DRIVING THE SHIFT

Annual and Sustainability Report 2023

SCANIA

TRANSPORT NEEDS TO CHANGE

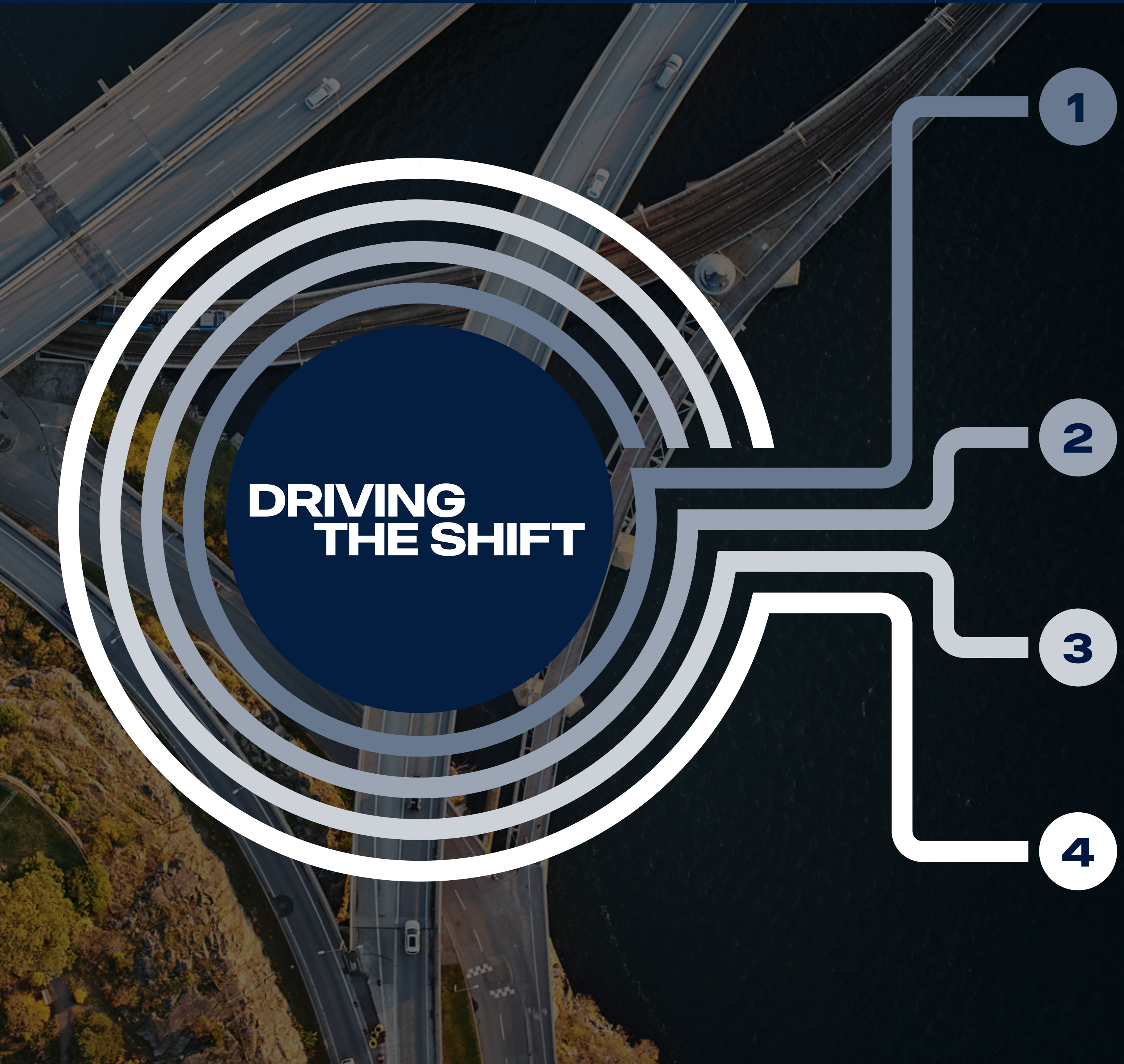
Transport is the bloodstream of society. But the world is facing a climate crisis and for too long, transport has been part of the problem. At Scania, we believe transport can – and must – be part of the solution.

Historically, carbon emissions from transport have increased in lockstep with demand. To satisfy the world's growing need for transport, while reducing net emissions to zero in just a few decades, we must break that link. We need a sustainable transport system: one that keeps goods and people moving without harming people or the planet, and that's available to everyone.

This calls for the most radical transformation of transport since the advent of the internal combustion engine. This transformation isn't just possible – it's happening right now. And here at Scania, we are leading the way.

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

See how we deliver on our purpose on the next page



Developing and offering premium products, services and solutions for sustainable transport

For more than 130 years, our core business has been to develop and offer premium products, services and solutions for our customers, and to continuously improve fuel efficiency and uptime.

As we drive the shift to sustainable transport, this continues to be at the heart of our approach. We offer products and services designed to support our customers' transition to a sustainable transport future. These include electric vehicles and charging solutions, as well as solutions based on renewable fuels. Every solution is tailored to customer requirements and local circumstances.

Partnering up to create the enabling conditions for sustainable transport

Sustainable transport depends on the right conditions to flourish. We work with partners across the transport ecosystem to develop sustainable infrastructure and resources, and push for the policies and investments needed to make sustainable transport a reality. We are pioneers in supply chain sustainability, forging groundbreaking partnerships with suppliers to rapidly decarbonise the transport industry's supply chain.

Exploring and accelerating the development of tomorrow's transport system

By pushing the boundaries of what's possible today, we are shaping the transport system of tomorrow. We do this by investing in R&D, backing start-ups and harnessing new ideas, technologies and business models that lie outside our current core.

Managing our impacts on people and planet

We lead by example, managing our social and environmental impacts where they are biggest throughout our value chain. We focus on three sustainability priorities: people sustainability, decarbonisation and circularity.

→ Throughout this report we demonstrate our opportunity and responsibility to drive this transformation.

CONTENTS

The Scania Group's formal financial reports encompass pages 56–138 and are audited by the company's auditors, Ernst & Young AB.
The statutory sustainability report encompasses pages 139–174 Guidance on the sustainability report can be found on page 159.

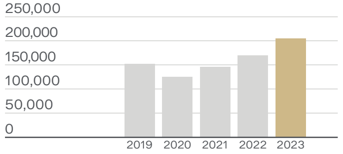
2023 IN NUMBERS

2023 was another strong year for Scania. Despite geopolitical and macroeconomic instability, overall demand for Scania's transport solutions remained high, resulting in a strong financial performance and continued sustainability progress.

Net sales

204,126

SEK m.

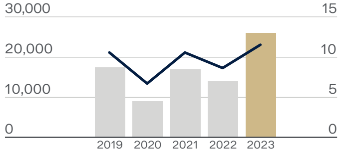


Net sales grew by 28 percent, positively impacted by increased vehicle deliveries, a growing service business and increasing deliveries in Power solutions. Net sales were positively impacted by price and product mix as well as currency effects.

Adjusted operating income

25,985

Adjusted operating income SEK m.
— Adjusted operating margin %

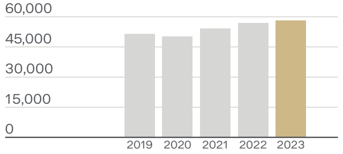


Increased vehicle and service volume impacted operating income positively, as did price and product mix as well as currency effects. Inflation, higher raw material prices and production disturbances had a negative effect. Including items affecting comparability, operating income amounted to SEK 24,807 m.

Employees

58,163

No.

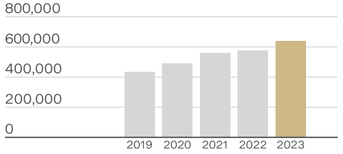


The number of employees increased by some 2,500 people in 2023.

Connected products

638,633

Units (accumulated)

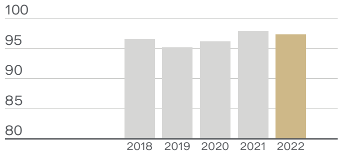


The number of connected vehicles increased with some 63,000 units compared to 2022. Great Britain is the market with highest proportion of connected vehicles in 2023.

CO_2e reduction from vehicle use

-3

%

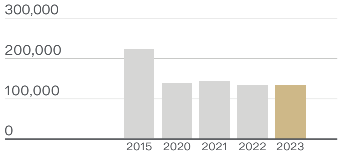


Scania aims to achieve a 20 percent reduction of CO_2e emissions from vehicle use phase by 2025. Currently emission level is at of 97.3 percent, a reduction of just below 3 percent since base year 2015. A changed sales mix resulted in a negative development of the KPI. Reporting of emissions lags one year, see page 141 for more details.

CO_2e from operations

130,300

Tonne CO_2e

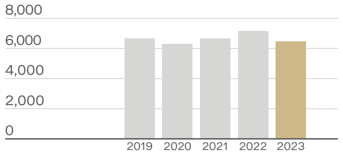


Emissions have decreased by 42 percent since base year 2015. Scania is on track to meet its 2025 targets by expanding the fleet of electrified vehicles, transitioning to renewable fuels and adopting fossil-free electricity across global operations.

Sales of alternative fuels and electrified vehicles

6,454

No. of vehicles

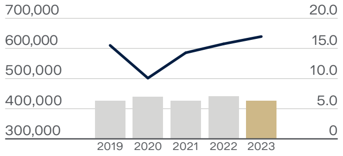


In 2023, the share of alternative solutions decreased compared to 2022, mainly due to a rebound in the overall truck market. However, interest in Scania's sustainable portfolio remains strong, with increasing curiosity in electrification alongside renewable fuels, including liquid options like HVO and FAME, as well as biomethane.

Energy consumption

639,874

— Total MWh | MWh/Vehicle



Energy consumption per vehicle reduced during 2023. There is a temporary increase in use of energy due to start of production in a new foundry while still operating the old foundry during a transition period (2022–2023). The reduction is 11 percent since 2015.

YEAR
AT A GLANCE

Taking battery electric trucks to the next level

Suitable for a variety of applications, Scania's expanding range of next-level, zero-emission battery electric trucks include vehicles with gross train weights of 64 tonnes.

Read more →

Battery assembly plant opens

In a historic moment for Scania, we opened our battery assembly plant in Södertälje, enabling serial production of heavy-duty battery electric vehicles and accelerating the shift to electrification.

Pictured: Ebba Busch, Sweden's Minister for Energy and Enterprise and Christian Levin, CEO of Scania.

Read more →

Super fast charging one step closer

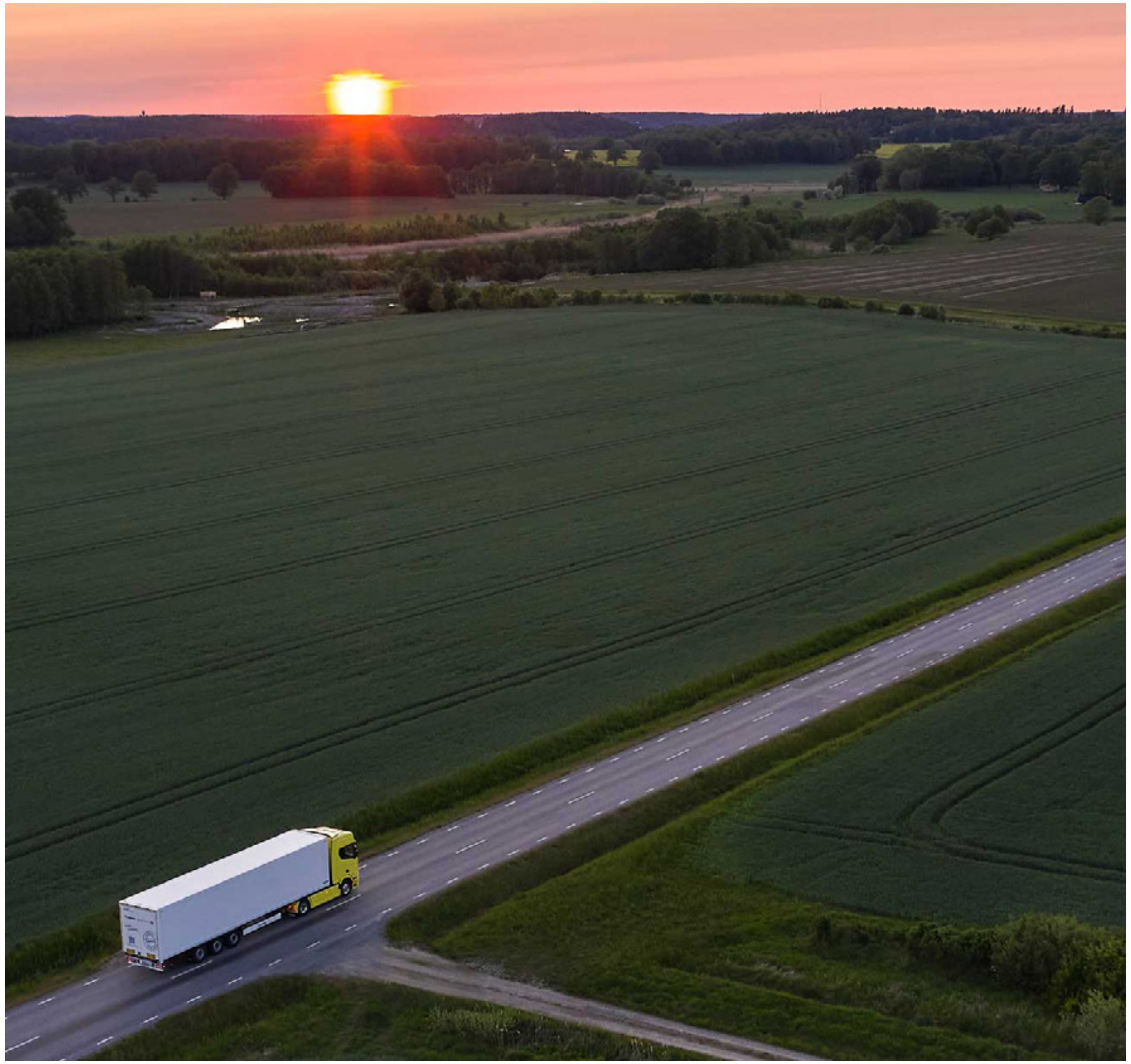
Scania successfully tested a pilot Megawatt Charging System together with ABB E-mobility – a system that promises to halve charging times for electric heavy vehicles.

Read more →

Making electric buses go further

Launched at Busworld in October, Scania's new battery-electric bus platform offers energy storage capacity of up to 520 kWh, for an impressive range of up to 500 kilometres.

Read more →



Green supply targets become requirements

To strengthen Scania's commitment to removing emissions from our supply chain, we turned our green supply chain targets into mandatory requirements. We also made two landmark agreements with steel suppliers to decarbonise our steel deliveries.

Read more →

Batteries that last a lifetime

In April, Scania and Northvolt unveiled a battery cell capable of powering a truck for its entire lifetime.

Read more →

CEO STATEMENT

Christian Levin

President and CEO,
Scania and
TRATON GROUP

“2023 was an eventful year for Scania. During the year we continued to deliver customer value and made good progress getting our order to delivery flows back on track.”

By 2030, all deliveries of batteries, steel, aluminium and cast iron for our European operations will have to come with a minimised carbon footprint.”

Welcome to the Scania annual and sustainability report for 2023.

2023 was an eventful year for Scania. During the year we continued to deliver customer value and made good progress getting our vehicle order to delivery flows back on track. We delivered a strong financial performance with sales and earnings at record levels. At the same time we continued transforming our business in many areas, and pushing ahead with transitioning our portfolio to battery electric vehicles.

Market performance and product highlights

The year brought a mixed picture for our markets. While demand slowed slightly in Europe from very high levels, some of our Latin American markets came back strongly, mainly driven by a replacement demand in Brazil and Mexico. Meanwhile our service business continued to grow strongly.

The success of Super, our latest and most fuel-efficient combustion engine powertrain, continued to drive increased market share for Scania in 2023, receiving great feedback from customers as well as widespread industry acclaim. In 2023, a Scania truck equipped with a Super powertrain was awarded the coveted European Truck Award after a rigorous comparative test for fuel consumption, in which it beat the closest competition by a significant margin.

In terms of our order to delivery flows, we are still facing some challenges, though the situation improved considerably in 2023. We had a good order intake and increased our production accordingly. However, although we made great progress in stabilising our delivery flows deliveries still did not match our production output, negatively influenced by outbound transport restrictions, which led to increased lead times for customers. At Scania, customer satisfaction is at the heart of our business, and we are dedicated to resolving these issues to ensure we improve our delivery precision and reduce our lead times.

Electrification and sustainability milestones

In 2023 we also made significant progress in our electrification journey. Milestones included opening our own battery assembly plant in Södertälje, completely rearranging our production line for large-scale production of electric trucks, and building a new test track for electrified and autonomous vehicles. Together, these measures will rapidly accelerate our transition to battery electric vehicles, and I am extremely proud of all our colleagues who put their hearts and minds into making it happen.

However, every big transformation comes with challenges, and despite the progress we made in 2023, our electrification ramp-up is not yet happening at the pace we would like to see. Aside from transitioning to a completely new technology, many other elements need to be in place to scale electric heavy vehicles at significant volume. The customer needs a financially sound business case, the infrastructure has to be there and the supply base must also be ready. Progress is not happening fast enough in many of these areas. We have also had some issues with our supply of batteries, and we are working in close partnership with our supplier to solve these problems.

During the year we also invested in our electric product portfolio, and began to produce our new generation of battery electric vehicles. We now have a broad portfolio of heavy-duty electric vehicles suitable for almost any customer or commercial application, and the portfolio is constantly expanding.

Of course, in an electrified transport system, vehicles are just one part of the solution. Customers are looking for complete e-mobility solutions, and we continued to invest in this area, developing the smart solutions, services and high-performance charging infrastructure that electric transport depends on.

In May, we saw the first successful tests of our pilot megawatt charging system – a project we have been working on with ABB E-mobility. The results are exciting, as the system promises to halve standard charging times for electric heavy vehicles.

Decarbonising our value chain

When transport is fully electric, the greatest proportion of a vehicle's total CO_2 emissions shifts from the use phase to the production and supply chain phase – and in particular, the manufacturing of materials such as steel. In 2023, we took a huge step forward in reducing these emissions by turning our supply chain decarbonisation targets into mandatory sourcing requirements. By 2030, all deliveries of batteries, steel, aluminium and cast iron for our European operations will have to come with a minimised carbon footprint. We announced these new supply chain requirements at COP28, and the response was truly positive. At Scania we aim to be a first mover in driving the shift and inspiring others to follow our example.

Science-based targets: challenges and progress

The challenges we have faced in our transition to a sustainable transport system highlight the fact that decarbonisation is a complex challenge that needs to be approached from many angles. This is reflected in our progress against our science-based targets (SBTs).

Back in 2020, we set ourselves extremely ambitious targets to decarbonise our business. To focus minds, we also made them short-term targets, setting a target horizon of 2025. This has been highly effective in creating accountability for decarbonisation at every level of our business, and we are well underway to reaching our scope 1 and 2 targets. However, in order not to fall behind on our scope 3 target, we need to step up our efforts in all possible dimensions. Along with ramping up production of battery electric vehicles, there are many other vital measures we can take to drive down carbon emissions by improving fuel efficiency: for example, through driver training, vehicle optimisation, and the increased use of renewable fuels.

As we approach the final year of our SBT timeframe, we should recognise that 2025 is far from the end of our decarbonisation journey, but rather an important milestone and a time for evaluation as we continue to drive the shift towards a sustainable transport system.

Our strategy and TRATON GROUP

2023 also saw some important strategic developments that will put us in an even stronger position to drive the shift, together with our customers. We clarified our strategic direction over the mid-term, setting out our key business priorities over a five-to-10-year period. To set clear expectations and measure progress we introduced six targets, linked to our high-level corporate objectives.

In line with these strategic priorities, we made some operational changes in 2023. These included restructuring our bus business, and as one of the measures to achieve a leaner structure that improves speed and flexibility, we decided to discontinue the bus body production in Słupsk Poland. By leveraging our strengths such as modularisation and our close partnership with bodybuilders, we will be able to further strengthen customer value.

We continued to invest in ventures and new business opportunities outside our current core. One example was our joint venture with JUNA, which is introducing an innovative, customer-oriented pay-per-use model for electric trucks.

Part of our strategy focuses on our global presence, and in line with this we also continued the development of our industrial arm in China – our largest investment in our industrial operations since our move into Latin America in the 1960s. Our factory in China is starting to take shape, and 1,000 Scania colleagues are now working in China, with more to come.

In 2023 the pace of TRATON GROUP's transformation accelerate rapidly, and this also brought changes to Scania. Some of our key business functions are now group-wide functions, one example being Scania's Financial Services which now serve as the backbone for the Group through TRATON Financial Services. Scania has been a driving force in shaping the transformation of TRATON, with the Group using Scania's core values, and modular system as a foundation while complementing this with the strengths of the other brands in the family.

A tight TRATON integration is an important pillar of our strategy, as it secures the investment capacity, speed and agility we need to develop a complete electrified and digitalised product portfolio for our customers. It is also important to stress that closer integration will mainly be seen in the industrial side of our business – the customer-facing business will continue to be unique to each brand.

Staying true to the Scania Way

With change all around us, it is reassuring to know that one thing stays constant: the Scania Way. I see it everywhere as I travel and meet different parts of the Scania organisation, and I am proud of how we have put our value system to work in everything we do. These principles are what make us unique, and what our customers truly value. As we continue to navigate our business and our customers through a rapidly transforming world, staying true to our Scania Way matters more than ever.

OUR BUSINESS

By providing premium transport solutions, Scania creates lasting value for our stakeholders throughout the lifecycle of our products.

OUR GLOBAL OPERATIONS

With some 58,000 employees in more than 100 countries, Scania is a truly global player. Our sales and service network is strategically placed where our customers need us, no matter where they operate.

Scania's production takes place in Europe and Latin America, and a production site in Asia is underway. Research and development is carried out globally, with our main site in Södertälje, Sweden acting as the hub for our R&D activities.

With dealers and workshops strategically located along transport routes and near logistics centres, and with road assistance available 24/7/365, we are never far away from our customers.

Our service network gives us a close relationship with our customers and a deep understanding of their specific market and business needs.

Scania is part of TRATON GROUP. Under this umbrella the brands Scania, MAN, Volkswagen Truck & Bus and Navistar work closely together to transform transportation.

58,000
employees in over 100 countries

11
Number of countries with sites for production, assembly or regional product centres

1,500+
service points

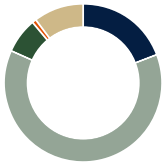
638,000+
Number of connected Scania products

Trucks	65%
Buses and coaches	4%
Power solutions	2%
Service-related products	20%
Used vehicles	5%
Other	4%

Scania offers sustainable solutions of trucks and buses for heavy transport applications, combined with an extensive product related service offering. We offer 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 tailor-made solutions for a range of different applications including long-distance, urban applications and construction.

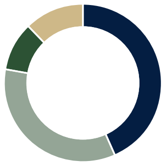


Deliveries	
America*	19%
Europe	62%
Africa & Oceania	7%
Eurasia	1%
Asia	10%

* Refers to Latin America

BUSES AND COACHES

Scania offers buses and coaches for customers in the urban and travel segment, in close cooperation with bodybuilders and partners. Our offering includes complete solutions, tailored to help solve today's mobility challenges.



Deliveries	
America*	43%
Europe	34%
Africa & Oceania	10%
Eurasia	0%
Asia	12%

POWER SOLUTIONS

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

Deliveries	
America*	18%
Europe	54%
Africa & Oceania	3%
Eurasia	0%
Asia	25%

SERVICES

Scania's extensive service offering includes workshop services, tailormade maintenance with flexible and predictive plans, driver training and evaluation. We also offer services for support and management of our customers' operations.

Sales	
America*	15%
Europe	69%
Africa & Oceania	7%
Eurasia	0%
Asia	8%

FINANCIAL SERVICES

Through TRATON Financial Services, Scania offers 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	63%
New buses	2%
Used vehicles	14%
Other	21%

HOW SCANIA CREATES VALUE

By providing premium sustainable transport solutions, Scania creates lasting value for our stakeholders – from our customers to society as a whole.

OUR PURPOSE

At Scania, value creation begins with our purpose – to drive the shift to a sustainable transport system. Delivering on our purpose is the main way we create value as a business.

OUR BUSINESS MODEL

Customer value lies at the heart of our business. Our success depends on building partnerships that create long-lasting, sustainable value for both our customers and Scania.

+ Customer sales revenue
− Customer cost
= Customer operating income

+ Scania sales revenue
− Scania cost
= Scania operating income

Increasing customer revenue

Scania's high-quality, optimised vehicles and services, supported by data gathered from connected vehicles, ensure maximum time in operation. We enable our customers to carry out efficient, reliable and sustainable transport that boosts 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.

VALUE FOR OUR STAKEHOLDERS

Scania's stakeholders range from customers and employees, to transport ecosystem partners such as infrastructure providers and transport users. We create value for each of our main stakeholder groups throughout the product life cycle.

We create value for:

Our customers

Scania's solutions are optimised for customer needs and help them build profitable and sustainable business by improving transport efficiency: for example, through maximising uptime, lowering emissions and reducing vehicle running costs.

Our employees

We reward our employees both through pay and compensation, and our purpose-driven work culture. We provide a safe, healthy and inclusive working environment, where difference is valued and everyone has an opportunity to thrive. By investing in training, we ensure our employees have the skills and knowledge to succeed, now and in the future.

Drivers

Our vehicles are designed to enhance the driver experience and provide drivers with a safe, efficient and comfortable working environment. We are active in cross-industry efforts to improve working conditions for drivers: for example, through our contribution to the Truck Transport Social Guidelines.

Suppliers

Scania's sourcing activities provide economic value and business opportunities for suppliers and their employees. By improving transparency and through due diligence processes, we work to mitigate the social and environmental impacts of our sourcing activities and improve conditions for workers within our supply chains.

Owners and lenders

As a company focused on sustainability, we deliver sustainable growth and long-term financial resilience for our owners and lenders. Scania has issued green bonds and has received the highest available rating on our framework.

Transport ecosystem

We work closely with partners across the transport ecosystem to scale up renewable fuel and electrification infrastructure. By doing so we help drive systemic change, build resilience and create long-term, sustainable value throughout the transport sector.

Society

Transport is vital for a healthy and functioning society. Scania's solutions can reduce the environmental impact of transport while increasing access to mobility, easing congestion and improving safety. By providing employment opportunities both within our own business and our supply and delivery flow chain, we support communities and contribute to economic growth.

Read more on how we seek to create value at every stage of our product life →

CREATING CUSTOMER VALUE

Our customers are the starting point of everything we do. We are only successful when our customers are successful, and we cooperate closely with them to understand their current and future business. We provide tailored solutions that deliver value, are sustainable and profitable, today and in the future.

"We as Nagel Group, expect a lot of gains from electrification, and I believe that will help us become climate neutral. This is requested by a lot of customers already. We had a vision for our regional distribution and Scania came up as a very good partner."

Carsten Taucke, CEO Nagel Group

Value for customers

Scania's customers range from heavy transport providers, including for example logistics and road haulage companies, public transport operators and companies involved in industrial and marine operations. Our transport solutions help our customers build profitable and sustainable business by improving their transport efficiency: for example, through maximising uptime, lowering emissions and reducing vehicle running costs. Because the needs and circumstances of each customer are different, a highly tailored approach to providing solutions maximises customer value.

Tailored solutions

The transport solutions Scania provides are optimised for our customers' operations to increase their revenue and reduce their costs. We aim to eliminate waste and inefficiency throughout the entire transport flow, with highly customised solutions for sustainable transport.

Modular system

Our tailored approach to transport solutions is supported by our modular system, through which we can quickly and effectively optimise our solutions for specific customer needs, applications and markets. The modular system is one of Scania's key success factors.

Read more →

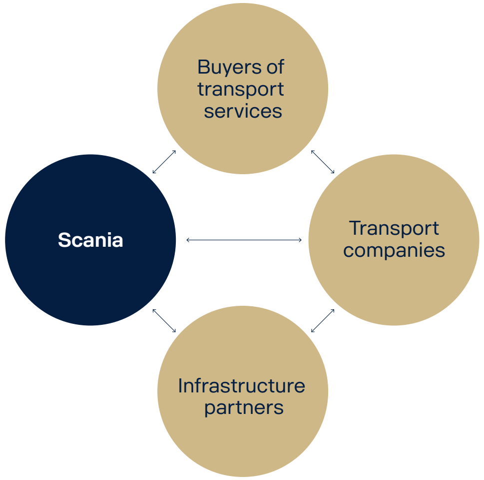
Close partnerships

Creating value through tailored solutions requires a close partnership with our customers, built on trust and often based on long-term relationships. By being close to our customers, we are better able to understand and respond intuitively to their needs, and support their transition to sustainable solutions.

Read more →

A holistic approach

We develop a deep, holistic understanding of every customer's entire transport flow, covering not only their own transport needs, but also the needs of their customers. We also build partnerships with other stakeholders across the ecosystem to scale up electrification and renewable fuel infrastructure. Driving the shift is not something we can do on our own. Scania is involved in strategic partnerships with key stakeholder, including our customer, buyers of transport services, energy suppliers, infrastructure providers and industry peers.



Scania takes a holistic approach involving several key stakeholders.

ACHIEVING A SUSTAINABLE TRANSPORT SYSTEM

A SUSTAINABLE TRANSPORT SYSTEM

Sustainable transport is about more than decarbonisation. It is about meeting the needs of people and society throughout the ecosystem of transport.

A sustainable transport system is one that can continue to exist in the long-term. That means a system that keeps goods and people moving without harming people or the planet, and is accessible to all.

Transport affects people and the planet in many ways. To create a sustainable transport system, we first need to recognise that all these impacts are highly interconnected. Providing transport system in a way that meets the complex, interrelated needs of people, society and the environment requires a holistic approach, and collaboration across the entire transport ecosystem.

A VISION FOR SUSTAINABLE TRANSPORT

As described by the UN's Environment Programme and the World Bank for example, there are several aspirations for sustainable transport, each connected to and dependent on the others. Scania is addressing some of these aspirations directly, and others through partnership and dialogue.

- **Inclusive** – accessible to all.
- **Safe** – not only for drivers and transport users but also for other road users, and all others indirectly affected by it.
- **Healthy and clean** – minimising harm to physical and mental health and wellbeing.
- **Decarbonised** – reducing carbon emissions by breaking the dependency on fossil fuels.
- **Efficient** – both in how it moves goods and people and in its use of resources.

Read more →

DEVELOPING PREMIUM PRODUCTS, SERVICES AND SOLUTIONS

We support our customers' transition to sustainable transport with a broad range of products, services and solutions, tailored to the requirements of customers and markets.

Our solutions are based on three pillars:

- **Energy efficiency**
- **Electrification and renewable fuels**
- **Smart and safe transport**

Energy efficiency: Our core since day one

For more than 130 years, our core business has focused on developing premium products and services for our customers, with a relentless focus on continuously improving energy efficiency and uptime, regardless of the energy source.

As we drive the shift to sustainable transport, this continues to be at the heart of our approach.

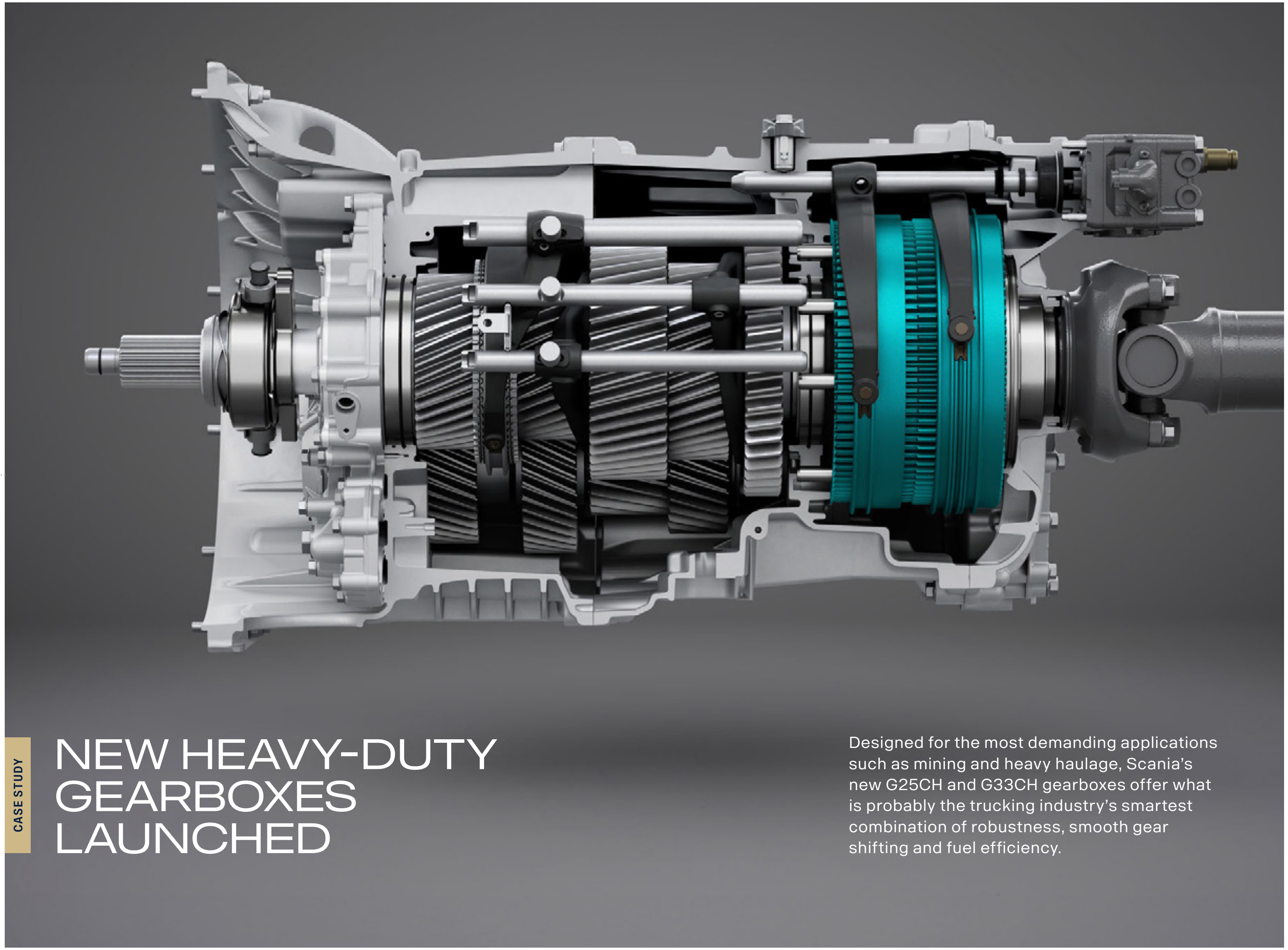
CASE STUDY

SCANIA SUPER WINS FUEL EFFICIENCY PRIZE

Introduced in 2021, the Scania Super continues to win industry acclaim and lead the field for fuel efficiency.

In May, a Scania truck with a Super-based powertrain won the European Truck Challenge, a renowned German comparison test for long-haul truck fuel efficiency, beating the closest competition by a substantial margin.

Read more →



CASE STUDY

NEW HEAVY-DUTY GEARBOXES LAUNCHED

Designed for the most demanding applications such as mining and heavy haulage, Scania's new G25CH and G33CH gearboxes offer what is probably the trucking industry's smartest combination of robustness, smooth gear shifting and fuel efficiency.

CASE STUDY

SNL BOOSTS PROFITABILITY WITH SCANIA SUPER

Freight forwarding company SNL in Singapore took delivery of their Scania Super trucks in 2023. "Data shows between 12–15 percent reduction in fuel consumption. With rising fuel costs for the last few years, this saving can actually increase the profitability of the company. Our drivers feel more comfortable, and they experience less lead time in terms of gear shift. There is higher uptime, fewer runs to the fuel pump stations, and lesser maintenance needed," says Lim Jing He, Director of SNL Logistics.

Electrification: Leading the transformation

The future of heavy transport is electric, and Scania is leading the transition. We are steadily electrifying our portfolio, and we now offer next-level battery electric trucks for an increasing range of urban and regional applications, with long-haul transport just around the corner. At the same time, we're pushing forward with pilot partnerships that will help make electric heavy transport a viable option for everyone.

The shift to electric isn't just changing how our vehicles are powered – it's transforming our entire approach to doing business. Because electrified transport depends on a whole eco-system where vehicles are just one part of a complete solution, our offering also includes charging infrastructure, battery performance monitoring, dynamic route planning, financing and many other services.

CASE STUDY

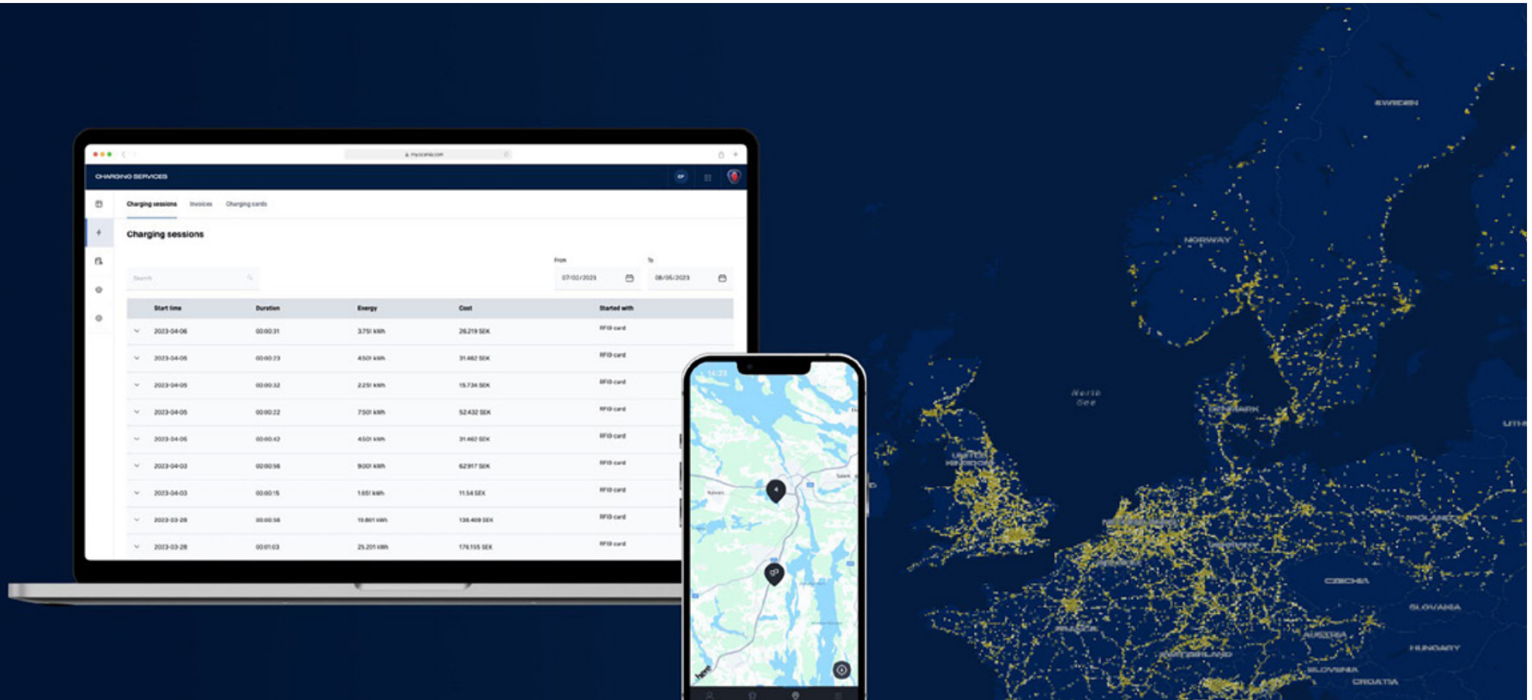
BATTERY ELECTRIC TRUCKS FOR ALMOST EVERY APPLICATION

Scania is now producing the new generation of battery electric trucks with power, range and charging capacity for effortless daily operations in a variety of urban and regional transport assignments.

The trucks are fitted with green battery cells supplied by Northvolt, with packs produced in Scania's battery assembly plant in Södertälje.

"Our battery electric truck portfolio now offers everything most urban and regional operators need. Buyers will be amazed when they realize what these trucks are capable of, together with our digital services."

Fredrik Allard, Head of E-mobility at Scania



CASE STUDY

SIMPLIFYING PUBLIC CHARGING FOR ELECTRIC TRUCKS

Launched in 2023, Scania Charging Access makes public charging easier for both drivers and the haulage companies' finance departments. The new service provides hauliers with a reliable network of charge points for trucks along their haulage routes, with all the customer's charging needs managed in one place. The essence is to unify different charging solutions all while still receiving one consolidated invoice per month.

CASE STUDY

PIONEERING E-MOBILITY SOLUTIONS WITH JULA LOGISTICS

Harnessing the full potential of e-mobility requires close collaboration with customers and other across the transport ecosystem. Together with JULA Logistics we run trials of a 32 metre long zero emission solution, transporting two 40 foot containers between a train terminal and warehouse. Together, we successfully executed lobbying to remove restrictions for these extra-long high-capacity transport solutions on Swedish roads. In the partnership we also collaborated on charging solutions and learned about ways to mitigate grid constrains.

Renewable fuels:
A solution here and now

Sustainable biofuels, such as biodiesel and biogas, are an important part of decarbonising the transport system, particularly in markets where electric charging infrastructure is underdeveloped.

All our vehicles with combustion engines can run on biodiesel, so this is a low-carbon solution that can be adopted quickly, easily and without investments in new technology. Along with the environmental benefits, biofuels also create jobs and support local economies, as well as increase the energy security.

CASE STUDY

NEW BIOGAS ENGINES DELIVER 5% FUEL SAVINGS

For companies and transport buyers who want to rapidly decarbonise their road transports here and now, switching to biogas is a highly effective choice, delivering carbon reductions of up to 90 percent. But combined with the new Scania biogas engines launched in 2023, the benefits go even further. Pairing the new engines with Scania's Super powertrain can produce fuel savings of 5 percent. And with ranges of up to 1,800 kilometres, the new biogas offering can satisfy the needs of the most demanding long-haul operators.

Read more →

CASE STUDY

SUSTAINABLE PUBLIC TRANSPORT IN CÔTE D'IVOIRE

Together with partners, authorities and customers, Scania has inaugurated a biodiesel pilot in Abidjan, the largest city in Côte d'Ivoire.

The pilot aims to dramatically reduce emissions from public transport and create jobs through locally produced biofuels, and is a milestone in Scania's systematic way of working with partners, authorities and customers to enable the transition to sustainable transport.

Sustainably produced biofuels from waste are currently the best option to rapidly reduce emissions from most of the public transport systems in African countries. Biofuel used as biodiesel will lower carbon emissions by up to 80 percent, and by even more when used as biogas. Recent studies have shown that biofuels will be vital for decarbonising heavy-duty transport over the next few decades, for both new and existing fleets.

CASE STUDY

BIOGAS: THE KEY TO LOW-CARBON BUS TRAVEL FOR FLIX

Scania has joined forces with the long-distance bus brand Flix in a new partnership that will rapidly lower CO_2 emissions across the Flixbus network. By 2025, Scania will provide Flix with 50 coaches that can be run on Bio-LNG, a biogas produced from organic waste. The goal is to progressively increase the share of Bio-LNG in the fuel mix until the coaches are powered solely by biogas.

Aside from the carbon benefits, Flix's new biogas bus engines produce fewer particulate emissions and are less noisy than equivalent diesel engines, while offering the same power and torque.

Smart and safe transport: The power of connectivity

Our connected vehicles provide a wealth of data and insights in real time, enabling us to offer smart services that increase uptime, efficiency and driver safety while reducing emissions. Connectivity and digital services are also important enablers for the electrification of transport.

We're in a unique position where all of our vehicles are smart. By tapping into the data they gather, we can create smart services, such as preventing unnecessary failures, planning maintenance, or more high-tech digital solutions."

Sara Thyselius Dexner, Product Manager at Scania

CASE STUDY

SMART DASH OPENS UP NEW PERSPECTIVES FOR TRUCK DRIVERS

Scania's new digital dashboard Smart Dash is opening the way to smarter, safer and better truck driving experiences for drivers.

Its modular build and advanced digital solutions ensure that Scania trucks offer a secure, connected and comfortable environment behind the wheel.

Read more →

PARTNERING UP TO CREATE THE ENABLING CONDITIONS FOR SUSTAINABLE TRANSPORT

We work with partners across the transport ecosystem to develop the infrastructure and resources, and push for the policies and investments needed to make sustainable transport a reality.

> **"Together in the CEO Alliance we use our broad platform to underline the importance of an ambitious EU decarbonisation agenda. We believe that this is crucial for the global competitiveness of EU industry, and thus also for European resilience and prosperity."**

Christian Levin, CEO of Scania and the 2023 Chairman of CEO Alliance – a cross-sector action tank consisting of 12 leading European companies representing key industry sectors, with ~1.6 million employees.

CASE STUDY

A HEAVY-DUTY CHARGING NETWORK FOR EUROPE

The rapid scaling of electric heavy transport depends on a reliable and readily accessible public charging network. To realise this ambition, our holding company TRATON GROUP has joined forces with Daimler Truck AG and Volvo Group to create Milence – a new joint venture with the goal of building and operating at least 1,700 high-performance public charge points in Europe by 2027. This is the first significant step towards realising the vision of developing a public charging network for road transport in Europe. In 2023 Milence opened the first charging hub, at Truck Parking Venlo in the Netherlands.

EXPLORING AND ACCELERATING THE DEVELOPMENT OF TOMORROW'S TRANSPORT SYSTEM

We invest in research and development, back start-ups, and harness new ideas, technologies and business models that lie outside our current core.

The transport industry is experiencing one of the most transformative eras in its history. New technologies and social and economic forces are driving radical changes in our ecosystem. These changes are not only creating new transport solutions but unleashing entirely new business possibilities, transforming the very idea of what it means to be a transport solutions provider. At Scania, we are seizing the opportunities these changes bring to accelerate the shift towards sustainable transport. This involves investing in innovation in areas that are core to our business today, as well as exploring new business models and solutions that will play an increasingly important role in how we create value for our customers in the future.

CASE STUDY

ACCELERATING THE ELECTRIFICATION OF ROAD LOGISTICS

Scania and sennder Technologies launched JUNA, a joint venture to drive large-scale adoption of electric trucks through a pioneering pay-per-use model.

The flexible model eliminates upfront costs and potential residual value concerns, making it easier for carriers to switch to electric trucks, while also offering guaranteed capacity.

Read more →

CASE STUDY

SOLAR-POWERED TRUCK HITS THE ROAD

A unique solar-powered hybrid-electric truck is being tested on public roads, as a result of a two-year research collaboration involving Scania, Uppsala University and other partners.

The truck's electrical propulsion is generated through specially designed lightweight solar panels covering the trailer, decreasing operational costs and local emissions.

Read more →

MANAGING OUR IMPACTS ON PEOPLE AND PLANET

We lead by example, managing our impacts on people and the planet across the value chain. Our sustainability actions are focused around three interconnected priorities, based on our key impacts throughout our product life cycle: people sustainability, decarbonisation and circular business.

People sustainability: Ensuring a just transition for all

People sustainability is about putting people at the centre of everything we do. We are committed to providing transport solutions that serve the needs of people and society, and doing so in a way that minimises negative social impacts. When developing our solutions, we consider and manage related social and human rights impacts across the value chain. We are committed to a just and inclusive transition, where voices of employees and those affected by it are heard through social dialogue.

Upholding human rights is core to our approach to people sustainability. We are committed to sourcing raw materials responsibly, minimising the risk of human rights abuses in our supply chain.

CASE STUDY

BUILDING A FUTURE BEYOND MINING

In South Africa, Scania is supporting the Marikana Coalition, a project working to provide brighter futures for children in the mining area of Marikana. The area is a key source of platinum, a material we use in our catalytic converters.

For young people in Marikana, opportunity is limited by a chronic lack of schools and educational funding. The coalition is addressing the problem by turning an unused mine building into an educational facility. The facility will help students develop skills and build careers beyond mining – especially important as mining operations in the area are due to be scaled back significantly within ten years.

The extraction of certain raw materials we need for vehicle and battery components come with human rights and environmental challenges, including poor working conditions and child labour. For Scania, taking a systematic approach to these challenges is fundamental to creating a sustainable transport system.

Our support for the Marikana Coalition is just one example of our commitment to people sustainability in our supply chain, with a special focus on high-risk raw materials such as platinum.

Read more →

Decarbonisation: Towards a fossil-free business

We are committed to continuous decarbonisation throughout our entire value chain and across all relevant scopes.

Through our decarbonisation targets, which include science-based targets, we have set clear goals for carbon reduction and defined the areas we need to prioritise in order to achieve them.

Read more →

CASE STUDY

DECARBONISING OUR SUPPLY CHAIN

In 2022, as part of our strategy to decarbonise our supply chain in Europe, Scania committed to purchasing 100 percent green steel, batteries, aluminium and cast iron by 2030. In 2023, we further strengthened our commitment by turning these targets into mandatory sourcing requirements.

In line with these new requirements, we placed our first order of green steel from H2 Green Steel in June 2023. Following this, we agreed with our main steel supplier SSAB to achieve 100 percent decarbonised steel deliveries by 2030. Through the agreement, deliveries of SSAB's Fossil-free™ steel to Scania will be significantly ramped-up, delivering only green steel by 2030.

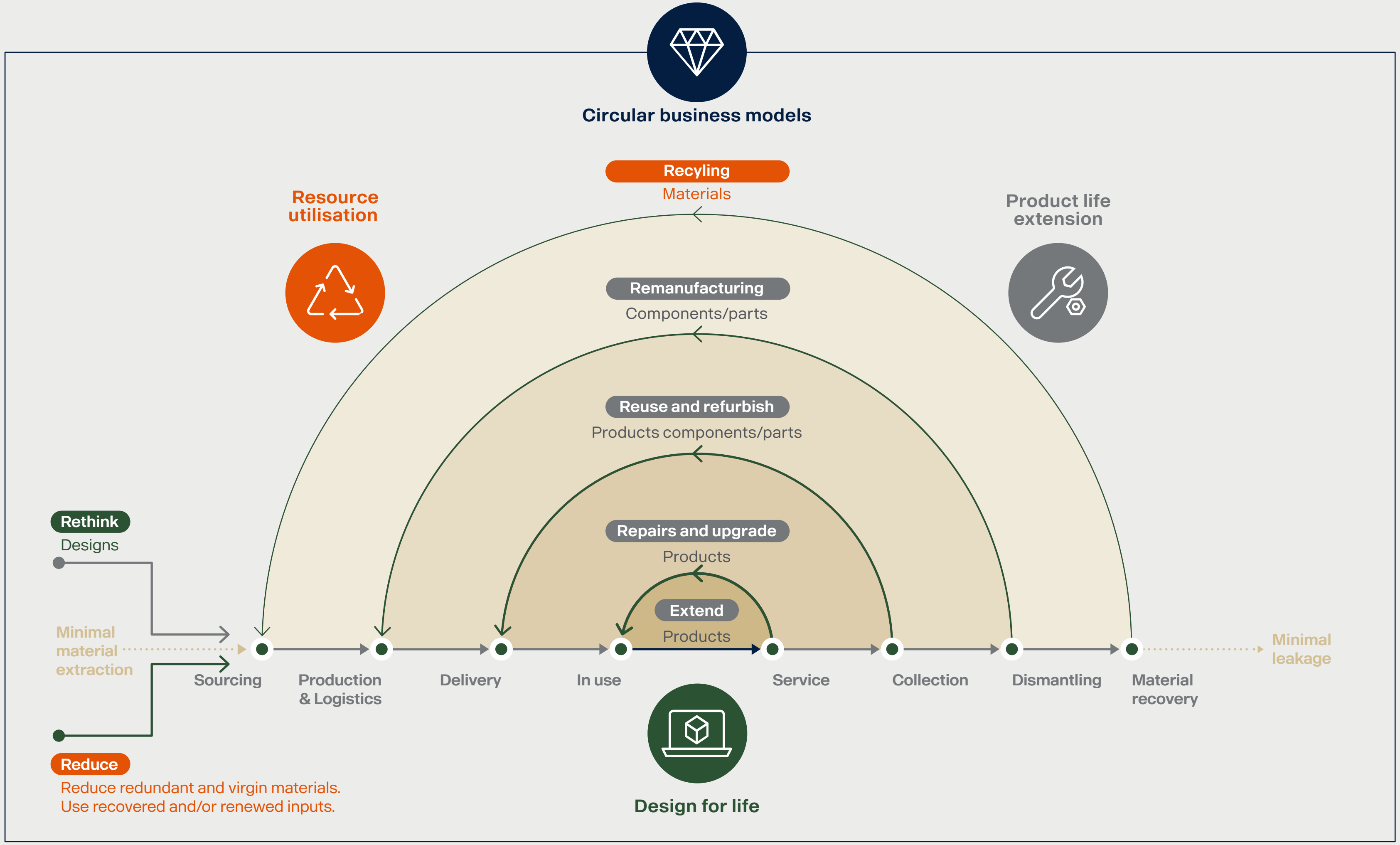
Green steel is manufactured using renewable energy sources and with significantly reduced carbon emissions.

Read more →

Circular business: Minimising waste, maximising value

Circular business means using business models that capture value from restorative practices for products, components, parts and/or materials in order to generate customer value, financial resilience and lower environmental impact. Many values, principles and methods within Scania today are well in line with circularity. Not least, the core values: Customer first and Eliminate waste and principles such as modularisation as well as lean production methodologies. However, we are a part of a linear system and as a part of our purpose to Drive the Shift towards a sustainable transport system, we see the potential of shifting the system towards being circular and by that regenerative.

We are collaborating with our suppliers and other stakeholders to gain a deeper understanding of how we can further enable this shift towards sustainability through circularity. By making our business and operations more circular, the customer value of our solutions is maximised, and waste is minimised at every step in our value chain. This will make our business even more valuable and resilient.



The illustration shows a selection of circular practices relevant to Scania. The most valuable circular practices focus on inner loops, where it is about maximising the product lifetime, while the outer loops ensure material and energy recovery. By rethinking solutions and designing with multiple life cycles in mind, we can capture more value from the circular practices along the value chain.

Circular business models, which include at least one of the circular practices, enable us to discover and reduce waste and generate more value for our customers, society, and Scania.

CASE STUDY

REUSE, REPURPOSE, RECYCLE: A CIRCULAR STRATEGY FOR BATTERIES

In line with our circular business approach, we have adopted a circular battery strategy which means that batteries used in Scania vehicles can be reused and repurposed wherever possible.

When batteries have reached a stage in which they cannot be reused or repurposed, then they can be recycled and their raw material recovered for use in production of new batteries.

The battery cells in Scania's new generation electric trucks are manufactured by Northvolt, a Swedish company that aims to produce the world's greenest batteries, targeting the majority of the raw materials needed for cell production from recycling.

Read more →

OUR STRATEGY

A roadmap for driving the shift.

THE FORCES SHAPING TRANSPORT

Global forces are ushering in major challenges but also new possibilities for our industry.

From global trends to emerging technologies, certain forces are reshaping the transport industry and driving radical changes in Scania's operating environment. Our strategy has been developed in response to the risks and opportunities these key trends present to our business.

Climate change

The window to avert irreversible and catastrophic climate change is closing rapidly.

Global emissions must fall by about half by 2030 to meet the internationally agreed target of 1.5°C of heating, but emission levels are still rising. Urgent and collective action from governments and businesses is needed to avoid the most severe climate impacts.

Political and economic shifts

The political landscape has become increasingly polarised, creating a more regionalised, disconnected world.

Geopolitical tensions have escalated into conflicts which are having far-reaching political and economic impacts.

The ongoing war in Ukraine continues to cause global supply chain disruption with effect on energy prices, while the Israel-Hamas war is threatening to destabilise the Middle East.

Social shifts

Inequality in areas such as access to resources and infrastructure is widespread and on the rise.

There is a risk that climate change and urbanisation could deepen the divide, bringing increased tension, social unrest and conflict.

Social attitudes towards business are also changing, with success no longer solely measured by financial performance but also by social and environmental impact.

Technology and business shifts

Technological innovation is transforming the transport sector, accelerating the shift towards a sustainable transport system while also opening up new business models, opportunities and competition.

As the pace of innovation continues to increase and with rapid advancements in areas such as Artificial Intelligence, there is growing debate about how to regulate technology.

MODELLING THE FUTURE: THREE SCENARIOS FOR TRANSPORT

In an uncertain world, success depends on being prepared for whatever the future holds.

Scania's strategy is shaped by insights into how our world might look in the future, based on how current global trends could play out over the coming years.

By modelling plausible scenarios, we can pressure-test different strategies against them, to make sure they are robust. This is a continuous process, and we update our scenario work every year as part of our annual strategy review. We have identified three scenarios for 2040, each with different repercussions for the transport ecosystem of the future. Based on recent development, indicators point toward a "diverging roads" scenario in a near-term horizon and a "hyperlocal paths" scenario in a mid-term horizon. However at this stage all remain plausible long-term, and important to consider.

Scenario

Biosphere highway

A biotech world with intense competition among sustainability leaders.

Scenario

Diverging roads

A polarised world in which strong nations focused on power lead their blocks.

Scenario

Hyperlocal paths

A local world of re-use economies, micro-solutions and virtual communities.

OUR STRATEGIC FRAMEWORK

Connecting our actions today with our ambitions for tomorrow.

Scania's strategy is rooted in a clear understanding of the world we operate in, and how it might evolve in the future. Our strategic framework brings together all the elements we need to deliver on our purpose in the near, mid and long-term.

1 Purpose
Our north star. Everything we do supports our overarching purpose: to drive the shift towards a sustainable transport system. Our strategy allows us to adjust course, but our destination remains constant.

2 Corporate objectives
We have translated our purpose into a set of high level objectives that are actionable and tangible for everyone across the business in the long-term horizon.

3 Future transport ecosystem
Informed by our scenario planning, our strategy is designed to ensure we succeed in the long-term future, however the transport ecosystem evolves.

4 Strategic direction
Our strategic direction sets out our priorities from the near to the mid-term. It covers our strategy for the transport ecosystem, key business areas and our industrial and commercial presence.

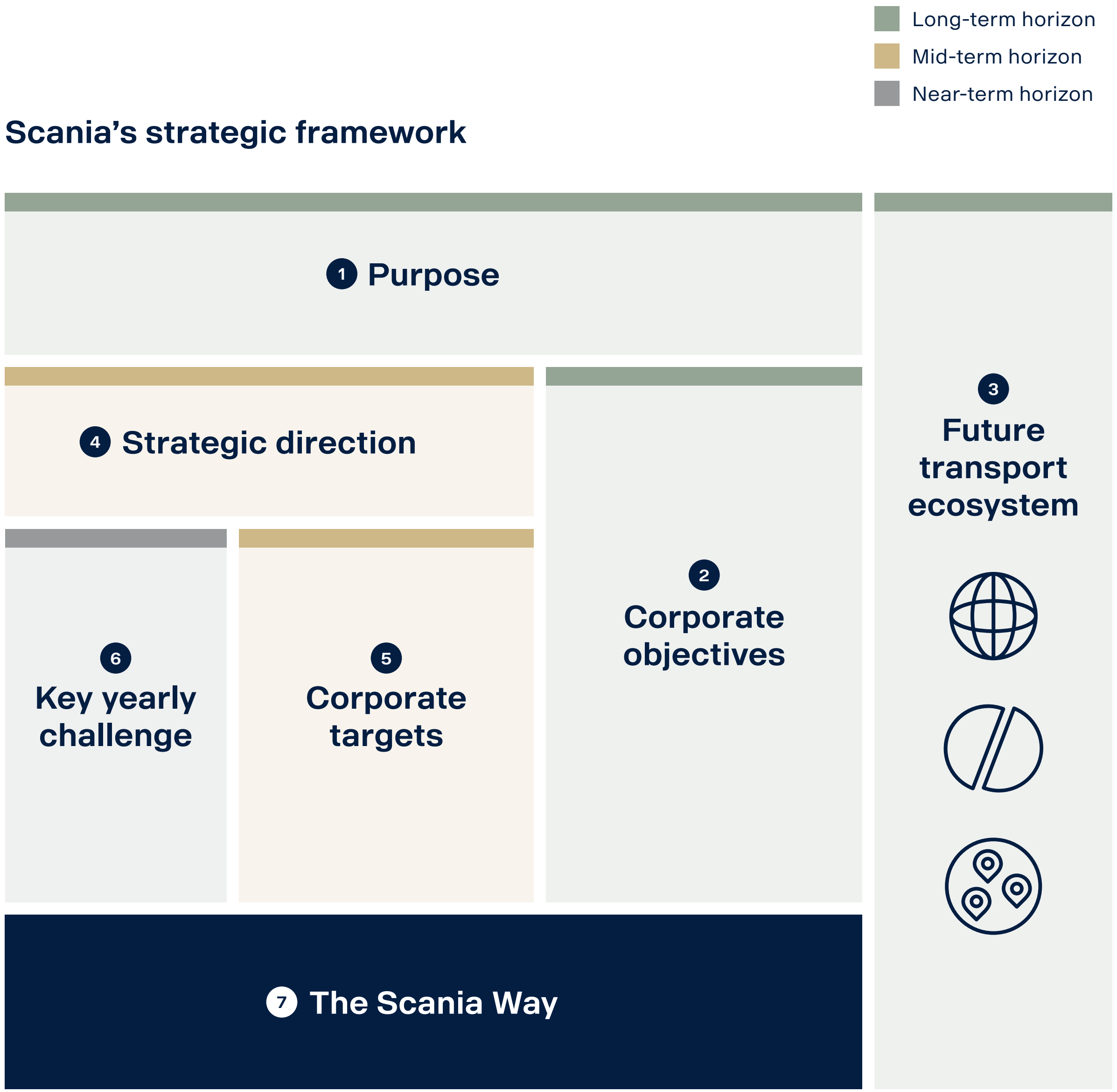
5 Corporate targets
The targets we need to focus on in the mid-term, allowing us to measure our progress against our corporate objectives.

6 Key yearly challenge
The immediate challenges we need to overcome in the near-term to ensure we stay on course to execute our strategy.

7 The Scania Way
The Scania Way will always be the solid foundation we lean on, ensuring that our strategic decision-making, operations and ways of working stays true to our fundamental Scania values.

Read more about the Scania Way →

Scania's strategic framework



MAKING OUR PURPOSE ACTIONABLE

Our business is aligned around a clear set of high-level priorities and objectives.

Delivering on our purpose to drive the shift towards a sustainable transport system depends on engagement across our business.

Corporate objectives

We want everyone at all levels of our organisation to understand their role in driving the shift, and what they can do to help make it happen. Our six long-term corporate objectives are directly connected to our purpose, making it tangible and actionable for teams across our business.

Purpose

Driving the shift towards a sustainable transport system

Corporate objectives

- Our actions leave a better tomorrow for people and planet
- We have the most satisfied, sustainable and profitable customers
- We innovate, invest and scale into a highly transformative environment
- We continuously improve our flows, in small and big steps
- We are the best performing company in our industry
- Employees and partners are proud to be part of the Scania family

Corporate targets

To support our strategic direction, we have six corporate targets, giving our company a clear set of mid-term goals and expectations to work towards. They define the most important changes we need to make over this timeframe.

The corporate targets are linked to our corporate objectives, allowing us to measure progress towards them. In this way, our corporate targets connect our mid-term strategy with our long-term goals. Scania's corporate targets are set around:

- Decarbonisation
- Employee satisfaction
- Capital efficiency
- Customer satisfaction
- Profitability
- Diversity and inclusion

DECARBONISATION

Cutting carbon emissions at every stage of our value chain is a key strategic priority for Scania.

Decarbonisation is a fundamental focus of our strategy. It is closely connected to our purpose and our corporate objectives. Decarbonisation is also one of our six corporate targets that define our mid-term strategic direction.

We are committed to reducing emissions throughout our value chain and across all relevant scopes. This includes emissions from upstream activities (such as sourcing goods and services), those caused directly by our own operations, and downstream activities – including, crucially, emissions from our vehicles while they are in use by our customers. Vehicles in the use phase account for more than 90 percent of our total value chain emissions.

As transport becomes increasingly electrified, supply chain decarbonisation will become more important, as the most carbon intensive phase of the product life cycle will shift from the use phase to the manufacturing phase.

We have a set of specific decarbonisation targets, including two science-based targets, setting clear goals and expectations for reducing our value chain emissions.

Decarbonisation targets

- Scope 1 and 2: 50 percent CO_2 reduction in operations 2015–2025 (CO_2e)*
- Scope 3: 20 percent CO_2 reduction from vehicles in use 2015–2025 (CO_2e/km) WtW*
- Scope 3: 50 percent reduction in CO_2 emissions from land transport per transported tonne 2016–2025 (CO_2e)

* Science-based targets. See page 141 .

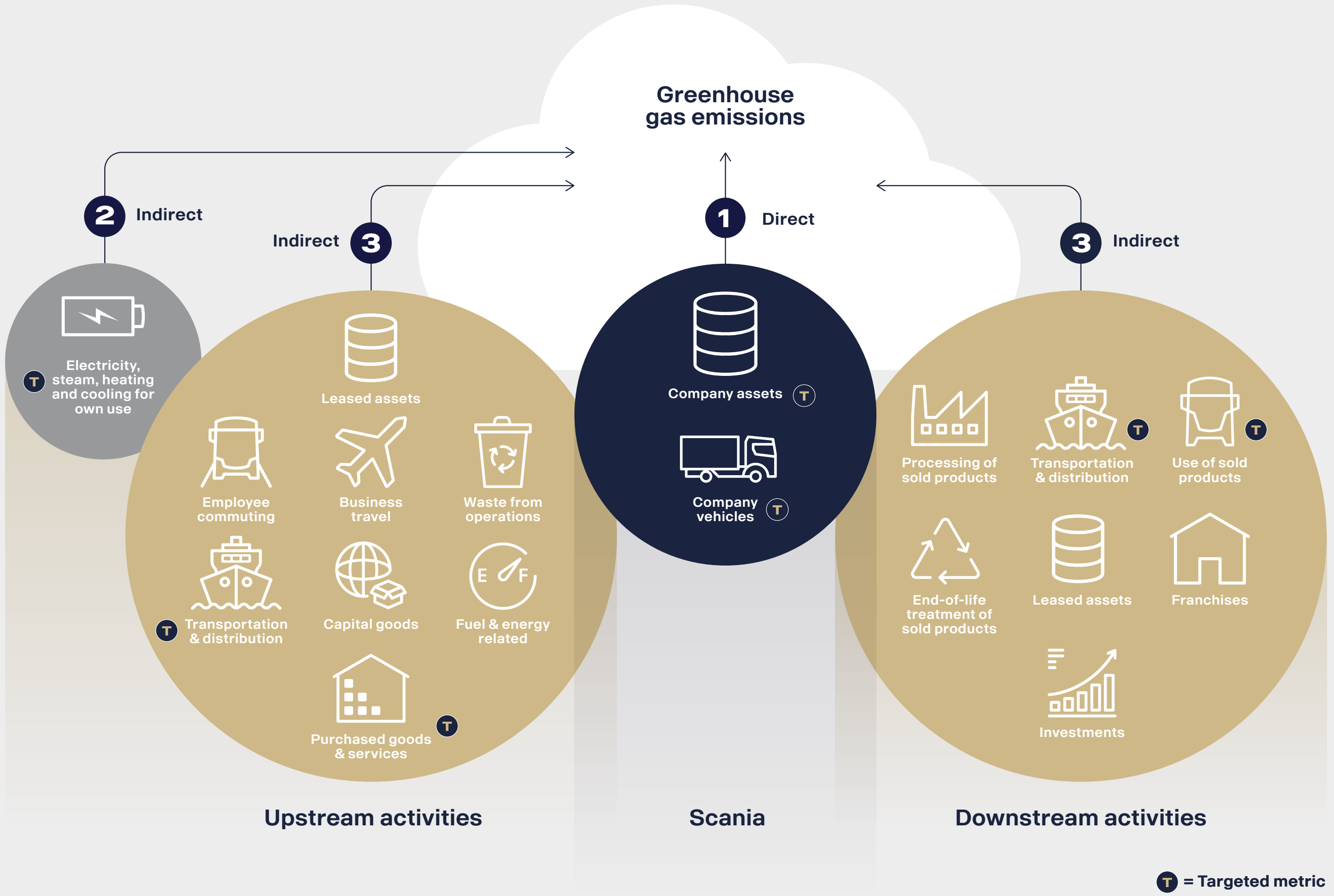
Complementing targets

- 25 percent less energy per produced vehicle in industrial operations 2015–2025
- 100 percent fossil-free electricity in industrial operations (achieved 2020)

Supply chain decarbonisation

- Scope 3: 100 percent green batteries, green steel, green aluminium and green cast iron in the European production system by 2030

For details of progress against all our decarbonisation targets, see sustainability report starting on page 139.



Scania takes a whole value chain approach to decarbonisation, cutting emissions at every stage of our value chain. To understand our full carbon impact and identify areas for improvement we carry out ISO-approved life cycle assessments. We calculate and report greenhouse gas emissions in accordance with the Greenhouse Gas (GHG) Protocol Corporate Standard.

SCIENCE-BASED TARGETS

Setting out a pathway to decarbonising our business, our science-based targets are core to measure our progress and guide our decision-making.

Focusing on our biggest impacts

SCOPES IN ACCORDANCE WITH GHG PROTOCOL

Aligning our decarbonisation strategy with science

Our way of reaching the targets

Science-based target – CO_2 from own operations

In 2023 we made significant progress towards our scope 1 and 2 target, achieving a 42 percent reduction. In 2024 our key focus areas will include continuing to incorporate renewables (particularly green electricity) in both our industrial operations and commercial facilities, as well as actively transitioning to renewables in markets with access to IRECs*, such as South Africa and the Americas. We will also continue to install heat pumps at our facilities and continue our transition to electric vehicles for our company transport needs.

*International Renewable Energy Certificate

1 Direct emissions from owned or controlled sources

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

1.5°C

50%

CO_2 reduction from our operations in 2025 (tonnes CO_2e compared to 2015)

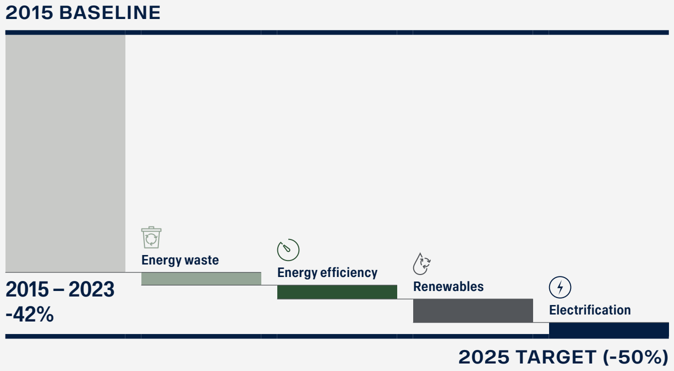
How to impact emissions from operations

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

Electrification
Reducing emissions by electrification of own company vehicles



Science-based target – CO_2 from vehicle use

In 2023, our scope 3 reduction was lower than planned at 3 percent. This is due to the slower-than-expected pace of the industry transition, among other external factors. Our science-based target is measured against 2022* sales, and as a result does not yet reflect the full impact of initiatives such as our Super drivetrain. We expect a significant improvement in our 2024 reporting, when the target will include 2023 sales. In 2024, our Scope 3 reduction efforts will focus on areas such as driver efficiency, optimising vehicle specifications, promoting renewable fuels and expanding electrified solutions.

* Input data is CO_2e/km from operative months within 12 months and starting after the month of production, causing reporting to lag one year. The 2023 result refers to units produced in 2022.

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 our products

20%

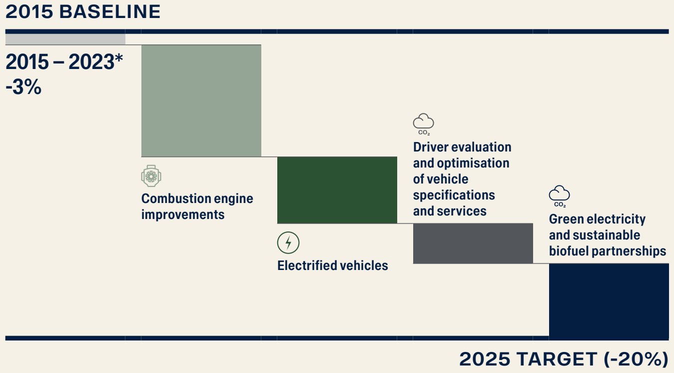
Use-phase CO_2e/km reduction from vehicles produced 2025 compared to vehicles produced 2015

How to impact emissions from our products

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



TRATON GROUP: HARNESSING THE POWER OF INTEGRATION

Closer integration with our parent company the TRATON GROUP is helping Scania accelerate the shift to sustainable transport.

Scania is part of the TRATON GROUP, one of the world's largest commercial vehicle manufacturers, bringing together the brands Scania, MAN, Navistar, and Volkswagen Truck & Bus. As part of TRATON Group's integration strategy, the brands are working together to pool ideas and resources to jointly gain industrial scale effects, enabling transport solutions to be deployed faster.

The integration is progressing rapidly and with one unified industrial team across the Group, the concept and design phase of establishing a framework to move into a TRATON Modular System is now well underway. To benefit from faster collaboration, the Group has adopted common core values and a common operating model.

While Scania is making a major contribution to TRATON's integration journey including driving the creation of common industrial systems that builds on the modular system, the benefits go both ways. Closer collaboration between brands is unlocking synergies that are helping Scania deliver on the strategy and accelerate the deployment of sustainable transport technologies – as the following story illustrates.

CASE STUDY

A GROUP-WIDE VISION FOR AUTONOMOUS TRANSPORT

"We have developed an autonomous solution which is seamlessly integrable for both customers and our own TRATON GROUP product portfolio. Our solution will ensure superior customer value and contributes to a safer, more reliable, energy-efficient, and streamlined transport system."

Peter Hafmar, Head of Autonomous Solutions at Scania

Remarkable advancements in computing power and sensor technology have enabled rapid progress in autonomous transport in recent years.

Scania and other members of the TRATON GROUP are working together to make the most of this opportunity, developing an autonomous strategy and solutions for the whole group. The plan is for all TRATON brands to be able to offer an additional service to customers in the near future.

When it comes to developing autonomous driving technology, group-wide collaboration brings many benefits, especially in building an understanding of the needs of a broad range of customers and markets. The project is international and cross-functional, with more than 400 engineers and commercial operation employees working together to develop autonomous solutions across the sites of the TRATON brands, including at Scania. With autonomous being an important focus area for Scania's mid-term strategy, TRATON's autonomous project shows how closer group integration is a key pillar in achieving Scania's strategic goals.

CORPORATE GOVERNANCE

Putting trust and accountability at the heart of how we run our business.

CORPORATE GOVERNANCE

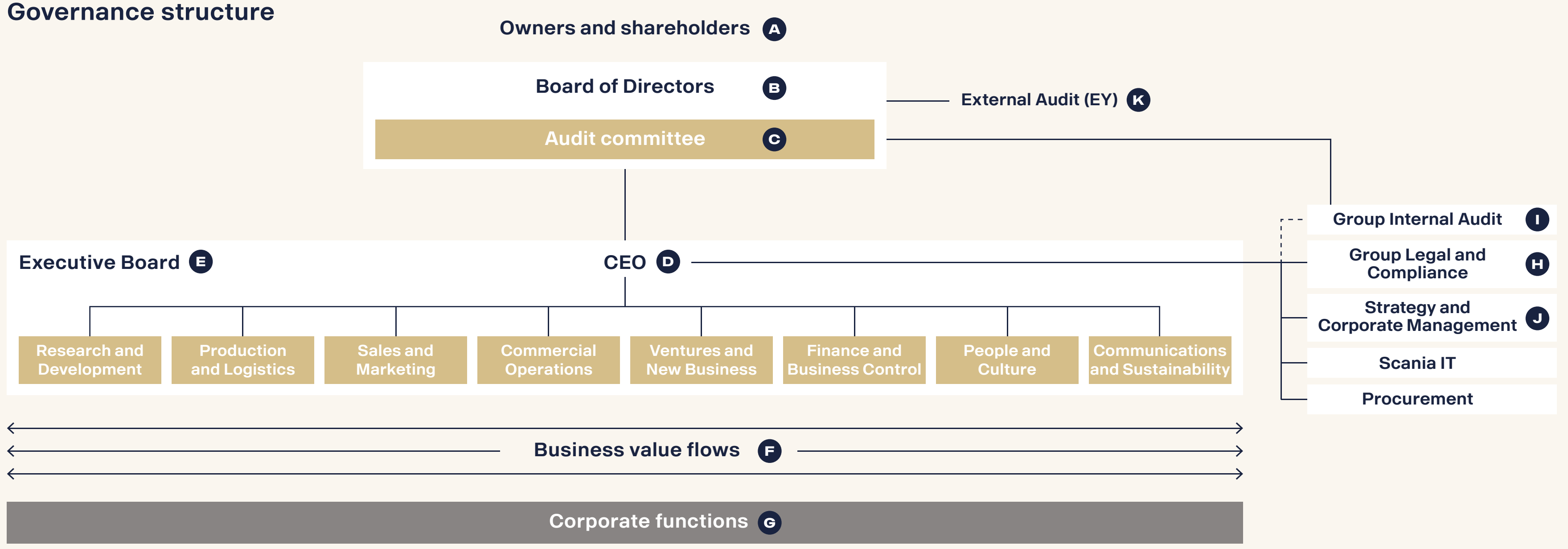
Corporate Governance is the framework used to direct and manage the company. It supports Scania's business model and strategy, and enables the organisation to achieve its objectives, while addressing risk and ensuring sustainable business practices.

Scania AB and its direct wholly-owned subsidiary Scania CV AB (together 'Scania') maintain a high international standard of corporate governance through the clarity and simplicity of its management system and governing documents. Corporate governance at Scania is based on the Articles of Association, Swedish legislation, in particular the Swedish Companies Act, the Annual Accounts Act and internal governing documents. This Corporate Governance Report has been prepared in compliance with the Annual Accounts Act.

As a non-listed entity, Scania is not obligated to follow the reporting requirements of the Swedish Corporate Governance Code. Scania is preparing its reporting in accordance with the Non-Financial Reporting Directive (NFRD), Global Reporting Initiative (GRI) and is also integrating the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in its reporting. Scania is reporting EU taxonomy information and preparing for the increasing reporting requirements forthcoming: regulatory developments in the EU, implementation of the new Corporate Sustainability Reporting Directive (CSRD) (see Sustainability report index starting at page 159 for further information on e.g. NFRD, taxonomy, GRI).

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

Governance structure



Governance structure

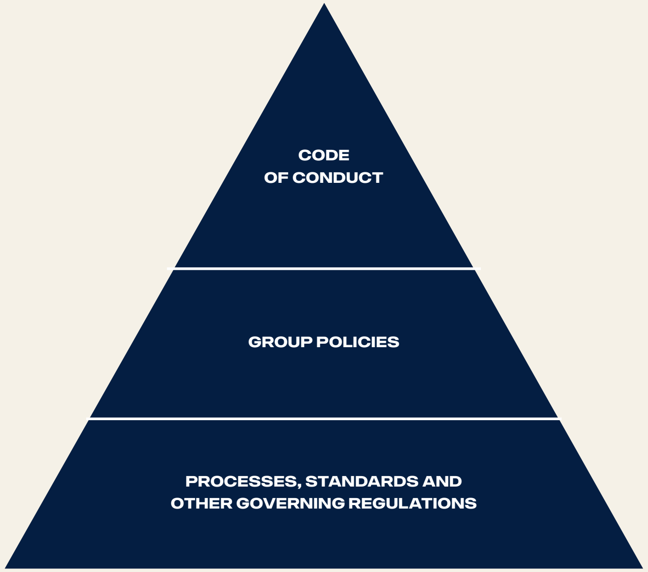
The Board of Directors is responsible for determining Scania's overall strategy and goals. To fulfil the Board's responsibilities, it has appointed the President and CEO, who appoints the Executive Board. The Executive Board updates the Board of Directors regularly on topics that are of long-term and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

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

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

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

Hierarchy of governing documents within Scania



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

Group policies:
Fundamental and binding Scania internal regulations governing topics that need to be regulated in the interest of Scania.

Processes, standards and other governing regulations:
Contain more detailed comprehensive and specific methods on how to fulfil requirements within a specific area.

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

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

Owner and shareholders

The sole shareholder A of Scania AB is TRATON Sweden AB, a fully owned subsidiary of TRATON SE.

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

Annual General Meeting
The right of shareholders to make decisions on Scania's affairs is ultimately exercised at the Annual General Meeting (AGM). The AGM shall be held within six months of the expiry of each financial year.

The Notice convening the AGM shall be issued no earlier than six and no later than four weeks before the meeting. A Notice convening an Extraordinary General Meeting (EGM) shall be issued no earlier than six and no later than three weeks before the meeting. In accordance with the Swedish Companies Act and Scania's Articles of Association, the composition of the Board of Directors is decided by election.

At the AGM, the shareholders exercise their voting rights for, e.g. to approve the Annual Report and the Auditors' Report presented by the Board of Directors. Decisions at the AGM are usually made by simple majority. In some cases, such as an amendment to the Articles of Association, however, the Swedish Companies Act or the Articles of Association stipulates either a certain level of attendance in order to reach a quorum or a qualified majority of votes. During 2023, the AGM did not authorise the Board of Directors to resolve on the issue or repurchase of shares.

The Board of Directors

The Board of Directors B is Scania's highest administrative body and is responsible for the management of the company's operations as well as the organisation. It is also overall responsible for Scania's long-term development and strategy (see Our strategy from page 34). This includes overseeing climate and other sustainability issues relevant to reaching Scania's targets and objectives.

Scania's Board of Directors, which is identical for Scania AB and Scania CV AB, is elected by the sole shareholder at the AGM. The Board of Directors is the link between the shareholders and the company's management.
The Board of Directors shall comprise a minimum of three and a maximum of eleven members plus a maximum of two deputy members. Current composition includes ten elected Board members and no deputy members.
In addition, pursuant to Swedish law, some members are appointed by a party other than the AGM. The trade unions at Scania have appointed four Board members and two deputy members. The members are elected each year for the period up to the end of the next AGM.
During 2023, there was one change in the elected Board members, but no changes concerning the members appointed by the trade unions.

The Board of Directors is called to a statutory meeting plus at least four regular meetings per year. The statutory meeting, which is held directly in conjunction with the AGM, approves Rules of Procedure and working mechanisms for the Board of Directors and rules of procedure for the Audit Committee.

The Rules of Procedure include regulations on the number of meetings during the year, the role of the Chairman of the Board of Directors, instructions regarding the division of labour between the Board of Directors and the President and CEO as well as instructions for financial reporting to the Board of Directors.

The Chairman of the Board of Directors pursues a regular dialogue with Board members to evaluate the work of the Board of Directors.

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

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

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

Read more about the Board of Directors on page 52.

The Audit Committee

The Audit Committee C monitors effectiveness of governance, risk management and internal controls processes at Scania as well as matters related to administrative processes, refinancing and treasury operations. Its responsibilities also include: discussing and evaluating the company's application of important accounting issues and principles, the company's financial and non-financial reporting, evaluating the auditors and approving the use of external auditors for non-auditing-related services. All risks related to internal and external statutory reporting as well as other risks reported to the owner are presented to the Audit Committee.

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

The President and CEO

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

The Executive Board

The President and CEO is the Chairman of the Executive Board E, which makes joint decisions in accordance with guidelines approved by the Board of Directors and the instruction on the division of labour between the Board of Directors and the President and CEO.

The Executive Board decides on matters of strategic and high-impact operational nature. This includes, but is not limited to, the fulfilment of Scania's overall strategy, sustainability goals, supply chain development, overall resource allocation, and financing of the company.

Information on the remuneration of the Executive Board is available in Note 25 to the consolidated financial statements.

Read more about the Executive Board on page 55.

Stakeholder engagement

Scania's stakeholders range from customers and employees, owners and lenders, to transport ecosystem partners such as infrastructure providers, transport users and the wider society (see more on page 16). By working with stakeholders across our ecosystem, we can promote the adoption of today's sustainable solutions, while developing the technology and enabling conditions that will support the transport system of tomorrow.

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

Stakeholder engagement can also be expanded to include the rightsholder perspective, meaning individuals at risk of being adversely affected throughout Scania's value chain. Scania recognises its responsibility to manage impact on rightsholders throughout the value chain concerning human rights as well as on the environment.

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

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

Strategy

Scania's strategic direction is decided by the Executive Board, on behalf of the Board of Directors. The strategic direction is updated on an annual basis and communicated by the Executive Board at the Top Management Meeting in quarter two, and serves as the foundation for Scania Group's business and operating plans. On behalf of the Executive Board, the central support function Strategy and Corporate Management J is responsible for ensuring that the conditions are in place for the Corporate functions and Business value tables to be able to deploy the strategy. Scania's purpose, driving the shift towards a sustainable transport system, serves as the base for our strategic direction and is clarified through our corporate objectives.

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

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

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

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

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

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

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

For Scania, diversity and inclusion continues to be a strategic necessity. By having employees with the widest possible range of skills, knowledge, backgrounds and experiences, we ensure that we have the right people and with an inclusive corporate culture, this drives our business forward. We call this systemic approach Skill Capture, and it is a key element of our People Sustainability strategy for Scania's 58 000 employees worldwide.

Together4Integrity
In 2023, Volkswagen ended the Together4Integrity (T4I) programme. The programme aimed at promoting Volkswagen's integrity, compliance, culture, and risk management initiatives, and ensuring their alignment within the whole Volkswagen Group. These measures are now integrated in the TRATON GROUP, including in Scania's corporate objectives. Scania Legal & Compliance functions H organised perception workshops for the T4I programme, which offered a forum for employees at all levels to discuss issues of compliance and responsibility, based on updated Scania's core values.

New operating model
In 2021, as part of supporting the Scania strategy and reaching our targets and objectives, Scania started to transform its organisation, to enable an extended focus on productivity and flow, and to be better prepared for the challenges in a transformative environment. This work has continued throughout 2023 to further define the way of working and governance required for an even faster, flexible and customer centric solution development.

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

Executive decision forums

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

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

Corporate Governance Board
The Corporate Governance Board (CGB) is an executive decision-forum which prepares decisions and activities related to Scania Group Policies for final decision at the Executive Board. The purpose of the CGB meeting is to ensure that the rules and regulations formalised in Scania Group Policies are established following a standard format. In Autumn 2023, it was decided that CGB would expand its assignment to regularly monitor and decide on changes related to the internal control environment.

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

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

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

SSB consists of executives across all our business areas and corporate functions, as well as representatives from the Business Value flows. The Board is chaired by the Head of Communications and Sustainability.

Each SSB participant has the responsibility to contribute actively by representing their organisation as well as the whole company and bring information, decisions and actions from the meeting to relevant forums. SSB has quarterly meetings and can also have extra meetings if needed on specific agenda points. During 2023, SSB held four meetings.

Risk management

From a governance perspective, the Scania Audit Committee/Board of Directors reviews the top Scania risks and countermeasures on a quarterly basis and acknowledges the risks for internal and external legal reporting. On behalf of Scania's Board of Directors, the Executive Board has the overall responsibility for risk management, including sustainability and climate-related risks. The risk process ensures that Scania has a transparent, systematic and hands-on approach to risk management and the risk process at Scania is guided by Scania's strategy as described in the Strategy section (from page 34).

For risk-related matters, Scania relies on an integrated approach to ensure that business opportunities and risks are considered in all relevant decision-making, to achieve a sound balance between risk and reward. Scania is continuously exposed to risks that, if not properly managed, may impact the opportunity to drive the shift towards a sustainable transport system, to execute its strategies and to achieve its objectives.

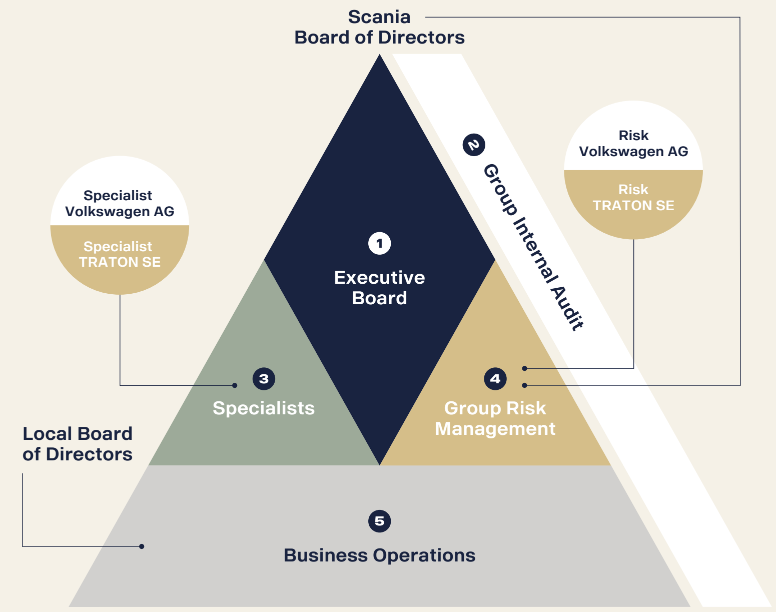
As part of our daily operation, Scania is exposed to risks, the negative impact of which, if properly managed, can be reduced or even eliminated. Risks may also turn into opportunities if managed strategically. The Code of Conduct, our policies, our strategy, our core values and our leadership principles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

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

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

The matters that pose risks to Scania may involve a broad range of topics, spanning from cyber security to supplier capacity, climate, product launch and matters related to responsible business, e.g. environment, governance and social issues. Negative impacts can be avoided, or at least minimised, if they are proactively identified and properly managed. A sound risk management practice will support making the right decisions in order to maximise reward and business opportunities.

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.



Roles and responsibilities within Scania's risk management

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

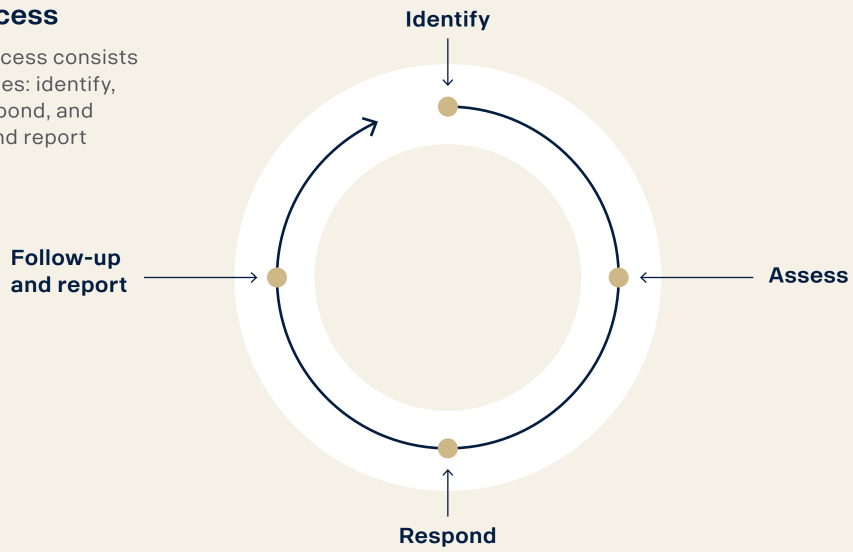
3
- Provide guidance and support to the central support function Group Risk Management and business units on specific topics

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

Risk process

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



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

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

The recurrent risk process consists of four phases: identify, assess, respond, and follow-up and report. The first step, identify, involves identifying risks of targets not being achieved and emerging risks. Secondly, the identified risks shall be assessed in terms of probability of occurrence and potential financial, reputational and legal impact in order for the appointed risk owner to be able to prioritise risks for further analysis. The following analysis is the basis for evaluating response options as part of the third step, respond, as well as to design and implement risk response plans. The final step, follow-up and report, is to monitor the implementation and status of the risks to ensure that the risk responses are effective (see page 49, Internal control).

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

Business ethics and compliance management

The purpose of business ethics and compliance-related initiatives and activities at Scania is to identify, prevent, detect and respond to compliance risks that Scania's business may face worldwide. The key areas are anti-corruption, anti-money laundering (AML), antitrust/competition law and human rights.

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

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

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

Assessing and managing risks form an integral part of Scania's compliance work. To this effect, anti-corruption and other business ethics risks are covered by Scania's risk process (see page 47), which is conducted in all Scania operations according to a quarterly schedule. Additionally, a more comprehensive and detailed risk assessment with focus on business and human rights, anti-corruption, anti-money laundering and antitrust/competition law is performed on a regular basis, with the latest carried out in 2023.

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

Sustainability management

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

Scania's strategic sustainability work is dependent on understanding our impact, including the risks and opportunities along the life cycle, with the ambition of linking targets and actions with science.

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

The risks and opportunities within sustainability are identified in all functions, and may relate to, for example, government regulation, technology development, customer satisfaction and physical risks. The risks and opportunities within sustainability are managed and integrated in Scania's risk and strategic process and in some cases, supported by separated specific processes, for example within purchasing.

At Group level, the work is coordinated by cross-functional forums and working groups assigned to one or several Executive Board members with representatives from the relevant corporate and enabling functions. Scania Sustainability Board is the most important executive decision forum for strategic sustainability topics (read more on page 46).

Scania measures and follows up on sustainability performance in relation to set targets. To track our performance, we have developed 18 sustainability indicators linked to our most material areas with connection to impact, risk and the life cycle of our products (read more on page 140). Scania's key sustainability targets such as the science-based targets are part of our corporate objectives, and have an impact on investment decisions across our business areas, from production and logistics to product development and sales priorities.

Assurance and monitoring

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

Assurance is provided primarily via different types of testing and evaluations performed by external auditors, Group Internal Audit, Group Internal Control, and Third Party Certification bodies. Self-assessments are used in different areas by management to increase awareness about risks, controls and regulatory requirements, e.g. in relation to policy implementation. Remediation actions are monitored by the Executive Management and the Board of Directors via regular reporting. Industrial Operations, including Logistics, Production, Purchasing, Research and Development, are certified to ISO 9001 and ISO 14001. Commercial Operations, including Business Units and Dealers, are certified to ISO 9001 and ISO 14001 within markets that have a demand for certification from customers or other stakeholders.

Internal control

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

During 2023, Scania continued the last phase of the roll-out of an internal control system according to a three-year project plan aiming for an improvement and standardisation of internal controls. The project has given Scania a better foundation to effectively manage risks and evaluate the effectiveness of control activities.

Internal Control Management System (ICMS) is based on Scania Group Control Catalogue and key activities are illustrated on the next page.

Control environment

Control environment at Scania builds upon specific procedures and strong culture based on the Code of Conduct and the Scania Way model. Attitudes and values of leaders and employees are important parts of driving the organisation towards the fulfilment of goals in an effective, sustainable and responsible way. The Internal control framework at Scania is based on decisions on organisational structure, mandates and procedures made by the Board of Directors. The Board of Directors' decisions are implemented into functional management and control systems by the Executive Board.

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

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

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

Risk assessment and control activities

There is a comprehensive set of control activities established for key risk areas and processes (e.g. financial reporting, compliance and environmental risks), summarised in Scania Group Control Catalogue. For a closer description of the risk management process at Scania, refer to section Risk management on page 47.

The Group Internal Control function runs annual risk assessments and activities related to the development, implementation and independent evaluation of internal controls within the Scania Group. Both self-assessment and sample testing of effectiveness of internal controls, designed to mitigate key risks in selected entities and processes, are conducted throughout the year according to the Annual Control Evaluation Plan approved by the Executive Management. All identified deviations are reported and regularly followed up for remediation by the Audit Committee, Executive Board and Senior Management.

Scania's controller organisation follows the company's organisational and responsibility structure. Risk areas identified in financial reporting are handled and scrutinised via Scania's controller organisation. Controllers who closely examine business operations are found at all levels of the organisation.

Information and communication

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

Reporting to management on all levels takes place regularly. In its task of compiling, verifying and analysing financial information, the corporate-level controller organisation has access to the figures and business-related comments of all operational units. In order to inform, instruct and coordinate financial as well as non-financial reporting, Scania has formal information and communication channels, e.g. specific fora, committees, management teams to the affected employees regarding policies, guidelines and reporting manuals. These formal information and communication channels are supplemented by frequent dialogue between Finance and Business control, Risk and Internal Control Function, Compliance Function and the individuals in charge of financial and non-financial reporting at operational units.

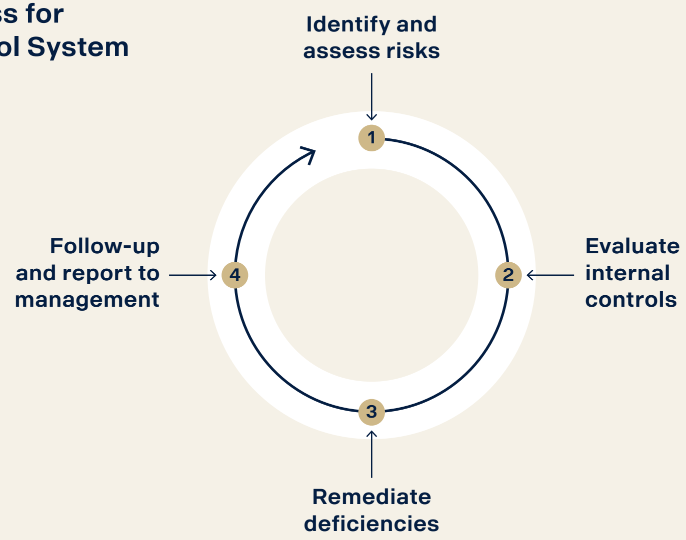
Scania holds internal seminars and conferences regularly, with a focus on quality assurance in financial reporting and governance models.

Monitoring

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

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

Annual process for Internal Control System



Monitoring and evaluation of the Scania Group performance is carried out by the company's corporate controller departments in industrial operations, all sales and services companies.

During the 2023 financial year, Scania performed control and monitoring activities (e.g. sample testing) for the entities and processes with large flows and values, based on a risk-based approach. This was carried out according to the roll-out plan for internal controls improvement and standardisation project.

The Board of Directors receives quarterly financial reports. This financial information increases in terms of the run-up to each interim report. The full year-end and half-year reports are approved by the Board of Directors. The company has a group-wide whistleblowing system, where all employees can report potential violations of laws and regulations, internal company policies and the Scania Code of Conduct. The system is also open for hints from external parties.

Scania is not aware of any circumstances that would indicate material weakness in risk management or the internal controls, however there is no absolute assurance that all relevant risks are identified in a timely manner and mitigated by suitable measures and controls.

Internal audit

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

The risk-based approach for 2023 concluded that all business areas have been evaluated and risk areas with the most audits were IT management/cyber risks, data protection and financial risks, within Commercial Operations. The audits covered the internal policies and external regulations related to each topic. Group Internal Audit reports functionally to the Audit Committee and administratively to the CEO.

External auditors

At Scania, the independent external auditors K are elected annually by the shareholders at the Annual General Meeting (AGM), for a period until the end of the next financial year's AGM. The audit firm EY currently serves as the external auditors of Scania. The external auditors report to the shareholders at the company's AGM. To ensure that the requirements concerning information and controls that are incumbent on the Board of Directors are being met, the external auditors report on a continuous basis to the Audit Committee on all substantial accounting related matters, as well as any errors and suspected irregularities. The external auditors also participate in at least one Board of Directors meeting per year and are invited, when needed, to participate in the meeting and report to the Board of Directors.

The external auditors have no assignments for the company that affect their independence as auditors for Scania. Information on auditor remuneration is provided in Note 26.

BOARD OF DIRECTORS

1
Michael Jackstein
Chairman of the Board of Directors


2
Christian Levin
President and CEO, Scania and TRATON GROUP


3
Lilian Fossum Biner


4
Gunnar Kilian


5
Julia Kuhn-Piëch


6
Nina Macpherson


7
Christian Porsche


8
Mark Philipp Porsche


9
Stephanie Porsche-Schröder


10
Peter Wallenberg Jr


11
Mari Carlquist


12
Lisa Lorentzon


13
Mikael Johansson


14
Michael Lyngsie


15
Bo Luthin


16
Maja Lundberg


1 Michael Jackstein

Chairman of the Board of Directors and the Audit Committee since 2023.

Born: 1977.

Education: Business Administration (Dipl.-Kfm.) and Economic Sciences (Dr. rer. pol.).

Other directorships: CFO & CHRO of TRATON SE. Member of the Supervisory Board of MAN Truck & Bus SE. Chairman of the Board of Directors of Scania CV AB. Chairman of the Board of Directors of Scania AB. Board member of Navistar International Corporation. Member of the Advisory Board of Volkswagen Truck & Bus Indústria e Comercio de Veículos Ltda. Chairman of the Board of Directors of TRATON Sweden AB. Board member of Directors of TRATON AB. Board member of Directors of TRATON Financial Services AB. Board member of Volkswagen Middel East QFZ LLC.

Relevant work experience: Positions in brand and group finance at Volkswagen AG and recently was heading the office of the Chairman of the Supervisory Board of Volkswagen AG and TRATON SE.

2 Christian Levin

President and CEO. Member of the Board of Directors since 2021.

Born: 1967.

Education: Bachelor of Science in Business and Administration and a Master of Science in Mechanical Engineering.

Other directorships: Chairman of TRATON AB. Chairman of the Supervisory Board MAN Truck & Bus SE. Board member of Navistar LLC, Volkswagen Truck & Bus, Scania Growth Capital AB, Scania Growth Capital II AB, TRATON Financial Services AB, Association of Swedish Engineering Industries and the Royal Institute of Technology (KTH).

Relevant work experience: Various managerial positions at Scania and TRATON SE. President and CEO of Scania and CEO of TRATON SE since 2021. Member of the Stockholm Chamber of Commerce and the Finnish-Swedish Chamber of Commerce.

3 Lilian Fossum Biner

Member of the Board of Directors since 2019. Member of the Audit Committee.

Born: 1962.

Education: Master of Science in Business Administration, MSc.

Other directorships: Board member of Carlsberg A/S, Alfa Laval AB, Pandora A/S and Röko AB.

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

4 Gunnar Kilian

Member of the Board of Directors since 2020.

Born: 1975.

Education: Editor.

Other directorships: Supervisory Board mandates at TRATON SE, Audi AG, Wolfsburg AG, Autostadt GmbH, MAN Energy Solutions SE, MAN Truck & Bus SE, Volkswagen Group Services GmbH, FAW-Volkswagen Automotive Co., Volkswagen Immobilien GmbH, VfL Wolfsburg-Fußball GmbH and PowerCo SE.

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

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 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 of the 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, member of the Board of Netel Holding AB and Chair of its Remuneration Committee, Chairman of Ecocide Law Alliance Foundation.

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 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.

9 Stephanie Porsche-Schröder

Member of the Board of Directors since 2017.
Member of the Audit Committee.

Born: 1978.

Education: Diplom Designer.

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

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

10 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.

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.

11 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.

12 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.

13 Mikael Johansson

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

Born: 1963.

Relevant work experience: Various positions at Scania.

14 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.

15 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.

16 Maja Lundberg

Representative of PTK at Scania. Deputy member of the Board of Directors Since 2022.

Born: 1968.

Relevant work experience: Various position at Scania since 1986.

EXECUTIVE BOARD

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1 Christian Levin

Member of the Board of Directors. President and CEO.

Born: 1967.

Education: Bachelor of Science in Business and Administration and a Master of Science in Mechanical Engineering. Joined Scania in 1994, employed until 2019. Rejoined Scania in 2021.

2 Jonas Rickberg

Executive Vice President, Chief Financial Officer (CFO).

Born: 1975.

Education: Master of Science in Business Administration. Joined Scania in 2005.

3 Camilla Dewoon

Executive Vice President, Head of Communications and Sustainability.

Born: 1973.

Education: Master of Science in Business Administration. Joined Scania 1998, employed until 2019. Rejoined Scania in 2020.

4 Stefano Fedel

Executive Vice President, Head of Sales and Marketing.

Born: 1970.

Education: Degree in Engineering of Materials, with mechanical specialisation. Joined Scania in 1996.

5 Mats Gunnarsson

Executive Vice President, Head of Commercial Operations.

Born: 1967.

Education: Bachelor of Science in Business and Administration and a Master of Science in Mechanical Engineering. Joined Scania in 1992, employed until 2004. Rejoined Scania in 2009.

6 Gustaf Sundell

Executive Vice President, Head of Ventures and New Business.

Born: 1982.

Education: Master of Science in Industrial Engineering and Business Management. Joined Scania in 2008.

7 Jeanna Tällberg

Executive Vice President, Head of People & Culture.

Born: 1975.

Education: Bachelor's degree in Social Work as well as in Human Resources. Joined Scania 2003, employed until 2015. Rejoined Scania in 2022.

8 Marcus Holm

Executive Vice President, Head of Production & Logistics.

Born: 1971.

Education: Master of Science in Mechanical Engineering. Joined Scania in 1994.

9 Niklas Klingenberg

Acting Chief Technology Officer (CTO) and Head of R&D.

Born: 1975.

Education: Master of Sciences in Mechanical Engineering. Joined Scania in 2001.

REPORT OF DIRECTORS

In a world with a high degree of uncertainty due to the unstable global macroeconomic and geopolitical situation, the demand for Scania's products and services stayed strong.

RISK OVERVIEW

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

The business environment during 2023 has been characterised by the increased tensions between the power blocs in the world, which are seen in increased number of sanctions and trade barriers. This will guide companies to increasingly review their supply chains and re-assess market presence in order to manage risk exposure and build resilience. New political alliances and changed trade patterns will potentially slowly lead to a more regionalised world. Global free trade cannot be taken for granted any longer as event-driven geopolitical risks might arise quickly. This raises concerns regarding general market development, inflation trends, a global economic downturn and the effect this will have on Scania as well as on our customers, suppliers and partners.

Scania continues to monitor the impact political uncertainty could have on the macroeconomic outlook and, more specifically, on operations and the markets in which Scania operates. During the year Scania has seen risks materialise with respect to lack of materials and components, disturbances in production and logistics flows and sales networks; however the situation has stabilised. With the ongoing establishment of Scania's industrial presence in China, the diverse risk landscape is monitored and managed closely to achieve the strategic objectives for a long-term market and industrial presence in China.

There are several risks that will continue to have a potential impact on Scania. The most relevant of these risks as well as management actions are presented in a table on the following pages. The table also shows a mapping of the corporate objectives that could be impacted if the related risk materialises. Scania's rigorous and proactive risk management supports the accomplishment of our corporate objectives.

Climate-related risks and opportunities

An efficient transport system, as a critical enabler of societal development, is fundamental to a competitive and resilient economy. At the same time, transport in its current form is associated with negative impacts, such as CO_2 emissions, air pollution, traffic congestion and road accidents. The impact of transport solutions on the environment must be viewed from a circular perspective throughout the life cycle – from the extraction of the raw materials all the way to end of life. For Scania, the risks and opportunities that come with the transition to a sustainable transport system are seen as a business opportunity and lay the foundation for the business strategy and strategic direction. To assess the resilience of the Scania strategy, including the effects from climate-related risks (such as rising temperatures), Scania is using a scenario-based approach to strategy, technology and competence planning. Read more on page 36.

Climate-related risks refer to events or developments arising from climate change that may have a negative impact on achieving company objectives. Climate risk considerations also include events stemming from Scania's operations that contribute to the adverse effects of climate change, or indirectly have an impact on the environment and people (referred to as double materiality or impact materiality). Climate-related risks can be present in both the short and long term with corresponding impact on our financial flows and revenue streams.

Climate-related risks are divided into transition and physical risks. The transition risks and opportunities are considered most material to Scania in the short and medium term. Transition risks identified by Scania include risks relevant to the technology shift, as well as risks that policy actions or legislation do not fully support technology developments. There is a risk of political decisions influencing CO_2 reduction potentials in parallel parts of the value chain, outside of Scania's control, which could impact our ability to reach our objectives and targets. For example, these could be drop-in rates of renewable fuel at the fuel pump and the decarbonisation of the electricity grid, building charging infrastructure among other factors. Physical risks include risks related to extreme weather events and long-term shifts in climate patterns. Physical risks are mainly considered material to Scania in the long-term, but more acute situations stemming from changes in weather conditions can already be seen on a smaller scale today.

Climate-related risks and other sustainability risks are integrated into Scania's risk management process. These risks are discussed in their respective categories as well as in other sub-risk categories that they are significantly connected to, such as business development, new and changed laws and regulations, supply chain and production. See also Sustainability Management on page 48 and Human Rights Management starting on page 149.

CORPORATE OBJECTIVES

Improvement of flows · People and planet · Innovate and scale · Profitable and satisfied customers · Best performing company · Proud and satisfied employees

The corporate objectives are mapped to risk categories to illustrate potential impact.

Risk category	Corporate objectives	Context/Potential impact	Management actions/Mitigation
Strategic risks			
Geopolitical risks	Improvement of flows, People and planet, Innovate and scale, Profitable and satisfied customers, Best performing company, Proud and satisfied employees	Geopolitical risk has been growing in importance with the rising political tensions in and between regions. As a global company, Scania operates in markets with political volatility, conflict and social unrest, which may impact Scania's ability to conduct business in these territories. Geopolitical tensions continue to increase risk exposure in a number of aspects, such as trade barriers including sanctions, supply chain interruptions, and human rights. The increased tensions between the global power blocs, which are evidenced by the increased number of sanctions and export regulations, will guide companies to de-risk the supply chains to minimise dependencies. New political alliances and changed trade patterns will potentially lead to a more regionalised world. From a procurement perspective, global free trade cannot be taken for granted any longer as event-driven geopolitical risks might arise quickly. The risk is multiplied by the complexity of having numerous layers in the supply chains and several counterparties that are extremely difficult to trace and monitor.	The annual corporate strategy review conducts scenario analyses to outline potential shifts and developments in the increasingly volatile geopolitical situation in Scania's business environments. Responsive actions to high-impact changes are integrated into strategy and execution. This included the localisation of production facilities and supply sources of components. The information flow on political risks has also been reported through the corporate risk process to support the Executive Board and the business units in making well-informed decisions. Scania mobilises cross-functional business units to a unified approach in managing significant business events materialising from geopolitical risks. A good example of this is how Scania activated its crisis management process and cross-functional units to address what was initially assessed as a critical supply shortage and successfully bring it to a manageable and stable level. As part of Scania's practice of continuous improvement, the Procurement department has been promoting geopolitical awareness and using the lessons learned in similar geopolitical situations. We have also formulated mitigation strategies and operating principles for a more diversified portfolio of supply chains. For further information, see Notes 2, 21, 22, 29 and 30.
Climate transition risks	Improvement of flows, People and planet, Innovate and scale, Profitable and satisfied customers, Best performing company, Proud and satisfied employees	With a central role in the ecosystem of transport and as a global player, Scania is exposed to risks stemming from the transition towards a net zero economy. However, Scania's strategic direction is also directly linked to the opportunities as well as the risks stemming from climate change and its related implications. Transition risks identified by Scania include risks relevant to the technology shift, such as the adaptation to battery-electric vehicles, the cost of the transition to zero-emission technologies, customer demand and expectation and availability of components and raw materials. Transition risks also include risks related to policy actions such as CO_2-emission legislation, carbon pricing, development of enabling factors (including charging infrastructure, renewable energy supply and availability of biofuels) and that other climate regulations do not fully support technology developments, as well as social risks. All these risks have potential in both the short and medium term to affect Scania's revenue streams.	Scania's strategic direction is Driving the shift towards a sustainable transport system. This builds on the opportunities and risks related to climate change and is a direct response so we can be a resilient and profitable company both now and in the future. Consequences of climate change and related mitigation actions on legislation, business and technology have a profound impact on Scania's overall strategy, business processes, and sustainability focus. The annual strategic planning process established by Scania includes scenario analysis as a key element in testing the strategy's robustness for different future developments and identifying new risks and opportunities. One of Scania's key strategic actions has been to set carbon emission reduction targets in line with what science says is needed to reach the Paris Agreement and accomplish the strategy and targets related to supply chain, decarbonisation, and digitalisation. Proactive monitoring and understanding of technology, market and legislative development has been a priority in the strategy review process to achieve the corporate targets. Moreover, Scania forges partnerships with relevant stakeholders in the market to ensure that we can meet the demands of Scania customers and our target market. For further information, see pages 39 and 141.
Business development risks	Improvement of flows, People and planet, Innovate and scale, Profitable and satisfied customers	The transport industry is in a highly disruptive environment with rapid changes in technology, business models, competitors, and global trends. These are driving the transformation of Scania from being a manufacturer of heavy commercial vehicles into a provider of transport and logistical solutions. Hence, there is a risk in the ability to respond to specific customer needs with tailored products and services, as well as to take an important position in the rising industry trend towards autonomous and connected electric transport vehicles.	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. A vital part of The Scania Way is promoting integrity and psychological safety to create an environment where questions and ambiguities can be discussed openly. Getting the buy-in across the different levels of the company allows for the strategy and business development to be executed in a productive and efficient way. In addition, Scania's annual strategy process continuously explores new areas that could push future developments in the ecosystem of transport and logistics. Research and Development projects are subjected to constant iterations based on their technological and commercial relevance.

CORPORATE OBJECTIVES

Improvement of flows | People and planet | Innovate and scale | Profitable and satisfied customers | Best performing company | Proud and satisfied employees

The corporate objectives are mapped to risk categories to illustrate potential impact.

Risk category	Corporate objectives	Context/Potential impact	Management actions/Mitigation
Strategic risks, continued			
Business model and strategy related risks	Improvement of flows, People and planet, Innovate and scale, Profitable and satisfied customers, Best performing company, Proud and satisfied employees	Scania's business model and strategy must continually be updated and adjusted to respond to the ever-changing business context. Scania's value proposition must be attractive and competitive to our stakeholders, and the company's responses to the changing conditions must be met in a timely manner in order for Scania to stay competitive and relevant.	Scania is regularly monitoring, evaluating and challenging our business model and strategy in order to ensure that Scania is achieving the ambition to drive the shift towards a sustainable transport system and our commitment to the Paris Agreement. A proper handling of uncertainty, complexity, and volatility is important to stay relevant to the society, customer, capital market and other stakeholders today and in the future. Scania has methods to elevate important critical issues that need a cross-functional focus and effort to be addressed. For further information on Scania's strategy process and use of scenarios see pages 34–41.
Corporate governance and policy-related risks	Improvement of flows, People and planet, Innovate and scale, Profitable and satisfied customers, Best performing company, Proud and satisfied employees	Scania operates worldwide in volatile contexts and we see a trend towards deglobalisation arising from the growing complexity in the policy landscape. It is important to effectively manage and develop the business in the right direction, otherwise there would be a risk of the company not achieving our ambition and targets.	The Executive Board has overall responsibility for managing corporate governance and policy-related risks. All units of the company work according to a management system that meets Scania's requirements, guidelines and policies, and maintain documentation. The management system is continuously improved, through day-to-day work and through regular review internally and by third parties. The central support function Group Legal and Compliance is in place to support both Executive Board and line managers in managing risks by providing knowledge in terms of governance, trainings and advice. For further information, see the Corporate Governance report, starting at page 42.
Financial risks			
Refinancing and Liquidity risks	Innovate and scale, Profitable and satisfied customers, Best performing company	Access to competitive funding is critical, and to a large extent relies on the issuer credit ratings of the owners TRATON SE and Volkswagen AG. The need for a solid and reliable ESG communication, in combination with issuances of green bonds, will continue to be important.	Liquidity at Scania is significant and is placed within TRATON GROUP. Refinancing and liquidity risks are managed in accordance with Scania's Treasury Policy, reviewed every year by the Audit Committee. As part of Scania's management of refinancing risk, there is a credit facility accessible to Scania which is maintained by TRATON SE. For further information, see Notes 27 and 28. Scania's strategic direction – where sustainability is placed at the core – is building an attractive investment proposition that supports its global ESG ambitions. Scania's combined Annual and Sustainability Report supports this by combining the perspectives.
Credit risks	Profitable and satisfied customers, Best performing company	If Scania's contract parties fail to meet their contractual obligations as a result of their own financial situation or the political environment, Scania might be exposed to financial loss.	Credit risks are managed in accordance with the Scania Group Policies Credit Risk Governance and Treasury, reviewed every year by the Audit Committee. Transactions occur only within established limits and with selected, creditworthy counterparties. Scania's sales are distributed among a large number of end customers with a geographical dispersion, which limits the concentration of credit risk. For further information, see Notes 2 and 27.

CORPORATE OBJECTIVES

Improvement of flows | People and planet | Innovate and scale | Profitable and satisfied customers | Best performing company | Proud and satisfied employees

The corporate objectives are mapped to risk categories to illustrate potential impact.

Risk category	Corporate objectives	Context/Potential impact	Management actions/Mitigation
Financial risks, continued			
Currency and interest rate risks	Best performing company	Currency exposures result from the widely spread geographical 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 mainly from Scania's remaining lending to TRATON Financial Services and borrowings not being properly matched. For further information, see Note 27.	Currency and interest rate risks are managed in accordance with Scania Group Policy – Treasury, reviewed every year by the Audit Committee. To improve visibility and manageability, Scania generally concentrates currency exposures to its major industrial operations in Sweden and Brazil. Regarding the commercial currency flows in Vehicle and Services, Scania works primarily with adjusting prices to compensate for exchange rate fluctuations. According to the Treasury Policy, Scania management may hedge future currency flows, but this option has historically been used to a limited extent. The net foreign assets of subsidiaries are normally not hedged. However, to the extent a foreign subsidiary has significant net monetary assets, they may be hedged. For further information, see Note 27.
Tax risks	Improvement of flows, Best performing company	Scania is subject to various taxes in multiple jurisdictions. A certain degree of judgement and estimation is required in determining Scania Group's provisions for income tax, sales and use tax, value-added tax, and other taxes. Additionally, Scania and its subsidiaries are involved in a number of tax audits and disputes. None of these cases are deemed capable of resulting in a claim that would substantially affect Scania's financial position. For further information, see Note 2.	Scania has central and local resources that ensure compliance with current legislation and take an active part in tax-related issues, as well as assisting with tax expertise. Furthermore, in addition to statutory audits, Scania is regularly audited by tax authorities, who may disagree with Scania's tax treatments. Although Scania believes its tax estimates are correct, the final determination of tax audits or reviews could differ from our tax provisions and accruals. As a result, Scania may be subject to additional tax liabilities, interest, penalties, or any regulatory, administrative, or other sanctions relating thereto. Tax risks above a certain level are monitored and reported regularly to management. Once a year, a report is submitted to the Audit Committee.
Insurance risks	Improvement of flows, People and planet, Innovate and scale, Best performing company, Proud and satisfied employees	Scania is within our global operations exposed to various risks which could potentially have a financial impact, if not transferred to external insurers. Not all risks can be transferred but for selected insurable risks we seek to minimise Scania's exposure.	Scania works continuously with the identification, analysis and administration of insurable risks, both at Group and local level. A central function is responsible for the Group's global insurance portfolio. Customary Group insurance policies to protect the Group's goods shipments, assets and obligations/liabilities are arranged in accordance with Scania's governing document. Local insurance policies are obtained in accordance with the laws and standards of the country in question. When necessary, Scania receives assistance from outside insurance consultancy companies with identifying and managing risks. Insurance is obtained only from reputable 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.

CORPORATE OBJECTIVES

Improvement of flows | People and planet | Innovate and scale | Profitable and satisfied customers | Best performing company | Proud and satisfied employees

The corporate objectives are mapped to risk categories to illustrate potential impact.

Risk category	Corporate objectives	Context/Potential impact	Management actions/Mitigation
Legal & Compliance risks			
Legal actions and administrative proceedings	Improvement of flows, Profitable and satisfied customers, Best performing company	Scania is affected by legal proceedings as a consequence of the company's operating activities. This includes alleged breaches of contract, non-delivery of goods or services, producer liability, patent infringement or infringements related to other intellectual property, or alleged violations of laws and regulations in force. Some of the associated risks may be of great importance. For further information, see Notes 2 and 16.	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, Group Legal and Compliance to support with advisory and guidance in legal matters.
Business ethics and compliance risks	Improvement of flows, People and planet, Innovate and scale, Profitable and satisfied customers, Best performing company, Proud and satisfied employees	With a presence and operations in a wide range of markets globally, Scania is exposed to risks related to money laundering, fraud, embezzlement, corruption and non-compliance to applicable competition laws, all of which Scania needs to address in a systematic and transparent way. In addition, business ethics also includes privacy and data protection commitments and business and human rights compliance that also need to be addressed. See Data Privacy and Human rights risks. 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.	The governing regulation structure starts with the Scania Code of Conduct. This contains a set of binding rules and guidance regarding responsible behaviours for all Scania Group employees. The Core Values and The Scania Way framework then lays the foundation of responsible business behaviour and corporate culture that is strongly supported by the "tone from the top", Scania's executive board. This framework is complemented by Scania's internal regulations for a cohesive implementation across multiple business processes. Scania also deployed, both centrally and locally, specialised personnel to support the business in monitoring and managing the business ethics and compliance risks in this period of constantly changing environment. Group Compliance Management, Group Risk Management, Group Data Protection and Group Governance are the central functions that primarily support the businesses to achieve these corporate targets. A risk-based third-party due diligence is an important part of the Compliance Management System and Group Internal Audit also supports in diligently monitoring the effectiveness of the processes.
Risks related to new and changed laws and regulation	Improvement of flows, People and planet, Innovate and scale, Profitable and satisfied customers, Best performing company, Proud and satisfied employees	We see new legislative requirements related to corporate governance in different jurisdictions. This is increasing the significance of the risk related to operating in a manner that is fully compliant with all relevant regulatory requirements. Different countries' legal systems and major changes in laws and regulations (e.g. environmental laws, safety standards, data privacy, trade laws, financial regulations, value chain due diligence, anti-corruption laws, anti-money laundering and terrorism financing laws, competition laws, laws related to business and human rights and export control regulations with extraterritorial effect) may have features that conflicts across regional regulations and could threaten Scania's comprehensive position. Incoming legislations focused on value chain obligations (and extraterritorial implementation) creates a risk of conflicting standards similar to that of sanctions and countersanctions. There is a risk that Scania lacks the capacity to efficiently conduct business as well as the capacity to execute important transactions, enforce contractual agreements or complement specific strategies and activities. See also Climate Transition Risks.	Scania monitors all markets continuously for legislative changes, which means that the company can make the necessary changes to its strategy or internal governance and compliance arrangements. In addition, Scania's local and central specialist functions provide guidance and support regarding new and changed legislation to mitigate the risk.
Trade barriers, export control and sanction risks	Improvement of flows, People and planet, Innovate and scale, Profitable and satisfied customers, Best performing company, Proud and satisfied employees	Changes in foreign trade policy and trade barriers, as well as governments or international bodies imposing sanctions on countries, goods and services, or persons, may limit our business opportunities. Failure to comply with sanctions could result in significant fines, penalties and trading restrictions. As a global company, Scania also needs to manage conflicting sanctions regulations and be more vigilant that we do not get involved with business transactions that may indirectly and ambiguously circumvent sanctions in the upstream and downstream operations.	All entities within the Scania Group conduct their business in accordance with national and international laws and regulations, including, but not limited to, export control legislations and sanctions regulations of all relevant jurisdictions and regimes in which we operate, as well as in accordance with Scania's Code of Conduct. The current geopolitical situation with regularly evolving sanctions and trade barriers is vigilantly monitored. There is also a significant effort to continuously improve Scania Export Control programme where resources (central and local) and expertise evaluate changes in the regulations and sanctions landscape to ensure compliance.

CORPORATE OBJECTIVES

Improvement of flows | People and planet | Innovate and scale | Profitable and satisfied customers | Best performing company | Proud and satisfied employees

The corporate objectives are mapped to risk categories to illustrate potential impact.

Risk category	Corporate objectives	Context/Potential impact	Management actions/Mitigation
Legal & Compliance risks, continued			
Contracts and intellectual property rights	Improvement of flows, Profitable and satisfied customers, Best performing company, Proud and satisfied employees	Legal risks occur in the normal course of operations in administration of contracts and essential rights. Scania's operations include a wide variety of intangible licensing agreements, patents and other intellectual property rights. Scania also concludes numerous commercial and financial contracts, which is normal for a company of Scania's scale and type. Scania's operations are not dependent on any single commercial or financial contract, patent, licensing agreement or similar right.	Scania has specialised personnel, Group Legal and Compliance support with advisory and guidance in legal, commercial, patent, licensing and other matters. For further information, see Note 2.
Human rights risks	Improvement of flows, People and planet, Innovate and scale, Profitable and satisfied customers, Best performing company, Proud and satisfied employees	Scania encounters human rights risks throughout the value chain and needs to work diligently to prevent adverse impact on people, internally and externally. Human rights risks increase in situations of social and economic volatilities and in conflict. Respect for human rights and international law is challenged when authoritarian governance is gaining ground and rule of law is weakened. Developments during the year in this direction are increasing human rights risk exposure. Legal expectations of human rights due diligence create increased pressure on companies to manage human rights across the value chain and extraterritorially.	Responsible management of human rights risks requires integration of human rights due diligence into relevant decision-making. During 2023, Scania has continued developing its framework for human rights management that connects existing due diligence programmes (such as the raw materials management system) with a risk-based approach at a corporate level through the Scania risk process. The framework also includes Scania's defined salient issues. In 2023, Scania has created a Human Rights Steering Committee to monitor and advise on the implementation of obligations under the human rights laws and Scania's commitments in relation to human rights throughout the organisation. The committee consists of members holding positions within different functions at Scania in order to ensure that human rights are addressed cross-functionally throughout the organisation. Moreover, to preserve and promote health, safety and well-being at work, as well as promote performance, Scania has several policies that it has implemented in the People area.
Business risks			
Supply chain risks	Improvement of flows, People and planet, Innovate and scale, Profitable and satisfied customers, Best performing company, Proud and satisfied employees	One or more suppliers may be unable or unwilling to fulfil delivery obligations due to, among other things, supply shortages, labour strikes, capacity allocation to other customers, or financial distress of the supplier. This could lead to Scania facing the risk of production downtime, increased production costs, delays and loss of customer confidence. Scania has launched several product updates and improvements during 2023, with more planned in the coming years. Although this will benefit our customers, it will also increase the risks, with changes in Scania's supply chains. Sourcing from a global supply chain and with the changes in technology also brings sustainability risks such as adverse effects on the environment, health and safety, human rights and business ethics in Scania's business operations. The risk is further compounded by the rising geopolitical tensions and new sanctions impacting the flow in supply chains. See Geopolitical Risks.	Scania has taken a variety of preventive and detective measures to mitigate supply chain risks. One example is the Taskforce and the risk of general semiconductor shortage that was significant from 2021 and onwards. The situation is now stable and under control. Suppliers undergo a pre-qualification process in meeting Scania's requirements on technology, quality, delivery, cost and sustainability before selection. This is regularly monitored and followed up within Scania Procurement and Logistics for all suppliers. Suppliers are required to comply with Scania's Supplier Code of Conduct. Scania assesses every sourcing nomination through a thorough due diligence process which includes Scania Sustainability Rating. On a monthly basis, Scania monitors the Sustainability- and Financial risk ratings of suppliers. Moreover, Scania has proactively scrutinised trends of further deterioration in suppliers who have a weak financial rating. Scania has strong processes and dedicated teams in place to ensure the availability of components in the short- mid- and long term. There is focus on Operational supply chain risks as well as geopolitical situations, natural disasters and other unexpected negative effects on our supply chains in order to prevent, mitigate and react to risk events. Close cooperation within Volkswagen and the TRATON GROUP and with our suppliers have been key to ensuring that we can adapt to changes and manage identified risks.

CORPORATE OBJECTIVES

Improvement of flows | People and planet | Innovate and scale | Profitable and satisfied customers | Best performing company | Proud and satisfied employees

The corporate objectives are mapped to risk categories to illustrate potential impact.

Risk category	Corporate objectives	Context/Potential impact	Management actions/Mitigation
Business risks, continued			
Market risks	Improvement of flows, Innovate and scale, Best performing company	The commercial vehicles industry is influenced by external impacts such as competition, price, political conditions and also potential financial downturns, which may result in both opportunities and risks regarding the demand for Scania's products. In addition, Scania delivers some of its vehicles with repurchase obligations, where Scania thus has residual value exposure. This also includes residual value risk for short-term rental vehicles. Further, a large proportion of Scania's sales of parts and workshop hours occurs through repair and service contracts. Selling a service contract involves a commitment by Scania to provide services to customers during the contractual period in exchange for a pre-determined 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 a contract is allocated over the contractual period according to estimated consumption of service, and actual divergences from this are recognised in the accounts during the period. From a portfolio perspective, Scania continuously estimates possible future divergences from the expected cost curve. Negative divergences result in a provision that affects earnings for the period. For further information, see Note 2.
People and competence	Improvement of flows, People and planet, Innovate and scale, Profitable and satisfied customers, Best performing company, Proud and satisfied employees	The technology shift will require a shift in competence and Scania must act proactively and identify future needs before they occur. Difficulties in attracting and retaining key personnel, both for ongoing activities and in the changing environment, could lead to challenges in delivering towards customer needs. It's also very important that there is sufficient monitoring of personnel, especially with the geopolitical stress and new ways of working that could affect mental health.	To secure business-driven skills supply, Scania is continuously developing the area of people management. Currently, we are creating an even more efficient global human resources support. In 2023, we finalised the global HR processes as well as a global HR IT tool. Scenario planning is also used to plan for future competence needs in parts of the organisation. The people perspective is key in driving the shift – both for the company and its employees. Therefore, Scania focuses on various re-skilling programmes as well as entrepreneurial and innovation learning, e.g. Innovation Factory and Skill Capture, ensuring an inclusive corporate culture and diverse workforce. In order to manage the transformation/competence shift in a responsible way at the global level, we must ensure that there is meaningful social dialogue. Scania has a global standard for social dialogue and proactively addresses the challenge through the Global Deal initiative. Scania also continuously develops and monitors group-wide policies in the People area. Furthermore, Scania has structured, well-established working methods for close cooperation with several universities and institutes of technology to create and recruit cutting-edge expertise. Scania runs various educational initiatives in our global structure.
Information risks	Improvement of flows, People and planet, Innovate and scale, Profitable and satisfied customers, Best performing company, Proud and satisfied employees	Scania relies on information technology for everyday business. Besides opportunities for improving efficiency and effectiveness of Scania's internal operations and customer offer, this might also give rise to various risks. Digital information, systems and infrastructure may be negatively impacted because of accidents, disasters, technical damage, outdated technology, cyber-attacks, etc. (See Product cybersecurity risks). If not properly managed, Scania might be exposed to the risk of information being revealed to unauthorised person(s) or intentionally/unintentionally changed, corrupted or lost.	To ensure effective, reliable and relevant operations, Scania needs to constantly evaluate how to utilise the potential of data in our day-to-day business. To ensure the availability, integrity, and confidentiality of information, Scania uses a risk-based approach and an established Information Security Management System, as well as a combination of the latest technologies and effective IT organisational mechanisms. Scania also has a central specialist function for Information Security, which, among other things, is responsible for the introduction and follow-up on Scania's information security policy.

CORPORATE OBJECTIVES

Improvement of flows · People and planet · Innovate and scale · Profitable and satisfied customers · Best performing company · Proud and satisfied employees

The corporate objectives are mapped to risk categories to illustrate potential impact.

Risk category	Corporate objectives	Context/Potential impact	Management actions/Mitigation
Business risks, continued			
Product launch and Product liability risks	Improvement of flows, People and planet, Profitable and satisfied customers	Introducing a new product to the market is a risk exposure of product quality deviation resulting from e.g. failure in design, product selection or manufacturing. Failure to ensure product quality could result in recalled products involving significant costs, compensation for indirect cost of customers, non-compliance 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 which marketing measures are needed. The Product Liability Council also conducts a review of the processes in question to ensure that the problem does not recur. Where applicable, Scania has a fair risk-sharing with our suppliers regarding product liability, which minimises the financial risk for Scania.
Climate risks including natural hazards	Improvement of flows, People and planet, Innovate and scale, Profitable and satisfied customers, Best performing company, Proud and satisfied employees	Scania operations and our suppliers are located worldwide, meaning that we cannot avoid physical risks resulting from extreme weather conditions, floods, extreme heat, water problems and other natural hazards that could damage physical assets such as buildings. These risks could disturb the logistics flow and supply chain leading to the unavailability of components. It is challenging to predict the frequency and impact of natural disasters for the relevant geographical locations. With the changing climate brought by global warming, extreme weather situations are occurring more frequently, and the weather patterns are changing in different areas. Dire situations can occur more frequently in the future and potentially result in certain resources becoming scarce. These risks could also affect Scania's access to comprehensive insurance coverage, without which our balance sheet could be impacted by the uninsured probable losses.	The risk of changing climate and weather patterns, natural disaster and resource scarcity are given attention in the business impact analysis, as well as the business continuity planning process. The usage of predictions and scenario planning for different regions support decision-making. Some of the physical risks related to insurability are covered by the insurance risk process. Scania has an environmental management system in line with ISO14001, to ensure that Scania operates according to the highest global standards in all relevant environmental areas.
Production risks	Improvement of flows, People and planet, Innovate and scale, Profitable and satisfied customers, Best performing company, Proud and satisfied employees	An unforeseen disruption at a production facility represents a risk and may be caused by a number of different incidents, for example, supply shortage, natural hazards, labour difficulties, and geopolitical issues. If overestimating the demand for our products, there might be a risk that the available capacity will be underutilised, while pessimistic forecasts could result in insufficient capacity to meet demand. Production risks also encompass challenges that Scania may face in logistics, delivering trucks after the production process is completed.	Scania has a business continuity programme which focuses on business continuity being owned, operated and embedded with local needs, resources and competences. The production capacity is closely monitored in cross-functional meetings and continuously adapted accordingly. This year, the work on the E2E redesign programme has been organised to verify root causes for today's issues in flow performance and identify new initiatives to stabilise the flow, or focus on ongoing activities that can be accelerated.
Product cybersecurity risks	Improvement of flows, People and planet, Innovate and scale, Profitable and satisfied customers, Best performing company, Proud and satisfied employees	Scania vehicles contain advanced computing and communication technologies and are connected, with a few exceptions. Our vehicles are a key part in our customers' business. Being heavy vehicles, they are also safety critical. Successful cyber-attacks therefore risk having an impact on road safety, our customer's business, and ultimately Scania's business.	Scania has implemented a systematic risk-based approach defining organisational processes, responsibilities, and governance to ensure that risks associated with cyber threats are managed throughout the entire life cycles of our products and services.

MARKET TRENDS AND PERFORMANCE 2023

The business outlook continued to be uncertain in 2023, due to geopolitical and macroeconomic instability, with continuing high interest rates and inflation. Despite this, overall demand for Scania's transport solutions remained high, and we continued to deliver a strong performance.

Vehicles and services

Scania's vehicle deliveries increased by 13 percent in 2023 compared to 2022. Truck deliveries increased by 14 percent to a total of 91,652 units. Bus and coach deliveries increased by 2 percent to 5,075 units. Power solutions deliveries increased by 4 percent to 13,871 units. Service sales increased by 16 percent to SEK 42,424 m.

The truck market

Scania's vehicle order to delivery flows stabilised significantly compared to 2022, but were impacted by continued supply chain disruptions, mainly component and outbound transport restrictions. The restrictive order intake management implemented in 2022 was in place for the most part of 2023, to ensure the quality of the order book.

Scania continued to gain momentum with Super, our latest and most fuel-efficient combustion engine powertrain.

Our gas-powered truck offering was expanded in 2023. Scania's updated 13-litre biomethane engines now offer more powerful engine options and, when coupled with Super-based powertrain components, are 5 percent more fuel-efficient compared to our former generation.

During 2023 there was a clearly increased consensus in the market that battery-electric trucks with fast charging is the obvious long-term solution to reduction of CO_2 emissions from road transport, preferred in comparison to hydrogen and electric road systems. As a result, interest from customers has been on a high level, for solutions including trucks, charging and related services.

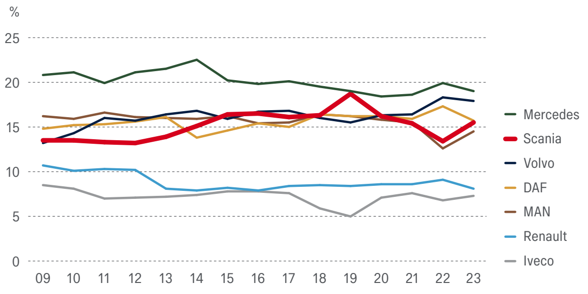
Preparations to scale electrification increased significantly during 2023. Scania opened its own in-house battery assembly and started serial production of the latest battery electric truck, the regional BEV. It is built with industry-leading green battery cells developed for heavy commercial vehicles. Order intake of fully electric Scania trucks increased by 54 percent compared to 2022.

Europe

The European economy showed signs of heading towards a recession, burdened by high interest rates and inflation. However, the trend was not uniform across all countries in the region. Truck demand was strong in the first half of the year but gradually decreased, and by the end of the year there was a normalisation of demand in Europe on the back of transport volumes and freight rates coming down from high levels. Order intake for the full year 2023 in Europe decreased by 22 percent to 40,658 (51,881) trucks, with decreases in most markets but primarily related to France, the Netherlands and Great Britain. Deliveries increased by 32 percent to 57,092 (43,294) trucks, mainly related Germany, France and Great Britain.

The total market for heavy trucks in 27 of the EU member countries (all EU countries except Malta) plus Norway, Great Britain, Switzerland and Iceland increased by around 15 percent to about 342,000 (297,000) units during 2023. The increased deliveries improved Scania's position in Europe and generated a market share of 15.4 (13.4) percent.

Heavy trucks market share, above 16 tonnes EU27*



* Except Malta, including Norway, Switzerland, Great Britain and Iceland.

Latin America

In Latin America, high inflation and the increasing cost of financing affected demand negatively in many countries throughout the region. However, in some of Scania's key markets such as Brazil and Mexico, there was a positive development. Brazil regained its momentum as the political situation in the country stabilised with the new president's policies in place and a strengthening of the agribusiness and extractive industries. Order intake in Latin America increased by 98 percent to 23,003 (11,638) trucks, with increases on most markets but primarily Brazil. Deliveries decreased by 17 percent to 17,590 (21,092) trucks, mainly related to Brazil, offset by Mexico.

Eurasia, Asia, Africa and Oceania

The Russian operations were sold off fully during 2022, leaving Ukraine and Kazakhstan as our remaining markets in the region Eurasia. Both of these markets experienced record order intake and deliveries in 2023.

Order intake in Asia decreased by 4 percent to 8,139 (8,457) trucks, with decreases primarily related to Taiwan, South Korea and Israel but offset by Turkey. Deliveries increased by 2 percent to 9,549 (9,333) trucks, mainly related to Turkey and Saudi Arabia.

Order intake in Africa and Oceania decreased by 15 percent to 6,063 (7,115) trucks, with a decreases on most markets but primarily related to Australia and Tanzania. Deliveries increased by 23 percent to 6,262 (5,109) trucks, mainly related to South Africa and Australia.

The bus and coach market

As a result of Scania´s new strategy to focus its industrial system on chassis, with bus bodies built by partners, Scania decided to close down the part of the plant in Slupsk, Poland that was producing bodies for Scania chassis.

Over the year, order intake for buses and coaches decreased by 6 percent to 5,281 (5,620) units. In Europe, order intake decreased to 1,469 (1,869). In Latin America, order intake increased to 2,887 (2,624), primarily related to Mexico and Brazil. Order intake in Asia increased to 395 (374), mainly related to Indonesia. Order intake in Africa and Oceania decreased to 530 (747) mainly explained by Australia.

Deliveries increased in 2023 to 5,075 (4,994) units. In Europe, where Scania's main markets are Spain, Great Britain, Sweden, Germany and France, deliveries increased by 30 percent to 1,750 (1,344) units. In Latin America, deliveries decreased by 6 percent to 2,186 (2,328) units, with the main volumes in Mexico, Brazil and Colombia. In Asia, deliveries increased by 20 percent to 631 (526) units, mainly related to Taiwan, Malaysia and Indonesia. Deliveries to Africa and Oceania decreased by 35 percent to 508 (790) units, primarily related to previous deliveries to Côte d'Ivoire.

Scania's market share in buses and coaches in Europe was around 4.9 percent during 2023, compared to 4.4 percent in 2022.

Scania's new battery-electric bus platform, part of the company's complete e-mobility solutions covering vehicles, services, and systems, made its debut at Busworld in 2023. The low-entry 4x2 buses feature sustainably sourced and built batteries developed specifically for heavy commercial vehicles, offering energy storage capacity of up to 520 kWh and a range of over 500 km in optimal conditions.

The engines market

Demand for power solutions was high in the beginning of 2023 but declined as the year proceeded, resulting in a 57 percent decrease in total order intake in 2023, at 7,818 (18,080) engines. This was partly due to OEMs adjusting their plans to more normal lead times. The decrease in orders primarily related to lower demand in Brazil, Italy, China and United Kingdom. Towards the end of the year, orders started to pick up again, driven by major accounts and key markets. Deliveries in 2023 increased by 4 percent to reach an all-time high of 13,871 engines.

In 2023, Scania continued to launch the new engine platform with hybrid and electrified systems. In the continuous effort to reduce gas emissions and support more sustainable marine operations, Scania added seven new IMO Tier III compliant marine engines to its existing portfolio of marine power systems.

Services

Scania's service business continued to grow strongly in 2023. Service revenue amounted to SEK 42,424 m (36,434) during the year, an increase of 16 percent. Higher volumes in most markets impacted revenue positively. In local currency, revenue increased by 11 percent. In Europe, service revenue increased by 17 percent to SEK 29,098 m. (24,914). In America, revenue increased by 34 percent to SEK 6,508 m. (4,845) and service revenue in Eurasia decreased by 78 percent to SEK 166 m. (772). Revenue in Asia increased by 9 percent to SEK 3,579 m (3,272) In Africa and Oceania revenue increased by 17 percent to SEK 3,072 m. (2,631).

In 2023, Scania Charging Access was launched in multiple European countries and will be expanded to cover public charging networks built for trucks. Scania will offer seamless access to a Europe-based charging network suitable for mixed fleets of trucks and buses, to help simplify the transition to electrification and fulfil customers' need for more charging solutions.

Our employees

All Scania managers are committed to ensuring that our employees feel valued and satisfied at work, and that their well-being is supported, regardless of their job and location. We believe that diverse and inclusive working groups, reflecting diversity in areas such as gender, ethnicity, background and skills, are key to our success and aim to increase the diversity of our workforce across all our operations. Our Employee Satisfaction Barometer survey is one of the main methods we use to monitor job satisfaction. The survey includes three questions to gauge employees' views of Scania's performance in diversity and inclusion. The three questions are the basis for the diversity and inclusion index (D&I), which has steadily increased over the past few years.

The safety and health of all Scania employees is a top priority. We strive to create safe and healthy workplaces, preventing work-related injuries and ill health and promoting well-being through cooperation and continuous improvements. In this way, Scania has been able to maintain low levels of employee turnover and to keep healthy attendance at a consistently high level for many years. Throughout 2023, healthy attendance was 96.30 (96.25).

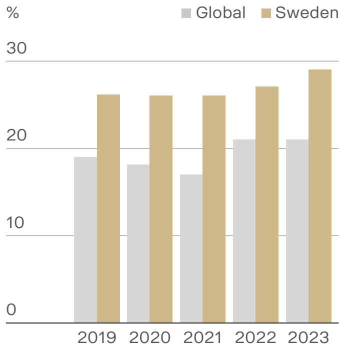
Hybrid working is now the norm for many of our employees. The Scania Work Playbook is our internal guide to making the most of working life at Scania, and in 2023 we adapted the Playbook to include more guidance on how to work flexibly while ensuring collaboration and creativity.

Scania is committed to working cooperatively with employee representatives to improve mutual understanding of our respective needs and wishes. The Labour Relations Improvement Program was launched in 2023. The program aims at improving dialogue between Scania and employee representatives, regardless of current state, in our operation across the globe. Early involvement brings better decisions, mutual understanding and through this a sustainably successful company for business and people.

By developing employee skills and nurturing talent, we ensure that Scania's culture and competences are in line with the demands of our rapidly transforming industry. We provide a range of programs to support this, with a special focus on talent and leadership programs aimed at junior managers up to executive level leaders. The programs are run in partnership with top business schools and other transformative partners. We are also committed to ensuring Scania stays at the forefront of learning research. We strive to democratise learning: for example, by incorporating a learning experience platform in our digital ecosystem for learning.

Share of female managers

Within the Skill Capture programme, Scania has taken a number of steps to increase the number of women in managerial positions.



Production

In 2023, the situation in Scania's order to delivery flows improved after recent production and material disruptions. By the end of the year, delivery precision had improved significantly, although some challenges remain. The inauguration of a new battery production plant in Södertälje marked the start of a fully electrified truck production in a redesigned flow at the chassis assembly.

We also continued to establish our third industrial hub in Rugao, China, our largest investment in our industrial operations since our move into Latin America in the 1960s.

During the year, Scania successfully ramped up the volume of our Super Powertrain, now introduced in Latin America.

Research and development

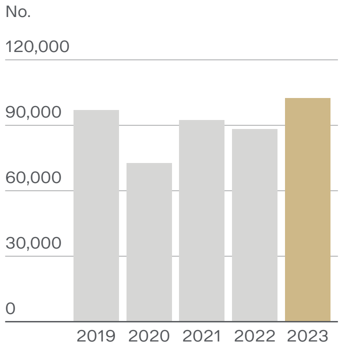
The aim of Scania's research and development organisation is to develop sustainable solutions that improve productivity and profitability in customer operations based on low fuel consumption, high vehicle uptime and low service costs, combined with good performance. Scania puts significant investment and resources into research and development.

In 2023, milestones included advancing battery electric trucks with green battery cells from Northvolt and packs produced in Scania's battery assembly plant in Södertälje. We also introduced Smart Dash, our new digital dashboard, and carried out public research tests of a solar-powered hybrid truck. In total, Scania invested SEK 12.8 billion (9.9) in research and development in 2023, and R&D expenses corresponded to 6 percent of net sales.

As part of the TRATON GROUP, Scania benefits from access to a deep pool of technical expertise, fostering innovation and driving cost efficiency. Our focus is on optimising the global TRATON Group R&D organisation, involving the establishment of a common setup, steering, mindset, and collaborative ways of working. This strategic initiative aims to develop and implement the TRATON Modular System, uniting our efforts to become one strong Group delivering outstanding customer value. The modularisation serves as the foundation for delivering excellent value to customers by providing more performance options and increased value across all brands, speeding up time to market with unified integration and easy adaptation for all brands, and reducing product costs while facilitating necessary technology investments.

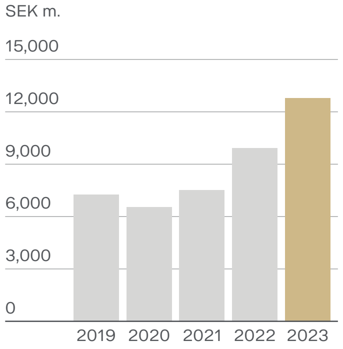
Vehicles produced

During 2023, Scania produced 102,283 vehicles (88,142).



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 159 of this document.

GROUP FINANCIAL REVIEW

Scania delivered a strong performance in a challenging business environment which was characterised by a turbulent macroeconomic and geopolitical situation, with high inflation and interest rates. During the year the supply chain situation improved even if it still continues to be unpredictable. The demand for trucks remained strong and deliveries increased by 14 percent compared to last year. The deliveries of Scania buses and coaches were more or less on the same level between the years and deliveries increased by 2 percent. Scania´s strategy to focus our own industrial system on chassis, with bus bodies built by partners, led to the decision to close down the part of the plant in Slupsk, Poland which produced bodies for Scania chassis. As part of the ongoing transformation of TRATON, the Scania Financial Services segment was sold to TRATON on 1 April 2023. The sales price amounted to SEK 15.2 billion and the capital gain amounted to approximately SEK 2.0 billion.

Revenue

The sales revenue of the Scania Group, in the Vehicles and Services segment, increased by 26 percent to SEK 205,066 m. (163,260).

New vehicle sales revenue increased by 33 percent. Sales were positively impacted by volume, price and product mix, and currency effects.

Service revenue increased by 16 percent and amounted to SEK 42,424 m. (36,434). Increased volumes in parts and services had a positive effect. Also currency effects were positive.

Power solutions sales revenue increased by 25 percent due to increased volumes.

Net sales by product, SEK m.	2023	2022
Trucks	133,950	99,976
Buses	9,160	7,984
Power solutions	4,308	3,454
Services	42,424	36,434
Used vehicles	10,324	9,620
Miscellaneous	7,607	4,469
Delivery sales value	**207,771**	**161,937**
Adjustment for lease income [1]	–2,706	1,324
Total Vehicles and Services	205,066	163,260
Elimination [2]	–940	–4,079
Scania Group total	**204,126**	**159,181**

1 The adjustment consists of the difference between sales value based on delivery and revenue recognised as income. This difference arises when a lease or delivery is combined with a repurchase obligation. Significant risks remain, therefore recognition is based on an operating lease contract.
2 The elimination refers to rental income from operating leases.

Deliveries

During 2023 Scania delivered 91,652 (80,238) trucks, an increase of 14 percent. Bus deliveries increased by 2 percent to 5,075 (4,994) units. Power solutions deliveries increased by 4 percent to 13,871 (13,400) units.

Vehicles delivered	2023	2022
Vehicles and services		
Trucks	91,652	80,238
Buses	5,075	4,994
Total new vehicles	**96,727**	**85,232**
Used vehicles	15,908	15,902
Power solutions	13,871	13,400

Earnings

Scania's operating income in Vehicles and Services amounted to SEK 24,813 m. (12,649) during 2023. The operating margin amounted to 12.1 (7.7) percent. The operating income for 2023 was negatively affected by items affecting comparability amounting to SEK 1,178 m. mainly related to the close-down of the bus body plant in Slupsk, Poland. Adjusted for items affecting comparability operating income for 2023 amounted to SEK 25,991 m. in Vehicles and services. Adjusted operating income in the group amounted to SEK 25,985 m.

Increased truck volume had a favourable effect on earnings. The truck margin was positively impacted by currency effects, price and product mix. Increases in service earnings, bus and power solution volumes also had a positive effect. Increased inflation and raw material prices and production constraints affected negatively.

Scania's research and development expenditure amounted to SEK 12,780 m. (9,909). After adjusting for SEK 2,808 m. (2,314) in capitalised expenditure and SEK 1,264 m. (1,204) in depreciation of previously capitalised expenditures, recognised expenses increased to SEK 11,236 m. (8,799).

Compared to the full year 2022, the total currency effect was positive and amounted to SEK 4,392 m.

Operating income per segment, SEK m.	2023	2022
Vehicles and Services		
Operating income	24,813	12,649
Operating margin, %	12.1	7.7
Operating income, Scania Group	24,807	12,649
Operating margin, %	12.2	7.9
Income before taxes	**23,243**	**12,496**
Taxes	–7,385	–3,783
Net income from continuing operations	**15,858**	**8,712**
Net income from discontinued operations	**1,448**	**–854**
Net income for the group	**17,306**	**7,858**

Scania's net financial items amounted to SEK –1,564 m. (–153) including net income from associated companies and joint ventures amounting to SEK 4 m. (–76). The increase in net income from associates and joint ventures is mainly explained by a dilution effect from one of the associates. Net interest items amounted to SEK 2,061 m. (576). The net interest was positively impacted by interest income from the Treasury lending portfolio against TRATON which is reclassified as assets held for sale as per 31 December 2023. Interest net was also positively impacted by improved funding.

Other financial income and expenses amounted to SEK –3,630 m. (–653). These included SEK –793 m. (359) in valuation effects related to financial instruments where hedge accounting was not applied. Other financial items includes financial expenses from the Treasury lending portfolio against TRATON.

Income before taxes amounted to SEK 23,243 m. (12,496). The Scania Group's income tax expense for 2023 was equivalent to 31.8 percent (30.3) of income before taxes.

Net income from continuing operations SEK 15,858 m. (8.712). Net income from discontinued operations SEK 1,448 m. (–854).

Net income for the year totalled SEK 17,306 m. (7,858).

Cash flow

The cash flow after investing activities attributable to operating activities in Vehicles and Services amounted to SEK 25,922 m. (–4,516).

Net investments, including the effect from divestments of the Financial Services segment and the Russian Operations, amounted to SEK –1,888 m. (–9,409). This includes SEK 10,199 m. from consideration received in cash for the divestments. Net investments excluding the effect from the divestments amounted to SEK –12,087 m., including SEK –2,808 m. (–2,314) in capitalisation of development expenditure.

At the end of 2023, the net cash position in Vehicles and Services amounted to SEK 28,448 m. (11,607).

Financial position

Financial ratios related to the balance sheet	2023	2022
Equity/assets (E/A) ratio, %	27.2	27.4
E/A ratio, Vehicles and Services, %	40.0	38.9
Return on capital employed, Vehicles and Services, % [1]	31.5	18.9
Net debt/equity ratio, Vehicles and Services [2]	0.35	0.15

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

During 2023, the equity of the Scania Group increased by SEK 900 m. and totalled SEK 80,525 m. (79,625) at year-end. Net income added SEK 17,306 m. (7,858). Dividend decreased equity with SEK 15,800 m. Equity increased by SEK 539 m. (3,740) because of exchange rate differences that arose when translating net assets outside Sweden. In addition, equity decreased by SEK –1,317 m. (4,244) because of actuarial gains/losses on pension liabilities and increased by SEK 13 m. (–66) due to fair value adjustment on equity instruments. A capital injection from TRATON also increased equity with SEK 1,332 m. Group contribution to TRATON companies decreased equity by SEK –1,445 m. Taxes attributable to items reported under "Other comprehensive income" totalled SEK 279 m. (–811). The non-controlling interest decreased during the year with SEK –7 m. (35).

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 2023 totalled SEK 6,191 m. (9,500).

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

Owner and shareholders

The sole shareholder of Scania AB is TRATON Sweden AB who owns and controls 100 percent of the shares in Scania. TRATON Sweden AB is a subsidiary to TRATON SE which is a subsidiary of Volkswagen AG. TRATON SE is listed on the Frankfurt Stock Exchange and the Nasdaq Stockholm Stock Exchange. Both Scania and TRATON are members of the Volkswagen Group.

FINANCIAL REPORTS

In this section

CONSOLIDATED INCOME STATEMENTS

January–December, SEK m.	Note	2023	2022 [2]
Continuing operations			
Revenue	3	204,126	159,181
Cost of goods sold and services rendered		–150,396	–121,339
Gross income		**53,730**	**37,842**
Research and development expenses [1]		–11,236	–8,799
Selling expenses		–13,554	–12,457
Administrative expenses		–2,955	–2,635
Items affecting comparability	2, 16, 30	–1,178	–1,302
Operating income	4, 7	**24,807**	**12,649**
Interest income		8,703	1,467
Interest expenses		–6,642	–891
Share of income from associated companies and joint ventures	11	4	–76
Other financial income		2,623	978
Other financial expenses		–6,252	–1,631
Total financial items	5	**–1,564**	**–153**
Income before income tax expense		**23,243**	**12,496**
Income tax expenses	6	–7,385	–3,783
Net income from continuing operations		**15,858**	**8,712**
Net income from discontinued operations	22	**1,448**	**–854**
Net income from the group		**17,306**	**7,858**

1 Total research and development expenditures during the year amounted to SEK 12,780 m. (9,909).
2 On 1 April 2023, the former Financial Services segment was divested, and classified as a discontinued operation. The income statement for 2022 has been restated.

January–December, SEK m.	Note	2023	2022 [2]
Other comprehensive income	14		
Items that may be reclassified subsequently to profit or loss			
Translation differences		1,551	3,366
Reversed cumulative translation differences from divested companies	21	–1,012	374
Taxes		–	60
		539	3,800
Items that will not be reclassified to profit or loss			
Remeasurement defined benefit plans	15	–1,317	4,244
Fair value adjustment equity instruments		13	–66
Taxes		279	–871
		–1,025	3,307
Other comprehensive income		**–486**	**7,107**
Total comprehensive income		**16,820**	**14,965**
Net income attributable to:			
– Scania shareholders		17,306	7,858
– non–controlling interest		0	0
Total comprehensive income attributable to:			
– Scania shareholders		16,820	14,965
– non–controlling interest		0	0

CONSOLIDATED BALANCE SHEETS

31 December, SEK m.	Note	2023	2022
Assets			
Non-current assets			
Intangible assets and goodwill	8	16,274	14,995
Tangible assets	9, 10	48,480	44,456
Lease assets	9	22,154	24,926
Holdings in associated companies and joint ventures	11	1,246	1,121
Other shares and participations		1,778	1,718
Non-current interest-bearing receivables	28	855	69,690
Other non-current receivables	13, 28	3,283	4,003
Deferred tax assets	6	6,239	6,507
Tax receivables		1,006	636
Total non-current assets		**101,315**	**168,052**
Current assets			
Inventories	12	38,214	30,673
Current receivables			
Tax receivables		1,507	1,410
Interest-bearing receivables	28	9,744	44,184
Non-interest-bearing trade receivables	28	11,288	11,363
Other current receivables	13, 28	8,072	9,315
Total current receivables		30,611	66,272
Current investments	28	971	1,873
Cash and cash equivalents			
Current investments comprising cash equivalents		20,330	10,745
Cash and bank balances		4,462	8,380
Total cash and cash equivalents	28	24,792	19,125
		94,588	**117,943**
Assets held for sale	22	99,692	4,668
Total current assets		**194,280**	**122,611**
Total assets		**295,595**	**290,663**

31 December, SEK m.	Note	2023	2022
Equity and liabilities			
Equity			
Share capital		2,000	2,000
Other contributed capital		13,418	12,086
Reserves		–919	–1,458
Retained earnings		65,974	66,938
Equity attributable to Scania shareholders		80,473	79,566
Non-controlling interest		52	59
Total equity	14	**80,525**	**79,625**
Non-current liabilities			
Non-current interest-bearing liabilities	10, 28	67,264	76,828
Provisions for pensions	15	8,897	7,853
Other non-current provisions	2, 16	4,036	4,061
Accrued expenses and deferred income	17	17,993	7,385
Deferred tax liabilities	6	3,004	2,870
Other non-current liabilities	28	5,723	6,524
Total non-current liabilities		**106,917**	**105,521**
Current liabilities			
Current interest-bearing liabilities	10, 28	39,828	46,862
Current provisions	16	5,568	4,578
Accrued expenses and deferred income	17	23,504	19,730
Advance payments from customers		1,933	2,223
Trade payables	28	22,204	20,441
Tax liabilities		2,059	2,733
Other current liabilities	28	13,057	8,713
		108,153	**105,280**
Liabilities directly attributable to assets held for sale	22	–	237
Total current liabilities		**108,153**	**105,517**
Total equity and liabilities		**295,595**	**290,663**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	2023							2022						
	Share capital	Other contributed capital	Currency translation reserve	Retained earnings including net income for the year	Total, Scania share-holders	Non-controlling interest	Total equity	Share capital	Other contributed capital	Currency translation reserve	Retained earnings including net income for the year	Total, Scania share-holders	Non-controlling interest	Total equity
Equity, 1 January	2,000	12,086	–1,458	66,938	79,566	59	79,625	2,000	11,072	–5,258	60,375	68,189	24	68,213
Net income for the year				17,306	17,306	0	17,306				7,858	7,858	0	7,858
Other comprehensive income														
Exchange differences on translation			539	–	539	0	539			3,740	–	3,740	0	3,740
Remeasurements of defined-benefit plans			–	–1,317	–1,317	–	–1,317			–	4,244	4,244	–	4,244
Fair value adjustment equity instruments			–	13	13	–	13			–	–66	–66	–	–66
Tax attributable to items recognised in other comprehensive income			–	279	279	–	279			60	–871	–811		–811
Total other comprehensive income			**539**	**–1,025**	**–486**		**–486**			**3,800**	**3,307**	**7,107**	**0**	**7,107**
Total comprehensive income			**539**	**16,281**	**16,820**		**16,820**			**3,800**	**11,165**	**14,965**	**0**	**14,965**
Change in non-controlling interest			–	–		–7	–7			–	0		35	35
Dividend to Scania AB Shareholders			–	–15,800	–15,800	–	–15,800			–	–3,588	–3,588	–	–3,588
Group contribution to TRATON			–	–1,445	–1,445	–	–1,445			–	–1,014	–1,014	–	–1,014
Capital contribution from Scania AB Shareholders		1,332	–	–	1,332	–	1,332		1,014	–	–	1,014	–	1,014
Equity, 31 December	**2,000**	**13,418**	**–919**	**65,974**	**80,473**	**52**	**80,525**	**2,000**	**12,086**	**–1,458**	**66,938**	**79,566**	**59**	**79,625**

CONSOLIDATED CASH FLOW STATEMENTS

January–December, SEK m.	Note	2023	2022
Operating activities			
Income before tax [1]	20 a	24,970	12,399
Items not affecting cash flow	20 b	13,513	15,530
Taxes paid		–8,467	–5,693
Cash flow from operating activities before change in working capital		**30,016**	**22,236**
Change in working capital			
Inventories		–7,595	–5,460
Receivables		93	–2,239
Financial receivables, Financial Services	20 c	–3,604	–13,090
Vehicles with repurchase obligations and rental		–1,843	–3,042
Trade payables		2,461	4,439
Other liabilities and provisions	2, 16	6,373	–7,980
Total change in working capital		**–4,115**	**–27,372**
Cash flow from operating activities		**25,901**	**–5,136**
Investing activities			
Net investments through acquisitions/divestments of businesses	20 d	5,605	–768
Net investments in non-current assets	20 e	–12,134	–8,280
Cash flow from investing activities attributable to operating activities		**–6,529**	**–9,048**
Cash flow after investing activities attributable to operating activities		**19,372**	**–14,184**
Investments in securities and loans		**–17,650**	**–1,387**
Cash flow from investing activities		**–24,179**	**–10,435**
Cash flow before financing activities		**1,722**	**–15,571**

January–December, SEK m.	Note	2023	2022
Financing activities			
Change in debt from financing activities	20 f	8,183	11,589
Transactions with non-controlling interests		0	0
Dividend		–6,200	–3,588
Cash flow from financing activities		**1,983**	**8,001**
Cash flow for the year		**3,705**	**–7,570**
Cash and cash equivalents, 1 January		22,489	29,262
Exchange rate differences in cash and cash equivalents		–1,402	797
Cash and cash equivalents, 31 December		**24,792**	**22,489**
Cash and cash equivalents, Reported separately in the balance sheet as assets held for sale		**–**	**–3,364**
Cash and cash equivalents, 31 December, Reported in the balance sheet	20 g	**24,792**	**19,125**

1 Includes income before tax from discontinued operations. See Note 22 Assets held for sale and discontinued operations.

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 adopted by the European Union. In addition, Recommendation RFR 1, "Supplementary Accounting Rules for Groups" from the Swedish Financial Reporting Board has been applied. The Parent Company applies the same accounting policies as the Group except in the instances described below in the section "Parent Company accounting principles." The functional currency of the Parent Company is Swedish kronor (SEK), and the financial statements are presented in Swedish kronor. Assets and liabilities are recognised at cost, aside from certain financial assets and liabilities which are carried at fair value. Financial assets and liabilities that are carried at fair value are mainly derivative instruments. Preparing the financial reports in compliance with IFRS requires that management make judgements and estimates as well as assumptions that affect the application of accounting principles and amounts recognised in the financial reports. The actual outcome may diverge from these estimates and judgements. Judgements made by management that have a substantial impact on the financial reports, and estimates which have been made that may lead to significant adjustments, are described in more detail in Note 2, "Key judgements and estimates."

Estimates and assumptions are reviewed regularly. Amendments of estimates are reported in the period in which the amendment was made if the amendment only affects this period, or in the period in which the amendment was made and future periods if the amendment affects both the current period and future periods. The principles stated below have been applied consistently for all periods, unless otherwise indicated below. Furthermore, the Group's accounting principles have been consistently applied by Group companies, in respect of associate companies and joint ventures, if necessary, by adjustment to the Group's principles.

Changes in accounting principles
There are no new or revised IFRS standards and interpretations adopted as of 1 January 2023 which have had a material impact on the financial statements of Scania. The following new and revised IFRS standards and interpretations have been adopted as of 1 January 2023, IFRS 17 Insurance contracts, Amendments to IAS 12, IAS 8 and IAS 1. Pillar Two model rules published by the OECD has been enacted or substantively enacted in certain jurisdictions the Group operates. The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent available country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply and the Pillar Two effective tax rate is below 15%. The Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

The exception introduced in May 2023 with the amendments to IAS 12 means that deferred taxes in connection with income taxes resulting from applicable or announced tax provisions implementing the Pillar Two model rules are neither recognized nor disclosed in the Group.

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

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

In business combinations where the consideration transferred, any non-controlling interests and the fair value of previously owned shares (in step acquisitions) exceed the fair value of the acquired identifiable assets, liabilities and contingent liabilities assumed, the difference is recognised as goodwill. When the difference is negative, this is recognised directly in the income statement. Only earnings arising after the date of acquisition are included in the equity of the Group. Divested companies are included in the consolidated financial statements until the date when controlling or significant influence ceases. Intra-Group receivables and liabilities, revenue or expenses and unrealised gains or losses that arise from intra-Group transactions between Group companies are eliminated in the consolidated financial statements. Unrealised gains that arise from transactions with associated companies and joint ventures are eliminated to the extent that corresponds to the Group's percentage of ownership in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment loss. Equity attributable to non-controlling interests is reported separately from equity attributable to the Parent Company's shareholders.

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

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

In general, subsidiaries use the local currency as their functional currency. A few subsidiaries use the Euro or US dollars as their functional currency, when the local currency is not considered as 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 the inception of the contract. IFRS 16 contains practical expedients for short-term and low-value leases, which the Scania Group exercises and hence does not recognise any right-of-use assets or liabilities for these types of leases. The related lease payments are recognised as expenses in the income statement on a straight line basis.

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option. In such cases the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a residual value guarantee, in which the lease liability is remeasured by discounting the revised lease payments using the initial discount rate. If the change in lease payments is due to a change in a floating interest rate a revised discount rate is used.
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

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

Scania as lessor

Lease contracts with customers are carried as finance leases in cases where substantially all risks and rewards associated with ownership of the asset have been transferred to the lessee. At the beginning of the leasing period, sales revenue and a financial receivable equivalent to the net investment in the lease are recognised. As a result, sales revenue and the cost of the leased asset is recognised in the income statement. Lease payments received reduce the financial receivable and interest income from the net investment in the lease is recognised over the lease term.

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

NOTE 1 – ACCOUNTING PRINCIPLES, CONTINUED

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

Balance sheet – valuation principles

Tangible non-current assets including lease assets

Tangible non-current assets are carried at cost less accumulated depreciation and any impairment losses. A non-current asset is divided into separate components, each with a different useful life and depreciated separately. Machinery and equipment as well as lease assets have useful lives of 3–15 years. Buildings have useful lives of 20–50 years. Land is not depreciated.

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

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

Intangible non-current assets

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

Goodwill

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

Capitalised product development expenditures

Scania's research and development activities are divided into a concept phase and a product development phase.

Expenditures during the concept phase are expensed as they arise. Expenditures during the product development phase are capitalised, beginning on the date when the expenditures are likely to lead to future economic benefits. This implies that it is technically possible to complete the intangible asset, the company has the intention and the potential to complete it and use or sell it, there are adequate resources to carry out development and sale, and remaining expenditures can be reliably estimated. Impairment testing occurs annually for product development projects that have not yet gone into service, according to the principles stated below. The amortisation of capitalised development expenditures begins when the asset is placed in service and occurs on a straight line basis during its estimated useful life. For capitalised product development expenditure, useful life is estimated between three and 15 years.

Capitalised software development expenditures

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

Impairment testing of non-current assets

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

Inventories

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

Financial instruments

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

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

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

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

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTE 1 – ACCOUNTING PRINCIPLES, CONTINUED

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

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

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

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

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

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

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

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

For 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.

Interest income is recognised in profit or loss.

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

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

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

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 significant increase in credit risk
- Stage 2: Significant changes in credit risk on the basis of the lifetime expectation of the underlying contract
- Stage 3: Impaired financial instruments

The assignment to the different stages is evaluated on every reporting period. A financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flow, such as a default.

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

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 "Leases."

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ACCOUNTING PRINCIPLES, CONTINUED

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

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

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

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ACCOUNTING PRINCIPLES, CONTINUED

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

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

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

Discontinued operations
A discontinued operation is a component of the Group which either has been disposed of, or is classified as held for sale, and represents a separate line of business or geographical area of operation. A discontinued operation is reported separately from continuing operations in the income statement, and comparable information for prior periods is restated. Assets classified as held for sale and associated liabilities are presented separately in the balance sheet. Prior periods are not affected. For information regarding changes in the segment reporting refer to Note 3 Segment reporting.

Income statement – classifications

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

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

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

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

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

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

Income statement – valuation principles

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

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

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

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

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

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

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

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

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

In a transaction when the customer has an option that gives the customer the right to require that the Group repurchases the vehicle no revenue is recognised since such a transaction is recognised as either a financial or operational lease depending on the terms and conditions attached to the transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Rendering of service
The transaction price allocated to service and repair contracts is recognised as a contract liability at the time of the initial sales transaction and is allocated over the life of the contracts as performance obligations are fulfilled which is measured based on the cost of the fulfilment.

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

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

Government grants including EU grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants received that are attributable to operating expenses reduce these expenses. Government grants related to investments reduce the gross cost of non-current assets.

Miscellaneous

Related party transactions
Related party transactions occur on market terms.

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

Changes in accounting principles during the next years

New standards, amended standards and interpretations that enter into force on 1 January 2024 and subsequently have not been applied in advance.

New and amended standards and interpretations that enter into force on 1 January 2024 or subsequently are not expected to have any material impact on Scania's financial statements.

NOTE 2 – KEY JUDGEMENTS AND ESTIMATES

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

Note 1 presents the accounting principles the company has chosen to apply. Important estimates and judgements for accounting purposes are attributable to the following areas.

Impact of climate change

Against the backdrop of climate change and the associated tightening of emission regulations, the transformation of the commercial vehicle industry towards electromobility continues to progress. Scania's corporate strategy has a clear purpose of Driving the shift towards a sustainable transport system. One of Scania's key strategic actions has been to set carbon emission reduction targets in line with what science says is needed to reach the Paris Agreement. Our strategic focus areas of Decarbonisation as well as circular business will play a key role in this transformation.

The electrification of our product portfolio is the biggest contributor to decarbonisation. Circular Business means using business models that capture value from restorative practices for products, components, parts and/or materials in order to generate customer value, financial resilience and lower environmental impact. Increasing resource efficiency – in particular by extending life cycles and recycling raw materials – will play an important role in a circular economy.

The financial impact of the transition to a circular economy is currently reflected primarily in the sale of new and remanufactured original parts, which represent extended life cycles of our vehicles. With regard to decarbonization, the possible effects of future regulatory requirements in connection with electromobility, especially in the five-year planning and thus in the derivation of future cash flows for impairment tests, play a significant role.

We estimate that 10 percent of our vehicle sales will be electric by 2025 – and 50 percent by the end of this decade. This ambition is subject to the provision that the necessary framework conditions, such as the expansion of the appropriate charging infrastructure, are in place. For the period after 2030, we will continue to monitor the development of regulatory requirements and incorporate them into our planning. In 2023, the BEV sales quota was 0,4 percent (0,5). However, Scania is preparing for the ramp-up of production by focusing its development activities on battery-electric vehicles. In addition, Scania ensures the supply of purchased parts for battery-electric vehicles through long-term orders.

R&D
The increased development activities in the field of electromobility have resulted in a corresponding increase in capitalized (intangible assets) and non-capitalized (cost of sales) development costs.

NOTE 2 – KEY JUDGEMENTS AND ESTIMATES, CONTINUED

Useful lives
As per 31 December 2023 the assessment is that there is no impact on the useful lives of capitalized development costs or property, plant and equipment due to the periods under consideration of the regulatory requirements and due to the parallel production of battery-electric vehicles and vehicles with combustion engines in the coming years.

Provisions
Any potential obligations arising from the exceedance of emission limits in the future is not accounted for, as the requirements for recognizing a provision are not met.

Repurchase commitments
When assessing fair value at the end of the residual value commitment period judgment are required. The transformation to electrified vehicles resulting in a future mix of vehicles and services lead to uncertainties in the assessment of fair market value.

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

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

Warranty costs
Scania's product obligations are mainly related to vehicle warranties in the form of one-year “factory warranty” plus, extended warranties and, in some cases, special quality campaigns. For each vehicle sold, Scania makes a warranty provision. For extended warranties not classified as performance obligations and campaigns, a provision is made at the time of the decision.

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

Scania's product obligations can be seen in Note 16, “Other provisions” and amounted to SEK 2,378 m. (1,926) on 31 December 2023.

Repurchase obligations
Scania delivers about twelve percent of its vehicles with repurchase obligations. These are recognised as either financial or operating lease contracts depending on the terms and conditions. In consequence, revenues and earnings are allocated over the life of the obligation.

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

Based on the contract and the relationship with the customer, history has shown that the customer has an economic incentive to exercise such an 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 2023, repurchase obligations amounted to SEK 15,134 m. (17,149).

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

The Group 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 2023, the provision for doubtful receivables with Vehicles and Services amounted to SEK 689 m. (617). See also “Credit risk” under Note 27, “Financial risk management”.

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

In the long term, the increase in sales of Scania's products is deemed to be closely correlated with economic growth (GDP) in each respective market, which has been estimated at 1 percent (2). The revenue/cost ratio, or margin, for both Vehicles and Services is kept constant over time compared to the latest known level. When discounting to present value, Scania uses its average cost of capital, currently 9.1 percent (9.4–25.9) 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 2023, Scania's goodwill amounted to SEK 1,665 m. (1,640). The impairment tests that were carried out showed that there are reassuring margins before impairment losses will arise.

NOTE 2 – KEY JUDGEMENTS AND ESTIMATES, CONTINUED

Scania's development costs are capitalised in the phase of product development where decisions are made regarding future production and market introduction. At that time there is future predicted revenue and a corresponding production cost. In case future volume or the price and cost trend diverges negatively from the preliminary calculation, an impairment loss may arise. Scania's capitalised development costs amounted to SEK 14,089 m. (12,903) on 31 December 2023.

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

Pension obligations
In the actuarial methods that are used to establish Scania's pension liabilities, a number of assumptions are highly important. The most critical one is related to the discount rate on the obligations. A higher discount rate decreases the recognised pension liability. In calculating the Swedish pension liability, the discount rate used was 3,25 percent (4.0). Other vital assumptions are average life expectancy and average duration of the obligations. Changes in the above-mentioned actuarial parameters are recognised in "Other comprehensive income," net after taxes.

On 31 December 2023, provisions for pensions amounted to SEK 8,897 m. (7,853). See Note 15, "Provisions for pensions and similar commitments" and Note 1 "Accounting principles" for further details on the estimates used for calculating the pension liabilities.

Legal and tax risks
On 31 December 2023, provisions for legal and tax risks amounted to SEK 1,133 m. (976). See Note 16, "Other provisions".

Legal risks
Demands and claims aimed at the Group, including demands and claims that lead to legal proceedings, may be related to infringements of intellectual property rights, faults and deficiencies in products that have been delivered, including product liability, or other legal liability for the companies in the Group. The Group is party to legal proceedings and related claims that are normal in its operations. In addition, there are demands and claims normal to the Group's operations that do not lead to legal proceedings. In the best judgement of Scania's management, such demands and claims will not have any material impact on the financial position of the Group, beyond the provisions that have been set aside.

In 2011, Scania became subject of an investigation by the European Commission (EC) into allegedly inappropriate cooperation with all of the other European truck manufacturers. The EC served Scania a final decision in October 2017, holding Scania liable to pay fines for said cartel in the amount of around EUR 880.5 m. Scania appealed against the EC decision to the EU's General Court (GC), which rendered its judgment on 2 February 2022. In the GC judgment, Scania's appeal was dismissed in its entirety and the full amount of the fines was upheld. Scania appealed against the GC judgment in April 2022 to the European Court of Justice (ECJ) and also fulfilled its formal duty to pay the total amount of the fines (including accrued interest) even pending the outcome of the ECJ appeal proceedings. These are still in progress. In addition, Scania has received related civil claims by direct or indirect customers of Scania in multiple jurisdictions. Scania defends itself against all claims by denying any effect of the alleged cartel while also seeking to have all court proceedings stayed until such time that the ECJ has rendered its judgment."

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

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

Items affecting comparability
In February 2022, as described in the section legal risks above, the European Court of Justice rejected Scania's appeal related to the "EU truck case" and upheld the European Commission's fine. Scania increased the provision which affected 2021 operating income by SEK –5,229 m. and finance net by SEK –315 m. The full amount of the fine amounting to SEK 9,657 m. was paid in April 2022. An additional amount of negative SEK –176 m. related to currency effects was also classified as an item affecting comparability in 2022. In 2023, payments and provisions amounting to SEK –256 m. for civil claims regarding the EU truck case have been made.

During the third quarter of 2022, Scania announced its decision to dispose of its Russian operations. In connection with the announcement the disposal group was classified as assets held for sale and an impairment was made and classified as an item affecting comparability. Since it was decided to divest Financial Services in March 2023, and present the segment as discontinued the items affecting comparability related to the Financial Services segment was reclassified to "net income from discontinued operations".

In 2023, it was decided to close down part of the plant in Slupsk Poland that produces body parts for buses. Impairment and restructuring costs amounting to SEK –928 m. have been classified as items affecting comparability.

NOTE 3 – OPERATING SEGMENTS

New segment structure
As a consequence of the decision to divest the Financial Services segment to TRATON as of 1 April 2023 the Scania Group has a changed segment structure, which now consists of a single operating segment, Vehicles and Services. The comparative figures for 2022 have been restated to reflect the organisational changes.

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.

Vehicles and Services segment
The results and financial position of the Vehicles and Services operations are monitored by Scania's Board of Directors and Management. The Vehicles and Services operating segment encompasses the 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. Earnings, assets and liabilities and cash flow attributable to the Vehicles and Services operations have been allocated to this segment.

Group activities
Treasury activities consist of interest income and expenses, loan receivables, cash pool receivables and liabilities attributable to the financing of the Financial Services segment which was divested to TRATON 1 April 2023. This is presented as Group activities in the segment reporting. On 18 December 2023 the decision to sell the lending portfolio towards TRATON Financial Services to TRATON Treasury AB was taken. The transaction is expected to be finalised during the first quarter of 2024. As a consequence, the loan receivables are classified as assets held for sale.
See Note 22 Assets held for sale and discontinued operations for further information.

Reconciliation of segments to the Scania Group

	Vehicles and Services		Group activities		Eliminations		Scania Group	
January–December	2023	2022	2023	2022	2023	2022	2023	2022
Revenue	205,066	163,260	0	–	–940	–4,079	204,126	159,181
Gross income	**53,736**	**37,842**	**0**	**–**	**–6**	**0**	**53,730**	**37,842**
Operating income	**24,813**	**12,649**	**0**	**–**	**–6**	**0**	**24,807**	**12,649**
Interest income	3,582	1,467	5,135	–	–14	–	8,703	1,467
Interest expenses	–2,525	–891	–4,131	–	14	–	–6,642	–891
Other	9,536	–345	–2,137	–	–11,024	–384	–3,625	–729
Total financial items	**10,593**	**231**	**–1,133**	**–**	**–11,024**	**–384**	**–1,564**	**–153**
Income before taxes	**35,406**	**12,880**	**–1,133**	**–**	**–11,030**	**–384**	**23,243**	**12,496**
Income taxes	–7,591	–3,775	213	–	–7	–9	–7,385	–3,783
Net income from continuing operations	**27,815**	**9,105**	**–920**	**–**	**–11,037**	**–393**	**15,858**	**8,712**
Net income from discontinued operations	**–**	**–**	**1,448**	**–854**	**–**	**–**	**1,448**	**–854**
Net income for the group	**27,815**	**9,105**	**528**	**–854**	**–11,037**	**–393**	**17,306**	**7,858**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – OPERATING SEGMENTS, CONTINUED

Balance sheet	Vehicles and Services		Group activities		Eliminations		Scania Group	
31 December	2023	2022	2023	2022	2023	2022	2023	2022
Assets								
Intangible assets	16,274	14,964	–	31	–	–	16,274	14,995
Tangible assets	48,480	44,332	–	6,565	–	–6,441	48,480	44,456
Lease assets	22,154	24,843	–	83	–	–	22,154	24,926
Holdings in associated companies and joint ventures	3,024	11,606	–	–	–	–8,767	3,024	2,839
Interest–bearing receivables, non–current	855	4	–	74,887	–	–5,201	855	69,690
Other receivables, non–current	10,528	9,790	–	1,689	–	–333	10,528	11,146
Inventories	38,214	30,673	–	–	–	–	38,214	30,673
Interest–bearing receivables, current	1,442	1,005	8,302	43,179	–	–	9,744	44,184
Other receivables, current	37,102	20,538	–	6,945	–16,235	–5,395	20,867	22,088
Current investments, cash and cash equivalents	25,763	23,347	–	1,369	–	–3,718	25,763	20,998
Assets held for sale	–	–	99,692	4,668	–	–	99,692	4,668
Total assets	**203,836**	**181,102**	**107,994**	**139,416**	**–16,235**	**–29,855**	**295,595**	**290,663**
Equity and Liabilities								
Equity	81,446	70,418	–921	18,007	–	–8,800	80,525	79,625
Interest–bearing liabilities, non–current	10,272	10,534	73,227	63,136	–16,235	3,158	67,264	76,828
Provisions for pensions	8,897	7,762	–	91	–	–	8,897	7,853
Other non–current provisions	4,036	4,045	–	16	–	–	4,036	4,061
Other liabilities, non–current	26,720	25,122	–	687	–	–9,030	26,720	16,779
Interest–bearing liabilities, current	4,140	1,197	35,688	52,607	–	–6,942	39,828	46,862
Current provisions	5,568	4,545	–	33	–	–	5,568	4,578
Other liabilities, current	62,757	57,479	–	4,602	–	–8,241	62,757	53,840
Liabilities attributable to assets held for sale	–	–	–	237	–	–	–	237
Total equity and liabilities	**203,836**	**181,102**	**107,994**	**139,416**	**–16,235**	**–29,855**	**295,595**	**290,663**

Cash flow statement by segment	Vehicles and Services		Group activities		Eliminations		Scania Group	
	2023	2022	2023	2022	2023	2022	2023	2022
Cash flow from operating activities before change in working capital	29,673	21,395	1,250	4,880	–907	–4,039	30,016	22,236
Change in working capital etc.	–1,863	–16,502	–3,217	–14,862	965	3,992	–4,115	–27,372
Cash flow from operating activities	**27,810**	**4,893**	**–1,967**	**–9,982**	**58**	**–47**	**25,901**	**–5,136**
Cash flow from investing activities attributable to operating activities	–1,888	–9,409	–4,985	–56	344	417	–6,529	–9,048
Cash flow after investing activities attributable to operating activities	**25,922**	**–4,516**	**–6,952**	**–10,038**	**402**	**370**	**19,372**	**–14,184**
Gross investment for the period in								
– intangible assets	2,873	2,339	4	10	–	–	2,877	2,349
– tangible assets	10,598	7,133	25	5,269	–	–5,204	10,623	7,198
– lease assets	12,127	6,384	3	23	–3,804	–	8,326	6,407

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – OPERATING SEGMENTS, CONTINUED

Products and services Vehicles and Services	2023	2022
Trucks [1]	133,950	99,976
Buses [2]	9,160	7,984
Power solutions	4,308	3,454
Service	42,424	36,434
Used vehicles [3]	10,324	9,620
Other products	7,607	4,469
Total delivery value	**207,771**	**161,937**
Adjustment for lease income [4]	–2,706	1,324
Net sales, Vehicles and Services [6]	**205,066**	**163,260**
Eliminations [5]	–940	–4,079
Revenue from external customers	**204,126**	**159,181**

1 Of which SEK 7,084 m. (6,824) relates to lease income 2023.
2 Of which SEK 749 m. (613) relates to lease income 2023.
3 Of which SEK 350 m. (338) relates to lease income 2023.
4 Refers mainly to new trucks, SEK 1,718 m. (–1,287). 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 which was divested 1 April 2023. At Group level, the revenue from operating leases shall consist of accrued income in the Vehicles and Services segment and interest income in the Financial Services segment, which is achieved by elimination of lease expenses.
6 Of which SEK 196,884 m. (155,484) consists of IFRS 15 revenues.

During 2023, the selling profit for vehicles subject to finance lease contracts amounted to SEK 5,092 m. (2,236) 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.	2023	2022
Expected timing of revenue recognition		
Within a year	92,763	98,933
1–5 years	22,234	19,036
After 5 years	2,314	1,982

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

Geographical areas

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

	Europe		Eurasia		Asia		America [3]		Africa & Oceania		Total	
SEK m.	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Vehicles and Services												
Revenue, January–December [1]	134,272	98,855	1,658	2,661	17,581	15,873	37,348	33,905	14,207	11,966	205,066	163,260
Assets, 31 December [2]	164,215	141,923	372	315	4,563	5,650	29,519	27,702	5,167	5,512	203,836	181,102
Gross investments [2]	9,932	7,259	8	13	1,673	428	1,594	1,495	264	277	13,471	9,472
Non-current assets	79,917	87,530	152	145	2,875	1,633	15,194	13,128	3,177	3,103	101,315	105,539

1 Revenue from external customers is allocated by location of customers.
2 Assets and gross investments, respectively (excluding lease assets), by geographic location.
3 Refers mainly to Latin America.

The main countries are specified below:

	Sweden		Brazil	
SEK m.	2023	2022	2023	2022
Vehicles and Services				
Revenue, January–December [1]	11,250	8,796	21,585	20,383
Non-current assets	43,178	45,966	9,374	8,846

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – OPERATING EXPENSES

Scania Group	2023	2022
Cost of goods sold and services rendered		
Cost of goods	–96,571	–80,988
Staff	–27,992	–23,670
Depreciation/amortisation[1]	–9,731	–10,072
Other	–16,102	–6,609
Total	**–150,396**	**–121,339**

1 Whereof impairment loss of SEK –6 m. (–18).

	2023	2022
Research and development expenses		
Staff	–5,089	–3,922
Depreciation/amortisation	–1,545	–1,483
Other[1]	–4,602	–3,394
Total	**–11,236**	**–8,799**

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

	2023	2022
Selling expenses		
Staff	–8,386	–7,324
Depreciation/amortisation[1]	–694	–665
Other	–4,474	–4,468
Total	**–13,554**	**–12,457**

1 Of which an impairment loss of SEK –10 m. (0).

	2023	2022
Administrative expenses		
Staff	–1,669	–1,479
Depreciation/amortisation	–27	–22
Other	–1,259	–1,134
Total	**–2,955**	**–2,635**

Cost of goods sold and services rendered 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 INCOME AND EXPENSES

	2023	2022
Interest income		
Bank balances and financial investments	1,263	427
Derivatives[1]	2,322	1,040
Loans to TRATON	5,118	–
Total interest income[2]	**8,703**	**1,467**
Interest expenses		
Borrowings	–3,647	–1,153
Derivatives[1]	–2,379	–1,163
Less interest expenses recognised in discontinued operations	–	2,030
Total borrowings and derivatives	**–6,026**	**–286**
Lease liabilities	–244	–158
Pension liability	–329	–270
Other	–43	–177
Total interest expenses	**–6,642**	**–891**
Total net interest	**2,061**	**576**
Net income from associated companies and joint ventures	4	–76
Other financial income[3]	2,623	978
Other financial expenses[3]	–6,252	–1,631
Total other financial income and expenses	**–3,630**	**–653**
Net financial items	**–1,564**	**–153**

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 Of which interest calculated using effective interest rate (EIR) method SEK 5,377 m. (427).
3 Refers to SEK –793 m. (359) 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 33,527 m. (49,808) and unrealised/realised losses of SEK 27,804 m. (40,903) attributable to derivatives, bank balances and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – INCOME TAXES

Tax expense/Income for the year	2023	2022
Current tax [1]	–7,192	–5,755
Deferred tax	–193	1,972
Total	**–7,385**	**–3,783**
1 Of which, taxes paid	–8,467	–5,693

Deferred tax is attributable to the following:	2023	2022
Tax related to temporary differences	797	630
Tax due to changes in tax rates and tax rules	–2	9
Tax income due to tax value of loss carry-forwards recognised during the year	0	1,107
Tax expense due to utilisation/revaluation of previously recognised tax value of tax loss carry-forwards	–1,100	–14
Tax related to change in provision to tax allocation reserve	–	240
Other deferred tax liabilities/assets [2]	112	–
Total	**–193**	**1,972**

2 A temporary tax reduction for investments in inventories was introduced in Sweden in 2021, and was applicable to the income year 2022. The tax reduction could be used income year 2022 and later. The remaining part of the tax reduction has been utilized in income year 2023 with an amount of SEK 112 m. (7) and the deferred tax asset closing balance is SEK 0 m. (112).

	2023		2022	
Reconciliation of effective tax	Amount	%	Amount	%
Income before tax	23,243		12,496	
Tax calculated using Swedish tax rate	–4,788	20,6	–2,575	20.6
Tax effect and percentage influence:				
Difference between Swedish and foreign tax rates	–1,929	8,3	–1,139	9.1
Non-taxable income	259	–1,1	323	–2.6
Non-deductible expenses [3]	–863	3,7	–224	1.8
Valuation of tax value in loss carry-forwards not previously capitalised	39	–0,2	–	–
Not recognised tax loss carry-forward	–64	0,3	–44	0.4
Adjustment for taxes pertaining to previous years	–63	0,3	29	–0.2
Changed tax rates	–4	0,0	7	–0.1
Other	28	–0,1	–160	1.3
Tax recognised	**–7,385**	**31,8**	**–3,783**	**30.3**

3 The tax effect of non-deductible expenses includes the effect of the EU Truck case provision with SEK 0 m. (36).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – INCOME TAXES, CONTINUED

Deferred tax assets and liabilities are attributable to the following:	2023	2022
Deferred tax assets		
Provisions and other liabilities	6,992	9,455
Provisions for pensions	1,485	1,375
Non-current assets	1,030	1,397
Inventories	1,757	1,214
Tax loss carry-forwards [4]	43	1,829
Offset within tax jurisdictions	–5,068	–8,763
Total deferred tax assets	**6,239**	**6,507**
Deferred tax liabilities		
Provisions and other liabilities	463	942
Non-current assets	7,494	10,543
Other	115	148
Offset within tax jurisdictions	–5,068	–8,763
Total deferred tax liabilities	**3,004**	**2,870**
Deferred tax assets (–)/tax liabilities (+), net amount	**–3,235**	**–3,637**

4 Deferred tax assets related to tax loss carry-forwards are recognised to the extent that it is likely that the loss carry-forwards can be utilised to offset profits in future tax returns. The tax effect that refers to recognised tax loss carry-forwards amounts to SEK 43 m. (1,829), and can be utilised without time limit. The tax value that refers to tax loss carry-forwards that have not been recognised amounts to SEK 564 m. (525).

Reconciliation of deferred tax assets (–)/liabilities (+), net amount	2023	2022
Carrying value on 1 January	–3,637	–2,161
Deferred taxes recognised in the year's income	193	–2,262
Exchange rate differences	–56	–174
Acquired/divested operations	541	87
Recognised in "Other comprehensive income," changes attributable to:		
– remeasurements of defined-benefit plans	–279	886
– fair value adjustment, equity instruments	3	–13
Deferred tax assets (–)/tax liabilities (+), net amount	**–3,235**	**–3,637**

NOTE 7 – DEPRECIATION/AMORTISATION

	Scania Group	
	2023	2022
Intangible assets		
Research and development expenses	934	1,230
Selling expenses	475	139
Items affecting comparability [1]	365	–
Total	**1,774**	**1,369**
Tangible non-current assets		
Cost of goods sold and services rendered	9,731	10,072
Research and development expenses	611	253
Selling expenses	219	526
Administrative expenses	27	22
Items affecting comparability [1]	255	–
Total	**10,843**	**10,873**
Total depreciation/amortisation [1]	**12,617**	**12,242**

1 In 2023 the total impairments amounted to SEK 637 m., whereof SEK 620 m. was related to the close-down of part of the production of buses in the plant in Slupsk, Poland. See Note 30 Items affecting comparability for further information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – INTANGIBLE ASSETS AND GOODWILL

	Goodwill		Development		Other intangibles [1]		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Accumulated cost								
1 January	1,689	1,412	21,548	19,226	1,645	1,509	24,882	22,147
Additions	–	–	2,808	2,314	69	35	2,877	2,349
Acquisitions of subsidiaries	32	145	–	–	–	35	32	180
Divestments of subsidiaries	–	–	–	–	–223	–	–223	–
Divestments and disposals	–	–	–	–	–70	–87	–70	–87
Reclassifications	–3	–	–	–	237	90	234	90
Exchange rate differences	2	132	2	8	–2	63	2	203
Total	**1,720**	**1,689**	**24,358**	**21,548**	**1,656**	**1,645**	**27,734**	**24,882**
Accumulated amortisation and impairment losses								
1 January	49	36	8,645	7,438	1,193	1,086	9,887	8,560
Amortisation for the year [2]	–	–	1,265	1,204	140	169	1,405	1,373
Impairment loss of the year	6	11	358	–	10	–	374	11
Divestments of subsidiaries	–	–	–	–	–194	–	–194	–
Divestments and disposals	–	–	–	–	–14	–63	–14	–63
Reclassifications	–	–	–	–	5	–50	5	–50
Exchange rate differences	–	2	1	3	–4	51	–3	56
Total	**55**	**49**	**10,269**	**8,645**	**1,136**	**1,193**	**11,460**	**9,887**
Carrying amount, 31 December	**1,665**	**1,640**	**14,089**	**12,903**	**520**	**452**	**16,274**	**14,995**
– of which capitalised expenditures for projects that have been placed in service	–	–	9,245	8,823	–	–	9,245	8,823
– of which capitalised expenditures for projects under development	–	–	4,844	4,080	–	–	4,844	4,080

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

2 Including Financial Services depreciation/amortisation of SEK 6 m.

NOTE 9 – TANGIBLE ASSETS

	Buildings and land		Machinery and equipment		Construction in progress and advance payments		Lease assets [1]		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Accumulated cost										
1 January	34,980	31,599	55,177	49,740	7,310	7,608	37,604	37,957	135,071	126,904
Additions	1,000	1,208	1,897	1,444	7,726	4,546	8,326	6,407	18,949	13,605
Acquisitions of subsidiaries	580	146	14	304	2	–	–	11	596	461
Divestment of subsidiaries	–154	–267	–190	–229	–3	–1	–102	–20	–449	–517
Divestments and disposals	–872	–662	–2,115	–1,956	–82	–6	–10,272	–8,289	–13,341	–10,913
Reclassifications	1,141	1,090	4,369	4,075	–5,832	–5,253	–2,600	–1,509	–2,922	–1,597
Exchange rate differences	–34	1,866	203	1,799	8	416	–58	3,047	119	7,128
Total	**36,641**	**34,980**	**59,355**	**55,177**	**9,129**	**7,310**	**32,898**	**37,604**	**138,023**	**135,071**
Accumulated depreciation and impairment losses										
1 January	14,981	13,173	38,030	34,309	–	–	12,678	11,298	65,689	58,780
Depreciation for the year [2]	1,599	1,469	4,101	4,283	–	–	4,897	5,156	10,597	10,908
Impairment loss for the year	93	5	170	2	–	–	–	–	263	7
Divestments of subsidiaries	–53	–127	–121	–173	–	–	–27	–8	–201	–308
Divestments and disposals	–401	–304	–1,799	–1,759	–	–	–5,583	–4,275	–7,783	–6,338
Reclassifications	–11	5	5	192	–	–	–1,183	–585	–1,189	–388
Exchange rate differences	–37	760	88	1,176	–	–	–38	1,092	13	3,028
Total	**16,171**	**14,981**	**40,474**	**38,030**	**–**	**–**	**10,744**	**12,678**	**67,389**	**65,689**
Carrying amount, 31 December	**20,470**	**19,999**	**18,881**	**17,147**	**9,129**	**7,310**	**22,154**	**24,926**	**70,634**	**69,382**
– of which Buildings	12,620	11,775	–	–	–	–	–	–	12,620	11,775
– of which Land	3,725	3,588	–	–	–	–	–	–	3,725	3,588
– of which Right-of-use assets	4,125	4,636	877	839	–	–	–	–	5,002	5,475

1 Including assets for short-term rentals and assets capitalised due to repurchase obligations.
2 Including Financial Services depreciation/amortisation of SEK 17 m.

NOTE 10 – 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 within tangible assets:

Right-of-use assets

	Buildings and land		Machinery and equipment		Total	
	2023	2022	2023	2022	2023	2022
Accumulated cost						
1 January	6,792	5,888	1,953	1,804	8,745	7,692
Additions	640	1,011	720	396	1,360	1,407
Acquisition of subsidiaries	204	–	1	–1	205	–1
Divestments of subsidiaries	–87	–	–52	–	–139	–
Divestments and disposals	–825	–613	–831	–326	–1,656	–939
Transfers	–3	109	–33	–1	–36	108
Exchange rate differences	–71	397	5	81	–66	478
Total	**6,650**	**6,792**	**1,763**	**1,953**	**8,413**	**8,745**
Accumulated depreciation and impairment losses						
1 January	2,156	1,531	1,114	904	3,270	2,435
Depreciation for the year	822	754	566	475	1,388	1,229
Acquisitions of subsidiaries	–	–	–	–1	–	–1
Divestments of subsidiaries	–36	–	–28	–	–64	–
Impairment loss for the year	–	5	–	–	–	5
Divestments and disposals	–377	–250	–791	–307	–1,168	–557
Transfers	–1	8	22	–	21	8
Exchange rate differences	–39	108	3	43	–36	151
Total	**2,525**	**2,156**	**886**	**1,114**	**3,411**	**3,270**
Carrying amount, 31 December	**4,125**	**4,636**	**877**	**839**	**5,002**	**5,475**

Amounts recognised in profit and loss	2023	2022
Depreciation expense on right-of-use assets	–1,389	–1,229
Interest expense on lease liabilities	–243	–158
Expense relating to short-term leases	–85	–79
Expense relating to leases of low value assets	–222	–173
Total	**–1,939**	**–1,639**

At 31 December 2023, the Group is committed to SEK 66 m. (92) for short-term leases. The total cash outflow for leases amount to SEK 1,613 m. (1,698).

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	2023	2022
Extension options	–543	–642
Termination options	–5	–6
Leases not yet commenced (contractual commitment)	–13	–2

Lease liabilities

	2023	2022
Interest-bearing liabilities – non-current	4,113	4,378
Interest-bearing liabilities – current	1,065	1,160
Total	**5,178**	**5,538**

	2023	2022
Maturity analysis		
Not later than 1 year	1,273	1,321
Later than 1 year and not later than 5 years	4,224	4,074
Later than 5 years	872	1,073

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

NOTE 11 – HOLDINGS IN ASSOCIATED COMPANIES AND JOINT VENTURES

	2023	2022
Carrying amount, 1 January	1,121	1,074
Acquisitions, capital contributions, divestments and impairment losses during the year [1]	145	0
Exchange rate differences	–19	128
Share of income for the year [2]	4	–76
Dividend	–5	–5
Carrying amount, 31 December	**1,246**	**1,121**
Contingent liabilities	–	–

1 In 2023 Scantinel Photonics GmbH was classified as an Associated company after an additional investment of SEK 66 m.
2 In 2023 SEK 127 m. was attributable to a dilution of ownership in sennder GmbH. sennder made directed new share issues, which resulted in a decrease of Scania's shareholding from 13.69 to 12.36 percent.

Associated companies			Value of Scania's share in consolidated financial statements	
Corporate ID number/ Country of registration	Ownership, %	Carrying amount in the parent company	2023	2022
BITS DATA i Södertälje AB, 556121-2613, Sweden	33	2	5	9
ScaValencia S.A., A46332995, Spain	26	17	39	34
Telematics GmbH, HRB 203799, Germany	46.73	18	0	1
sennder GmbH, HRB 170455, Germany	12.36	307	258	244
Scantinel Photonics GmbH, HRB 739053, Germany	47.14	143	115	–
Holdings in associated companies		**487**	**417**	**288**
Share of:				
– Net income			–23	–110
– Total comprehensive income			–23	–110

Joint ventures			Value of Scania's share in consolidated financial statements	
Corporate ID number/ Country of registration	Ownership, %	Carrying amount in the parent company	2023	2022
Cummins-Scania XPI Manufacturing LLC, 20-3394999, USA	50	555	821	825
Oppland Tungbilservice A/S, 982 787 602, Norway	50	1	4	4
Tynset Diesel A/S, 982 787 580, Norway	50	1	4	4
Holdings in joint ventures		**557**	**829**	**833**
Share of:				
– Net income			27	34
– Total comprehensive income			27	34
Holdings in associated companies and joint ventures			**1,246**	**1,121**

Cummins-Scania XPI Manufacturing LLC is a joint venture with Scania and Cummins as partners. The joint venture manufactures fuel injection systems with extra-high pressure injection (XPI). Summarised financial information regarding Scania's holdings in the joint venture Cummins-Scania XPI Manufacturing LLC:

Income statement, condensed	2023	2022
Net sales	3,472	3,094
Operating income [1]	102	34
Interest income/expenses and Other financial expenses	–49	30
Taxes	0	–1
Net income for the year	**53**	**63**
Other comprehensive income for the year	**–**	**–**
Total comprehensive income for the year	**53**	**63**
Scania Group's share (50%)	27	32

1 Depreciation amounting to SEK 107 m. (115) is included in Operating income.

NOTE 11 – HOLDINGS IN ASSOCIATED COMPANIES AND JOINT VENTURES, CONTINUED

Balance sheet, condensed	2023	2022
Non-current assets	880	839
Current investments and cash and cash equivalents	76	118
Other current assets	990	1,876
Total assets	**1,946**	**2,833**
Equity	1,642	1,650
Other current liabilities	304	1,183
Total equity and liabilities	**1,946**	**2,833**
Scania Group's share of equity (50%)	821	825
Carrying amount	**821**	**825**

NOTE 12 – INVENTORIES

	2023	2022
Raw materials, components and supplies	7,417	6,529
Work in progress	2,859	2,854
Finished goods [1]	27,938	21,290
Total [2]	**38,214**	**30,673**

1 Whereof used vehicles SEK 1,855 m. (1,062).
2 Whereof value adjustment reserve SEK –1,260 m. (–764).

NOTE 13 – OTHER RECEIVABLES

	2023	2022
Prepaid expenses and accrued income	168	442
Derivatives with positive market value	1,526	2,158
Advance payments	1	78
Pension asset	239	160
Other receivables	1,349	1,165
Total other non-current receivables	**3,283**	**4,003**
Prepaid expenses and accrued income	1,834	2,260
Derivatives with positive market value	550	639
Value-added tax	1,807	2,404
Advance payments	873	875
Other receivables	3,008	3,137
Total other current receivables	**8,072**	**9,315**
Total other receivables	**11,355**	**13,318**

NOTE 14 – EQUITY

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

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

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

NOTE 14 – EQUITY, CONTINUED

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 539 m. (3,740) arose as a result of the Swedish krona's weakening against currencies important to Scania. The exchange rate differences were mainly due to that the krona has weakened against the BRL, EUR and USD.

Retained earnings consist not only of accrued profits but also of the change in pension liability attributable to remeasurements of defined-benefit plans etc. recognised in "Total other comprehensive income." Regarding changes in actuarial assumptions, see also Note 15, "Provisions for pensions and similar commitments."

The Board of Directors proposes to the 2024 Annual General Meeting that a total amount of SEK 7,903 m. is distributed to the shareholders.

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 2023, net income attributable to non-controlling interests amounted to SEK –2 m. (0) and accumulated non-controlling interests in the company amounted to SEK 52 m. (59) as of 31 December 2023.

Reconciliation of change in number of shares outstanding	2023	2022
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 2023, the Group's equity totalled SEK 80,525 m. (79,625). 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.

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 2023 Scania's Issuer Credit Rating according to Standard and Poor's was:

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

NOTE 15 – PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

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

The Group's expenses for defined-contribution plans amounted to SEK 2,289 m. (2,215) during 2023. 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 643 m. for 2024.

The benefits listed in the plans are available to all employees if not stated otherwise.

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 multiemployer plan based on collective agreements, covering a number of different sectors.

Salaried employees are covered by the ITP plan, which is also a multiemployer 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.

NOTE 15 – PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS, CONTINUED

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 "Multiemployer 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' of 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.

Multiemployer 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 2023, Alecta's surplus, in the form of a collective consolidation level (assets in relation to the insurance obligation), amounted to 178 percent (172). 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 85 m. (95).

The Netherlands

Employees at Scania's Dutch companies are covered by the Dutch collectively agreed pension plans, which are multiemployer defined benefit plans. The plans Pensioenfonds Metaal en Techniek (PMT) and Bedrijfstakpensioenfonds Metalektro (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 247 m. (185). The consolidation level of PMT was 111 percent (106) and for PME 112 percent (109).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 – PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS, CONTINUED

Information regarding the largest plans during 2023	Sweden	Switzerland	Brazil	Great Britain
Present value of defined benefit obligations	10,953	1,315	629	697
Fair value of plan assets	–3,329	–1,566	–75	–810
Net assets not fully valued due to curtailment rule	–	12	11	157
Recognised as pension liability (+)/(asset (–)) in the balance sheet, SEK m.	**7,624**	**–239**	**565**	**44**
Breakdown into categories				
Present value of defined benefit obligations for persons in active employment, SEK m.	6,368	784	–117	–
Persons in active employment, number	11,766	285	2,209	–
Present value of defined benefit obligations for paid-up policy holders, SEK m.	1,879	–	–	339
Paid–up policy holders, number	3,224	–	–	332
Present value of defined benefit obligations for retired employees, SEK m.	2,706	531	747	358
Retired employees, number	2,900	113	1,326	271
Assumptions/Conditions				
Discount rate, %	3.3	1.4	10.1	4.5
Average life expectancy, women/men, years	88	88	86	88
Average duration of obligations, years	17.0	14.0	10.0	16.0
Sensitivity analysis concerning change in present value of obligations, SEK m.				
0.5% increase in discount rate	–1,168	–83	–13	–47
0.5% decrease in discount rate	1,316	93	12	53
1 year increase in life expectancy	380	35	37	32

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 – PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS, CONTINUED

	Expenses for pensions and similar commitments	
Expenses for pensions and other defined-benefit payments recognised in the income statement	2023	2022
Current service expenses	–221	–402
Net Interest income/expenses	–328	–270
Past service expenses	7	–
Net gains (+) and losses (–) due to curtailments and settlements	16	16
Total expense for defined-benefit payments recognised in the income statement	**–526**	**–656**

Pension expenses and other defined benefit payments are found in the income statement under the headings "Research and development expenses," SEK 46 m. (90), "Cost of goods sold," SEK 77 m. (171), "Selling expenses," SEK 60 m. (87) and "Administrative expenses," SEK 15 m. (38). The interest portion of the net liability is recognised as an interest expense and the interest portion in net assets is recognised as interest income.

	Expenses related to pensions and similar commitments	
Expenses/revenues for pensions and other defined-benefit payments recognised in "Other comprehensive income"	2023	2022
Experience-based adjustments in net liabilities	–882	–1,257
Effects of changes in demographic assumptions	–103	125
Effects of changes in financial assumptions	–707	6,354
Actual return on plan assets excluding amount included in interest income	188	–663
Changes in present value of asset ceiling not included in interest expense	187	–315
Total expense/revenue for defined-benefit payments recognised in "Other comprehensive income"	**–1,317**	**4,244**

	Pension commitments	
Recognised as provision for pensions in the balance sheet	2023	2022
Present value of defined benefit obligations, wholly or partly funded	12,346	10,474
Present value of defined benefit obligations, unfunded	2,315	2,272
Present value of defined-benefit obligations	14,661	12,746
Fair value of plan assets	–6,183	–5,400
Net assets not fully valued due to curtailment rule	179	347
Recognised in the balance sheet	**8,657**	**7,693**
– of which, pension liabilities recognised under the heading "Provisions for pensions"	8,897	7,853
– of which, pension assets recognised under the heading "Other long-term receivables"	–239	–160

	Liabilities related to pensions and similar commitments	
Present value of defined-benefit obligations changed during the year as follows:	2023	2022
Present value of defined benefit obligations, 1 January	12,746	17,314
Present value of reclassified obligations, 1 January	–	–7
Divestment of subsidiaries	–112	–
Current service expenses	221	402
Interest expenses	514	343
Payments made by pension plan participants	25	23
Experience-based actuarial gains and losses	882	1,257
Adjustment effects from changes in demographic assumptions	103	–125
Adjustment effects from changes in financial assumptions	707	–6,354
Exchange rate differences	110	348
Payments from the company's assets	–352	–311
Payments from plan assets	–159	–128
Past service expenses	–7	0
Gains and losses depending on net adjustments for the year	–17	–16
Present value of defined-benefit obligations, 31 December	**14,661**	**12,746**

NOTE 15 – PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS, CONTINUED

	Plan assets related to pensions and similar commitments	
Fair value of plan assets changed as follows during the year:	2023	2022
Fair value of plan assets, 1 January	5,400	5,159
Divestment of subsidiaries	–22	–
Interest income on plan assets	195	74
Actual return on plan assets excluding amount included in interest income	188	–663
Exchange rate differences	116	251
Payments made by employers	440	684
Payments made by pension plan participants	25	23
Payments from plan assets	–159	–128
Fair value of plan assets, 31 December	**6,183**	**5,400**

	Asset ceiling	
Present value of asset ceiling	2023	2022
Present value of asset ceiling, 1 January	347	7
Reclassification of asset ceiling, 1 January	–2	–
Interest expenses	9	1
Changes in present value of asset ceiling not included in interest expense	–187	315
Exchange rate differences	12	24
Present value of asset ceiling, 31 December	**179**	**347**

	2023		2022	
Allocation of fair value in plan assets	Quoted price in an active market	Unquoted price	Quoted price in an active market	Unquoted price
Cash and cash equivalents	153	–	158	–
Equity instruments issued by others	1,486	–	1,152	–
Debt instruments issued by Scania	–	50	–	52
Debt instruments issued by others	1,600	–	1,331	–
Properties leased to Scania companies	–	61	–	58
Equity mutual funds	709	–	684	–
Fixed income mutual funds	518	–	500	–
Real estate funds	269	–	316	–
Other investment funds	138	–	137	–
Other plan assets	794	405	559	453
Total	**5,667**	**516**	**4,837**	**563**

NOTE 16 – OTHER PROVISIONS

2023	Product obligations	Legal and tax risks	Other provisions[1]	Total
1 January	1,926	976	5,737	8,639
Provisions during the year	1,827	256	2,588	4,671
Provisions used during the year	–1,125	–65	–2,067	–3,257
Provisions reversed during the year	–237	–39	–94	–370
Divestment of subsidiaries	–	–16	–31	–47
Exchange rate differences	–12	1	–20	–32
31 December	**2,378**	**1,113**	**6,113**	**9,604**
– of which, current provisions	1,832	82	3,654	5,568
– of which, non–current provisions	546	1,031	2,459	4,036

2022	Product obligations	Legal and tax risks	Other provisions[1]	Total
1 January	1,725	9,792	5,417	16,934
Provisions during the year	1,517	393	3,031	4,940
Provisions used during the year	–1,152	–9,206	–2,369	–12,726
Provisions reversed during the year	–160	–11	–385	–556
Exchange rate differences	–4	7	43	46
31 December	**1,926**	**976**	**5,737**	**8,639**
– of which, current provisions	1,404	44	3,130	4,578
– of which, non–current provisions	522	932	2,608	4,061

1 "Other Provisions" include provisions for potential losses on service agreements. Total number of contracts increased in 2023 by 4,191 contracts and amounted to 281,291 contracts (277,100) at year-end.

NOTE 17 – ACCRUED EXPENSES AND DEFERRED INCOME

	2023	2022
Accrued employee-related expenses	9,565	8,795
Deferred income related to service and repair contracts	9,329	7,355
Deferred income related to repurchase obligations[1]	17,328	5,183
Other accrued expenses and deferred income	5,275	5,782
Total	**41,497**	**27,115**
– of which, current	23,504	19,730
– of which, non-current	17,993	7,385
Of the above total, the following was attributable to Financial Services operations	–	1,416

1 Of the above deferred income related to vehicles sold with repurchase obligations, SEK 1,836 m. (1,799) is expected to be recognised as revenue within 12 months. SEK 188 m. (238) 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.	2023	2022
Contract liabilities as of 1 January	7,355	6,866
New and completed contracts	1,985	78
Exchange rate adjustments	–11	411
Contract liabilities as of 31 December	**9,329**	**7,355**

Sales revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period totalled SEK 3,089 m. (3,334).

NOTE 18 – ASSETS PLEDGED AND CONTINGENT LIABILITIES

Assets pledged	2023	2022
Financial receivables	–	8,812
Total [1]	**–**	**8,812**
[1] of which, assets pledged for:		
Long-term borrowing	–	6,500
Short-term borrowing	–	2,312

Contingent liabilities	2023	2022
Contingent liability related to FPG credit insurance	150	129
Other guarantees	252	64
Other contingent liability related to tax	1,090	1,100
Total	**1,492**	**1,293**

In addition to the above contingent liabilities, the Group has issued vehicle repurchase guarantees worth SEK 8 m. (10) to customers' creditors.

NOTE 19 – GOVERNMENT GRANTS AND ASSISTANCE

During 2023, the Scania Group received government grants amounting to SEK 43 m. (80) attributable to operating expenses of SEK 283 m. (531). Scania also received government grants of SEK 39 m. (23) attributable to investments with a gross cost of SEK 110 m. (44).

NOTE 20 – CASH FLOW STATEMENT

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

	2023	2022
a. Interest and dividends received/paid		
Dividends received from associated companies	5	5
Interest received	5,232	7,112
Interest paid	–2,982	–3,650

	2023	2022
b. Items not affecting cash flow		
Depreciation/amortisation [1]	12,603	12,299
Associated companies	1	81
Provision for pensions	–268	–345
Impairment/capital loss sale of operations in Russia [2]	1,012	3,230
Other	165	265
Total	**13,513**	**15,530**

1 Including SEK –14 m. (57) from discontinued operations.

2 Recognised as items affecting comparability and net income from discontinued operations in the income statement, see Note 30, "Items affecting comparability".

	2023	2022
c. Discontinued Operations: Net investments in credit portfolio etc.		
New financing [3]	–17,590	–64,074
Payments of principal and completed contracts	13,986	50,984
Total	**–3,604**	**–13,090**

3 Refers mainly to financing of customers purchases until March 2023.

	2023	2022
d. Net investment through acquisitions/divestments of businesses [4]		
Divestments of businesses	5,551	139
Acquisitions of businesses	54	–907
Total	**5,605**	**–768**

4 See Note 21, "Acquired and divested businesses."

	2023	2022
e. Acquisitions of non-current assets		
Investments in non-current assets [5]	–12,088	–8,156
Divestments of non-current assets	396	72
Investments in shares in other companies	–442	–196
Total	**–12,134**	**–8,280**

5 Of which, SEK 2,808 m. (2,314) in capitalised research and development expenditures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 – CASH FLOW STATEMENT, CONTINUED

	2023	2022
f. Change in debt through financing activities		
Decrease in current liabilities	–29,796	–41,240
Increase in current liabilities	23,191	22,888
Decrease in non-current liabilities	–29	–3,783
Increase in non-current liabilities	16,134	35,088
Lease liabilities	–1,317	–1,364
Total	**8,183**	**11,589**

Reconciliation of liabilities arising from financing activities

	2022	Acquired/ Divested loans during the year	Cash flow	Non-cash changes			2023
	Opening balance			Foreign exchange movements	Re-classifications	New leases	Ending balance
Non-current interest-bearing liabilities [6]	72,450	–16,754	16,105	–80	–8,569	–	63,152
Current interest-bearing liabilities [6, 7]	45,053	–9,367	–6,605	–236	8,569	–	37,414
Lease liabilities	5,539	–	–1,317	–404	–	1,360	5,178
	123,042	**–26,121**	**8,183**	**–720**	**0**	**1,360**	**105,744**
Cash and cash equivalents	22,489 [8]	–	3,705	–1,402	–	–	24,792
Total	**145,531**	**–26,121**	**11,888**	**–2,122**	**0**	**1,360**	**130,536**

	2021	Acquired/ Divested loans during the year	Cash flow	Non-cash changes			2022
	Opening balance			Foreign exchange movements	Re-classifications	New leases	Ending balance
Non-current interest-bearing liabilities [6]	57,753	–	31,305	4,049	–20,657	–	72,450
Current interest-bearing liabilities [6, 7]	36,466	2,504	–18,352	3,778	20,657	–	45,053
Lease liabilities	5,542	–	–1,364	–44	–	1,405	5,539
	99,761	**2,504**	**11,589**	**7,783**	**0**	**1,405**	**123,042**
Cash and cash equivalents	29,262	–	–7,570	797	–3,364 [8]	–	19,125 [8]
Total	**129,023**	**2,504**	**4,019**	**8,580**	**–3,364**	**1,405**	**142,167**

6 See Note 22, "Assets held for sale and discontinued operations."
7 Excluding accrued interest of SEK 896 m., internal loans of SEK 401 m. and cashpool liabilities of SEK 52 m.
8 The opening balance for 2023 of SEK 22,489 m. includes SEK 3,364 m. which had been reclassified as assets held for sale in 2022.

	2023	2022
g. Cash and cash equivalents		
Cash and bank balances	4,462	8,380
Short-term investments comprising cash and cash equivalents	20,330	10,745
Total	**24,792**	**19,125**

NOTE 21 – ACQUIRED AND DIVESTED BUSINESSES

Acquisitions 2023
No significant acquisitions were made during 2023.

Acquisitions 2022
The acquisitions of business combinations executed during 2022 are specified in the table below. All acquisitions were made through the purchase of 100 percent of shares and voting rights. Annual revenue and number of employees reflect the latest known information at the date of the respective transaction.

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

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

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

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

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

NOTE 21 – ACQUIRED AND DIVESTED BUSINESSES, CONTINUED

Divestments 2023

On 17 January 2023, Scania divested the financial operations in Russia to companies within Volkswagen Group. The divestment of the financial operations resulted in an impairment loss of SEK –2,294 m. which was recognised in 2022. In addition, negative currency translation effects in other comprehensive income of SEK –1,012 m. was recycled to the income statement (line item Net income for the period from discontinued operations) in 2023. The cash flow was positively impacted by SEK 1,150 m. from the divestment. The divestment of the financial operations in Russia means that Scania has completed the disposal of all its operations in Russia.

On 1 April 2023, Scania divested the Financial Services segment to TRATON, as a part of the ongoing transformation of TRATON. The divestment of the Financial Services segment resulted in a net gain of SEK 2,029 m. whereof positive currency translation effects in other comprehensive income of SEK 1,097 m. that was recycled to the income statement. The total gain of SEK 2,029 m. is presented within Net income for the period from discontinued operations. The cash flow was positively impacted by SEK 4,402 m. from the divestment. In December 2023, Scania Admin. de Consorcios was transferred to TRATON through a dividend in kind and not through a sale.

Details on divestment SEK million	Financial Services	Russian operations	Total
Sales price [1]	**15,227**	**4,514**	**19,741**
Carrying amount of divested net assets	14,295	4,514	18,809
Translation differences from exchange rate differences reversed from other comprehensive income	1,097	–1,012	85
Net gain/loss (affecting net income in discontinued operations)	**2,029**	**–1,012**	**1,017**

1 Out of the total sales price of Financial Services, SEK 9,500 m. was offset against dividend to shareholders.

Cash effect of divestment SEK million	Financial Services	Russian operations	Total
Consideration received in cash	5,685	4,514	10,199
Cash and cash equivalents in divested entities	–1,283	–3,364	–4,647
Impact on the Group's cash and cash equivalents	**4,402**	**1,150**	**5,552**

Net assets at the time of sale SEK million	Financial Services	Russian operations	Total
Assets			
Intangible assets	32	0	32
Tangible assets	95	–	95
Lease assets	6,519	–	6,519
Shares and participations	2	0	2
Interest-bearing receivables, non-current	74,362	1,290	75,652
Other receivables, non-current	6,985	0	6,985
Interest-bearing receivables, current	44,637	0	44,637
Other receivables, current	6,566	97	6,663
Current investments	–232	0	–232
Cash and cash equivalents	1,283	3,364	4,647
Liabilities			
Interest-bearing liabilities, non-current	65,451	2	65,453
Provisions for pensions	93	0	93
Other non-current provisions	17	0	17
Other liabilities, non-current	689	11	700
Interest-bearing liabilities, current	55,954	3	55,957
Current provisions	88	0	88
Other liabilities, current	3,662	221	3,883
Net identifiable assets	**14,295**	**4,514**	**18,809**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 – ACQUIRED AND DIVESTED BUSINESSES, CONTINUED

The divestments of business combinations made during 2023 are specified in the table below.

Company	Date of divestment
Russian Operations	
OOO Scania Finance	January 17, 2023
OOO Scania Leasing	January 17, 2023
OOO Scania Strachovanie	January 17, 2023
Financial Services	
Scania Credit AB	April 1, 2023
Scania Finance Holding AB	April 1, 2023
Scania Finans AB	April 1, 2023
Scania Credit Argentina S.A.U.	April 1, 2023
Scania Finance Australia Pty Ltd.	April 1, 2023
Scania Leasing Österreich GmbH	April 1, 2023
Scania Österreich Holding GmbH	April 1, 2023
Scania Finance Belgium N.V.	April 1, 2023
Scania Banco S.A.	April 1, 2023
Scania Corretora de Seguros Ltda.	April 1, 2023
SCANIA LOCAÇÃO LTDA	April 1, 2023
Scania Finance Bulgaria EOOD	April 1, 2023
Scania Finance Chile S.A.	April 1, 2023
Scania Financial Leasing (China) Co Ltd.	April 1, 2023
Scania Finance Colombia S.A.S.	April 1, 2023
Scania Credit Hrvatska d.o.o.	April 1, 2023
Scania Finance Czech Republic spol. s r.o.	April 1, 2023
Scania Finance Deutschland GmbH	April 1, 2023
Scania Versicherungsvermittlung GmbH	April 1, 2023
Scania Finance Great Britain Ltd.	April 1, 2023
Scania Finance Magyarország Zrt.	April 1, 2023
Scania Lízing Kft.	April 1, 2023
Scania Finance Ireland Ltd.	April 1, 2023
Scania Finance Israel Ltd.	April 1, 2023
Scania Finance Italy S.p.A.	April 1, 2023

Company	Date of divestment
Scania Finance Luxembourg S.A.	April 1, 2023
Scania Credit (Malaysia) Sdn. Bhd.	April 1, 2023
Scania Finance Mexico S.A de C.V SOFOM E.N.R.	April 1, 2023
Scania Finance New Zealand Limited	April 1, 2023
Scania Services del Perú S.A.	April 1, 2023
Scania Finance Polska Sp.z.o.o.	April 1, 2023
Scania Insurance Polska Sp.z.o.o.	April 1, 2023
Scanrent – Alguer de Viaturas sem Condutor, S.A.	April 1, 2023
Scania Credit Romania IFN S.A.	April 1, 2023
Scania Regional Agent de Asigurare S.R.L.	April 1, 2023
Scania Rent Romania S.R.L.	April 1, 2023
Scania Credit Singapore Pte. Ltd.	April 1, 2023
Scania Finance Slovak Republic s.r.o.	April 1, 2023
Scania Leasing d.o.o.	April 1, 2023
Scania Credit Solutions Pty Ltd.	April 1, 2023
Scania Finance Southern Africa (Pty) Ltd.	April 1, 2023
Scania Finance Korea Ltd.	April 1, 2023
Scania Commercial Vehicles Renting S.A.	April 1, 2023
Scania Finance Hispania EFC S.A.	April 1, 2023
Scania Finance Schweiz AG	April 1, 2023
Scania Credit Taiwan Ltd.	April 1, 2023
Scania Credit Solutions Tanzania	April 1, 2023
Scania Siam Leasing Co. Ltd.	April 1, 2023
Scania Finance Nederland B.V.	April 1, 2023
Scania Insurance Nederland B.V.	April 1, 2023
TOV Scania Credit Ukraine	April 1, 2023
Scania Finance France S.A.S.	May 12, 2023
Scania Location S.A.S.	May 12, 2023
Scania Leasing BH d.o.o.	November 14, 2023
Scania Leasing RS d.o.o.	November 30, 2023
Scania Administradora de Consórcios Ltda.	December 13, 2023

NOTE 21 – ACQUIRED AND DIVESTED BUSINESSES, CONTINUED

Divestments 2022

The divestments of business combinations made during 2022 are specified in the table below.

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

On 13 September 2022 Scania announced its intention to dispose of the commercial and financial businesses in Russia and the net assets were reported as assets held for sale in the third quarter of 2022.

On 14 December 2022 the commercial entities were divested. The loss from the divestment amounted to SEK –1,012 m. including translation differences of SEK –374 m. and has been reported as an item affecting comparability in the income statement, see Note 30 Items affecting comparability.

Details on divestment SEK million	Russian commercial entities
Sales price	**825**
Carrying amount of divested net assets	1,464
Translation differences from exchange rate differences reversed from other comprehensive income	–374
Net gain/loss	**–1,012**

Cash effect of divestment SEK million	Russian commercial entities
Consideration received in cash	825
Cash and cash equivalents in divested entities	–953
Impact on the Group's cash and cash equivalents	**–128**

Net assets at the time of sale SEK million	Russian commercial entities
Assets	
Intangible assets	0
Tangible assets	132
Lease assets	13
Other receivables, non-current	35
Inventories	227
Other receivables, current	133
Cash and cash equivalents	953
Liabilities	
Other liabilities, non-current	3
Interest-bearing liabilities, current	0
Other liabilities, current	27
Net identifiable assets	**1,464**

NOTE 22 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Discontinued operations

In April 2023, the Financial Services segment was divested to TRATON. As of 31 March 2023, the segment is reported as a discontinued operation in the income statement of the Scania Group. The net income of the former Financial Services segment is included in the Scania Group's net income up until 31 March 2023. A few entities were divested later during the year and the financial services operations in Russia to Volkswagen earlier in January 2023. The net income of these subsidiaries have been included in net income form discontinued operations up until the divestment date. As of 31 December 2023 no assets and liabilities related to former subsidiaries in the Financial Services segment are included in assets held for sale.

Income statement discontinued operations SEK million	2023	2022
Revenue	3,146	10,823
Cost of goods sold and services rendered	–2,082	–7,040
Gross income	**1,064**	**3,783**
Selling expenses	–542	–1,988
Other income	389	2,049
Other expenses	–200	–1,647
Items affecting comparability [1]	–1,012	–2,294
Operating income	**–301**	**–97**
Total financial items	–1	–
Income before income tax	**–302**	**–97**
Income tax	–279	–757
Net income from Financial Services segment	**–581**	**–854**
Capital gain/loss	**2,029**	**–**
Net income from discontinued operations	**1,448**	**–854**

1 In 2023, Items affecting comparability within discontinued operations includes SEK –1,012 m. related to recycling of currency effects from other comprehensive income from the sale of the Russian Financial Services segment. In 2022, items affecting comparability refers to impairments on assets connected to the sale of the Russian Financial Services operations.

Cash flow statement discontinued operations SEK million	2023	2022
Cash flow from operating activities	–1,967	–9,982
Cash flow from investing activities	–4,985	–56
Cash flow from financing activities	2,352	–
Cash flow from discontinued operations	**–4,600**	**–10,038**

Assets and liabilities held for sale

On 18 December 2023 a decision to sell the lending portfolio towards TRATON Financial Services to TRATON Treasury AB was taken. As a consequence, these loan receivables were reclassified as assets held for sale in the balance sheet as of 31 December 2023.

Net assets held for sale SEK million	2023	2022
Interest-bearing receivables, non-current	55,413	–
Interest-bearing receivables, current	44,068	1,208
Other receivables, current	–	96
Deferred tax asset	213	–
Current investments	–	3,364
Assets held for sale [1]	**99,692**	**4,668**
Interest-bearing liabilities, non-current	–	13
Interest-bearing liabilities, current	–	224
Liabilities directly attributable to assets held for sale [1]	**–**	**237**
Net assets held for sale	**99,692**	**4,431**

1 In 2022, assets and liabilities held for sale refer to the Russian Financial Services operations. The divestment was completed in January 2023. For further information see Note 21 Acquisitions and divestments of businesses. In 2023, assets held for sale refer to the treasury loan receivables related to TRATON Financial Services. As a result of this change in the business model new loans will be carried at fair value going forward until the estimated conclusion of the sale in the first quarter 2024.

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)	2023	2022
Boards of Directors, Presidents and Executive Vice Presidents [1]	447	411
– of which bonuses	157	151
Other employees	27,319	23,306
Subtotal	**27,766**	**23,717**
Pension expenses and other mandatory payroll fees	8,320	8,010
– of which pension expenses [2]	2,487	2,602
Total	**36,087**	**31,727**

1 The number of board members and executive officers was 644 (548).
2 Of the pension expense in the group, SEK 26 m. (17) was for Boards of Directors and executive officers in the Scania Group. At year-end, the total pension obligation was SEK 193 m. (193) for this category.

	2023		2022	
Average number of employees (excluding personnel on hire)	Total	Women	Total	Women
Sweden	22,093	26%	19,353	25%
Europe (excluding Sweden)	17,185	15%	16,539	14%
Eurasia	214	15%	516	23%
America	9,851	15%	9,804	14%
Asia	2,456	23%	1,886	22%
Africa and Oceania	1,825	20%	1,970	21%
Total	**53,624**	**20%**	**50,068**	**19%**

Gender distribution	2023	2022
Board members in subsidiaries and the Parent Company	494	414
– of whom, men	438	365
– of whom, women	56	49
Presidents/Managing Directors of subsidiaries and the Parent Company, plus the Group’s Executive Board	150	134
– of whom, men	144	115
– of whom, women	6	19

Number of employees, 31 December	2023	2022
Vehicles and Services		
Production and corporate units	31,743	30,179
Research and development	5,927	5,857
Sales and service companies	20,493	19,648
Total	**58,163**	**55,684**
– of whom, on temporary contracts and on hire	7,329	7,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24 – RELATED PARTY TRANSACTIONS

The Scania Group's related parties, within the meaning of IAS 24 "Related Party Disclosures", consist of the entities over which Scania can exercise, a controlling, or significant influence, in terms of the financial and operating decisions that are made, as well as those entities and physical persons that are able to exercise a controlling or significant influence over the financial and operating decisions of the Scania Group.

The related parties of Scania are:

• all companies included in the Volkswagen Group

• associated companies and joint ventures

In the table, transactions with entities within the TRATON Group are separated from the transactions with other Volkswagen Group companies. Since April 1 2023, as a result of the divestment of Scania Financial Services, all Scania Group's transactions with Scania's former subsidiaries within the segment Financial Services are included in the transactions with related parties. These transactions are presented within the line item TRATON Financial Services in the table.

On 17 January 2023, Scania divested the financial operations in Russia to companies within the Volkswagen Group. On 1 April 2023, Scania divested the Financial Services segment to TRATON, as a part of the ongoing transformation of TRATON. These transaction were made at market terms, see Note 21 "Acquired and divested businesses" for more details regarding these transactions. On 13 December 2023, Scania Admin. de Consórcios was transferred to TRATON through a dividend in kind, and not through a sale. The dividend in kind was assessed as a common control transaction and recognised in equity at an amount corresponding to the book value of the net asset in the Scania Group.

To ensure the supply of purchased parts for battery-driven vehicles Scania has entered into a purchase agreement with Northvolt, which is an associate of the Volkswagen Group. No purchases have been made during 2022 and 2023.

Purchases and leases of company cars are included in the transactions with the TRATON GROUP. TRATON GROUP receivables mainly refer to short-term investments which are included in the Scania Group's cash and cash equivalents. Receivables with the Volkswagen Group includes cash and cash equivalents related to assets held for sale of SEK 3,184 m. Receivables from associated companies and joint ventures include other non-current financial receivables from sennder, an associate of Scania Group, in the form of a convertible loan.

Disclosures of relationships with related parties that include a controlling influence are provided in Note 31 Shares and participations in subsidiaries. See also the presentation of Scania's Board of Directors and Executive Board as well as Note 25, "Compensation to executive officers." Disclosures of dividends from, and capital contributions to, associated companies and joint ventures etc. are provided in Note 11, "Holdings in associated companies and joint ventures." Disclosures of pension plans are provided in Note 15, "Provisions for pensions and similar commitments" and Note 23, "Wages, salaries and other remuneration and number of employees."

All related party transactions occur on market terms.

	Revenue		Expenses		Receivables		Liabilities	
	2023	2022	2023	2022	2023	2022	2023	2022
Volkswagen Group [1]	52	17	1,504	1,238	979	4,527	772	632
TRATON GROUP [2]	2,148	493	2,036	341	20,786	11,152	73,311	37,597
TRATON Financial Services	2,890	–	1,137	–	109,429	–	16,136	–
Associated companies and joint ventures	450	337	618	626	405	56	0	2

1 Excluding TRATON GROUP.
2 Excluding TRATON Financial Services.

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 remuneration (Profit bonus and LTI)
3. Pension

The fixed salary of the 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 profit bonus is dependent on Scania Group´s Return on Sales, Return on Capital Employed (adjusted), Sustainability target (ESG). The long-term incentive (LTI) in the form of the performance share plan with a forward looking four-year term. For the CEO, part of the annual fixed salary is paid from TRATON SE. The CEO has variable remuneration profit bonus based on the TRATON operations 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.

Long-term incentive plan – CEO
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 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 TRATON SE shares.

NOTE 25 – COMPENSATION TO EXECUTIVE OFFICERS, CONTINUED

If the employment contract begins or ends in the course of a year, the target amount for the LTI is calculated pro rata temporis 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 TRATON SE shares.

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. In "bad leaver" cases, which are defined in the relevant performance share plan (in particular in the case of the extraordinary termination), 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. In the event of misconduct (including breaches of oversight or organisational duties as a "Culture Integrative Corrective") salary clawbacks are stipulated, which can lead to a reduction or the complete forfeiture of the LTI, or to the clawback of an LTI that has already been paid out.

In the 2023 financial year, the following performance shares were awarded to the CEO:

A total of 54,241 (36,719) performance shares (Scania) were awarded to Mr. Christian Levin for the time period between 1 January 2023 and 31 December 2023, when he was both CEO of Scania and TRATON SE. The fair value of the performance shares obligation as of 31 December 2023, was SEK 16,312 thousand (3,801). The expenses under the plan amounted to SEK 12,406 thousand (2,173). The intrinsic value of the obligation would have been SEK 4,053 thousand (0), if the CEO had left the company on 31 December 2023.

Long-term incentive plan – The rest of the Executive Board
The long-term incentive plan for the rest of the executive board, in the form of the performance share plan has a forward looking four-year term. The LTI was introduced in January 2022. A new performance period starts at the beginning of each fiscal year.

At the beginning of each new performance period the rest of the Executive Board is conditionally awarded a certain number of performance shares. The number of performance shares depends on the individual target amounts and on the calculated price of TRATON SE shares.

If the service relationship or the entitlement to participate in the Performance Share Plan begin or end during a year, the Target Amount – and thus the number of Performance Shares awarded – shall be reduced pro rata temporis.

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 TRATON SE shares.

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, all the performance shares of a current performance period are forfeited and not replaced or otherwise compensated. In the event of misconduct salary clawbacks are stipulated, which can lead to a reduction or the complete forfeiture of the LTI, or to the claw back of an LTI that has already been paid out.

Under the Performance Share Plan the Executive Board Members were awarded a total of 57,875 (29,999) performance shares for the fiscal year 2023. The fair value of the performance shares obligation as of 31 December 2023, was SEK 11,604 thousand (5,278). The expenses under the plan amounted to SEK 7,433 thousand (4,184). The intrinsic value of the obligation would have been SEK 5,403 thousand (2,030), if the members of the Executive Board had left the company on 31 December 2023.

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

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

NOTE 25 – COMPENSATION TO EXECUTIVE OFFICERS, CONTINUED

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. Members of the executive board covered by the defined contribution ITP plan are also covered under defined contribution pension plan with payment up to 65 years

Compensation to executive officers	2023		2022	
SEK thousand	President and CEO	Rest of Executive Board	President and CEO	Rest of Executive Board
Fixed salary	6,791	25,872	6,489	21,329
Variable salary	10,316	38,862	5,150	27,528
LTI	12,406	7,433	2,173	4,184
Other remuneration [1]	340	2,753	348	1,521
Total salary and remuneration	**29,853**	**74,920**	**14,160**	**54,562**
Pension expenses, defined contribution system [2]	8,105	8,895	7,740	7,135
Pension expenses, defined benefit pension system [3]	491	3,200	494	2,564
Total pension expenses	**8,596**	**12,095**	**8,234**	**9,699**
Pension obligations	**6,156**	**25,812**	**5,024**	**25,257**

1 Includes the taxable portion of car allowance, newspaper subscriptions and other perquisites.
2 Annual premiums according to a defined contribution pension system and ITPK (defined contribution portion of the ITP occupational pension).
3 Risk insurance premiums and the increase of retirement pension liability according to the ITP occupational pension plan.

Board remuneration, SEK thousand	2023	2022
Chairman of the Board		
Dr. Michael Jackstein [1]	–	–
Annette Danielski [2]	–	–
Board members		
Christian Levin	–	–
Lilian Fossum Biner	700	700
Gunnar Kilian	–	–
Julia Kuhn-Piëch	550	550
Nina Macpherson	700	700
Christian Porsche	550	550
Mark Philip Porsche	550	550
Stephanie Porsche-Schröder	700	700
Peter Wallenberg Jr.	550	550

1 Dr. Michael Jackstein was elected on 4 May 2023.
2 Annette Danielski resigned on 1 April 2023.

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” refer 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.

	2023		2022	
Auditing firm	EY	Other auditors	EY	Other auditors
Auditing assignments	55 [1]	1 [2]	48 [1]	4 [2]
Auditing activities beyond auditing assignments	1	1	1	0
Tax consultancy	0	1	1	4
Other services	0	0	1	0
Total	**56** [3]	**4** [4]	**50** [3]	**9** [4]

1 Whereof SEK 3 m. (12 m) related to discontinued operations.
2 Whereof SEK 1 m. (2 m) related to discontinued operations.
3 Whereof SEK 4 m. (12 m) related to discontinued operations.
4 Whereof SEK 1 m. (2 m) related to discontinued operations.

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 liquidity, currency, interest rate, credit and refinancing risk, which are regulated by Scania Group Policies adopted by Scania’s Board of Directors.

During 2023 the Financial Services was sold to TRATON which has had a great impact on the financial risks of Scania disclosed in this note.

On 18 December 2023 the decision to sell the lending portfolio towards TRATON Financial Services to TRATON Treasury AB was taken. As a consequence, these loan receivables were reclassified as assets held for sale on December 31, 2023 and are not included in this note. For more information about the assets held for sale, please see Note 22 Assets held for sale and discontinued operations.

Financial risks are managed primarily at corporate level by Scania’s treasury unit. On a daily basis, the corporate treasury unit measures the risks of outstanding positions, which are managed within established limits in compliance with the Scania Group Policy – Treasury.

Liquidity risk

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

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

Local cash funds in certain countries (e.g. Brazil, China, India 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).

NOTE 27 – FINANCIAL RISK MANAGEMENT, CONTINUED

- Revenue, expenses, assets and liabilities in a functional currency other than the reporting currency of the Parent Company (SEK) are translated at the average exchange rate during the year and the exchange rate on the balance sheet date, respectively. The effect that arises because the exchange rate on the balance sheet date is changed from the beginning of the year and the average exchange rate of the year deviates from the balance sheet rate is recognised in the translation reserve in other comprehensive income (translation effect).

During 2023, 95 (95) percent of Scania's sales occurred in countries outside Sweden. Since a large proportion of production occurs in Sweden, at costs denominated in Swedish kronor, this means that Scania has large net inflows of foreign currencies.

During 2023, total currency exposure in Scania's operating income increased to about SEK 81,800 m. (54,800) due to divestment of Financial Services. The largest currencies in this flow were EUR, GBP and USD. 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	2023	2022
Euro (EUR)	32,200	12,300
British pound (GBP)	10,300	9,400
US dollar (USD)	8,500	10,000
Mexican peso (MXN)	5,400	1,300
Norwegian krone (NOK)	4,000	3,700
Danish krone (DKK)	3,200	2,700
Brazilian real (BRL)	3,200	1,000
Australian dollar (AUD)	2,800	2,200
Korean won (KRW)	2,700	3,300
Swiss franc (CHF)	2,700	1,900
South African rand (ZAR)	2,600	1,900
Taiwan dollar (TWD)	1,600	2,100
Other currencies	2,600	3,000
Total currency exposure in operating income	**81,800**	**54,800**

Based on revenue and expenses in foreign currencies during 2023, a ten percentage point change in the Swedish krona against other currencies, excluding currency hedges, has an impact on operating income of about SEK 8,180 m. (5,480) on an annual basis. In Vehicles and Services, compared to 2022, the total currency rate effects amounted to SEK 4,392 m. (4,687).

Sensitivity analysis per currency, Scania Group	Operating income		Net assets	
	2023	2022 [1]	2023	2022 [1]
SEK m.	+/-10%	+/-10%	+/-10%	+/-10%
SEK/EUR	3,220	1,230	130	840
SEK/GBP	1,030	940	–30	140
SEK/USD	850	1,000	200	200
SEK/BRL	320	90	670	890
SEK/CNY	90	90	130	140
SEK/Other	2,670	2,220	700	2,070

1 The income statement has been restated for 2022 due to the classification of the Financial Services segment as a discontinued operations. As a consequence, the sensitivity analysis of the operating income does not include the operating income of Financial Services. Since the balance sheet has not been restated for 2022 the net assets includes the Financial Services segment.

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

To ensure efficiency and risk control, borrowings in Scania's subsidiaries largely occur through the corporate treasury unit, mainly in EUR and SEK, and are then transferred to subsidiaries in the form of internal loans in their local currencies.

By means of derivative contracts, corporate-level borrowings are converted to lending currencies. 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 2023, Scania's net assets in foreign currencies amounted to SEK 18,000 m. (41,600). During 2023 the Financial Services segment was sold to TRATON. As a consequence the currency exposure has decreased significantly. 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 2023 no foreign net assets were hedged (–).

NOTE 27 – FINANCIAL RISK MANAGEMENT, CONTINUED

Net assets, Vehicles and Services	2023	2022
Brazilian real (BRL)	6,700	6,800
US dollar (USD)	2,000	2,000
Euro (EUR)	1,300	2,000
Chinese yuan renminbi (CNY)	1,300	1,200
Taiwandollar (TWD)	900	900
Swiss franc (CHF)	900	1,000
Korean won (KRW)	700	700
South African rand (ZAR)	500	600
Other currencies	3,700	4,500
Total net assets in foreign currencies, Vehicles and Services	**18,000**	**19,700**

Net assets, Financial Services	2023	2022
Euro (EUR)	–	6,400
Brazilian real (BRL)	–	2,100
British Pound (GBP)	–	1,700
Other currencies	–	11,700
Total net assets in foreign currencies, Financial Services	**–**	**21,900**
Total net assets in foreign currencies, Scania Group	**18,000**	**41,600**

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:

	2023	2022
Operating income	–175	–207
Financial income and expenses	–277	–596
Taxes	144	294
Effect on net income for the year	**–308**	**–509**

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 2023, Scania's interest-bearing assets mainly consisted 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 TRATON 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 28,448 m. (11,607) at year-end 2023. The borrowing portfolio amounted to SEK 14,099 m. (11,732). Short-term investments and cash and cash equivalents amounted to SEK 42,547 m. (23,339) and the average interest rate refixing period on these assets was less than 2 (2) months.

Given the same loan liabilities, short-term investments, cash and cash equivalents and interest rate refixing periods as at year-end 2023, a change in market interest rates of 100 basis points (1 percentage point) would change the interest expenses by approximately SEK 117 m. (98) and interest income in Vehicles and Services by approximately SEK 227 m. (170) on an annual basis.

NOTE 27 – FINANCIAL RISK MANAGEMENT, CONTINUED

Interest rate risk in Financial Services

The Financial Services segment was divested 1 April, 2023.Interest rate refixing related to the credit portfolio and borrowing in the former Financial Services segment had the following structure as of 31 December 2022:

	2023		2022	
Interest rate refixing in Financial Services, 31 December	Interest-bearing portfolio[1]	Interest-bearing liabilities[2]	Interest-bearing portfolio[1]	Interest-bearing liabilities[2]
2022	–	–	67 250	65 795
2023	–	–	25 873	24 155
2024	–	–	17 343	16 075
2025	–	–	10 544	7 048
2026	–	–	5 055	1 536
2027 and later	–	–	2 137	1 009
Total	**–**	**–**	**128 202**	**115 618**

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

Scania's total borrowing

	2023		2022	
Borrowings as at 31 December	Borrowings incl. currency swap agreements	Borrowings excl. currency swap agreements	Borrowings incl. currency swap agreements	Borrowings excl. currency swap agreements
EUR	78,839	75,736	61,411	62,583
USD	5,127	145	3,794	1,430
KRW	3,747	–	3,756	179
MXN	3,024	–	1,515	–
AUD	2,540	–	1,861	–
NOK	2,369	2,416	2,035	3,915
DKK	2,199	–	2,064	–
GBP	2,096	–	6,095	4,995
COP	1,866	847	–	–
NZD	1,625	–	859	–
CNY	1,556	–	–	–
BRL	–	–	5,886	4,345
CLP	–	–	5,023	3,393
ZAR	–	–	3,102	2,837
SEK	–7,448	20,438	13,560	31,073
Other currencies	3,479	1,437	4,413	2,742
Total[1]	**101,019**	**101,019**	**117,544**	**117,544**
Accrued interest	896	896	607	607
Total	**101,915**	**101,915**	**118,151**	**118,151**

1 Total borrowings excluded SEK 896 m. (607) related to accrued interest.

NOTE 27 – FINANCIAL RISK MANAGEMENT, CONTINUED

Credit risk

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

The loss allowance and gross carrying amount of financial assets measured at amortized costs have decreased significantly during 2023 due to the divestment of Financial Services segment. For further information regarding the divestment see Note 22 Assets held for sale and discontinued operations.

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

	2023					2022				
	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)		
Loss allowance as at 1 January	18	96	271	1,770	2,515	88	42	222	1,139	1,851
Allowances related to divested operations [1]	–5	–96	–271	–1,166	–1,898	–	–	–	–	–
Changes due to financial instruments recognised as at 1 January										
Transfer to stage 1	–	–	–	–	–	1	–17	–3	–	–19
Transfer to stage 2	–	–	–	–	–	–42	79	–19	–	18
Transfer to stage 3	–	–	–	–	–	–48	–7	107	–	52
Write–offs (Utilisation)	–	–	–	–21	–21	–	–	–60	–86	–146
Financial assets acquired/issued	0	–	–	164	164	151	–	–	869	1,020
Changes to models or risk parameters	0	–	–	–	0	–	–	–	–	–
Reversals	–4	–	–	–63	–67	–139	–12	–43	–335	–529
Foreign exchange movements	–	–	–	–4	–4	5	8	38	70	121
Other changes within a stage	–	–	–	–	–	2	3	29	113	147
Loss allowance as at 31 December	**9**	**0**	**0**	**680**	**689**	**18**	**96**	**271**	**1,770**	**2,515**

1 Refers to the deconsolidation of TRATON Financial Services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 27 – FINANCIAL RISK MANAGEMENT, CONTINUED

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

	2023					2022				
	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	85,600	2,264	998	66,792	155,654	74,652	1,394	704	59,102	135,852
Allowances related to divested operations	–62,233	–2,264	–998	–54,391	–119,886	–	–	–	–	–
Changes due to financial instruments recognised as at 1 January										
Transfer to stage 1	–	–	–	–	–	331	–318	–13	–	–
Transfer to stage 2	–	–	–	–	–	–925	985	–60	–	–
Transfer to stage 3	–	–	–	–	–	–149	–178	326	–	–
Changes in gross carrying amount (due to additions and disposals, significant modifications)	7,720	–	–	–415	7,305	7,532	153	–66	2,323	9,942
Foreign exchange movements	74	–	–	–41	33	4,159	228	107	5,367	9,860
Gross carrying amount as at 31 December	**31,161**	**0**	**0**	**11,945**	**43,106**	**85,600**	**2,264**	**998**	**66,792**	**155,654**

Gross carrying amounts of financial assets by rating category

	2023					2022				
SEK m.	12 month expected credit loss (Stage 1)	Life time expected credit loss – not impaired (Stage 2)	Life time expected credit loss – impaired (Stage 3)	Financial assets – simplified approach	Total	12 month expected credit loss (Stage 1)	Life time expected credit loss – not impaired (Stage 2)	Life time expected credit loss – impaired (Stage 3)	Financial assets – simplified approach	Total
Rating Grade										
Credit Risk Rating Grade 1	31,161	–	–	9,736	40,897	85,600	–	–	60,173	145,773
Credit Risk Rating Grade 2	–	–	–	1,486	1,486	–	2,264	–	4,948	7,212
Credit Risk Rating Grade 3	–	–	–	723	723	–	–	998	1,671	2,669
Total	**31,161**	**0**	**0**	**11,945**	**43,106**	**85,600**	**2,264**	**998**	**66,792**	**155,654**

NOTE 27 – FINANCIAL RISK MANAGEMENT, CONTINUED

Credit risk in Vehicles and Services

In the Vehicles and Services segment, carried receivables before loss allowance for expected credit losses from customers totalled SEK 12,821 m. (12,178), most of which consisted of receivables from independent dealerships and end customers. The total estimated fair value of collateral was SEK 1,105 m. (809) Most of the collateral consisted of bank guarantees, mortgages and similar securities. During the year, collateral corresponding to SEK 16 m. (4) was obtained.

	Past-due payments	
Timing analysis of portfolio assets past due but not recognised as impairment losses	2023	2022
< 30 days	1,142	1,110
30–90 days	399	705
91–365 days	223	231
> 1 year	272	209
Total	**2,036**	**2,255**

Loss allowance for expected credit losses amounted to SEK 689 m. (617), equivalent to 5.8 (5.4) percent of total receivables. The year's expected credit losses amounted to SEK 93 m. (222).

Expected credit losses changed as follows:

Loss allowance for expected credit losses	2023	2022
Loss allowance for expected credit losses, 1 January	617	508
Loss allowance	149	221
Withdrawals due to actual loss allowance	–74	–136
Currency rate effects	–4	25
Other	0	–1
Loss allowance, 31 December	**689**	**617**

Asset-Backed Securities Transactions

As of 31 December 2022, financial liabilities included asset-backed securities transactions implemented to refinance the Financial Services segment with a carrying amount of SEK 4,462 m. The corresponding carrying amount of financial services receivables was SEK 4,562 m. Collateral totalling SEK 4,562 m. was provided in connection with asset-backed securities transactions as of 31 December 2022.

As of 31 December 2022, the fair value of assigned receivables that continue to be recognised in the balance sheet was SEK 4,562 m. The fair value of the associated liabilities amounted to SEK 4,462 m. as of that date. The resulting net position was SEK 100 m.

As of 31 December 2023 there were no financial liabilities or collateral provided related to asset backed securities in or off the balance sheet.

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 Derivatives Association (ISDA) netting contracts and other master agreements with all of its counterparties.

The corporate treasury unit is responsible for ensuring compliance with the rules of Scania Group Policy – Treasury and corresponding group policies for Volkswagen and TRATON.

Net exposure to counterparty risk related to derivatives trading amounted to SEK –775 m. (–886) at the end of 2023. Estimated gross exposure to counterparty risks related to derivatives trading totalled SEK 2,045 m. (2,679). Estimated gross exposure to cash and cash equivalents and short-term investments amounted to SEK 33,445 m. (24,365). Short-term investments are mainly deposited with TRATON.

Scania had short-term investments worth SEK 21,219 m. (12,610), of which SEK 20,841 m. (10,795) consists of investments with a maturity of less than 90 days and SEK 378 m. (1,815) consisted of investments with a maturity of 91–365 days. In addition to short-term investments, Scania had bank balances worth SEK 4,463 m. (8,380).

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.

At the end of 2023, Scania's liquidity reserve, consisting of guaranteed credit facilities, cash and cash equivalents and short-term investments, amounted to SEK 59,261 m. (49,289). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 27 – FINANCIAL RISK MANAGEMENT, CONTINUED

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

	2023		2022	
Borrowings	Total borrowings	Ceiling	Total borrowings	Ceiling
European Medium Term Note Programme	25,785	55,437	44,287	79,389
– of which Green bonds	4,250	–	4,250	–
Other bonds	–	–	4,995	5,622
Credit facility (EUR, SEK)	5,544	24,947	5,539	24,927
Commercial paper, Sweden	–	10,000	–	10,000
Commercial paper, Belgium	–	16,631	8,686	16,618
Loans from Volkswagen	64,681	–	31,114	–
Bank loans and Other loans	5,009	–	22,923	–
Total [1,2]	**101,019**	**107,015**	**117,544**	**136,556**

1 Of the total ceiling, SEK 24,947 m. (24,927) consisted of guaranteed revolving credit facilities.
2 Total borrowings excluded SEK 896 m. (607) related to accrued interest.

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

Maturity structure of Scania´s borrowings	2023		2022
2024	37,867	2023	45,095
2025	42,944	2024	33,029
2026	17,001	2025	29,634
2027	1,155	2026	4,523
2028	8	2027	1,940
2029 and later	2,044	2028 and later	3,323
Total [1]	**101,019**		**117,544**

1 Total borrowings excluded SEK 896 m. (607) related to accrued interest and lease liabilities. Maturity structure for lease liabilities, see Note 10 Leases.

	2023		2022	
Maturity structure of derivatives attributable to borrowings	Derivatives with positive value	Derivatives with negative value	Derivatives with positive value	Derivatives with negative value
2023	–	–	–	–185
2024	0	–379	–	–708
2025	245	–398	–	–872
2026	297	0	–	–16
2027 and later	0	0	–	–
Total	**542**	**–777**	**–**	**–1,781**

	2023			2022		
Future undiscounted cashflows of Scania's borrowings and derivatives [1]	2024	2025–2028	>2029	2023	2024–2027	>2028
Financial liabilities	41,046	64,581	2,253	46,664	72,428	3,641
Derivatives	37,144	30,504	320	32,133	32,225	275
Total	**78,190**	**95,085**	**2,573**	**78,797**	**104,653**	**3,916**

1 Please note that the table includes the calculated future interest payments and does consequently not correspond to the net book value in the balance sheet.

NOTE 28 – FINANCIAL INSTRUMENTS

Financial assets in the Scania Group mainly consist of loan receivables to TRATON Financial Services which is classified as assets held for sale in the balance sheet as of 31 December 2023. These receivable are not included in this note. For more information see Note 22 Assets held for sale and discontinued operations. Other financial assets of significance is 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 lending to TRATON Financial Services, 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.
- Matching the interest rate refixing period for assets and liabilities.
- 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. Equity instruments are carried according to level 3 which means that other data than observable market data has been used and amounted to SEK 1,349 m. (1,312). Non-current interest-bearing receivables carried at fair value are convertible loans which are carried according to level 3 and amounted to SEK 475 m. (0). 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 50 m. (203). 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 –844 m. (–950) 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. Financial assets and liabilities carried at amortized cost have mainly been valued according to level 2. Financial liabilities carried at level 1 are public bonds traded in an active market.

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 2,045 m. (2,679) and SEK –2,819 m. (–3,565). The amount that can be offset from each amount was SEK 1,661 m. (1,946).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 28 – FINANCIAL INSTRUMENTS, CONTINUED

	2023					2022				
Scania Group, SEK m.	Measured at fair value	Measured at amortised cost	Financial liabilities measured at amortised cost	Total carrying amount	Total fair value	Measured at fair value	Measured at amortised cost	Financial liabilities measured at amortised cost	Total carrying amount	Total fair value
Equity instruments	1,349			1,349	1,349	1,312			1,312	1,312
Non-current interest-bearing receivables	475	380		855	855		69,690		69,690	67,688
Current interest-bearing receivables		9,744		9,744	9,743		45,387		45,387	45,195
Non-interest-bearing trade receivables		11,288		11,288	11,288		11,363		11,363	11,363
Current investments and cash and cash equivalents	50	25,713		25,763	25,385	203	24,159		24,362	24,359
Other non-current receivables [1]	1,526	114		1,641	1,638	2,157	180		2,337	2,337
Other current receivables [2]	550	322		872	872	639	799		1,437	1,437
Total assets [5]	**3,950**	**47,561**		**51,512**	**51,130**	**4,310**	**151,578**		**155,888**	**153,690**
Non-current interest-bearing liabilities			63,152	63,152	63,999			72,450	72,450	71,414
Current interest-bearing liabilities			38,763	38,763	38,500			45,702	45,702	45,486
Trade payables			22,204	22,204	22,204			20,441	20,441	20,441
Other non-current liabilities [3]	1,739			1,739	1,739	2,614			2,614	2,614
Other current liabilities [4]	1,181		4,617	5,799	5,799	1,131		4,845	5,976	5,976
Total liabilities	**2,920**		**128,736**	**131,657**	**132,241**	**3,745**		**143,437**	**147,182**	**145,931**

1 Financial instruments included in the balance sheet under "Other non-current receivables," SEK 3,283 m. (4,003).
2 Financial instruments included in the balance sheet under "Trade receivables and Other current receivables," SEK 19,360 m. (20,678).
3 Financial instruments included in the balance sheet under "Other non-current liabilities," SEK 5,723 m. (6,524).
4 Financial instruments included in the balance sheet under "Other current liabilities," SEK 13,057 m. (8,713).
5 In 2023, total assets does not include assets held for sale of SEK 99,480 m. related to the lending portfolio towards TRATON Financial Services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 28 – FINANCIAL INSTRUMENTS, CONTINUED

Hedge accounting

During 2023 and 2022 Scania has not applied hedge accounting.

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

Net gains/losses on financial instruments recognised in the income statement

The table below shows the following items that are recognised in the income statement:

- Gains and losses related to currency rate differences, including gains and losses attributable to derivatives.

Net gains/losses	2023	2022
Financial assets and liabilities carried at fair value	–549	499
Financial assets measured at amortised cost [1]	108	246
Financial liabilities measured at amortised cost	–573	–988
Total	**–1,014**	**–243**

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:

	2023	2022
Interest income on financial assets [1]	8,891	1,610
Interest expenses on financial liabilities [2]	–6,148	–311
Total	**2,743**	**1,299**

1 SEK 2,492 m. (1,137) consists of interest income generated from financial assets carried at fair value.
2 SEK –2,381 m. (–1,165) consists of interest expenses generated from financial liabilities carried at fair value.

The reason why income diverges from recognised net interest income in financial net is largely that interest income and interest expenses attributable to pensions and leasing are excluded.

NOTE 29 – EVENTS AFTER THE REPORTING PERIOD

1 February 2024, Scania received the final judgment from the European Court of Justice regarding Scania's appeal against the EC's decision about alleged cartel collusion. The EU court dismissed the application in its entirety and upheld the EC's decision. Scania has paid the fine and interest in full in accordance with the decision from the EC already in 2022 why this decision has no further financial impact on Scania's earnings. Scania's previous assessments regarding civil claims for damages from customers is not affected .

NOTE 30 – ITEMS AFFECTING COMPARABILITY

The bus and coach market was heavily impacted by the pandemic. Although the market has gradually picked up, the pace of recovery is slow, competition is increasing, and upcoming legislation requires significant investments in new technology.

Consequently, Scania decided to close down the part of the plant in Słupsk, Poland, which is producing bodies for Scania chassis. The body production will be gradually ended by the first quarter of 2024. This decision will not affect chassis production in Słupsk nor other Scania entities in Poland. The decision resulted in impairments and restructuring costs classified as items affecting comparability.

During 2023 expenses for civil claims for damage from customers – because of the EC's cartel allegations and notwithstanding Scania's appeals to the EU courts – amounting to SEK 256 m. For further explanations regarding the EU antitrust proceedings see Note 2 "Key judgements and estimates", or chapter "39. Litigation/legal proceedings" of the consolidated financial statements 2023 of TRATON GROUP.

	2023	2022
EU truck case [1]	–256	–176
Impairment and capital loss in Russia, Vehicles and Services [2]	6	–1,126
Busproduction Poland	–928	–
Total items affecting comparability within Operating income	**–1,178**	**–1,302**
Tax effect	237	433
Total items affecting comparability within Net income	**–941**	**–869**
Items affecting comparability within Net income from discontinued operations [3]	**–1,012**	**–2,294**
Total items affecting comparability within Net income from the group	**–1,953**	**–3,163**

1 In 2023, SEK –256 m. costs related to private claims have been recognised. In 2022, SEK –176 m. related to currency translation effects.
2 2022 includes impairment of SEK –114 m. in industrial operations.
3 As a consequence of the decision to divest the Financial Services segment, and the subsequent classification of the segment as a discontinued operation the impairment expenses of SEK –2,294 m. accounted for in 2022 have been reclassified to Net income from discontinued operations. In 2023, the recycling of currency translation effects from other comprehensive income related to the same transaction was reported in discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 31 – SHARES AND PARTICIPATIONS IN SUBSIDIARIES

The following listing shows shareholdings owned directly and indirectly by the Parent Company as of 31 December 2023:

Company	Corporate ID no.	Registered office	Country	% Ownership
Arver Lastbilar Aktiebolag	556557-9678	Örebro	Sweden	100
Bilmetro AB	556061-2789	Gävle	Sweden	100
Bilmetro Lastbilar i Hudiksvall AB	556564-2377	Gävle	Sweden	100
Fastighetsbolaget Bärgningsbilen 2 Örebro AB	556600-6416	Stockholm	Sweden	100
Vita Gjuteriets Fastighetsbolag AB	559348-5773	Stockholm	Sweden	100
Stop 134 AB	559129-4516	Stockholm	Sweden	100
Fastighetsbolaget Gilltuna Västerås AB	556810-1942	Stockholm	Sweden	100
Fastighetsbolaget Fluoret AB	559072-7698	Stockholm	Sweden	100
Fastighetsaktiebolaget Flygmotorn	556528-9112	Södertälje	Sweden	100
Fastighetsaktiebolaget Hjulnavet	556084-1198	Södertälje	Sweden	100
Fastighetaktiebolaget Vindbron	556040-0938	Södertälje	Sweden	100
HTD i Oskarshamn AB	556707-3472	Södertälje	Sweden	100
Kai Tak Holding AB	556548-4739	Södertälje	Sweden	100
LOTS Group AB	556593-3057	Södertälje	Sweden	100
Metrobus Aktiebolag	556328-8165	Gävle	Sweden	100
MW-hallen Restaurang AB	556616-7747	Södertälje	Sweden	100
Mälardalens Tekniska Gymnasium AB	556548-4754	Södertälje	Sweden	80
Scania Bus Financing AB	556728-9433	Södertälje	Sweden	100
Scania CV AB	556084-0976	Södertälje	Sweden	100
Scania China Holding AB	559405-5435	Södertälje	Sweden	100
Scania DCS AB	559455-0625	Södertälje	Sweden	100
Scania Delivery Center AB	556593-2976	Södertälje	Sweden	100
Scania Growth Capital AB	559090-6524	Södertälje	Sweden	90.10
Scania Growth Capital II AB	559337-6626	Södertälje	Sweden	90.10
Scania Industrial Maintenance AB	556070-4818	Södertälje	Sweden	100
Scania Invest AB	559456-1549	Södertälje	Sweden	100
Scania IT AB	556084-1206	Södertälje	Sweden	100
Scania Overseas AB	556593-2984	Södertälje	Sweden	100
Scania Real Estate Lund AB	556791-9823	Södertälje	Sweden	100
Scania Real Estate Services AB	556593-3024	Södertälje	Sweden	100
Scania Sales and Services AB	556593-3073	Södertälje	Sweden	100
Scania Sverige AB	556051-4621	Södertälje	Sweden	100
Scania Transportlaboratorium AB	556528-9294	Södertälje	Sweden	100
Scania Treasury AB	556528-9351	Södertälje	Sweden	100
Scania Trucks & Buses AB	556267-1585	Södertälje	Sweden	100
Sågverket 6 AB	556528-9062	Södertälje	Sweden	100
Uppsala Danmark-Säby 8:1 AB	556763-6880	Gävle	Sweden	100
Vabis Försäkringsaktiebolag	516401-7856	Södertälje	Sweden	100
Vindbron Arendal AB	556822-2367	Södertälje	Sweden	100
Laxå Specialvehicles AB	556548-4705	Laxå	Sweden	100
Ferruform AB	556528-9120	Luleå	Sweden	100

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania Vabis 118 AB	556387-4659	Värnamo	Sweden	100
Scania Argentina S.A.	30-51742430-3	Buenos Aires	Argentina	100
Scania Australia Pty Ltd.	000537333	Melbourne	Australia	100
Scania Real Estate Österreich GmbH	FN95419y	Brunn am Gebirge	Austria	100
Scania Österreich GmbH	FN366024x	Brunn am Gebirge	Austria	100
Scania Belgium N.V.	BE0402.607.507	Neder-Over-Heembeek	Belgium	100
Scania Real Estate Belgium N.V.	BE0423.251.481	Neder-Over-Heembeek	Belgium	100
Scania BH d.o.o.	4200363460007	Sarajevo	Bosnia-Herzegovina	100
Scania Botswana (Pty) Ltd.	CO.2000/6045	Gaborone	Botswana	100
Codema Comercial e Importadora Ltda.	60.849.197/0001-60	Guarulhos	Brazil	99.98
LOTS Latin América Logística de Transportes Ltda.	29.094.173/0001-06	São Bernardo do Campo	Brazil	100
Scania Latin America Ltda.	59.104.901/0001-76	São Bernardo do Campo	Brazil	100
Scania Bulgaria EOOD	BG121796861	Sofia	Bulgaria	100
Scania Real Estate Bulgaria EOOD	BG201589120	Sofia	Bulgaria	100
LOTS Ventures Canada Inc.	BC1306486	Victoria British Columbia	Canada	80
Scania Chile S.A.	96.538.460-K	Santiago de Chile	Chile	100
LOTS Chile S.p.A	77.418.964-5	Santiago de Chile	Chile	100
Lots Logistics (Guangxi) Co.Ltd.	32956526-9	Beihai, Guangxi Province	China	100
Scania Sales (China) Co.Ltd	110000450001661	Beijing	China	100
Scania Sales and Service (Guangzhou) Co., Ltd.	440101400126397	Guangzhou	China	100
Scania (Hong Kong) Ltd.	1205987	Hong Kong	China	100
Scania Production (China) Co., Ltd.	91360924754233361N	Rugao City	China	100
Scania Colombia S.A.S.	900.353.873-2	Bogotá	Colombia	100
Scania Hrvatska d.o.o.	080213913	Zagreb	Croatia	100
Scania Czech Republic s.r.o.	CZ61251186	Praha	Czech Republic	100
Scania Real Estate Czech Republic s.r.o.	24196746	Praha	Czech Republic	100
Scania Danmark A/S	DK17045210	Ishøj	Denmark	100
Scania Danmark Ejendom Aps	33156332	Ishøj	Denmark	100
Scania Eesti AS	10238872	Tallinn	Estonia	100
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
LOTS Germany GmbH	HRB 29133	Koblenz	Germany	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 31 – SHARES AND PARTICIPATIONS IN SUBSIDIARIES, CONTINUED

Company	Corporate ID no.	Registered office	Country	% Ownership
Scania CV Deutschland Holding GmbH	HRB 6077	Koblenz	Germany	100
SCANIA DEUTSCHLAND GmbH	HRB 532	Koblenz	Germany	100
SCANIA Real Estate Deutschland Holding GmbH	HRB 23798	Koblenz	Germany	100
SCANIA Vertrieb und Service GmbH	HRB 20490	Koblenz	Germany	100
Scania West Africa Ltd.	CS450862014	Accra	Ghana	100
Scania Great Britain Ltd.	831017	Milton Keynes	Great Britain	100
Scania Real Estate (UK) Ltd.	7648886	Milton Keynes	Great Britain	100
Griffin Automotive Ltd.	27922106	Road Town	Great Britain	100
Scania Hungaria Kft.	10415577	Biatorbágy	Hungary	100
Scania Real Estate Hungaria Kft.	13-09-159119	Biatorbágy	Hungary	100
Scania Commercial Vehicles India Pvt. Ltd.	U35999KA2011FTC05698	Bangalore	India	100
SST Sustainable Transport Solutions India Private Ltd	U74999MH2017PTC29098	Nagpur	India	99,99
PT Scania Parts Indonesia	AHU-09655.40.10.2014	Balikpapan	Indonesia	100
Italscania S.p.A.	11749110158	Trento	Italy	100
Scania Commerciale S.p.A.	IT 01184460226	Trento	Italy	100
Scania Milano S.p.A.	IT 02170120220	Trento	Italy	100
N.W.S. S.r.L.	IT 1541500227	Trento	Italy	52,50
Scania Japan Ltd.	0104-01-083452	Tokyo	Japan	100
Scania Central Asia LLP	84931-1910-TOO	Almaty	Kazakhstan	100
Scania East Africa Ltd.	PO51426902Z	Nairobi	Kenya	100
Scania Real Estate Kenya Ltd.	PVT-XYUME96	Nairobi	Kenya	100
Scania Latvia SIA	50003118401	Riga	Latvia	100
UAB Scania Lietuva	123873025	Vilnius	Lithuania	100
Scania Luxembourg S.A.	B53.044	Münsbach	Luxembourg	100
Scania Real Estate Holding Luxembourg S.àr.l	B160795	Münsbach	Luxembourg	100
Scania (Malaysia) Sdn. Bhd.	518606-D	Shah Alam	Malaysia	100
Scania Comercial, S.A. de C.V.	SCO031124MF5	Queretaro	Mexico	100
Scania Servicios, S.A. de C.V.	SSE031124MF5	Queretaro	Mexico	100
Scania Maroc S.A.	06100472	Casablanca	Morocco	100
Scania Moçambique, S.A.	100453150	Beira	Mozambique	100
Scania Crna Gora d.o.o	50950351	Danilovgrad	Montenegro	100
Scania Namibia (Pty) Ltd.	2004/438	Windhoek	Namibia	100
Scania New Zealand Limited	9429047066823	Wellington	New Zealand	100
Scania Real Estate New Zealand Limited	9429051425609	Auckland	New Zealand	100
Scania Makedonija d.o.o.e.l	7027532	Ilinden	North Macedonia	100
Norsk Scania A/S	879263662	Oslo	Norway	100
Norsk Scania Eiendom A/S	996036545	Oslo	Norway	100
Scania del Perú S.A.	20101363008	Lima	Peru	100
LOTS Perú S.A.	20610358790	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 Portugal Unipessoal Lda.	PT502929995	Santa Iria de Azóia	Portugal	100

Company	Corporate ID no.	Registered office	Country	% Ownership
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
Scania Senegal SUARL	SN.DKR.2018.B.25840	Dakar	Senegal	100
Scania Srbija d.o.o.	17333321	Krnjesevci	Serbia	100
Scania Singapore Pte. Ltd.	200309593R	Singapore	Singapore	100
Scania Real Estate Slovakia s.r.o.	44767668	Senec	Slovakia	100
Scania Slovakia s.r.o.	35826649	Senec	Slovakia	100
Scania Slovenija d.o.o.	1124773	Ljubljana	Slovenia	100
Scania South Africa Pty Ltd.	1995/001275/07	Aeroton	South Africa	100
Scania Korea Group Ltd.	110111-5304681	Seoul	South Korea	100
Scania Hispania S.A.	A59596734	San Fernando de Henares	Spain	100
Scania Real Estate Hispania, S.L.U.	B36682003	San Fernando de Henares	Spain	100
SLA Treasury Spain S.L.U	B67626788	Barcelona	Spain	100
Scania Schweiz AG	CH-020.3.926.624-8	Kloten	Switzerland	100
Scania Real Estate Schweiz AG	CH-020.3.035.714-4	Kloten	Switzerland	100
Scania Tanzania Ltd.	39320	Dar es Salaam	Tanzania	100
Power Vehicle Co. Ltd.	01055547132895	Bangkok	Thailand	100
Scan Siam Service Co. Ltd.	0105545023525	Bangkok	Thailand	100
Scania Siam Co Ltd.	0105543060121	Bangkok	Thailand	100
Scania Thailand Co Ltd.	0105534098031	Bangkok	Thailand	100
Scania Group (Thailand) Co., Ltd.	0115560001383	Smutprakarn	Thailand	100
Scania Manufacturing (Thailand) Co., Ltd.	0115560001375	Smutprakarn	Thailand	100
Scania Nederland B.V.	27136821	Breda	The Netherlands	100
Scania Real Estate The Netherlands B.V.	50687921	Breda	The Netherlands	100
Scania Production Meppel B.V.	05046846	Meppel	The Netherlands	100
Scania IT Nederland B.V.	05062402	Zwolle	The Netherlands	100
Scania Logistics Netherlands B.V.	56552793	Zwolle	The Netherlands	100
Scania Production Zwolle B.V.	05020370	Zwolle	The Netherlands	100
Scania Middle East FZE	150175	Dubai	The United Arab Emirates	100
TOV Kyiv-Scan	35706433	Kyiv	Ukraine	100
TOV Scania Ukraine	30107866	Kyiv	Ukraine	100
TOV Scania-Lviv	37497108	Lviv	Ukraine	100
TOV Donbas-Scan-Service	34516735	Makijivka	Ukraine	100
LOTS Ventures USA Inc.	87-3364676	Wilmington/DE	United States	100
LOTS SPV USA LLC	87-3375105	Wilmington/DE	United States	70
Bellwether Forest Products LLC	81-336588	Camden/ SC	United States	70
Scania USA Inc.	06-1288161	San Antonio/TX	United States	100
Scania Holding Inc.	4019619	Wilmington/DE	United States	100
Scanexpo International S.A.	21.490591.0012	Montevideo	Uruguay	100
Scania de Venezuela S.A.	J-30532829-3	Valencia	Venezuela	100

Dormant companies are not included.

PARENT COMPANY FINANCIAL STATEMENTS, SCANIA AB

Income statement

January–December, SEK m.	Note	2023	2022
Administrative expenses		–	–
Operating income		–	–
Financial income and expenses	1	6,215	9,540
Income after financial items		6,215	9,540
Group contributions		–24	–40
Taxes		–	–
Net income		**6,191**	**9,500**

Statement of other comprehensive income

January–December, SEK m.	2023	2022
Net income	6,191	9,500
Other comprehensive income	–	–
Total comprehensive income	**6,191**	**9,500**

Balance sheet

31 December, SEK m.	Note	2023	2022
Assets			
Financial non-current assets			
Shares in subsidiaries	2	8,435	8,435
Current assets			
Due from subsidiaries	3	7,026	15,621
Due from parent company		1,332	1,014
Total assets		**16,793**	**25,070**
Shareholders' equity	4		
Restricted equity			
Share capital		2,000	2,000
Statutory reserve		1,120	1,120
Unrestricted shareholders' equity			
Retained earnings		7,482	12,450
Net income		6,191	9,500
Total shareholders' equity		**16,793**	**25,070**
Current liabilities			
Interest-bearing liabilities		–	–
Total equity and liabilities		**16,793**	**25,070**

PARENT COMPANY FINANCIAL STATEMENTS, SCANIA AB

Statement of changes in equity

2023 (SEK m.)	Restricted equity: Share capital	Restricted equity: Statutory reserve	Unrestricted shareholders' equity	Total
Equity, 1 January	2,000	1,120	21,950	25,070
Total comprehensive income for the year	–	–	6,191	6,191
Capital contribution	–	–	1,332	1,332
Dividend	–	–	–15,800	–15,800
Equity, 31 December 2022	**2,000**	**1,120**	**13,673**	**16,793**

2022 (SEK m.)	Restricted equity: Share capital	Restricted equity: Statutory reserve	Unrestricted shareholders' equity	Total
Equity, 1 January	2,000	1,120	15,024	18,144
Total comprehensive income for the year	–	–	9,500	9,500
Capital contribution	–	–	1,014	1,014
Dividend	–	–	–3,588	–3,588
Equity, 31 December 2021	**2,000**	**1,120**	**21,950**	**25,070**

Cash flow statement

January–December, SEK m.	2023	2022
Operating activities		
Income after financial items	6,215	9,540
Items not affecting cash flow	–24	–40
Taxes paid	–	–
Cash flow from operating activities before change in working capital	**6,191**	**9,500**
Cash flow from change in working capital		
Receivable subsidiaries	8,595	–6,120
Receivable parent company	–318	–806
Cash flow from operating activities	**14,468**	**2,574**
Investing activities		
Shareholders' contribution paid	–	–
Cash flow from investing activities	**–**	**–**
Total cash flow before financing activities	**–**	**–**
Financing activities	**–**	**–**
Shareholders' contribution received	1,332	1,014
Dividend paid	–15,800	–3,588
Cash flow from financing activities	**–14,468**	**–2,574**
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.

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 to 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 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.

Subsidiaries

Holdings in subsidiaries are recognised in the Parent Company financial statements according to the cost method of accounting. Testing of the carrying 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 when 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 1 – FINANCIAL INCOME AND EXPENSES

	2023	2022
Interest income from subsidiaries	88	33
Dividend	6,100	9,500
Other	27	7
Total	**6,215**	**9,540**

NOTE 2 – SHARES IN SUBSIDIARIES

	Ownership,	Thousands	Carrying amount	
Subsidiary / Corporate ID number/registered office	%	of shares	2023	2022
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 3 – DUE FROM SUBSIDIARIES

	2023	2022
Current interest-bearing receivable from Scania CV AB	7,026	15,621
Total	**7,026**	**15,621**

The receivables are in SEK, so there is no currency risk.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

NOTE 4 – 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 5 – CONTINGENT LIABILITIES

	2023	2022
Loan guarantees on behalf of borrowings in Scania CV AB	28,557	54,561
Total	**28,557**	**54,561**

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 – (–) m. .was paid to EY as auditors with respect to the Parent Company.

NOTE 7 – TRANSACTIONS WITH RELATED PARTIES

Scania AB is a wholly owned subsidiary of TRATON Sweden AB, Corp. Reg. No. 559321-4629, Reg. office Södertälje.

The Annual and Sustainability Report of the TRATON group can be found at www.volkswagenag.com

Transactions with related parties consist of dividends paid and shareholders contribution received to and from TRATON Sweden AB. Dividends in 2023 amounted to SEK 15,800 m. (3,588). Received shareholders contribution in 2023 amounted to SEK 1,332 (1,014).

PROPOSED DISTRIBUTION OF EARNINGS

The Board of Directors proposes to the 2024 Annual General Meeting that the total amount of SEK 7,903 m. is distributed to the shareholders as cash dividend.

Amounts in SEK m.	
Retained earnings	7,482
Net income for the year	6,191
Other comprehensive income for the year	–
Total	**13,673**
Shall be distributed as follows:	
To the shareholders, a dividend of SEK m.	7,903
To be carried forward	5,770
Total	**13,673**

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	5,770
Total	**8,890**

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 Report also contains the Group's and Parent Company's sustainability reporting in accordance with the Swedish Annual Accounts Act, Chapter 6, Section 11, see page 67, and the Sustainability Report in accordance with the Global Reporting Initiative, GRI, see the GRI index on pages 160–162.

The annual accounts and the consolidated financial statements and the Group's and Parent Company's sustainability reporting were approved for issuance by the Board of Directors on 4 March 2024. 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 7 May 2024.

Södertälje, 4 March 2024

Christian Levin
Board member
President and CEO

Dr. Michael Jackstein
Chairman of the Board

Gunnar Kilian
Board member

Julia Kuhn-Piëch
Board member

Nina Macpherson
Board member

Christian Porsche
Board member

Mark Philipp Porsche
Board member

Stephanie Porsche-Schröder
Board member

Lilian Fossum Biner
Board member

Peter Wallenberg Jr
Board member

Mari Carlquist
Board member
Employee Representative

Lisa Lorentzon
Board member
Employee Representative

Mikael Johansson
Board member
Employee Representative

Michael Lyngsie
Board Member
Employee Representative

Our Audit Report was submitted on 4 March 2024
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 2023. The annual accounts and consolidated accounts of the company are included on pages 56–129 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 2023 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 2023 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.

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.

AUDITOR'S REPORT

Key Audit Matter, the Group

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 contracts. For vehicles that Scania deliver with repurchase commitments revenues are recognized as operational leasing over the contracted duration of the commitment since the control is assessed to remain 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. 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 and is followed by the whole group. Disclosure of Accounting principles are set out in Note 1, Key judgements and estimates in Note 2, Other provisions in Note 16 and Accrued expenses and deferred income in Note 17. Due to 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 input data to the models against underlying contracts and tested the completeness of the models. • Reconciliation of models to carrying amounts in the income statement and balance sheet. We have also assessed the appropriateness of the disclosures made in the annual report.

AUDITOR'S REPORT

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 1–55 and 134–176. 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.

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.

AUDITOR'S REPORT

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 2023 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, 4 March 2024
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 and its segments, of which not all are defined under IFRS. This is based on the understanding that they convey relevant information about Scania's business. Scania calculates these figures by making certain adjustments to balance sheet or income statement items. 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 most important financial and nonfinancial key performance indicators have been defined for the Scania Group and the Vehicle and Services segment for the fiscal year 2023:

- Operating margin, Scania Group and Vehicles and Services
- Equity to assets ratio, Scania Group
- Net debt/net liquidity, Scania Group and Vehicles and Services
- Net debt/equity ratio, Scania Group and Vehicles and Services
- Capital turnover rate, Vehicles and Services
- Return on capital employed, Vehicles and Services
- Return on operating capital, Vehicles and Services

Some ratios such as operating margin, capital turnover, return on capital employed and return on operating capital are also presented with an additional calculation "excluding items affecting comparability" as adjusted measures. These ratios and figures are presented with adjustments made in order to ensure transparency of our business performance. The adjustments concern certain items in the financial statements that, in the opinion of Scania, should be presented separately to enable a more appropriate assessment of the financial performance. The items include, one-time events with a material impact on the Scania Group's earnings. See definitions and reconciliations of key performance financial ratios and figures on pages 135–136 and Note 30 Items affecting comparability.

On 1 April 2023 Scania sold the Financial Services segment to TRATON. Since the Financial Services segment was classified as a discontinued operation the income statement for the year has been restated. The key ratios and figures have been changed to reflect this.

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Scania Group										
Operating margin, % [2]	12.2	7.9	7.7	7.1	11.5	10.1	10.1	6.1	10.2	9.5
Adjusted operating margin [1,2]	12.7	8.8	11.3	7.1	11.5	10.1	10.1	9.7	10.2	9.5
Equity/assets ratio, %	27.2	27.4	26.5	26.1	25.5	27.1	28.3	26.0	26.8	31.4
Net debt (-)/Net cash (+), excl. provisions for pensions, SEK m. [3]	28,106	11,594	–70,125	–63,356	–75,799	–63,351	–51,581	–49,788	–42,183	–35,780
Net debt/equity ratio [3]	0.35	0.15	–1.03	–1.03	–1.24	–1.17	–1.03	–1.18	–1.11	–0.86
Vehicles and Services										
Operating margin, % [2]	12.1	7.7	6.4	6.4	10.8	9.3	9.3	5.2	9.1	8.4
Adjusted operating margin [1,2]	12.7	8.5	10.1	6.4	10.8	9.3	9.3	8.8	9.1	8.4
Capital turnover rate, times	2.08	2.05	1.90	1.71	2.24	2.44	2.45	2.31	1.99	2.18
Adjusted capital turnover rate [1]	2.08	1.97	1.80	1.62	2.11	2.28	2.28	2.21	1.99	2.18
Return on capital employed, % [2]	31.5	18.9	14.0	12.9	25.4	24.1	24.4	14.0	19.3	19.9
Adjusted return on capital employed [1,2]	32.6	19.8	19.9	12.2	24.0	22.6	22.7	21.4	19.3	19.9
Return on operating capital, % [2]	37.6	22.8	20.3	17.3	33.2	31.3	32.5	15.6	25.6	24.5
Adjusted return on operating capital [1,2]	39.2	23.8	29.2	16.0	30.8	28.6	29.3	25.2	25.6	24.5
Net debt (-)/Net cash (+), excl. provisions for pensions, SEK m. [3]	28,448	11,607	25,520	21,824	17,057	16,926	17,058	10,954	7,579	12,139
Net debt/equity ratio [3]	0.35	0.16	0.43	0.39	0.32	0.34	0.29	0.31	0.24	0.35

1 Adjusted for the provision related to items affecting comparability, see Note 30.
2 2017 years figures have been adjusted as a result of the changes in income statement made in 2018.
3 2018 years figures have been adjusted as a result of the changes due to alignment with Volkswagen regarding presentation of cash flow 2019

KEY FINANCIAL RATIOS AND FIGURES

Scania Group

Net debt (-)/Net cash (+), excluding provision for pensions [3]	2023	2022
Assets		
Current investments	971	1,762
Cash and cash equivalents	15,061	13,582
Borrowing Volkswagen Group	118,066	95,205
Accrued interest current investments	–4	–10
	134,094	**110,540**
Liabilities		
Interest-bearing liabilities, non-current	67,056	61,458
Interest-bearing liabilities, current	39,828	38,095
Accrued interest, Interest-bearing liabilities	–896	–607
	105,988	**98,945**
Net debt (-)/Net cash (+)	**28,106**	**11,594**

Vehicles and Services

Net debt (-)/Net cash (+), excluding provision for pensions [3]	2023	2022
Assets		
Current investments	17,206	5,456
Cash and cash equivalents	6,759	8,688
Borrowing Volkswagen Group	18,585	9,203
Accrued interest current investment	–4	–8
	42,547	**23,340**
Liabilities		
Interest-bearing liabilities, non-current	9,959	10,534
Interest-bearing liabilities, current	4,140	1,197
	14,099	**11,731**
Net debt (-)/Net cash (+)	**28,448**	**11,607**

Capital Employed [1]	2023	2022
Total assets	193,782	167,670
– other non-current provisions + current provisions [1]	9,228	8,269
– other liabilities	86,037	76,783
– net derivatives	–181	–312
Capital Employed	**98,698**	**82,930**

Operating Capital [1]	2023	2022
Total assets	193,782	167,670
Cash and Cash equivalents	32,467	24,377
Operating liabilities		
– other non-current provisions + current provisions [1]	9,228	8,269
– other liabilities	86,037	76,783
– net derivatives	–181	–312
Operating Capital [1]	**66,231**	**58,553**

Return on Capital Employed [1]	2023	2022
Operating income [1]	25,991	13,951
Financial income	6,209	2,445
Capital employed [1]	98,698	82,930
Return on Capital Employed [1]	**32.6**	**19.8**

Capital turnover	2023	2022
Net sales	205,066	163,260
Capital employed [1]	98,698	82,930
Capital turnover	**2.08**	**1.97**

Return on operating capital [1]	2023	2022
Operating income [1]	25,991	13,951
Operating capital [1]	66,231	58,553
Return on operating capital [1]	**39.2**	**23.8**

DEFINITIONS

Key figure	Definition	Reason for use
Operating margin	Operating income as a percentage of net sales.	The measure expresses the economic performance of our business activities after accounting for the use of resources. Operating margin measures Scania's profitability.
Equity to assets ratio	Total equity as a percentage of total assets on each respective balance sheet date.	The measure reflects the financial risk showing how much of Scania's total assets that have been financed with equity and is an indicator of financial risk.
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. A positive value is an indicator of a net cash position.	The measure reflects the financial position by showing the financial liabilities in relation to cash and cash equivalent and current investments.
Net debt/equity ratio	Net debt (-) or net cash (+) in relation to total equity.	This is a measure of Scania's indebtedness and is an indicator of financial risk.
Capital employed	Total assets minus operating liabilities.	The measure shows how much of the total assets are used in the operations.
Operating capital	Total assets minus cash, cash equivalents and operating liabilities.	The measure reflects cash used in the daily operations of Scania. It indicates the company's ability to meet its short-term obligations and fund its operations.
Capital turnover	Net sales divided by capital employed.	The measure reflects how efficiently Scania manages the capital invested by its shareholders to generate revenues.
Return on capital employed	Operating income plus financial income as a percentage of capital employed.	The measure reflects the return which is generated by the assets that are used in the operations.
Return on operating capital	Operating income as a percentage of operating capital.	The measure reflects how profitable Scania's operations are.

Geographic areas

Europe: Albania, Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Montenegro, The Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom.

Eurasia: Georgia, Kazakhstan, Ukraine.

Asia: Bahrain, Bangladesh, Brunei, China, Hong Kong, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, Kuwait, Laos, Lebanon, Malaysia, 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, Canada, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Trinidad and Tobago, the United States, Uruguay, Venezuela.

Africa and Oceania: Algeria, Angola, Australia, Botswana, Burkina Faso, Egypt, Ethiopia, Ghana, Guinea, Ivory Coast, Kenya, Mali, Morocco, Mozambique, Namibia, New Caledonia, New Zealand, Nigeria, Senegal, South Africa, Sudan, Tanzania, Tunisia, Uganda, Zambia, Zimbabwe.

MULTI-YEAR STATISTICAL REVIEW

SEK m. unless otherwise stated	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Delivery value by market area										
Europe	135,796	96,959	88,313	80,349	105,404	91,583	78,869	73,363	65,100	53,211
Eurasia	1,667	2,553	9,840	6,671	8,162	9,003	7,081	3,291	2,623	5,319
America [1]	38,450	34,272	23,712	17,216	22,267	17,357	14,348	10,746	11,799	17,648
Asia	17,577	15,873	13,863	13,556	12,813	14,922	16,708	13,187	13,044	12,155
Africa and Oceania	14,282	12,280	10,921	8,451	10,872	9,854	8,927	8,358	7,991	6,952
Adjustment for lease income [2]	–2,706	1,324	–503	–1,118	–7,099	–5,593	–2,567	–5,018	–5,660	–3,234
Total	**205,066**	**163,260**	**146,145**	**125,125**	**152,419**	**137,126**	**123,366**	**103,927**	**94,897**	**92,051**
Operating income										
Vehicles and Services	24,813	12,649	9,100	7,764	15,977	12,392	11,160	5,309	8,601	7,705
Total [4]	**24,807**	**12,649**	**11,294**	**8,887**	**17,488**	**13,832**	**12,434**	**6,324**	**9,641**	**8,721**
Operating margin, %										
Vehicles and Services	12.1	7.7	6.4	6.4	10.8	9.3	9.3	5.2	9.1	8.4
– adjusted for items affecting comparability [3]	12.7	8.5	10.1	6.4	10.8	9.3	9.3	8.8	9.1	8.4
Total [4]	**12.2**	**7.8**	**7.7**	**7.1**	**11.5**	**10.1**	**10.1**	**6.1**	**10.2**	**9.5**
Net financial items	–1,564	–153	–478	–1,060	–1,012	–513	–352	–361	–532	–399
Net income from continuing operations	15,858	8,712	–	–	–	–	–	–	–	–
Net income for the group	17,306	7,858	7,176	5,400	12,384	9,734	8,705	3,243	6,753	6,009

SEK m. unless otherwise stated	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Specification of research and development expenses										
Expenditures	–12,780	–9,909	–7,458	–6,528	–7,245	–7,602	–6,682	–7,199	–7,043	–6,401
Capitalisation	2,808	2,314	1,986	1,624	1,788	1,996	1,367	1,682	1,863	1,454
Amortisation	–1,264	–1,204	–939	–744	–706	–728	–454	–387	–393	–357
Research and development expenses	**–11,236**	**–8,799**	**–6,411**	**–5,648**	**–6,162**	**–6,334**	**–5,769**	**–5,904**	**–5,573**	**–5,304**
Net investments through acquisitions(+) /divestments of businesses (–)	–5,605	768	45	27	0	–2	32	0	125	154
Net investments in non-current assets	12,134	8,280	8,664	8,131	7,518	7,139	5,905	7,864	7,612	5,561
Cash flow, Vehicles and Services	25,922	–4,516	5.688	9,180	10,994	3,718	5,696	3,427	4,376	4,690
Inventory turnover rate, times [5]	5.9	5.8	5.9	5.0	5.2	5.2	5.4	5.4	5.3	5.4

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 See Note 30 Items affecting comparability for a specification of the adjusted items.
4 Up until 2021 operating income and operating margin include the Financial Services segment.
5 Calculated as net sales divided by average inventory.

MULTI-YEAR STATISTICAL REVIEW

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Number of vehicles produced										
Trucks	97,065	82,827	89,528	67,106	89,276	92,679	87,454	75,452	72,382	75,287
Buses	5,218	5,315	3,190	5,430	7,719	8,696	8,327	8,488	6,964	6,921
Total	**102,283**	**88,142**	**92,718**	**72,536**	**96,995**	**101,375**	**95,781**	**83,940**	**79,346**	**82,208**
Number of trucks delivered by market area										
Europe	57,092	43,294	42,365	36,747	58,851	52,016	48,436	49,102	43,082	34,008
Eurasia	1,159	1,410	7,724	5,148	5,763	8,006	6,748	3,233	2,583	5,964
America	17,590	21,092	21,201	12,173	14,905	12,725	9,701	7,022	8,118	16,150
Asia	9,549	9,333	9,649	9,072	7,703	10,464	13,175	9,287	11,514	12,889
Africa and Oceania	6,262	5,109	4,991	3,759	4,458	4,784	4,412	4,449	4,465	4,004
Total	**91,652**	**80,238**	**85,930**	**66,899**	**91,680**	**87,995**	**82,472**	**73,093**	**69,762**	**73,015**
Number of buses and coaches delivered by market area										
Europe	1,750	1,344	1,606	1,827	2,099	2,212	2,009	2,094	1,917	1,361
Eurasia	0	6	40	84	109	344	365	62	94	105
America [6]	2,186	2,328	1,526	2,182	3,422	2,805	2,302	2,350	2,123	2,542
Asia	631	526	350	582	1,062	2,058	2,821	2,568	1,806	1,620
Africa and Oceania	508	790	914	511	1,085	1,063	808	1,179	859	1,139
Total	**5,075**	**4,994**	**4,436**	**5,186**	**7,777**	**8,482**	**8,305**	**8,253**	**6,799**	**6,767**
Total number of vehicles delivered	**96,727**	**85,232**	**90,366**	**72,085**	**99,457**	**96,477**	**90,777**	**81,346**	**76,561**	**79,782**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Number of industrial and marine engines delivered by market area										
Europe	7,440	6,305	4,846	3,807	4,150	5,968	3,938	3,272	2,664	2,823
America	2,538	3,788	2,719	2,439	2,874	2,667	1,368	1,727	3,180	3,176
Other markets	3,893	3,307	4,221	4,745	3,128	4,174	3,215	2,801	2,641	2,288
Total	**13,871**	**13,400**	**11,786**	**10,991**	**10,152**	**12,809**	**8,521**	**7,800**	**8,485**	**8,287**
Total market for heavy trucks and buses, units										
Europe (EU27) [7]										
Trucks	342,062	296,671	246,829	231,742	323,357	322,276	303,909	302,527	265,769	223,187
Buses	31,522	26,382	27,283	26,311	34,393	30,632	29,728	29,141	27,928	24,815
Number of employees December 31 [8]										
Production and corporate units	31,743	30,179	28,340	25,825	25,224	25,941	24,298	21,736	20,453	19,304
Research and development	5,927	5,857	5,249	4,229	4,651	4,203	3,908	3,900	3,801	3,671
Sales and service companies	20,493	19,648	19,205	18,896	20,345	20,966	20,166	19,718	19,331	18,395
Total Vehicles and Services	**58,163**	**55,684**	**52,794**	**48,950**	**50,220**	**51,110**	**48,372**	**45,354**	**43,585**	**41,370**
Financial Services companies	**–**	**–**	**1,206**	**1,061**	**1,058**	**993**	**891**	**889**	**824**	**759**
Total	**58,163**	**55,684**	**54,000**	**50,011**	**51,278**	**52,103**	**49,263**	**46,243**	**44,409**	**42,129**

6 Refers to Latin America.
7 EU27 - 27 of the European Union member countries (all EU countries except Malta including Norway,Switzerland, Great Britain and Iceland).
8 Including employees with temporary contracts and employees on hire.

In this section

SUSTAINABILITY REPORT

SUSTAINABILITY MANAGEMENT AND KPIs

18

Sustainability KPIs

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 both do the right things in terms of solutions for sustainable transport but also do things in the right way 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. Established in 2016, Scania Sustainability 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, follow up and act on deviations as part of the business strategy through four identified roadmaps: internal and supply chain decarbonisation, sustainable transport, people sustainability and circular business. We measure and follow up on our sustainability performance in relation to set targets. To track our performance, we have developed 18 sustainability indicators linked to our most material areas with connection to impact, risk and the life cycle of our products. The section is complemented with a table of additional ESG disclosures with a broader scope including absolute numbers (read more on pages 155–156). Risks and opportunities within sustainability are managed and integrated in Scania's ordinary risk process and in some cases supported by separated specific processes for example within purchasing.

Documents and policies related to sustainability are available externally on Scania's website (Read more on Scania.com). Corporate governance board reports directly to the executive board and approves all Scania's policies (read more on page 43). During 2020 Scania set science-based targets related to decarbonisation. The science-based targets are part of our corporate targets, and will guide investment decisions across our business areas, from production and logistics to product development and sales priorities. During 2022 Scania set supply chain decarbonisation targets for 2030 for our European Production (Read more on Scania.com). This year, we further strengthened our commitment by turning these targets into mandatory sourcing requirements. (read more on page 12). Scania's ambition is to always measure the impact from our global operations with a life cycle perspective, including the impact of our products and the impact of our actions across the value chain. This means that we continuously assess and develop what we measure and how we measure. With this ambition, availability and quality of data can be challenging. Where the scope is limited we aim to expand the collection as the data quality improves. Scope for each sustainability KPI indicator is stated in "Definitions for sustainability KPI's" on each page. Definitions for the complementing ESG table (pages 155–156) are stated in Reporting principles (read more on pages 157–158). Performance against all targets is monitored and followed up by Scania management regularly.

SCIENCE-BASED TARGETS – USE PHASE

Today more than 90 percent of the carbon emissions from our business are generated when our products are in use (scope 3 category 11). We are aiming to reach the science-based target for our products by:

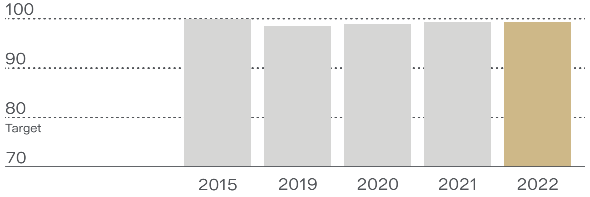
- Improving the efficiency of our traditional products and services.
- Shifting to renewable sources of fuel for combustion engines.
- Increasing the share of electrified vehicles, while ensuring that the electricity used comes from renewable sources.

We are closely following up on the impact from the use phase including actions taken that are contributing to the journey. Scania measures 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. The graph shows the journey towards the target of 20 percent CO_2e reduction from products during the use phase. Starting on 100 percent in 2015, we are aiming to reach 80 percent by 2025 at the latest.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

CO_2e emissions from vehicle use (Science-based target)[1]
%

97.3



	%
2022	**97.3**
2021	97.9
2020*	96.2
2019	95.2
2015	100.0

On a global scale, the sales mix had a similarly adverse effect on the average emissions as last year. At a regional and segment level, the emissions remained stable. From next reporting year several factors will enable us to accelerate reductions. These include increasing volumes of battery electric vehicles, increased share of renewable fuels in our customer's vehicles, further penetration of the Super powertrain with improved powertrain efficiency and more focus on energy efficiency-related services. Together these factors will enable an acceleration of CO_2e reductions. Currently we are on 97.3 percent, a reduction of just above 2.7 percent since 2015.

*2020 figure restated

Target

20%

CO_2e reduction 2015–2025 (CO_2e/km) WtW (Science Based Target)

Definitions for sustainability KPIs:

1. Climate emissions indicator, scope 3 category 11 use of sold products, for all trucks and buses produced by Scania globally in a calendar year, calculated in a well-to-wheel perspective as CO_2e/vehicle-km (intensity target). Input data is CO_2e/km from operative months within 12 months and starting after the month of production, causing reporting to lag one year. For absolute numbers of scope 3 category 11 see page 155.

ENERGY EFFICIENCY

Energy efficiency is a core priority for Scania, regardless of fuel type or energy source. Fuel consumption is an important factor for customers buying a truck or a bus today. Improving energy efficiency plays an important role in helping us to reduce our carbon impact. In 2021 we released a new powertrain (Super), with better fuel efficiency, a huge milestone in here and now reductions.

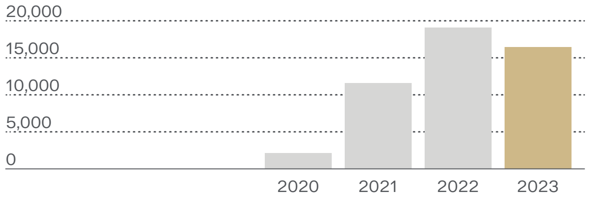
Driver performance has a major impact on fuel consumption and therefore on emission levels. We work relentlessly to improve the efficiency of our vehicles and to increase the sales of our related services such as driver evaluation, resulting in emission reduction and safer driving.

As we grow the number of Scania Flexible Maintenance contracts, resource efficiency is improved at the workshops. Oil and parts are only changed when needed according to the vehicles usage, not at fixed points. By using Scania Flexible Maintenance, the customers receive fewer stand-stills. With our concept Scania ProCare, a maintenance service using real-time data to predict and prevent breakdowns before they happen. We are taking the next step in increasing uptime for our customers, by improving service plannability and predictivity of their vehicles. For every preventive repair we reduce the risk of severe component and collateral damage, protecting the resources at its maximum.

Driver Evaluation[2]

No. of active subscriptions

16,461



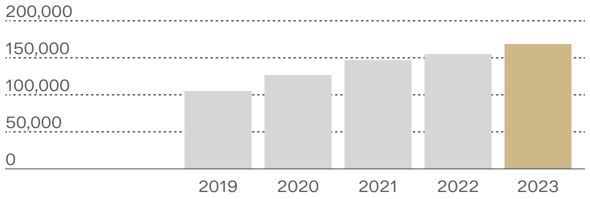
	No. of subscriptions
2023	**16,461**
2022	19,084
2021	11,274
2020	2,074

Since 2022, the numbers have gone down and at the end of 2023 Scania landed on 16,461 active subscriptions. The key reason for the decrease is the reduction of service contracts in Brazil, which is a country responsible for 72 percent of this service volume. The Driver Evaluation service makes hauliers aware of their drivers' behaviours and supplies suggestions on improvement. The drivers can follow their performance in a mobile app.

Scania Flexible Maintenance[3]

No. of active contracts

167,008



	No. of active contracts
2023	**167,008**
2022	151,207
2021	146,189
2020	124,240
2019	106,322

In 2023 we continued to grow our Scania Flexible Maintenance contracts portfolio, which supports customers with services adapted to their vehicle and operations.

Definitions for sustainability KPIs:

2. Number of active subscriptions of Driver evaluation among Scania vehicles. Data is collected from DSI Dashboard Monthly Aggregated Tables and includes all markets.
3. Number of active contracts of Scania flexible maintenance, data from 59 markets. Real time data is collected from Fleet management database.

RENEWABLE FUELS AND ELECTRIFICATION

Sustainable biofuels are an important part of decarbonising the transport system, complementing 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. All Scania internal combustion engines can be fuelled with HVO renewable diesel, without any modifications or limitations. The supply of biomethane – purified biogas is one of the major opportunities 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, including 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 as well as the share of sales is set to grow in the coming years. Scania is committed to introduce a broader offer of electrified vehicles every year this decade.

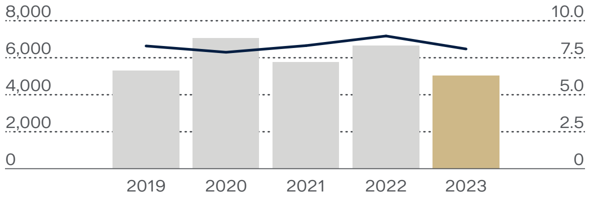
Definitions for sustainability KPIs:

4. Number of invoiced products (from sales and marketing, trucks and buses) with gas, ethanol (ED95), FAME "With" (4275A), battery electric vehicles, fuel cell and hybrids. Update and correction applied also to earlier years where data for FAME was flawed.

Sales of alternative fuels and electrified vehicles[4]

— No. of vehicles %

6,454 **6.3**



	— No. of vehicles	Share %
2023	**6,454**	**6.3**
2022	7,155	8.3
2021	6,635	7.2
2020	6,277	8.8
2019	6,616	6.6

In 2023, the share of alternative solutions decreased compared to 2022, mainly due to a rebound in the overall market, even in regions with less mature alternatives. Despite this, interest in our sustainable solutions portfolio remains strong. Customers appreciate our flexibility in finding solutions for various operations. Alongside the growth of our electrified solutions, there's also a continued interest in renewable fuels, including liquid options like HVO and FAME, as well as biomethane.

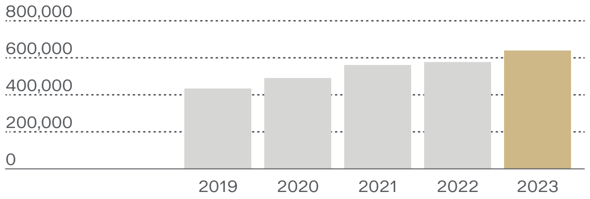
SMART AND SAFE TRANSPORT

Digital technologies are 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. Connected vehicles are a prerequisite for us to be able to measure our user phase CO_2 impact, develop digital services to optimise efficient utilisation and to be able to understand the true impact of our actions which helps us in decision-making.

Connected Products[5]

No. of connected vehicles and products

638,633



	No. of vehicles
2023	**638,633**
2022	575,509
2021	559,051
2020	489,113
2019	434,117

The number of connected vehicles increased with 63.124 units from 2022. Great Britain is the market with highest proportion of connected vehicles in 2023.

Definitions for sustainability KPIs:

5. Number of connected Scania products (accumulated). Data is collected from DSI dashboard Monthly Aggregated Tables. Connected trucks and buses are included in the accumulated numbers and since 2022 connected engines are also included.

ENVIRONMENTAL FOOTPRINT

To proactively reduce the environmental footprint from the whole value chain by working actively with emission reduction, resource use and energy efficiency is central to Scania's daily operations. Scania's own environmental impact stems from our production processes, our global workshop facilities and our offices. However, we also have an indirect environmental impact stemming from the materials that we source to build our products and the logistics required to be a manufacturer.

One part of Scania's strategic sustainability work is within the area of "internal footprint and supply chain decarbonisation", where we have a focus on reducing Scope 1 and 2 emissions in accordance with the Greenhouse Gas Protocol.

To ensure further integration of sustainability in processes and decision making the science-based target within scope 1 and 2 is from 2022 a part of the incentive programme for management which covers senior executives and key position holders.

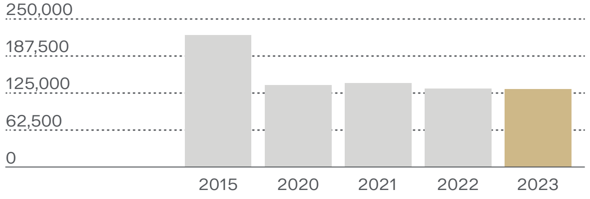
There is also an active work within decarbonisation of our supply chain (category within scope 3) focusing on the materials with greatest impact as well as continuously improving the emission from our own logistics. The progress and deviations within the roadmap is continuously followed up and coordinated in the Scania Sustainability Board.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

CO_2e from operations – Scope 1 and 2 (Science-based target)[6]

Tonne CO_2e

130,300



	Tonne CO_2e
2023	**130,300**
2022	132,200
2021	141,200
2020	137,800
2015	222,900

Emissions have fallen by 42 percent since 2015. By following our decarbonisation roadmap, Scania sees a clear path towards reaching our targets for 2025. Important steps towards this goal will be growing the number of electrified vehicles in the company fleet, as well as switching to renewable fuels and fossil free electricity in our operations globally.

Target

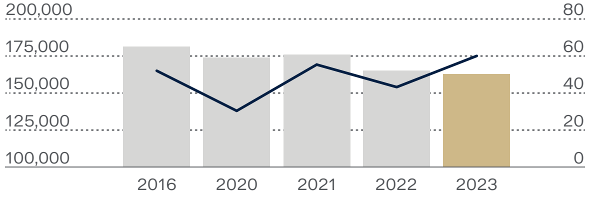
50%

CO_2e reduction 2015–2025 (CO_2e) From operations (Scope 1 and 2) (Science Based Target)

CO_2e emissions from land transport[7]

— Total tonnes CO_2e | kg CO_2e/ transported tonne

175,669 | **50**



	— Total tonnes CO_2e	kg CO_2e/ transported tonne
2023	**175,669**	**50**
2022	154,712	52
2021	170,541	60
2020	138,312	59
2016	165,811	65

Emissions per transported tonne (part of scope 3) has decreased by 23 percent compared to 2016. In 2023 new contracts were implemented in the Poland-Lituania and Czech republic areas within inbound leading to a further increase of sustainable fuels used in our network, as well as improved efficiency which has contributed to a decrease in CO_2 emission. In 2023, land transports stood for 65 percent of the total transport emissions.

Target

50%

reduction in CO_2e emissions from land transport between 2016 and 2025 (CO_2e)

Definitions for sustainability KPIs:

6. Absolute Scope 1 and 2 greenhouse gas (GHG) emissions are disclosed in accordance with the principles in the GHG Protocol. Due to delays in collection, parts of data are estimated (read more on pages 157–158). It covers Scania's global operations including industrial operations as well as commercial operations and since 2023 the Scania subsidiary and transport company LOTS. Prior years data (2016–2022) and base year (2015) have been recalculated due to LOTS inclusion and acquisitions within commercial network.

7. Part of Scope 3 GHG emissions. Total emissions of WTW CO_2 equivalents in kg from Scania's land transport per 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. During 2023 the calculation methodology for land and overseas transports was revised and updated, and all figures dating back to 2016 have been recalculated according to the new methodology. The new methodology is in line with the new ISO14083 standard as well as the GLEC Framework.

Scania's environmental management system builds on ISO 14001 and is regulated in a global environmental policy. The purpose of the policy is to ensure that Scania operates according to the highest global standard in all relevant environmental areas and lies the foundation for the environmental work. Our product development and all our production sites are certified according to ISO 14001. All production sites have permits that comply with national legislation. In addition to legal requirements and the conditions included in these permits, operations may also be subject to local requirements and rules.

Our efforts are based on the precautionary principle and take a 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.

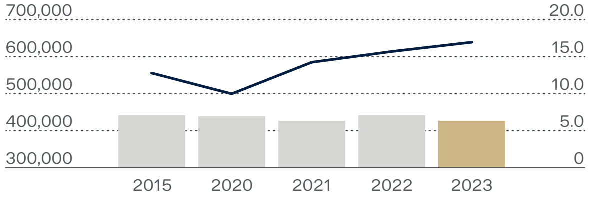
The environmental work is integrated into daily operations through continuous improvements with risk assessment in focus. We have set one strong CO_2 reduction target that apply to the whole company, approved by the Science Based Targets initiative. By 2025, Scania aims to achieve a 50 percent CO_2 reduction 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.

Scania is also working on decarbonisation roadmaps for the impacts stemming from our most emitting material and components. During 2022 Scania set new ambitious targets for the European sourcing of steel, aluminium, batteries and iron that should be 100 percent green until 2030. Scania's definition of "green" requires eliminating the main sources of emissions by utilising new technologies, green electricity and/or recycled material. (Read more on Scania.com). All environmental indicators are closely followed up by Scania management.

Energy consumption[8]

— Total MWh | MWh/Vehicle

639,874 | **6.3**



	— Total MWh	MWh/Vehicle
2023	**639,874**	**6.3**
2022	614,928	7.0
2021	585,385	6.3
2020	500,667	6.9
2015	556,323	7.0

There is a temporary increase in use of energy due to start of production in a new foundry while still operating the old foundry during a transition period (2022–2023). A significant reduction is expected after decommissioning of the old foundry. Energy consumption per vehicle have been reduced due to a focus on energy efficient activities in production. The reduction is 11 percent since 2015.

Target

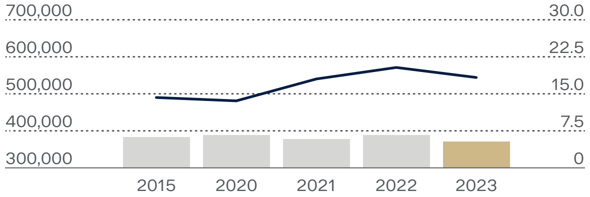
25%

less energy per produced vehicle 2015–2025.

Water usage[9]

— Total m^3 | m^3 per vehicle

544,915 | **5.3**



	— Total m^3	m^3 per vehicle
2023	**544,915**	**5.3**
2022	571,687	6.5
2021	540,231	5.8
2020	481,551	6.6
2015	490,812	6.2

Use of water per produced vehicle decreased to a level of 5.3 cubic metres. The reduced need for freshwater in production have been achieved through increased use of internally recycled water. Water usage per vehicles have fallen by 15 percent since 2015. During 2024 focus is to initiate further actions towards water reduction.

Target

40%

reduction of water use per produced vehicle 2015–2025.

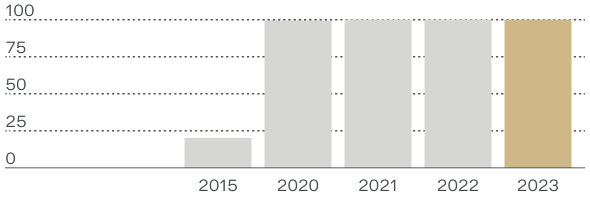
Definitions for sustainability KPIs:

8. Covers the use of electricity, heat and fuels in stationary systems at Scania premises including fuel consumed for engine testing. Energy used in vehicles is not included except for electric vehicles charged at Scania premises. Scope is production units and logistic centers globally. Global energy consumption including commercial network is shown on page 155.
9. Total amount of freshwater used divided with the number of produced vehicles. Scope is production units and logistic centers globally.

Fossil-free electricity[10]

% of total MWh

99.96



	% of total MWh
2023	**99.96**
2022	99.96
2021	99.96
2020	99.74
2015	19.33

During 2023 Scania's facilities ended up on 99.96 percent fossil-free electricity. Scania has been on a level close to 100 percent since 2020 but will continuously follow the level of fossil-free electricity and always aim for the 100 percent target.

Target

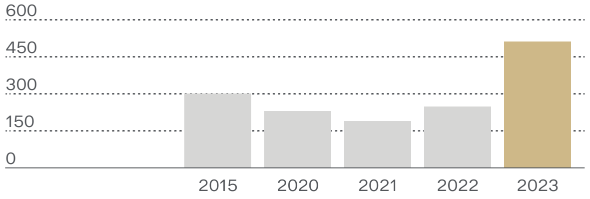
100%

of our operations run on fossil-free electricity where the necessary prerequisites are in place.

Waste material that is not recycled[11]

Kg/Vehicle

510



	Kg/Vehicle
2023	**510**
2022	248
2021	190
2020	229
2015	299

The amount of waste not recycled have increased during 2023. This is mainly explained by lacking demand of recovered material for certain fractions and these fractions has for 2023 been sent to landfill. Another contributing factor is operating of two foundries during a transition period (2022–2023). In 2022 waste material not recycled have fallen by 17 percent since 2015. During 2023 due to the aforementioned reasons, the material not recycled have increased by 71 percent compared to base year 2015. Measures are taken in order to reduce this waste fractions as well as to find suitable recovery operation methods to avoid landfill.

Target

50%

reduction of waste not recycled per produced vehicle 2015–2025.

To support the roll-out of the environmental policy and the employees in their work Scania has identified principles for environment within the areas of energy, waste, chemicals, water and emissions that guides on how to manage different challenges. The principles clarifies the background, ambition and how to act to take responsibility and reduce the environmental footprint for each area. Scanias e-learning on environment is translated into 29 languages and mandatory for all employees globally. The training also includes a more comprehensive manager training. Scania uses an internal audit programme to continuously evaluate our processes, methods and performance including management reviews to evaluate the environmental management system. During 2023 several actions have been initiated to further contribute to the achievement of our targets. One example that will decrease emissions from our plant in Brazil in the coming years is the partnership with Brazilian bioenergy company Raízen to enable the supply of biomethane for use in industrial operations in Sao Paulo. From 2025 Raízen will supply Scania with biomethane derived from organic waste from local sugarcane crops. This will cover one hundred percent of the plant's fuel consumption needs and contribute significantly to the plant as well as Scania´s global carbon reduction targets. During 2023, the decarbonisation programme for our commercial network has truly accelerated including a wide range of actions: fossil free standard for new commercial facilities, maintenance programme to opt-out old gas and diesel boilers and a switch to modern heat pump systems, increased share of green electricity usage via purchase contracts or photovoltaic (PV) panels installations, as well as more electric vehicles in the company park.

During 2023, no accidents occurred that caused significant environmental impact or led to major clean-up expenses. Significant and major is aligned with Scanias risk methodologies regarding level of reputational, financial and legal impact.

Definitions for sustainability KPIs:

10. Fossil-free electricity purchased and internally generated. Share of GWh for Scania CV's production units and regional product centers.
11. Sum of waste sent for energy recovery and waste sent for landfill divided by the total number of units produced. Scope is industrial operation. (Industrial operation sites located in Luleå, Södertälje, Oskarshamn, Słupsk, Angers, Zwolle, Meppel, São Bernardo, Tucumán, Taipei, Kuala Lumpur, Bangalore and Johannesburg).

PEOPLE SUSTAINABILITY

People Sustainability is a key priority in our sustainability focus and strategic development and the area is managed by a cross-functional working process. The work is developed in close partnership within the VW Group and TRATON GROUP and with external experts. The People Sustainability Roadmap covers the prioritised areas where Scania impacts people across the life cycle, including Sustainable Transport (in line with the Agenda 2030), Scania's commitment to Road Safety and Human Rights management. Scania is committed to respect human rights in our operations and in our value chain in line with the UN's Guiding Principles on Business and Human Rights. Scania's Human Rights Policy is complemented by related policies such as the Employment policy.

Scania has identified its Salient Human Rights Issues, the areas where we need to focus, based on impact and risk. These 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, social dialogue and diversity and inclusion. Scania addresses the salient issues either through topic specific efforts regarding, for example, occupational health and safety and a strategic approach to Road Safety or management systems with the purpose of managing human rights risk.

HUMAN RIGHTS MANAGEMENT

Respect for human rights guides Scania's action across the value chain, contributing to an inclusive and sustainable transport system. Scania drives efforts related to human rights through the Human Rights Framework. The framework is organised around three pillars:

- Commit – with clear actions planned to improve policies and guidelines.
- Know – making sure that human rights is integrated into decision-making processes.
- Show – improving Scania's ability for grievance and remediation as well as in communication, with the aim to increase transparency regarding human rights related information and data.

Scania's Human Rights Steering Committee monitors the framework, and shares progress and challenges to the Scania Sustainability Board (SSB) and to the TRATON Human Rights Committee.

During 2023, Scania has continued developing the framework to connect existing due diligence programmes (such as the raw materials management system) with a risk-based approach at a corporate level through the Scania risk process. Scania has also initiated roll-out of a basic e-learning for all employees and included focus on Human Rights in the Top Executive Program (TEP). During the year Scania launched an updated Human Rights Policy that provides more extensive guidelines for integration of Human Rights into decision-making.

For the salient issues related to employment, Scania has a solid ground and experience to stand on within these areas, but has also identified improvement needs with regards to visibility and alignment of approaches at the global level. During 2023, the internal governance structure within human resources (People & Culture) has been improved to address and monitor this progress.

With the German Supply Chain Act implemented in 2023, Volkswagen and TRATON are also active in building up a risk-based approach to human rights, Scania is taking part in the work in the TRATON GROUP and has for 2023 published the TRATON Human Rights Statement (Read more on Scania.com).

Salient issues at Scania

Categories	Salient issues
Safety	Road safety
	Occupational safety and health
Decent work	Working conditions: working hours, wages and benefits
	Child labor and juvenile work
	Forced labor and modern slavery
Integrity & Voice	Social dialogue: freedom of association and collective bargaining
	Ethical data use: application of AI and technology
	Grievance mechanism and access to remedy
Diversity & Inclusion	Just transition
	Discrimination, harassment and equal Opportunities
Responsible presence	Conflict-affected and high-risk areas
	Community impacts
Climate Change and Environment	Climate change and environmental impact

SUPPLY CHAIN SUSTAINABILITY

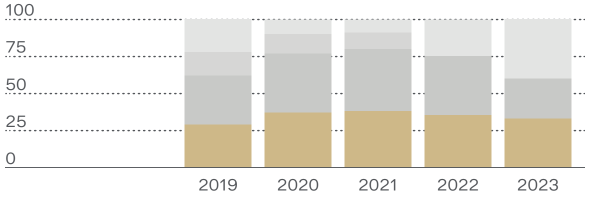
Transparency is key to managing our supply chain impacts. To identify and address sustainability risks in our supply chain effectively, we need to know where the materials we use in our production processes come from. Scania has a large and complex supply chain consisting of more than 1000 suppliers in more than 100 countries. Working with our partners in the Volkswagen Group, we have developed a group-wide approach that increases our leverage and ensures greater transparency. We also work together with others to improve traceability and transparency within the complete automotive value chain, both as part of the Volkswagen Group and TRATON GROUP, as well as with other stakeholders, for example the Drive sustainability network.

All suppliers working with Scania must meet minimum sustainability requirements based on compliance with our Supplier Code of Conduct and all relevant local regulations (the stricter rules apply in every case). The Supplier Code of Conduct covers areas such as human and labour rights, health and safety, environment and anti corruption. It is part of contractual terms and it is signed by all suppliers. Through our S-Rating system, all our suppliers are rated from A to C for sustainability performance and compliance based on self-assessment questionnaires, country risk profiles and independent audits. We aim for most of our suppliers to be A rated, and to have no C rated suppliers. Suppliers with a B rating receive follow- up audits and other checks. New suppliers with a C rating can not be a supplier for Scania and existing suppliers cannot be nominated.

Within the Volkswagen Group, we have created a raw material due diligence management system. The approach is based on the Organisation for Economic Co-operation and Development (OECD) guidance for due diligence processes and consist of management systems, risk identification, monitoring, risk management as well as communication. The work is based on a heat map of the materials we use in our production based on their sustainability risk. The map identifies 16 critical materials that we consider high-risk. These include conflict minerals, as well as carbon-intensive materials such as steel.

Partnerships with non-profit organisations (NGOs), certification initiatives and other organisations play a vital role in improving the transparency and sustainability of materials in our supply chain. One of the partnerships through Volkswagen Group include the Initiative for Responsible Mining Assurance (IRMA), who carry out mine audits to certify compliance with human rights standards. Through the Volkswagen Group, we are also a partner with the Global Platform for Sustainable Natural Rubber. Rubber is a key material in our tyres, but its sourcing has been linked to human rights abuses such as child labour. Through the partnership we are improving traceability and sustainability of rubber in the automotive supply chain, ensuring that our tyre suppliers use rubber from certified sources. Bauxit mining for producing Aluminium is associated with human rights violations, and often has an adverse impact on indigenous communities. Through our partnership with the Aluminium Stewardship Initiative, we are able to trace where our suppliers source aluminium, and whether mining is carried out sustainably. Mica is a key ingredient in vehicle paint, and the extraction of mica is a manual process that has been linked with child labour. We have joined the Responsible Mica Initiative to promote transparency in the mica supply chain and ensure our paint suppliers source mica responsibly (Read more about our work on another high risk material, platinum on p. 30).

Sustainability risk assessed suppliers[12]



%	A	B	C	N/A
2023	**33.1**	**26.9**	**0.1**	**39.9**
2022	35.4	39.7	0.1	24.7
2021	37.6	42.4	11.0	8.5
2020	37.0	39.6	13.1	10.3
2019	29.1	33.2	16.0	21.6

During 2023, Scania maintained the low number of C-rated suppliers and it is close to achieve the set target for this category of supplier. In 2023 Scania introduced stricter requirements, which caused an increase in the number of suppliers classified as not assessed. Suppliers of both parts and services (existing and new) were assessed.

Target

65%

suppliers in highest rating category (A) by 2025.

Target

0%

suppliers in lowest rating category (C) by 2025.

Definitions for sustainability KPIs:

12. The sustainability rating includes country risk data, the audit scores together with the SAQ (self-assessment-questionnaire). Scope consists of all new and existing suppliers from both parts and services in Europe and Brazil, covering 100 percent of the new suppliers nominated. The N/A category consist of suppliers that has not yet been assessed or suppliers with an uncompleted SAQ.

SOCIAL DIALOGUE

Good relations and social dialogue improve the work environment as well as company performance. Social Dialogue in particular is a key enabler in achieving a Just Transition in line with the Paris Agreement, and a very important enabler in the transformation that Scania is currently in the midst of as a company. Both Social Dialogue and Just Transition are identified as salient human rights issues at Scania.

Scania European Committee is our highest labour relations forum, where we continuously inform and consult with our employee representatives globally. It is a European work council equipped with comprehensive participation rights extended to include representatives from outside the EU.

The involvement of employee representatives traditionally plays an important role in the Group subsidiaries.

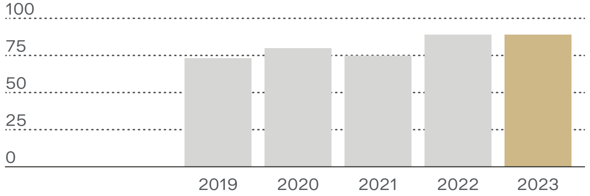
Social Dialogue constitutes a challenge in several markets at the global level in all parts of the value chain. In order to approach this on a more systematic level, Scania has been part of the creation and launch of the Global Deal, a high-level partnership with countries, organisations and businesses, working towards achieving Agenda 2030 with a focus on decent work and reduced inequalities.

Based on the Scania global principles for labour relations, the Scania Labour Relations Improvement Program, a workshop centred tool for improved dialogue between management and employee representatives, has been developed together with employee representatives. Launched at the Scania 2023 top management meeting it is available to the organisation and currently being rolled out in our organisation.

Collective bargaining agreements[13]

%

89



	%
2023	**89**
2022	89
2021	75
2020	80
2019	73

The coverage by collective bargaining agreements have stayed on the same level of 89 percent, which is based on information collected from 54,418 Scania employees.

Target

100%

of our employees should have the possibility to form collective bargaining agreements or in other ways engage in constructive dialogue

Definitions:

13. Percentage of Scania employees covered by central or local collective bargaining agreement. The figure for 2023 covers 87 percent of Scania employees. We are currently not able to cover 100 percent due to data availability. Units with at least one employee covered by collective bargaining agreement are classified as having all employees covered.

DIVERSITY AND INCLUSION

Skill Capture – Scania's way of working with Diversity and Inclusion

Fostering a diverse workforce is critical to 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. Skill Capture programme is the response to the challenges that are accompanying the transition to a more sustainable transportation industry.

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 for each employee from initial awareness to action. Diversity and inclusion (D&I) at Scania is about continuously developing our corporate culture, forming our strategy in the area by harnessing the collective intelligence of the Scania organisation.

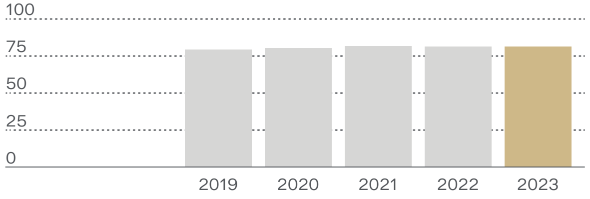
To achieve broad awareness of Skill Capture within the company, Scania is training managers and employees on this topic.

Through the Skill Capture programme, all management teams across the organisation complete the Skill Capture Initial Lab which focuses on raising awareness on diversity and inclusion. In the Lab, management teams create a Local Action Plan where they identify the Skill Capture work their organisational unit will focus on, thus creating value through actions. This work is supported by a network of Skill Capture Ambassadors who work closely with management teams. The work outlined in the Local Action Plan is followed up on and reported twice a year in what we call a Revisit. The Revisits are a structured way to ensure the journey continues while measuring the engagement – mapping the focus areas as well as discovering the good examples within our organisation. Revisits reported over the last 12 months show that global teams have focused on recruitment, inclusive ways of working, team building and mentorship in their Skill Capture work. Part of the Skill Capture Revisit process allows for the collection of locally decided actions, which are shared as Best Practices.

Deeply embedded into Scania's culture is the drive for continuous improvement. A reflection of this was the announcement that Gender Diversity in Management would be a key interim corporate target – with the objective to drive a more inclusive and balanced representation of genders within management teams. This target in conjunction with the D&I Index and Revisits are ways for Scania to strengthen the Skill Capture work. To reinforce the commitment to Skill Capture, Scania launched a Skill Capture Review project which aims to enhance diversity and inclusion throughout the organisation, closely aligning with business results, with the inclusive involvement of both internal and external stakeholders as a critical success factor.

Diversity and inclusion index[14]

81.2



2023	**81.2**
2022	81.1
2021	80.9
2020	80.0
2019	78.8

51,958 employees had the opportunity to participate in the 2023 employee survey, (the Employee Satisfaction Barometer) with a participation rate of 84 percent. The Skill Capture program gives Scania's different markets the opportunity to highlight issues that are relevant to the local working environment.

Target

>85

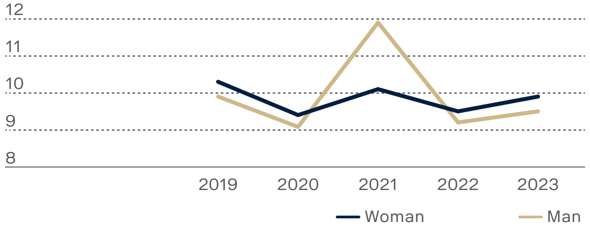
score on the D&I related questions in the Employee Satisfaction Barometer.

Gender equal opportunities[15]

%

— Woman — Man

10.0 **9.4**



	Woman	Man
2023	**10.00**	**9.40**
2022	9.50	9.20
2021	10.10	11.90
2020	9.40	9.08
2019	10.30	9.90

The result for the year shows a 0.6 percent difference between men and women in management compared with the total employee population. The work continues using analytics to secure our understanding of the root cause, as well as other initiatives within diversity and inclusion.

Target

EQUAL

opportunities to become managers for men and women.

Definitions for sustainability KPIs:

14. Perception of Scania's diversity and inclusion climate from Barometer-survey: The KPI is a weighed result of three questions from the survey concerning Scania employees' perception of the diversity and inclusion climate at their workplace. Read more on page 158.

15. Percentage of female managers in relation to percentage of female employees compared to the same number for men. This covers all markets where Scania has operations.

SAFETY AND HEALTH

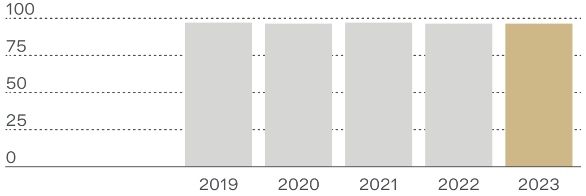
As a natural part of our sustainability focus, the safety and health of all Scania employees is not just a salient issue but a top priority. Our goal is to preserve and promote the safety, health, and well-being at work for all our employees and visitors at our premises. All work within this area is executed and aligned with existing principles and our core values. We strive to achieve a healthy and safe workplace and give a foundation for a good work life balance for our employees 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. To become and remain the employer of choice we empower and engage all our people and all our activities shall be based on the principle, "By creating good working conditions all injuries and ill health can be prevented". For the 2022/2023 edition Scania Top Team (global competition for service technicians) focused on sustainability. At all regional finals, participants raised their awareness and competence regarding safety and health in the workshop area.

The Scania Group Policy for Safety and Health is the guiding document globally and lays the foundation for the management system. Scania is in the process of developing a global management system fully aligned with the requirements for ISO 45001. The Safety and Health Policy focuses not only on preventing injuries and illnesses, but also on creating good working conditions. To complement the policy, Scania has Safety and Health Guidelines that describe basic conditions for achieving safe and healthy workplaces. These supporting documents guide all safety and health activities within the Scania organisation. The Safety and Health Guidelines consist of four parts: organisation, workplace design and working conditions, management of safety and health risks and learning from experience. The four areas are connected in a continuous process where follow-up, learning and continuous improvement are central. During 2023, safety and health has become an integrated part of the human rights roadmap, focusing foremost on improvements relating to global visibility and reliable data, methodology improvements and improved transparency, for example in relation to incident management. Among our employees we had one fatal accident during 2023. While doing roadside assistance unfortunately a technician died in a traffic accident. In the industrial unit's accidents keep decreasing in numbers. The continuous work with "risk observations" in the system TIA has given Scania even more data to analyse for mitigation of risks in the work environment. This successful way of working is now being implemented into our commercial organisations to improve safety for all our Scania employees.

Healthy attendance[16]

%

96.30



	%
2023	**96.30**
2022	96.25
2021	96.54
2020	96.41
2019	96.53

The Healthy attendance has increased since last year and it is 96.3 percent in 2023. Short term sick leave has decreased resulting on a general increase of health attendance compared to previous year. In 2023 Scania is very close to achieve the set target to have 97 percent healthy attendance.

Target

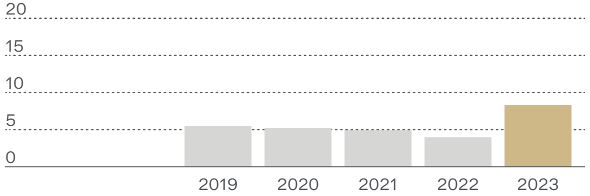
97%

healthy attendance.

Occupational accidents with sick-leave[17]

No. of accidents per million hours

8.85



	Number of accidents per million hours
2023	**8.85**
2022	3.90
2021	4.90
2020	5.25
2019	5.40

The increase in accidents is due to scope change for 2023, where commercial operations entities are included. Previous years were not recalculated in line with new scope. 2023 accidents covering only industrial units shows 3,3 accidents which is a decrease compared to 2022. The implementation of "risk observations" in the system TIA supports Scania analyse for mitigation of risks in the work environment. When we analyse the cause of our critical accidents, we can see that tucked or jammed between objects is the most common reason followed by incidents where employees have tripped, slipped or fallen and then hit by vehicles and forklifts. This has generated activities such as improved support to perform risk assessments and an initiative to improve the quality in investigations of incidents and accidents.

Target

5

or less accidents per million worked hours.

Definitions for sustainability KPIs:

16. Hours of attendance relative to defined total working hours for Scania's global operations and all Scania employees.

17. Total number of work related accidents with Scania employees with sick-leave relative to one million working hours for operations in Sweden and Industrial operations globally (inclusive regional product centres and logistic centres). From 2023 it also cover accidents in commercial operations units.

BUSINESS ETHICS

Scania has zero tolerance for corruption and unethical business practices. Scania is a signatory to the UN Global Compact and adheres to its 10 principles, including anti-corruption. Moreover, Scania is a supporting member of the Swedish Anti-Corruption Institute (Institutet Mot Mutor) and a member of Transparency International Sweden's Business Integrity Forum. Communication and employee training play a key role in Scania's preventive compliance and sustainability work across all hierarchy level. Scania conducts regular face-to-face and online training sessions on various compliance topics.

The compliance training programme includes training on the Code of Conduct, the Company's guideline for acting with integrity. The Code of Conduct training is mandatory for all employees and needs to be repeated on a regular basis. Additionally, Scania conducts compliance trainings on the topics of anti-corruption, anti-money laundering, antitrust, business and human rights, and whistleblowing as well as general compliance and integrity trainings. The respective target groups and the requirement for the repetition of each training are defined on the basis of employees' respective risk exposure.

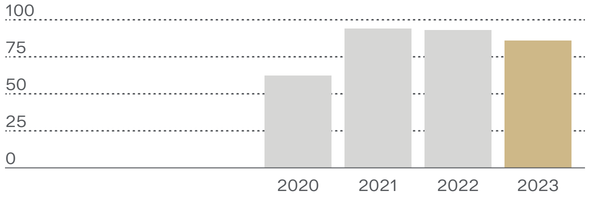
Another cornerstone of Scania's business ethics efforts is the whistleblowing system. To avoid or minimise potential risks due to regulatory and internal governance violations, it is crucial that potential regulatory violations by employees, suppliers, business partners or other external parties related to Scania are identified at an early stage, clarified and stopped, and that disciplinary measures against employees and remediation actions are applied where necessary. There are several dedicated whistleblowing channels available both internally and externally to report suspected regulatory, ethical or human rights violations and procedures are in place to conduct internal investigations. An investigation in line with applicable laws and together with the responsible unit is only initiated after a careful examination of the facts and following reasonable suspicion of a regulatory violation. The whistleblowing system is designed to guarantee the protection for whistleblowers and the persons implicated. There is strict confidentiality throughout the investigative process.

The presumption of innocence applies for all persons concerned. Appropriate disciplinary and remediation measures are implemented following a defined process where applicable. In 2023, Scania received 156 allegations, of which approximately 34 percent were further investigated as potential serious or other regulatory violations. Of all the investigations conducted in the reporting period, 4 percent resulted in disciplinary measures and 18 percent resulted in suggested remediation actions.

Code of conduct training[18]

% of employees trained

86



	%
2023	**86**
2022	93
2021	94
2020	61

In 2023, 46,911 employees have taken the course, corresponding to 86 percent of employees trained. The course is mandatory for all employees and shall be repeated within an interval of 2–4 years depending on type of work.

Target

100%

of our employees are trained in the Scania Code of Conduct.

Definitions for sustainability KPIs:

18. Several specialised business ethics trainings are provided including online as well as classroom training. This KPI covers the number of employees (accumulated) that have taken part in Code of Conduct training globally.

SUSTAINABILITY AND ESG DISCLOSURES*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Emissions*									
Scope 1: Direct greenhouse gas emissions (1,000 t CO_2e)	117.1	117.1	120.8	118.2	126.4	129.6	133.2	131.6	140.8
Scope 2: Indirect greenhouse gas emissions (1,000 t CO_2e) Market Based	13.2	15.1	20.4	19.6	36.3	35.7	36.5	51.2	82.1
Scope 2: Indirect greenhouse gas emissions (1,000 t CO_2e) Location Based	58.2	–	–	–	–	–	–	–	84.9
Total emissions from scope 1 and 2 (1,000 t CO_2e) *	130.3	132.2	141.2	137.8	162.7	165.3	169.7	182.8	222.9
Per vehicle (Scope 1 and 2 t CO_2e)	1.3	1.5	1.5	1.9	1.7	1.6	1.8	2.2	2.8
Scope 3: Corporate value chain greenhouse gas emissions total (1,000 t CO_2e)	143,699	134,014	143,222	112,219	140,204	156,941	142,279	123,410	119,016
1. Purchased goods and services	2,372	2,264	2,288	1,915	2,511	2,615	2,426	2,173	2,008
2. Capital goods	280	251	261	275.7	219.3	195.9	–	–	–
3. Fuel- and energy-related activities	42	45	48	39	52	57	–	–	–
4. Upstream transportation and distribution	275	287	266	191	253	309	247	225	191
5. Waste generated in the operation	334	313	302	281	309	310	–	–	–
6. Business travel	33	18	4	4	29	43	–	–	–
7. Employee commuting	49	54	69	64	78	80	–	–	–
11. Use of sold products	140,130	130,586	139,785	109,279	136,532	153,100	139,381	120,796	116,607
12. End-of-life treatment of sold products	122	109	115	89	118	125	116	103	96
14. Franchises	63	88	84	82	103	107	110	113	113
Out of scope emissions (direct emissions from use of biofuels)	14.7	13.9	11.5	7.6	5.9	6.1	2.6	2.5	2.3
NOx (engine testing), tonnes	32.4	36.2	37.5	31.5	36.0	42.0	46.0	43.0	47.0
SOx (engine testing), tonnes	<0,1	<0,1	<0,1	<0,1	<0,1	<0,1	<0,1	<0,1	0.13
Volatile organic compounds (VOC) tonnes	390	335	297	261	353	417	314	241	238
Volatile organic compounds (VOC) kg/vehicle	3.80	3.80	3.20	3.60	3.60	4.10	3.30	2.90	3.00
Emissions of ozone-depleting substances (ODS)									
Total amounts CFC installed, kg	0	0	0	0	0	0	0	0	0
Number of vehicles produced	102,283	88,142	92,718	72,356	96,995	101,375	95,781	83,940	79,346
**Energy ** **									
Electricity, Joule (GJ)	2,204,467	2,139,115	2,069,897	1,836,022	2,037,309	2,078,261	2,015,360	1,912,593	1,917,188
District heating, Joule (GJ)	500,076	472,245	528,610	399,180	480,391	444,687	389,083	398,064	388,658
Fossil fuels, Joule (GJ)	1,663,084	1,672,610	1,726,726	1,686,068	1,792,912	1,831,864	1,900,538	1,877,156	1,997,141
Renewable fuels, Joule (GJ)	202,616	182,967	148,963	85,794	75,019	76,174	21,940	22,725	22,590
Total, GJ	4,570,243	4,466,937	4,474,196	4,007,064	4,385,631	4,430,985	4,326,922	4,210,538	4,325,576
Per vehicle, GJ	44.7	50.7	48.3	55.4	45.2	43.7	45.2	50.2	54.5

SUSTAINABILITY AND ESG DISCLOSURES

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Water									
Purchased municipal water, megaliter	436	484	477	401	497	484	443	521	409
Ground water, megaliters	131	128	126	141	154	182	173	165	163
Total, megaliter	566	611	602	543	651	666	616	686	571
Per vehicle, m^3	5.50	6.90	6.50	7.48	6.71	6.57	6.43	8.18	7.20
Surface water (for once-through cooling), megaliter	3,774	4,305	4,633	4,589	4,525	4,957	5,031	4,549	3,104
Waste* **									
Non hazardous waste sent for material recovery (recycling), tonnes	84,617	101,638	107,038	83,249	104,300	107,500	96,000	87,250	81,300
Hazardous waste sent for material recovery (recycling), tonnes	3,318	3,164	2,629	2,158	3,100	3,500	3,650	3,600	3,200
Non hazardous waste sent for incineration with energy recovery, tonnes	9,306	8,007	8,921	8,171	10,300	11,700	10,850	11,850	9,700
Hazardous waste sent for incineration for energy recovery, tonnes	5,067	3,968	3,788	3,158	6,800	4,800	5,950	5,500	6,200
Non hazardous waste sent for landfill, tonnes	23,396	2,234	1,577	2,720	3,300	3,000	2,700	2,550	2,900
Hazardous waste sent for landfill, tonnes	16,518	8,113	3,677	2,972	3,400	3,900	3,450	3,950	6,100
Total, metric tonnes	142,222	127,124	127,630	102,428	131,200	134,400	122,600	114,700	109,400
Per vehicle, metric tonnes	1.39	1.44	1.38	1.41	1.35	1.33	1.28	1.37	1.38
Occupational health and safety									
Number of employees and workers covered by a occupational health and management system	54,418	28,420	30,411	28,017	27,087	26,209	23,232	21,326	–
Rate of employees and workers covered by a occupational health and management system	100%	53%	60%	59%	56%	55%	53%	51%	–
The number of fatalities as a result of work-related injury	1	0	1	0	1	1	1	0	–
The number of injuries resulting in sick leave	758	171	218	222	226	173	294	319	–
The rate of injuries resulting in sick leave (number divided by million hours worked)	8.85	3.87	4.9	5.25	5.4	4.1	8.99	8.6	–
The number of hours worked	85,619,562	44,133,478	44,927,568	42,276,577	41,759,830	41,866,453	32,670,306	37,040,113	–
Total employees (full time and temporary)	54,418	53,309	50,709	47,889	48,329	47,548	43,866	41,545	–
Total employees (including employees on hire)	58,163	56,927	54,000	50,011	–	–	–	–	–
Supplier Sustainability assessment									
Percentage of new suppliers that were screened using sustainability criteria	100%	100%	100%	100%	100%	100%	Data not available	Data not available	Data not available
Business Ethics									
Operations assessed for risks to anti-corruption****	100%	100%	100%	100%					

* Metric tonne used when referring to tonne.
* GHG emissions intensity ratio = Total emissions from scope 1 and 2 (1,000 t CO_2e)/ Number of vehicles produced.
** Fossil fuels consist mainly of natural gas, LPG, fuel oil, diesel, gasoline, acetylene
** Renewable fuels consist mainly of biogas, RME, HVO and ethanol.
** During 2023 6 602 GJ of self-generated electricity was sold.
*** 100% of the waste sent for recycling and disposal offsite. Effluents are not included in calculations.
*** 9 tonne of hazardous waste sent to landfill is send to incineration without energy recovery.
**** The 2023 increase in accident figures is driven by a change of scope, with the inclusion of commercial units.
***** Global risk assessment on entities with active operations is conducted every second year and valid for a 2-year period. Conducted during 2023.

REPORTING PRINCIPLES

The reporting period is 1 January 2023 to 31 December 2023. Scania's report has been prepared in accordance with Global Reporting Initiative (GRI) standards.

The sustainability data and disclosures are reported monthly, quarterly or annually using different reporting tools. The ambition for Scania is to have global quality assured data that is aligned with the financial report. With the aim to increase the scope of our sustainability reporting and improve the data quality. Base year and scope is chosen based on the availability of data as well as the quality if nothing else is stated. The scope for each of our Sustainability indicators and targets (pages 140–154) are stated in definitions section and complementing information is found in this section. The scope for numbers in the Sustainability and ESG disclosure table on pages 155–156 is usually broader than the sustainability KPIs and is provided in this section. Within the sustainability report reference is often made towards our industrial operations (covering production sites, research and development and logistics) and our commercial operations which covers the commercial entities if nothing else is stated. New acquisitions or sales are included in the sustainability reporting through the regular reporting structure by the business units. When new entities are set-up in Scania systems (eg. Quentic and HFM) they are required to report data (eg. sustainability information and number of employees) retroactively since the beginning of entity operation.

During 2023, Financial services is no longer part of Scania group consolidation and it is excluded from the employee figures taken from financial reporting group system (HFM) however within energy reporting the organisation is sometimes located in the same facilities as Scania and is in those cases included in the commercial figures, this is not a material amount in relation to total figures.

Environmental data

Scania calculates and reports the figures for CO_2e emissions from scope 1 and 2, waste, energy usage and water using the third-party reporting platform Quentic. Sources of emissions and more detailed data are reported by the entities quarterly which is collected and consolidated at a central level. Data is collected only for entities that are owned or controlled by Scania and the mentioned metrics and data are collected from production sites, research and development facilities and regional product centres if nothing else is stated. Additional to this the waste data is also collected from all logistic centers since waste is a material and important area for logistics. Waste generated by Scania is managed by a third party where certain requirements and conditions are part of the agreement between the supplier and Scania. The supplier is responsible for ensuring that the service is performed with care and in accordance with the agreement as well as applicable laws and regulations and also to hold permits and licenses needed to fulfil the assignment. Data on energy figures in the ESG table on page 155 includes both data from industrial operations and commercial operations and since 2023 also data from our subsidiary LOTS. Data from previous years (2016 to 2022) including base year (2015) have been recalculated. Data on water presented in the ESG table on page 156 includes data from production, logistics and research and development sites.

Scania calculates and reports greenhouse gas emissions from scope 1,2 and 3 in accordance with the Greenhouse Gas (GHG) Protocol Corporate Standard. For consolidation, the operational approach is used. Scania reports in CO_2 equivalents including carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O) and hydrofluorocarbons (HFCs). Emissions from scope 1 and emissions outside scopes (direct biogenic CO_2 emissions) are calculated with emission factors, conversion factors and GWP values from IPCC (2006 IPCC Guidelines, AR4, 2007. AR5 2014, is used for CH4 and N2O). Additional to this, IEA Emission Factors version 2022 (which data refers to 2020) are used to calculate emissions from purchased electricity and heat[1]. For district heating in Sweden emission factors for district heating from Swedenergy are used (Fjärrvärmens lokala miljövärden 2022).

Scope 1 and 2

Emissions from scope 1 and 2 are collected from production, logistics, research and development, commercial operations and for scope 1 also the Scania subsidiary LOTS. Due to delays in data collection estimations are done for Q4 data for our commercial units and LOTS and for December for our industrial units. Estimations are based on historical data. For scope 1 and 2 base year emissions as well as other reported years have been recalculated due to structural changes (acquisitions) and improvements in the accuracy of activity data. Data was restated for scope 1 and direct energy due to inclusion of LOTS. The restatement due to LOTS inclusion resulted in increase of around 27 percent in emissions scope 1 and 2 for base year 2015. Scope 2 emissions are reported using market based method and from 2023 numbers with location based method is provided for 2015 and 2023. Where supplier specific data is not available average grid emission factors have been applied. To avoid double counting, self-generated energy is counted only once when consumed and the intensity value for energy is calculated by dividing total energy consumed with total number of produced vehicles during the reporting year. Scania purchases fossil-free electricity for all facilities within industrial operations including Regional product centres in India, Malaysia and South Africa. Electricity purchased is mainly from hydropower with some shares from solar and wind energy.

Main changes (Scope 1, 2 and energy):

- Base year (2015) and previous years (2016 to 2022) have been recalculated due to inclusion of LOTS (which affects scope 1 and direct energy) and acquisitions in the commercial network.
- Real time data from commercial units Q1-Q3 and estimations for Q4.
- December emissions are estimated for industrial units.

Scope 3

Scope 3 emissions are calculated in accordance with the GHG Protocol Corporate Value Chain Accounting and Reporting Standard. Scope 3 emissions presented exclude categories 8, 9, 10 and 15 (upstream: leased assets, downstream transportation and distribution, processing of sold products and investments). Category 13 are included in category 11. Category 1 and 11 are the sources for the biggest emissions for Scania. Activity data used for GHG calculations is based on invoiced data, real-time data, models and data reported by suppliers. Assumptions and estimations have been used when needed, in general using historical data. GHG emissions calculations are subject to inherent uncertainties in general due to data measurement methodologies, incomplete scientific knowledge behind emission factors and lack of specific data resulting in a need for estimations and assumptions.

Scope categories:

Category 1 Purchased goods and services
Several reference vehicles for cradle-to-gate are selected based on configurations produced for Scania trucks and buses. Also includes CO_2 impact from indirect suppliers such as IT, Supplies, Packaging and Merchandise. Impact is included from components and parts produced and sold within the group. Methodology improved during 2023 for several areas such as, weight per vehicle, adjusted to better reflect different

1 The emission factors are converted from gCH_4 and gN_2O to gCO_2eq using the 100-year Global Warming Potential (GWP). For the purpose of comparability with international data submission guidelines, the factors from the 4th Assessment of the IPCC are used. $1gN_2O = 298\ gCO_2eq$.

REPORTING PRINCIPLES

specifications and new emission factors calculated based on actual material and weight on the vehicle. Base year (2015) and prior years have been recalculated (2016 to 2022).

Category 2 Capital goods
Emissions associated with capital goods are calculated based on an economic input-output analysis using monetary values for investments made during the reporting year.

Category 3 Fuel and energy related activities
Calculated based on the reported use of energy and fuels. Recalculation for prior years (2018 to 2022) due to LOTS inclusion and new acquisitions within commercial network.

Category 4 Upstream transportation and distribution
Emissions from inbound and outbound logistics from Quentic. New methodology for land transport resulting in previous years (2015 to 2022) being recalculated. The new methodology is aligned with ISO14083 and GLEC Framework and is increasing the total emission slightly.

Category 5 Waste generated in operations
Calculated based on reported data for waste produced in the industrial operation.

Category 6 Business travel
Emissions report provided by travel agency.

Category 7 Employee commuting
Estimation on average employee, average car and average travel distance for a Swedish employee used for global workforce.

Category 8 Upstream leased assets
Not applicable

Category 9 Downstream transportation and distribution
Not applicable

Category 10 Processing of sold products
Not reported

Category 11 Use of sold products
Category 11 constitutes the majority of our Scope 3: Corporate value chain greenhouse gas emissions figures. CO_2e emissions from products are calculated for all trucks, buses, Power Solutions units and powertrain components produced by Scania globally in a calendar year. For this year's reporting the estimated lifetime driven distance of some vehicle types was reduced slightly, which resulted in a decrease of emissions by approximately 1% each year. Prior years (2015 to 2022) has been recalculated to reflect the changes.

Category 12 End of life treatment of sold products
Results from lifecycle assessment from 2022 done in accordance with ISO 14040/44. Used for estimating end of life emissions of sold products.

Category 13 Downstream leased assets
Emissions from vehicles that are leased by a customer is included in category 11.

Category 14 Franchises
Franchises are seen as Scania non-captive workshops. Data from Quentic is used from our global commercial captive network to get emissions from an average workshop which is then multiplied by number of global non-captive workshops.

Category 15 Investments
Not reported.

Main changes

- Including breakdown on all scope 3 categories.
- Recalculation of all reported years for categories 1, 3, 4 and 11. Resulting in changes on total emissions from scope 3. Categories 1 and 11 was recalculated due to new improved methodologies, while categories 3 and 4 was recalculated to include LOTS.
- Scope 3 category 11 reduced with approximately 1 percent per year due to changed estimated lifetime driving distance.

Science based target scope 3

Within scope 3 category 11 Scania has an approved Science based target that is in line with a below 2 degree scenario stated in the Paris Agreement according to Science Based Targets initiative (see page 141). This is an intensity target. It is calculated in a well-to-wheel perspective as CO_2e/ vehicle-km. The emissions are calculated based on operational data from our connected vehicles and service readouts. The baseline is all vehicles produced 2015. Input data is CO_2e/km from operative months within 12 months and starting after the month of production, causing reporting to lag one year.

Sustainability assessed suppliers

The scope consists of all new and existing suppliers from both parts and services in the areas of working conditions and human rights, safety and health, business ethics, environment, supplier management and responsible sourcing of raw materials. Category N/A consists of suppliers with insufficient data and from 2022 also suppliers with uncompleted SAQ.

Safety, health and employees

The scope for employee data varies. In general when referring to Scania employees within the sustainability report, full-time and temporary employees are included where personnel on hire are excluded, if not stated otherwise. Within Scania's financial reporting (see page 108) full-time and temporary employees are included as well as personnel on hire. All data regarding number of employees is collected through the financial reporting system (HFM) and headcount as Dec 31 is used, rather than FTEs to calculate number of employees.

Safety and health

Number of accidents covers all Scania employees. Accidents are in a majority of units reported through TIA, our system for incident and risk management. Numbers from HFM (financial reporting system) is used for reporting but validated and complemented with TIA. Reporting has previously been collected only through the financial reporting system, however TIA gives us more possibilities for better quality and follow up and we are implementing new units in TIA each year. Number of fatalities covers all Scania employees. The data for fatalities is reported through the financial reporting system (HFM). Healthy attendance as well as number of worked hours is collected through the financial reporting system from Scania's global operations (industrial and commercial).

Employment data

The coverage of collective bargaining agreements (CBA) is combining information from our factories as well as manually reported data from the markets yearly, which could affect the data quality (in general different interpretation of CBA). As this is still an important datapoint and focus area for Scania, we choose to continuously report and improve the quality and process step by step.

Diversity and inclusion

The diversity and inclusion (D&I) data is collected through the financial system HFM and through our annual employee survey. During 2023, the survey was sent to 51,958 employees at Scania and 84% of the employees replied. The data for D&I index is based on the average reply to three questions:

- In my department, all employees are treated in an equal manner.
- I think we have a diverse department, i.e. we are a mixture of people with different experiences and different backgrounds.
- In my department we take advantage of the differences between employees, ie. our culture allows all perspectives to be taken into account and encouraged.

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.

Materiality assessment and stakeholder dialogue

Scania's materiality analysis is part of the company's strategic work and continuous improvement philosophy. We continuously engage with our stakeholders, including our partners, suppliers and customers, to understand our impact and to find out what they believe are the most important subjects facing the transport industry as a whole and Scania as a company. Stakeholder engagement is conducted on an overarching level through the yearly strategy process, through strategic partnerships, as well as within our strategy roadmaps and certain areas such as human rights salience review and the environmental management system. Scania's approach to materiality is based on three areas: impact, risk and science. Material areas or issues for Scania are therefore always based on where and how big our impacts are, where the risk for negative impacts lays and how it can be mitigated. Our assessments are to the greatest extent possible externally validated and based on the latest science.

Different steps have been taken each year to further improve our analyses and understanding. During 2020 Scania's new strategy was rolled out, where sustainability is placed at the core of the business strategy. Prioritised areas are decarbonisation, circular business and people sustainability. Development within these areas are followed up in dialogue with stakeholders. The prioritised areas are approved by management through the yearly strategy process. During 2021 and 2022 the strategy has been further tested and developed together with stakeholders on different levels in the company as well as externally.

During 2023 we have started the new way of working with materiality that is aligned with the coming Corporate Sustainability Reporting Directive (CSRD) requirements and that new methodology will be used in the coming years. However the latest findings show that while the topics that for some years now have been part of Scania's material areas still are valid we can see that the agenda is shaped by global influences such as the Agenda 2030, push for more transparency, life cycle impact, due diligence and introduction of more legislation. These different trends are impacting on our ways of working within each area. We can also see new and emerging areas that will need to be integrated in ongoing processes and ways of working.

This year's exercise shows that our focus areas are in line with our stakeholders' expectations and there are no changes to the material topics for 2023.

Scania's material areas 2023

- People sustainability (human rights, diversity and inclusion, safety & health, responsible sourcing, business ethics).
- Environment and decarbonisation (sustainable transport, emissions and resource efficiency).
- Value chain and circular business.

Emerging areas that we see are gaining importance and influencing the above areas are: the social effects of sustainable transport, just transition, sustainability due diligence, climate risk and biodiversity.

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. Scania has reported in accordance with the GRI Standards for the period 1/1-31/12 2023. A GRI index can be found on pages 160–162. The GRI index is subject to a limited review assessment. The Auditor's Limited Review Report can be found on page 175.

Task Force on Climate-related Financial Disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) 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 TCFD in its reporting. Scania is using scenario analyses as a tool to test our strategy's resilience to issues such as climate change. The tool is integrated into the strategic yearly evaluation process. Read more on pages 36–67 and 46–47. A TCFD index on where to find information on the recommended disclosures can be found on page 163. TCFD index is not included in the limited assurance review.

Sustainability report in accordance with the Swedish Annual Accounts Act (NFRD index)

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 mandatory 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 KPIs:

Read more on our way of working, also covering management and policies, in the following different areas:

Annual Accounts Act (ÅRL 6 kap 12 a §) and the Taxonomy Regulation states that companies covered by the Non-Financial Reporting Directive must report on how and to what extent the company's activities are associated with economic activities that are considered to be environmentally sustainable according to the technical screening criteria. More information including Scania's level of eligibility and alignment can be found on pages 164–174. The Taxonomy is not included in the limited assurance review.

The auditor's report on the statutory sustainability report can be found on page 175.

GRI INDEX

Disclosures	Disclosure requirements	Location of disclosure/omission/comment
General Standard Disclosures		
The organisation and its reporting practices (GRI 2021)		
2-1	Organisational details	p. 14–15, 43–45, 136
2-2	Entities included in the organization's sustainability reporting	p. 86, 123–124, 157–158, 176 Adjustments to information for minority interests is not applicable to Scania Group. Information on different approaches across the disclosures in this Standard is not material. Scania will expand this point and report it as part of the CSRD disclosure in 2024.
2-3	Reporting period, frequency and contact point	Annual reporting cycle, 1/1–31/12 2023, Report published 5/3 2024 Contact: sustainability@scania.com
2-4	Restatements of information	p. 157–158
2-5	External assurance	p. 51, 159, 175
Activities and workers (GRI 2021)		
2-6	Activities, value chain and other business relationships	p. 14–15, 16–17, 27–29, 31, 39, 52–55, 148–150 No material change has happened within the value chain during 2023.
2-7	Employees	p. 108, 156–158 Information unavailable: Due to implementation of new global employee system we do not report the breakdown on region and gender or division on employment type.
2-8	Workers who are not employees	p. 108, 156–158 Information unavailable: We do not report break down specifically for consultants.
Governance (GRI 2021)		
2-9	Governance structure and composition	p. 43–51, 52–55, 140 Information unavailable: for underrepresented social groups
2-10	Nomination and selection of the highest governance body	p. 43–55 Information unavailable: Scania does not include specific information for selection of members.
2-11	Chair of the highest governance body	p. 43–55
2-12	Role of the highest governance body in overseeing the management of impacts	p. 43–55 Information unavailable: frequency of review by highest governance body is not provided
2-13	Delegation of responsibility for managing impacts	p. 43–55
2-14	Role of the highest governance body in sustainability reporting	p. 43–55, 140, 159
2-15	Conflicts of interest	Information unavailable: Scania will expand its reporting with regards to BoD in the coming years.
2-16	Communication of critical concerns	Information unavailable
2-17	Collective knowledge of the highest governance body	p. 43–55
2-18	Evaluation of the performance of the highest governance body	p. 43–55 During 2023 no changes to members in BoD except for new chairman appointed (new CFO for TRATON)
2-19	Remuneration policies	p. 43–55, 109–112, 145
2-20	Process to determine remuneration	p. 43–51, 109–112
2-21	Annual total compensation ratio	p. 108–111 Rate is not stated however underlying numbers are presented.
Strategy, policies and practices (GRI 2021)		
2-22	Statement on sustainable development strategy	p. 11–12
2-23	Policy commitments	p. 16, 43–55, 141, 145, 148–149 Find our sustainability policies online
2-24	Embedding policy commitments	p. 35–41, 43–55, 140
2-25	Processes to remediate negative impacts	p. 43–55, 141, 166
2-26	Mechanisms for seeking advice and raising concerns	p. 154
2-27	Compliance with laws and regulations	Information unavailable: Scania will expand its reporting in the coming years on compliance topics.
2-28	Membership associations	p. 22–29
Stakeholder engagement (GRI 2021)		
2-29	Approach to stakeholder engagement	p. 35–41, 22–29, 43–55, 159
2-30	Collective bargaining agreements	p. 151 Information unavailable: Information on employees not covered by collective bargaining agreement is not reported.

GRI INDEX

Disclosures	Disclosure requirements	Location of disclosure/omission/comment
Material topics (GRI 2021)		
3-1	Process to determine material topics	p. 140, 159
3-2	List of material topics	p. 159
Topic specific disclosures and management approach		
Economic performance (2016)		
3-3	Management of material topics	p. 16–17, 35–41, 43–55
Topic specific disclosure		
201-1	Direct economic value generated and distributed	p. 15, 65, 71–74, 79–80
Anti-corruption (GRI 2016)		
3-3	Management of material topics	p. 43–55, 154
Topic specific disclosures		
205-1	Operations assessed for risks related to corruption	p. 43–55, 154, 156
Energy (GRI 2016)		
3-3	Management of material topics	p. 57–58, 145–147
Topic specific disclosures		
302-1	Energy consumption within the organisation	p. 145–147, 155 Cooling consumption included in electricity and seawater. Water from Mälaren is used for cooling purposes and released to the same water body without chemicals. Scania does not purchase steam from energy suppliers.
302-3	Energy intensity	p. 145–147, 155
Emission (GRI 2016)		
3-3	Management of material topics	p. 140, 145–147, 157–158
Topic specific disclosures		
305-1	Direct (Scope 1) GHG emissions	p. 155, 157–158
305-2	Energy indirect (Scope 2) GHG emissions	p. 155, 157–158
305-3	Other indirect (Scope 3) GHG emissions	p. 155, 157–158 Information unavailable: Biogenic CO_2 emissions not reported.
305-4	GHG emissions intensity	p. 155, 157–158
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	p. 155, 157–158 Information unavailable: Other hazardous air pollutants are not reported

Disclosures	Disclosure requirements	Location of disclosure/omission/comment
Waste (GRI 2020)		
3-3	Management of material topics	p. 140, 145–147, 157–158
Topic specific disclosures		
306-1	Waste generation and significant waste-related impacts	p. 145–147, 156, 157–158
306-2	Management of significant waste-related impacts	p. 32–33, 46–47, 145–147, 157–158
306-3	Waste generated	p. 32–33, 46–47, 145–147, 157–158
306-4	Waste diverted from disposal	p. 156
306-5	Waste directed to disposal	p. 156
Supplier environmental assessment (GRI 2016)		
3-3	Management of material topics	p. 140, 150
Topic specific disclosures		
308-1	New suppliers that were screened using environmental criteria	p. 156 Scania provides numbers on suppliers screened for sustainability criteria.
Employment (GRI 2016)		
3-3	Management of material topics	p. 148–152
Topic specific disclosures		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 79–80, 95–96 Significant locations is based on Scanias main benefit plans globally. Benefits listed is in general provided to all employees in the listed markets if not stated otherwise. Information unavailable: disability coverage, details on parental leave or stock ownership is not reported.

GRI INDEX

Disclosures	Disclosure requirements	Location of disclosure/omission/comment
Occupational health and safety (GRI 2018)		
3-3	Management of material topics	p. 153
403-1	Occupational health and safety management system	p. 153 Consultants are covered by management system, however not included in the data follow up.
403-2	Hazard identification, risk assessment, and incident investigation	p. 153
403-3	Occupational health services	p. 153
403-4	Worker participation, consultation, and communication on occupational health and safety	p. 153
403-5	Worker training on occupational health and safety	p. 153
403-6	Promotion of worker health	p. 153
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	p. 153
Topic specific disclosures		
403-8	Workers covered by an occupational health and safety management system	p. 156 Information unavailable: Workers who are not employees are not included in figures
403-9	Work-related injuries	p. 156 Information unavailable: Number, rate and actions of high-consequence work-related injuries and total accident is not reported, lost time accidents is reported, excluding consultants. Rate of fatalities is not reported.

Disclosures	Disclosure requirements	Location of disclosure/omission/comment
Diversity and equal opportunity		
3-3	Management of material topics	p. 152
Topic specific disclosures		
405-1	Diversity of governance bodies and employees	p. 52–55, 66, 108 Information unavailable: For BoD and ExB presentation of each individual is provided. Number of Board members in subsidiaries and the parent company as well as presidents and managing directors is provided divided on gender. Division in percentage or age group is not provided. For employees gender division is reported in percentage of average employees per geographical region. The data is not broken down on age or other categories. Report is current under development as part of CSRD development in 2024.
Supplier social assessment		
3-3	Management of material topics	p. 140, 150
Topic specific disclosures		
414-1	New suppliers that were screened using social criteria	p. 156 Scania provides numbers of suppliers screened for sustainability criteria.
Sustainable transport		
3-3	Management of material topics	p. 20–29, 143
Topic specific disclosures		
	Sales of alternative fuels and electrification	p. 20–29, 143
	Science based target use phase	p. 141
Innovation and partnerships		
3-3	Management of material topics	p. 28, 35
Topic specific disclosures		
	Investment in research and development	p. 67

TCFD INDEX

The Task Force on Climate-related Financial Disclosures is a voluntary initiative for climate risk reporting and how it affects the company's performance.

Read more about decarbonisation on pages 39–41

Elements	TCFD recommendations	Location of disclosure
Governance		
	Describe the board's oversight of climate-related risks and opportunities.	p. 43–47
	Describe management's role in assessing and managing climate-related risks and opportunities.	p. 44–51, 57–64
Strategy		
	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	p. 57–64
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	p. 35–40, 57
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	p. 35–40, 57
Risk management		
	Describe the organisation's processes for identifying and assessing climate-related risks.	p. 57
	Describe the organisation's processes for managing climate-related risks.	p. 57–64
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	p. 57–64, 47–51
Metrics and targets		
	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	p. 38–40
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	p. 39–40, 155
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	p. 38–40, 141–147

SCANIA'S INFORMATION ON THE EU TAXONOMY REGULATION

Background

The Regulation (EU) 2020/852[1] of the European Parliament and of the Council of 18 June 2020 (hereafter referred to as the "EU Taxonomy Regulation") was established in order to provide a common framework by which companies can classify environmentally sustainable economic activities and to report externally on the share of turnover and expenditures that are considered sustainable according to the European Taxonomy. The purpose is to give investors and the market information to enable them to identify businesses that contribute to the transformation to an economy that supports the environmental objectives of the European Union and to steer investments for realisation of the Paris Agreement. One sector that needs to be transformed is the transportation sector. Scania is fully committed to the transformation that needs to happen within the transport industry and ecosystem. The objectives are well aligned with Scania's purpose and strategy to drive the shift to a sustainable transport system.

Sustainable economic activities are activities that give a substantial contribution to the achievement of at least one of the six environmental objectives defined in the EU Taxonomy Regulation. The six environmental objectives are related to climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control and the protection and restoration of biodiversity and ecosystems. To determine if an economic activity can be classified as environmentally sustainable, technical screening criteria have been developed by the European Commission. The assessment made by Scania has been based on the criteria adopted in the annexes to the Taxonomy Regulation Delegated Act for all environmental objectives, as well as the definitions stated in the Taxonomy Regulation delegated act to article 8 on reporting. For Scania one of the main screening criteria is related to the amount of tailpipe emissions.

Taxonomy definitions

Taxonomy-eligible are those economic activities that are described in the delegated acts and for which technical evaluation criteria for one of the six environmental objectives are available; all other economic activities are so-called non-taxonomy economic activities.

Taxonomy-aligned activities are activities that have passed the technical assessment criteria, meet the minimum safeguards criteria e.g., related to protection of human rights, social and labor standards and have passed the analysis of do no significant harm (hereafter referred as "DNSH") of one or more environmental objectives as defined in the Taxonomy Regulation.

Taxonomy in Scania Context

For the financial year 2023, the Scania Group has for the first time included all six environmental objectives in its assessment, as required by the EU Taxonomy Regulation. In addition to climate change mitigation and adaptation, four further environmental objectives have now been defined: sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

Scania is making important progress in the electrification journey and has been investing in projects and partnerships to make electrification of the ecosystem for heavy transport viable. The KPIs indicate Scania's current alignment with the sustainable activities as defined by the Taxonomy Regulation. The electrification process is dependent on significant investments in the build out of infrastructure for charging electric vehicles and support from policymakers to enable companies and industries to do a rapid transition to low carbon technologies. The level of alignment for the Taxonomy KPIs is expected to improve over time in accordance with the increase in volumes of electrified vehicles. The pace of the increase is dependent not only on Scania commitment to invest in sustainable technologies, but also on the market adoption of these technologies and roll out of infrastructure in society. For the heavy transport industry, the EU Taxonomy Regulation is steering investment mainly towards pure electrified vehicles which means that no investments or revenues from hybrids or renewable fuels technologies can be calculated for within the alignment KPIs. From a strategic perspective Scania takes a broad approach within sustainable transport which values biofuels together with electrification to shift the market away from fossil fuel emissions. Read more on pages 22–33.

The EU Taxonomy Regulation contains wording and terms that are subject to interpretation uncertainties and which could lead to changes in the reporting if they are subsequently clarified by the EU. There is a risk that the reported key performance indicators have to be assessed differently. The Scania's Group interpretation is presented in the following sections.

Basis of reporting

Taxonomy economic activities

Scania has concluded that the eligible economic activities for the Group fall under "3.3 Manufacture of low carbon technologies for transport". During 2023 Scania assessed the amendments to climate delegated act and concluded that no additional economic activities, including activity "3.18. Manufacture of automotive and mobility components" are relevant for the Group. The future taxonomy-alignment of an activity does not play any role in determining the eligibility in the first step. This view is in line with the European Commission's approach of first identifying the sectors that generate the greatest carbon emissions and then, in the second step, evaluating these sectors in terms of the sustainability criteria. Hence, Scania has interpreted that all drive technologies are eligible as low carbon.

Assessment of eligible economic activities

The economic activities of the Scania Group (development, production and sales of trucks, buses and services) have been analysed on the basis of the business model as a vehicle manufacturer and fall under the NACE[2] code C.29.1. For each environmental objective, the EU Taxonomy Regulation recognises economic activities that give substantial contribution to environmental objectives: 1) economic activities that make a substantial contribution based on their own performance: for example, an economic activity being performed in a way that is environmentally sustainable and 2) economic activities that, by provision of their products or services, enable a substantial contribution to be made in other activities. For example, an economic activity that manufactures a component that improves the environmental performance of another activity.

1 Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020, on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.
2 NACE is the Statistical Classification of Economic Activities in the European Community. It allows to classify all the companies of the European Union according to their activities.

SCANIA'S INFORMATION ON THE EU TAXONOMY REGULATION

Therefore, the EU Taxonomy Regulation presented an annex indicating economic activities based on NACE codes correlated to each of the environmental objectives defined in the EU Taxonomy legislation.

Scania's business model comprises the manufacturing and sale of new vehicles, used vehicles and services in the form of maintenance and repair, including the manufacturing of original parts. In terms of the "climate change mitigation" environmental objective pursuant to Annex I of the EU Taxonomy Regulation Scania activities are to be seen under economic activity 3.3 Manufacture of low carbon technologies for transport. Economic activities in which Scania does not act as a manufacturer and acts instead as a supplier of components and parts are non-taxonomy economic activities. The used vehicles included are vehicles manufactured by Scania that are mainly sold to third parties.

In the analysis of economic activity within the framework of the EU Taxonomy Regulation, no activities were identified for Scania that specifically account for any of the five other environmental objectives. However, the dynamic evolution of EU Taxonomy rules may lead to modifications of economic activities in the future.

Assessment of taxonomy-aligned economic activities

Substantial contribution

The criteria set out in Annex I to Regulation 2020/852 for verifying the substantial contribution of the economic activity 3.3 are based on the respective vehicle categories and the associated carbon (CO_2) emissions and drive technologies. For Scania Group, all self-produced, fully electric vehicles (BEVs) meet the criteria for the substantial contribution (aligned), according to the technical screening criteria defined in the EU Taxonomy Regulation. This means that economic activities associated with BEVs make a substantial contribution to climate change mitigation.

In addition, buses manufactured internally that met the requirements of the EURO VI Stage E standard (Euro VI-E buses) also met the technical screening criteria until December 31, 2022. The prior-period comparative figures therefore contain economic activities connected with Euro VI-E buses.

Do no significant harm – criteria (DNSH)

Scania Group is part of the TRATON GROUP and the DNSH evaluation was coordinated and carried out together for all entities in the group with a focus on the sites relevant for DNSH criteria. Based on that, production sites, component plants and research development units related to vehicles that meet the evaluation criteria for the substantial contribution today, as well as units that will meet them in the next five years, were considered. The majority of the sites included in the analysis are in countries within the EU as well as in South America. The EU Taxonomy Regulation is subject to uncertainties regarding the interpretation of the DNSH criteria and to some extent goes beyond the requirements applicable to ongoing business operations. In addition, the application of the EU Taxonomy Regulation for locations outside the EU leads to special challenges due to the possibly different legal situations in those locations. The DNSH criteria were assessed on the basis of the rules applicable to day-to-day operations in the EU in 2023. For locations outside of the EU, country-specific regulations and internal processes were used.

All production sites at Scania, including research and development, are part of the environmental management system and certified in accordance with ISO 14001[3]. All sites also have permits that comply with national legislation. In addition to legal requirements and the conditions included in these permits, operations may also be subject to local requirements and rules. The review of the DNSH criteria was positive, for the Scania Group sites included in the analysis: Södertälje, Oskarshamn, Luleå, Angers, Zwolle, Meppel, Slupsk, Sao Bernardo and Tucuman. Meaning that Scania's taxonomy related economic activities fulfils the criteria for DNSH as defined in the EU Taxonomy Regulation.

Scania Group's approach to assessing the DNSH criteria is presented in detail below and has been done as a part of the complete TRATON approach.

Climate change adaptation

A climate risk and vulnerability assessment was carried out to identify sites that could be affected by physical climate risks. The identified physical climate risks were assessed based on the useful lifetime of the relevant assets in relation to economic activity 3.3. The climate-based DNSH assessment is based on the Shared Socioeconomic Pathway (SSP)-8.5 of the 6th Assessment Report of the Intergovernmental Panel on Climate Change (IPCC)[4] up to the year 2050 and thus assumes the highest CO_2 concentration according to the IPCC. Identified threats were assessed for relevance in the local environment. Conclusion from the assessment was that the risks are not to be considered material as they are not expected to cease the production. In several places mitigation measures are identified, such as site fire department and flood barriers to protect infrastructure.

Sustainable use and protection of water and marine resources

Environmental impact assessments (EIAs), ISO 14001 certificates, local legislation, internal policies and processes, and other external data sources were used to analyse compliance with the DNSH criterion. To achieve good water status and good ecological status, risks of environmental damage related to maintaining water quality and avoiding water scarcity are identified and analysed. Countermeasures, such as the construction of local waste water treatment plants, are initiated at sites located in water stress areas. The site in Sao Paulo, Brazil is located within a medium risk water stress area, according to Aqueduct water risk atlas[5]. However, water is regulated in their permit and countermeasures are in place, such as an in-house water waste treatment plant with circulation/reuse of treated water.

Transition to a circular economy

The transition to a circular economy is part of Scania's strategy and the circular business roadmap are followed up in the Scania Sustainability Board (SSB) quarterly meetings. Transition to a circular economy is embedded in the strategic focus areas defined by Scania and adopted both in sourcing, product development, production and in business development. Internal routines and processes supporting transition to a circular economy were identified during 2022. The identified processes covers the specific requirements set for circular economy in the EU Taxonomy Regulation. During 2023 Scania has continued to work with our suppliers and others 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, extending the life of our products, optimising the use of resources and energy, maintaining product value as far as possible.

3 ISO 14001 is an international standard for designing and implementing an environmental management system.
4 Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change.
5 Aqueduct water risk atlas is a risk mapping tool developed by World Resources Institute built Aqueduct to help companies, investors, governments, and communities to better understand where and how water risks are emerging around the world.

SCANIA'S INFORMATION ON THE EU TAXONOMY REGULATION

Pollution prevention and control

In order to be considered environmentally sustainable, an economic activity cannot result in a substantial increase in air, water, or ground pollution compared to the levels before it began. The automotive industry is already extremely regulated on the whole — among other things, this is reflected in the publicly accessible Global Automotive Declarable Substance List (GADSL). Scania had implemented approval and control processes that are designed to ensure compliance with the legal requirements and internal regulations applicable to ongoing business operations. In this context, Scania is already addressing the use of alternative substances in our analyses and assessments.

The European Commission amended the DNSH criteria in the EU Taxonomy in July 2023. There is interpretation uncertainty as to the impact that changes in the requirements for internal substitution testing processes for substances of very high concern (SVHCs) may have on the 2023 reporting period.

Scania already has regulations and processes in place that generally aim to avoid and substitute SVHCs. Taking these as our basis, we review the ingredients contained in and the suppliers of production-related process materials and vehicle-related components of all-electric vehicles as part of our analyses to review the substitutability of SVHCs, taking into account technical and economic criteria, among others. The analysis was done together with TRATON GROUP and based on Scania's existing process, which are based on European regulations, and applied to all Scania's locations. The review of the new requirements was positive for all Scania's locations, as they already have intercompany processes, agreements, and standards for identifying, assessing, approving, and substituting SVHCs.

Protection and restoration of biodiversity and ecosystems

The relevant areas have been identified using various information sources (including Natura 2000[6] areas and environmental impact assessments) to verify compliance with the requirements governing biodiversity and ecosystems. Where biodiversity-sensitive areas are close to a site, an assessment of the associated risks and impacts on the area has been performed. Where necessary, compensatory or remedial measures, such as tree planting programs, are taken to ensure that the activity has no significant impact on the conservation objectives of the protected area.

Minimum safeguards

The minimum safeguards criteria requires compliance with the OECD[7] Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the fundamental principles and rights from the eight core conventions set out in the International Labor Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, and the guiding principles from the International Bill of Human Rights. A group analysis have been conducted together within the TRATON GROUP based on the recommendations on minimum safeguards of the EU Platform on Sustainable Finance (PSF)[8] of October 2022.

The analysis was based on Scania processes, controls, and compliance measures with regard to the following four core topics:

- Human rights, including labor rights
- Bribery
- Taxation
- Fair competition

Scania's governance set up, compliance program and human rights framework builds the foundation for the work related to the minimum safeguards criteria. Scania Group is committed to respect human rights in our operations and in our value chain in line with the UN's Guiding Principles on Business and Human Rights, the ILO core conventions and the international bill of human rights. Scania's Human Rights Policy is complemented by related policies such as the Employment policy, the Scania Code of Conduct and the Supplier Code of Conduct.

Scania's compliance programme has a risk-based approach and is implemented globally. The purpose of business ethics and compliance related initiatives and activities at Scania is to identify, prevent, detect and respond to compliance risks that Scania's business may face worldwide. The key areas of Group Compliance are anti-corruption, anti-money laundering (AML), antitrust/competition law and business and human rights. Communication and employee training play a key role in Scania's preventive compliance and human rights work across all hierarchy levels.

Scania has together with the Volkswagen brands created a raw material due diligence management system. The approach is based on OECD guidance for due diligence processes and consists of management systems, risk identification, monitoring, risk management as well as communication. Read more on page 150.

Scania has created a new framework used to track progress and deviations in the human rights area. The framework is organised around three pillars, Commit – with clear actions planned to improve policies and guidelines, Know – making sure that human rights is integrated into decision-making processes and Show – improving Scania's ability for grievance and remediation as well as in communication, with the aim to increase transparency regarding human rights related information and data. Scania's Human Rights Steering Committee monitors the framework, and report progress and challenges to the Scania Sustainability Board (SSB) and to the TRATON Human Rights Committee. Progress in 2023 includes integration of human rights into the Scania risk process and the launch of an updated Human Rights Policy that provides more extensive guidelines for integration of Human Rights into Decision making.

Human rights and compliance risks are integrated within Scania's regular risk process. See Scania's salient issues and read more on the framework on page 149.

Another cornerstone of Scania's efforts is the group-wide whistleblowing system. The whistleblowing channels are available both internally and externally to report suspected ethical violations conducted by Scania employees, and procedures are in place to conduct internal investigations. Assurance and control is performed through several activities such as internal controls. Read more on pages 47–51. The combined efforts and elements within Scania's central governance, the compliance program as well as the human rights framework ensures that the minimum social safeguard requirements are met.

Read more on Scania's way of working within human rights and business ethics on pages 148–153.

6 Natura 2000 is a network of protected areas covering Europe's most valuable and threatened species and habitats.
7 OECD is the Organisation for Economic Cooperation and Development.
8 The Platform on Sustainable Finance is an advisory board, composed by experts. Its main purpose is to advise the European Commission on several tasks and topics related to further developing in the EU Taxonomy Regulation. On October, 2022 the PSF published its final report to clarify how companies should interpret and implement "minimum safeguards", OECD Guidelines and Human Rights Due diligence in the context of EU Taxonomy Regulation.

SCANIA'S INFORMATION ON THE EU TAXONOMY REGULATION

Method to determine and calculate the key performance indicators for the EU Taxonomy

The key performance indicators (KPIs) for fiscal year 2023 include the taxonomy-aligned and taxonomy-eligible turnover (sales revenue), capital expenditure (capex), and operating expenditure (opex) of the Scania Group. The KPIs have been specified in accordance with Annex I to the Commission Delegated Regulation based on Article 8 of Regulation 2020/852. Only transactions with third parties have been considered. Turnover, capital expenditure, and operating expenditure relate in full to the "climate change mitigation" environmental objective.

To determine the percentages, the taxonomy-eligible and taxonomy-aligned turnover, capital expenditure, and operating expenditure are each set in relation to total turnover, total capital expenditure, and total operating expenditure within the meaning of the EU Taxonomy Regulation.

The tables required by the EU Taxonomy Regulation are shown at the end of the chapter, including tables indicating the extent of eligibility and alignment per environmental objective. See pages 171–174.

Considering Scania Taxonomy KPIs, in 2023 the aligned Capex 16.6% (18.6%) and Opex 13.8% (14.1%) rates are higher than turnover 0,4% (1,0%), this is a result of Scania's transition towards electrification. Scania is investing towards a higher production as well as sales of BEVs which is expected to be reflected in higher BEV revenues in the future years.

Turnover

2023	Turnover SEK million	Turnover % [1]	Substantial contribution to climate change mitigation SEK million	Substantial contribution to climate change mitigation % [1]	Compliance with DNSH criteria Y/N	Compliance with minimum safeguards Y/N	Taxonomy-aligned Turnover SEK million	Taxonomy-aligned Turnover % [1]
A. Taxonomy-eligible activities								
3.3 Manufacture of low-carbon technologies for transport	189,896	92.6	864	0.4	Y	Y	864	0.4
B. Taxonomy-non-eligible activities	**15,170**	**7.4**						
Total (A + B)	**205,066**	**100**						

1 Percentage refers to the total Turnover in accordance with EU taxonomy

Turnover is calculated on the basis of the sales revenue reported in the income statement (which include revenues from IFR15 and IFRS 16) for the period from 1 January to 31 December, 2023, in the Consolidated Financial Statements as of 31 December, 2023 (denominator), which amounted to SEK 205,066 m. (163,260) (Note 3).

Taxonomy-eligible turnover for economic activity 3.3 accounted for SEK 189,896 m. (152,048) of this total, or 92.6 % (93.1%) of the Scania Group's sales revenue, which was classified as taxonomy-eligible turnover. This includes in particular revenue from the sale and lease, of new and used vehicles manufactured internally, as well as revenue from genuine parts and workshop services. By contrast, revenue from the sale of vehicles that are not manufactured internally or revenue under the "Powertrain solutions and parts deliveries" item is not included.

Taking into account the technical screening criteria, DNSH analysis and the safeguards, taxonomy-aligned turnover amounts to SEK 864 m. (1,644) or 0.4% (1.0%) of the Scania Group's revenue. The change in taxonomy-aligned turnover is due largely to the fact that buses manufactured internally that meet the requirements of the Euro VI Stage E standard no longer meet the criteria for a substantial contribution in 2023. The following table contains a breakdown of taxonomy-aligned turnover:

In SEK million	2023	2022
Taxonomy-aligned turnover from battery electric vehicles	864	868
Taxonomy-aligned turnover from non-battery electric vehicles[1]	–	776
Total	864	1,644

1 Refer to EURO VI-E busses

SCANIA'S INFORMATION ON THE EU TAXONOMY REGULATION

Capital expenditures (Capex)

2023	Capex SEK million	Capex %[1]	Substantial contribution to climate change mitigation SEK million	Substantial contribution to climate change mitigation %[1]	Compliance with DNSH criteria Y/N	Compliance with minimum safeguards Y/N	Taxonomy-aligned Capex SEK million	Taxonomy-aligned Capex %[1]
A. Taxonomy-eligible activities								
3.3 Manufacture of low-carbon technologies for transport	21,342	97.8	3,616	16.6	Y	Y	3,616	16.6
B. Taxonomy-non-eligible activities	**484**	**2.2**						
Total (A + B)	**21,826**	**100**						

1 Percentage refers to the total Capex in accordance with EU taxonomy

Capital expenditure (Capex) is determined on the basis of additions to intangible assets (Note 8), tangible assets (Note 9), assets leased out (Note 10) and from business combinations included in the consolidated financial statements as of 31 December, 2023, which amounted to SEK 21,826 m. (15,954). Additions to goodwill are not included in the denominator.

Taxonomy-eligible capex for economic activity 3.3 accounted for SEK 21,342 m. (15,635) of this total, or 97.8% (98.0%) of the Scania Group's capital expenditure classified as taxonomy-eligible. This includes in particular, capital expenditure related directly to taxonomy-eligible turnover activities. Capital expenditure incurred in connection with vehicles not manufactured by Scania or the business with "Powertrain Solutions", and parts deliveries are taxonomy-non-eligible.

Taking into account the technical screening criteria, DNSH analysis and the safeguards, taxonomy-aligned capital expenditure amounts to SEK 3,616 m. (2,969) or 16.6% (18.6%) of the Scania Group's capital expenditure. The reduction of 2% in Capex KPI compared to 2022 is mainly explained by investments in China factory during 2023, which are not related to BEVs and according to the EU Taxonomy Regulation are not considered aligned. Scania's investments in China reflects the Group strategy to expand our global presence.

Where possible, capital expenditure was allocated directly to BEVs. In situations where the expenditure support both taxonomy-eligible and non-taxonomy-eligible economic activities (e.g., production facilities for all types of vehicles and engines), allocation keys were used. The allocation keys are based on the five-year planning (Capex Plan) approved by the Executive Board and represent the ratio of planned five-year production of BEVs to planned total production over five years.

The change in taxonomy-aligned capital expenditure is due largely to the fact that buses manufactured internally that meet the requirements of the Euro VI Stage E standard no longer meet the criteria for a substantial contribution in 2023. In contrast, an increased number of additions to property, plant, and equipment met the criteria for being classified as taxonomy-aligned, including investments in the battery assembly plant (read more in page 7. The following table contains a breakdown of taxonomy-aligned capital expenditure:

In SEK million	2023	2022
Taxonomy-aligned capex in the reporting year	**3,616**	**2,969**
of which attributable to intangible assets	1,357	1,255
of which attributable to property, plant, and equipment	1,800	1,070
of which attributable to assets leased out	459	644

SCANIA'S INFORMATION ON THE EU TAXONOMY REGULATION

Operating expenses (Opex)

	Opex		Substantial contribution to climate change mitigation		Compliance with DNSH criteria	Compliance with minimum safeguards	Taxonomy-aligned Opex	
2023	SEK million	% [1]	SEK million	% [1]	Y/N	Y/N	SEK million	% [1]
A. Taxonomy-eligible activities								
3.3 Manufacture of low-carbon technologies for transport	13,381	96.1	1,918	13.8	Y	Y	1,918	13.8
B. Taxonomy-non-eligible activities	**547**	**3.9**						
Total (A + B)	**13,928**	**100**						

1 Percentage refers to the total capex and opex in accordance with EU taxonomy

Operating expenses are calculated on the basis of non-capitalised research and development costs as reported in the consolidated financial statements as of 31 December, 2023 (See page 67) and is calculated as primary R&D costs less capitalized development costs. In addition, the calculation of the KPI includes the following:

- maintenance expenses for owned or leased real estate and other assets and
- expenses attributable to short-term leases (up to 12 months) and not recognised as right-of-use assets in the balance sheet.

The Scania Group's total operating expenditure related to the EU Taxonomy Regulation amounted to SEK 13,928 m. (10,994).Taxonomy-eligible opex for economic activity 3.3 accounted for SEK 13,381 m. (10,644) of this total, or 96.1% (96,9%) of the operating expenditure of the Scania Group, which was classified as taxonomy-eligible. In the same way as capital expenditure, only operating expenditure incurred in direct connection with taxonomy-aligned economic activities is included here. Operating expenditure related to taxonomy-non-eligible economic activities, such as the business with "Powertrain solutions" and parts deliveries, has therefore not been included in the numerator.

Taking into account the technical screening criteria, DNSH analysis and the safeguards, taxonomy-aligned operating expenditure amounts to SEK 1,918 m. (1,552), or 13.8% (14.1%) of the Scania Group's operating expenditure. R&D costs net of capitalization correspond to SEK 1,725 m. (1,385) of total taxonomy-aligned operating expenses. Where possible, operating expenses were allocated directly to BEVs. In situations where the expenditure support both taxonomy-eligible and non-taxonomy-eligible economic activities (e.g. production facilities for all types of vehicles and engines), allocation keys were used. The same allocation keys were used as for capital expenditure.

No operating expenses where direct attribute to EURO VI-E buses in 2022, so the fact that they no longer meet the criteria for a substantial contribution in 2023, does not impact the change in taxonomy-aligned operating expenditure for Scania Group.

Disclosures on the capex plan

Under the EU Taxonomy Regulation, the taxonomy-aligned capital expenditure of the reporting period is divided into (a) capital expenditure relating to assets or processes already associated to environmentally sustainable economic activities, and (b) capital expenditure which are part of a plan to expand taxonomy-aligned economic activities, or to upgrade taxonomy-eligible economic activities into taxonomy-aligned economic activities ("capex plan"). The capex plan represents the total capital expenditure according to the EU Taxonomy. This includes the sum of capital and operating expenses expected to be incurred in the reporting period and within the next five years to expand taxonomy-aligned economic activities or to convert taxonomy-aligned economic activities.

The allocation takes into account all taxonomy-aligned additions to assets leased out (primarily vehicle leases) relate to capital expenditure that is already associated with environmentally sustainable economic activities, because the underlying vehicles are already manufactured and taxonomy-aligned. These were therefore not included in the capex plan. By contrast, taxonomy-aligned additions to intangible assets and property, plant, and equipment as well as noncapitalized research and development costs were allocated to the capex plan on a pro rata basis with the help of the allocation key. The allocation key compares the ratio of the production volume of taxonomy-aligned vehicles for the reporting period with the average taxonomy-aligned production volume under the five-year plan. The remaining portion was allocated to the Capex Plan.

As a result, SEK 8,146 m. (6,046) of the taxonomy-aligned capital expenditure and SEK 6,820 m. (4,555) of the taxonomy-aligned operating expenditure were required to be allocated to the capex plan in the reporting period.

The following tables provides details of the taxonomy-aligned capital expenditures related to the capex plan:

Capex plan – capital expenditure

In SEK million	2023	2022
Taxonomy-aligned capital expenditure of the reference year	528	416
Potentially taxonomy-aligned capital expenditure within the next five years	7,618	5,630
Sum	**8,146**	**6,046**

Capex plan – operational expenditure

In SEK million	2023	2022
Taxonomy-aligned research and development costs of the reporting year [1]	442	313
Potentially taxonomy-aligned research and development costs within the next five years[1]	6,378	4,242
Sum	**6,820**	**4,555**

1 Previous year adjusted to reflect R&D cost net of capitalization

Green bond

During 2022 Scania issued a green bond totalling SEK 3,000 m. The proceeds of the bond are to be used for additional investments in the development of battery-electric vehicles (BEV). For the fiscal year of 2023, SEK 1,024 m. (1,976) connected to the green bond were recognised as BEV R&D costs, from which SEK 515 m. (1,046) was capitalised. The calculation of capitalised R&D related to the green bond uses an allocation key, which is based on the proportion of BEV R&D costs supported by the green bond over total BEV R&D costs.

The following table presents the adjusted KPIs for taxonomy-aligned Capex and Opex, excluding amounts supported by the green bond.

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Adjusted taxonomy-aligned KPIs | Green bond

		2023				2022			
Economic activities	Code(s)	Absolute Capex SEK million	Proportion of Capex in %[2]	Absolute Opex SEK million	Proportion of Opex in %[2]	Absolute Capex SEK million	Proportion of Capex in %[2]	Opex SEK million	Proportion of Opex in %[2,3]
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (taxonomy-aligned)									
3.3 Manufacture of low-carbon technologies for transport	3.3	3,616	16.6	1,918	13.8	2,969	18.6	1,552	14.1
Adjustment of Green Bond		–515		–509		–1,046		–930	
Adjusted KPIs – environmentally sustainable activities (taxonomy-aligned) (A.1)	**3.3**	**3,101**	**14.2**	**1,409**	**10.1**	**1,923**	**12.1**	**622**	**5.7**
Total		**21,826**		**13,928**		**15,954**		**10,994**	

2 Percentage refers to the total Capex and Opex in accordance with EU taxonomy
3 Previous year adjusted to reflect RD cost net of capitalization

SCANIA'S INFORMATION ON THE EU TAXONOMY REGULATION

Tabular presentation according to the EU Taxonomy Regulation

Turnover

Fiscal year 2023[1]	Year			Substantial contribution criteria[1]						DNSH criteria ("Does Not Significantly Harm")									
Economic activities[1]	Code[2]	Turnover[3]	Proportion of turnover, year 2023[4]	Climate change mitigation[5]	Climate change adaptation[6]	Water and marine resources[7]	Circular economy[8]	Pollution[9]	Biodiversity and ecosystems[10]	Climate change mitigation[11]	Climate change adaptation[12]	Water and marine resources[13]	Circular economy[14]	Pollution[15]	Biodiversity and ecosystems[16]	Minimum safeguards[17]	Proportion of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) Turnover, year 2022[18]	Category enabling activity[19]	Category transitional activity[20]
		SEK million	%	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
3.3 Manufacture of low-carbon technologies for transport	CCM 3.3	864	0.4	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1.0	E	–
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		**864**	**0.4**							**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**1.0**		
of which enabling activity		**864**	**0.4**							**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**1.0**	**E**	
of which transitional activity		**–**	**–**							**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0.0**		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)																			
				EL; N/EL	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**										
3.3 Manufacture of low-carbon technologies for transport	CCM 3.3	189,031	92.2	EL	N/EL	N/EL	N/EL	N/EL	N/EL								92.1		
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**189,031**	**92.2**														**92.1**		
A. Turnover of taxonomy-eligible activities (A1 + A2)		**189,896**	**92.6**														**93.1**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of taxonomy-non-eligible activities		**15,170**	**7.4**																
Total (A + B)		**205,066**	**100**																

1 Abbreviations used in the table: CCM: Climate Change Mitigation, Y: Yes, N: No, N/EL: Not eligible, E: Enabling activity, T: Transitional activity, EL: Eligible.

SCANIA'S INFORMATION ON THE EU TAXONOMY REGULATION

Capex

Fiscal year 2023[1]	Year			Substantial contribution criteria[1]						DNSH criteria ("Does Not Significantly Harm")									
Economic activities[1]	Code[2]	Capex[3]	Proportion of Capex, year 2023[4]	Climate change mitigation[5]	Climate change adaptation[6]	Water and marine resources[7]	Circular economy[8]	Pollution[9]	Biodiversity and ecosystems[10]	Climate change mitigation[11]	Climate change adaptation[12]	Water and marine resources[13]	Circular economy[14]	Pollution[15]	Biodiversity and ecosystems[16]	Minimum safeguards[17]	Proportion of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) Capex, year 2022[18]	Category enabling activity[19]	Category transitional activity[20]
		SEK million	%	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
3.3 Manufacture of low-carbon technologies for transport	CCM 3.3	3,616	16.6	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	18.6	E	–
Capex of environmentally sustainable activities (taxonomy-aligned) (A.1)		**3,616**	**16.6**							**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**18.6**		
of which enabling activity		**3,616**	**16.6**							**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**18.6**	**E**	
of which transitional activity		**–**	**–**							**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0.0**		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)																			
				EL; N/EL	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**										
3.3 Manufacture of low-carbon technologies for transport	CCM 3.3	17,726	81.2	EL	N/EL	N/EL	N/EL	N/EL	N/EL								79.4		
Capex of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**17,726**	**81.2**														**79.4**		
A. Capex of taxonomy-eligible activities (A1 + A2)		**21,342**	**97.8**														**98.0**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Capex of taxonomy-non-eligible activities		**484**	**2.2**																
Total (A + B)		**21,826**	**100**																

1 Abbreviations used in the table: CCM: Climate Change Mitigation, Y: Yes, N: No, N/EL: Not eligible, E: Enabling activity, T: Transitional activity, EL: Eligible.

SCANIA'S INFORMATION ON THE EU TAXONOMY REGULATION

Opex

Fiscal year 2023[1]	Year			Substantial contribution criteria[1]						DNSH criteria ("Does Not Significantly Harm")									
Economic activities[1]	Code[2]	Opex[3]	Proportion of Opex, year 2023[4]	Climate change mitigation[5]	Climate change adaptation[6]	Water and marine resources[7]	Circular economy[8]	Pollution[9]	Biodiversity and ecosystems[10]	Climate change mitigation[11]	Climate change adaptation[12]	Water and marine resources[13]	Circular economy[14]	Pollution[15]	Biodiversity and ecosystems[16]	Minimum safeguards[17]	Proportion of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) Opex, year 2022[18]	Category enabling activity[19]	Category transitional activity[20]
		SEK million	%	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	% '2	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
3.3 Manufacture of low-carbon technologies for transport	CCM 3.3	1,918	13.8	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	14.1	E	–
Opex of environmentally sustainable activities (taxonomy-aligned) (A.1)		**1,918**	**13.8**							**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**14.1**		
of which enabling activity		**1,918**	**13.8**							**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**14.1**	**E**	
of which transitional activity		**–**	**–**							**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0.0**		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)																			
				EL; N/EL	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**										
3.3 Manufacture of low-carbon technologies for transport	CCM 3.3	11,463	82.3	EL	N/EL	N/EL	N/EL	N/EL	N/EL								82.8		
Opex of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**11,463**	**82.3**														**82.8**		
A. Opex of taxonomy-eligible activities (A1 + A2)		**13,381**	**96.1**														**96.9**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Opex of taxonomy-non-eligible activities		**547**	**3.9**																
Total (A + B)		**13,928**	**100**																

1 Abbreviations used in the table: CCM: Climate Change Mitigation, Y: Yes, N: No, N/EL: Not eligible, E: Enabling activity, T: Transitional activity, EL: Eligible.
2 Previous year % (2022) adjusted to reflect RD costs net of capitalisation

SCANIA'S INFORMATION ON THE EU TAXONOMY REGULATION

Tabular presentation according to the EU Taxonomy Regulation – extent of eligibility and alignment per environmental objective

Fiscal year 2023

Proportion of Turnover/Total Turnover[1]		
Objective[2]	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.4%	92.6%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Proportion of Capex/Total Capex[1]		
Objective [2]	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	16.6%	97.8%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Proportion of Opex/Total Opex[1]		
Objective[2]	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	13.8%	96.1%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

1 Percentage refers to the total turnover, Capex and Opex in accordance with EU taxonomy Regulation
2 Abbreviations used in the table: CCM: Climate Change Mitigation, CCA: Climate Change Adaptation, WTR: Water and Marine Resources, CE: Circular Economy; PPC: Pollution Prevention and Control, BIO: Biodiversity and ecosystems

AUDITOR’S LIMITED REVIEW REPORT

Auditor’s Limited Assurance Report on Scania AB’s Sustainability Report and statement regarding the Statutory Sustainability Report

This is the translation of the auditor’s report in Swedish.

To Scania AB, Corp Id 556184-8564

Introduction

We have been engaged by the Board of Directors of Scania AB to undertake a limited assurance engagement of Scania AB´s Sustainability Report for the year 2023. The Company has defined the scope of the Sustainability Report as the pages referred to in the GRI index on pages 160–162, the Statutory Sustainability Report is defined on page 159.

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on pages 157–158 in the Sustainability Report, and consist of the Sustainability Reporting Guidelines published by the GRI (Global Reporting Initiative), as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on our limited assurance procedures and to express an opinion regarding the Statutory Sustainability Report. Our engagement is limited to historical information and does therefore not cover future oriented information.

We have conducted our engagement in accordance with ISAE 3000 (revised) *Assurance engagements other than audits or reviews of historical financial information.* The engagement consists of a limited assurance review of the sustainability report as a whole and an assurance of certain information specified below. A limited assurance review aims to assure us that the information does not contains material deviations. A limited assurance review includes reviewing a selection of the basis for quantitative and qualitative information in the sustainability report.

A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR’s auditing standard RevR 12 *The auditor’s opinion regarding the statutory sustainability report*. A limited assurance engagement and an examination according to RevR 12 are different from and substantially less in scope than reasonable assurance conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies ISQM 1 (International Standard on Quality Management) which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Scania AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed in a limited review and an examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. The conclusion based on limited assurance procedures and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an reasonable assurance.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, March 4, 2024

Ernst & Young AB

Heléne Siberg Wendin
Authorized Public Accountant

Outi Alestalo
Expert member of FAR

ABOUT THIS REPORT

This report summarises the financial year 2023 as well as providing an overview of Scania's business and operations and is prepared in accordance with 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 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 encompasses pages 70–138 and were prepared in compliance with International Financial Reporting Standards (IFRSs). The Report of the Directors encompasses pages 56–69 and 129. The statutory Sustainability Report encompasses pages 139–174. The sustainability report has been prepared in accordance with the sustainability requirements in the Swedish Annual Accounts Act and GRI Standards. More guidance can be found on page 159. A GRI index can be found on pages 160–162. The GRI index is subject to a limited assurance review. The Auditor's Limited Review Report can be found on page 175.

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's 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.

SCANIA'S WEBSITE

The Scania Group's website, www.scania.com, contains information for the capital market and other stakeholders. Here you will find both current and historical information about Scania's operations, strategy, sustainability work and corporate governance. News, press releases and financial reports are published here.

Year-end reports, interim reports and annual and sustainability reports are available in both English and Swedish.

Stakeholders can subscribe to financial reports and press releases:

www.scania.com/subscriptions

Contact

You are welcome to contact us:

Scania Group, Head Office
Telephone: +46 8 553 810 00
Fax: +46 8 553 810 37

Postal address:
Scania AB
SE-151 87 Södertälje
Sweden

Visiting address:
Scania AB
Vagnmakarvägen 1
SE-151 32 Södertälje
Sweden

Front cover image:
A Scania 25P BEV 4x2 general
cargo transport shot in Trysil, Norway.

Scania AB, SE-151 87 Södertälje, Sweden
Telephone: +46 8 55 38 10 00
Fax: +46 8 55 38 10 37
www.scania.com