

# TRATON

CHECK AGAINST DELIVERY

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## Speech at the Annual General Meeting of TRATON SE

**Munich, June 1, 2023**

Dear Shareholders, Ladies and Gentlemen,

Welcome to the Annual General Meeting of TRATON SE. This is the first time that we have been able to welcome you here in Munich in person since our IPO. We are very happy about that! The last few years have certainly been anything but ordinary. And 2022 was no exception: it was an extremely challenging year.

Despite all of the challenges, we at TRATON have shown that we deliver. We deliver added value for our customers. We deliver value for you, our shareholders. And we continue to deliver on our TRATON Way Forward strategy. This strategy guides us as we move toward our Company's future — a future of digitalized, sustainable transportation. We are taking steps to put ourselves in a strong position.

This also includes our TRATON Executive Board composition: Catharina Modahl Nilsson joined the Board in early April and is responsible for our Global Product Management. Dr. Michael Jackstein also became an Executive Board member in April and is in charge of Finance and Human Resources. I would like to welcome both colleagues on board and look forward to working together. I would also like to thank Annette Danielski and Bernd Osterloh, both of whom stepped down from the Executive Board at the end of March. Their dedication was instrumental in driving our Company's positive development forward in recent years.

Let's take a look at how this development is reflected in our figures for the past year. We delivered a robust performance in what was an exceptionally difficult environment.

Our incoming orders came in at around 335,000 vehicles, 7% lower than in the previous year. Why? We were very restrictive when it came to accepting new orders. This was primarily due to supply chain bottlenecks and the fact that our order books were already very well filled.

In spite of this, we managed to increase our unit sales by 12% to 305,000 vehicles. In other words, we sold over 300,000 trucks and buses in a single year for the very first time. However, our unit sales would have been down year-on-year without our new family member, Navistar. Supply bottlenecks as well as the production stop at MAN as a result of the war in Ukraine were to blame.

Our sales revenue grew almost a third in 2022 and, at €40.3 billion, topped the 40 billion-mark for the first time. By the way, our sales revenue would have been up 10% even without Navistar. We benefited from a good market and product mix, good unit price realization, and strong growth in the Vehicle Services business.

Our adjusted operating result was €2.1 billion, €472 million higher than in 2021.



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Adjusted operating return on sales was roughly on a level with the previous year at 5.1%.

We achieved these figures in spite of the impact the COVID-19 pandemic had on our supply chains. In spite of the headwinds created by the war in Ukraine. We have now sold our business in Russia. In spite of the logistics challenges, including the shortage of containers. In spite of the huge increases in the prices for raw materials, energy, and bought-in components, which also resulted in much higher costs.

How did we do it? We focused on supply chains. We focused on our customers. And we focused on price realization. Vehicle fleets are fairly old, which means a large number of vehicles need to be replaced. This keeps demand high. Older vehicles need to be serviced more frequently, which is good news for our Vehicle Services business. It contributed more than a fifth to our total revenue in 2022. Last but by no means least, our team did a fantastic job. In very difficult times. And for that, dear colleagues, I would like to say: Dankeschön, tack så mycket, thank you so much, muito obrigado!

For our shareholders, the Executive and Supervisory Boards are proposing a dividend of €0.70 per share. This proposal is a way of underlining our confidence in our strategy and thanking you for your trust.

The results we have seen in the first three months of this year further strengthen that confidence.

Our incoming orders may have been 28% lower than last year at 68,500 vehicles, but this was mainly because we were and still are restrictive in accepting new orders. Our unit sales rose by a quarter year-on-year to 84,600 vehicles as supply chains became more stable. Our sales revenue even grew 31% to €11.2 billion. We more than doubled our adjusted operating result to €935 million. And our adjusted operating return on sales in the first quarter of the year came in at 8.4%. All in all: a good performance!

So what's next for TRATON? Analysts expect markets to grow on the whole as demand remains robust but also and most importantly as supply chains continue to stabilize. Growth is expected to range from 0 to 15% in Europe and North America. We expect Latin American markets to contract by 0 to 15%, with the new emissions standard dampening growth on the Brazilian market. We are also seeing some economic risks here.

What do we believe we can do in this environment? One word: grow. We want to increase our unit sales and sales revenue by 5 to 15%. We already raised our forecast for adjusted operating return on sales to between 7 and 8% at the beginning of May. This would be a considerable increase on the 5.1% we posted last year. Our order books are well filled. In fact, we have sold most of our production capacity for 2023. At the same time, we are faced with a lot of uncertainty — political uncertainty, macroeconomic uncertainty, uncertainty in our markets. So we make sure that we can act quickly when it is necessary.

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We are confident that we will deliver. This year. And beyond. We will leverage our global footprint and fulfill our Company's purpose: Transforming Transportation Together. For a sustainable world. This is exactly what our TRATON Way Forward strategy is all about.

So what steps are we taking to make this happen? Our driving force are our shared values. They are at the heart of successful collaboration between the members of our global TRATON family. Navistar joined our family in 2021, so we took this opportunity to talk to each other about our values and redefine them. We want all of our employees to identify with these values. So what exactly are our shared values all about? Our customers come first. We treat each other with respect. We promote team spirit. We take responsibility. And we eliminate waste. These values drive us forward. They shape the way we think and act and are an important foundation for implementing our strategy.

That strategy has four pillars, which guide us as we move toward our Company's future. Let's take a look at each of these pillars.

Number one: we want to be a Responsible Company. The biggest challenge we face here is decarbonization. The transportation industry is willing and able to contribute significantly to reducing CO<sub>2</sub> emissions. More than 95% of our carbon footprint comes from our customers using our vehicles. This is why we are investing a lot of money in the research and development of alternative drives.

And we are already taking new technology to the streets: in 2022, we sold a total of 1,740 electric vehicles. And received almost 2,400 orders. Our aim is for every second vehicle we sell in Europe and the US in 2030 to be battery electric. By around 2040, we want our entire vehicle portfolio in these markets to be electric. Of course, this can only happen if the right charging infrastructure is in place.

All our brands are working hard on electrified trucks and buses. Scania has battery electric vehicles for all distribution applications in its portfolio, and demand is exceeding our expectations. This year, Scania is launching a 40-ton electric truck that can drive for 350 kilometers on a single charge. And drivers in Europe have to take a 45-minute break after driving for 4.5 hours, so 350 kilometers is more than enough. That break can then be used to charge the truck. We are also starting to produce battery packs in Södertälje. The quality of our battery cells is getting better and better. They already have a life cycle of up to 1.5 million kilometers — enough to last a truck's entire lifetime!

MAN is preparing its Munich plant for the production of heavy-duty eTrucks, which will begin in 2024. Thanks to super-fast megawatt charging, these trucks can now drive for up to 800 kilometers a day. The battery pack production we have set up in Nuremberg is an important element. We aim to be producing 100,000 packs a year starting in 2030.

For the last two years, Navistar has been manufacturing an electric model of the legendary yellow IC Bus school buses. It also has a medium-duty electric truck in its portfolio with the International eMV. VWTB is successfully expanding its customer base for the e-Delivery.

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Electric models are quickly becoming the norm for city buses. MAN received over 1,000 orders for electric buses since they went on sale. 450 of these vehicles are already being used by customers. On top of that, the Lion's City E won the international "Bus of the Year 2023" accolade at the IAA.

We also make sure that all our vehicles deliver what we promise to our customers: the MAN eTruck was part of the company's winter testing in North Sweden and proved itself in temperatures as low as minus 40 degrees. Scania recently handed over Norway's heaviest electric truck weighing 66 tons. In other words, technology is not a limiting factor for electric vehicles anymore.

The key now is to not let charging infrastructure slow us down. The European Automobile Manufacturers Association (ACEA) estimates that we will need around 50,000 charging points in Europe alone by 2030. Of course, there is no way we as manufacturers can build all of those alone. But what we can do — and are doing — is get the ball rolling. We have set up the Milence joint venture together with Daimler Truck and the Volvo Group. Between us, we are investing €500 million. And we are building at least 1,700 public charging points designed specifically for heavy-duty long-haul trucks and coaches. This shows that we are fully committed to the Paris Climate Agreement. What we need now is the support of policymakers.

At the same time, when it comes to sustainability, we are already thinking beyond the use of our vehicles. Our next task is to decarbonize supply chains. This is another area where Scania is leading the way in our industry. We want to only use green batteries, green steel, green aluminum, and green cast iron in Scania's production by the end of the decade. MAN intends to halve the CO2 emissions from its production by 2025 as against 2015 and reduce them by 95% by 2030.

There is no doubt in our minds: taking responsibility as a company is not an end in itself. It is the only way we can be successful.

This brings me on to the second pillar of our strategy: Value Creation. We have set ourselves an ambitious return target. Our aim is a 9% return on sales for the TRATON GROUP in 2024.

A key factor in achieving this target but also and especially for our Company's success in the years to come is the TRATON Modular System. We are developing this system for all key components in our vehicles, from chassis, electrics, and software architecture all the way to drive systems. Since the interfaces are standardized, we can develop and use these components across all our brands.

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Our new 13-liter Common Base Engine, or CBE for short, shows how strong we are when our brands work together. With more than 80% common components, it allows us to leverage an enormous synergy potential. This is because the powertrain accounts for over half of a truck's costs. Production began last year at Scania, and customer feedback has been great. The Scania Super allows them to save 8% of fuel compared to an engine from a previous generation. Our CBE is also well received by the trade press: we were the clear winner of the prestigious 1000-points test in 2022.

Navistar presented the CBE in the US in August 2022. It's also causing quite the stir on the other side of the Atlantic: when specified with its aerodynamics package, the new International LT is up to 15% more fuel efficient with the CBE than with Navistar's previous engine. No wonder demand is so high! MAN is set to use our new engine in its vehicles at the end of next year. A new production hall is currently being built for the CBE in Nuremberg. VWTB is expected to follow suit around 2028.

When we talk about Value Creation, we of course need to mention the MAN restructuring. The measures we have taken are paying off: despite the production stops last year, MAN posted a positive operating result. This shows that we have made the MAN brand a lot more resilient. It also recorded an operating return on sales of 5.8% in the first quarter of this year. It's been a while since we've seen these kinds of figures! And it was not just the result of the restructuring. It was also driven by factors such as better unit price realization and better margins in both the Vehicle Services business and the business with engines. A year ago at the Capital Markets Day, we confirmed a strategic return target for MAN of 8%. These positive developments are putting that target within reach. We are moving in the right direction. But we are far from where we want to be: a number of measures to optimize earnings still need to be implemented.

First and foremost, we need to wait for the restructuring to have the desired effect. Its positive impact was already noticeable in the first quarter of 2023. It will only get stronger as the year goes on. One of the restructuring measures was optimizing the truck production network between Krakow and Munich. Another was relocating engineering capacity to Pune and Ankara. Downsizing and relocating production from high- to low-cost countries are also putting MAN on track when it comes to cost saving. The brand is on target in this area. We expect the full effect of the restructuring to be reflected in our income statement during the second half of 2023. The realignment of MAN's production network was a key element of the restructuring. The Krakow plant is now operating in three shifts. MAN will be producing two thirds of all its trucks in best-cost countries as of the fourth quarter. At the same time, this frees up capacity for the Munich plant to produce diesel trucks alongside electric ones in the future.

In addition, we have initiated improvements for MAN's bus business. These are now beginning to take effect and helping us to improve earnings in this area in the long run. They include balancing production better between the two bus plants in Starachowice and Ankara.

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Last but not least, we are creating value by expanding to new markets. We are working to set up our own production in China, the world's biggest market for commercial vehicles. With a license to produce up to 50,000 vehicles a year. Production is scheduled to start in 2025. VWTB is also expanding its production to other countries and entered into a production partnership in the Philippines last year. Vehicles will also be produced in Argentina from next year onward. VWTB is now exporting to over 30 different markets.

As you can see: we are setting the pace in the race for the future of transportation. This is reflected in the name of the third pillar of our strategy: TRATON Accelerated!

It encompasses the many measures we are taking to build a pioneering logistics ecosystem. Digitalization plays a central role in this. Scania, for example, presented its new My Scania portal at the IAA. This portal connects all Scania services — from traditional fleet management to tachographs and booking workshop visits. The Scania driver app is a fitting addition. The next stage will follow next year, when Scania brings out the Smart Dash digital cockpit for its trucks and buses. The cockpit is based on a modular electronics architecture and combines all the information relevant for the vehicle on *one* screen.

MAN also has a lot to offer when it comes to digitalization. It is the first manufacturer to provide a digital platform for all payment processes relating to commercial vehicles: SimplePay. The first step will allow customers to use their vehicle as a digital wallet when stopping for fuel or paying tolls. Initial pilot projects are underway in the United Kingdom in cooperation with partners.

Computer performance and artificial intelligence are moving forward rapidly, helping us to gain ground in another important area: autonomous driving. Scania is trialing automated vehicles for regular transportation of goods by road as well as autonomous 40-ton mining vehicles, both with promising results. MAN is involved in several research projects, for example investigating the use of autonomous trucks on highways or at logistics hubs and analyzing how city buses can operate in complex urban traffic. North America is likely to be the first market to see autonomous vehicles in real-life operation. Navistar is working on tailor-made solutions for this region. VWTB is focusing on solutions for the Latin American market. It presented self-driving vehicles to harvest sugarcane last fall. Although it will take a while for autonomous trucks and buses to become a common sight, we are steadily moving forward. One step at a time.

And we will have another ace up our sleeves to give our customer access to new technology with TRATON Financial Services. We launched our global financial services unit at the beginning of April. We will be building on the highly successful Scania Financial Services business, which we have brought under the TRATON Financial Services umbrella. From the fourth quarter of 2023, TRATON Financial Services will fully take over Navistar's financial services, most of which are currently managed by a finance partner. MAN and VWTB, whose financing business is still run by Volkswagen Financial Services AG, are set to follow suit.

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Our customers' needs are changing, and finding the right financial services for them will become even more important in the future. For example when it comes to switching to electric vehicles or to transport-as-a-service models. TRATON Financial Services will support our growth with new business models and allow us to play an active role in shaping the logistics of the future.

As you can see, we've got big plans. And we are already starting to deliver on them! This is what the fourth pillar of our strategy is all about: Strategy Execution & Governance.

A lack of competence has never been our problem. What has often been problematic is time-consuming alignment between our brands. This is why we are now focusing on systematic, targeted execution. Instead of doing the same thing twice, we are leveraging synergies and becoming more efficient. We are harnessing our ability to innovate. In all of this, we are preserving the identities of our brands. To make this work, we are simplifying the Group's structures, promoting collaboration, and directing our resources to where they would generate the most profit.

As part of this process, we have set up new central functions: I've already mentioned that Catharina Modahl Nilsson is responsible for Global Product Management on our Executive Board. Her team's job is to analyze both the needs of our customers and the demands of our brands so that we can then develop the right technical solutions. Across all brands and applications and never losing sight of our modular system. Anders Williamsson is heading Group R&D Operations. This central research and development department brings together all of our Group's engineers, of which there are currently around 10,000. Our Global Procurement function under the guidance of Murat Aksel is also ensuring that we are able to leverage synergies. Last but not least, Stefan Palmgren is responsible for our Global Production. He is in charge of optimizing the use of our footprint. These new functions play a decisive role in driving our TRATON Modular System forward. All our brands have individual strengths. The new setup will allow us to harness these strengths to create a global team.

What does the TRATON Way Forward mean? It means that TRATON is brimming with potential. As a responsible company. Creating sustainable value. And accelerating new business models. We had a lot of obstacles to overcome in the past year. We delivered in spite of those obstacles: we are launching electric vehicles. We are developing pioneering logistics solutions. We are creating a powerful TRATON organization. And we are well on our way to achieving our target return of 9% for the Group next year.

Get excited for what our team will accomplish in the coming months and years. I hope we can continue to count on your support.

Thank you very much.