

Scania Interim Report January-June 2020

Summary of the first six months of 2020

- Net sales decreased by 24 percent to SEK 58,469 m. (77,271)
- Operating income decreased by 70 percent to SEK 2,813 m. (9,444)
- Cash flow amounted to SEK 1,867 m. (3,638) in Vehicles and Services
- In the second quarter of 2020, net sales fell by 38 percent to SEK 25,418 m. (41,179) and operating income decreased to SEK -192 m. (5,237)

Comments by Henrik Henriksson, President and CEO

“The period was strongly dominated by the coronavirus outbreak and its consequences in the form of lower demand and decreased production. Both sales and profitability were thus impacted negatively. Forceful actions taken by the company mitigated the negative impact. In the second quarter of 2020, net sales fell by 38 percent to SEK 25.4 billion and operating income was negative at SEK -192 million. In the first half of 2020, net sales fell to SEK 58.5 billion and earnings to SEK 2.8 billion, giving an operating margin of 4.8 percent.

During the first half of 2020, vehicle deliveries fell by 41 percent with lower volume in essentially all regions. Scania’s service revenue fell by 5 percent to SEK 13.5 billion during the first half of 2020. Financial Services reported lower operating income of SEK 476 million (737), due to increased bad debt provisions, reflecting the financial impact from the coronavirus on our customers.

After a complete stop in Scania’s global production during the spring when all production was closed down due to component shortages and disruptions in the supply and logistics chain, a cautious restart began at low levels. The order book that was built up due to the stoppage, caused by the pandemic, has still not been worked through. Therefore planning is now underway to

compensate for this production loss through an increased production rate.

Looking ahead, the demand situation remains uncertain. Order bookings for new trucks were impacted by economic developments in general which vary in different parts of the world. A recovery in Asia is noticeable and in certain parts of Europe, while it is going more slowly in Latin America. The global bus and coach market has been severely affected by the pandemic, particularly demand for coaches and tourist buses. However, in Engines, demand is strong and order bookings even exceed the previous year’s levels.

Scania has so far coped well with the challenges of the coronavirus outbreak. With quick and decisive actions, the brakes were hit on a large number of projects and activities, in order to reduce cost and preserve cash. Estimating the long-term effects of this crisis is difficult and it will take a long time before demand returns to pre-crisis levels. In light of this, and to ensure a continued profitable Scania that can contribute to driving the shift towards a sustainable transport system, intensive and comprehensive work is also underway to adapt Scania’s cost structure longer term. As announced during the quarter, we now face the tough measure of reducing the organisation by around 5,000 employees globally.”

Financial overview

	H1			Q2			
	2020	2019	Change, %	2020	2019	Change, %	
Trucks and buses, units							
Order bookings	34,273	48,789	-30	13,602	22,086	-38	
Deliveries	30,437	51,524	-41	12,253	27,948	-56	
Net sales and earnings	<i>EUR m.*</i>						
Net sales, Scania Group, SEK m.	<i>5,568</i>	58,469	77,271	-24	25,418	41,179	-38
Operating income, Vehicles and Services, SEK m.	<i>223</i>	2,337	8,707	-73	-391	4,845	
Operating income, Financial Services, SEK m.	<i>45</i>	476	737	-35	199	392	-49
Operating income, SEK m.	<i>268</i>	2,813	9,444	-70	-192	5,237	-
Income before taxes, SEK m.	<i>189</i>	1,987	8,859	-78	-458	4,944	-
Net income for the period, SEK m.	<i>118</i>	1,239	6,757	-82	-544	3,721	-
Operating margin, %		4.8	12.2		-0.8	12.7	
Return on capital employed, Vehicles and Services, %		14.7	24.8				
Cash flow, Vehicles and Services, SEK m.	<i>178</i>	1,867	3,638		426	3,131	

Unless otherwise stated, all comparisons refer to the corresponding period of the preceding year.

* Translated to EUR solely for the convenience of the reader at a closing day rate of SEK 10.50 = EUR 1.00.

This interim report has not been subject to review by the company’s auditors. This report is also available on www.scania.com

Business overview



Sales performance

Total vehicle deliveries fell by 41 percent during the first half of 2020 to 30,437 (51,524) units compared to the year-earlier period. Net sales fell by 24 percent to SEK 58,469 m. (77,271).

Great uncertainty about the demand situation

There is currently great uncertainty about the effect on global demand related to the spread of the coronavirus. Order bookings were significantly weaker compared to the previous year's high levels and total order bookings for new trucks and buses and coaches fell by 30 percent during the first six months of 2020 compared to 2019. In the second quarter of 2020, order bookings for new vehicles fell by 38 percent, compared to the second quarter last year.

The global bus and coach market has been severely affected by the restrictions that the coronavirus outbreak has resulted in. The demand situation is especially difficult to judge for coaches and tourist buses.

In the Engines business area, the demand situation looks different. Early in the second quarter, demand was impacted negatively by the coronavirus outbreak, although not to the same extent as for trucks and buses and coaches. Demand fell sharply but picked up again quickly as European and Asian OEM manufacturers managed to increase their production earlier and quicker than expected in order to meet strong demand. Engine order bookings rose by 27 percent during the first half of 2020 and by 56 percent during the second quarter, compared to the year-earlier periods.

The truck market

Order bookings

Scania's order bookings fell sharply during the second quarter of 2020 and totalled 13,369 (19,865) trucks.

Order bookings in Europe fell by 33 percent to 8,229 (12,312) units, compared to the second quarter of 2019. Demand fell mainly in Great Britain, Germany and Italy. Order bookings in Latin America fell by 63 percent during the second quarter of 2020 compared to the second quarter of 2019 to 1,351 (3,633) trucks, mainly related to decreased volume in Brazil. In Eurasia, order bookings rose by 22 percent during the second quarter and amounted to 1,108 (911) trucks, an upturn that was primarily related to Russia. In Asia, order bookings rose by 16 percent to 1,942 (1,669) units during the second quarter. The upturn was mainly related to China. In Africa and Oceania, order bookings fell by 45 percent compared to the second quarter of 2019, mainly related to South Africa. Order bookings amounted to 739 (1,340) units, compared to the second quarter of 2019.

Deliveries

Scania's total truck deliveries fell by 57 percent to 11,050 (25,809) units during the second quarter compared to the year-earlier period.

In Europe, deliveries fell by 67 percent to 5,707 (17,139) units, compared to the second quarter of 2019. In Eurasia, deliveries fell by 38 percent to 811 (1,300) trucks. Deliveries in Latin America fell by 48 percent to 2,394 (4,570) units compared to the second quarter of 2019. In Asia, deliveries fell by 22 percent compared to the second quarter of 2019 to 1,413 (1,810) trucks. Deliveries in Africa and Oceania fell by 27 percent to 725 (990) trucks.

Net sales

Net sales of trucks fell by 40 percent to SEK 30,462 m. (50,792) during the first half of 2020. During the second quarter, sales fell by 56 percent to SEK 12,081 m. (27,467).

The total European market for heavy trucks

The total market for heavy trucks in 27 of the European Union member countries (all EU countries except Malta) plus Norway, Great Britain, Switzerland and Iceland decreased by about 45 percent to about 106 300 (193 300) units during the first half of 2020. Scania truck registrations amounted to some 18,000 (37 500) units, equivalent to a market share of about 16.9 (19.4) percent.

Scania trucks

	Order bookings			Deliveries		
	6 months 2020	6 months 2019	Change, %	6 months 2020	6 months 2019	Change, %
Europe	18,982	26,863	-29	15,885	33,289	-52
Eurasia	2,653	2,182	22	1,433	2,067	-31
America*	3,507	9,929	-65	5,084	7,040	-28
Asia	4,571	3,620	26	3,722	3,730	0
Africa and Oceania	1,714	2,060	-17	1,531	1,869	-18
Total	31,427	44,654	-30	27,655	47,995	-42

*Refers to Latin America

The bus and coach market

Order bookings

Order bookings for buses and coaches during the second quarter of 2020 fell by 90 percent to 233 (2,221) compared to the second quarter of 2019.

In Europe, order bookings fell by 81 percent and totalled 222 (1,165) units during the second quarter. Order bookings fell primarily in Sweden, Great Britain and Norway, which was offset somewhat by an upturn in France. In Latin America, orders were cancelled equivalent to 62 buses and coaches (650). In Asia, orders were cancelled equivalent to 10 buses and coaches (216). Order bookings in Eurasia fell by 90 percent to 2 (21) units compared to the year-earlier period, related to Russia. Order bookings in Africa and Oceania fell by 52 percent to 81 (169) buses and coaches, related to Morocco and New Zealand.

Deliveries

Scania's bus and coach deliveries fell by 44 percent and totalled 1,203 (2,139) units during the second quarter of 2020. In Europe, deliveries fell by 12 percent to 602 (682) units compared to the second quarter of 2019. In Latin America, deliveries fell by 71 percent to 301 (1,050). In Asia, deliveries fell by 33 percent to 148 (222), while deliveries of buses and coaches in Africa and Oceania fell by 12 percent during the second quarter to 144 (163) units. Deliveries to Eurasia fell by 64 percent to 8 (22) units.

Scania's market share in buses and coaches in Europe amounted to around 8.9 percent for the first six months of 2020 compared to 6.4 percent during the year-earlier period.

Net sales

Net sales of buses and coaches rose by 3 percent to SEK 5,327 m. (5,182) during the first half of 2020. During the second quarter, sales fell by 23 percent to SEK 2,565 m. (3,324).

Scania buses and coaches

	Order bookings			Deliveries		
	6 months 2020	6 months 2019	Change, %	6 months 2020	6 months 2019	Change, %
Europe	682	1,691	-60	1,035	1,010	2
Eurasia	63	31	103	64	37	73
America*	1,600	1,662	-4	1,002	1,676	-40
Asia	134	382	-65	395	472	-16
Africa and Oceania	367	369	-1	286	334	-14
Total	2,846	4,135	-31	2,782	3,529	-21

*Refers to Latin America

Engines

Order bookings

During the first half of 2020, total engine order bookings rose by 27 percent to 5,865 (4,615) units, compared to the year-earlier period. The upturn was primarily related to South Korea, China and Italy, which was partly offset by Switzerland, Spain and India.

Deliveries

Engine deliveries fell by 6 percent to 4,753 (5,045) units during the first half of 2020. The downturn was mainly related to Great Britain, Germany and Brazil, which was partly offset by South Korea and Italy.

Net sales

During the first half of 2020, sales fell by 8 percent to SEK 1,082 m. (1,177). Net sales in the second quarter amounted to SEK 440 m. (611), a decrease of 28 percent.

Services

Service revenue amounted to SEK 13,538 m. (14,246) during the first half of 2020, a decrease of 5 percent due to lower volume in Europe and Latin America. In local currencies, revenue decreased by 4 percent.

In Europe, service revenue fell by 2 percent to SEK 9,538 m. (9,761) compared to the first half of 2019. In Latin America, revenue fell by 22 percent to SEK 1,293 m. (1,651) and service revenue in Eurasia fell by 6 percent to SEK 433 m. (459) compared to the first half of 2019. Service revenue in Asia was in line with the previous year, at SEK 1,417 m. (1,415). In Africa and Oceania, service revenue fell by 11 percent to SEK 857 m. (960).

Earnings

Vehicles and Services

The first half of 2020

Operating income in Vehicles and Services totalled SEK 2,337 m. (8,707) during the first half of 2020. Lower vehicle and service volume impacted earnings negatively. Compared to the first half of 2019, the total currency effect was positive and amounted to about SEK 238 m.

Scania's research and development expenditures amounted to SEK 3,361 m. (3,610). After adjusting for SEK 885 m. (972) in capitalised expenditures, and SEK 345 m. (348) in amortisation of previously capitalised expenditures, recognised expenses decreased to SEK 2,821 m. (2,986).

Second quarter

Operating income in Vehicles and Services totalled SEK -391 m. (4,845) during the second quarter of 2020. Lower vehicle and service volume impacted earnings negatively. Compared to the second quarter of 2019, the total currency effect was negative and amounted to about SEK 47 m.

Scania's research and development expenditures amounted to SEK 1,636 m. (1,894). After adjusting for SEK 414 m. (476) in capitalised expenditures, and SEK 168 m. (173) in amortisation of previously capitalised expenditures, recognised expenses decreased to SEK 1,390 m. (1,591).

Financial Services

Customer finance portfolio

At the end of the second quarter of 2020, the size of Scania's customer finance portfolio amounted to SEK 97.3 billion, which was SEK 6.4 billion lower than the end of 2019. In local currencies, the portfolio decreased by SEK 2.2 billion.

Penetration rate

The penetration rate was 41 (42) percent during the first half of 2020 in those markets where Scania has its own financing operations.

Operating income

Operating income in Financial Services decreased to SEK 476 m. (737) during the first half of 2020, compared to the same period in 2019. A larger portfolio impacted earnings positively but was offset by lower margins and negative

currency effects. Expenses for bad debt provisions rose during the period, and as a result of the coronavirus outbreak, the risk remains that additional customers will need to reschedule their payments.

Scania Group

During the first six months of 2020, Scania's operating income amounted to SEK 2,813 m. (9,444). Operating margin amounted to 4.8 (12.2) percent. Scania's net financial items amounted to SEK -826 m. (-585).

The Scania Group's tax expense amounted to SEK 748 m. (2,102), equivalent to 37.6 (23.7) percent of income before taxes. Net income for the period totalled SEK 1,239 m. (6,757), equivalent to a net margin of 2.1 (8.7) percent.

Cash flow

Vehicles and Services

Scania's cash flow in Vehicles and Services amounted to SEK 1,867 m. (3,638) during the first half of 2020. Net investments amounted to SEK 4,399 m. (3,601), including SEK 885 m. (972) in capitalisation of development expenditure. At the end of the first half of 2020, the net cash position in Vehicles and Services amounted to SEK 16,437 m. compared to a net cash position of SEK 17,057 m. at the end of 2019.

Scania Group

Scania's cash flow in Financial Services amounted to SEK 2,021 m. (-7,371) during the first half of 2020 due to a decrease in the size of the customer finance portfolio. Together with the positive cash flow in Vehicles and Services, the Group's net debt decreased by about SEK 5.4 billion compared to the end of 2019.

Parent Company

The assets of the Parent Company, Scania AB, consist of shares in Scania CV AB. Scania CV AB is the Parent Company of the Group that comprises all production and sales and service companies as well as other companies. Income before taxes of Scania AB totalled SEK 0 m. (0) during the first six months of 2020.

Miscellaneous

Number of employees

At the end of the second quarter of 2020, the number of employees totalled 50,011, compared to 52,601 on the same date in 2019.

Material risks and uncertainties

We are continuously assessing how the effects of the coronavirus outbreak will impact/might impact the future development and/or risks that can affect the future financial position. In this assessment, we have concluded that the coronavirus outbreak will affect the company's earnings and liquidity during 2020. However, it is difficult to assess the impact, and dependent on how the outbreak develops and which measures different countries take to handle the situation, this can lead to:

- Decreased market demand in the short and medium term in several important markets for Scania, leading to decreased sales of vehicles and services and also price pressure on new and used vehicles. This, in turn, can also lead to needs to make write-downs in vehicle inventory and changed estimates of residual value on buy-back commitments. As of 30 June 2020, only minor write-downs of the used vehicle inventory were made.
- The supplier network could be unable to deliver components and articles, leading to shorter or longer periods of close down of Scania's global production system.
- Customers facing financial problems leading to deteriorating ability to pay outstanding receivables to Scania. For more information, see Note 3.
- Impairment of goodwill and other intangible assets. As of 30 June 2020, a review has been performed of the impairment testing for the year 2019 regarding the recoverable amount of intangible assets, mainly goodwill. This has been carried out by designing different scenarios for the planning period compared to the most recently approved planning. In these scenarios, the cost of capital (WACC) was also adjusted to 30 June 2020. Overall, the review did not result in any further impairments of goodwill.

The text above is not an exhaustive list and one or several of them can occur independently or in combination and could have a negative impact on the Scania Groups' business and financial development and performance.

The section entitled "Risks and risk management" in Scania's Annual and Sustainability Report describes Scania's strategic, operational, legal and financial risks. Note 2 of the same report provides a detailed account of key judgements and estimates. Note 27 of the same report describes the financial risks, such as currency risk and interest rate risk. The risks that have the greatest impact on financial performance and on reporting for the Group and the Parent Company are summarised as follows:

a) Sales with obligations

About 12 percent of the vehicles Scania sells are delivered with repurchase obligations. These are recognised as operating lease contracts, with the consequence that recognition of revenue and earnings is allocated over the life of the obligation (contract).

b) Credit risks

In its Financial Service operations, Scania has an exposure in the form of contractual future payments. This exposure is reduced by the collateral Scania has in the form of the right to repossess the underlying vehicle. In case the market value of the collateral does not cover the exposure to the customer, Scania runs a credit risk. Reserves for probable losses in Financial Service operations are set aside in the estimated amounts required.

c) Legal risks

In 2011, Scania became subject of an investigation by the European Commission (EC) into allegedly inappropriate cooperation with other European truck manufacturers. A Statement of Objections was served on Scania by the EC in November 2014. In light of such statement and other developments in the investigation and in accordance with relevant accounting principles, Scania made a provision with an amount of SEK 3,800 m. in June 2016. Scania always cooperated fully with the EC, while all through the investigation contesting the EC's view that Scania would have participated in a pan-European cartel during 1997-2011 on pricing and delayed introductions of emissions related technology. Scania were served with a final decision by the EC in October 2017, holding Scania liable for such scope of a cartel in the amount of around SEK 8.4 bn. (EUR 881 m.) in fines. Scania have appealed against this decision in its entirety, and has in January 2018 provided a guarantee as security for the fines pending the outcome of such appeal. Scania is also the subject of related civil claims by direct or indirect customers of Scania, and may face additional similar claims. However, at this stage it is not possible to give any meaningful indication as to Scania's risk associated with private damages. Scania's appeal against the EU Commission decision before the General Court is still pending and there is also great uncertainty around the extent to which claims will be made against Scania. In addition, risk assessment around claims that have already been made is associated with significant uncertainties, and investigations are in their initial stages only.

Accounting principles

Scania applies International Financial Reporting Standards (IFRSs) as adopted by the EU. The accounting policies and definitions are consistently applied with those described in Scania's Annual and Sustainability Report 2019. This Interim Report for the Scania Group has been prepared in accordance with IAS 34, "Interim Financial Reporting" and the Annual Accounts Act.

Parent Company

The Interim Report for the Parent Company, Scania AB, has been prepared in accordance with the Annual Accounts Act and recommendation RFR 2, "Accounting for Legal Entities" of the Swedish Financial Reporting Board.

Dividend and Annual General meeting

Scania's Annual General Meeting for the financial year 2019 was held in Södertälje, Sweden on 25 June, 2020. The Annual General Meeting decided, in accordance with the board of directors updated proposal from May 27, 2020, that no dividend will be distributed.

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Consolidated income statements, condensed

Amounts in SEK m. unless otherwise stated	First half		Change in %	Q2		
	EUR m.*	2020		2019	2020	2019
Revenue	5,568	58,469	77,271	-24	25,418	41,179
Cost of goods sold and services rendered	-4,366	-45,842	-57,309	-20	-20,821	-30,337
Gross income	1,202	12,627	19,962	-37	4,597	10,842
Research and development expenses	-269	-2,821	-2,986	-6	-1,390	-1,591
Selling expenses	-565	-5,930	-6,322	-6	-2,916	-3,338
Administrative expenses	-98	-1,033	-1,166	-11	-474	-648
Other operating income	7	70	72	-3	34	34
Other operating expenses	-9	-100	-116	-14	-43	-62
Operating income	268	2,813	9,444	-70	-192	5,237
Interest income	21	217	193	12	101	86
Interest expenses	-40	-424	-431	-2	-219	-212
Share of income from associated companies and joint ventures	2	18	23	-22	-2	10
Other financial income	55	575	117		160	-11
Other financial expenses	-117	-1,212	-487	149	-306	-166
Total financial items	-79	-826	-585	41	-266	-293
Income before taxes	189	1,987	8,859	-78	-458	4,944
Taxes	-71	-748	-2,102	-64	-86	-1,223
Net income for the period	118	1,239	6,757	-82	-544	3,721
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss						
Translation differences	-231	-2,423	1,352		-1,981	487
Income tax	5	49	-12		41	-29
	-226	-2,374	1,340		-1,940	458
Items that will not be reclassified to profit or loss						
Re-measurement defined benefit plans ¹⁾	10	104	-1,680		-772	-579
Fair value adjustment equity instruments	0	0	82		0	0
Income tax	-2	-23	347		158	122
	8	81	-1,251		-614	-457
Other comprehensive income for the period	-218	-2,293	89		-2,554	1
Total comprehensive income for the period	-100	-1,054	6,846		-3,098	3,722
Net income attributable to:						
Scania shareholders	118	1,238	6,754		-544	3,719
Non-controlling interest	0	1	3		0	2
Total comprehensive income attributable to:						
Scania shareholders	-100	-1,055	6,843		-3,098	3,719
Non-controlling interest	0	1	3		0	3
Operating income includes depreciation of	-525	-5,515	-5,109		-2,790	-2,596
Operating margin, percent		4.8	12.2		-0.8	12.7

1) Discount rate decreased from 1.50% to 1.25% and inflation decreased from 1.75% to 1.50%.

* Translated solely for the convenience of the reader at a closing exchange rate of SEK 10.50 = EUR 1.00.

Net sales and deliveries, Vehicles and Services

	First half			Change in %	Q2	
	EUR m.	2020	2019		2020	2019
Amounts in SEK m. unless otherwise stated						
Net sales						
Trucks	2,901	30,462	50,792	-40	12,081	27,467
Buses*	507	5,327	5,182	3	2,565	3,324
Engines	103	1,082	1,177	-8	440	611
Service-related products	1,289	13,538	14,246	-5	6,029	7,080
Used vehicles	355	3,723	4,192	-11	1,750	2,081
Miscellaneous	179	1,876	2,447	-23	805	1,266
Delivery sales value	5,334	56,008	78,036	-28	23,670	41,829
Revenue deferrals ¹⁾	10	109	-3,122		637	-1,863
Net sales	5,344	56,117	74,914	-25	24,307	39,966
Net sales²⁾						
Europe	3,464	36,376	51,726	-30	15,894	26,883
Eurasia	213	2,239	2,860	-22	1,156	1,721
America**	715	7,506	9,926	-24	3,056	6,113
Asia	595	6,251	6,108	2	2,465	3,023
Africa and Oceania	357	3,745	4,294	-13	1,736	2,226
Net sales	5,344	56,117	74,914	-25	24,307	39,966
Total delivery volume, units						
Trucks		27,655	47,995	-42	11,050	25,809
Buses*		2,782	3,529	-21	1,203	2,139
Engines		4,753	5,045	-6	1,836	2,474

¹⁾ Refers to the difference between sales value based on deliveries and revenue recognised as income

²⁾ Revenues from external customers by location of customers

* Including body-built buses and coaches

** Refers mainly to Latin America

Consolidated balance sheets, condensed

Amounts in SEK m. unless otherwise stated	2020		2019	
	EUR m.	30 Jun	31 Dec	30 Jun
Assets				
Non-current assets				
Intangible assets	1,172	12,304	11,905	11,460
Tangible assets	3,640	38,224	38,481	37,780
Lease assets	2,763	29,015	31,336	30,145
Shares and participations	97	1,014	964	999
Interest-bearing receivables	4,696	49,314	50,938	47,988
Other receivables ^{1), 2)}	742	7,791	7,302	7,833
Current assets				
Inventories	2,288	24,026	26,065	29,959
Interest-bearing receivables	2,812	29,524	32,808	32,405
Other receivables ³⁾	1,501	15,774	16,729	18,578
Current investments	5	54	814	1,339
Cash and cash equivalents	2,917	30,626	20,981	12,904
Total assets	22,633	237,666	238,323	231,390
Equity and liabilities				
Equity				
Scania shareholders	5,696	59,815	60,870	56,321
Non-controlling interest	2	19	18	17
Total equity	5,698	59,834	60,888	56,338
Non-current liabilities				
Interest-bearing liabilities	5,768	60,564	54,008	51,030
Provisions for pensions	1,171	12,297	12,262	12,388
Other provisions ⁶⁾	632	6,640	6,776	6,509
Other liabilities ^{1), 4)}	1,654	17,373	19,021	17,603
Current liabilities				
Interest-bearing liabilities	3,888	40,829	43,979	43,098
Provisions	364	3,827	3,986	3,784
Other liabilities ⁵⁾	3,458	36,302	37,403	40,640
Total equity and liabilities	22,633	237,666	238,323	231,390
¹⁾ Including deferred tax				
²⁾ Including derivatives with positive value for hedging of borrowings	163	1,709	370	214
³⁾ Including derivatives with positive value for hedging of borrowings	74	776	167	196
⁴⁾ Including derivatives with negative value for hedging of borrowings	74	774	1,076	1,231
⁵⁾ Including derivatives with negative value for hedging of borrowings	42	438	630	715
⁶⁾ Including provision related to the European Commission's competition investigation				
Equity/assets ratio, percent		25.2	25.5	24.3

Statement of changes in equity, condensed

Amounts in SEK m. unless otherwise stated	First half		
	EUR m.	2020	2019
Equity, 1 January	5,798	60,888	54,359
Net income for the period	118	1,239	6,757
Other comprehensive income for the period	-218	-2,293	89
Dividend to shareholders	-	-	-14,611
Capital contribution	-	-	9,744
Change in non-controlling interest	-	-	-
Total equity at the end of the period	5,698	59,834	56,338
Attributable to:			
Scania AB shareholders	5,696	59,815	56,321
Non-controlling interest	2	19	17

Cash flow statement, condensed

Amounts in SEK m. unless otherwise stated	First half			Q2	
	EUR m.	2020	2019	2020	2019
Operating activities					
Income before tax	189	1,987	8,859	-458	4,944
Items not affecting cash flow	624	6,554	5,395	2,589	2,767
Taxes paid	-157	-1,652	-2,144	-669	-1,121
Cash flow from operating activities before change in working capital	656	6,889	12,110	1,462	6,590
Change in working capital	166	1,738	-12,260	2,293	-6,104
Cash flow from operating activities	822	8,627	-150	3,755	486
Investing activities					
Net investments	-420	-4,413	-3,628	-2,054	-1,906
Cash flow from investing activities attributable to operating activities	-420	-4,413	-3,628	-2,054	-1,906
Cash flow after investing activities attributable to operating activities	402	4,214	-3,778	1,701	-1,420
Investments in securities and loans	73	762	296	876	344
Cash flow from investing activities	-347	-3,651	-3,332	-1,178	-1,562
Cash flow before financing activities	475	4,976	-3,482	2,577	-1,076
Financing activities					
Change in debt from financing activities	448	4,705	13,867	5,336	5,780
Dividend	-	-	-4,867	-	-
Cash flow from financing activities	448	4,705	9,000	5,336	5,780
Cash flow for the period	922	9,681	5,518	7,913	4,704
Cash and cash equivalents at beginning of period	1,998	20,981	7,222	22,826	8,153
Exchange rate differences in cash and cash equivalents	-3	-36	164	-113	47
Cash and cash equivalents at end of period	2,917	30,626	12,904	30,626	12,904
Cash flow statement, Vehicles and services					
Cash flow from operating activities before change in working capital	595	6,247	11,648	1,576	6,333
Change in working capital	2	19	-4,409	903	-1,304
Cash flow from operating activities	597	6,266	7,239	2,479	5,029
Cash flow from investing activities attributable to operating activities	-419	-4,399	-3,601	-2,053	-1,898
Cash flow after investing activities attributable to operating activities	178	1,867	3,638	426	3,131

Fair value of financial instruments

Amounts in SEK m. unless otherwise stated

In Scania's balance sheet, items carried at fair value are mainly derivatives and current investments. Fair value is established according to various levels, defined in IFRS 13, that reflect the extent to which market values have been utilised. Current investments are carried according to Level 1, i.e. quoted prices in active markets for identical assets, and amounted to SEK 272 m. (86). 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, such as discount rate and credit risk. These items are carried under Other non-current receivables SEK 1,709 m. (370), Other current receivables SEK 795 m. (182), Other non-current liabilities SEK 774 m. (1,076) and Other current liabilities SEK 494 m. (630). Equity instrument assets are carried according to Level 3 based on unobservable data and amount to SEK 160 m. (143)

For financial assets that are carried at amortised cost, book value amounts to SEK 116,164 m. (114,143) and fair value to SEK 116,112 m. (114,558). For financial liabilities that are carried at amortised cost, book value amounts to SEK 107,523 m. (105,609) and fair value to SEK 108,551 m. (105,898). Fair value of financial instruments such as trade receivables, trade payables and other non-interest-bearing financial assets and liabilities that are recognised at amortised cost minus any impairment losses, is regarded as coinciding with the carrying amount.

For further information about financial instruments, see Note 28 Financial instruments in Scania's Annual Report for 2019.

Quarterly data, units by geographic area

	2020		2019				
	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Order bookings, trucks							
Europe	8,229	10,753	45,831	11,047	7,921	12,312	14,551
Eurasia	1,108	1,545	6,076	2,239	1,655	911	1,271
America **	1,351	2,156	17,079	4,184	2,966	3,633	6,296
Asia	1,942	2,629	8,101	2,325	2,156	1,669	1,951
Africa and Oceania	739	975	4,265	868	1,337	1,340	720
Total	13,369	18,058	81,352	20,663	16,035	19,865	24,789
Trucks delivered							
Europe	5,707	10,178	58,851	12,704	12,858	17,139	16,150
Eurasia	811	622	5,763	2,706	990	1,300	767
America**	2,394	2,690	14,905	3,169	4,696	4,570	2,470
Asia	1,413	2,309	7,703	2,701	1,272	1,810	1,920
Africa and Oceania	725	806	4,458	1,404	1,185	990	879
Total	11,050	16,605	91,680	22,684	21,001	25,809	22,186
Order bookings, buses*							
Europe	222	460	2,450	443	316	1,165	526
Eurasia	2	61	89	1	57	21	10
America **	-62	1,662	3,062	526	874	650	1,012
Asia	-10	144	958	422	154	216	166
Africa and Oceania	81	286	828	103	356	169	200
Total	233	2,613	7,387	1,495	1,757	2,221	1,914
Buses delivered*							
Europe	602	433	2,099	526	563	682	328
Eurasia	8	56	109	64	8	22	15
America **	301	701	3,422	882	864	1,050	626
Asia	148	247	1,062	327	263	222	250
Africa and Oceania	144	142	1,085	254	497	163	171
Total	1,203	1,579	7,777	2,053	2,195	2,139	1,390

* Including body-built buses and coaches.

** Refers mainly to Latin America

Parent Company Scania AB, financial statements

Amounts in SEK m. unless otherwise stated	First half		
	EUR m.	2020	2019
Income statement			
Financial income and expenses	0	0	0
Net income for the period	0	0	0

	2020		
	EUR m.	30 Jun	30 Jun
Balance sheet			
Assets			
Financial non-current assets			
Shares in subsidiaries	803	8,435	8,435
Current assets			
Due from subsidiaries	591	6,201	6,201
Total assets	1,394	14,636	14,636
Equity			
Equity	1,394	14,636	14,636
Total shareholders' equity	1,394	14,636	14,636
Total equity and liabilities	1,394	14,636	14,636

	2020		
	EUR m.	30 Jun	30 Jun
Statement of changes in equity			
Equity, 1 January	1,394	14,636	19,503
Total comprehensive income	0	0	0
Dividend	-	-	-14,611
Capital injection	-	-	9,744
Equity	1,394	14,636	14,636

Note 1 Segment Reporting

Income statements

Vehicle and Services

Amounts in SEK m. unless otherwise stated	2020	2019	2020	2019
	First half	First half	Q2	Q2
Revenue	56,117	74,914	24,307	39,966
Cost of goods sold	-45,099	-56,516	-20,484	-29,927
Gross income	11,018	18,398	3,823	10,039
Research and development expenses	-2,821	-2,986	-1,390	-1,591
Selling expenses	-4,827	-5,539	-2,350	-2,955
Administrative expenses	-1,033	-1,166	-474	-648
Operating income	2,337	8,707	-391	4,845
Interest income	217	193	101	86
Interest expenses	-424	-431	-219	-212
Share of income in associated companies and joint ventures	18	23	-2	10
Dividends in between segments	-	-	-	-
Other financial income	575	117	160	-11
Other financial expenses	-1,212	-487	-306	-166
Total financial items	-826	-585	-266	-293
Income before taxes	1,511	8,122	-657	4,552
Taxes	-584	-1,916	-4	-1,115
Net income for the period	927	6,206	-661	3,437

Financial Services

Amounts in SEK m. unless otherwise stated	2020	2019	2020	2019
Interest and lease income	4,246	4,255	2,015	2,214
Insurance commission	154	157	80	83
Interest and prepaid expenses	-2,791	-2,848	-1,321	-1,494
Interest surplus and insurance commission	1,609	1,564	774	803
Other income	70	72	34	34
Other expenses	-100	-116	-43	-62
Gross income	1,579	1,520	765	775
Selling and administration expenses	-635	-653	-297	-343
Bad debt expenses, realised and anticipated	-468	-130	-269	-40
Operating income	476	737	199	392
Income before tax	476	737	199	392
Taxes	-164	-186	-82	-108
Net income for the period	312	551	117	284

Reconciliation of segments to the Scania Group

January – June

Amounts in SEK m. unless otherwise stated	Vehicle and Services		Financial Services		Eliminations		Scania Group	
	2020 First half	2019 First half	2020 First half	2019 First half	2020 First half	2019 First half	2020 First half	2019 First half
Revenue	56,117	74,914	4,400	4,412	-2,048	-2,055	58,469	77,271
Cost of sales	-45,099	-56,516	-2,791	-2,848	2,048	2,055	-45,842	-57,309
Gross income	11,018	18,398	1,609	1,564	-	-	12,627	19,962
Research and development expenses	-2,821	-2,986	0	0	-	-	-2,821	-2,986
Selling expenses	-4,827	-5,539	-1,103	-783	-	-	-5,930	-6,322
Administrative expenses	-1,033	-1,166	0	0	-	-	-1,033	-1,166
Other operating income	0	0	70	72	-	-	70	72
Other operating expenses	0	0	-100	-116	-	-	-100	-116
Operating income	2,337	8,707	476	737	-	-	2,813	9,444
Interest income	217	193	-	-	-	-	217	193
Interest expenses	-424	-431	-	-	-	-	-424	-431
Share of income in associated companies and joint ventures	18	23	-	-	-	-	18	23
Dividends in between segments	-	-	-	-	-	-	-	-
Other financial income	575	117	-	-	-	-	575	117
Other financial expenses	-1,212	-487	-	-	-	-	-1,212	-487
Total financial items	-826	-585	-	-	-	-	-826	-585
Income before taxes	1,511	8,122	476	737	-	-	1,987	8,859
Taxes	-584	-1,916	-164	-186	-	-	-748	-2,102
Net income for the period	927	6,206	312	551	-	-	1,239	6,757

April – June

	Vehicle and Services		Financial Services		Eliminations		Scania Group	
	2020 Q2	2019 Q2	2020 Q2	2019 Q2	2020 Q2	2019 Q2	2020 Q2	2019 Q2
Amounts in SEK m. unless otherwise stated								
Revenue	24,307	39,966	2,095	2,297	-984	-1,084	25,418	41,179
Cost of sales	-20,484	-29,927	-1,321	-1,494	984	1,084	-20,821	-30,337
Gross income	3,823	10,039	774	803	-	-	4,597	10,842
Research and development expenses	-1,390	-1,591	0	0	-	-	-1,390	-1,591
Selling expenses	-2,350	-2,955	-566	-383	-	-	-2,916	-3,338
Administrative expenses	-474	-648	0	0	-	-	-474	-648
Other operating income	0	0	34	34	-	-	34	34
Other operating expenses	0	0	-43	-62	-	-	-43	-62
Operating income	-391	4,845	199	392	-	-	-192	5,237
Interest income	101	86	-	-	-	-	101	86
Interest expenses	-219	-212	-	-	-	-	-219	-212
Share of income in associated companies and joint ventures	-2	10	-	-	-	-	-2	10
Dividends in between segments	-	-	-	-	-	-	-	-
Other financial income	160	-11	-	-	-	-	160	-11
Other financial expenses	-306	-166	-	-	-	-	-306	-166
Total financial items	-266	-293	-	-	-	-	-266	-293
Income before taxes	-657	4,552	199	392	-	-	-458	4,944
Taxes	-4	-1,115	-82	-108	-	-	-86	-1,223
Net income for the period	-661	3,437	117	284	-	-	-544	3,721

Note 2 Government grants

During the interim period January-June 2020 Scania has received government grants amounting to SEK 744 m. referring the short-term allowance. Scania has accounted for these government grants as a reduction of related expenses in the period to which it relates and when it is reasonably certain that the grants will be received and any conditions for the grants are met.

Note 3 Financial risk management

Credit risk Vehicles and Services

A risk premium of 20% was applied to the half-year financial statements as of June 30, 2020, based on the valuation allowance by means of which the expected credit loss (ECL) on trade receivables is estimated. This has resulted in an increased loss allowance of approximately SEK 20 m.

Credit risk Financial Services

In case contractual cash flows of a financial asset are renegotiated or modified (e.g., timing and/or amount of cash flows has changed) and this change results in a significant modification, the financial asset is derecognised and a new asset is recognised reflecting the modified cash flows and the new effective interest rate. If changes in contractual cash flows do not result in a significant modification, the financial asset is not derecognised and instead the gross carrying amount is recalculated using the original effective interest rate and a modification gain or loss is recognised in profit or loss. In the Financial Services operations Scania has during the interim period January-June 2020 agreed with a number of our customers to reschedule approximately 25 % of our finance contracts. The rescheduling are different kinds of moratoria and payment holiday solutions with a corresponding extension of the contract term, having no impact on the net present value of these cash flows. The underlying reason for agreed rescheduling are temporary liquidity constraints with our customers due to the Covid-19 pandemic. Scania is continuously assessing the credit risk and has decided to add a manual overlay taking macroeconomic forecasts relevant for Scania. The manual overlay due to the Covid-19 situation has resulted in an increased loss allowance of approximately SEK 325 m.

Key financial ratios and figures

In the Interim report, Scania presents certain performance measures that are used to explain relevant trends and performance of the group, of which not all are defined under IFRS. 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 are the performance measures used by Scania that are not defined under IFRS, unless otherwise stated.

DEFINITIONS

Operating margin

Operating income as a percentage of net sales.

Net margin

Net income as a percentage of net sales.

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.

Capital employed ¹⁾

Total assets excluding shares and participations in group companies less operating liabilities.

Return on capital employed ^{1) 2)}

Operating income plus financial income as a percentage of capital employed.

¹⁾ Calculations are based on average capital employed for the thirteen most recent months.

²⁾ Operating income is calculated on rolling 12 months.

Amounts in SEK m. unless otherwise stated

Scania Group

Operating and net income	<i>EUR m.</i>	First half		Q2	
		2020	2019	2020	2019
<i>Net sales</i>	5,568	58,469	77,271	25,418	41,179
<i>Operating income</i>	268	2,813	9,444	-192	5,237
<i>Net income for the period</i>	118	1,239	6,757	-544	3,721
<i>Operating margin, %</i> <i>(Operating income/Net sales)</i>		4.8	12.2	-0.8	12.7
<i>Net margin, %</i> <i>(Net income/Net sales)</i>		2.1	8.7	-2.1	9.0

RECONCILIATIONS

Amounts in SEK m. unless otherwise stated

Scania Group

Net debt, excluding provision for pensions

Assets	EUR m.	30 Jun	31 Dec
Current investments	5	54	814
Cash and cash equivalents	2,917	30,626	20,981
Loans to Volkswagen entities	0	5	8
Accrued interest in current investments	0	-1	-2
	2,922	30,684	21,801

Liabilities

Interest-bearing liabilities, non-current	5,768	60,564	54,008
Interest-bearing liabilities, current	3,888	40,829	43,979
Accrued interest in interest-bearing liabilities	-25	-263	-387
	9,631	101,130	97,600

Net debt 6,709 70,446 75,799

Vehicles and Services

Net debt, excluding provision for pensions

Assets	EUR m.	30 Jun	31 Dec
Current investments	5	54	1,795
Cash and cash equivalents	2,833	29,745	20,358
Loans to Volkswagen entities	0	0	0
Accrued interest in current investments	0	-1	-6
	2,838	29,798	22,147

Liabilities

Interest-bearing liabilities, non-current	358	3,758	4,014
Interest-bearing liabilities, current	914	9,603	1,076
	1,272	13,361	5,090

Net debt -1,566 -16,437 -17,057

Capital Employed

	EUR m.	30 Jun	30 Jun
Total assets, excl. Shares and participations in group companies	14,665	153,998	138,785
Operating liabilities			
Other provisions, non-current and current	633	6,645	6,220
Other liabilities, non-current and current	7,088	74,427	70,943
Net derivatives	-84	-880	-1,326
Capital Employed	7,028	73,806	62,947

Return on Capital Employed

	EUR m.	30 Jun	30 Jun
Operating income	915	9,612	14,809
Financial income	118	1,236	804
Capital employed	7,028	73,806	62,947
Return on Capital Employed		14.7%	24.8%