

# TRATON

CHECK AGAINST DELIVERY

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## Speech at the Annual General Meeting of TRATON SE

Munich, June 9, 2022

Dear Shareholders, Ladies and Gentlemen,

A warm welcome, herzlich willkommen, välkommen, bem-vindo. Welcome to the Annual General Meeting of TRATON SE. You can already tell from that welcome: TRATON is more international than ever. And so is its Executive Board. I am proud I was offered the role of CEO in a Group that has so much potential. And I would also like to welcome my fellow new Board members: Annette Danielski, our Group CFO, Alexander Vlaskamp, CEO of MAN, and Mathias Carlbaum — CEO of Navistar. Together, we're a truly business-oriented team with vast global experience in the commercial transport industry. And we have a clear vision of our way forward as a company.

2021 once again saw us take key steps to make this vision a reality. First and foremost, I'm talking about the complete takeover and consolidation of Navistar almost exactly a year ago. I would like to thank my predecessor, Matthias Gründler, for making it happen. Step by step, we are making progress on our important mission: Transforming Transportation. You all know that TRATON was born in times of profound change for our industry — change that continues to this day. This meant we had to deal with a lot of unanswered questions in the beginning:

- How do we position ourselves as a Group?
- How do we make our brands stronger and at the same time make sure we collaborate as efficiently as possible?
- How do we gain access to the world's most important profit pools?
- Which future technologies have the most potential?
- And finally, what is our approach to connected and automated vehicles?

Since then, we have found our answers to these questions. The time has come to execute our plans. In doing so, we will make sure we are responsible, consistent, and create value. These principles are at the heart of our new TRATON Way Forward strategy. Before I explain it in more detail, let's look at our key figures for 2021.

There were two very different sides to 2021: on the one hand, we saw a significant recovery in the commercial vehicle markets in the first six months of the year after the COVID-19 pandemic had hit our industry hard in 2020. On the other, the second half of the year was overshadowed by challenges in our supply chains, especially for semiconductors. This was not made any easier by the prices for raw materials, which continued to skyrocket.

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Despite all these challenges, we saw our business grow in 2021:

- Our incoming orders increased by two-thirds to around 360,000 vehicles.
- Our unit sales were up 43% at 271,600 vehicles.
- Our sales revenue was 36% higher at €30.6 billion.
- We recorded an adjusted operating result of €1.6 billion.
- Our adjusted operating return on sales was 5.2%.

These figures did include Navistar's earnings from July 1, 2021. But let me make one thing clear: we would have grown regardless. All our brands performed well in 2021. And I want to thank my colleagues around the globe: thanks to you, we have fought our way back through the pandemic to deliver on our customer promises. You never stop finding ways to ease the strain on our supply chains. And you are giving your all to keep our Company fit for the future.

I also want to thank you, our shareholders, for placing your trust in us. We want you to have a share in the progress of TRATON's business, which is why our Executive and Supervisory Boards are proposing a dividend of €0.50 per share.

Moving forward, how is our business doing this year? Indeed, things have not become any easier. If anything, we are facing even more challenges. Especially because of the war in Ukraine. From a humanitarian perspective, the situation there is unbearable. For our business, it is a heavy burden. Truck assembly lines at MAN stood still for six weeks because of a shortage of cable harnesses. We are also still feeling the impact of different supply shortages. Despite all that, 2022 got off to a reasonable start for our Company:

- Our order books are full. We received orders for around 95,600 vehicles in the first quarter of 2022, so our incoming orders grew 17%.
- Our unit sales increased by 12% to around 67,800 vehicles.
- At €8.5 billion, our sales revenue was 30% higher.
- Our adjusted operating result only dropped by €114 million to €402 million. Even though we faced severe headwind: supply chain bottlenecks, the Ukraine war, and increased prices for raw materials and freight.
- We recorded an adjusted operating return on sales of 4.7%.

Our strong service business is an enormously strong asset. And increasing our global footprint with Navistar is already paying off.

We currently expect a solid performance across our markets in 2022, although slightly weaker than anticipated at the start of this year: we assume growth of 0 to 10% for the market in

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Europe. Expectations for the Latin American market are between -5 and +10%. Forecasts for the North American market range from stability to growth of 15%. Against this backdrop, we expect a significant increase in our unit sales and a very significant increase in our sales revenue. Adjusted operating return on sales is likely to be between 5 and 6%.

Still, there is no doubt in our minds: we want sustainable success. That's how we will shape the transportation of the future. Last year, we reached a key milestone of our Global Champion Strategy. We were able to gain a strong foothold on the North American market with the Navistar acquisition. The Class 6-8 truck market in the US and Canada is one of the most important profit pools in our business, with more than 400,000 vehicles sold in strong years.

Navistar is a good fit for the TRATON family: we now have a comprehensive portfolio of medium- and heavy-duty trucks for North America. In the US and Canadian markets, we are the leading manufacturer of the yellow school buses we all know and love. And we have a great asset in our sales and service network, which is the largest in North America.

The Navistar acquisition also marks the start of our new strategy. We already presented the outline of this strategy to you at the Annual General Meeting last year. It's called the TRATON Way Forward. With it, we aim to take the next steps and position ourselves in a way that makes us successful in a new era of transportation. The TRATON Way Forward is our answer to the strategic questions of the years to come:

- How do we implement a sustainable business model and take social responsibility?
- How do we create more value for our stakeholders?
- And how do we accelerate our development of new business models and partnerships?

As we implement tactics to answer these questions, we are focusing even more on the execution of our plans: we know exactly where we want to go. We are now consistently taking the steps that will get us there. Let me give you a few examples.

It is a major responsibility of the commercial vehicle industry to enable carbon-neutral transportation. We will be a driving force behind this development. We are confident: battery electric drivetrains are the best solution for heavy-duty commercial vehicles, too. By 2025, we already expect them to have a better total cost of ownership than their diesel counterparts.

With this in mind, we have massively increased our budget for e-mobility development: we will invest a total of €2.6 billion by 2026. At the same time, we are reducing our development spend on combustion engines. We already expect roughly every second vehicle we sell in 2030 to be

battery electric. By 2040, battery electric vehicles are likely to make up most of our unit sales in our core markets.

All our brands are building the foundation for this. Scania and MAN have already had their CO<sub>2</sub> reduction targets validated by the Science Based Targets initiative. Navistar and our Volkswagen Caminhões e Ônibus brand, which was recently renamed Volkswagen Truck & Bus, are in the process of doing the same. Scania also joined *The Climate Pledge* initiative last year. This means already reaching net-zero carbon emissions by 2040. Scania only recently received an order for 100 electric waste collection trucks for the City of Copenhagen. And in Sweden, we are showing that electric vehicles fare well under extreme conditions. One example is our battery electric 80-ton timber truck. Next year, we will begin producing battery packs designed specifically for heavy-duty commercial vehicles in Södertälje.

MAN is starting to produce battery electric trucks a year earlier than planned. The first e-trucks will roll off the production line in Munich at the start of 2024. We have already signed 700 delivery contracts for the zero-emission Lion's City E bus since it launched two years ago. In addition, both Scania and MAN are researching hydrogen drive systems for niche applications.

Series production of the e-Delivery truck began one year ago at our plant for VW trucks in Brazil. The first 100 units sold out within four weeks. Beverage manufacturer Ambev alone wants to add 1,600 of our electric distribution trucks to its fleet by 2025. Navistar has an electric truck in its medium-duty lineup with the eMV. And it has already received 100 orders for the electric CE school bus.

Zero-emission commercial vehicles are coming — there is no question about that. Last year, we already sold more than 1,000 electric vehicles. Incoming orders stood at over 1,700 vehicles. Customer interest is growing. We have already introduced many products on the market and are constantly expanding our portfolio.

The greener our vehicles become, the bigger the spotlight on another goal of our sustainable business model: circularity. Why? Because zero-emission vehicles shift the main bulk of our carbon footprint from the customer use phase back to production. We have to reflect this in our research and development. It affects every stage of our supply chains and reaches all the way down to our services.

All our brands already have a range of approaches in place to reuse parts and materials. Creating a comprehensive circular economy is a marathon, not a sprint. And we are tackling this crucial issue head-on.

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We are also taking responsibility over and above our products. Scania and MAN have been members of the UN Global Compact for many years. This is the world's biggest and most important initiative for responsible corporate governance. TRATON joined the initiative in November, and Volkswagen Truck & Bus followed in March. In addition, we are constantly evolving our company culture. As we expand our global footprint, our focus on diversity and inclusion provides us with great opportunities.

The second aspect of our strategy: we will generate long-term value. This means: striving for higher unit sales. At optimized costs.

First of all, we are creating value through the high performance of our brands. For each of them, we have set a clear strategic target return. Our objective for TRATON as a whole is an operating return on sales of 9% by 2024. The MAN restructuring is an important stage of this process. The company recorded solid earnings in a difficult first quarter. So, we are on the right track. MAN has already become a lot more resilient.

We are also creating value through efficient collaboration. Our TRATON Modular System is at the heart of this process. This means: identical solutions for the same customer needs — for all our brands. At the same time, we are offering clear performance steps and a clear brand differentiation. These help us to make our development more efficient. And to make pioneer technology more readily available to the entire Group. We have defined standardized interfaces to simplify the transfer of technology.

Case in point: our Group common base engine platform — the last combustion engine we have developed. All our brands played a part in this — we're talking harnessing more than 300 years of combined diesel competence. And it shows: our new 13-liter engine is so fuel-efficient that it has already received special recognition in the trade press. Scania is installing it in its vehicles starting this year. It has around 8% better fuel efficiency than its predecessor. A giant leap in the transportation industry. We will have launched this top-of-the-range engine platform across all our brands by 2028. This will also allow for enormous efficiency gains in our production: a good 80% of all parts are identical. And remember, an engine makes up 60% of a truck's costs. All TRATON brands will use components from our common modular system in the future — from drivetrains to driver cabs, software platforms, and chassis.

Last but not least, we are creating value by tapping into new sources of revenue. China is the world's largest market for heavy-duty trucks. More than half of all trucks over 15 tons were sold to customers in China in 2021. Something that's interesting for us is that they are expecting more and more in terms of efficiency, quality, and safety. This creates opportunities — and we will be grabbing them with both hands: Scania is about to become the first Western truck



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manufacturer to have its very own production in China. Tomorrow is the groundbreaking ceremony for our new plant in Rugao.

The third aspect of our strategy is called TRATON Accelerated. We are accelerating our forward-looking business models and partnerships. With them, we are shaping the transportation of tomorrow.

Our planned joint venture with Daimler Truck and Volvo is one example of how we are going about it. When it comes to our products, we are competitors. When it comes to charging stations for electric vehicles, we are about to become partners. We all know that infrastructure is the key to bringing carbon-neutral commercial vehicles to market quickly and successfully: city buses can charge in depots. Electric city buses already had a market share of over 10% in Europe last year. By the way, we were able to grow our share of this market: from just under 2% in the first quarter of 2021 to 7% in the first quarter of this year. On the other hand, electric trucks only made up 0.5% of the overall European market in 2021. What they are still missing is high-performance charging infrastructure.

We are working to change that. Together with our partners, we want to build at least 1,700 high-performance charging points for heavy-duty trucks in Europe in the next five years. These will run on green electricity. Together, we are investing a total of €500 million to bring this venture to life. But we also need policymakers on our side. And we should not lose momentum by trying to do everything at once: right now, battery electric vehicles have the most potential. This is why we should first build more charging stations for these vehicles.

Autonomous driving is also key for our way forward as a company. We have been putting a Scania truck through its paces on the E4 highway in Sweden almost every day since early 2021. Together with our partner TuSimple, we are seeing how this Level 4 automated vehicle performs on a stretch of around 70 kilometers. And we have now received a license to extend this autonomous piloting to smaller roads. MAN and its partners are also working on highly automated trucks. Among other things, the intention is to create a concept for operating automated trucks on highways by the middle of this decade. Together, we will be working on a Group-wide platform for our autonomous, connected, and electrified trucks of the future as part of our TRATON Modular System.

As these vehicles become more prominent, so does our service business. It already plays a stabilizing role in our cyclical industry. We will be expanding our services over the coming years — from charging strategies for fleets and battery recycling all the way to a range of vehicle connectivity services. Last year, for example, our RIO digital brand took over Loom, a software company. With its Cartright cloud-based system, we now offer an end-to-end solution for

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transport and order management. We are also creating captive financial services. As a global multi-brand finance company, TRATON Financial Services will help our customers on their journey towards sustainable transport.

The TRATON Way Forward is a powerful strategy. At the same time, even the best strategy won't get you far if all it has to offer are pretty PowerPoint slides. This is why I find one aspect especially important: a razor-sharp focus on execution. We have made execution an explicit and integral part of our strategy. It's something we call Strategy Execution and Governance.

You will also find this focus reflected in our structures. We are building a matrix organization for both product management and in-house development. This new matrix organization and the TRATON Modular System guarantee that we never lose sight of what customers across all our brands really need. That we are giving them the right solutions quickly and efficiently. And that we are making these solutions significantly more cost-efficient to integrate.

Ladies and Gentlemen, what does the TRATON Way Forward mean? It means that we have set ourselves clear targets. And we are consistently taking the steps needed to reach them. Thanks to our new matrix organization and the TRATON Modular System, our brands' collaboration will become more efficient, while a sharper focus on what our customers need will improve their competitiveness. We offer our customers a very attractive portfolio — this is how we will grow. We have a clear roadmap for our electrified, connected, and automated commercial vehicles. We are optimizing our cost basis and creating long-term value. And we are developing new business models for the transportation of tomorrow.

The TRATON Way Forward is our roadmap for a successful, sustainable future. And I hope we can continue to count on your support as we move forward.

Thank you very much.

