

Ratings

Scania (publ.) AB 'A-/A-2' Ratings Still On Watch Negative On Possible Cooperation With MAN

[Back](#)

Publication Date: Jan 24, 2007 11:36 EST

Scania (publ.) AB 'A-/A-2' Ratings Still On Watch Negative On Possible Cooperation With MAN

Primary Credit Analyst:

Werner Staeblein, Frankfurt (49) 69-33-999-130;
werner_staeblein@standardandpoors.com

Secondary Credit Analysts:

Maria Bissinger, Frankfurt (49) 69-33-999-120;
maria_bissinger@standardandpoors.com
 Andreas Zsiga, Stockholm (46) 8-440-5936;
andreas_zsiga@standardandpoors.com

Additional Contact:

Industrial Ratings Europe;
CorporateFinanceEurope@standardandpoors.com

Publication date: 24-Jan-07, 11:36:07 EST
 Reprinted from [RatingsDirect](#)

• [Current Ratings](#)

FRANKFURT (Standard & Poor's) Jan. 24, 2007--Standard & Poor's Ratings Services said today its 'A-' long-term and 'A-2' short-term corporate credit ratings on Sweden-based truck and bus manufacturer Scania (publ.) AB remain on CreditWatch with negative implications after Germany-based MAN AG (not rated) withdrew its public bid for Scania. The ratings were initially placed on CreditWatch negative on Sept. 14, 2006, after MAN announced its interest in a merger with Scania.

"Although the withdrawal of MAN's bid reduces the immediate take-over risk, we consider there remain negative credit implications from a possible friendly combination of Scania, MAN, and the heavy-truck division of Volkswagen AG (VW; A-/Stable/A-2), which could result in an entity with weaker business-risk and credit characteristics," said Standard & Poor's credit analyst Werner Staeblein. Scania's key shareholders VW and Investor AB (AA-/Stable/A-1+) have stated they are still interested in a cooperation, and Scania has also stated it would still be open to discussions.

Standard & Poor's believes that Scania's business risk profile could be weaker following a combination with MAN, particularly if Volkswagen's truck unit were included. We consider that operating efficiencies, profitability, and operating flexibility, all of which contribute considerably to our assessment of Scania's standalone business risk as strong, would be weaker following a combination of the three truck manufacturers. We continue to believe that a combined entity would have a satisfactory business risk profile.

Compared with its global peers, Scania has an outstanding profitability level and the highest degree of component commonality in the production process. Despite conceivable synergistic benefits that may result from a merger with MAN/Volkswagen Trucks, we expect that the profitability of a combined entity would initially be weaker. The likely benefits of improved customer and geographic diversification may initially not outweigh the integration risks that would eventually result from a merger of this size.

"Therefore, as long as discussions or openness to closer cooperation among the three truck manufacturers exists, there remains the likelihood that the resulting entity may have a lower business risk profile than Scania alone," said Mr Staeblein.

We expect to resolve the the CreditWatch status based on the outcome or development of any discussions among the parties involved. Remaining uncertainty about any merged entity including Scania, specifically concerning the financial structure, means that we are currently not in a position to indicate the potential impact on the long-term rating of Scania. However, the ratings would be removed from CreditWatch should there be no merger involving Scania.

Ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. It can also be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office Hotline (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4017. Members of the media may also contact the European Press Office via e-mail on: media_europe@standardandpoors.com.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.