SEK 3,300 m. (1,444).
2 Financial instruments included in the balance sheet under "Trade receivables and Other current receivables," SEK 14,196 m. (15,881).
3 Financial instruments included in the balance sheet under "Other non-current liabilities," SEK 5,303 m. (6,580)
4 Financial instruments included in the balance sheet under "Other current liabilities," SEK 6,898 m. (6,146).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 28 Financial instruments, continued

Hedge accounting

During 2020 Scania has not applied hedge accounting.

Scania considers that it is hedged economically, and risk management follows the Scania Group Policy – Treasury.

Net gains/losses on financial instruments recognised in the income statement

The table below shows the following items that are recognised in the income statement:

- Gains and losses related to currency rate differences, including gains and losses attributable to derivatives.

Net gains/losses	2020	2019
Financial assets and liabilities carried at fair value	333	60
Financial assets measured at amortised cost[1]	–784	–861
Financial liabilities measured at amortised cost	–236	900
Total	**–687**	**99**

1 Also includes operating leases.

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

Interest income and expenses on financial instruments

The table below shows interest income and interest expenses for all of Scania's financial assets and financial liabilities:

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

1 SEK –336 m. (357) consists of interest generated from financial assets carried at fair value.
2 Also includes interest expenses related lease liabilities and interest expenses related to Financial Services that were recognised in the operating income.
3 SEK –139 m. (–1,376) consists of interest expenses generated from financial liabilities carried at fair value.

The reason why income diverges from recognised interest income in net financial items is largely that Financial Services is included in the table and that interest income and interest expenses attributable to pensions are excluded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 29 Shares and participations in subsidiaries

The following listing shows shareholdings owned directly and indirectly by the Parent Company as of 31 December 2020:

Company	Corporate ID no.	Registered office	Country	% Ownership
Vehicles and services				
DynaMate AB	556528-9286	Södertälje	Sweden	100
Fastighetsaktiebolaget Flygmotorn	556528-9112	Södertälje	Sweden	100
Fastighetsaktiebolaget Hjulnavet	556084-1198	Södertälje	Sweden	100
Fastighetsaktiebolaget Vindbron	556040-0938	Södertälje	Sweden	100
Kai Tak Holding AB	556548-4739	Södertälje	Sweden	100
LOTS Group AB	556593-3057	Södertälje	Sweden	100
MW-hallen Restaurang AB	556616-7747	Södertälje	Sweden	100
Mälardalens Tekniska Gymnasium AB	556548-4754	Södertälje	Sweden	80.00
Scania Bus Financing AB	556728-9433	Södertälje	Sweden	100
Scania CV AB	556084-0976	Södertälje	Sweden	100
Scania Delivery Center AB	556593-2976	Södertälje	Sweden	100
Scania Growth Capital AB	559090-6524	Södertälje	Sweden	90.10
Scania Industrial Maintenance AB	556070-4818	Södertälje	Sweden	100
Scania IT AB	556084-1206	Södertälje	Sweden	100
Scania Overseas AB	556593-2984	Södertälje	Sweden	100
Scania Real Estate Lund AB	556791-9823	Södertälje	Sweden	100
Scania Real Estate Services AB	556593-3024	Södertälje	Sweden	100
Scania Sales and Services AB	556593-3073	Södertälje	Sweden	100
Scania Sverige AB	556051-4621	Södertälje	Sweden	100
Scania Transportlaboratorium AB	556528-9294	Södertälje	Sweden	100
Scania Treasury AB	556528-9351	Södertälje	Sweden	100
Scania Trucks & Buses AB	556267-1585	Södertälje	Sweden	100
Sågverket 6 AB	556528-9062	Södertälje	Sweden	100
Vabis Försäkringsaktiebolag	516401-7856	Södertälje	Sweden	100
Vindbron Arendal AB	556822-2367	Södertälje	Sweden	100
TRATON AB	556528-9104	Södertälje	Sweden	100
Laxå Specialvehicles AB	556548-4705	Laxå	Sweden	100
Ferruform AB	556528-9120	Luleå	Sweden	100
CNC Factory AB	556387-4659	Värnamo	Sweden	100
Scania Argentina S.A.	30-51742430-3	Buenos Aires	Argentina	100
Scania Australia Pty Ltd.	000537333	Melbourne	Australia	100
Scania Real Estate Österreich GmbH	FN95419y	Brunn am Gebirge	Austria	100
Scania Österreich GmbH	FN366024x	Brunn am Gebirge	Austria	100
Scania Belgium N.V.	BE0402.607.507	Neder-Over-Heembeek	Belgium	100
Scania Real Estate Belgium N.V.	BE0423.251.481	Neder-Over-Heembeek	Belgium	100
Scania BH d.o.o., Sarajevo	4200363460007	Sarajevo	Bosnia-Herzegovina	100
Scania Botswana (Pty) Ltd.	CO.2000/6045	Gaborone	Botswana	100
Santa Catarina Veículos e Serviços Ltda.	22.416.982/0001-30	Biguaçu	Brazil	100
Scania Administradora de Consórcios Ltda.	96.479.258/0001-91	Cotia	Brazil	99.99
Suvesa Super Veics Pesados Ltda.	88.301.668/0001-10	Eldorado do Sul	Brazil	99.98
Codema Comercial e Importadora Ltda.	60.849.197/0001-60	Guarulhos	Brazil	99.98
LOTS Latin América Logística de Transportes Ltda.	29.094.173/0001-06	São Bernardo do Campo	Brazil	100
Scania Latin America Ltda.	59.104.901/0001-76	São Bernardo do Campo	Brazil	100
Scania Bulgaria EOOD	BG121796861	Sofia	Bulgaria	100
Scania Real Estate Bulgaria EOOD	BG201589120	Sofia	Bulgaria	100
Scania Chile S.A.	96.538.460-K	Santiago de Chile	Chile	100
Lots Logistics (Guangxi) Co.Ltd.	32956526-9	Beihai, Guangxi Province	China	100
Scania Sales and Service (Guangzhou) Co., Ltd.	440101400126397	Guangzhou	China	100
Scania (Hong Kong) Ltd.	1205987	Hongkong	China	100
Scania Production (China) Co., Ltd.	91360924754233361N	Rugao City	China	100
Scania Colombia S.A.S.	900.353.873-2	Bogotá	Colombia	100
Scania Hrvatska d.o.o.	080213913	Zagreb	Croatia	100
Scania Czech Republic s.r.o.	CZ61251186	Praha	Czech Republic	100
Scania Real Estate Czech Republic s.r.o.	24196746	Praha	Czech Republic	100
Scania Danmark A/S	DK17045210	Ishøj	Denmark	100
Scania Danmark Ejendom Aps	33156332	Ishøj	Denmark	100
Scania Eesti AS	10238872	Tallinn	Estonia	100
Scania Real Estate Finland Oy	2559582-1	Helsinki	Finland	100
Scania Real Estate Holding Oy	2566377-5	Helsinki	Finland	100
Scania Suomi Oy	0202014-4	Helsinki	Finland	100
SOE Busproduction Finland Oy	26121679	Lahti	Finland	100
Scania France S.A.S.	307166934	Angers	France	100
Scania Holding France S.A.S.	403092786	Angers	France	100
Scania IT France S.A.S.	412282626	Angers	France	100
Scania Production Angers S.A.S.	378442982	Angers	France	100
Scania Real Estate France S.A.S.	78961241300011	Angers	France	100
Tachy Experts S.A.S	824579163	Angers	France	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 29 Shares and participations in subsidiaries, continued

Company	Corporate ID no.	Registered office	Country	% Ownership
B. + V. Grundstücksverwertungs-GmbH & Co. KG	HRA 3377	Koblenz	Germany	100
B. + V. Grundstücks- Verwaltungs- und Verwertungs-GmbH	HRB 2277	Koblenz	Germany	100
Scania CV Deutschland Holding GmbH	HRB 6077	Koblenz	Germany	100
SCANIA DEUTSCHLAND GmbH	HRB 532	Koblenz	Germany	100
SCANIA Real Estate Deutschland GmbH	HRB 23796	Koblenz	Germany	100
SCANIA Real Estate Deutschland Holding GmbH	HRB 23798	Koblenz	Germany	100
SCANIA Vertrieb und Service GmbH	HRB 20490	Koblenz	Germany	100
Scania West Africa Ltd.	CS450862014	Accra	Ghana	100
Scania Great Britain Ltd.	831017	Milton Keynes	Great Britain	100
Scania Real Estate (UK) Ltd.	7648886	Milton Keynes	Great Britain	100
Griffin Automotive Ltd.	27922106	Road Town	Great Britain	100
Scania Hungaria Kft.	10415577	Biatorbágy	Hungary	100
Scania Real Estate Hungaria Kft.	13-09-159119	Biatorbágy	Hungary	100
Scania Commercial Vehicles India Pvt. Ltd.	U35999KA2011FTC05698	Bangalore	India	100
SST Sustainable Transport Solutions India Private Ltd	U74999MH2017PTC29098	Nagpur	India	100
PT Scania Parts Indonesia	AHU-09655.40.10.2014	Balikpapan	Indonesia	100
Italscania S.p.A.	11749110158	Trento	Italy	100
Scania Commerciale S.p.A.	IT 01184460226	Trento	Italy	100
Scania Milano S.p.A.	IT 02170120220	Trento	Italy	100
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 Makedonija d.o.o.e.l	7027532	Ilinden	Macedonia	100
Scania (Malaysia) Sdn. Bhd.	518606-D	Shah Alam	Malaysia	100
Scania Comercial, S.A. de C.V.	SCO031124MF5	Queretaro	Mexico	100
Scania Servicios, S.A. de C.V.	SSE031124MF5	Queretaro	Mexico	100
Scania Maroc S.A.	06100472	Casablanca	Morocco	100
Scania Moçambique, S.A.	100453150	Beira	Mozambique	100
Scania Namibia (Pty) Ltd.	2004/438	Windhoek	Namibia	100
Scania New Zealand Limited	9429047066823	Wellington	New Zealand	100
Norsk Scania A/S	879263662	Oslo	Norway	100
Norsk Scania Eiendom A/S	996036545	Oslo	Norway	100
Scania del Perú S.A.	20101363008	Lima	Peru	100
Scania Polska S.A.	KRS0000091840	Nadarzyn	Poland	100
Scania Real Estate Polska Sp.z o.o.	435941	Nadarzyn	Poland	100
Scania Production Slupsk S.A.	KRS0000083601	Slupsk	Poland	100
Scania Power Polska Sp. z o.o.	517301	Warszawa	Poland	100
Scania Portugal S.A.	PT502929995	Santa Iria de Azóia	Portugal	100
Scania Investimentos Imobiliários S.A.	PT508948118	Vialonga	Portugal	100
Scania Real Estate Romania S.R.L.	J23/2019/29.07.2011	Ciorogârla	Romania	100
Scania Romania S.R.L.	J23/588/27.04.2004	Ciorogârla	Romania	100
OOO Scania Service	1035006456044	Golitsino	Russia	100
OOO Scania-Rus	1025004070079	Golitsino	Russia	100
OOO Scania Peter	1027804908372	St. Petersburg	Russia	100
Scania Senegal SUARL	SN.DKR.2018.B.25840	Dakar	Senegal	100
Scania Real Estate d.o.o. Beograd	20659874	Beograd	Serbia	100
Scania Srbija d.o.o.	17333321	Krnjesevci	Serbia	100
Scania Singapore Pte. Ltd.	200309593R	Singapore	Singapore	100
Scania Real Estate Slovakia s.r.o.	44767668	Senec	Slovakia	100
Scania Slovakia s.r.o.	35826649	Senec	Slovakia	100
Scania Slovenija d.o.o.	1124773	Ljubljana	Slovenia	100
Scania South Africa Pty Ltd.	1995/001275/07	Aeroton	South Africa	100
Scania Korea Group Ltd.	110111-5304681	Seoul	South Korea	100
Scania Hispania Holding S.L.	B82853938	San Fernando de Henares	Spain	100
Scania Hispania S.A.	A59596734	San Fernando de Henares	Spain	100
Scania Real Estate Hispania, S.L.U.	B36682003	San Fernando de Henares	Spain	100
Scania Schweiz AG	CH-020.3.926.624-8	Kloten	Switzerland	100
Scania Real Estate Schweiz AG	CH-020.3.035.714-4	Kloten	Switzerland	100
Scania Tanzania Ltd.	39320	Dar es Salaam	Tanzania	100
Power Vehicle Co. Ltd.	01055547132895	Bangkok	Thailand	100
Scan Siam Service Co. Ltd.	0105545023525	Bangkok	Thailand	100
Scania Siam Co Ltd.	0105543060121	Bangkok	Thailand	100
Scania Thailand Co Ltd.	0105534098031	Bangkok	Thailand	100
Scania Group (Thailand) Co., Ltd.	0115560001383	Smutprakarn	Thailand	100
Scania Manufacturing (Thailand) Co., Ltd.	0115560001375	Smutprakarn	Thailand	100
Scania Nederland B.V.	27136821	Breda	The Netherlands	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 29 Shares and participations in subsidiaries, continued

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania Real Estate The Netherlands B.V.	50687921	Breda	The Netherlands	100
Scania Production Meppel B.V.	05046846	Meppel	The Netherlands	100
Scania IT Nederland B.V.	05062402	Zwolle	The Netherlands	100
Scania Logistics Netherlands B.V.	56552793	Zwolle	The Netherlands	100
Scania Production Zwolle B.V.	05020370	Zwolle	The Netherlands	100
Scania Middle East FZE	150175	Dubai	The United Arab Emirates	100
TOV Kyiv-Scan	35706433	Kyiv	Ukraine	100
TOV Scania Ukraine	30107866	Kyiv	Ukraine	100
TOV Scania-Lviv	37497108	Lviv	Ukraine	100
TOV Donbas-Scan-Service	34516735	Makijivka	Ukraine	100
Scania USA Inc.	06-1288161	San Antonio/ TX	United States	100
Scania Holding Inc.	4019619	Wilmington	United States	100
Scanexpo International S.A.	21.490591.0012	Montevideo	Uruguay	100
Scania de Venezuela S.A.	J-30532829-3	Valencia	Venezuela	100
Financial Services				
Scania Credit AB	556062-7373	Södertälje	Sweden	100
Scania Finance Holding AB	556548-4697	Södertälje	Sweden	100
Scania Finans AB	556049-2570	Södertälje	Sweden	100
Scania Finance Australia Pty Ltd.	609637596	Melbourne	Australia	100
Scania Leasing Österreich GmbH	FN246699v	Brunn am Gebirge	Austria	100
Scania Österreich Holding GmbH	FN 316321 d	Brunn am Gebirge	Austria	100
Scania Finance Belgium N.V.	BE0413.545.048	Neder-Over-Heembeek	Belgium	100
Scania Banco S.A.	CNPJ11.417.016/00011	São Bernardo do Campo	Brazil	100
Scania Corretora de Seguros Ltda.	CNPJ11.513.179/00105	São Bernardo do Campo	Brazil	100
Scania Finance Bulgaria EOOD	BG175108126	Sofia	Bulgaria	100
Scania 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

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania Lizing 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 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 AB

Income statement

January–December, SEK m.	Note	2020	2019
Administrative expenses		0	0
Operating income		0	0
Financial income and expenses		0	0
Income after financial items		0	0
Income before taxes		0	0
Taxes		0	–
Net income		**0**	**0**

Statement of other comprehensive income

January–December, SEK m.	2020	2019
Net income	0	0
Other comprehensive income	0	–
Total comprehensive income	**0**	**0**

Balance sheet

31 December, SEK m.	Note	2020	2019
Assets			
Financial non-current assets			
Shares in subsidiaries	1	8,435	8,435
Current assets			
Due from subsidiaries	2	6,201	6,201
Total assets		**14,636**	**14,636**
Shareholders´ equity	3		
Restricted equity			
Share capital		2,000	2,000
Statutory reserve		1,120	1,120
Unrestricted shareholders' equity			
Retained earnings		11,516	11,516
Net income		0	0
Total shareholders' equity		**14,636**	**14,636**
Current liabilities			
Interest-bearing liabilities		0	0
Total equity and liabilities		**14,636**	**14,636**

PARENT COMPANY FINANCIAL STATEMENTS, SCANIA AB, CONTINUED

Statement of changes in equity

2020 (SEK m.)	Restricted equity Share capital	Statutory reserve	Unrestricted shareholders' equity	Total
Equity, 1 January	2,000	1,120	11,516	14,636
Total comprehensive income for the year			0	0
Dividend			–	–
Equity, 31 December 2020	**2,000**	**1,120**	**11,516**	**14,636**

2019 (SEK m.)	Restricted equity Share capital	Statutory reserve	Unrestricted shareholders' equity	Total
Equity, 1 January	2,000	1,120	16,383	19,503
Total comprehensive income for the year			0	0
Capital contribution			9,744	9,744
Dividend			–14,611	–14,611
Equity, 31 December 2019	**2,000**	**1,120**	**11,516**	**14,636**

Cash flow statement

January–December, SEK m.	Note	2020	2019
Operating activities			
Income after financial items	4	0	0
Items not affecting cash flow		–	–
Taxes paid		–	–
Cash flow from operating activities before change in working capital		**0**	**0**
Cash flow from change in working capital			
Receivable subsidiaries		–	4,867
Total change in working capital		–	4,867
Cash flow from operating activities		**0**	**4,867**
Investing activities			
Shareholders' contribution paid		–	–
Cash flow from investing activities		–	–
Total cash flow before financing activities		–	**–**
Financing activities			
Dividend paid		–	–4,867
Cash flow from financing activities		**–**	**–4,867**
Cash flow for the year		**0**	**0**
Cash and cash equivalents, 1 January		**0**	**0**
Cash and cash equivalents, 31 December		**0**	**0**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Amounts in the tables are reported in millions of Swedish kronor (SEK m.), unless otherwise stated. A presentation of the Parent Company's accounting principles is found in Note 1 to the consolidated financial statements. Taking into account that the operations of the Parent Company consists exclusively of share ownership in Group companies, aside from the notes below, the Scania Group's Report of the Directors and notes otherwise apply where appropriate.

NOTE 1 Shares in subsidiaries

Subsidiary / Corporate ID number/registered office	Ownership, %	Thousands of shares	Carrying amount 2020	Carrying amount 2019
Scania CV AB, 556084-0976, Södertälje	100.0	1,000	8,435	8,435
Total			**8,435**	**8,435**

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

NOTE 2 Due from subsidiaries

	2020	2019
Current interest-bearing receivable from Scania CV AB	6,201	6 201
Total	**6,201**	**6 201**

The receivables are in SEK, so there is no currency risk.

NOTE 3 Equity

For changes in equity, see the equity report.

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

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

NOTE 4 Cash flow statement

Interest received was SEK 0 m. (0).

NOTE 5 Contingent liabilities

	2020	2019
Loan guarantees on behalf of borrowings in Scania CV AB	75,541	81,580
Total	**75,541**	**81,580**

NOTE 6 Salaries and remuneration to Board of Directors, executive officers and auditors

The Board of Directors, the President and CEO of Scania AB and the other executive officers hold identical positions in Scania CV AB. Wages, salaries and other remuneration are paid by Scania CV AB. The reader is therefore referred to the notes to the consolidated financial statements: Note 23, "Wages, salaries and other remuneration and number of employees" and Note 25, "Compensation to executive officers." Compensation of SEK 10,000 (10,000) was paid to auditors with respect to the Parent Company.

NOTE 7 Transactions with related parties

Scania AB is a subsidiary of TRATON SE, corporate ID number HRB 241814 registered office in Munich and MAN SE RE SHB RE NTGS, corporate ID number HRB 179426 registered office in Munich.

The consolidated Annual Report of Scania's foreign parent company is available on the website www.volkswagenag.com.

Transactions with related parties consist of dividends paid and share holders contribution received to and from TRATON SE and MAN SE. Dividends decided in 2020 amounted to SEK 0 m. (12,660) to TRATON SE and SEK 0 m. (1,951) to MAN SE. Received share holders contribution in 2019 amounted to SEK 9,744 m.

PROPOSED DISTRIBUTION OF EARNINGS

The Board of Directors proposes to the 2021 Annual General Meeting that an amount of SEK 2,700 m. as ordinary dividend, which represents 50 percent of the net income SEK 5,400 m. for 2020, to be distributed to the shareholders as cash dividend.

Amounts in SEK m.	
Retained earnings	11,516
Net income for the year	0
Other comprehensive income for the year	–
Total	**11,516**

Shall be distributed as follows:	
To the shareholders, a dividend of SEK m.	2,700
To be carried forward	8,816
Total	**11,516**

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

Amounts in SEK m.	
Share capital	2,000
Statutory reserve	1,120
Retained earnings	8,816
Total	**11,936**

The undersigned certify that the consolidated accounts and the annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted for use in the European Union, and generally accepted accounting principles respectively, and give a true and fair view of the financial positions and results of the Group and the Parent Company, and that the Report of the Directors for the Group and the Parent Company gives a true and fair review of the development of the operations, financial positions and results of the Group and the Parent Company and describes substantial risks and uncertainties faced by the companies in the Group. The annual accounts and the consolidated financial statements were approved for issuance by the Board of Directors on 10 March 2021. The consolidated income statement and balance sheet and the Parent Company income statement and balance sheet will be subject to adoption by the Annual General Meeting on 6 May 2021.

Södertälje, 10 March 2021

Matthias Gründler
Chairman of the Board

Henrik Henriksson
Board member
President and CEO

Lilian Fossum Biner
Board member

Gunnar Kilian
Board member

Julia Kuhn-Piëch
Board member

Nina Macpherson
Board member

Christian Porsche
Board member

Mark Phillip Porsche
Board member

Stephanie Porsche-Schröder
Board member

Christian Schulz
Board member

Peter Wallenberg jr
Board member

Mari Carlquist
Board member
Employee Representative

Lisa Lorentzon
Board member
Employee Representative

Mikael Johansson
Board member
Employee Representative

Michael Lyngsie
Board Member
Employee Representative

Our Audit Report was submitted on 11 March 2021
Ernst & Young AB

Heléne Siberg Wendin
Authorised Public Accountant

AUDITOR'S REPORT

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

To the general meeting of the shareholders of Scania AB (publ), corporate identity number 556184-8564

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Scania AB (publ) for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 36-120 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other information

The audit of the annual accounts for the year 2019 has been performed by another auditor which have provided an Auditor´s report dated 20 March 2020 with unmodified opinion in Report on the annual accounts and consolidated accounts.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor´s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements. The provision for risks from EU antitrust proceedings also affect the parent company.

AUDITOR'S REPORT, CONTINUED

Key Audit Matters, the Group

Measurement of the provision for risks from EU antitrust proceedings

Description of the matter	How this matter has been reflected in the audit
In September 2017, the EU Commission issued a decision holding Scania liable for an infringement of the competition law in the form of a cartel for price coordination and alleged exchange of information. According to the decision Scania was imposed to pay a fine totaling EUR 880 million. Scania appealed this decision in December 2017 to the European Court of Justice and provided a bank guarantee as cash-backed security until the verdict has been reached. Scania has recorded a provision as of 31 December 2020 based on the company´s best assessment of the future outcome. Changes in the assessment may have a material impact on the size of the provision. Disclosure of Key judgements and estimates is set out in Note 2. Note 17, Other provisions, includes information about the provision and the amount provided for the ongoing dispute. Due to the material amount and as management needs to apply significant estimation and judgment in determining the provision, we have assessed this as a Key Audit Matter in our audit.	As part of our audit procedures, we have evaluated the company´s process for managing the EU Commission´s ongoing investigation and their assessment and accounting of the related provision. We have reviewed the material estimates and assumptions made by the company in connection with determining the provision. Our audit procedures have included review of information from the company´s internal lawyers as well as assessments and confirmations from the company´s external legal advisors. Furthermore, we have discussed and evaluated the estimates and assessments based on current developments in the ongoing procedures together with the company´s management and internal lawyers. We have also assessed the appropriateness of the disclosures presented in the annual report.

Revenue recognition for vehicles delivered with residual value commitment and allocation of revenue for service contracts

Description of the matter	How this matter has been reflected in the audit
Scania is a global group operating in several geographic markets and with multiple different customer offerings, which include sales with repurchase commitments as well as service and repair contracts. For vehicles that Scania deliver with repurchase commitments, the Group's revenues during the year amounted to SEK 19,079 million. The revenue is recognized over the contracted duration of the commitment, in that control remains with Scania. Assessments and estimates are required for Scania to determine the value of the repurchase commitment and thus also the revenue to be recognized over time. Scania has in its accounting manual developed instructions and models for how revenues should be recognized over time and these are applied throughout the Group. For service and repair contracts, revenues are recognized as the work is performed, based on costs incurred in relation to total estimated costs. This requires management's assessment and estimate in terms of the time of completion and the total estimated cost. Scania has in its accounting manual developed instructions and models for how revenues should be recognized over time for these transactions with customers. Disclosure of Accounting policies are set out in Note 1, Key judgements and estimates in Note 2, Other provisions in Note 17 and Accrued costs and deferred income in Note 18. Due to the material amounts and the need for significant estimates and assessments by the company to evaluate and account for repurchase commitments and service and repair contracts, we have assessed this as a Key Audit Matter in our audit.	In our audit, we have assessed the company's processes for revenue recognition. Furthermore, we have evaluated the accounting principles applied based on current accounting standards and reviewed whether the accounting policies have been applied consistently throughout the Group. We have reviewed the company's material assumptions and assessments in the calculation models applied within the Group. Our work includes, but is not limited to, the following audit procedures: • Tested the models for clerical accuracy and assessed the assumptions/estimates used to recognize revenues over time. • Tested the model against underlying contracts and tested the completeness of the model. • Reconciliation to carrying amounts on the associated income statements and balance sheets. We have also assessed the appropriateness of the disclosures made in the annual report.

AUDITOR'S REPORT, CONTINUED

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-35 and 125-132. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor´s responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

AUDITOR'S REPORT, CONTINUED

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Scania AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor´s responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Göteborg, 11 March 2021
Ernst & Young AB

Heléne Siberg Wendin
Authorized Public Accountant

KEY FINANCIAL RATIOS AND FIGURES

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Scania Group										
Operating margin, % [3]	7.1	11.5	10.1	10.1	6.1	10.2	9.5	9.7	10.4	14.1
– excl. items affecting comparability [2,3]	7.1	11.5	10.1	10.1	9.7	10.2	9.5	9.7	10.4	14.1
Equity/assets ratio, %	26.1	25.5	27.1	28.3	26.0	26.8	31.4	31.2	30.6	31.1
Net debt, excl. provisions for pensions, SEK m. [1,4]	63,356	75,799	63,351	51,581	49,788	42,183	35,780	34,696	31,591	28,213
Net debt/equity ratio [1,4]	1.03	1.24	1.17	1.03	1.18	1.11	0.86	0.93	0.90	0.82
Vehicles and Services										
Operating margin, % [3]	6.4	10.8	9.3	9.3	5.2	9.1	8.4	8.9	9.7	13.5
– excl. items affecting comparability [2,3]	6.4	10.8	9.3	9.3	8.8	9.1	8.4	8.9	9.7	13.5
Capital turnover rate, times	1.71	2.24	2.44	2.45	2.31	1.99	2.18	2.15	2.02	2.47
– excl. items affecting comparability [2]	1.62	2.11	2.28	2.28	2.21	1.99	2.18	2.15	2.02	2.47
Return on capital employed, % [3]	12.9	25.4	24.1	24.4	14.0	19.3	19.9	20.9	21.4	35.9
– excl. items affecting comparability [2,3]	12.2	24.0	22.6	22.7	21.4	19.3	19.9	20.9	21.4	35.9
Return on operating capital, % [3]	17.3	33.2	31.3	32.5	15.6	25.6	24.5	26.0	27.1	44.3
– excl. items affecting comparability [2,3]	16.0	30.8	28.6	29.3	25.2	25.6	24.5	26.0	27.1	44.3
Net debt, excl. provisions for pensions, SEK m. [1,4]	–21,824	–17,057	–16,926	–17,058	–10,954	–7,579	–12,139	–8,019	–8,026	–8,834
Net debt/equity ratio [1,4]	–0.39	–0.32	–0.34	–0.29	–0.31	–0.24	–0.35	–0.25	–0.27	–0.29
Financial Services										
Operating margin, %	1.1	1.6	1.7	1.8	1.6	1.9	1.9	1.5	1.4	1.3
Equity/assets ratio, %	9.7	9.4	8.9	9.0	9.0	9.8	11.5	10.4	10.3	10.3

1 Net debt (+) and net cash position (–).
2 Adjusted for the provision of SEK 3,800 m. recognised in 2016 relating to the EU investigation, see Note 2.
3 2017 years figures has been adjusted as a result of the changes in income statement made in 2018.
4 2018 years figures has been adjusted as a result of the changes due to alignment with Volkswagen regarding presentation of cash flow 2019.

KEY FINANCIAL RATIOS AND FIGURES, CONTINUED

Scania Group

Net debt, excluding provision for pensions [4]	2020	2019
Assets		
Current investments	54	814
Cash and cash equivalents	32,268	20,981
Borrowing Volkswagen Group	4	8
Accrued interest current investments	–1	–2
	32,325	**21,801**
Liabilities		
Interest-bearing liabilities, non-current	53,564	54,008
Interest-bearing liabilities, current	42,478	43,979
Accrued interest, Interest-bearing liabilities	–361	–387
	95,681	**97,600**
Net debt	**63,356**	**75,799**

Vehicles and Services

Net debt, excluding provision for pensions [4]	2020	2019
Assets		
Current investments	54	1,795
Cash and cash equivalents	31,535	20,358
Accrued interest current investment	0	–6
	31,589	22,147
Liabilities		
Interest-bearing liabilities, non-current	3,837	4,014
Interest-bearing liabilities, current	5,928	1,076
	9,765	5,090
Net debt	**–21,824**	**–17,057**

Capital Employed [2]	2020	2019
Total assets	153,428	148,900
– other non-current provisions + current provisions [2]	6,703	6,425
– other liabilities	71,499	74,243
– net derivatives	965	–1,556
Capital Employed	**74,261**	**69,788**

KEY FINANCIAL RATIOS AND FIGURES, CONTINUED

Vehicles and Services, continued

Operating Capital[2]	2020	2019
Total assets	153,428	148,900
Cash and Cash equivalents	25,600	17,850
Operating liabilities		
– other non-current provisions + current provisions[2]	6,703	6,425
– other liabilities	71,499	74,243
– net derivatives	965	–1,556
Operating Capital[2]	**48,661**	**51,938**

Return on Capital Employed[2]	2020	2019
Operating income[2]	7,764	15,977
Financial income	1,310	754
Capital employed[2]	74,261	69,788
Return on Capital Employed[2]	**12.2**	**24.0**

Capital turnover	2020	2019
Net sales	120,590	147,557
Capital employed[2]	74,261	69,788
Capital turnover	**1.62**	**2.11**

Return on operating capital[2]	2020	2019
Operating income[2]	7,764	15,977
Operating capital[2]	48,661	51,938
Return on operating capital[2]	**16.0**	**30.8**

Financial Services

Operating margin	2020	2019
Operating income	1,123	1,511
Average portfolio	99,607	96,474
Operating margin	**1.1%**	**1.6%**

Equity/asset ratio %	2020	2019
Equity	9,631	10,138
Assets	99,637	107,830
Equity/asset ratio %	**9.7%**	**9.4%**

DEFINITIONS

Operating margin
Operating income as a percentage of net sales.

Net margin
Net profit for the year 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.

Net debt/equity ratio
Net debt, net cash as a percentage of total equity.

Capital employed
Total assets minus operating liabilities.[1]

Operating capital
Total assets minus cash, cash equivalents and operating liabilities.[1]

Capital turnover
Net sales divided by capital employed.[1]

Return on capital employed
Operating income plus financial income as a percentage of capital employed.[1]

Return on operating capital
Operating income as a percentage of operating capital.[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.

Geographic areas

Europe: Albania, Austria, Belgium, Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Macedonia, Malta, The Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland.

Eurasia: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Russia, Ukraine.

Asia: Bahrain, Bangladesh, Bhutan, Brunei, China, Hong Kong, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, Lebanon, Malaysia, Mongolia, Myanmar, Oman, Pakistan, Philippines, Qatar, Saudi Arabia, Singapore, South Korea, Sri Lanka, Syria, Taiwan, Thailand, Turkey, the United Arab Emirates, Vietnam, Yemen.

America: Argentina, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Netherlands Antilles, Nicaragua, Panama, Paraguay, Peru, Trinidad, the United States, Uruguay, Venezuela.

Africa and Oceania: Algeria, Angola, Australia, Botswana, Egypt, Ethiopia, Ghana, Kenya, Liberia, Morocco, Mozambique, Namibia, New Caledonia, New Zealand, Nigeria, Rwanda, Senegal, South Africa, Sudan, Tanzania, Tunisia, Uganda, Zambia.

MULTI-YEAR STATISTICAL REVIEW

SEK m. unless otherwise stated	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Delivery value by market area										
Europe	80,349	105,404	91,583	78,869	73,363	65,100	53,211	46,712	43,490	47,747
Eurasia	6,671	8,162	9,003	7,081	3,291	2,623	5,319	6,047	5,966	6,084
America [1]	17,216	22,267	17,357	14,348	10,746	11,799	17,648	23,552	18,391	20,912
Asia	13,556	12,813	14,922	16,708	13,187	13,044	12,155	7,758	7,853	10,182
Africa and Oceania	8,451	10,872	9,854	8,927	8,358	7,991	6,952	5,925	5,796	5,360
Adjustment for lease income [2]	–1,118	–7,099	–5,593	–2,567	–5,018	–5,660	–3,234	–3,146	–1,894	–2,599
Total	**125,125**	**152,419**	**137,126**	**123,366**	**103,927**	**94,897**	**92,051**	**86,847**	**79,603**	**87,686**
Operating income										
Vehicles and Services	7,764	15,977	12,392	11,160	5,309	8,601	7,705	7,736	7,694	11,881
– adjusted for items affecting comparability [5]	7,764	15,977	12,392	11,160	9,109	8,601	7,705	7,736	7,694	11,881
Financial Services	1,123	1,511	1,440	1,274	1,015	1,040	1,016	719	606	517
Total	**8,887**	**17,488**	**13,832**	**12,434**	**6,324**	**9,641**	**8,721**	**8,455**	**8,300**	**12,398**
Operating margin, %										
Vehicles and Services	6.4	10.8	9.3	9.3	5.2	9.1	8.4	8.9	9.7	13.5
– adjusted for items affecting comparability [5]	6.4	10.8	9.3	9.3	8.8	9.1	8.4	8.9	9.7	13.5
Total [3]	**7.1**	**11.5**	**10.1**	**10.1**	**6.1**	**10.2**	**9.5**	**9.7**	**10.4**	**14.1**
Net financial items	–1,060	–1,012	–513	–352	–361	–532	–399	–47	–19	214
Net income	5,400	12,384	9,734	8,705	3,243	6,753	6,009	6,194	6,640	9,422
– adjusted for items affecting comparability [5]	5,400	12,384	9,734	8,705	7,043	6,753	6,009	6,194	6,640	9,422

MULTI-YEAR STATISTICAL REVIEW, CONTINUED

SEK m. unless otherwise stated	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Specification of research and development expenses										
Expenditures	–6,528	–7,244	–7,603	–6,682	–7,199	–7,043	–6,401	–5,854	–5,312	–4,658
Capitalisation	1,624	1,788	1,996	1,367	1,682	1,863	1,454	1,123	860	387
Amortisation	–744	–706	–728	–454	–387	–393	–357	–293	–229	–169
Research and development expenses	**–5,648**	**–6,162**	**–6,334**	**–5,769**	**–5,904**	**–5,573**	**–5,304**	**–5,024**	**–4,681**	**–4,440**
Net investments through acquisitions/divestments of businesses	27	0	–2	32	0	125	154	26	–25	–44
Net investments in non-current assets	8,131	7,558	7,177	5,905	7,864	7,612	5,561	5,294	4,480	3,776
Portfolio, Financial Services operations	95,433	103,781	89,166	77,028	67,935	56,486	55,556	48,863	45,038	42,235
Cash flow, Vehicles and Services	9,180	10,994	3,718	5,696	3,427	4,376	4,690	3,231	3,025	6,970
Inventory turnover rate, times[4]	5.0	5.2	5.2	5.4	5.4	5.3	5.4	5.8	5.4	6.1

1 Refers mainly to Latin America.
2 The adjustment amount consists of the difference between sales value based on delivery and revenue recognised as income. This difference arises when a lease or delivery is combined with a residual value guarantee or a repurchase obligation. Significant risks remain, therefore recognition is based on an operating lease contract. This means that recognition of revenue and earnings is allocated based on the term of the obligation. See also Note 3.
3 Includes Financial Services.
4 Calculated as net sales divided by average inventory.
5 Adjusted for the provision of SEK 3,800 m. recognised in 2016 relating to the EU investigation, see Note 2.

MULTI-YEAR STATISTICAL REVIEW, CONTINUED

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Number of vehicles produced										
Trucks	67,106	89,276	92,679	87,454	75,452	72,382	75,287	75,957	60,647	75,349
Buses	5,430	7,719	8,696	8,327	8,488	6,964	6,921	6,897	6,283	8,708
Total	**72,536**	**96,995**	**101,375**	**95,781**	**83,940**	**79,346**	**82,208**	**82,854**	**66,930**	**84,057**
Number of trucks delivered by market area										
Europe	36,747	58,851	52,016	48,436	49,102	43,082	34,008	32,625	27,720	31,443
Eurasia	5,148	5,763	8,006	6,748	3,233	2,583	5,964	6,260	6,798	7,445
America	12,173	14,905	12,725	9,701	7,022	8,118	16,150	23,756	15,391	17,632
Asia	9,072	7,703	10,464	13,175	9,287	11,514	12,889	7,400	8,089	12,485
Africa and Oceania	3,759	4,458	4,784	4,412	4,449	4,465	4,004	3,570	3,053	3,115
Total	**66,899**	**91,680**	**87,995**	**82,472**	**73,093**	**69,762**	**73,015**	**73,611**	**61,051**	**72,120**
Number of buses and coaches delivered by market area										
Europe	1,827	2,099	2,212	2,009	2,094	1,917	1,361	1,000	1,312	1,916
Eurasia	84	109	344	365	62	94	105	850	198	84
America [6]	2,182	3,422	2,805	2,302	2,350	2,123	2,542	2,778	2,738	3,272
Asia	582	1,062	2,058	2,821	2,568	1,806	1,620	1,388	1,304	2,065
Africa and Oceania	511	1,085	1,063	808	1,179	859	1,139	837	798	651
Total	**5,186**	**7,777**	**8,482**	**8,305**	**8,253**	**6,799**	**6,767**	**6,853**	**6,350**	**7,988**
Total number of vehicles delivered	**72,085**	**99,457**	**96,477**	**90,777**	**81,346**	**76,561**	**79,782**	**80,464**	**67,401**	**80,108**

MULTI-YEAR STATISTICAL REVIEW, CONTINUED

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Number of industrial and marine engines delivered by market area										
Europe	3,807	4,150	5,968	3,938	3,272	2,664	2,823	2,719	3,664	3,450
America	2,439	2,874	2,667	1,368	1,727	3,180	3,176	2,925	2,582	2,809
Other markets	4,745	3,128	4,174	3,215	2,801	2,641	2,288	1,139	817	701
Total	**10,991**	**10,152**	**12,809**	**8,521**	**7,800**	**8,485**	**8,287**	**6,783**	**7,063**	**6,960**
Total market for heavy trucks and buses, units										
Europe (EU28) [7]										
Trucks	231,742	323,357	322,276	303,909	302,527	265,769	223,187	237,325	221,188	241,200
Buses	26,311	34,393	30,632	29,728	29,141	27,928	24,815	22,962	21,813	25,200
Number of employees December 31 [8]										
Production and corporate units	25,825	25,224	27,176	24,298	21,736	20,453	19,304	19,069	17,663	17,489
Research and development	4,229	4,651	4,293	3,908	3,900	3,801	3,671	3,596	3,509	3,327
Sales and service companies	18,896	20,345	19,688	20,166	19,718	19,331	18,395	17,549	16,734	16,038
Total Vehicles and Services	**48,950**	**50,220**	**51,157**	**48,372**	**45,354**	**43,585**	**41,370**	**40,214**	**37,906**	**36,854**
Financial Services companies	**1,061**	**1,058**	**993**	**891**	**889**	**824**	**759**	**739**	**691**	**642**
Total	**50,011**	**51,278**	**52,150**	**49,263**	**46,243**	**44,409**	**42,129**	**40,953**	**38,597**	**37,496**

6 Refers to Latin America.
7 27 of the European Union member countries (all EU countries except Malta plus Norway and Switzerland).
8 Including employees with temporary contracts and employees on hire.

SUSTAINABILITY KPIs

We measure and follow up on our sustainability performance in relation to set targets. To track our performance, we have developed 21 sustainability KPIs linked to our most material areas.

The KPIs included in this section therefore do not cover all external available Scania sustainability and ESG data. Our website contains an expanded table with more sustainability and ESG data.

Scania has set science-based carbon reduction targets, that commit us to reducing emissions at the scale and pace science dictates necessary to limit global warming. The targets encompass not only emissions from our direct global operations, but also from our customers' vehicles when in use. We are committed to reducing carbon emissions from our operations by 50 percent, and from our products in use by 20 percent by 2025 (both from a 2015 baseline).

The science-based targets are part of our corporate targets, and will impact on investment decisions across our business areas, from production and logistics to product development and sales priorities. Performance against the targets is monitored and followed up by Scania management.

+ Read more on page 15

SUSTAINABLE TRANSPORT

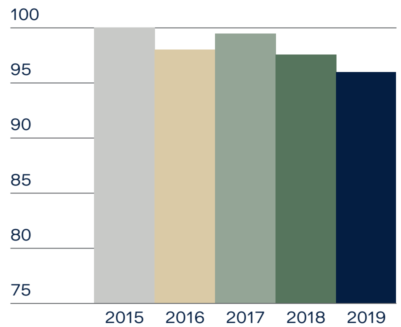
Science-based target

More than 90 percent of the carbon emissions from our business is generated when products are in use. Scania's ambition is to measure the well-to-wheel emissions from fuel consumption during the use of its products, taking into account the emissions generated in the production of the fuel or electricity.

We are aiming to reach the science-based target, for our products in use in three key ways:

- Improving the efficiency of our traditional products and services.
- Shifting to renewable sources of fuel for combustion engines.
- Increasing the share of electrified vehicles, while ensuring that the electricity used comes from renewable sources.

CO_2 reduction from product (Science-based target)[1]
%



	%
2019	95.8
2018	97.3
2017	99.1
2016	97.4
2015	100.0

The graph shows the Scania journey towards the target of 20 percent CO_2 reduction from products during the user phase. Starting on 100 percent in 2015, we are aiming to reach 80 percent by 2025 at the latest. Currently we are on 95.8 percent, a reduction of just above 4 percent since 2015.

Taking into account the roll out and increasing volumes of battery electric vehicles, increased share of renewable fuels in our customers tanks, improved engines and powertrains and more focus on energy efficiency related services, we are expecting to see the rate of reduction accelerate significantly in the coming years.

Target

20%

CO_2 reduction 2015-2025 (CO_2e/km)

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Definitions:

1. Graph shows journey towards 20 percent target. Background for calculations: Climate emissions indicator for all trucks and buses produced by Scania globally in a calendar year, measured in a Well-to-Wheel perspective as CO_2e/vehicle-km. Relevant regional conditions that influence, e.g. common rate of biodiesel blend and different electricity mixes are taken into account. The emissions are calculated based on operational data from our connected vehicles and service readouts. The baseline is all vehicles produced 2015. Indata is CO_2e/km during 12 operative months starting after the month of production. Reporting is therefore one year behind. The target is in line with a below 2 degree scenario stated in the Paris agreement according to Science Based Targets initiative.

SUSTAINABILITY KPIs, CONTINUED

Energy efficiency

Energy efficiency is a core priority for Scania, regardless of fuel type or energy source. Fuel consumption is the number one factor for customers buying a truck or a bus today. We therefore work relentlessly to improve the efficiency of our vehicles and to increase the sales of our Ecolution programme and the number of drivers who take part in our coaching and trainings, resulting in emission reduction and safer driving.

As we grow the number of Scania Flexible Maintenance contracts, resource efficiency at our workshops is improved and our customers experience fewer standstills.

Improving energy efficiency plays an important role in helping us reach our science-based target. During 2021 we will conduct a review on our Ecolution, coaching and training programmes to develop the right concepts and related KPIs to further support our customer and reduce their emissions based on their actual operations.

Definitions:

2. All Ecolution contracts are connected to the production year of the specific vehicle. In 2018, we opened up to also sell Ecolution contracts to rolling fleet and not only new vehicles. This has affected the numbers of accumulated Ecolution contracts for previous years.

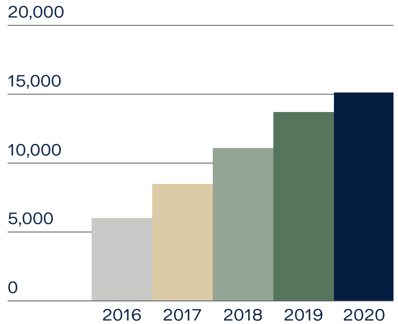
3. Number of trained drivers per year. Data collected manually from markets. Due to delay in numbers for 2020 the result for 7 of 40 markets is estimated.

4. Number of coaching sessions per year.

5. Number of active contracts of Scania flexible maintenance.

Scania Ecolution[2]

No. of contracts (Accumulated)

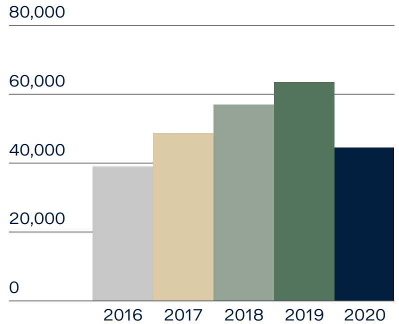


	No. of contracts (Accumulated)
2020	15,906
2019	13,676
2018	11,065
2017	8,459
2016	5,975

In 2020, the number of Ecolution contracts have continued to grow, and the programme has been launched in new markets.

Driver Training[3]

No. of drivers



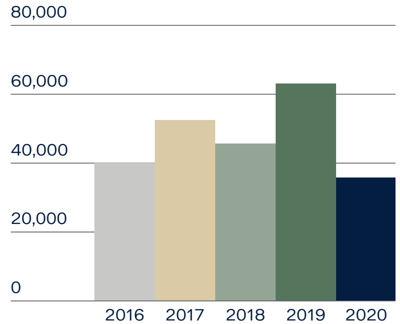
	No. of drivers
2020	44,666
2019	63,618
2018	57,085
2017	48,434
2016	39,146

Driver performance has a major impact on fuel consumption and therefore emissions. In 2020, drivers around the globe continued to attend trainings, and the number of drivers who had received training reached almost 50,000.

As a result of the pandemic, we had to reduce the amount of training events we held in 2020. However, many markets have been creative in finding new ways to deliver driver training, through digital channels.

Driver Coaching[4]

No. of sessions

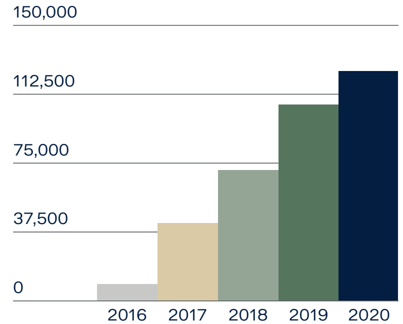


	No. of sessions
2020	35,810
2019	63,101
2018	45,704
2017	52,4091
2016	40,038

Although Driver Coaching continued during 2020, in recent years we have not seen the number of coaching sessions increase at the level we had aimed for. We want to continue to scale the positive impact driver coaching has for our customers and the environment. We will therefore focus on reinventing the service to make it easier to deliver its value to the market.

Scania Flexible Maintenance[5]

No. of active contracts



	No. of active contracts
2020	124,240
2019	106,322
2018	70,622
2017	42,084
2016	8,968

In 2020 we continued to grow our Scania Flexible Maintenance contracts, which support customers with service adapted to their vehicle and operations. Due to the COVID-19 situation the growth rate has been slightly lower than predicted but it is still on a high level. The number of contracts grew to 124,240.

SUSTAINABILITY KPIs, CONTINUED

Renewable fuels and electrification

Increasing the use of renewable fuels and sales of electrified vehicles will play a key role in achieving our science-based targets.

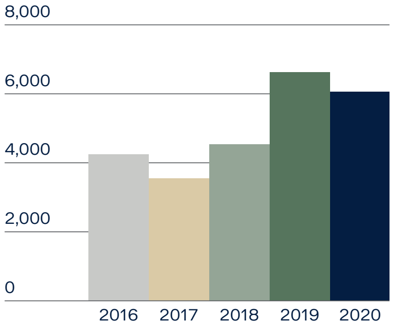
In order to decrease the use of fossil fuels, renewable fuels must become more available. Scania offers the broadest range of renewable or alternative fuel solutions on the market. Most Scania Euro 5 and 6 vehicles can be fuelled with HVO biodiesel, without any modifications or limitations.

The supply of biogas remains a challenge for the transport industry. Although both production and distribution networks are growing, natural gas will continue to contribute to the transition. We will help to accelerate the transition by working closely with partners in the transport ecosystem such as customers, transport buyers, infrastructure providers, fuel providers and decision makers such as regulators and policy makers.

Electrification of the transport sector is growing fast. As of today, Scania's electric solutions include hybrid buses and trucks as well as battery-powered electric trucks and buses. The portfolio is set to grow in the coming years. Scania is committed to introduce a broader offer of electrified vehicles every year this decade. Our target is for electric solutions to make up 10 percent of our total sales by 2025.

Sales of alternative fuels and electrified vehicles[6]

No. of vehicles



	No. of vehicles
2020	6,063
2019	6,631
2018	4,538
2017	3,543
2016	4,243

In 2020, the number of sold vehicles that can run on alternatives to diesel and on electricity reached 6,063 vehicles, 8.5 percent of total sales. Although the number of vehicles is slightly lower than last year, the percentage of total sales has increased significantly. More than 50 percent of our bus sales are now low-carbon alternatives. In the truck business the development is slower but sales are increasing steadily and landed on just below 5 percent in 2020. We expect a growth in electrified vehicles in the coming years for both buses and trucks as our portfolio grows and solutions become available to customers.

Smart and safe transport

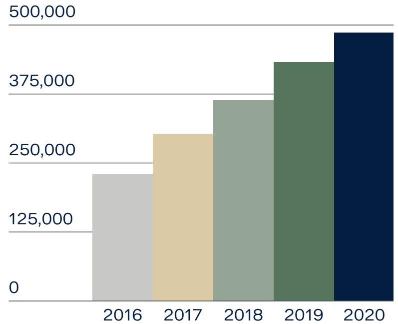
Digital technologies is key to making transport smarter, safer and more efficient. Since 2011, all Scania vehicles are equipped with the Scania Communicator as standard. The Communicator collects and analyses data in order for us to provide our customers, and in turn their customers, with insights on how to improve efficiency in the transport value chain. Bus Rapid Transit systems (BRT) are an example of a transport system that positively contributes to economic and social development while being an environmentally smart solution to challenges such as congestion or pollution in cities.

Definitions:

6. Number of invoiced products (trucks and buses) with gas, ethanol (ED95), FAME preparation, hybrids, battery electric vehicles and fuel cell vehicles. Until 2018 we also reported on the usage of HVO in this KPI. However starting in 2018 we recalculated previous years and excluded HVO to get more credibility in the data. In this KPI we include all vehicles with a gas engine as we cannot measure what the customer is running on. Our gas engines can run on both biogas and natural gas.
7. Number of connected vehicles.
8. Number of registered Scania buses in BRT systems globally. The bus is part of a complete connected public transport system with regularity, average speed and total passenger capacity in focus. Since buses for BRT operations usually are sold in big business deals involving public procurement and city authorities, the numbers can fluctuate from year to year.

Connectivity[7]

No. of vehicles

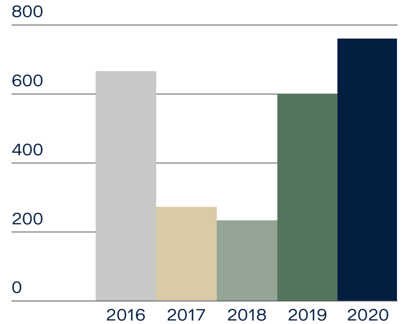


	No. of vehicles
2020	485,693
2019	432,440
2018	363,676
2017	302,755
2016	230,470

Customers continued to see the value of connecting their vehicles during 2020 and 79 percent of our five-year rolling fleet is now connected. This forms a strong basis for our continued efforts in providing customers with smart and safe transports. Five years ago we set a target to have 450,000 connected vehicles by 2020. The target is now reached, with 485,693 connected vehicles by end 2020.

BRT bus registrations[8]

No. of registrations



	No. of registrations
2020	760
2019	598
2018	233
2017	272
2016	665

In 2020, 760 new Scania buses were registered in Bus Rapid Transit (BRT) systems globally, achieving the target for 2020 of 750 buses registered. However, due to the COVID-19 situation we predict that the number for 2021 will be significantly lower because of the drop in bus orders during this year.

SUSTAINABILITY KPIs, CONTINUED

RESPONSIBLE BUSINESS

Environmental footprint

Proactively reducing our environmental footprint by being resource and energy-efficient is central to Scania's daily operations. Our efforts are based on the precautionary principle and the life cycle perspective. Our core value 'elimination of waste' guides us in our work to continuously improve our processes in areas such as CO_2 emissions, energy, waste and water.

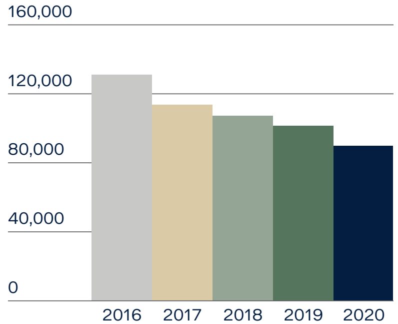
We have set one strong CO_2 reduction target that apply to the whole company, approved by the Science Based Targets initiative. By 2025, Scania aims to achieve a 50 percent CO_2 reduction in both our industrial and commercial operations compared to 2015. This is complemented with CO_2 reduction targets related to our logistics, energy and water use as well as the amount of fossil free electricity in our operations.

Our product development and all our production sites are certified according to ISO 14001. We seek to continuously improve the environmental performance of our products, processes and services. Environmental KPIs are closely followed up by Scania management.

Due to the COVID-19 situation, Scania made several adjustments in production including a 20 day global shut down. We also saw lower sales volumes, resulting in numbers measured per vehicle for 2020 particularly affected. This has an impact on our ability of reaching our targets in this area. However, as operations recovered we began to see the numbers moving in the right direction. By end 2020, most of the targets were renewed with even higher ambitions towards 2025.

+ Read about our environmental performance

CO_2 from operations (Science-based target)[9]
Tonne CO_2e



	Tonne CO_2e
2020	89,000
2019	101,500
2018	107,400
2017	113,800
2016	130,800

Since 2015 the emitted CO_2 from Scania's global operations has decreased significantly. Through increased energy efficiency, reduction of energy waste and transfer to renewable energy we have achieved a 43 percent reduction compared to 2015.

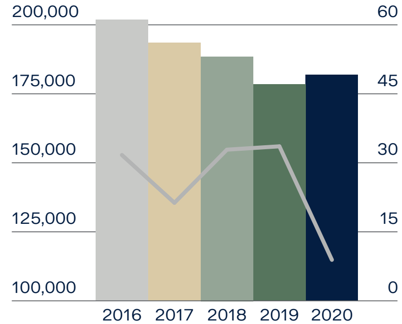
Target

50%

CO_2 reduction in both our industrial and commercial operations compared to 2015

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

CO_2 emissions from land transport[10]



	Total tonnes CO_2	kg CO_2/ transported tonne
2020	114,804	49
2019	155,944	47
2018	154,736	53
2017	135,472	56
2016	152,799	61

2020 started with a positive trend, with CO_2 emissions decreasing per transported ton. However, from April the COVID-19 situation strongly impacted the logistic flows with deviations and dropping volumes. We recovered well as the situation stabilised during the last months of the year. In summary, the annual CO_2 emissions per transported ton increased by 4 percent compared to previous year. However, total amount of CO_2 emissions decreased by 25 percent, being the lowest figure since the target was set. In addition, the CO_2 per transported ton for Inbound logistics ended up at an all-time low in December. This was achieved thanks to introduction of fossil-free fuels in several flows.

Target

50%

reduction in CO_2 emissions from land transport per transported tonne between 2016 and 2025

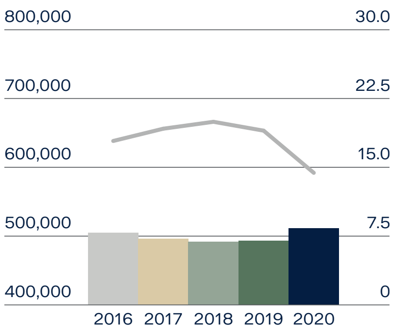
Definitions:

9. Scope 1 and 2 greenhouse gas (GHG) emissions are disclosed in accordance with the principles in the GHG Protocol. Calculations of 2020 GHG emissions have partly been based on 2018 activity data due to deficiencies in the data collection processes from parts of our global operations. The target is in line with a 1,5 degree scenario stated in the Paris agreement according to Science Based Targets initiative.
10. Total emissions of CO_2 equivalents in kg from Scania's land transport/transported tonne. Included transport are road, short sea and train transport of production material to our factories, our packaging network, transport of vehicles to the first address according to INCOTERM (International commercial terms) and transport of spare parts to our workshops.

SUSTAINABILITY KPIs, CONTINUED

Energy consumption from industrial facilities[11]

Total MWh — MWh/Vehicle



	Total MWh	MWh/Vehicle
2020	593,828	8.2
2019	681,574	7.0
2018	700,010	6.9
2017	685,677	7.2
2016	660,120	7.9

During 2020, the amount of energy we use has decreased significantly in absolute numbers. Since 2018, the annual reduction corresponds to an annual use of energy for our production unit in the Netherlands. However the energy per vehicle has risen to 8,2 MWh/vehicle, which is equal to a 15,5 percent reduction since 2010. The increase per vehicle can be explained by the unusual COVID-19 situation, which limited how we could operate our facilities and the lower production volumes. The energy target is expected to be reached when operations go back to a more normal state. The target has been extended and revised with a 2025 ambition.

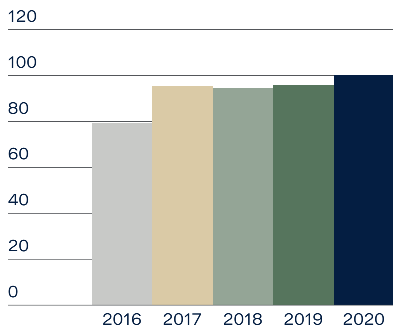
Targets

33%
less energy per produced vehicle in industrial operations between 2010 and 2020.

25%
less energy per vehicle in industrial operations 2015-2025

Fossil free electricity[12]

% of total GWh



	% of total GWh
2020	99.74
2019	95.53
2018	94.48
2017	95.14
2016	79.16

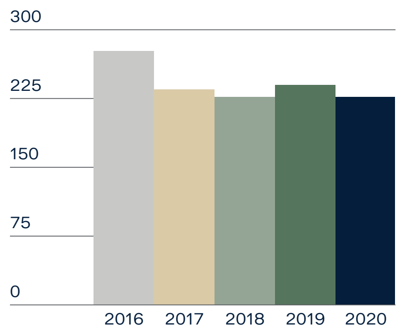
In March 2020 Scania's production site in Argentina started sourcing fossil-free electricity. This means that the target of 100 percent fossil-free electricity for all industrial operations has been reached. From 2020 all Scanias regional production centres are now also only sourcing fossil free electricity.

Target

100%
of our operations run on fossil-free electricity by 2020 where the necessary prerequisites are in place.

Waste material that is not recycled[13]

Kg/Vehicle



	Kg/Vehicle
2020	227
2019	240
2018	227
2017	235
2016	277

By end 2020, the level of waste that is not recycled has decreased by 24 percent since 2015. We have therefore fallen one percent short our very ambitious target of 25 percent. This is explained by the drop in volumes caused by the situation with COVID-19.

Even though 2020 was a challenging year, completed activities and focus on the issue have resulted in a very close call on an ambitious target. Our waste target has been revised and extended towards 2025 including also a new target on absolute volume.

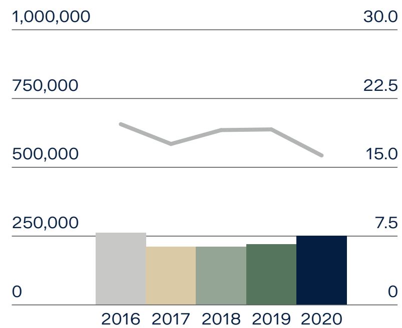
Targets

50%
reduction of waste per produced vehicle that is not recycled in our industrial operations between 2015-2025

25%
reduction of waste in absolute volume 2015-2025

Water usage[14]

Total m³ — m³ per vehicle



	Total m³	m³ per vehicle
2020	542,725	7.5
2019	637,307	6.6
2018	634,950	6.3
2017	584,471	6.1
2016	656,281	7.8

During 2020, our water usage in absolute numbers has decreased substantially. However, water usage per vehicle reached 7.5 m³. This is due to lower production volumes caused by the COVID-19 situation.

Target

40%
reduction of water use per vehicle between 2015 and 2025.

Definitions:

11. This section covers the use of various energy sources in all Scania premises, including leased or rented within production and logistics excluding Regional product centres, including fuel consumed for engine testing.
12. Fossil-free electricity purchased and internally generated. Share of GWh for Scania CV's industrial operations during one year in Scania Europe and Scania Latin America, without commercial operations, and without India. The target concerns markets where there is a deregulated electricity market and availability of non-fossil alternatives in the grid.
13. This KPI covers the sum of waste sent for energy recovery and waste sent for landfill divided by the total number of units produced. The scope includes the units within production and logistics excluding Regional product centres.
14. The KPI covers the volume of water used in production processes. The scope includes the units within production and logistics excluding Regional product centres.

SUSTAINABILITY KPIs, CONTINUED

RESPONSIBLE BUSINESS

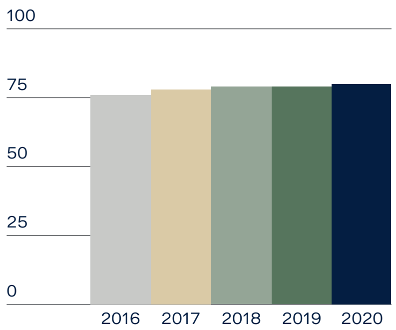
Diversity and inclusion

Fostering a diverse workforce is critical for our success. The right mix of skills and perspectives, in combination with a working environment built on trust and inclusion, is a prerequisite for Scania to drive the shift towards a sustainable transport system.

Our Skill Capture programme is designed to broaden the scope of diversity, taking into account all aspects of diversity including gender and cultural diversity as well as personality and experience. The programme also aims to improve our inclusiveness. It involves all levels of the organisation and covers the whole journey from initial awareness to action.

Diversity and inclusion at Scania is about continuously developing our corporate culture, forming our strategy in the area by harnessing the collective intelligence of the Scania organisation.

Diversity and inclusion index[15]



	%
2020	80
2019	79
2018	79
2017	78
2016	76

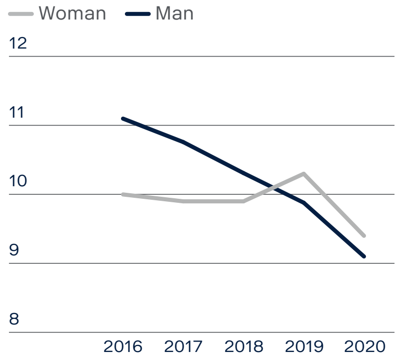
Despite the COVID-19 situation, we have made progress using Skill Capture practices along with digitalisation when finding new ways of working. The Skill Capture toolbox has expanded and some activities are now spread more widely, which together with a broader awareness have contributed to the increased result.

Target

>85%

on the related questions in the Employee Satisfaction Barometer.

Gender equal opportunities[16]



	Woman	Man
2020	9.4	9.1
2019	10.3	9.88
2018	9.9	10.31
2017	9.9	10.76
2016	10.0	11.10

The result for the year shows an equal level between men and women, with the difference having decreased from 2019.

Target

EQUAL

opportunities to become managers for men and women.

Definitions:

15. Perception of Scania's diversity and inclusion climate from Barometer-survey: The KPI is a weighed result of three questions from Scania's annual barometer survey concerning the employees' perception of the diversity and inclusion climate at their workplace. The result is covering 43 countries where Scania have operations.

16. Percentage of female managers in relation to percentage of female employees compared to the same number for men.

SUSTAINABILITY KPIs, CONTINUED

Human and labour rights

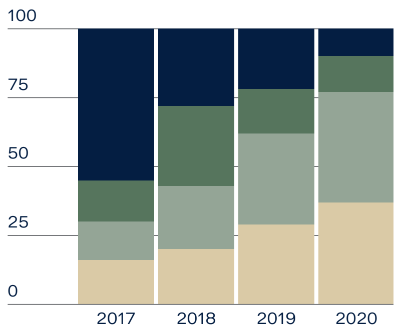
Pursuing high standards in human and labour rights is critical for Scania. We aim to manage our impacts and support people throughout our value chain, from our own employees to our suppliers, customers and communities.

In 2020, we launched a Human Rights Policy as well as an Employment policy setting global standards for employment. We are actively developing our company-wide approach to human rights risk and human rights due diligence.

We believe that good relations and social dialogue improve the work environment as well as company performance. Scania's European Committee is our highest labour relations forum, where we continuously inform and consult with our employee representatives globally. Scania has also participated in the creation and launch of the Global Deal, a high-level partnership with countries, organisations and businesses, working towards achieving Agenda 2030 with a focus on decent work and reduced inequalities.

We know that some of our biggest human and labour rights risks are in our supply chain. We insist that our suppliers meet the highest standards and act in full accordance with our policies and guidelines concerning human and labour rights in the supply chain. During 2020, Scania has together with the Volkswagen Group established a management system for Raw Materials Management to increase transparency in the supply chain.

Sustainability risk assessed suppliers[17]



%	A	B	C	N/A
2020	37	40	13	10
2019	29	33	16	22
2018	20	23	29	29
2017	16	14	15	55

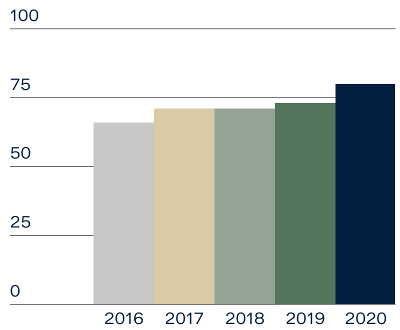
During 2020, Scania managed to increase the amount of sustainability risk assessed suppliers including both new and existing suppliers.
The supplier's overall sustainability rating have improved over the years and Scania's target is to have the majority of suppliers in the highest rating (A) category and to reduce the high risk suppliers in the lowest rating (C) category to a minimum. Suppliers of both parts and services was assessed in the areas of Working conditions and Human Rights, Health and Safety, Business Ethics, Environment, Supplier Management and Responsible sourcing of raw materials.

Targets

50%
suppliers in the highest rating category (A) by 2025.

0
suppliers in lowest rating category (C) by 2025

Collective bargaining agreements[18]



	%
2020	80
2019	73
2018	71
2017	71
2016	66

We continuously work to uphold our employees' right and freedom to engage in dialogue with the company, as well as to provide good working conditions. One way of measuring this is the percentage of employees covered by collective bargaining agreement.
For 2020 this reached 80 percent.

Target

100%
Our vision is that 100 percent of our employees should have the possibility to form collective bargaining agreements or in other ways engage in constructive dialogue.

Definitions:

17. In 2020, we changed our internal sustainability KPI of risk assessed suppliers. Moving from just using the "SAQ score" into a more comprehensive "Sustainability Rating". The new Sustainability Rating includes country risk data and the audit scores on top of the SAQ as compared to using only the SAQ scores as the KPI in the previous years. The figures in the graph are calculated with the new rating logic.
18. Percentage of employees covered by central or local collective bargaining agreement.

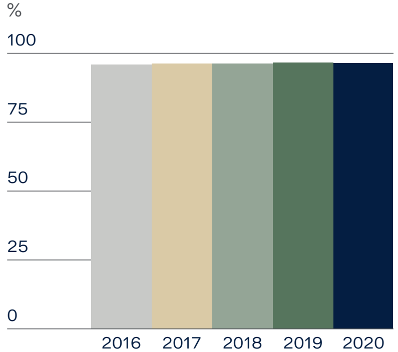
SUSTAINABILITY KPIs, CONTINUED

Safety and health

As a natural part of a sustainable society and the vision of becoming the leader in sustainable transport, the safety and health of all Scania employees are a top priority. Our goal is to preserve and promote the safety, health and well-being at work for our employees. All work within this area is executed and aligned with existing principles and our core values. We strive to achieve a sustainable workplace and a safe, healthy working environment. We are committed to complying with any demands in accordance with legal and other applicable requirements issued by national authorities and by Scania self-appointed targets within the area.

On our journey to become and remain a top employer with top employees, all our activities shall be based on the principle "By creating good working conditions all injuries and ill health can be prevented".

Healthy attendance[19]



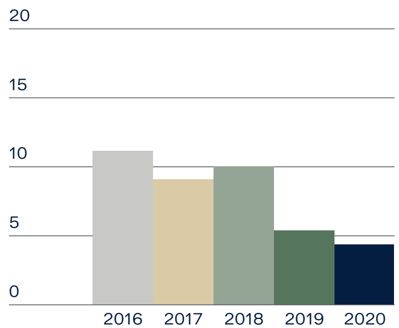
	%
2020	96.41
2019	96.53
2018	96.25
2017	96.21
2016	95.93

Through a dedicated management team, engagement among our employees and a systematic way of working we continuously improve our performance and safeguard the health of our employees. Global healthy attendance decreased 0.1 percent during 2020, and is on 96.4 percent. Results from 2020 are difficult to analyse fairly due to COVID-19.

Target

97%
healthy attendance.

Occupational accidents with sick-leave[20]



	No. of injuries per million hours
2020	4.40
2019	5.40
2018	10.03
2017	9.10
2016	11.17

With dedication from our managers and engagement among our employees and through a systematic way of working with deviations and risks, we have learned from our experiences to continuously improve our performance. As a result, we see a continued decrease in accidents, this year below target level.

Target

5
accidents per million worked hours.

Definitions:

19. Hours of attendance relative to defined total working hours for Scania's global industrial operations.

20. Total number of work related accidents with sick-leave relative to 1 million working hours for global industrial operations and corporate units.

SUSTAINABILITY KPIs, CONTINUED

Business ethics

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 lays down the overarching framework and provides guidance for how employees are expected to act. During 2020, an updated Code of Conduct training was rolled out in Scania globally, which is mandatory for all employees. Despite challenges during 2020 related to COVID-19, Scania Group Compliance, a central compliance and business ethics function with regional and local reach, continued to provide training and advice on business ethics matters.

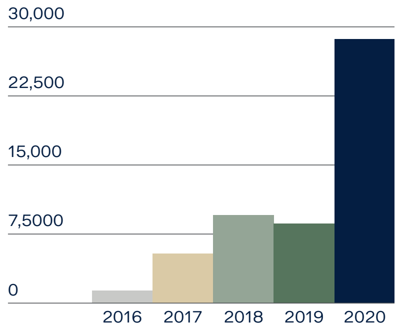
In addition to the Code of Conduct, Scania's approach to business ethics is set out in a number of Scania Group Policies, which are applicable in all Scania entities globally. These policies cover topics such as donation and sponsoring, benefits to and from business partners, prohibition of facilitation payments, anti money-laundering, competition law, avoidance of conflicts of interest and due diligence of sales intermediaries.

To offer comprehensive support to the Scania organisation, Group Compliance works closely with internal experts, covering also human right topics.

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

Code of conduct training[21]

No. of employees trained



	No. of employees trained
2020	28,672
2019	8,656
2018	9,334
2017	5,379
2016	1,402

In 2020 Scania launched a new online Code of Conduct learning, with the aim to reach all employees. 28,672, corresponding to 61 percent of all employees completed the training in 2020.

Target

100%

of our employees are trained in the Scania Code of Conduct.

Definitions:

21. In addition to this training, several specialised business ethics trainings are provided, online as well as classroom training. In 2019, a broader range of trainings were included in the reporting, however in this report the data has been adjusted to include only the Code of Conduct training to ensure comparability.

SUSTAINABILITY REPORT INDEX

Sustainability is an integrated part of Scania's work. We are committed to transparent sustainability reporting. Our aim is to provide our stakeholders with regular and relevant information about our sustainability efforts.

Global Reporting Initiative (GRI)

The Global Reporting Initiative is a voluntary framework that sets out principles and indicators for measuring and reporting economic, environmental and social performance. This report has been prepared in accordance with the GRI Standards: Core option. A comprehensive GRI index is published on Scania's sustainability web page.

www.scania.com/gri-index

Materiality assessment

Scania's materiality analysis is part of the company's strategic work and commitment to continuous improvement. Understanding our impact, risks and our stakeholder's view on our industry and us as a company allows Scania to focus on the areas that matter and improve our cooperation. It also helps us to tailor our responses and supports us in getting our priorities right, as well as informing us on our reporting. The results of this year's exercise show that our focus areas are in line with our stakeholders' expectations. For a description of our materiality analysis see:

www.scania.com/materiality

Task Force on Climate-related Financial Disclosures (TCFD)

The Task Force on Climate-related Financial Disclosures is a voluntary initiative for climate risk reporting and how it affects the company's performance. Scania recognises the importance of TCFD and has started the journey to integrate aspects of TCFD in its reporting and will continue that journey in the coming years. In this years report steps have been taken with disclosures related to governance, strategy, risk management, and metric and targets, including:

Climate and decarbonisation as a key part of Scania's strategy. (Page 14–16)

Further inclusion of climate risk and opportunities, a well as how they are governed, identified and managed in accordance with Scania's Corporate governance and risk process (pages 33–35 and 42–50)

Publishing and reporting on our set science-based targets (pages 15–16, 133, 136) and complete scope reporting on our CO_2 emissions:

www.scania.com/SBT

Sustainability report in accordance with the Swedish Annual Accounts Act

All of Scania's business units, subsidiaries and production units worldwide are included in the report.

See below for an index on where to find the different compulsory parts for the sustainability report in accordance with the Annual Accounts Act.

Sustainability is an integrated part of Scania's work. Read more on how we integrate it into our business model and strategy, how we work with risks and how we measure our progress in the different areas through KPI's:

Read more on our way of working, also covering management and policies, in the following different areas:

The auditor's report on the statutory sustainability report

To the general meeting of the shareholders of Scania AB (publ), corporate identity number 556184-8564.

Assignment and responsibilities

The Board of Directors is responsible that the statutory sustainability report for 2020 on page 142 has been prepared in accordance with the Annual Accounts Act.

The focus and scope of the review

Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12, the auditor's report on the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinion

A statutory sustainability report has been prepared.

Göteborg, 11 March 2021
Ernst & Young AB

Heléne Siberg Wendin
Authorised Public Accountant

FINANCIAL INFORMATION

Financial information

On Scania Group's website, www.scania.com, it is easy to follow the company's financial development. The website provides year-end reports, interim reports and annual and sustainability reports, in both English and Swedish. You will also find our financial history, truck registration statistics and more.

Subscribe to financial reports and press releases:

www.scania.com/subscriptions

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ABOUT THIS REPORT

This report summarises the financial year 2020 as well as providing an overview of Scania's business and operations and is prepared in accordance to the Global Reporting Initiative (GRI) guidelines for sustainability reporting. All of Scania's business units, subsidiaries and production units worldwide are included in its scope.

This report is combining financial and non-financial (social and environmental) information and is inspired by the International Framework for Integrated Reporting (IR).

This is the English language version of Scania's integrated Annual and Sustainability Report. The Swedish language Report is the binding version that shall prevail in case of discrepancies.

The Financial Reports encompass pages 57–119 and were prepared in compliance with International Financial Reporting Standards (IFRSs). The Report of the Directors encompasses pages 36–56 and 120.

The Report of the Directors and accompanying Financial Reports also fulfil the requirements of the Swedish Annual Accounts Act and have been audited by Scania's auditors.

Scania Swedish corporate identity number: Scania AB (publ) 556184-8564.

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

Photographer: André Kloss, page 22, A complete urban transport solution for Abidjan.

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