S&P Global Ratings

Research

Scania AB (publ.)

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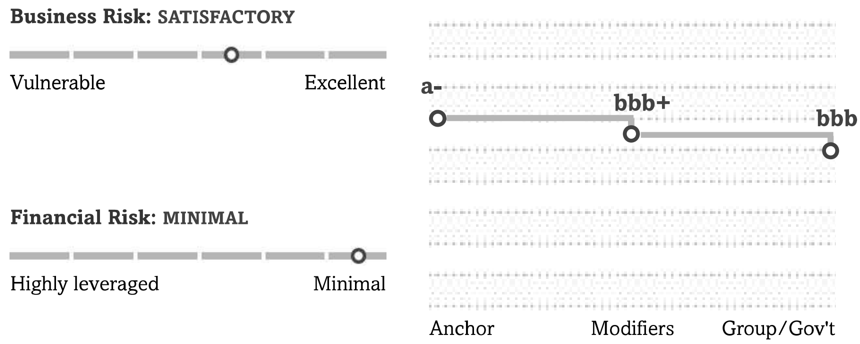


Issuer Credit Rating
BBB/Stable/A-2

Nordic Regional Scale	South Africa National Scale
--/--/K-2	**zaAAA/--/zaA-1+**

Credit Highlights

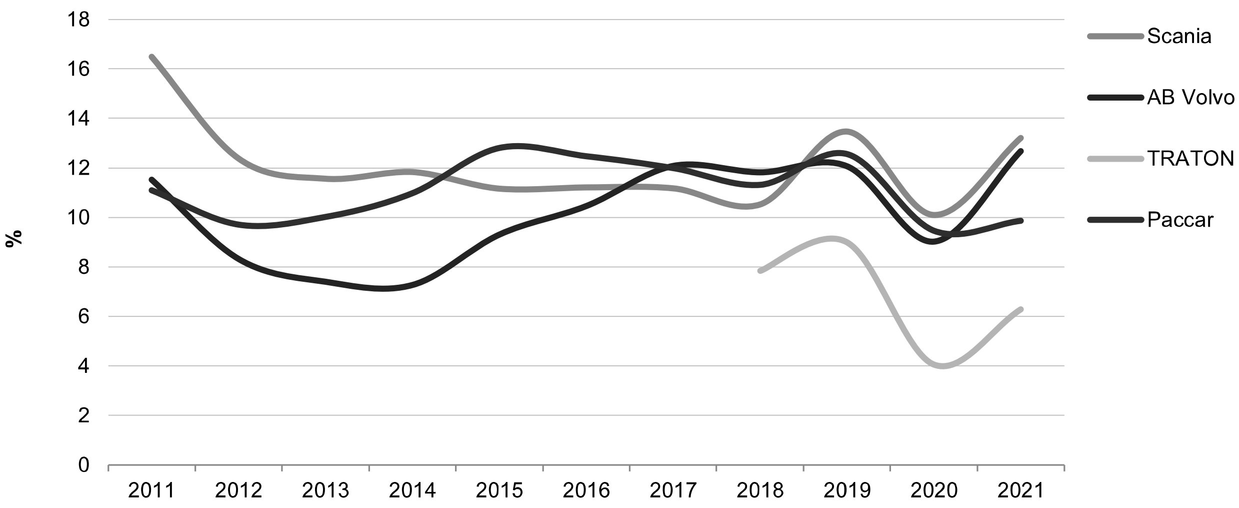
Overview

Key strengths	**Key risks**
Solid position as a premium heavy duty commercial truck maker in Europe and Latin America.	Volatile revenue and FOCF generation due to the highly cyclical commercial vehicle market, as well as supply chain impacts and at the same time one-off events will weigh on its FOCF in 2022.
Industry-leading and resilient profitability, with a track record of maintaining the industrial business' adjusted EBITDA margin above 10%.	Significant regulatory and competitive challenges over the next few years, such as more stringent carbon dioxide emission regulations and the related electrification of the powertrain, autonomous driving technology.
Typically, debt-free manufacturing operations supported by resilient free operating cash flow (FOCF) generation of about Swedish krona (SEK) 6.5 billion on average during 2016-2021.	Strong stand-alone credit profile (SACP) capped by that of parent company, TRATON SE, which has significantly weaker S&P Global Ratings-adjusted credit metrics.

Scania's market position is underpinned by its premium brand positioning, high market share, and demonstrated track-record of profitability. It is one of the most important premium heavy truck producers globally. Scania holds leading positions in Europe and Brazil, with market shares of 15.5% and 15.9%, respectively, that have remained relatively stable over past years. Additionally, thanks to its resilient business model and premium positioning, the company has delivered strong profitability, with adjusted EBITDA margins consistently above 10% over the last few years reaching therefore a net cash position stabilizing thereby the volatility of its credit metrics. Based on that, Scania is one of the most profitable truck makers that we rate. The group's margins are further supported by a high share of stable, service-based revenue, which contributed about 20% of 2021 sales.

Chart 1

Scania AB--EBITDA Margin Versus Peers



Source: S&P Global Ratings.

We expect Scania's EBITDA to moderate in 2022, as rising input prices and supply chain challenges weigh on its operating performance. In the first quarter of 2022 trucks deliveries reduced by 28% to 15,900 units, compared with 22,023 units in the first quarter of 2021, owing to supply chain constraints.

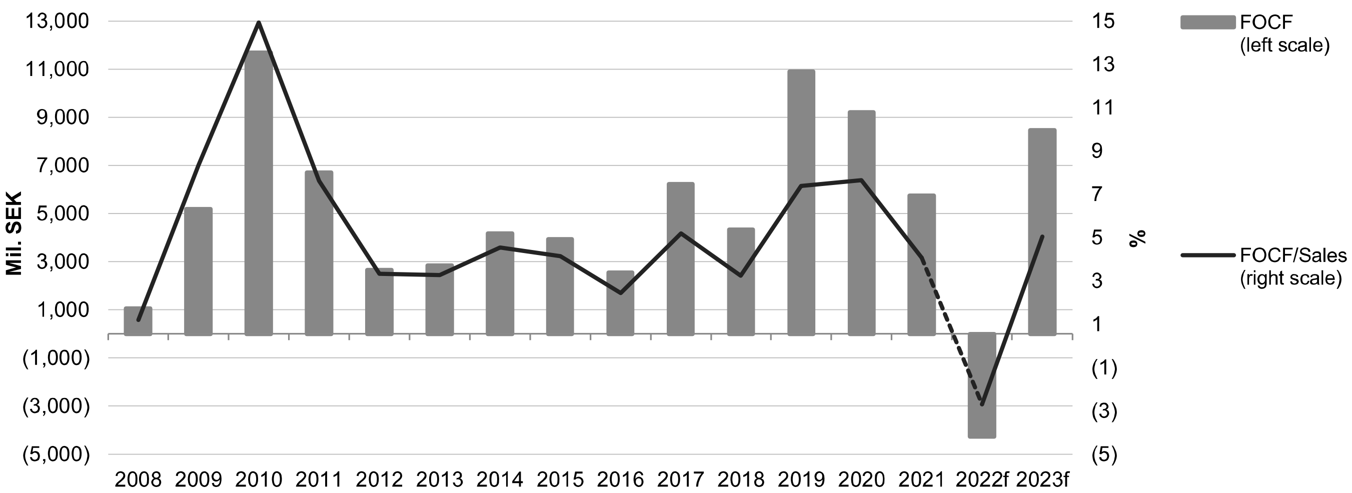
We anticipate supply chain-related challenges will continue impacting deliveries and order backlog execution throughout 2022. This, coupled with an inflationary scenario characterized by higher input costs, which the company for the time being will adjust with list price increases and the roll-out of the new power train, will likely somewhat dilute the group's historically resilient margins. For 2022 we now anticipate S&P Global Ratings-adjusted EBITDA margin for the industrial business to be at around 10% in 2022, down from 13.2% in 2021, improving to 10.5%-11.5% in 2023 owing to higher prices.

Scania experienced a robust recovery in demand in 2021, supported by an improving macroeconomic environment as the pandemic waned, growing e-commerce, and higher freight rates. Despite continued strong demand for trucks, Scania has been cautious in taking up new orders on voluntary basis given the already large order book and the production transition to the new powertrain. Order intake for new trucks declined by 46%, reaching 19,323 units in the first quarter of 2022, compared with 35,937 units in the first quarter of 2021.

We expect cash generation to moderate for Scania in 2022, due to EU fine payout and higher capital expenditure (capex). We anticipate that 2022 Scania's cash generation will be significantly affected by the payment of the EU fine of about Swedish krona (SEK)9.6 billion, and elevated capex of about SEK10 billion, leading to negative FOCF of about SEK4.0 billion–SEK4.5billion and adjusted debt of about SEK3.0 billion-SEK3.5 billion. We understand that Scania has appealed the EU court decision, although it has paid the full amount of the fine. Scania's performance in 2021 was strong, where the company's top-line increased by 17.2% to SEK141.3 billion for the industrial business, compared with SEK120.6 billion in 2020. Additionally, the company generated positive FOCF of SEK5.7 billion (SEK9.2 billion in 2020).

Chart 2

Scania AB--FOCF To Sales Evolution



f--Forcast. SEK--Swedish krona. FOCF--Free operating cash flow. Source: S&P Global Ratings.

Outlook: Stable

The stable outlook on Scania reflects that on TRATON.

Downside scenario

We regard rating pressure as remote at this stage. However, pressure could emerge if we take a negative action on TRATON's majority owner, Volkswagen AG, and, at the same time, our assessment of TRATON's SACP remained at 'bbb-' or below.

Upside scenario

We could take a positive rating action on Scania if we take a similar action on TRATON.

Our Base-Case Scenario

Assumptions

- Real GDP growth in the eurozone of 2.6% in 2022 and 1.9% in 2023. Brazil's real GDP will grow 1.2% in 2022, followed by 1.4% in 2023. Real GDP in the U.S. will grow 2.4% in 2022, followed by 1.6% in 2023.
- We forecast that global sales of heavy-duty trucks will contract by 17.5%-22.5% in 2022 to about 2.0 million units, with Asia-Pacific's drop being particularly acute. We see drops of 27.5%-32.5% in Asia and 7.5%-12.5% in Europe, but a still-moderate increase of 2.5%-7.5% in the U.S.
- Truck units sold increasing to about 85,000 units–90,000 units in 2022, a modest increase from 2021 levels, which stood at 85,930. For 2023, we currently expect units sold to rise by about 3%-5%, to about 90,000 units–95,000 units.
- EBITDA is expected to moderate in 2022, weighed down by supply chain challenges and cost inflation, which has some time lag to pass-on to clients the full benefits on the increased list prices. We expect some improvement in 2023, as the semiconductor chip shortage and raw material prices stabilize.
- Corporate tax rate of about 25% for 2022 and 2023, after about 33.7% in 2021.
- Negative working capital changes, of about SEK4.0 billion for 2022. For 2023, we expect working capital to be negative by about SEK2.5 billion.
- Capex in the industrial business, including capitalized development costs of about SEK12.0 billion for 2022, higher than SEK8.7 billion for 2021. For 2023, we expect capex to be about SEK12.6 billion.
- Dividend payments of SEK9.8 billion in 2022, this comprises our assumption of a 50% dividend payout on 2021 profits and the payment of dividends declared for 2019 that have not not yet been paid. We expect dividend payment in 2023 to be about SEK3.0 billion–SEK3.5 billion.

Key metrics

Scania AB (publ)--Key Metrics*

	--Fiscal year ended Dec. 31--			
Mil. SEK	**2020a**	**2021a**	**2022f**	**2023f**
Revenue	120,590	141,305	157,000-162,000	165,000-170,000
Revenue growth (%)	(18.3)	17.2	12.0-13.0	5.0-6.0
EBITDA	12,184	18,663	15,500-16,000	18,500-19,000
EBITDA margin (%)	10.1	13.2	9.5-10.5	10.5-11.5
Free operating cash flow (FOCF)	9,207	5,752	(4,500)-(4,000)	8,200-8,700
Debt	Net Cash	Net Cash	3,000-3,500	Net Cash
FOCF to sales (%)	7.6	4.1	(3.0)-(2.0)	4.5-5.5

*All figures adjusted by S&P Global Ratings. a--Actual. f--Forecast. SEK--Swedish krona.

Company Description

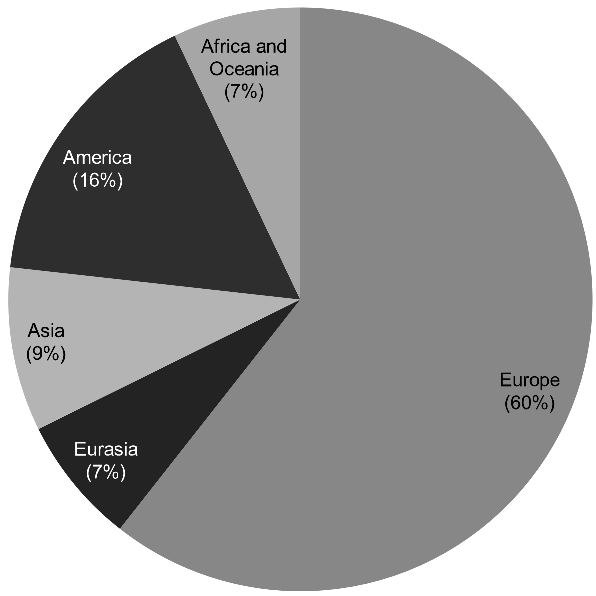
Based in Södertälje, Sweden, Scania is one of the world's leading heavy truck and bus manufacturers. Although it produces buses, truck operations dominate the business. German original equipment manufacturer (OEM) TRATON, the truck subsidiary of Volkswagen, controls all of Scania's share capital.

In 2021, Scania's industrial business revenue reached around SEK141.3 billion, with 85,930 trucks and 4,436 buses sold. The industrial business' S&P Global Ratings-adjusted EBITDA margin was 13.2%, up from 10.1% in 2020, excluding the depreciation of assets under operating leases.

The industrial business enjoys a debt-free capital structure, and we estimate the reported debt-to-equity ratio of the financial services business at around 8x, which is in line with its financial policy to keep the leverage ratio below 10x.

Chart 3

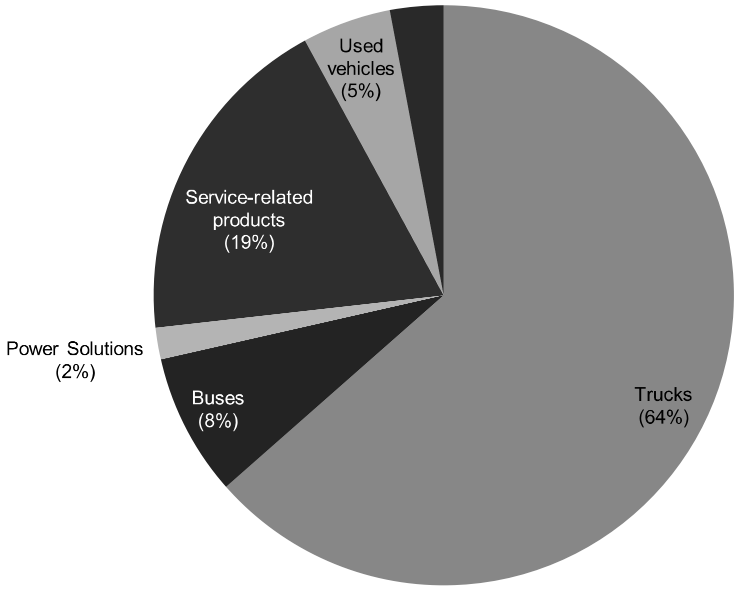
Scania AB--2021 Revenue By Region



Source: S&P Global Ratings.

Chart 4

Scania AB--2021 Revenue By Operating Segment



Source: S&P Global Ratings.

Peer Comparison

Table 1

Scania AB (publ.)--Peer Comparison

Industry sector: Automotive - OEMs

	Scania AB (publ.)	TRATON SE	AB Volvo	PACCAR Inc.
Ratings as of June 22, 2022	BBB/Stable/A-2	BBB/Stable/--	A-/Positive/A-2	A+/Stable/A-1
	--Fiscal year ended Dec. 31, 2021--			
(Mil. SEK)				
Revenue	141,305.0	304,969.0	361,062.0	197,424.8
EBITDA	18,663.0	19,178.8	45,767.0	19,475.3
Funds from operations (FFO)	14,458.5	11,554.6	36,256.0	12,710.9
Interest expense	383.0	3,568.4	1,167.0	3.8
Cash interest paid	118.5	2,400.2	854.0	(117.4)
Cash flow from operations	12,362.0	18,960.3	38,332.0	10,317.0
Capital expenditure	6,610.0	11,599.8	9,502.0	5,055.3

Table 1

Scania AB (publ.)--Peer Comparison (cont.)				
Free operating cash flow (FOCF)	5,752.0	7,360.5	28,830.0	5,261.7
Discretionary cash flow (DCF)	3,052.0	5,972.2	(21,621.0)	(1,153.5)
Cash and short-term investments	29,648.0	22,911.7	62,293.0	43,518.5
Debt	0.0	93,696.6	0	0
Equity	56,047.0	119,525.7	132,619.0	69,307.8
Adjusted ratios				
EBITDA margin (%)	13.2	6.3	12.7	9.9
Return on capital (%)	25.1	5.8	28.0	25.4
EBITDA interest coverage (x)	48.7	5.4	39.2	5,125.9
FFO cash interest coverage (x)	123.0	5.8	43.5	(107.3)
Debt/EBITDA (x)	0.0	4.9	0	0
FFO/debt (%)	N.M.	12.3	N.M.	N.M.
Cash flow from operations/debt (%)	N.M.	20.2	N.M.	N.M.
FOCF/debt (%)	N.M.	7.9	N.M.	N.M.
DCF/debt (%)	N.M.	6.4	N.M.	N.M.

N.M.--Not meaningful. SEK--Swedish krona.

We regard Scania's market reach and geographic diversity as narrow when compared with Daimler Truck AG or AB Volvo, lacking direct access to important profit pools such as the U.S. Moreover, we note that, different from other OEMs, its captive finance debt structure is fairly levered with debt to equity at about 8x when compared with Paccar, which had leverage at captive of 3x-4x at the end of 2021.

Business Risk: Satisfactory

Scania is gradually shifting its portfolio to fossil fuel-free engines and expects 50% of its volume sales in Europe to be electric by 2030. In 2020, Scania launched its first fully electric truck following the launch of its citywide electric bus range in 2019. We see the group as well positioned to compete against its main peers, Volvo, and Daimler Truck in the years to come, primarily due to an advanced electrified product roadmap focusing on battery electric (BEVs) trucks.

At the same time, different from the two European peer OEMs, Scania and its parent TRATON are focusing more on BEV trucks and are currently not prioritizing fuel cells. Recently, Scania has launched a BEV truck and a plug-in hybrid electric (PHEV) truck for urban operations. The 29- metric ton BEV has a range of 250 kilometers (km) when charged for 90 minutes. The 29-metric ton PHEV has an all-electric range of 60 km when fully charged.

In 2022, Scania will release an updated, 36-metric ton PHEV, with an all-electric range of 60 km after 30 minutes of charging. In 2023, the company will produce heavier 40-metric tone BEV trucks able to run four hours with 40, or 60-metric ton BEV trucks for three hours, intended for regional transport.

In 2024, the group plans to roll out long-distance electric trucks, adapted for fast charging during drivers' 45-minute rest breaks. By 2025, according to its parent TRATON, Scania's BEVs should account for about 10% of its volume sales in Europe. By 2030, 50% of total vehicle sale volumes should be electrified.

The new internal combustion engine powertrain is more energy efficient and will support the group's sales in the midterm. In November 2021, Scania launched its new 13-liter diesel engine, CBE1. With its new engine platform for Euro 6 vehicles, Scania's powertrain promises fuel savings that will typically reach 8% for long haul customers. The new powertrain also includes new gearboxes and axles, and a premium service, Scania ProCare, for customers that request 100% planned uptime. Scania is also introducing an option for digital rearview mirrors for increased safety. The new powertrain will be deployed to all brands belonging to the TRATON group. In our view, the new engine will improve Scania's gross margins over the next two to four years, as soon as its implementation phase is concluded, thanks to better pricing power.

Scania's financial services facilitate the sale of trucks to end clients. It operates its own financial services business as a fully integrated captive subsidiary, and its customer finance portfolio stood at SEK108.9 billion as of year-end 2021. The company maintained a high penetration rate of 44% in markets where this service is active. Leverage at the subsidiary is at about 8x debt to equity, which is still below our 12x threshold.

Financial Risk: Minimal

Our view of Scania's financial risk profile reflects our expectation of the industrial business incurring minimal debt over the next 24 months, implying low leverage. Our adjusted net cash position for Scania reached SEK2.4 billion at year-end 2021 (% of revenue), compared with SEK6.6 million at year-end 2020 (% of revenue). Although the company withheld dividend payments in 2020, the group could pay out the 2019 dividends in 2022, therefore increasing the total dividend cash out for that year to about SEK9.8 billion. Higher dividend payout and the payment of the EU fine will lead to some debt accumulation at Scania in 2022, but we expect Scania will be back to a net cash position in 2023.

We expect Scania to continue providing its clients with financing services, thanks to its well-established portfolio. As of year-end 2021, Scania's financial services customer finance portfolio amounted to SEK108.9 billion, up by SEK13.4 billion when compared with 2020, mainly due to higher deliveries. The penetration rate of new trucks financed by financial services was 44%, up from 41% in 2020. COVID provisions were reversed in 2021, to SEK130 million, compared with an expense of SEK730 million in 2020, reflecting improved payment ability of customers. Most of Scania's portfolio consists of customers in European markets. The financing portfolio is well diversified in terms of customer geography and type, as well as size, economic sector, and vehicle applications.

Financial summary

Table 2

Scania AB (publ.)--Financial Summary

Industry sector: Automotive - OEMs					
	--Fiscal year ended Dec. 31--				
	2021	2020	2019	2018	2017
(Mil. SEK)					
Revenue	141,305.0	120,590.0	147,557.0	133,222.0	119,759.0
EBITDA	18,663.0	12,184.0	19,880.0	14,031.5	13,393.0
Funds from operations (FFO)	14,458.5	9,266.5	16,203.0	9,566.6	9,231.6
Interest expense	383.0	545.0	600.0	705.9	829.4
Cash interest paid	118.5	138.4	313.0	577.9	818.4
Cash flow from operations	12,362.0	15,693.0	16,636.0	9,556.6	10,714.6
Capital expenditure	6,610.0	6,486.0	5,730.0	5,240.0	4,505.0
Free operating cash flow (FOCF)	5,752.0	9,207.0	10,906.0	4,316.6	6,209.6

Table 2

Scania AB (publ.)--Financial Summary (cont.)

Industry sector: Automotive - OEMs	--Fiscal year ended Dec. 31--				
	2021	**2020**	**2019**	**2018**	**2017**
Discretionary cash flow (DCF)	3,052.0	9,207.0	6,039.0	(35.4)	6,209.6
Cash and short-term investments	29,648.0	32,322.0	21,795.0	8,834.0	7,749.0
Gross available cash	28,563.0	31,588.0	21,155.0	7,321.0	6,649.0
Debt	0.0	0.0	0.0	9,270.6	7,321.8
Equity	56,047.0	52,186.0	50,750.0	45,517.0	38,472.0
Adjusted ratios					
EBITDA margin (%)	13.2	10.1	13.5	10.5	11.2
Return on capital (%)	25.1	13.9	28.6	20.2	22.7
EBITDA interest coverage (x)	48.7	22.4	33.1	19.9	16.1
FFO cash interest coverage (x)	123.0	68.0	52.8	17.6	12.3
Debt/EBITDA (x)	0.0	0.0	0.0	0.7	0.5
FFO/debt (%)	N.M.	N.M.	N.M.	103.2	126.1
Cash flow from operations/debt (%)	N.M.	N.M.	N.M.	103.1	146.3
FOCF/debt (%)	N.M.	N.M.	N.M.	46.6	84.8
DCF/debt (%)	N.M.	N.M.	N.M.	(0.4)	84.8

N.M.--Not meaningful. SEK--Swedish krona.

Reconciliation

Table 3

Scania AB (publ.)--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. SEK)

Scania AB (publ.) reported amounts	--Fiscal year ended Dec. 31, 2021--								
	Debt	**Shareholders' equity**	**Revenue**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Capital expenditure**
Reported	94,603.0	68,189.0	146,146.0	22,533.0	11,294.0	212.0	18,663.0	6,632.0	8,664.0
S&P Global Ratings' adjustments									
Cash taxes paid	--	--	--	--	--	--	(4,613.0)	--	--
Cash interest paid	--	--	--	--	--	--	(2,370.0)	--	--
Reported lease liabilities	5,542.0	--	--	--	--	--	--	--	--
Postretirement benefit obligations/deferred compensation	9,613.0	--	--	(14.0)	(14.0)	171.0	--	--	--
Accessible cash and liquid investments	(27,381.0)	--	--	--	--	--	--	--	--
Capitalized development costs	--	--	--	(1,986.0)	(1,047.0)	--	--	(1,986.0)	(1,986.0)

Table 3

Scania AB (publ.)--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. SEK) (cont.)

Dividends received from equity investments	--	--	--	5.0	--	--	--	--	--
Captive finance operations	(94,603.0)	(12,166.0)	(4,841.0)	(2,194.0)	(2,145.0)	--	2,778.5	7,697.0	(68.0)
Nonoperating income (expense)	--	--	--	--	243.0	--	--	--	--
Noncontrolling interest/minority interest	--	24.0	--	--	--	--	--	--	--
Debt: Litigation	9,572.0	--	--	--	--	--	--	--	--
Debt: Other	257.0	--	--	--	--	--	--	--	--
EBITDA: Settlement (litigation/insurance) costs	--	--	--	5,229.0	5,229.0	--	--	--	--
EBITDA: Other	--	--	--	(4,910.0)	(4,910.0)	--	--	--	--
Depreciation and amortization: Other	--	--	--	--	4,910.0	--	--	--	--
Operating cash flow: Other	--	--	--	--	--	--	--	19.0	--
Total adjustments	(97,000.0)	(12,142.0)	(4,841.0)	(3,870.0)	2,266.0	171.0	(4,204.5)	5,730.0	(2,054.0)

S&P Global Ratings' adjusted amounts

	Debt	Equity	Revenue	EBITDA	EBIT	Interest expense	Funds from operations	Cash flow from operations	Capital expenditure
Adjusted	--	56,047.0	141,305.0	18,663.0	13,560.0	383.0	14,458.5	12,362.0	6,610.0

SEK--Swedish krona.

Liquidity: Strong

We assess the company's liquidity as strong. We estimate that Scania's ratio of sources to uses will be 1.7x over the 12 months started April 1, 2022, and 2.9x over the 24 months from that date. We understand that the available revolving credit facilities (RCFs) are available to both industrial business and financial services. There are no financial covenants or rating triggers in the RCFs.

Principal liquidity sources	Principal liquidity uses
• Cash and equivalents of about SEK28.6 billion when excluding our assessment of cash not immediately available and cash that we estimate at captive. • Our assessment of available undrawn committed credit line of SEK12.5 billion with maturity horizon beyond the next 12 months. We have excluded from the committed credit lines our assessment of peak	• No debt maturities over the next 24 months for the industrial business. • Working capital outflow of SEK3.0 billion–SEK4.0 billion over the next 12 months, and about SEK2.0 billion–SEK3.0 billion over the subsequent 12 months.

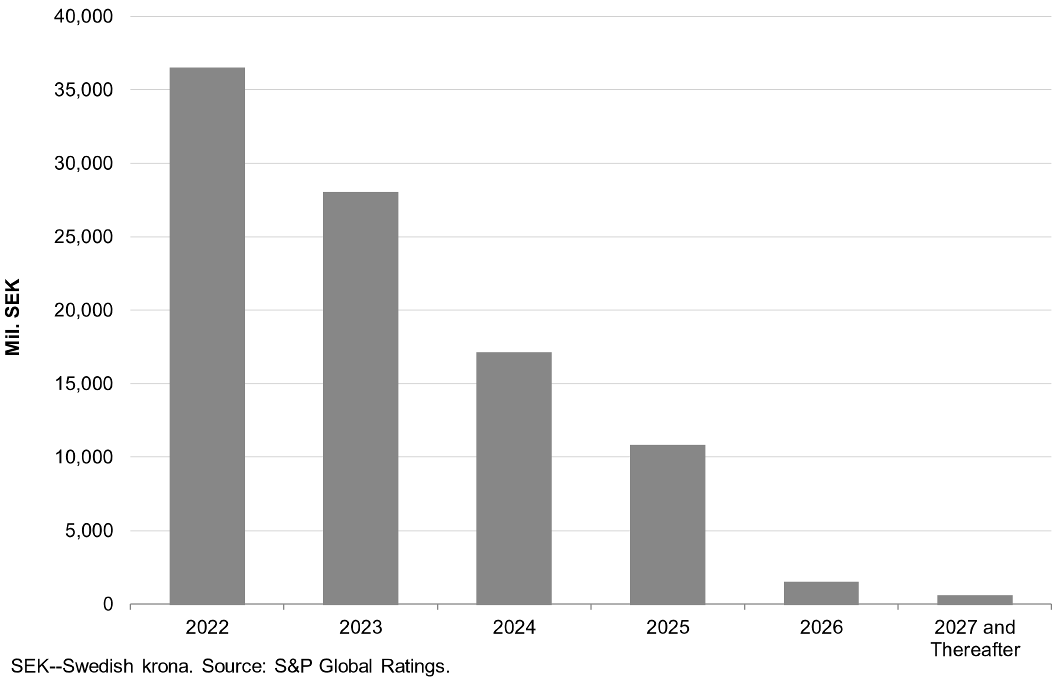
commercial paper drawings at the captive business of about SEK10.2 billion, which are due in the next 12 months.

- Cash funds from operations at industrial business of about SEK21.5 billion–SEK22.5 billion, over the next 12 months and SEK23.5 billion-SEK24.5 billion over the subsequent 12 months.
- Intrayear working capital swings up to SEK3 billion per year.
- Capex of about SEK12.0 billion-SEK12.5 billion per year.
- Payout of the EU fine of SEK9.6 billion in April 2022.
- Dividends of about SEK9.8 billion for the next 12 months, decreasing to about SEK3.0 billion–SEK3.5 billion over the next 24 months.

Debt maturities

Chart 5

Scania--Consolidated Debt Maturities As Of Dec. 31, 2021



SEK--Swedish krona. Source: S&P Global Ratings.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	E-2	**E-3**	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

- Climate transition risks	- N/A	- N/A

N/A—Not applicable. ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021.

Environmental factors are a moderately negative consideration in our credit rating analysis of Scania AB. The Swedish truck maker is exposed to the challenges of managing the transition of its product portfolio toward zero-emission vehicles (ZEV) in light of more stringent global carbon dioxide emission regulations, which start in Europe from 2025, where the group sold about 49% of trucks and buses in 2021. BEV technology is already available for trucks but at this stage the higher total cost of ownership for transport companies, lack of charging infrastructure, and the limited maximum range trucks can cover with the current battery technology will constrain the scalability of these technologies, with conventional engines still largely dominating the market. Additionally, there is still meaningful uncertainty regarding both the evolution of carbon dioxide regulations and the margin contribution for ZEVs against conventional combustion engines in the longer term.

Group Influence

We consider Scania to be a core subsidiary of TRATON, reflecting the parent's 100% ownership of Scania's share capital and Scania's pivotal role for TRATON's future strategies and growth ambitions.

We expect the group to adopt a rigorous approach for brand management, increasing Scania's brand awareness. As such, we continue to expect that Scania will retain its access to debt capital markets to fund its financial service business, essential to support commercial vehicle sales over the intermediate term.

At the same time our 'BBB' rating on TRATON represents a cap for Scania. The group has a stand-alone assessment of 'bbb+'.

Issue Ratings - Subordination Risk Analysis

Capital structure

Scania's capital structure consists of senior unsecured debt issued by its subsidiary, Scania CV AB.

Analytical conclusions

The debt is rated 'BBB', in line with the long-term issuer credit rating on Scania, since there are no significant elements of subordination risk in the capital structure. This is also supported by the company's low leverage.

Ratings Score Snapshot

Issuer Credit Rating

BBB/Stable/A-2

Business risk: Satisfactory

- **Country risk:** Low
- **Industry risk:** Moderately high
- **Competitive position:** Strong

Financial risk: Minimal

- **Cash flow/leverage:** Minimal

Anchor: a-

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Strong (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Negative (-1 notch)

Stand-alone credit profile : bbb+

- **Group credit profile:** bbb
- **Entity status within group:** Core (-1 notch from SACP)

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology: The Impact Of Captive Finance Operations On Nonfinancial Corporate Issuers, Dec. 14, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013

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- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
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Related Research

- Sweden-Based Truck Maker AB Volvo Is Preparing To Embrace Electrification, June 28, 2022
- Bulletin: Daimler Truck On Track To Deliver On Its 2022 Guidance With Small Improvements Over Last Year's Performance, June 27, 2022
- Global Heavy Truck Sales Forecast: COVID, War, And Supply Chain Woes Are Taking Their Toll In 2022; June 24, 2022
- TRATON's Deleveraging Prospects Affected By The €880.5 Million Antitrust Fine Imposed On Scania, Feb. 9, 2022

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	**Minimal**	Modest	Intermediate	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	**a/a-**	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of June 30, 2022)*		
Scania AB (publ.)		
Issuer Credit Rating		BBB/Stable/A-2
Nordic Regional Scale		--/--/K-2
South Africa National Scale		zaAAA/--/zaA-1+
Issuer Credit Ratings History		
29-Apr-2021		BBB/Stable/A-2
22-Oct-2020		BBB/Negative/A-2
14-May-2020		BBB/Stable/A-2
19-Sep-2019		BBB+/Negative/A-2
08-Nov-2017		BBB+/Stable/A-2
14-May-2020	*Nordic Regional Scale*	--/--/K-2
02-Dec-2015		--/--/K-1
13-Oct-2015		--/Watch Neg/K-1
09-Aug-2017	*South Africa National Scale*	zaAAA/--/zaA-1+
06-Oct-2014		zaAAA/--/zaA-1

Ratings Detail (As Of June 30, 2022)*(cont.)	
31-Aug-2009	zaAA+/--/zaA-1
Related Entities	
Banco Volkswagen S.A.	
Issuer Credit Rating	
Brazil National Scale	brAAA/Stable/--
Navistar Financial, S.A. de C.V. SOFOM, E.R.	
Issuer Credit Rating	
CaVal (Mexico) National Scale	mxAA+/Stable/mxA-1+
Senior Unsecured *CaVal (Mexico) National Scale*	mxAA+
Short-Term Debt *CaVal (Mexico) National Scale*	mxA-1+
TRATON SE	
Issuer Credit Rating	BBB/Stable/--
Volkswagen AG	
Issuer Credit Rating	BBB+/Stable/A-2
Volkswagen Bank GmbH	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Subordinated	BBB
Senior Unsecured	BBB+
Short-Term Debt	A-2
Volkswagen Financial Services AG	
Issuer Credit Rating	BBB+/Stable/A-2
Volkswagen Finans Sverige AB	
Issuer Credit Rating	
Nordic Regional Scale	--/--/K-1
Volkswagen International Belgium S.A.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Volkswagen Leasing S.A. de C.V.	
Senior Secured *CaVal (Mexico) National Scale*	mxAAA

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.