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Preliminary income statement for Scania, 1998

At Scania's Board Meeting a decision was taken to provide the following preliminary income statement for the 1998 financial year and an assessment of the prospects for 1999. In response to AB Volvo's acquisition of shares in Scania AB the investment bank Alfred Berg has been retained to advise the Board and the Management.

Sales and income

The number of invoiced vehicles in 1998 amounted to 49,674 (46,976), an increase of 6 percent over the previous year. The Scania Group's **sales** increased preliminarily by 14 percent to SEK 45.2 bn (39.7).

The estimated **operating income** increased by 18 percent to SEK 3.6 bn (3.05) and **income before taxes** is estimated at SEK bn 3.2 (2.75).

The operating income of the company's European operations increased considerably to approximately SEK 3.9 bn (2.3). During 1998 the operating margin from European operations increased from 9.3 percent in the first quarter to 12.7 percent in the fourth quarter. The increased volumes recorded in the European operations during the fourth quarter improved operating income.

Reflecting Scania's strategy of increasing vendor leasing programs, an increased proportion of total sales is accounted for as operational leasing, the profit from which is spread over the entire duration of the contract period. The deferred profit from these leases was SEK 170 million in the fourth quarter and SEK 360 million (200) for the full year. This affected the operating margin during the fourth quarter by -1.5 percentage point, while the figure for the whole year was just under -1 percent.

The operating income of Scania's Latin American operations was impaired during the fourth quarter by lower volumes and by measures taken to adjust production levels to the current market situation.

The order bookings in western Europe continued at a high level during the fourth quarter of 1998 (+10 per cent compared with the corresponding quarter in the previous year), while they shrank in the rest of Europe. In the Far East the market remained low. The market in Latin America continued to weaken during the fourth quarter of 1998.

Comments regarding 1999

The changeover to the 4-series trucks and buses was completed throughout Scania during the course of 1998. Over the past three years we have recorded costs related to the changeover of approximately SEK 1 bn per year. Investments in the production facilities have been completed and investment needs are now declining considerably. As the first manufacturer ever to do so, Scania has implemented a uniform global product range and production system throughout the world, for trucks and buses alike. Scania has also invested in its market organisation, both in restructure and competence enhancement.

There is continued potential for future productivity improvements through ongoing optimisation of the 4-series. The internal pre-requisites for the coming years are thus good. As a result it is the opinion of the Board and the Management that Scania is well positioned to compete as an independent entity in the current industry environment.

The total market in western Europe was at a historical high level in 1998. Based on the order inflow of the past few months and on general business conditions, it is our assessment that the market has now stabilised at a high level. Assuming unchanged volumes, this creates a potential for significantly improved income in the company's European operations.

Developments in Latin America are uncertain and difficult to assess accurately, particularly in Brazil. During 1999 Scania will not experience the 4-series changeover effects and the costs for adjustment to the market situation of the previous year (approximately SEK 500 million). The market is expected to remain weak, especially during the first six months. The comprehensive internal adjustment programme that was initiated during the third quarter of 1998 will continue into 1999. The previously announced goal was to reach operational break-even. Devaluation of the Brazilian currency has, however, made assessment more difficult. Local content in Brazilian production will increase during the course of this year.

Taken together, our assessment – based on today's knowledge and the conditions mentioned above – is that there is potential for an improved operating income in the order of SEK 1.5 bn in 1999. In addition operational leases expected to be concluded in 1999 have the potential to produce increased deferred income of some SEK 300 million.

Södertälje, 18 January 1999

Leif Östling
President and CEO

This preliminary report has not been submitted to the company's accountants for special review, so it may be subject to minor adjustments.

Cautionary Statement for Purposes of the "Safe Harbor"
Provisions of the United States Private Securities Litigation Reform Act of 1995

The United States Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. This press release contains forward-looking statements (including estimates and assessments) which reflect management's current views with respect to certain future events and potential financial performance. Such forward-looking information involves risks and uncertainties that could significantly affect potential results and are based on certain key assumptions including those related to general economic and financial conditions in the Company's primary markets and the level of demand for the Company's products.

The Company's ability to achieve its potential results is dependent on many factors, certain of which are outside of management's control. The Company's Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission identifies several important factors affecting the Company.

Readers are cautioned not to place undue reliance on the forward-looking statements in this press release, which speak only as of the date hereof. Scania undertakes no obligation to release publicly the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof, including, without limitation, changes in Scania's markets, business or strategy, or to reflect the occurrence of unanticipated events.

A definitive financial statement for 1998 will be published on 17 February 1999.

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Preliminary key numbers 1998

Sales volumes	1998	1997	% change
European operations			
- Trucks	37,965	32,766	+16
- Buses	2,410	2,755	-13
Total	40,375	35,521	+14
Latin American operations			
- Trucks	7,588	9,626	-21
- Buses	1,711	1,829	-7
Total	9,299	11,455	-19
Total no. of vehicles	49,674	46,976	+6

Sales, SEK bn	1998	1997	% change
- European operations	35.0	29.1	+21
- Latin American operations	6.2	7.0	-12
- Internal invoicing	-1.6	-1.0	
- Scania products	39.6	35.1	+13
- Svenska Volkswagen products	5.6	4.6	+22
Total Scania	45.2	39.7	+14

Operating income, SEK bn	1998	1997	% change
- European operations	3.9	2.3	+70
- Latin American operations	-0.65	0.4	
- Customer-financing operations	0.1	0.1	
- Svenska Volkswagen products	0.25	0.25	
Total	3.6	3.05	+18

Operating margin, percent	1998	1997
- European operations	11.1	7.9
- Latin American operations	-10.5	5.8
Total	8.0	7.7

Operating margin, percent	Q4 1998	Q3 1998	Q2 1998	Q1 1998
- European operations	12.7	11.2	11.1	9.3
- Latin American operations	-20.3	-5.6	-3.3	-15.4
Total	8.7	8.2	8.7	6.0

Income before taxes, SEK bn	1998	1997	% change
Total Scania Group	3.2	2.75	+16

Order intake, trucks	Q4 1998	Q4 1997	Full-yr 1998	Full-yr 1997
- Western Europe	8,787	8,007	33,323	29,433
- Central and eastern Europe	261	697	2,135	2,277
- Latin America	1,347	1,829	8,081	9,861
- Asia and other markets	594	878	2,801	4,308
Total number	10,989	11,411	46,340	45,879