

June 3, 2009

Research Update:

Scania (publ.) AB Assigned Short-Term 'zaA-1' South Africa National Scale Rating

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Rationale

On June 3, 2009, Standard & Poor's Ratings Services assigned its short-term 'zaA-1' South Africa national scale rating to Sweden-based truck and bus manufacturer Scania (publ.) AB (Scania).

The 'A-' long-term global scale rating and the 'K-1' short-term Nordic national scale rating on Scania remain on CreditWatch with negative implications, where they were placed on May 8, 2009, reflecting our concern about the potential impact on Scania's credit quality as a result of the Volkswagen AG (A-/Watch Neg/A-2) group's restructuring. The 'A-2' short-term rating on Scania is affirmed.

The ratings on Scania reflect the group's strong business profile and modest financial risk. The ratings are supported by Scania's outstanding profitability in the global truck industry, which we do not expect to fall below an operating margin of 4% to 5% at the bottom of the cycle. The group's truck and bus businesses benefit from leading market positions, up-to-date product lines, and the highest degree of component commonality in the global truck industry.

Scania's results for the first quarter of 2009 showed a sharp decline in profitability due to a considerable drop in unit sales. EBIT was down drastically compared with the peak-of-the-cycle margins in the years 2006-2008, although Scania managed to achieve a positive EBIT margin of 3.2% in its industrial unit, mostly supported by the service business. Free operating cash flow (FOCF) in industrial operations was positive at Swedish krona (SEK) 0.8 billion due to a reduction of working capital, notably inventory.

The outlook for Scania's markets continues to be bleak. We expect that its operating profit will contract sharply in 2009 compared with 2008, although we expect the group will show a slightly positive EBIT and positive FOCF in its industrial unit in 2009.

In 2008, Scania's credit protection measures, such as funds from operations to debt of 46% and debt to EBITDA of 0.9x were commensurate with the ratings. However, rapidly weakening business conditions have made Scania vulnerable to the downturn.

Short-term credit factors

The short-term rating is 'A-2'. Standard & Poor's considers Scania's liquidity and financial flexibility to be adequate. It is enhanced by two committed revolving credit facilities (RCF) of €1 billion each. In early 2008, Scania upsized its old €500 RCF to €1.0 billion. This new facility is due in January 2013 with a two-year renewal option. The second RCF is due in May 2012.

As of March 2009, Scania reported access to unutilized credit facilities

of SEK27 billion, although some of these facilities are not committed. Committed facilities were received from a broad variety of banks. We understand that, for its financial services unit, Scania pursues a policy of dedicated financing that covers the estimated demand for funding during the subsequent year.

The bank lines are not subject to financial covenants or rating triggers. The company's liquidity position is underpinned by access to medium-term note and commercial paper programs. In addition, in its industrial unit the company reported cash and short-term investments of SEK5.9 billion as of March 31, 2009. Short-term maturities in the industrial unit are covered with existing financial flexibility. We expect Scania to report a positive FOCF in 2009.

CreditWatch

Our CreditWatch listing on Scania, of which Volkswagen (VW) owns 46% of the capital and 71% of the voting shares, is based on Standard & Poor's parent-subsidary rating criteria. It reflects the possibility that we could lower our opinion of Scania's credit quality as a result of the VW group's restructuring. This could result from a change in Scania's financial or business profile, if it becomes directly involved in the VW group's restructuring. We could also downgrade Scania if we perceive, under our parent-subsidary rating criteria, that Scania will remain subject to group risk through VW's exercise of its voting power or through other means of influence, in the absence of offsetting protective measures and incentives. At this stage, we expect that in such a case our rating on Scania will unlikely be higher than that on VW.

Related Research

For details on our parent-subsidary rating methodology, please see the chapter "Parent/Subsidiary Links" in the 2006 edition of our corporate criteria book "Corporate Ratings Criteria 2006" on RatingsDirect.

Ratings List

Rating Assigned

Scania (publ.) AB

Short-Term South Africa National Scale Rating zaA-1

CreditWatch Update

Scania (publ.) AB

Long-Term Corporate Credit Rating A-/Watch Neg

Scania CV AB

Senior Unsecured*

A-/Watch Neg

Commercial Paper*

K-1/Watch Neg

Research Update: Scania (publ.) AB Assigned Short-Term 'zaA-1' South Africa National Scale Rating

Ratings Affirmed

Scania (publ.) AB

Short-Term Corporate Credit Rating

A-2

*Guaranteed by Scania (publ.) AB.

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