

Scania Interim Report January–September 2020

Summary of the first nine months of 2020

- Net sales decreased by 22 percent to SEK 88,843 m. (113,815)
- Operating income decreased by 62 percent and amounted to SEK 5,249 m. (13,889)
- Cash flow amounted to SEK 3,358 m. (7,531) in Vehicles and Services
- In the third quarter net sales decreased by 17 percent to SEK 30,374 m. (36,544) and operating income by 45 percent to SEK 2,436 m. (4,445)

Comments by Henrik Henriksson, President and CEO

“Scania delivered a strong underlying performance during the period though significantly impacted by the global pandemic. The negative effects were mitigated by powerful cost saving measures and an increase in production rate in the third quarter. There is a resilience in the orderbook and the order intake in the third quarter was strong.

For Scania to emerge from the crisis with better conditions for continued profitability and to make large-scale investments in new technologies to drive the shift towards a sustainable transport system, a cost transformation is necessary. Extensive measures to address structural cost were initiated in the second quarter and will continue the coming quarters. The staff reductions announced in the second quarter is now being implemented and reviewing Scania’s industrial and commercial operations has led us to the decision to close down the bus and coach production in Lahti, Finland and the regional product centre in Bangkok, Thailand.

During the first nine months of 2020 vehicle deliveries decreased by 36 percent with lower volume primarily in Europe and Latin America, at which net sales and earnings significantly decreased. Our service business is stable and in the first nine months sales decreased by only 4 percent in local currency. Financial Services reported lower operating income in the first nine months. In the third quarter less number of customers

were in need of rescheduling. Scania managed to reduce its risk exposure by significantly lowering the used truck inventory as sales of used trucks increased strongly during the period.

The global situation is still uncertain and the risk of severe constraints for our business activity remains in light of the recently witnessed strong rise in infection rates for Covid-19. The view of the global economic recovery is fragmented, also due to political uncertainty and strained trade relations. Though a positive development is noted both in our customers’ utilisation of vehicles and in the strong order bookings, long-term demand remains uncertain. In Europe, truck demand is strong at present and also in Latin America. The global bus and coach market has been severely affected by the pandemic. Demand for coaches and tourist buses has essentially come to a standstill, while demand is at low levels in urban traffic and public transport. In Power solutions, the business area formerly known as Engines, demand is still strong compared to the year-earlier period.

During the third quarter, Scania unveiled its range of electrified trucks, a milestone in the ambition to lead the shift towards a sustainable transport system. Electrification of the heavy commercial truck fleet is crucial to achieving the Paris Agreement target of limiting global warming to below 2°C.”

Financial overview

	9 months			Q3			
	2020	2019	Change, %	2020	2019	Change, %	
Trucks and buses, units							
Order bookings	60,207	66,581	-10	25,934	17,792	46	
Deliveries	47,735	74,720	-36	17,298	23,196	-25	
Net sales and earnings	<i>MEUR*</i>						
Net sales, Scania Group, SEK m.,	8,426	88,843	113,815	-22	30,374	36,544	-17
Operating income, Vehicles and Services, SEK m.	416	4,386	12,781	-66	2,049	4,074	-50
Operating income, Financial Services, SEK m.	82	863	1,108	-22	387	371	4
Operating income, SEK m.	498	5,249	13,889	-62	2,436	4,445	-45
Income before taxes, SEK m.	399	4,212	13,070	-68	2,225	4,211	-47
Net income for the period, SEK m.	262	2,766	9,859	-72	1,527	3,102	-51
Operating margin, %		5.9	12.2		8.0	12.2	
Return on capital employed, Vehicles and Services, %		12.1	25.3				
Cash flow, Vehicles and Services, SEK m.	318	3,358	7,531	-55	1,491	3,893	-62

* Translated to EUR solely for the convenience of the reader at a closing day rate of SEK 10.54 = EUR 1.00. Unless otherwise stated, all comparisons refer to the corresponding period of the preceding year. 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

During the first nine months of 2020, total vehicle deliveries decreased by 36 percent to 47,753 (74,720) units, compared to the year-earlier period. Net sales decreased by 22 percent to SEK 88,843 m. (113,815).

Strong demand in most regions

Demand for trucks is currently very strong in Latin America, Europe, Eurasia and Asia.

Scania has decided to close down the operations in the regional product centre in Bangkok in Thailand. Trucks for the Thai market in the future will be supplied from Scania's other production units.

Demand for buses and coaches is weak, particularly for coaches and tourist buses.

Due to the current market situation, Scania has decided to stop serial production of buses and coaches at the plant in Lahti, Finland. The unit will continue to serve as a centre for Scania's development of new buses and coaches and for parts management.

The truck market

Order bookings

Scania's order bookings increased by 59 percent during the third quarter of 2020, compared to 2019, and totalled 25,478 (16,035) trucks.

Order bookings in Europe increased by 27 percent to 10,076 (7,921) during the third quarter of 2020 compared to the year-earlier period. Demand increased in several major European markets such as Great Britain, Sweden and Poland, which was partly offset by downturns in France and Spain.

Order bookings in Latin America rose sharply during the third quarter of 2020 compared to the same period in 2019 and amounted to 8,683 (2,966) trucks, mainly related to higher demand in Brazil.

In Eurasia, order bookings rose by 69 percent during the third quarter compared to the year-earlier period and total order bookings amounted to 2,795 (1,655) trucks, an upturn that was primarily related to Russia.

In Asia, order bookings rose by 33 percent to 2,874 (2,156) trucks during the third quarter of 2020 compared to the same period in 2019. The increase was related to Turkey and Taiwan, which was partly offset by India.

In Africa and Oceania, order bookings decreased by 21 percent compared to the third quarter of 2019 and amounted to 1,050 (1,337) units, mainly related to South Africa.

Deliveries

Scania's total truck deliveries decreased by 25 percent to 15,788 (21,001) units during the third quarter of 2020 compared to the year-earlier period.

In Europe, deliveries decreased by 37 percent to 8,075 (12,858) units during the third quarter of 2020 compared to the third quarter of 2019.

In Eurasia, deliveries rose by 67 percent to 1,654 (990) trucks during the third quarter of 2020 compared to the year-earlier period.

In Latin America, deliveries decreased by 43 percent to 2,659 (4,696) units during the third quarter of 2020 compared to the third quarter of 2019.

In Asia, deliveries rose by 80 percent during the third quarter of 2020 compared to the third quarter of 2019 to 2,284 (1,272) trucks.

In Africa and Oceania, deliveries decreased by 6 percent during the third quarter of 2020 compared to the third quarter of 2019 to 1,116 (1,185) trucks.

Net sales

Net sales of trucks decreased by 37 percent to SEK 46,498 m. (73,469) during the first nine months of 2020. During the third quarter, sales decreased by 29 percent to SEK 16,036 m. (22,677).

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 36 percent to about 161,600 (251,800) units during the first nine months of 2020. Scania truck registrations amounted to some 26,500 (48,200) units, equivalent to a market share of about 16.4 (19.1) percent.

Scania trucks

	Order bookings			Deliveries		
	9 months 2020	9 months 2019	Change, %	9 months 2020	9 months 2019	Change, %
Europe	29,058	34,784	-16	23,960	46,147	-48
Eurasia	5,448	3,837	42	3,087	3,057	1
America*	12,190	12,895	-5	7,743	11,736	-34
Asia	7,445	5,776	29	6,006	5,002	20
Africa and Oceania	2,764	3,397	-19	2,647	3,054	-13
Total	56,905	60,689	-6	43,443	68,996	-37

*Refers to Latin America

The bus and coach market

Order bookings

Order bookings for buses and coaches during the first nine months of 2020 decreased compared to the previous year to 3,302 (5,892) units. During the third quarter, order bookings decreased to 456 (1,757) units, compared to the third quarter of 2019.

In Europe, order bookings decreased and amounted to 174 (316) units during the third quarter. Order bookings decreased mainly in Finland and France, which was partly offset by an upturn in Germany. In Latin America, order bookings decreased sharply to 90 (874) units compared to the third quarter of 2019. In Asia, order bookings decreased to 80 (154) buses and coaches compared to the third quarter of 2019. Order bookings in Eurasia decreased to 5 (57) buses and coaches compared to the year-earlier period. Order bookings in Africa and Oceania decreased to 107 (356) buses and coaches.

Deliveries

Scania's bus and coach deliveries totalled 1,510 (2,195) units during the third quarter of 2020, a decrease of 31 percent. In Europe, deliveries decreased by 30 percent to 396 (563) units compared to the third quarter of 2019. In Latin America, deliveries rose by 6 percent to 920 (864) units. In Asia, deliveries decreased by 57 percent to 112 (263) units, while deliveries of buses and coaches in Africa and Oceania decreased to 81 (497) units. Deliveries to Eurasia decreased to 1 (8) unit.

Scania's market share in buses and coaches in Europe was around 7.2 percent for the first nine months of 2020 compared to 6.6 percent during the year-earlier period.

Net sales

Net sales of buses and coaches decreased by 9 percent during the first nine months of 2020 to SEK 8,062 m. (8,875), compared to 2019. During the third quarter, sales decreased by 26 percent to SEK 2,735 m. (3,693).

Scania buses and coaches

	Order bookings			Deliveries		
	9 months 2020	9 months 2019	Change, %	9 months 2020	9 months 2019	Change, %
Europe	856	2,007	-57	1,431	1,573	-9
Eurasia	68	88	-23	65	45	44
America*	1,690	2,536	-33	1,922	2,540	-24
Asia	214	536	-60	507	735	-31
Africa and Oceania	474	725	-35	367	831	-56
Total	3,302	5,892	-44	4,292	5,724	-25

*Refers to Latin America

Power solutions

In Power solutions, the business area formerly known as Engines, demand is still strong compared to the year-earlier period. The name change is in line with the development that is also taking place in this business area, where electrified solutions are complementing the range of combustion engines.

Order bookings

Total engine order bookings increased by 15 percent to 7,773 (6,752) units during the first nine months of 2020 compared to 2019. The upturn was primarily related to South Korea, China and Belgium, which was partly offset by a downturn in Germany, Switzerland and Norway. During the third quarter, order bookings decreased by 11 percent to 1,908 (2,137) engines, mainly related to Germany, which was partly offset by an upturn in South Korea.

Deliveries

Engine deliveries decreased by 2 percent to 7,056 (7,199) units during the first nine months of 2020. The downturn was primarily related to Great Britain, Brazil and Germany, which was partly offset by South Korea, Italy and China. During the third quarter, deliveries increased by 7 percent to 2,303 (2,154) engines, mainly related to South Korea, Italy and China, which was partly offset by Brazil, Spain and Great Britain.

Net sales

During the first nine months of 2020, sales decreased by 8 percent to SEK 1,585 m. (1,726). Net sales in the third quarter amounted to SEK 503 m. (549), a decrease of 8 percent.

Services

Service revenue amounted to SEK 6,635 m. (7,253) during the third quarter of 2020, a decrease of 9 percent. Lower volume in most markets impacted revenue negatively. In local currencies, revenue decreased by 2 percent.

Service revenue amounted to SEK 20,173 m. (21,499) during the first nine months of 2020, a decrease of 6 percent. In local currencies, revenue decreased by 4 percent.

In Europe, service revenue decreased by 2 percent to SEK 14,327 m. (14,640) compared to the first nine months of 2019. In Latin America, revenue decreased by 25 percent to SEK 1,905 m. (2,549) compared to the previous year and service revenue in Eurasia decreased by 11 percent to SEK 645 m. (722) compared to the first nine months of 2019. Revenue in Asia was 5 percent lower than the previous year at SEK 2,015 m. (2,115). In Africa and Oceania, service revenue decreased by 13 percent to SEK 1,281 m. (1,473).

Earnings

Vehicles and Services

The first nine months of 2020

Operating income in Vehicles and Services totalled SEK 4,386 m. (12,781) during the first nine months of 2020, a decrease of 66 percent. Lower vehicle and service volume as well as the aforementioned closures of operations impacted earnings negatively. Compared to the first nine months of 2019, the total currency effect was negative and amounted to about SEK 410 m.

Scania's research and development expenditures amounted to SEK 4,689 m. (5,170). After adjusting for SEK 1,125 m. (1,339) in capitalised expenditures and SEK 514 m. (518) in amortisation of previously capitalised expenditures, recognised expenses decreased to SEK 4,078 m. (4,349).

Third quarter

Operating income in Vehicles and Services totalled SEK 2,049 m. (4,074) during the third quarter of 2020. Lower vehicle and service volume as well as the aforementioned closures of operations impacted earnings negatively. Compared to the same period in 2019, the total currency effect was negative and amounted to about SEK 648 m.

Scania's research and development expenditures amounted to SEK 1,328 m. (1,560). After adjusting for SEK 240 m. (367) in capitalised expenditures, and SEK 169 m. (170) in amortisation of previously capitalised expenditures, recognised expenses decreased to SEK 1,257 m. (1,363).

Financial Services

Customer finance portfolio

At the end of the third quarter of 2020, the size of Scania's customer finance portfolio amounted to SEK 97 billion, which was SEK 6.8 billion lower than the end of 2019. In local currencies, the portfolio decreased by SEK 1.3 billion.

Penetration rate

The penetration rate for new trucks was 42 (42) percent during the first nine months of 2020 in those markets where Scania has its own financing operations.

Operating income

Operating income in Financial Services decreased to SEK 863 m. (1,108) during the first nine months of 2020, compared to the same period in 2019. Higher expenses for bad debt provisions, negative currency effects and lower margins impacted earnings negatively, especially during the first six months, which was partly offset by a larger average portfolio and lower operating expense.

Scania Group

During the first nine months of 2020, Scania's operating income amounted to SEK 5,249 m. (13,889). Operating margin amounted to 5.9 (12.2) percent. Scania's net financial items amounted to SEK -1,037 m. (-819). During the period restructuring costs amounted to SEK 525 m.

The Scania Group's tax expense amounted to SEK 1,446 m. (3,211), equivalent to 34.3 (24.6) percent of income before taxes. Net income for the period totalled SEK 2,766 m. (9,859), equivalent to a net margin of 3.1 (8.7) percent.

Cash flow

Vehicles and Services

Scania's cash flow in Vehicles and Services amounted to SEK 3,358 m. (7,531) during the first nine months of 2020. Net investments amounted to SEK 5,847 m. (5,402), including SEK 1,125 m. (1,339) in capitalisation of development expenditure. At the end of the third quarter of 2020, the net cash position in Vehicles and Services amounted to SEK 17,224 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 2,976 m. (-8,895) during the first nine months of 2020. Together with the positive cash flow in Vehicles and Services, the Group's net debt decreased by about SEK 7.6 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 nine months of 2020.

Miscellaneous

Number of employees

At the end of the third quarter of 2020, the number of employees totalled 49,743, compared to 52,570 at the end of the third quarter of 2019.

Material risks and uncertainties

We are continuously assessing how the effects of the coronavirus outbreak will/might impact 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, also can lead to needs to make write-downs in vehicle inventory and changed estimates of residual value on buy-back commitments. As of 30 September 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 10 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.

Contact persons

Susanna Berlin
Investor Relations
Tel. +46 8 553 861 12
Mobile +46 70 086 05 02

Karin Hallstan
Head of Corporate Communications and PR
Tel. +46 8 553 852 10
Mobile +46 76 842 81 04

Consolidated income statements, condensed

Amounts in SEK m. unless otherwise stated	Nine months			Change in %	Q3	
	EUR m.*	2020	2019		2020	2019
Revenue	8,426	88,843	113,815	-22	30,374	36,544
Cost of goods sold and services rendered	-6,592	-69,502	-84,515	-18	-23,660	-27,206
Gross income	1,834	19,341	29,300	-34	6,714	9,338
Research and development expenses	-387	-4,078	-4,349	-6	-1,257	-1,363
Selling expenses	-802	-8,458	-9,328	-9	-2,528	-3,006
Administrative expenses	-143	-1,504	-1,663	-10	-471	-497
Other operating income	11	121	107	13	51	35
Other operating expenses	-15	-173	-178	-3	-73	-62
Operating income	498	5,249	13,889	-62	2,436	4,445
Interest income	44	465	304	53	248	111
Interest expenses	-77	-809	-643	26	-385	-212
Share of income from associated companies and joint ventures	1	11	38	-71	-7	15
Other financial income	67	704	220	220	129	103
Other financial expenses	-134	-1,408	-738	91	-196	-251
Total financial items	-99	-1,037	-819	27	-211	-234
Income before taxes	399	4,212	13,070	-68	2,225	4,211
Taxes	-137	-1,446	-3,211	-55	-698	-1,109
Net income for the period	262	2,766	9,859	-72	1,527	3,102
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss						
Translation differences	-297	-3,131	1,652		-708	300
Income tax	5	50	-4		1	8
	-292	-3,081	1,648		-707	308
Items that will not be reclassified to profit or loss						
Re-measurement defined benefit plans ¹⁾	-13	-134	-2,553		-238	-873
Fair value adjustment equity instruments	0	0	82		0	0
Income tax	3	29	502		52	155
	-10	-105	-1,969		-186	-718
Other comprehensive income for the period	-302	-3,186	-321		-893	-410
Total comprehensive income for the period	-40	-420	9,538		634	2,692
Net income attributable to:						
Scania shareholders	262	2,764	9,855		1,526	3,101
Non-controlling interest	0	2	4		1	1
Total comprehensive income attributable to:						
Scania shareholders	-40	-422	9,534		633	2,691
Non-controlling interest	0	2	4		1	1
Operating income includes depreciation of	-787	-8,303	-7,881		-2,788	-2,772
Operating margin, percent		5.9	12.2		8.0	12.2

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 10.54 = EUR 1.00.

Net sales and deliveries, Vehicles and Services

	Nine months			Change in %	Q3	
	EUR m.	2020	2019		2020	2019
Amounts in SEK m. unless otherwise stated						
Net sales						
Trucks	4,410	46,498	73,469	-37	16,036	22,677
Buses*	765	8,062	8,875	-9	2,735	3,693
Power Solutions	150	1,585	1,726	-8	503	549
Service-related products	1,913	20,173	21,499	-6	6,635	7,253
Used vehicles	584	6,161	6,209	-1	2,438	2,017
Miscellaneous	272	2,870	3,556	-19	994	1,109
Delivery sales value	8,094	85,349	115,334	-26	29,341	37,298
Revenue deferrals ¹⁾	6	58	-5,112		-51	-1,990
Net sales	8,100	85,407	110,222	-23	29,290	35,308
Net sales²⁾						
Europe	5,173	54,548	73,559	-26	18,172	21,833
Eurasia	374	3,943	4,345	-9	1,704	1,485
America**	1,113	11,735	16,229	-28	4,229	6,303
Asia	885	9,330	8,614	8	3,079	2,506
Africa and Oceania	555	5,851	7,475	-22	2,106	3,181
Net sales	8,100	85,407	110,222	-23	29,290	35,308
Total delivery volume, units						
Trucks		43,443	68,996	-37	15,788	21,001
Buses*		4,292	5,724	-25	1,510	2,195
Power Solutions		7,056	7,199	-2	2,303	2,154

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 Sep	31 Dec	30 Sep
Assets				
Non-current assets				
Intangible assets	1,170	12,333	11,905	11,675
Tangible assets	3,594	37,898	38,481	38,187
Lease assets	2,693	28,395	31,336	31,414
Shares and participations	100	1,052	964	1,047
Interest-bearing receivables	4,732	49,894	50,938	50,878
Other receivables ¹⁾	773	8,155	7,302	7,921
Current assets				
Inventories	2,095	22,095	26,065	29,217
Interest-bearing receivables	2,818	29,709	32,808	32,067
Other receivables	1,462	15,422	16,729	17,130
Current investments	5	54	814	1,156
Cash and cash equivalents	2,387	25,165	20,981	19,607
Total assets	21,829	230,172	238,323	240,299
Equity and liabilities				
Equity				
Scania shareholders	5,733	60,448	60,870	59,012
Non-controlling interest	2	20	18	18
Total equity	5,735	60,468	60,888	59,030
Non-current liabilities				
Interest-bearing liabilities	4,937	52,057	54,008	55,887
Provisions for pensions	1,195	12,605	12,262	13,119
Other provisions ¹⁾	648	6,835	6,776	6,611
Other liabilities ²⁾	1,570	16,558	19,021	18,474
Current liabilities				
Interest-bearing liabilities	3,953	41,684	43,979	43,372
Provisions	367	3,868	3,986	3,894
Other liabilities	3,424	36,097	37,403	39,912
Total equity and liabilities	21,829	230,172	238,323	240,299
Equity/assets ratio, percent		26.3	25.5	24.6

¹⁾ Including provision related to the European Commission's competition investigation

²⁾ Including deferred tax

Statement of changes in equity, condensed

Amounts in SEK m. unless otherwise stated	Nine months		
	EUR m.	2020	2019
Equity, 1 January	5,775	60,888	54,359
Net income for the period	262	2,766	9,859
Other comprehensive income for the period	-302	-3,186	-321
Dividend to shareholders	-	-	-14,611
Capital contribution	-	-	9,744
Change in non-controlling interest	-	-	-
Total equity at the end of the period	5,735	60,468	59,030
Attributable to:			
Scania AB shareholders	5,733	60,448	59,012
Non-controlling interest	2	20	18

Cash flow statement, condensed

Amounts in SEK m. unless otherwise stated	Nine months			Q3	
	EUR m.	2020	2019	2020	2019
Operating activities					
Income before tax	399	4,212	13,070	2,225	4,211
Items not affecting cash flow	943	9,945	8,262	3,391	2,867
Taxes paid	-217	-2,291	-3,149	-639	-1,005
Cash flow from operating activities before change in working capital	1,125	11,866	18,183	4,977	6,073
Change in working capital	29	311	-13,988	-1,427	-1,728
Cash flow from operating activities	1,154	12,177	4,195	3,550	4,345
Investing activities					
Net investments	-556	-5,867	-5,435	-1,454	-1,807
Cash flow from investing activities attributable to operating activities	-556	-5,867	-5,435	-1,454	-1,807
Cash flow after investing activities attributable to operating activities	598	6,310	-1,240	2,096	2,538
Investments in securities and loans	72	762	478	0	182
Cash flow from investing activities	-484	-5,105	-4,957	-1,454	-1,625
Cash flow before financing activities	670	7,072	-762	2,096	2,720
Financing activities					
Change in debt from financing activities	-263	-2,777	17,743	-7,482	3,876
Dividend	-	-	-4,867	-	-
Cash flow from financing activities	-263	-2,777	12,876	-7,482	3,876
Cash flow for the period	407	4,295	12,114	-5,386	6,596
Cash and cash equivalents at beginning of period	1,990	20,981	7,222	30,626	12,904
Exchange rate differences in cash and cash equivalents	-10	-111	271	-75	107
Cash and cash equivalents at end of period	2,387	25,165	19,607	25,165	19,607
Cash flow statement, Vehicles and services					
Cash flow from operating activities before change in working capital	1,014	10,688	17,247	4,441	5,599
Change in working capital	-141	-1,483	-4,314	-1,502	95
Cash flow from operating activities	873	9,205	12,933	2,939	5,694
Cash flow from investing activities attributable to operating activities	-555	-5,847	-5,402	-1,448	-1,801
Cash flow after investing activities attributable to operating activities	318	3,358	7,531	1,491	3,893

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 166 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 2,139 m. (370), Other current receivables SEK 672 m. (182), Other non-current liabilities SEK 634 m. (1,076) and Other current liabilities SEK 605 m. (630). Equity instrument assets are carried according to Level 3 based on unobservable data and amount to SEK 326 m. (143).

For financial assets that are carried at amortised cost, book value amounts to SEK 111,802 m. (114,143) and fair value to SEK 112,279 m. (114,558). For financial liabilities that are carried at amortised cost, book value amounts to SEK 101,034 m. (105,609) and fair value to SEK 99,733 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				
	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Order bookings, trucks								
Europe	10,076	8,229	10,753	45,831	11,047	7,921	12,312	14,551
Eurasia	2,795	1,108	1,545	6,076	2,239	1,655	911	1,271
America **	8,683	1,351	2,156	17,079	4,184	2,966	3,633	6,296
Asia	2,874	1,942	2,629	8,101	2,325	2,156	1,669	1,951
Africa and Oceania	1,050	739	975	4,265	868	1,337	1,340	720
Total	25,478	13,369	18,058	81,352	20,663	16,035	19,865	24,789
Trucks delivered								
Europe	8,075	5,707	10,178	58,851	12,704	12,858	17,139	16,150
Eurasia	1,654	811	622	5,763	2,706	990	1,300	767
America**	2,659	2,394	2,690	14,905	3,169	4,696	4,570	2,470
Asia	2,284	1,413	2,309	7,703	2,701	1,272	1,810	1,920
Africa and Oceania	1,116	725	806	4,458	1,404	1,185	990	879
Total	15,788	11,050	16,605	91,680	22,684	21,001	25,809	22,186
Order bookings, buses*								
Europe	174	222	460	2,450	443	316	1,165	526
Eurasia	5	2	61	89	1	57	21	10
America **	90	-62	1,662	3,062	526	874	650	1,012
Asia	80	-10	144	958	422	154	216	166
Africa and Oceania	107	81	286	828	103	356	169	200
Total	456	233	2,613	7,387	1,495	1,757	2,221	1,914
Buses delivered*								
Europe	396	602	433	2,099	526	563	682	328
Eurasia	1	8	56	109	64	8	22	15
America **	920	301	701	3,422	882	864	1,050	626
Asia	112	148	247	1,062	327	263	222	250
Africa and Oceania	81	144	142	1,085	254	497	163	171
Total	1,510	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	Nine months		
	EUR m.	2020	2019
Income statement			
Financial income and expenses	0	0	0
Net income for the period	0	0	0
		2020	2019
	EUR m.	30 Sep	30 Sep
Balance sheet			
Assets			
Financial non-current assets			
Shares in subsidiaries	800	8,435	8,435
Current assets			
Due from subsidiaries	588	6,201	6,201
Total assets	1,388	14,636	14,636
Equity			
Equity	1,388	14,636	14,636
Total shareholders' equity	1,388	14,636	14,636
Total equity and liabilities	1,388	14,636	14,636
		2020	2019
	EUR m.	30 Sep	30 Sep
Statement of changes in equity			
Equity, 1 January	1,388	14,636	19,503
Total comprehensive income	0	0	0
Dividend	-	-	-14,611
Capital injection	-	-	9,744
Equity	1,388	14,636	14,636

Note 1 Segment Reporting

Income statements

Vehicle and Services

	2020 Nine months	2019 Nine months	2020 Q3	2019 Q3
Amounts in SEK m. unless otherwise stated				
Revenue	85,407	110,222	29,290	35,308
Cost of goods sold	-68,450	-83,303	-23,351	-26,787
Gross income	16,957	26,919	5,939	8,521
Research and development expenses	-4,078	-4,349	-1,257	-1,363
Selling expenses	-6,989	-8,126	-2,162	-2,587
Administrative expenses	-1,504	-1,663	-471	-497
Operating income	4,386	12,781	2,049	4,074
Interest income	465	304	248	111
Interest expenses	-809	-643	-385	-212
Share of income in associated companies and joint ventures	11	38	-7	15
Dividends in between segments	0	128	0	128
Other financial income	704	220	129	103
Other financial expenses	-1,408	-738	-196	-251
Total financial items	-1,037	-691	-211	-106
Income before taxes	3,349	12,090	1,838	3,968
Taxes	-1,144	-2,901	-560	-985
Net income for the period	2,205	9,189	1,278	2,983

Financial Services

	2020 Nine months	2019 Nine months	2020 Q3	2019 Q3
Amounts in SEK m. unless otherwise stated				
Interest and lease income	6,237	6,469	1,991	2,214
Insurance commission	231	237	77	80
Interest and prepaid expenses	-4,084	-4,325	-1,293	-1,477
Interest surplus and insurance commission	2,384	2,381	775	817
Other income	121	107	51	35
Other expenses	-173	-178	-73	-62
Gross income	2,332	2,310	753	790
Selling and administration expenses	-910	-970	-275	-317
Bad debt expenses, realised and anticipated	-559	-232	-91	-102
Operating income	863	1,108	387	371
Income before tax	863	1,108	387	371
Taxes	-302	-310	-138	-124
Net income for the period	561	798	249	247

Reconciliation of segments to the Scania Group

January – September

	Vehicle and Services		Financial Services		Eliminations		Scania Group	
	2020 Nine months	2019 Nine months	2020 Nine months	2019 Nine months	2020 Nine months	2019 Nine months	2020 Nine months	2019 Nine months
Amounts in SEK m. unless otherwise stated								
Revenue	85,407	110,222	6,468	6,706	-3,032	-3,113	88,843	113,815
Cost of sales	-68,450	-83,303	-4,084	-4,325	3,032	3,113	-69,502	-84,515
Gross income	16,957	26,919	2,384	2,381	0	0	19,341	29,300
Research and development expenses	-4,078	-4,349	0	0			-4,078	-4,349
Selling expenses	-6,989	-8,126	-1,469	-1,202			-8,458	-9,328
Administrative expenses	-1,504	-1,663	0	0			-1,504	-1,663
Other operating income	0	0	121	107			121	107
Other operating expenses	0	0	-173	-178			-173	-178
Operating income	4,386	12,781	863	1,108	0	0	5,249	13,889
Interest income	465	304					465	304
Interest expenses	-809	-643					-809	-643
Share of income in associated companies and joint ventures	11	38					11	38
Dividends in between segments	0	128				-128	0	0
Other financial income	704	220					704	220
Other financial expenses	-1,408	-738					-1,408	-738
Total financial items	-1,037	-691	0	0	0	-128	-1,037	-819
Income before taxes	3,349	12,090	863	1,108	0	-128	4,212	13,070
Taxes	-1,144	-2,901	-302	-310			-1,446	-3,211
Net income for the period	2,205	9,189	561	798	0	-128	2,766	9,859

July – September

Amounts in SEK m. unless otherwise stated	Vehicle and Services	2019	Financial Services	2019	Eliminations	2019	Scania Group	2019
	2020 Q3	Q3	2020 Q3	Q3	2020 Q3	Q3	2020 Q3	Q3
Revenue	29,290	35,308	2,068	2,294	-984	-1,058	30,374	36,544
Cost of sales	-23,351	-26,787	-1,293	-1,477	984	1,058	-23,660	-27,206
Gross income	5,939	8,521	775	817	0	0	6,714	9,338
Research and development expenses	-1,257	-1,363	0	0			-1,257	-1,363
Selling expenses	-2,162	-2,587	-366	-419			-2,528	-3,006
Administrative expenses	-471	-497	0	0			-471	-497
Other operating income	0	0	51	35			51	35
Other operating expenses	0	0	-73	-62			-73	-62
Operating income	2,049	4,074	387	371	0	0	2,436	4,445
Interest income	248	111					248	111
Interest expenses	-385	-212					-385	-212
Share of income in associated companies and joint ventures	-7	15					-7	15
Dividends in between segments	0	128				-128	0	0
Other financial income	129	103					129	103
Other financial expenses	-196	-251					-196	-251
Total financial items	-211	-106	0	0	0	-128	-211	-234
Income before taxes	1,838	3,968	387	371	0	-128	2,225	4,211
Taxes	-560	-985	-138	-124			-698	-1,109
Net income for the period	1,278	2,983	249	247	0	-128	1,527	3,102

Note 2 Government grants

During the interim period January-September 2020 Scania has received government grants amounting to SEK 834 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 interim period January-September 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-September 2020 agreed with a number of our customers to reschedule approximately 26 % of our finance contracts. The reschedulings 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 reschedulings 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 considering macroeconomic forecasts relevant for Scania. The manual overlay due to the Covid-19 situation has resulted in an increased loss allowance of approximately SEK 360 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	Nine months			Q3	
	<i>EUR m.</i>	2020	2019	2020	2019
<i>Net sales</i>	8,426	88,843	113,815	30,374	36,544
<i>Operating income</i>	498	5,249	13,889	2,436	4,445
<i>Net income for the period</i>	262	2,766	9,859	1,527	3,102
<i>Operating margin, % (Operating income/Net sales)</i>		5.9	12.2	8.0	12.2
<i>Net margin, % (Net income/Net sales)</i>		3.1	8.7	5.0	8.5

RECONCILIATIONS

Amounts in SEK m. unless otherwise stated

Scania Group

Net debt, excluding provision for pensions

Assets	EUR m.	30 Sep	31 Dec
Current investments	5	54	814
Cash and cash equivalents	2,387	25,165	20,981
Loans to Volkswagen entities	0	5	8
Accrued interest in current investments	0	-1	-2
	2,392	25,223	21,801

Liabilities

Interest-bearing liabilities, non-current	4,937	52,057	54,008
Interest-bearing liabilities, current	3,953	41,684	43,979
Accrued interest in interest-bearing liabilities	-28	-294	-387
	8,862	93,447	97,600

Net debt	6,470	68,224	75,799
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Vehicles and Services

2020 2019

Net debt, excluding provision for pensions

Assets	EUR m.	30 Sep	31 Dec
Current investments	5	53	1,795
Cash and cash equivalents	2,301	24,266	20,358
Accrued interest in current investments	0	0	-6
	2,306	24,319	22,147

Liabilities

Interest-bearing liabilities, non-current	357	3,767	4,014
Interest-bearing liabilities, current	316	3,328	1,076
	673	7,095	5,090

Net debt	-1,633	-17,224	-17,057
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Capital Employed

2020 2019

	EUR m.	30 Sep	30 Sep
Total assets, excl. Shares and participations in group companies	14,576	153,690	144,208
Operating liabilities			
Other provisions, non-current and current	632	6,661	6,319
Other liabilities, non-current and current	6,904	72,798	72,710
Net derivatives	3	29	-1,464
Capital Employed	7,037	74,202	66,643

Return on Capital Employed

2020 2019

	EUR m.	30 Sep	30 Sep
Operating income	719	7,582	16,079
Financial income	133	1,399	751
Capital employed	7,037	74,202	66,643
Return on Capital Employed		12.1%	25.3%