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TRATON GROUP outlines clear strategic Way Forward and sets ambitious target for 2024

Munich, May 18, 2022 – During today’s Capital Markets Day in Södertälje, Sweden, the TRATON GROUP outlined a clear strategic Way Forward and set an ambitious margin target for 2024. The target of a 9% return on sales for the TRATON GROUP is based on the implementation of several strategic building blocks. Higher volumes, further growth in Vehicle Services business, the successful completion of the realignment of MAN Truck & Bus as well as further efficiency gains, for example, are expected to support a higher profitability. Unit sales of the Group are expected to grow in the medium term, primarily driven by a highly competitive product and service offering, the Company’s recent entry into the North American market with Navistar, and the establishment of production in China. Captive and integrated TRATON Financial Services will be beneficial on Group level to best support future growth, new business models as well as customer requirements.

Additionally, the TRATON GROUP is gradually introducing a common modular system for trucks and buses for all its brands. In the upcoming years, vehicles from Scania, MAN, Volkswagen Caminhões e Ônibus (corporate name in the future: Volkswagen Truck & Bus), and Navistar are set to be increasingly based on the TRATON Modular System. The new modular system enables the efficient and cross-brand development, procurement, production and, above all, simple integration of various vehicle components into the respective models of the brands via standardized Group interfaces. The aim is for all TRATON brands to use more common components and parts, mainly within the powertrain, cab, software platforms, and chassis. At the same time, each brand will maintain and strengthen its identity and individual offering for the respective customer group.

Christian Levin, CEO of the TRATON GROUP: “Improved collaboration in the Group based on an intelligent application of modularization will also enable efficiency gains and cushion the investments needed and higher costs of future technologies such as electric drivetrains and autonomous driving. With our TRATON Modular System, we can solve the eternal dilemma in our industry: combining scale with a made-to-measure approach. Standardized interfaces throughout the Group will enable a much faster exchange of technology. We will be able to use identical solutions for the same needs, and thus achieve maximum customer focus and maximum price points. This approach also allows us to solve the problem of brand differentiation through balanced performance steps.”

Under the motto of Transforming Transportation, the “TRATON Way Forward” strategy focuses on three elements: Responsible Company, Value Creation, and TRATON Accelerated! The TRATON GROUP intends to become even more responsible as a company in every respect. Decarbonization and circularity will play a key role in this endeavor. The second element of the TRATON Way Forward strategy is Value Creation. It focuses on a sustained increase in value for the TRATON GROUP stakeholders. Additional sources of revenue and key markets will be tapped into to reach this goal. The third strategic element is particularly forward-looking: TRATON wants to play an active role in shaping the transportation and logistics ecosystem of the future. To do so, the Company intends to create new business models and partnerships that add value in a world marked by electrification, autonomous driving, and connectivity.

“Today, we add a fourth element to our TRATON Way Forward strategy: Strategy Execution & Governance. We will focus more on execution in the future. And we will do this with a clear brand positioning, an optimized industrial setup, and a better Holding setup. And of course, with our TRATON Modular System. Because modularization is key on our way to stronger profitability,” says Christian Levin.

Scania is aiming for a strategic return on sales of 12%, based on a unique business model, the modular system as well as a strong company culture. Not only does the brand have ambitious profitability targets, it is also fully committed to sustainability. The return on sales target is supported by the continued roll-out of the new Super-based powertrain and a higher contribution from the highly profitable service business, which also plays an important stabilizing role, especially in an economic downturn. Further important drivers are the opportunities that digitalization, data, and artificial intelligence offer. In addition, the new production site in China, whose groundbreaking ceremony Scania will be celebrating shortly, is expected to create additional volume growth momentum.

Meanwhile, the successful ongoing implementation of the realignment program lays the foundation for improving sustainable earnings power of MAN Truck & Bus and the aim to achieve a strategic return on sales of 8%. This target is supported by a fully revised product portfolio on the market together with the Vehicle Services business offering as a focus area of growth and resilience. Further leveraging the TRATON Modular System and the transition to zero-emission transport solutions and smart products will drive the MAN Truck & Bus margin development. Competitive captive finance solutions will also support the profitability improvement.

Volkswagen Caminhões e Ônibus already delivered strong return on sales in 2021 and is aiming for 8% as a strategic target. This solid profitability will be backed by strong products and volume growth with sustained leadership in the Latin American market and a further expansion of the export business. VWCO is already successful in the field of e-mobility with its e-Delivery. The expansion of the heavy-duty portfolio is expected to lead to higher margins in the future. In addition to its strategic margin target, Volkswagen Caminhões e Ônibus announced changing its

legal corporate name to Volkswagen Truck & Bus to better reflect its ambition to further internationalize the brand.

The Capital Markets Day also marks the first time the TRATON GROUP is publishing a return on sales target for its new brand, Navistar. The brand was consolidated effective July 1, 2021. Particularly with the positive effects from the utilization of the TRATON Modular System and improved dealer network performance as well as expanded Vehicle Services business and Financial Services, Navistar is targeting a strategic return on sales of 9%. The brand has the ambition to further increase profitability in the long term.

Annette Danielski, CFO of the TRATON GROUP: “With our four strong brands and their clearly defined growth strategies, we are pursuing ambitious profitability targets. Based on a well-defined and detailed set of measures and initiatives, we as TRATON’s management team are committed to delivering. In addition, we have defined a clear set of financial ambitions: we focus on sustainable profitability and on improving the resilience of our results throughout the cycles of the industry. We secure TRATON’s future competitiveness with targeted investments in common components, new business models, and new technologies while retaining a high cost discipline. And we aim to reduce net debt and strengthen our capital structure. We are making progress with the integration of Navistar and are taking the next step in our successful internationalization strategy with the establishment of production in China. The realignment of MAN Truck & Bus is progressing according to plan and will result in an improved fixed cost structure, material cost savings, and higher productivity. With this, we are confident that TRATON offers a strong value proposition for investors.”

In the future, the TRATON GROUP will make even better use of its strong competitive position and its diversified regional and brand portfolio. TRATON is operating in an attractive global growth market and profit pool. The Company is focusing its R&D budget on the most important future technologies. More than 2/3 of the total development budget is therefore allocated to new technologies and growth.

The TRATON GROUP has already successfully developed a 13-litre common base engine, the CBE. While being very efficient, it is also the Group’s best combustion engine — and its last. The profitable core business with classic internal combustion engine trucks and buses provides the financial resources for the transition to e-mobility. To leverage the benefits of the Group and its modularization strategy, the TRATON GROUP will also develop a Group-wide ACE platform for autonomous, connected, and electrified vehicles.

At the same time, captive and integrated TRATON Financial Services will be beneficial on Group level to best support future growth, new business models as well as customer requirements. As a global multi-brand captive finance company, TRATON Financial Services will leverage the brands’ existing structures. It will help customers on their journey towards sustainable transport.

The transition to e-mobility will also have a positive impact on the TRATON GROUP's Vehicle Services business. The established and technically well-equipped service network of the TRATON brands can thus tap into additional customer groups for complex repair and maintenance work. The same is true for new components such as battery systems. This is also driving a further shift of the business model from products to services. In addition, the service portfolio can be expanded, for example to include charging services, battery recycling, or service offerings based on vehicle networking. After all, the TRATON brands already have more than one million connected vehicles on the road today.

You can follow a live stream of the CMD webcast today from **14:00 CEST**:
<https://creo-live.creomediamanager.com/9a92ad04-8bee-4de8-b73b-718dd28dcd90>

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With its brands Scania, MAN, Volkswagen Caminhões e Ônibus, Navistar, and RIO, TRATON SE is one of the world's leading commercial vehicle manufacturers. Its offering comprises light-duty commercial vehicles, trucks, and buses. The Group aims to reinvent transportation — with its products, its services, and as a partner to its customers. For TRATON, sustainable economic growth always includes treating people and nature with respect. The People, Planet, and Performance triad will shape the future of our Company.

