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TRATON GROUP stabilizes business successfully in the first nine months of 2020

- **Total unit sales from January to September decline by 29% to 127,700 vehicles**
- **Sales revenue in the first nine months of 2020 totals €15.7 billion, one-fifth down year-on-year**
- **Operating loss of €58 million in the first nine months due to the COVID-19 pandemic, but a return to the black with an operating profit of €162 million in the third quarter**
- **Incoming orders from January to September decline by 14% to 145,900 vehicles**
- **TRATON CEO Matthias Gründler**: **"Our business picked up recently following the sharp market slump in the second quarter as a result of the COVID-19 pandemic. The measures we have initiated at the brand level are gaining traction and we continue to make ourselves fit for the future."**

Munich, November 10, 2020 – The TRATON GROUP felt the anticipated market decline in Europe and the effects of the global COVID-19 pandemic in the first nine months of 2020. However, the cost-cutting measures TRATON instigated early on and the recovery in the market meant that business stabilized recently, enabling the Group to post an operating profit of €162 million in the third quarter. Unit sales of the three brands Scania, MAN and Volkswagen Caminhões e Ônibus contracted by 29% to 127,700 (9M 2019: 179,100) vehicles from January to September. Unit sales for trucks (including the MAN TGE van) fell 29% to 115,800 (9M 2019: 163,300) vehicles, slightly higher than the 25% fall for buses to 11,800 (9M 2019: 15,800) vehicles.

The **decline in unit sales** in truck business (including the MAN TGE van) at the three brands Scania, MAN and Volkswagen Caminhões e Ônibus was sharpest in Europe (EU27+3) at –37%. The South American market also suffered from the consequences of the COVID-19 pandemic: The Group's unit sales of trucks shrank by 20% there. The decline in bus business was likewise stronger in Europe (EU 27+3) at –21% than in South America (–14%).

"Our business picked up recently following the sharp market slump in the second quarter as a result of the COVID-19 pandemic. The measures we have initiated at the brand level are gaining traction and we continue to make ourselves fit for the future," said **Matthias Gründler, CEO of the TRATON GROUP**.

Sales revenue of the TRATON GROUP from January to September fell 21% year-on-year to €15.7 billion (9M 2019: €19.8 billion). The **operating loss** was €58 million (9M 2019: operating profit of €1,482 million). The **operating return on sales** fell to –0.4%, compared to 7.5% in the first nine months of the prior year. **Incoming orders** decreased by 14% to 145,900 (9M 2019: 169,700) orders. The book-to-bill ratio, the ratio of incoming orders to unit sales, was 1.14 above the level of the first nine months of 2019 (0.95).

“We took stringent cost management measures early on to adapt the TRATON GROUP to the tough economic climate. We saw the initial successes from that step in the third quarter. Nevertheless, we need to keep a strict focus on reducing costs,” said **TRATON CFO Christian Schulz.** Following a sharp negative impact on the net cash flow in the second quarter due to the COVID-19 pandemic, the Group again posted a positive net cash flow of €199 million in the Industrial Business segment in the third quarter. Since the market has recovered faster than assumed, incoming orders in the third quarter rose by 19% to 58,500 (9M 2019: 49,200) vehicles.

The liquidity reserves available to the TRATON GROUP as of September 30 include cash funds of €2.2 billion as well as credit lines of €7.7 billion. TRATON SE entered into its first revolving credit line of €3.75 billion in the third quarter and will use it as a liquidity reserve for the Group and to replace part of the bilateral credit lines. As a result, TRATON is increasing its flexibility as regards financing.

The TRATON GROUP at a glance

Sales revenue in the **Industrial Business segment** in the first nine months fell by 21% to €15.4 billion (9M 2019: €19.5 billion). That was mainly attributable to the decline in new vehicle business due to the market slump. However, business with spare parts and workshop services (After Sales) proved relatively robust, decreasing by 7%. The **operating loss** in the Industrial Business segment was €140 million (9M 2019: operating profit of €1,377 million). The decline in unit sales and the measures taken in connection with the pandemic – in particular the temporary worldwide closure of our production sites in the first half of the year – had a negative impact in this regard.

The **Financial Services segment** generated sales revenue of €612 million (9M 2019: €635 million) and an operating profit of €82 million (9M 2019: €105 million). The decline was the result of lower margins, negative exchange rate effects, and higher bad debt allowances.

The operating units at a glance

Scania Vehicles & Services posted a decline in **unit sales** of 36% to 47,700 (9M 2019: 74,700) vehicles. **Sales revenue** fell by 22% to €8.1 billion (9M 2019: €10.4 billion). Its **operating profit** was €419 million (9M 2019: €1,209 million). Its **operating return on sales** was 5.2% (9M 2019: 11.6%).

MAN Truck & Bus, including the MAN TGE van, achieved **unit sales** of 53,500 (9M 2019: 76,500) vehicles, a fall of 30%. **Sales revenue** fell by 18% to €6.6 billion (9M 2019: €8.0 billion). Its **operating loss**

was €414 million (9M 2019: operating profit of €284 million). This corresponds to an **operating return on sales** of –6.3% (9M 2019: 3.6%).

Volkswagen Caminhões e Ônibus achieved **unit sales** of 26,800 (31,600) vehicles, a decline of 15%. **Sales revenue** fell by 30% to €931 million (9M 2019: €1,328 million). Its **operating loss** was €6 million (9M 2019: operating profit of €30 million). Its **operating return on sales** fell to –0.6% (2.2%).

Business performance moving ahead

Provided there is no renewed increase in the number of COVID-19 cases and no associated countermeasures are adopted by the relevant countries, and subject to the potential impact on our production and supply chains, we are assuming that our business activity will continue to recover by the end of 2020.

Due to the continuing spread of the COVID-19 pandemic and its consequences, we continue to expect a sharp downturn in new registrations of medium- and heavy-duty trucks (>6 t) for the **commercial vehicle sector** as a whole for full-year 2020 across all core regions. A very sharp decline in new registrations of buses is also expected. In the wake of the market downturn, we anticipate a sharp fall in **unit sales** for the TRATON GROUP.

In line with unit sales, we are assuming that the **sales revenue** of the TRATON GROUP and the Industrial Business segment will also decline substantially year-on-year. We are therefore expecting an **operating return on sales** for the TRATON GROUP of between –1% and +1%. For the Industrial Business segment, we are anticipating an operating return on sales of between –2% and +/- 0%. The reason for the range given lies in the risk of renewed substantial restrictions on economic activity because of rising COVID-19 cases by the end of 2020.

The projected operating return on sales does not contain any expenses for the realignment of MAN Truck & Bus. Due to the ongoing nature of the negotiations with the employee representatives, it is not possible at present to predict the timing and amount of these expenses. We are expecting a moderate decline in **sales revenue** in the **Financial Services segment** for fiscal year 2020. Because of higher bad debt allowances, we are assuming that the **operating return on sales** here will be between 11% and 15%, and hence lower than the prior-year period.

You can download the full **press presentation, the press release** and the Investor Relations presentation at: https://ir.traton.com/websites/traton/english/8900/events.html

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TRATON SE is a subsidiary of Volkswagen AG and a leading commercial vehicle manufacturer worldwide with its brands MAN, Scania, Volkswagen Caminhões e Ônibus, and RIO. In 2019, TRATON GROUP's brands sold around 242,000 vehicles in total. Its product range comprises light-duty commercial vehicles, trucks, and buses that are produced at 29 facilities in 17 countries. The company had a workforce of around 83,000 worldwide across its commercial vehicle brands as of December 31, 2019. The Group seeks to transform the transportation system – with its products, its services, and its partnership with its customers.