



SCANIA INTERIM REPORT JANUARY - JUNE 1999

SECOND QUARTER

- Continued improvement in operating income.
- A strong market in western Europe.
- Higher order bookings in central and eastern Europe as well as in Asia.

RESULTS

First half of 1999, compared to first half of 1998

- Number of trucks and buses sold: 24,869 (24,710), an increase of 1 percent.
- Sales: SEK 23,419 m. (22,027) [USD 2,770 m. (2,605)]*, an increase of 6 percent.
- Operating income: SEK 2,503 m. (1,639) [USD 296 m. (194)], an increase of 53 percent.
- Operating margin: 10.7 (7.4) percent.
- Income after financial items: SEK 2,240 m. (1,489) [USD 265 m. (176)].
- Net income: SEK 1,554 m. (1,054) [USD 184 m. (125)].
- Earnings per share: SEK 7.75 (5.25) [USD 0.92 (0.62)].
- Earnings per share according to U.S. GAAP: SEK 8.50 (5.45) [USD 1.01 (0.64)].

Second quarter of 1999, compared to second quarter of 1998

- Number of trucks and buses sold: 11,959 (13,041).
- Sales: SEK 11,640 m. (11,604) [USD 1,377 m. (1,372)].
- Operating income: SEK 1,263 m. (1,010) [USD 149 m. (119)], equivalent to a margin of 10.9 (8.7) percent.

MARKET

First half of 1999, compared to first half of 1998

- Order bookings for heavy trucks in western European markets were essentially unchanged.
- Scania's market share for heavy trucks in western Europe totalled 14.9 (15.2) percent.
- In Latin America, the number of trucks delivered declined due to the uncertain economic situation; Scania's market share in Brazil was 32.4 (33.1) percent.

Second quarter of 1999, compared to second quarter of 1998

- Order bookings for heavy trucks in western European markets were essentially unchanged.
- In western Europe, the number of trucks delivered rose by about 3 percent.

EARLIER ASSESSMENT STILL STANDS

Delivery volume in Europe during the first half of 1999 and current market demand support our earlier assessment of an improvement in operating income of SEK 1.5 billion for the full year. The market in Latin America remains weak and difficult to assess.

* Translated solely for the convenience of the reader at an exchange rate of SEK 8.455 = USD 1.00.

This report is also available at www.scania.com



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Scania's operating income for the first six months of the year improved by 53 percent, reaching SEK 2,503 m. This improvement in earnings was attributable to European operations.* Latin American operations were adversely affected by lower sales volume and narrower margins.

The heavy truck market in western Europe remains strong. Scania's order bookings in western Europe during the first six months of the year were essentially unchanged, compared to the same period of 1998. Order bookings in southern European markets rose. They were stable in the three main markets – Great Britain, Germany and France – while they fell in the Netherlands. Despite a strong market in Europe, prices did not improve.

During the first half of 1999, according to preliminary statistics, 124,600 (105,000) heavy trucks were registered in western Europe, for an increase of 19 percent. This currently indicates an annual rate of about 230,000 trucks. The number of Scania trucks registered totalled 18,500 (16,000), for a preliminary market share of 14.9 (15.2) percent.

Scania's order bookings in central and eastern European markets were 40 percent lower during the first half of 1999 than during the same period last year. Order bookings nevertheless improved during the second quarter, compared to the two preceding quarters.

In Asian markets, order bookings improved both cumulatively and compared to the second quarter of 1998.

In Latin America, demand was adversely affected by economic uncertainty: in Brazil by currency turbulence and high interest rates, and in Argentina by heavy indebtedness, currency instability and uncertainty in the run-up to the October presidential election. Scania's order bookings for heavy trucks declined during the first half of 1999, compared to the same period last year. During the second quarter, the economic situation in Brazil stabilised somewhat, resulting in lower inflation, lower interest rates and a more stable currency. This is expected to help strengthen demand during the second half.

In Brazil, where the market shrank by 18 percent to 7,000 (8,500) during the first half, Scania's market share was 32.4 (33.1) percent. In Argentina, where the market shrank by 37 percent to 1,790 heavy trucks, Scania's market share rose to 27.1 (25.3) percent.

The total number of Scania trucks sold rose to 23,052 (22,560), or by 2 percent during the first half of 1999, compared to the same period last year. In western Europe, the number of trucks sold rose by 13 percent to 17,896 (15,882). In Latin America, the number of Scania trucks sold declined by 18 percent to 3,137 (3,846).

* European operations are the portion of Scania's operations that supply all markets except Latin American ones with the company's products and services.

Scania's bus order bookings rose by 17 percent in European operations, while they declined by 57 percent in Latin America. Overall, this meant that bus order bookings were 25 percent lower during the first half of 1999 than during the same period last year.

Bus sales in European operations remained at the same level as during the first half of 1998, while they declined by 40 percent in Latin America. Total bus sales declined by 15 percent.

Scania's sales of service-related products continued to expand. They rose by 13 percent during the first half of 1999, compared to the same period last year. In European operations, sales increased by 17 percent.

The number of industrial and marine engines sold increased by 8 percent during the first half of 1999.

During the second quarter, Scania announced that it will acquire Norsk Scania, the independent Norwegian importing and dealership company. Scania also decided to concentrate its European cab production in Oskarshamn, Sweden, and in conjunction with this it will invest in a new finishing paintshop as well as a modification and extension of the cab assembly plant.

SALES AND EARNINGS

During the first half of 1999, the Scania Group sold 24,869 (24,710) trucks and buses, an increase of 1 percent. In monetary terms, sales for the same period were SEK 23,419 m. (22,027), an increase of 6 percent. Sales of Scania products rose by 8 percent. Operating income improved by 53 percent to SEK 2,503 m. (1,639), equivalent to a margin of 10.7 (7.4) percent.

In European operations, unit sales of trucks and buses increased by 6 percent during the first half of 1999, compared to the same period of 1998. In monetary terms, sales rose by 11 percent. Operating income improved by 47 percent to SEK 2,557 m. (1,739). Operating margin increased to 13.5 (10.2) percent. Higher vehicle volume and larger sales of service-related products, positive currency effects of about SEK 300 m., improved productivity, lower warranty expenses as well as improved earnings for bus operations boosted earnings. More than half of the positive currency effects were attributable to hedging activities.

During the second quarter, the corresponding operating margin amounted to 14.2 (11.1) percent. A somewhat lower vehicle volume was offset by higher sales of service-related products. Other factors that improved earnings were a more positive currency situation, a better market mix, higher earnings for bus operations and lower production and warranty expenses.

During the first half, the net amount of deferred income recognition due to operational leasing amounted to SEK 240 m. (137).

Operating income from European customer finance operations rose to SEK 69 m. (38), due to higher financing volume.

In Latin American operations, unit sales of trucks and buses declined by 22 percent during the first half, compared to the same period last year. Operating income totalled SEK -254 m. (-271). The period was adversely affected by lower sales volume as well as narrower margins. During the first quarter, this was offset to some extent by a non-recurring effect from the translation of non-interest-bearing operating items in the balance sheet.

Operating income for **Svenska Volkswagen products** amounted to SEK 131 m. (133).

Net financial items totalled SEK -263 m. (-150). The deterioration was entirely attributable to Latin American operations, due to negative cash flow, higher interest rates and translation effects of interest-bearing items in the balance sheet.

The Scania Group's **tax expenses** were equivalent to 30.6 (29.0) percent of income after financial items.

Scania's **operating cash flows**, excluding customer finance operations, improved during the second quarter and amounted to SEK 825 m. Accumulated first-half cash flows were SEK 21 m., since cash flows during the first quarter of 1999 were adversely affected by the acquisition of Scania's Italian importer, Italscandia, as well as by supplementary tax payments. Tied-up working capital increased somewhat during the second quarter. Net capital expenditures returned to a more normal level during the second quarter compared to the first quarter of 1999 and amounted to SEK 504 m. (426).

Customer finance operations expanded by SEK 962 m. during the first half of 1999, including SEK 668 m. during the second quarter.

The number of employees totalled 23,660 at the end of the report period, an increase of 120 persons since the beginning of the year. At production units, the number of employees decreased by 265 in Europe and by 90 in Latin America. In European marketing companies, the number of employees rose, primarily due to heavier investments in the service organisation. The acquisition of Italscandia represented an increase of about 170 persons.

Parent Company

The assets of the Scania Group's Parent Company, Scania AB, consist of shares in the subsidiary Scania CV AB, shares in the Latin American subsidiaries and a 50 percent shareholding in Svenska Volkswagen AB.

Scania CV AB is the parent company of the Scania Group's European operations, which comprise European production and marketing companies as well as other companies outside Latin America.

The income of Scania AB after financial items amounted to SEK 23 m. (16).

Earlier assessment still stands

Delivery volume in Europe during the first half of 1999 and current market demand support our earlier assessment of an improvement in operating income of SEK 1.5 billion for the full year. The market in Latin America remains weak and difficult to assess.

Södertälje, 6 August 1999

Leif Östling
President and CEO

This Interim Report has not been subject to special review by the company's auditors.

This report contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Such forward-looking statements involve risks and uncertainties that could significantly affect potential results. These statements are based on certain assumptions, including assumptions related to general economic and financial conditions in the company's markets and the level of demand for the company's products.

This report does not imply that the company has undertaken to revise these forward-looking statements, beyond what is required under the company's registration contract with the Stockholm Stock Exchange, if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

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EARNINGS BY AREA OF OPERATIONS

Amounts in SEK m. unless otherwise stated	USD m.*	First half 1999	1998	Change in %	1998	July 98 - June 99
Number of trucks and buses sold						
European operations		21,236	20,058	6	40,375	41,553
Latin American operations		3,633	4,652	-22	9,295	8,276
Total Scania vehicles sold		24,869	24,710	1	49,670	49,829
Sales						
European operations	2,246	18,985	17,034	11	35,072	37,023
Latin American operations	248	2,101	3,062	-31	6,151	5,190
Less intra-Group sales	-51	-432	-929	-53	-1,548	-1,051
Total Scania products	2,443	20,654	19,167	8	39,675	41,162
Svenska Volkswagen products	327	2,765	2,860	-3	5,637	5,542
Scania Group total	2,770	23,419	22,027	6	45,312	46,704
Operating income						
European operations	303	2,557	1,739	47	3,913	4,731
Latin American operations	-30	-254	-271	-6	-662	-645
Customer finance operations	8	69	38	82	91	122
Total Scania products	281	2,372	1,506	58	3,342	4,208
Svenska Volkswagen products	15	131	133	-2	250	248
Scania Group total	296	2,503	1,639	53	3,592	4,456
Operating margin in percent						
European operations		13.5	10.2		11.2	12.8
Latin American operations		-12.1	-8.9		-10.8	-12.4
Total Scania products		11.5	7.9		8.4	10.2
Svenska Volkswagen products		4.7	4.7		4.4	4.5
Scania Group total		10.7	7.4		7.9	9.5

SALES BY PRODUCT CATEGORY

Amounts in SEK m. unless otherwise stated	USD m.*	First half 1999	1998	Change in %	1998	July 98 - June 99
Trucks	1,636	13,837	13,082	6	27,092	27,847
Buses	202	1,712	1,778	-4	3,548	3,482
Engines	24	200	185	8	398	413
Service products	393	3,319	2,948	13	6,282	6,653
Used vehicles etc.	188	1,586	1,174	35	2,355	2,767
Total Scania products	2,443	20,654	19,167	8	39,675	41,162
Svenska Volkswagen products	327	2,765	2,860	-3	5,637	5,542
Total	2,770	23,419	22,027	6	45,312	46,704

* Translated solely for the convenience of the reader at an exchange rate of SEK 8.455 = USD 1.00.

INCOME STATEMENT

Amounts in SEK m. unless otherwise stated	USD m.*	First half 1999	1998	Change in %	1998	July 98 - June 99
Sales	2,770	23,419	22,027	6	45,312	46,704
Cost of goods sold	-2,044	-17,281	-16,871		-34,630	-35,040
Gross income	726	6,138	5,156	19	10,682	11,664
Research and development expenses	-73	-621	-541		-1,085	-1,165
Selling expenses	-336	-2,836	-2,797		-5,730	-5,769
Administrative expenses	-48	-408	-377		-679	-710
Income from customer finance operations	8	69	38		91	122
Share of income of associated companies	19	161	160		313	314
Operating income ¹⁾	296	2,503	1,639	53	3,592	4,456
Financial income and expenses	-31	-263	-150		-378	-491
Income after financial items	265	2,240	1,489	50	3,214	3,965
Taxes	-81	-685	-432		-959	-1,212
Minority interests	0	-1	-3		-5	-3
Net income	184	1,554	1,054	47	2,250	2,750

Number of shares: 200 million

Operating margin, percent		10.7	7.4		7.9	9.5
Return on equity, percent		23.8	19.9		20.7	23.8
Return on capital employed, excluding customer finance operations, percent		20.1	16.3		17.4	20.1
Earnings per share, SEK	0.92	7.75	5.25		11.25	13.75
Earnings per share according to U.S. GAAP: SEK	1.01	8.50	5.45		11.20	14.15
¹⁾ Includes depreciation of	-119	-1,005	-953		-1,883	-1,935

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EARNINGS BY QUARTER

Amounts in SEK m. unless otherwise stated	1999				1998			
	Q 2	Q2	Q 1	Full year	Q 4	Q 3	Q 2	Q 1
	USD m.*							
Sales								
European operations	1,090	9,218	9,767	35,072	10,352	7,686	8,839	8,195
Latin American operations	135	1,139	962	6,151	1,380	1,709	1,658	1,404
Less intra-Group sales	-29	-249	-183	-1,548	-215	-404	-431	-498
Total Scania products	1,196	10,108	10,546	39,675	11,517	8,991	10,066	9,101
Svenska Volkswagen products	181	1,532	1,233	5,637	1,383	1,394	1,538	1,322
Scania Group total	1,377	11,640	11,779	45,312	12,900	10,385	11,604	10,423
Operating income								
European operations	155	1,313	1,244	3,913	1,314	860	978	761
Latin American operations	-19	-158	-96	-662	-295	-96	-55	-216
Customer finance operations	5	39	30	91	28	25	15	23
Total Scania products	141	1,194	1,178	3,342	1,047	789	938	568
Svenska Volkswagen products	8	69	62	250	55	62	72	61
Scania Group total	149	1,263	1,240	3,592	1,102	851	1,010	629
Income after financial items	134	1,130	1,110	3,214	972	753	937	552
Net income	93	784	770	2,250	670	526	664	390
Earnings per share, SEK	0.46	3.90	3.85	11.25	3.35	2.65	3.30	1.95
Operating margin, percent								
European operations		14.2	12.7	11.2	12.7	11.2	11.1	9.3
Latin American operations		-13.9	-10.0	-10.8	-21.4	-5.6	-3.3	-15.4
Total Scania products		11.8	11.2	8.4	9.1	8.8	9.3	6.2
Svenska Volkswagen products		4.5	5.0	4.4	4.0	4.4	4.7	4.6
Scania Group total		10.9	10.5	7.9	8.5	8.2	8.7	6.0

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UNITS BY QUARTER

	1999			1998			
	Q 2	Q 1	Full year	Q 4	Q 3	Q 2	Q 1
ORDER BOOKINGS, TRUCKS							
- Western Europe	8,842	8,251	33,323	8,787	7,286	9,025	8,225
- Central and eastern Europe	465	384	2,135	261	470	605	799
- Latin America	1,509	1,550	8,081	1,347	2,024	2,601	2,109
- Asia	335	317	1,156	183	403	319	251
- Other markets	355	215	1,645	411	255	464	515
Total	11,506	10,717	46,340	10,989	10,438	13,014	11,899
TRUCKS SOLD							
- Western Europe	8,448	9,448	32,686	10,003	6,801	8,228	7,654
- Central and eastern Europe	363	295	2,235	457	546	603	629
- Latin America	1,549	1,588	7,621	1,652	2,123	2,147	1,699
- Asia	374	334	1,412	415	211	488	298
- Other markets	305	348	1,599	386	399	415	399
Total	11,039	12,013	45,553	12,913	10,080	11,881	10,679
ORDER BOOKINGS, BUSES							
- Europe	360	446	1,839	650	309	452	428
- Latin America	397	182	1,837	392	104	726	615
- Other markets	195	197	281	108	33	84	56
Total	952	825	3,957	1,150	446	1,262	1,099
BUSES SOLD							
- Europe	551	560	1,837	597	352	496	392
- Latin America	255	236	1,697	318	516	449	414
- Other markets	114	101	583	94	90	215	184
Total	920	897	4,117	1,009	958	1,160	990

Sales of industrial and marine engines totalled 1,471 (1,364) units during the first half of 1999.

BALANCE SHEET
WITH CUSTOMER FINANCE OPERATIONS REPORTED
ACCORDING TO THE EQUITY ACCOUNTING METHOD

Amounts in SEK m. unless otherwise stated	<i>30 June</i>	30 June	31 March	31 Dec	30 Sept	30 June
	<i>1999</i>	1999	1999	1998	1998	1998
	<i>USD m.*</i>					
ASSETS						
Intangible fixed assets	48	404	412	113	116	113
Tangible fixed assets	1,502	12,702	12,940	12,824	12,846	12,939
Shares and participations	268	2,262	2,279	2,258	2,162	2,017
Inventories	854	7,217	7,090	7,456	7,506	7,297
Other receivables	994	8,406	8,214	6,822	6,527	6,313
Interest-bearing receivables	166	1,405	1,500	1,543	1,255	1,274
Liquid investments	457	3,865	2,452	1,710	1,865	1,562
Total assets	4,289	36,261	34,887	32,726	32,277	31,515
SHAREHOLDERS' EQUITY AND LIABILITIES						
Shareholders' equity	1,420	12,009	12,538	11,851	10,983	10,337
Provisions for pensions	218	1,839	1,832	1,910	1,926	1,936
Other provisions	391	3,309	3,134	3,221	3,247	3,148
Other liabilities	847	7,156	7,468	7,505	7,315	6,935
Borrowings	1,413	11,948	9,915	8,239	8,806	9,159
Total shareholders' equity and liabilities	4,289	36,261	34,887	32,726	32,277	31,515
Net indebtedness, excluding Pension liabilities	956	8,083	7,463	6,529	6,941	7,597
Net indebtedness as ratio of shareholders' equity (debt/equity ratio)	0.67	0.67	0.60	0.55	0.63	0.73
Equity per share, SEK	7.10	60.05	62.70	59.25	54.90	51.70

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BALANCE SHEET

CUSTOMER FINANCE OPERATIONS

	<i>30 June</i>					
Amounts in SEK m. unless otherwise stated	<i>1999</i>	30 June	31 March	31 Dec	30 Sept	30 June
	<i>USD m.*</i>	1999	1999	1998	1998	1998
ASSETS						
Leasing assets	582	4,917	4,759	4,605	3,921	3,546
Financial receivables	970	8,203	7,735	7,737	6,740	6,126
Other assets	50	422	456	626	452	383
Cash and bank balances	9	80	93	64	52	63
Total assets	<i>1,611</i>	13,622	13,043	13,032	11,165	10,118
SHAREHOLDERS' EQUITY AND LIABILITIES						
Shareholders' equity	104	880	843	848	820	776
Borrowings	1,378	11,649	11,071	11,047	9,359	8,446
Other liabilities and provisions	129	1,093	1,129	1,137	986	896
Total shareholders' equity and liabilities	<i>1,611</i>	13,622	13,043	13,032	11,165	10,118

BALANCE SHEET

INCLUDING CUSTOMER FINANCE OPERATIONS

	<i>30 June</i>					
Amounts in SEK m. unless otherwise stated	<i>1999</i>	30 June	31 March	31 Dec	30 Sept	30 June
	<i>USD m.*</i>	1999	1999	1998	1998	1998
ASSETS						
Intangible fixed assets	48	404	412	113	116	113
Tangible fixed assets	2,086	17,634	17,712	17,445	16,781	16,497
Shares and participations	163	1,382	1,437	1,411	1,342	1,242
Inventories	873	7,382	7,260	7,571	7,663	7,432
Other receivables	994	8,400	8,265	7,208	6,702	6,558
Interest-bearing receivables	1,136	9,608	9,234	9,280	7,995	7,387
Liquid investments	467	3,946	2,545	1,774	1,917	1,625
Total assets	<i>5,767</i>	48,756	46,865	44,802	42,516	40,854
SHAREHOLDERS' EQUITY AND LIABILITIES						
Shareholders' equity	1,420	12,009	12,538	11,851	10,983	10,337
Provisions for pensions	218	1,841	1,834	1,913	1,928	1,939
Other provisions	446	3,768	3,580	3,668	3,555	3,441
Other liabilities	892	7,542	7,927	8,091	7,884	7,532
Borrowings	2,791	23,596	20,986	19,279	18,166	17,605
Total shareholders' equity and liabilities	<i>5,767</i>	48,756	46,865	44,802	42,516	40,854
Equity/assets ratio, %		24.6	26.8	26.5	25.8	25.3

* Translated solely for the convenience of the reader at an exchange rate of SEK 8.455 = USD 1.00.

STATEMENT OF CASH FLOWS

Amounts in SEK m. unless otherwise stated	First half			1999			1998
	USD m.*	1999	1998	USD m.*	Q 2	Q 1	Q 2
Cash from operating activities	326	2,758	2,105	175	1,477	1,281	1,251
Change in working capital, etc.	-129	-1,092	-509	-18	-148	-944	-78
Cash flows from operating activities	197	1,666	1,596	157	1,329	337	1,173
Net investments	-195	-1,645	-962	-59	-504	-1,141	-426
Operating cash flows excluding customer finance operations	2	21	634	98	825	-804	747
Expansion of customer finance operations	-113	-962	-1,496	-79	-668	-294	-918
Change in net indebtedness including customer finance operations	-111	-941	-862	19	157	-1,098	-171
Change in indebtedness from financing activities	517	4,371	1,433	298	2,519	1,852	1,078
Dividend to shareholders	-154	-1,300	-1,100	-154	-1,300		-1,100
Net change in cash and short-term investments	252	2,130	-529	163	1,376	754	-193
Effect of exchange rate fluctuations on cash and short-term investments	5	42	21	3	25	17	-3
Cash and short-term investments at beginning of period	210	1,774	2,133	301	2,545	1,774	1,821
Cash and short-term investments at end of period	467	3,946	1,625	467	3,946	2,545	1,625

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NUMBER OF EMPLOYEES

	30 June 1999	31 March 1999	31 Dec 1998	30 Sept 1998	30 June 1998
Production companies etc.	13,099	13,224	13,485	13,445	13,256
Marketing companies	6,784	6,620	6,194	6,108	6,377
European operations	19,883	19,844	19,679	19,553	19,633
Latin American operations	3,625	3,664	3,714	3,910	3,948
Customer finance operations	150	141	144	136	122
Total number of employees	23,658	23,649	23,537	23,599	23,703

Scania's ten largest truck markets

Registrations of trucks during the first half *

	1999	1998	Change in percent
Germany	2,928	2,239	31
France	2,673	2,080	29
Great Britain	2,554	2,628	-3
Brazil	2,261	2,800	-19
Spain	1,786	1,400	28
Italy	1,405	982	43
The Netherlands*	1,401	1,737	-19
Sweden	1,134	800	42
Belgium	1,039	755	38
Denmark	736	728	1
Western Europe*	18,531	15,962	15

Market shares during the first half, percent *

	1999	1998
Germany	9.3	8.8
France	11.4	10.2
Great Britain	17.0	17.5
Brazil	32.4	33.1
Spain	15.3	16.3
Italy	11.8	12.7
The Netherlands*	19.6	22.6
Sweden	47.5	44.9
Belgium	19.4	17.4
Denmark	29.5	30.2
Western Europe*	14.9	15.2

* Preliminary figures.