TRATON

2021

HALF-YEAR FINANCIAL REPORT

SCANIA / MAN / Caminhões Ônibus / NAVISTAR / RIO

All-electric truck ready for series production

Our cover shows Ana Fachardo, electronic controls engineer at Volkswagen Caminhões e Ônibus. Behind her is the new e-Delivery — the first electrically powered distribution truck to begin series production in South America. Next to Fachardo is the 26-year-old's most important tool: her laptop. The engineer used it to repeatedly modify and further optimize the software at the heart of the e-Delivery's control unit — sometimes even directly on the test track.

Fachardo monitored the software and controls of the e-Delivery prototype vehicles during zero-emission tests conducted by its pilot customer Ambev, a Brazilian brewery, over a distance of more than 400,000 kilometers. Even when production at the Resende plant was temporarily on hold during the coronavirus pandemic, she remained at the factory. Ambev has since registered 1,600 purchase options for the e-Delivery. The first 100 vehicles are already scheduled to be delivered to the beverage manufacturer this year. A success that shows the way forward, just in time for the brand's 40th birthday.

Find out more at:
➔ **traton.com/e-truck-series**

“Our brands’ attractive portfolio helped the TRATON GROUP to achieve outstanding incoming orders in the first six months of the year — a strong foundation for a successful fiscal year 2021.”

MATTHIAS GRÜNDLER,
CEO of TRATON SE

EXECUTIVE BOARD

CHRISTIAN SCHULZ

Member of the Executive Board of TRATON SE, responsible for Finance and Business Development

CHRISTIAN LEVIN

Member of the Executive Board of TRATON SE, Chief Executive Officer of Scania

MATTHIAS GRÜNDLER

Chief Executive Officer of TRATON SE

ANTONIO ROBERTO CORTES

Member of the Executive Board of TRATON SE, Chief Executive Officer of Volkswagen Caminhões e Ônibus

BERND OSTERLOH

Member of the Executive Board of TRATON SE, responsible for Human Resources

DR. ING. H.C. ANDREAS TOSTMANN

Member of the Executive Board of TRATON SE, Chief Executive Officer of MAN

H1 2021

2 SEGMENTS

The business activities of the TRATON GROUP are divided into the two segments Industrial Business and Financial Services. The Industrial Business segment combines the three operating units MAN Truck & Bus, Scania Vehicles & Services, and Volkswagen Caminhões e Ônibus. The Financial Services segment offers customers a broad range of financial services, including dealer and customer financing, leasing, and insurance products.

17 COUNTRIES

The TRATON GROUP offers light-duty commercial vehicles, trucks, and buses at 29 production and assembly sites in 17 countries.

29 LOCATIONS

€419 MILLION

sales revenue in the Financial Services segment

€13,404 MILLION

sales revenue in the Industrial Business segment

84,115 EMPLOYEES

The TRATON GROUP employs around 84,115 employees worldwide across its commercial vehicle brands (as of June 30, 2021).

AT A GLANCE

Adjusted operating result around €1.3 billion higher at

€1.1 billion

Increase in adjusted operating return on sales to

8.3%

Sales revenue rose by 35% to around

€13.6 billion

Unit sales of trucks and buses up 63% at

126,450 vehicles

Incoming orders up by

96%

TRATON GROUP

Trucks and buses (units)	H1 2021	H1 2020	Change	Q2 2021	Q2 2020	Change
Incoming orders	170,946	87,431	96%	89,204	33,270	168%
Unit sales	126,450	77,738	63%	66,135	31,748	108%
of which trucks[1]	119,947	70,489	70%	62,725	28,529	120%
of which buses	6,503	7,249	–10%	3,410	3,219	6%
TRATON GROUP						
Sales revenue (€ million)	13,621	10,073	35%	7,076	4,394	61%
Operating result (€ million)	455	–220	676	301	–382	682
Operating result (adjusted) (€ million)	1,128	–220	1,348	612	–382	993
Operating return on sales (in %)	3.3	–2.2	5.5 pp	4.2	–8.7	12.9 pp
Operating return on sales (adjusted) (in %)	8.3	–2.2	10.5 pp	8.6	–8.7	17.3 pp
Earnings per share (€)	0.69	–0.54	1.23	0.43	–0.74	1.17
Employees[2]	84,115	82,567	1,548	84,115	82,567	1,548
Industrial Business						
Sales revenue (€ million)	13,404	9,854	36%	6,966	4,290	62%
Operating result (€ million)	355	–265	620	251	–400	652
Operating result (adjusted) (€ million)	1,028	–265	1,292	562	–400	962
Operating return on sales (in %)	2.7	–2.7	5.3 pp	3.6	–9.3	12.9 pp
Operating return on sales (adjusted) (in %)	7.7	–2.7	10.4 pp	8.1	–9.3	17.4 pp
EBITDA (adjusted) (€ million)	1,934	315	1,619	1,051	–99	1,150
Primary R&D costs (€ million)	619	558	11%	325	273	19%
Capex (€ million)	345	438	–21%	185	220	–16%
Net cash flow (€ million)	527	–347	874	130	–179	309
Net liquidity/net financial debt (€ million)[2]	578	27	551	578	27	551
Financial Services						
Sales revenue (€ million)	419	413	1%	214	197	9%
Operating result (€ million)	100	44	55	49	19	31
Net portfolio (€ million)[2]	10,289	9,520	769	10,289	9,520	769

1 Including MAN TGE vans (H1 2021: 11,282 units; H1 2020: 6,355 units; Q2 2021: 5,378 units; Q2 2020: 2,927 units)

2 As of June 30, 2021, and December 31, 2020

CONTENTS

TRATON SE's half-year financial report meets the requirements set out in the applicable provisions of the *Wertpapierhandelsgesetz* (WpHG — German Securities Trading Act) and, in accordance with section 115 of the WpHG, comprises the condensed half-yearly consolidated financial statements, the interim Group management report, and a responsibility statement. This Half-Year Financial Report should be read in conjunction with our Annual Report for fiscal year 2020, which contains a comprehensive description of our business activities.

Our Half-Year Financial Report contains certain forward-looking statements for the remaining months of fiscal year 2021. A range of known and unknown risks, uncertainties, and other factors may result in the actual results, financial position, development, or performance of the TRATON GROUP differing materially from the estimates given here. Such factors include those that TRATON has described in published reports. These reports are available on our website at **www.traton.com**. The Company does not assume any obligation to update such forward-looking statements or to adapt them to future events or developments.

All figures shown are rounded, so minor discrepancies may arise from addition of these amounts. Comparable figures for the prior-year period are presented in parentheses alongside the figures for the fiscal year under review.

TO OUR SHAREHOLDERS

TO OUR SHAREHOLDERS

TRATON on the Capital Markets

Stock markets on the road to recovery

The global stock markets continued to exhibit a high level of volatility in what was once again an unusual first six months of 2021. However, they did continue the recovery that began after the 2020 "COVID crash" and, in some cases, raced from record to record.

In the first half of 2021, massive monetary and fiscal policy measures in an amount that was previously unheard of continued to support financial markets. In the meantime, successes achieved in tackling the pandemic, including increased availability of vaccines against the SARS-CoV-2 virus, enabled a further upturn in economic activity. In its "World Economic Outlook" published in April, the International Monetary Fund (IMF) is also forecasting a 6.0% increase in global economic activity in 2021 following the sharp (–3.3%) recession caused by the COVID-19 pandemic in 2020.

Investor hopes that the crisis would be overcome and that the global economy would return to growth were buoyed by a more rapid economic recovery so far than had been assumed and by surprisingly positive quarterly corporate results. Sentiment on the global equity markets continued to brighten, especially in the second quarter of 2021. Major stock indices reached new all-time highs in Europe and the USA. However, volatility on the global equity markets remained high over the course of 2021. One reason for this is the continued tremendous uncertainty about the future development of the COVID-19 crisis due to the growing number of virus variants. The increasingly stressed supply chains are another reason.

The Stoxx Europe 50, which is the index of the largest listed European companies, rose by 13.0% in the first six months of 2021. The Dax, Germany's benchmark index, was up 13.2%. The SDax, which comprises the 70 largest companies in Germany outside the Dax and the MDax, grew by 8.5%. The Stoxx Europe 600 Industrial Goods & Services (SXNP) index, whose members are the largest listed European companies in the industrial goods and services sector, rose by 15.9% in the first six months of 2021.

TRATON share price posts gains in the first half of 2021

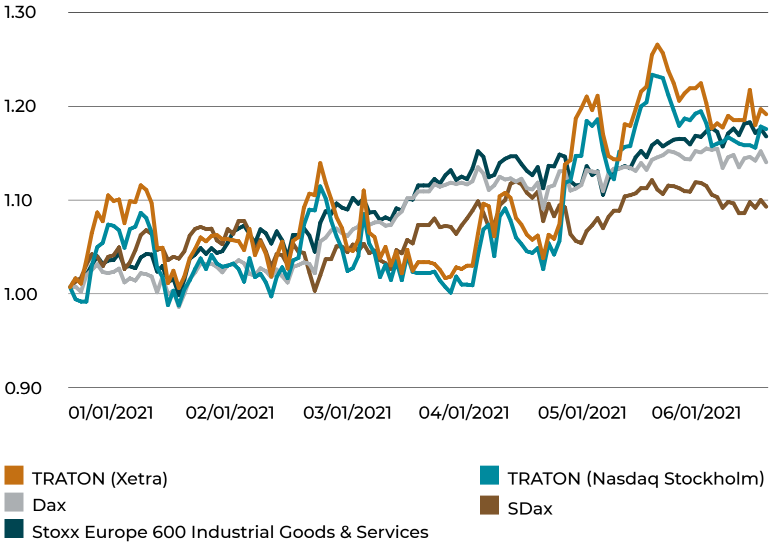
TRATON SE shares broadly tracked the equity indices in the first months of 2021 in a volatile but improved stock market environment. A better than expected market development and confirmation of signs of a sustainable increase in business in the first quarter led to the announcement of financial figures for the first three months of 2021 that exceeded market expectations. Together with positive analyst comments — including in the run-up to the merger with US commercial vehicle manufacturer Navistar, completed at the beginning of July — and positive sentiment on the global stock markets, this spurred on the share price starting in May. The TRATON share price reached new all-time highs as a result.

TRATON shares were priced at €26.74 and SEK 272.60 on June 30, 2021. This resulted in an increase of 18.3% and 16.7% in the share price compared with the end of 2020. TRATON shares on the Frankfurt Stock Exchange thus performed 2.4% better than the Stoxx Europe 600 Industrial Goods & Services and 9.8% better than the SDax.

TRATON SE's market capitalization at the end of the first six months of 2021 was €13.4 billion. The free float calculated in accordance with the criteria used by Deutsche Börse stood at 10.28% on June 30, 2021. The largest single shareholder is still Volkswagen Finance Luxemburg S.A., Strassen, Luxembourg, a Volkswagen Group company, which holds 89.72% of the share capital.

Currently, 18 financial analysts cover TRATON shares. At the end of June 2021, eight analysts voted for "Buy," seven for "Hold," and one for "Sell."

TRATON SHARE PRICE PERFORMANCE IN THE FIRST HALF OF 2021 COMPARED WITH SELECTED INDICES SINCE JANUARY 1, 2021 (INDEXED)



Market environment for corporate bonds

The first half of 2021 was marked by an attractive capital market environment for corporate bonds. Despite rising euro benchmark interest rates, companies were able to obtain financing at interest rates that were still relatively favorable by historical standards. Alongside the existing risks from the COVID-19 pandemic, the rate of inflation edged up in the first half of the year. To prevent any risks from rising bond yields to the upturn in the eurozone, the European Central Bank increased the speed of its bond purchases in the second quarter as part of its monetary policy measures.

TRATON's ratings

TRATON SE has had an issuer rating from Moody's Investors Service (Moody's) and S&P Global Ratings (S&P) since June 17, 2020.

Moody's confirmed its Baa1 rating (negative outlook) on March 16, 2021, following the publication of the results for fiscal year 2020. After the successful merger with Navistar, Moody's reiterated its Baa1 assessment (negative outlook) on July 1, 2021.

S&P confirmed its BBB rating on April 29, 2021, but raised the outlook from negative to stable because of an improved outlook for Volkswagen AG's rating. Following the merger with Navistar, S&P reiterated its current rating and outlook on July 9, 2021.

RATINGS (AS OF JUNE 30, 2021)

	Moody's	S&P
Ratings	Baa1	BBB
Outlook	negative	stable

TRATON SE successfully places its debut *Schuldscheindarlehen*

TRATON SE successfully placed several *Schuldscheindarlehen* (medium- or long-term loans granted against a note issued by the borrower) in the total amount of €700 million at the beginning of March 2021. The individual *Schuldscheindarlehen* have terms of three, five, and seven years, and have been offered in both fixed and floating-rate formats. A group of around 100 international investors made the loans available.

Similarly to the debut syndicated credit facility in 2020, the *Schuldscheine* also include sustainability criteria (ESG-linked pricing). TRATON is therefore underlining its commitment to sustainability topics and the high importance of sustainable business performance.

You can find further information about the outstanding *Schuldscheine* on our Investor Relations website in the **"Debt & Rating"** section.

European Medium Term Notes program launched

TRATON has had a European Medium Term Notes program since March 12, 2021. The €12.0 billion capital market issuance program enables TRATON to raise capital on the debt markets flexibly and efficiently. In addition to TRATON SE, our indirect subsidiary TRATON Finance Luxembourg S.A. can also issue bonds under the program. TRATON SE and TRATON Finance Luxembourg S.A. are using the issuance program to raise capital for general corporate purposes, and the capital raised will be used as needed within the TRATON GROUP.

TRATON celebrates bond market debut with a bond transaction

TRATON issued senior notes with a total volume of €3.5 billion in its bond market debuts at the end of March and mid-June 2021. There were a total of four fixed tranches of €500 million to €1.25 billion, with coupons of 0.000 to 1.250% and maturities of three, four, eight, and twelve years. The bonds were issued by TRATON Finance Luxembourg S.A. and were listed on the Regulated Market of the Luxembourg Stock Exchange.

You can find further information about the outstanding notes on our Investor Relations website in the **"Debt & Rating"** section.

TRATON's investor relations activities

We again further intensified and expanded our investor relations activities in the current year. We provided timely information to institutional investors and analysts, as well as retail investors, about current topics and the TRATON GROUP's business performance and its strategic focus. Despite the pandemic-related restrictions, we also held continuous talks with institutional investors and analysts in the course of virtual roadshows and virtual investor conferences in Europe and the USA.

As in the previous year, TRATON SE held its Annual General Meeting without any shareholders or their representatives being physically present in Munich on June 30, 2021. Around 280 shareholders attended the virtual meeting of shareholders.

TRATON's investor relations information

Further information about TRATON shares, TRATON's bonds, and TRATON's rating, as well as financial news, financial reports, presentations, information about the Annual General Meeting, and contact details can be found on our investor relations website at **https://ir.traton.com**.

KEY PERFORMANCE INDICATORS FOR TRATON SHARES

	06/30/2021	06/30/2020
Earnings per share in € (diluted/basic)	0.69	–0.54
Xetra closing price (€)	26.74	17.39
Nasdaq Stockholm closing price (SEK)	272.60	184.00
Number of shares (million)	500	500
Market capitalization (€ billion)	13.4	8.7

Highlights in the First Half of 2021

The first half of 2021 in the TRATON GROUP was dominated by two major topics: the increased commitment to electric mobility, with the aim of becoming an electric leader in the commercial vehicle industry. And the merger with Navistar, which gives the TRATON GROUP access to the important North American market and represents a key milestone on our path to becoming a Global Champion.

After receipt of the final approvals at the end of June, the merger of the TRATON GROUP with US commercial vehicle manufacturer Navistar was completed on July 1, 2021. The TRATON GROUP welcomed a new family member and now holds all common shares of Navistar. The TRATON GROUP is gaining a prestigious brand that sold around 66,000 vehicles in its core truck and bus business and generated total sales revenue of USD 7.5 billion in fiscal year 2020, despite the impact of the COVID-19 pandemic.

In the first half of the year, the TRATON GROUP laid the groundwork for successfully expanding access to the global markets and thus ensured a stabilizing balance between the different regions. It also made a clear acknowledgment that the future on the road to carbon-neutral transportation belongs to one technology: battery electric drives. In order to play a pioneering role here, TRATON has significantly increased its budget for research and development in the field of electric mobility. A total of €1.6 billion is now earmarked for this up to 2025. At the same time, the budget for conventional drive systems is being reduced. Less than €200 million is likely to be spent on internal combustion engine development in 2025.

A key condition for the rapid, successful roll-out of battery electric trucks and buses is the rapid expansion of the charging network. To jump-start this development, the TRATON GROUP is joining forces with its competitors Daimler Truck and Volvo Group in a joint venture that aims to develop at least 1,700 high-performance charging points in Europe within five years of being established. They will be powered by green electricity and be accessible to vehicles of all brands. The three partners signed a corresponding memorandum of understanding at the beginning of July 2021. An agreement to establish the joint venture is expected to be signed by the end of 2021, and the joint venture is expected to commence operations in 2022.

An important decision for the future viability of the TRATON GROUP was made at MAN SE's Annual General Meeting on June 29, 2021. At this virtual event, MAN SE's shareholders voted in favor of the squeeze-out under merger law with 99.94% of the valid votes cast. This will allow the overall structure of the TRATON GROUP to be simplified by merging MAN SE into TRATON SE. The transaction eliminates one level within the Group, which also means corresponding financial reporting costs will no longer apply.

In the course of the virtual Annual General Meeting on June 30, 2021, TRATON SE not only reported continued strong incoming orders and unit sales, but also defined the parameters for its future strategy. The reason for this is that the main aspects of the Global Champion Strategy presented in 2015 have now been implemented thanks to the Navistar merger. The new strategy allows the TRATON GROUP to focus more strongly on the Chinese market, which accounts for around 40% of the global market for heavy-duty trucks.

The plant in Rugao that Scania is currently building 150 kilometers northwest of Shanghai will play an important role in the expansion of business in China. Research and development will also be performed locally, and a new Group technology hub for digital transformation will be created. Series production is scheduled to start in 2022.

The TRATON GROUP brands reported numerous strategy and product highlights in the first half of the year:

SCANIA:

- Scania is making great progress toward reducing the CO_2 emissions of its own production facilities and its vehicle fleet. In its production facilities, it has already achieved savings of 43% compared with 2015 thanks to higher energy efficiency and the switch to renewable energies. Scania has also committed to reducing the CO_2 emissions of its products in use by 20% by 2025.

- Scania is the first European commercial vehicle manufacturer to test Level 4 automated driving on the highway between Södertälje and Jönköping in Sweden. In this project, Scania is working together with tech company TuSimple, in which the TRATON GROUP holds a noncontrolling interest. A safety driver is on board during the test drives. These types of routes between two hubs may be the first places to see autonomous driving become a reality. It makes up for the shortage of drivers, lowers costs, and improves safety.
- Scania has aligned its organization with new technologies and business models and made changes to the Executive Board. Research and development, production and logistics, and purchasing have been combined into Industrial Operations. The distribution and service network was linked more closely with the financing business as part of the new Commercial Operations unit. Additionally, the Mobility unit was formed, comprising Autonomous Solutions and the LOTS Group, a wholly owned subsidiary.

MAN:

- MAN Truck & Bus opened the MAN eMobility Center at its headquarters in Munich, marking the launch of industrial production of battery electric trucks. The switch from internal combustion engines to alternative drives is an essential element of the systematic realignment of the company. Technologically, MAN is very well prepared to do this. The Lion's City E electric city bus has shown a range of around 550 kilometers without intermediate charging under everyday conditions. Demand for the all-electric MAN eTGE van as a series vehicle is already high, and the first electric truck, the MAN eTGM, is being delivered to customers in small series.
- MAN Truck & Bus is gaining crucial insights into the future technology of autonomous driving through practical tests in the "Hamburg TruckPilot" project. This sees MAN and Hamburger Hafen und Logistik AG (HHLA) test autonomous prototype trucks in everyday operations. The project partners will present the detailed results at the ITS World Congress in October 2021.
- MAN Truck & Bus has laid the groundwork for a successful future by reaching an agreement with employee representatives on the realignment of the company. The production and development networks are being restructured and aligned with future technologies. Administration and support functions will be streamlined. Around 3,500 jobs will be cut in Germany in a socially responsible manner. The MAN plant in Plauen was taken over by special vehicle manufacturer BINZ. An agreement was signed with WSA Beteiligungs GmbH for the sale of the plant in Steyr, Austria.

VOLKSWAGEN CAMINHÕES E ÔNIBUS:

- Volkswagen Caminhões e Ônibus is blazing a trail in the Brazilian market with the start of series production of the e-Delivery electric truck. It is the first electric truck to date to be developed and manufactured in Brazil, and Volkswagen Caminhões e Ônibus is investing approximately BRL 150 million in this project.
- The e-Delivery allows Volkswagen Caminhões e Ônibus to meet the expectations of customers such as international beverage group Ambev, to which the first e-Delivery has already been delivered. It is part of an initial batch of 100 vehicles. Ambev has ordered a total of 1,600 e-Delivery vehicles, to be delivered by 2025.
- Volkswagen Caminhões e Ônibus celebrated its 40th anniversary by investing in the future. The company has plans to invest BRL 2 billion in the period up to 2025.

INTERIM GROUP MANAGEMENT REPORT

of the TRATON GROUP

as of June 30, 2021

INTERIM GROUP MANAGEMENT REPORT

of the TRATON GROUP as of June 30, 2021

Report on Economic Position

1. Macroeconomic environment

MACROECONOMIC DEVELOPMENTS

The global spread of the SARS-CoV-2 coronavirus and the associated restrictive measures continued to varying extents in the first half of 2021. The progress many countries had achieved in vaccinating their population had a positive effect, whereas the emergence of new variants of the virus again led to rising infection figures at national level. The global economy recorded positive growth overall compared with the prior-year period. All in all, the average rate of expansion of gross domestic product (GDP) was well above the level in the first half of 2020 in both the advanced economies and the emerging markets. At national level, developments in the reporting period depended on the extent to which the COVID-19 pandemic had a negative impact in each case and the intensity of the measures taken to contain it, among other things. The governments and central banks of numerous countries worldwide continued to pursue their expansionary fiscal and monetary policies. Interest rates remained comparatively low. Average prices for energy and other commodities increased significantly year-on-year. Global trade in goods grew in the reporting period.

As a whole, the economies of Western Europe recorded significantly positive growth from January to June 2021 compared with the prior-year period. This trend was seen in all countries in Northern and Southern Europe. Among other things, this was attributable to declining infection figures in many countries over the course of the second quarter and the associated gradual easing of measures imposed to contain the pandemic.

Germany recorded a positive growth rate overall in the reporting period. The unemployment rate rose slightly compared with the prior-year period, while the number of employees affected by short-time working remained high. Confidence increased on average in the industrial goods and services sectors, while consumer confidence was slightly higher than in the comparable prior-year period.

The economies of Central and Eastern Europe reported higher real absolute GDP overall in the first six months of this year compared with the first half of 2020. This trend was also observed in Russia, the largest economy in Eastern Europe.

The Turkish economy reported positive GDP growth in the first half of 2021, accompanied by high inflation and the depreciation of the local currency. South Africa also recorded a positive rate in the change in GDP in the reporting period amid continuing structural deficits and political challenges.

US economic growth was significantly positive in the first six months of 2021, with infection figures on the retreat. The US government adopted another extensive stimulus package to bolster the economy in the first quarter of this year. Weekly new jobless claims and unemployment fell, although they stayed at a comparatively high level. The average inflation rate increased in the reporting period. Economic output in Canada and Mexico was significantly higher compared with the corresponding 2020 period.

The Brazilian economy recorded growth from January to June 2021 despite high infection figures. Argentina experienced a recovery in economic output amid high inflation and a persistent currency depreciation.

China was exposed to the negative effects of the COVID-19 pandemic earlier than other economies and benefited from a relatively low number of new infections in the further course of the pandemic. Economic output continued to rise there in the reporting period.

2. Market environment

The available registration data for the TRATON GROUP's core regions reflects the situation from January through June 2021, and January through May 2021 for South Africa and Brazil.

Around the world, truck markets recorded a very strong recovery, while bus markets recorded significant growth in the first half of 2021.

The most important truck markets (> 6t) for the TRATON GROUP are the EU27+3 region (defined as the EU27 countries excluding Malta, plus the United Kingdom, Norway, and Switzerland) as well as Brazil, South Africa, Russia, and Turkey.

Registrations in the EU27+3 region were up very sharply on the previous year's level in the first half of 2021. Virtually all truck markets in the region recorded growth. Specifically, growth in Poland doubled, the United Kingdom recorded very strong growth, and registrations grew sharply in France and Germany.

In Brazil, Russia, and South Africa, truck registrations were much higher year-on-year. The number of registered vehicles in Turkey grew by a factor of 1.7, although this was based on a low prior-year comparative period.

The most important bus markets for the TRATON GROUP are the EU27+3 region, Brazil, and Mexico. Bus registrations in the first half of 2021 were down slightly year-on-year in the EU27+3 region, varying highly between the individual countries. The Brazilian and Mexican bus markets recorded substantial and significant growth, respectively, against the prior-year period.

In the previous year, the uncertainties resulting from the COVID-19 pandemic were reflected in registrations, mainly starting in the second quarter of 2020, and impacted all of the TRATON GROUP's financial key performance indicators.

3. Results of operations

INCOMING ORDERS

INCOMING ORDERS, INDUSTRIAL BUSINESS

Units	H1 2021	H1 2020	Change
Incoming orders, Industrial Business	**170,946**	**87,431**	**96%**
of which trucks[1]	164,586	79,329	107%
of which buses	6,360	8,102	–22%

1 Including MAN TGE vans (H1 2021: 17,387 units; H1 2020: 8,437 units)

Incoming orders in the Industrial Business segment stood at 170,946 (H1 2020: 87,431) units in the first six months, up 96% on the previous year's level. Incoming orders more than doubled in the second quarter. For the second time in a row, this saw the TRATON GROUP record the highest level of incoming orders in one quarter.

Incoming orders for trucks (> 6t) were up sharply to very sharply year-on-year in all regions. Incoming orders for trucks more than doubled in TRATON's most important market, the EU27+3 region. The United Kingdom, Germany, Poland, and France posted the strongest growth rates. In South America, Brazil recorded the largest increase in an expanding overall market.

Incoming orders in the bus business recorded a sizeable year-on-year decline, with almost all regions contributing to a varying extent. Only the Asia/Pacific region posted very strong growth. Overall, the first signs of a slight recovery are evident, with incoming orders for buses in the second quarter higher than in the first quarter. Nevertheless, demand for coaches came to a virtual standstill in all relevant markets as a result of the COVID-19 pandemic.

UNIT SALES

UNIT SALES BY COUNTRY

Units	H1 2021	H1 2020	Change
Unit sales, Industrial Business	**126,450**	**77,738**	**63%**
Unit sales, trucks[1]	**119,947**	**70,489**	**70%**
EU27+3	60,081	39,817	51%
of which in Germany	15,720	11,525	36%
South America	36,828	18,079	104%
of which in Brazil	31,923	15,920	101%
Other regions	23,038	12,593	83%
Unit sales, buses	**6,503**	**7,249**	**–10%**
EU27+3	2,012	2,627	–23%
of which in Germany	664	549	21%
South America	2,873	3,107	–8%
of which in Brazil	2,272	2,329	–2%
Other regions	1,618	1,515	7%

1 Including MAN TGE vans (H1 2021: 11,282 units; H1 2020: 6,355 units)

Unit sales in the Industrial Business segment amounted to 126,450 (H1 2020: 77,738) units in the first half of 2021, and hence were up 63% on the previous year's level. The increase was attributable to the truck business in all regions. Unit sales of trucks (> 6t) in the EU27+3 region were up very sharply compared with the prior-year period. Germany and Poland recorded the highest growth rates. Brazil was the main contributor to the very strong growth in South America. Very strong increases in unit sales were also registered in the Chilean and Argentinean markets. The markets in Russia and Turkey recorded a very strong rise as well.

Unit sales of buses were down sizably year-on-year in the EU27+3 region. This effect was attributable to the very strong unit sales recorded in Sweden and Norway in the prior-year period. Unit sales in all other countries in the EU27+3 region were on a level with the previous year overall. Bus sales in South America were down distinctly on the previous year, and did not reach the prior-year level in the Russia, Asia/Pacific, or Middle East regions either.

By contrast, unit sales in Africa posted very strong year-on-year growth as a result of a major order.

SALES REVENUE

SALES REVENUE BY PRODUCT GROUP

€ million	H1 2021	H1 2020	Change
TRATON GROUP	**13,621**	**10,073**	**35%**
Industrial Business	**13,404**	**9,854**	**36%**
New Vehicles	8,633	5,682	52%
After Sales[1]	2,588	2,301	13%
Others	2,183	1,871	17%
Financial Services	**419**	**413**	**1%**
Consolidation/Others	–202	–194	–

1 Including spare parts and workshop services

The TRATON GROUP generated sales revenue of €13.6 billion (H1 2020: €10.1 billion) in the first half of 2021. This represents a 35% increase year-on-year.

The increase resulted primarily from the very strong growth in the unit sales of trucks and vans. This was offset by the decline in sales revenue in the bus business and negative exchange rate effects. Sales revenue in the After Sales business grew significantly, and sales revenue in the Others business was up substantially year-on-year, due primarily to very strong growth in the used vehicles and engine business. Offsetting factors were overall negative exchange rate effects due primarily to the year-on-year depreciation of the Brazilian real and the Swedish krona.

Sales revenue in the Financial Services segment rose slightly year-on-year. A higher average net portfolio was offset by negative foreign exchange rate effects and lower interest rates.

PROFIT AND LOSS

CONDENSED TRATON GROUP INCOME STATEMENT

	TRATON GROUP		Industrial Business		Financial Services		Others/reconciliation	
€ million	**H1 2021**	**H1 2020**	**H1 2021**	**H1 2020**	**H1 2021**	**H1 2020**	**H1 2021**	**H1 2020**
Sales revenue	13,621	10,073	13,404	9,854	419	413	–202	–194
Cost of sales	–10,836	–8,637	–10,779	–8,567	–259	–263	202	193
Gross profit	**2,785**	**1,436**	**2,625**	**1,287**	**160**	**150**	**0**	**–1**
Distribution expenses	–1,198	–1,104	–1,130	–1,044	–68	–61	1	1
Administrative expenses	–461	–422	–461	–422	–	–	–	–
Other operating result	–670	–130	–678	–85	8	–44	0	0
Operating result	**455**	**–220**	**355**	**–265**	**100**	**44**	**0**	**0**
Operating return on sales (in %)	3.3	–2.2	2.7	–2.7	23.8	10.8	–	–
Financial result	69	–101	76	–101	0	0	–7	0
Earnings before tax	**525**	**–321**	**431**	**–366**	**100**	**45**	**–7**	**0**
Income taxes	–173	32	–147	47	–25	–15	–1	1
Earnings after tax	**351**	**–289**	**284**	**–319**	**75**	**29**	**–7**	**1**

Operating result:
At €2.8 billion (H1 2020: €1.4 billion), gross profit virtually doubled in the first half of 2021 compared with the prior-year period. After hitting a low point in the second quarter of 2020 due to the drop in demand triggered by the COVID-19 pandemic, gross profit has been rising for four consecutive quarters. The gross margin in the first half of 2021 improved to 20.4% (H1 2020: 14.3%), in particular as a result of the 35% year-on-year increase in sales revenue. In addition to the strong growth in unit sales, this was also due to lower impairment losses on inventories, offset by higher commodity prices year-on-year and increased expenses in connection with supply shortages of semiconductors and other components. In the prior-year period, expenses in connection with an engine project involving MAN Truck & Bus and Navistar International Corporation, Lisle, Illinois, USA (Navistar) and additional costs relating to the introduction of the new truck generation at MAN Truck & Bus were negative factors. On the other hand, the measures adopted to mitigate the economic consequences of the COVID-19 pandemic were a distinctly more positive factor.

Distribution expenses were higher than in the prior-year period due to the significant growth in sales revenue. Strict cost management meant administrative expenses only increased slightly year-on-year. The disproportionate increase in distribution and administrative expenses compared with sales revenue contributed to the 3.0 percentage point improvement in the ratio of distribution and administrative expenses to sales revenue to 12.2% (H1 2020: 15.2%).

Other operating result declined by €540 million and was sharply impacted in the first half of 2021 by expenses incurred in connection with restructuring measures for the repositioning of MAN Truck & Bus. These related in particular to expenses for personnel measures and costs in connection with the planned disposal of the commercial vehicle plant in Steyr. Lower expenses from bad debt allowances on receivables and positive effects from the measurement and realization of foreign exchange positions and derivatives were offsetting factors.

At €455 million (H1 2020: €–220 million), the TRATON GROUP's operating result rose very significantly by €676 million compared with the prior-year period. The increase in gross profit more than offset the negative effect of expenses for restructuring measures for the repositioning of MAN Truck & Bus in the amount of €672 million to a significant extent. The TRATON GROUP's operating return on sales was 3.3% (H1 2020: –2.2%).

Financial result:
At €69 million (H1 2020: €–101 million), financial result was up €171 million year-on-year. This increase is due primarily to higher investment income from investees accounted for using the equity method — in particular the investment in Sinotruk (Hong Kong) Limited, Hong Kong, China (Sinotruk) — and positive effects from remeasurement of financial instruments.

Taxes:
Income taxes in the first half of the year came to €–173 million (H1 2020: €32 million), corresponding to a tax rate of 33% (H1 2020: 10%). The tax rate in 2021 is the same as the nominal Group tax rate, with the result that offsetting effects, including from tax-exempt income, and negative effects, including from tax loss carryforwards for which no deferred taxes were recognized, balance out.

Earnings after tax:
Earnings after tax amounted to €351 million (H1 2020: €–289 million) in the first half of 2021. Earnings per share came to €0.69 (H1 2020: €–0.54). Calculation of earnings per share was based on 500 million shares.

The Executive and Supervisory Boards of TRATON SE proposed to the Annual General Meeting to pay a dividend of €0.25 per share for fiscal year 2020. In line with this proposal, the Annual General Meeting of TRATON SE resolved on June 30, 2021, to pay a dividend of €0.25 per no-par value share carrying dividend rights. This corresponds to a total distribution of €125 million. The payout was made on July 5, 2021.

BUSINESS PERFORMANCE, INDUSTRIAL BUSINESS

KEY PERFORMANCE INDICATORS, INDUSTRIAL BUSINESS

€ million	H1 2021	H1 2020	Change
Operating result	355	–265	620
Operating result (adjusted)	1,028	–265	1,292
Operating return on sales (in %)	2.7	–2.7	5.3 pp
Operating return on sales (adjusted) (in %)	7.7	–2.7	10.4 pp
Capex	345	438	–93
Primary R&D costs	619	558	61

Operating result:
Operating result increased to €355 million (H1 2020: €–265 million) in the first half of the year thanks to a steady recovery in demand and was therefore €620 million higher than in the prior-year period, which had been impacted by the drop in demand due to the COVID-19 pandemic. The negative impact of expenses incurred in connection with restructuring measures for the repositioning of MAN Truck & Bus (€672 million) was more than offset by a significant amount.

Operating result (adjusted):
Operating result (adjusted) amounted to €1.0 billion in the reporting period, corresponding to a €1.3 billion year-on-year increase. The adjustments related to expenses in connection with the repositioning of MAN Truck & Bus, which reduced operating result by €672 million. These include, in particular, expenses for personnel measures and costs in connection with the planned disposal of the commercial vehicle plant in Steyr. Operating return on sales (adjusted) increased by 10.4 percentage points year-on-year to 7.7%.

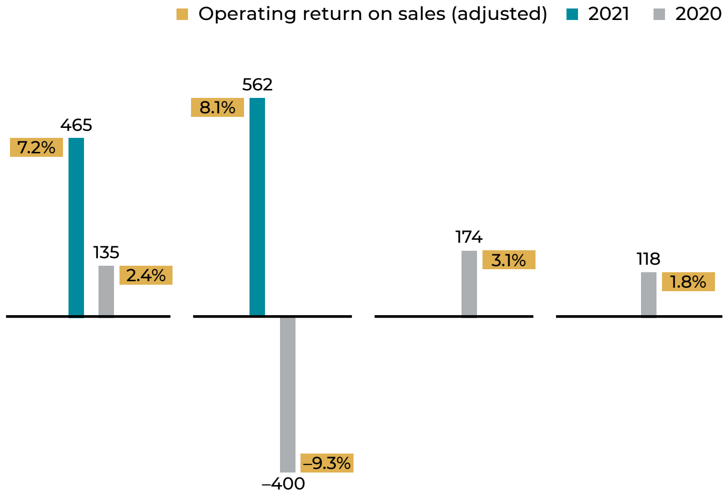
Capex:
Capex declined by €93 million to €345 million (H1 2020: €438 million) in the first half of 2021. The primary investing activities related to replacement investments and capital expenditures in conjunction with new products, such as engine platforms and transmissions, as well as capital expenditures in facility expansions, e.g., foundry equipment.

Primary research and development costs:
At €619 million (H1 2020: €558 million), total research and development costs were higher than the prior-year amount, returning to roughly the same level as before the COVID-19 pandemic. R&D costs in connection with the development of the new truck and bus generations at MAN Truck & Bus decreased, whereas expenses in the area of future technologies such as electrification and autonomous driving rose significantly.

Overview by quarter:

OPERATING RESULT, INDUSTRIAL BUSINESS (ADJUSTED)

€ million



	Q1		Q2		Q3		Q4	
	2021	2020	2021	2020	2021	2020	2021	2020
Operating result, Industrial Business	104	135	251	–400	–	125	–	114
Adjustments, Industrial Business	362	–	311	–	–	50	–	4
Operating result, Industrial Business (adjusted)	**465**	**135**	**562**	**–400**	**–**	**174**	**–**	**118**

BUSINESS PERFORMANCE, FINANCIAL SERVICES

KEY PERFORMANCE INDICATORS, FINANCIAL SERVICES

	H1 2021	H1 2020	Change
Operating result (€ million)	100	44	55
Operating return on sales (in %)	23.8	10.8	13.1 pp

Operating result in the Financial Services segment rose to €100 million (H1 2020: €44 million) in the first six months of 2021. The very strong increase is mainly attributable to lower bad debt allowances on receivables as against the prior-year period. A higher average net portfolio and higher margins continued to have a positive impact, offset by higher operating costs and negative exchange rate effects.

The number of financing contracts fell from around 178,300 as of December 31, 2020, to around 186,200 as of June 30, 2021. 28,395 (H1 2020: 17,804) new contracts were entered into in the first six months of 2021. The year-on-year increase in new contracts is primarily attributable to the rise in unit sales and a higher penetration rate.

4. Financial position

CASH FLOW

CONDENSED TRATON GROUP STATEMENT OF CASH FLOWS

	TRATON GROUP		Industrial Business		Financial Services		Others/reconciliation	
€ million	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020
Cash and cash equivalents as of 01/01	**1,714**	**1,913**	**1,641**	**1,853**	**73**	**60**	**0**	**0**
Gross cash flow	1,426	620	1,368	560	257	219	–199	–159
Change in working capital	–841	–155	–230	–307	–773	–28	162	181
Net cash provided by/used in operating activities	**584**	**465**	**1,137**	**252**	**–515**	**190**	**–37**	**22**
Net cash provided by/used in investing activities attributable to operating activities	–605	–591	–610	–599	–1	–1	7	9
Change in marketable securities, investment deposits, and loans	–1,846	1,177	–1,975	1,285	0	0	129	–108
Net cash provided by/used in investing activities	**–2,451**	**586**	**–2,585**	**686**	**–1**	**–1**	**135**	**–99**
Net cash provided by/used in financing activities	**2,094**	**–319**	**1,672**	**–234**	**520**	**–161**	**–98**	**76**
Effect of exchange rate changes on cash and cash equivalents	49	–73	45	–70	4	–4	0	1
Change in cash and cash equivalents	**277**	**659**	**268**	**635**	**8**	**24**	**0**	**0**
Cash and cash equivalents as of 06/30[1]	**1,991**	**2,572**	**1,909**	**2,488**	**81**	**84**	**–**	**0**
Gross cash flow	1,426	620	1,368	560	257	219	–199	–159
Change in working capital	–841	–155	–230	–307	–773	–28	162	181
Net cash provided by/used in investing activities attributable to operating activities	–605	–591	–610	–599	–1	–1	7	9
Net cash flow	**–20**	**–126**	**527**	**–347**	**–517**	**189**	**–31**	**31**

1 €324 million of the reported cash and cash equivalents is contained in "Assets held for sale" as of June 30, 2021.

The TRATON GROUP increased its net cash provided by operating activities by €120 million to €584 million in the first half of 2021 compared with the prior-year period. The Industrial Business segment recorded an increase of €885 million to €1.1 billion.

There was a very significant increase in operating result despite the high additions to provisions and depreciation and amortization charges in connection with the repositioning of MAN Truck & Bus in the current reporting period. Only a small portion of the restructuring measures have affected cash flows to date. Expenses from additions to provisions negatively impacted the result (gross cash flow), and the related increase in recognized provisions is reflected in working capital.

In the prior-year period, changes in the working capital items of inventories and trade receivables and payables had been affected by production stops in 2020 and by the drop in sales revenue due to the COVID-19 pandemic. Working capital tied up in these items rose due to growth in operating activities in the first six months of 2021 and delivery problems for semiconductors and other components.

The negative cash flow from the business activities of the Financial Services segment is attributable to the growth in the net portfolio, in particular the €686 million increase (H1 2020: €63 million decrease) in funds tied up in financial services receivables.

Capital expenditures in other investees amounted to €106 million in the first six months of 2021, including in TuSimple Holdings Inc., San Diego, California, USA (TuSimple) and in Northvolt AB, Stockholm, Sweden (Northvolt). By contrast, capital expenditures in property, plant, and equipment, intangible assets, and capitalized development costs were lower, resulting in net cash used in investing activities attributable to operating activities virtually on a level with previous period, at €605 million (H1 2020: €591 million).

The TRATON GROUP's overall net cash flow was €–20 million in the first half of 2021 (H1 2020: €–126 million).

Net cash provided by financing activities in the first half of the year was marked by inflows from bond issues by TRATON Finance Luxembourg S.A., Strassen, Luxembourg (TRATON Finance) amounting to €3.5 billion and the issuance of *Schuldscheindarlehen* amounting to €700 million by TRATON SE (see following section on **"Net liquidity"**). In terms of outflows, bonds at Scania were repaid in the amount of €1.0 billion, and loans of €1.0 billion were repaid to Volkswagen AG. An additional €1.9 billion was invested in investment deposits. The dividend resolved by TRATON SE's Annual General Meeting on June 30, 2021, had not been paid out by the reporting date. The payout was made on July 5, 2021.

NET LIQUIDITY

TRATON GROUP NET LIQUIDITY

	TRATON GROUP		Industrial Business	
€ million	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**
Cash and cash equivalents[1]	1,991	1,714	1,909	1,641
Marketable securities, investment deposits, and loans to affiliated companies	3,966	2,114	4,129	2,114
Gross liquidity	**5,956**	**3,828**	**6,038**	**3,755**
Total third-party borrowings	–14,521	–12,298	–5,460	–3,728
Net liquidity/net financial debt	**–8,565**	**–8,470**	**578**	**27**

1 €324 million of the reported cash and cash equivalents is contained in "Assets held for sale" as of June 30, 2021.

Investment deposits as of June 30, 2021, contained deposits by TRATON SE of approximately €4.0 billion (December 31, 2020: €2.1 billion) with Volkswagen AG.

Bonds from the €12.0 billion European Medium Term Notes program launched by TRATON Finance for the first time were issued on the capital market in March and June 2021. The aggregate €3.5 billion issues were implemented in four fixed interest-rate tranches of €500 million with a three-year term, €1.0 billion with a four-year term, approximately €1.3 billion with an eight-year term, and €750 million with a twelve-year term, and were hedged in part by interest rate derivatives.

TRATON SE also placed several *Schuldscheindarlehen* in the total amount of €700 million with investors in March 2021, all of which had already been drawn down by June 30, 2021, the reporting date. The individual *Schuldscheindarlehen* have terms of three, five, and seven years, and have been offered in both fixed and floating-rate formats. They include sustainability criteria (ESG-linked pricing), thereby underlining TRATON's commitment to sustainability and sustainable business performance.

5. Net assets

BALANCE SHEET ANALYSIS

CONDENSED TRATON GROUP BALANCE SHEET

	TRATON GROUP		Industrial Business		Financial Services		Others/reconciliation	
€ million	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**
Intangible assets	6,794	6,766	6,790	6,762	4	4	–	–
Property, plant, and equipment	6,815	6,908	6,804	6,897	22	22	–10	–11
Assets leased out	6,499	6,496	6,491	6,489	729	752	–721	–745
Equity-method investments	1,502	1,380	1,502	1,380	–	–	–	–
Other equity investments	482	72	892	460	0	0	–410	–388
Income tax receivables	151	115	127	93	27	27	–3	–5
Deferred tax assets	1,342	1,231	1,299	1,192	61	56	–18	–18
Financial services receivables	8,573	7,741	5	7	8,567	7,733	–	–
Inventories	5,004	4,325	5,004	4,325	–	–	–	–
Trade receivables	2,096	1,906	2,164	1,947	30	47	–98	–88
Other assets	2,067	2,008	1,981	1,864	1,262	1,228	–1,177	–1,085
Marketable securities and investment deposits	3,955	2,105	3,955	2,105	–	–	–	–
Cash and cash equivalents	1,666	1,714	1,585	1,641	81	73	–	0
Assets held for sale	384	–	384	–	–	–	–	–
Total assets	**47,328**	**42,767**	**38,983**	**35,164**	**10,784**	**9,943**	**–2,438**	**–2,339**
Equity	13,523	13,169	12,840	12,599	1,097	961	–414	–391
Financial liabilities	14,520	12,298	5,459	3,728	9,234	8,581	–173	–11
Provisions for pensions and other post-employment benefits	1,520	1,828	1,509	1,817	11	11	–	–
Income tax payables	129	117	119	103	13	20	–3	–5
Deferred tax liabilities	787	767	733	721	69	60	–15	–15
Income tax provisions	164	128	160	123	4	4	–	–
Other provisions	2,848	2,280	2,844	2,277	4	3	–	–
Other liabilities	10,298	9,411	11,833	11,041	201	199	–1,735	–1,830
Trade payables	3,298	2,769	3,244	2,753	151	104	–98	–88
Liabilities directly associated with assets held for sale	243	–	243	–	–	–	–	–
Total equity and liabilities	**47,328**	**42,767**	**38,983**	**35,164**	**10,784**	**9,943**	**–2,438**	**–2,339**

Both the COVID-19 pandemic and the resulting measures continue to substantially impact the TRATON GROUP's net assets.

The TRATON GROUP's total assets increased by €4.6 billion compared with December 31, 2020. This increase was due primarily to the rise in marketable securities and investment deposits by €1.8 billion, in financial services receivables by €832 million, in inventories by €678 million, and in other equity investments by €410 million.

Property, plant, and equipment fell by €93 million compared with December 31, 2020. This was primarily a result of the write-down to fair value and reclassification of the assets of the Steyr plant held for sale (for further explanations, refer to Note **"5. Noncurrent assets or disposal groups held for sale"**).

Equity-method investments rose due to the mostly positive earnings growth. The increase was offset by recognized dividends. Other equity investments recorded very strong growth. This is attributable in particular to the fair value measurement of the investment in TuSimple as a result of the company's share price development following its successful initial public offering and of the investment in Northvolt due to its share development following a successful round of financing, as well as the acquisition of further interests. TRATON exercised an option to acquire additional shares of TuSimple.

Inventories increased by €678 million compared with December 31, 2020. Among other things, this reflects the difficulties in the supply of semiconductors and other components, as well as the significant increase in the volume of production.

Marketable securities and investment deposits rose to around €4.0 billion. This is due to the short-term investment of liquidity received, among others, from the issuance of notes under the TRATON GROUP's European Medium Term Notes program and the issuance of *Schuldscheindarlehen*. Cash and cash equivalents amounted to €1.7 billion as of the reporting date.

The TRATON GROUP's total equity increased to €13.5 billion as of June 30, 2021, compared with December 31, 2020. This is attributable primarily to the positive total comprehensive income of €1.1 billion. This is a result of the positive earnings after tax of €351 million and other comprehensive income of €716 million, which is due in particular to the positive effects of the fair value measurement of the investments in TuSimple and Northvolt, as well as actuarial gains from the measurement of pension obligations. This was offset by the acquisition of the 5.64% noncontrolling interests in MAN SE from the squeeze-out resolution (see Note **"17. Equity"**) and the dividend payout resolution.

Financial liabilities increased by €2.2 billion. This is primarily attributable to the issues of notes under the European Medium Term Notes program by TRATON Finance and the issuance of *Schuldscheindarlehen* by TRATON SE (for further information, refer to the **"Financial position"** section).

Provisions for pensions and other post-employment benefits decreased by €308 million, principally because of an adjustment made to the discount rates for the main pension plans.

Other provisions increased by €567 million. This reflected, in particular, the additions to provisions relating to the repositioning of the business at MAN Truck & Bus.

Other liabilities increased by €887 million. This resulted primarily from the cash settlement obligation to the noncontrolling interest shareholders of MAN SE and the dividend of TRATON SE, which had been unpaid by the reporting date. Both of these are reported in other current financial liabilities.

In addition to the assets recognized in the consolidated balance sheet, the TRATON GROUP also uses assets that are not eligible for recognition, such as individual brands, internally developed patents, and employee expertise. Expenditures on these assets are investments in the future that safeguard market success in the coming years.

Off-balance-sheet commitments as of June 30, 2021, related to guarantees and sureties amounting to €41 million (December 31, 2020: €60 million), other contingent liabilities of €840 million (December 31, 2020: €759 million), and buyback guarantees (mainly to Volkswagen Group companies) of €2.6 billion (December 31, 2020: €2.4 billion). Other contingent liabilities mainly contain contingent liabilities for potential tax risks at Volkswagen Caminhões e Ônibus in Brazil.

Other financial obligations were entered into, in particular for irrevocable credit commitments as well as purchase commitments. In addition, TRATON entered into a commitment to acquire the remaining shares of Navistar for €3.1 billion (for further information, refer to Note **"25. Events after the reporting period"**).

Opportunities and Risks

The Report on Opportunities and Risks should be read in conjunction with our guidance in the 2020 Annual Report. The TRATON GROUP's risk position has not changed considerably compared with the guidance in the 2020 Combined Management Report.

However, certain risks have become more concrete or have materialized in part in the first six months of the year. In this context, we refer to the continued high levels of uncertainty regarding the further course of the COVID-19 pandemic and the associated countermeasures taken by the affected countries, as well as any potential impact on production and supply chains. In particular, this concerns the availability and costs of certain materials (e.g., semiconductor shortages, steel prices).

This report does not yet contain the opportunities and risks with respect to Navistar, since the takeover was not completed until the reporting period was over.

Information about **"Important Legal Cases"** can be obtained in the next chapter. For information about current developments related to the economic situation and the resulting effects, in particular on TRATON's order situation and its revenue and earnings situation, refer to the **"Report on Economic Position"** and the **"Report on Expected Developments."**

Important Legal Cases

Note **"41. Litigation/legal proceedings"** the Notes to the Consolidated Financial Statements in TRATON SE's 2020 Annual Report contains detailed information on important legal cases and legal proceedings. There have been no other material developments since the publication of the Annual Report. Primarily as a result of currency fluctuations, the risk relating to the tax proceedings initiated by the Brazilian tax authorities against MAN Latin America Indústria e Comércio de Veículos Ltda. rose from €494 million to €538 million due to the translation of the risk amount and current interest.

In connection with the Navistar acquisition, a Navistar shareholder on January 19, 2021, filed a lawsuit against Navistar, its Board of Directors, as well as against TRATON and the merger subsidiary with the United States District Court for the Southern District of New York. The plaintiff alleged that preliminary versions of the proxy statement filed by Navistar with the SEC in connection with the Navistar acquisition were materially incomplete and therefore misleading. The complaint purported to seek injunctive relief, declaratory relief, rescission, monetary damages, and costs, including attorneys' fees. This complaint was not served on either TRATON or the merger subsidiary. The plaintiff voluntarily dismissed the complaint on March 2, 2021.

Also in conjunction with the Navistar acquisition, another Navistar shareholder on January 20, 2021, filed a putative class action against Navistar, its Board of Directors, as well as against TRATON and its wholly owned subsidiary TRATON US Inc. with the Circuit Court of DuPage County, Illinois, Chancery Division. The plaintiff alleged that Navistar and its Board of Directors were in breach of their fiduciary duties under Delaware law and that TRATON and TRATON US Inc. aided and abetted these alleged breaches of fiduciary duties. The complaint purported to seek class action certification, injunctive relief, declaratory relief, rescission, disgorgement, monetary damages, and costs, including attorneys' fees. This complaint was not served on either TRATON or TRATON US Inc. The plaintiff filed a notice of dismissal on February 26, 2021.

The parties to the litigation have resolved the lawsuits, and no lawsuits are expected to have a material negative impact.

Report on Expected Developments

For 2021, the TRATON GROUP's Executive Board anticipates that global economic output will recover overall — provided that lasting containment of the COVID-19 pandemic can be achieved. This growth will most likely be sufficient to exceed the pre-pandemic level. We also expect that new registrations of medium- and heavy-duty trucks (> 6t) in the Group's core geographic regions, i.e., in the EU27+3 region (defined as the EU27 countries excluding Malta, plus the United Kingdom, Norway, and Switzerland), Brazil, Russia, South Africa, and Turkey will record generally positive growth compared with the previous year, with growth rates varying from region to region.

In the bus markets relevant to the TRATON GROUP, we are expecting regional developments to vary in 2021. In Brazil and Mexico, we are expecting very strong or noticeable growth, while in the EU27+3 region we are anticipating a noticeable decline.

Assuming that, among other things, the further course of the COVID-19 pandemic will not lead to any additional negative business impact in the course of the year, we currently assume that we will achieve the upper end of the operating return on sales range of 5.0 to 7.0% in full-year 2021, based on developments in the first half of 2021.

The cash conversion rate for 2021 is no longer considered a meaningful indicator due to the restructuring of MAN Truck & Bus. Instead, we are reporting net cash flow in the Industrial Business segment as a key performance indicator. In terms of the expected range for net cash flow in the Industrial Business segment, TRATON SE's Executive Board also expects to be able to achieve the upper end of the range of €500 million to €700 million.

The forecast does not include any expenses and expenditures for restructuring measures for the repositioning of MAN Truck & Bus or from the Navistar acquisition. In total, the restructuring measures are currently expected to incur cost in a high triple-digit million amount for the entire restructuring period. The forecast continues to reflect the still high level of uncertainty regarding the further course of the COVID-19 pandemic and the associated countermeasures taken by the affected countries, as well as any potential impact on production and supply chains.

	Actual 2020	Forecast 2021[1] 2020 Annual Report	Forecast 2021[1] 2021 Half-Year Financial Report
TRATON GROUP			
Unit sales	190,180	sharp increase	sharp increase
Sales revenue (€ million)	22,580	substantial increase	substantial increase
Operating return on sales (in %)	0.6	5.0–6.0	5.0–7.0
Industrial Business			
Sales revenue (€ million)	22,156	substantial increase	substantial increase
Operating return on sales (in %)	0.1	4.5–5.5	4.5–6.5
Return on investment (in %)	–0.1	6.5–7.5	6.5–8.5
Net cash flow (€ million)	676	n/a	500–700
Capex (€ million)	992	considerable increase	considerable increase
Primary R&D costs (€ million)	1,165	substantial increase	substantial increase
Financial Services			
Sales revenue (€ million)	820	moderate increase	moderate increase
Operating return on sales (in %)	13.1	13.5–17.5	13.5–20.5

1 Before expenses for restructuring measures for the repositioning of MAN Truck & Bus and before effects from the merger with Navistar International Corporation

3

OPERATING UNITS

This section does not form part of the Interim Group Management Report or the Half-Yearly Consolidated Financial Statements.

SCANIA

Scania Vehicles & Services

	H1 2021	H1 2020	Change	Q2 2021	Q2 2020	Change
Trucks and buses (units)						
Incoming orders	75,437	34,273	120%	38,493	13,602	183%
Unit sales	49,229	30,437	62%	26,196	12,253	114%
of which trucks	47,272	27,655	71%	25,249	11,050	128%
of which buses	1,957	2,782	–30%	947	1,203	–21%
Financial key performance indicators (€ million)						
Sales revenue	7,155	5,269	36%	3,735	2,287	63%
Operating result	860	221	639	451	–35	486
Operating return on sales (in %)	12.0	4.2	7.8 pp	12.1	–1.5	13.6 pp

Almost all truck markets worldwide recovered in the first half of 2021 from the sharp decline in the previous year. In particular the EU27+3 region, Scania's largest sales market, posted a very strong increase in demand for trucks.

Incoming orders in the first six months of 2021 were up 120% year-on-year, thus reaching an unusually high level. This very sharp increase was attributable to the truck business and was evident in all regions.

Notably, incoming orders for trucks more than doubled in the EU27+3 region, the most important market, as well as in South America, Africa, and the Middle East. Strong and very strong growth in incoming orders was recorded in the Asia/Pacific region and Russia, respectively.

Incoming orders in the bus business declined. The sharpest drop was recorded in South America, where the prior-period figure was positively impacted by a comprehensive fleet deal in Colombia. Incoming orders for buses increased sharply and very sharply in the EU27+3 and Asia/Pacific regions, respectively.

Total unit sales of vehicles in the first six months of 2021 increased to 49,229 (H1 2020: 30,437) units. Unit sales of trucks rose by 71% year-on-year to 47,272 (H1 2020: 27,655) units. The increase was attributable to all regions. Unit sales of buses dropped by 30% to 1,957 (H1 2020: 2,782) units. This was attributable to all regions with the exception of Africa, where unit sales rose as a result of a major order.

Scania Vehicles & Services' sales revenue increased by 36% to €7.2 billion (H1 2020: €5.3 billion) in the reporting period. Above all, this rise is attributable to the truck business, as well as to significant increases in the After Sales and used vehicles business. Sales revenue in the bus business declined as a result of the lower unit sales volume. Exchange rate effects also weighed negatively on sales revenue.

Operating result after the first six months of 2021 was €860 million (H1 2020: €221 million), representing a €639 million increase compared with the prior-year period. This corresponds to an operating return on sales of 12.0% (H1 2020: 4.2%). As well as the volume-driven increase in sales revenue, operating result was positively affected by an advantageous product mix. Both effects are primarily attributable to the truck business. Higher personnel expenses and overheads had an offsetting effect. Earnings were also impacted by exchange rate effects, higher depreciation charges on property, plant, and equipment, and higher development costs due to accelerated projects in the area of e-mobility.

Operating result in the prior year was negatively affected by the measures taken in connection with the COVID-19 pandemic, in particular the closures of our production sites starting in the second half of March 2020.

Scania is working together with mobility service provider Flixbus and gas supplier Gasum to put into operation the first long-distance coach that runs on biogas. In taking this step, Scania is expanding its range of alternative drive solutions for the long haul.

MAN Truck & Bus

	H1 2021	H1 2020	Change	Q2 2021	Q2 2020	Change
Trucks and buses (units)						
Incoming orders	67,414	38,192	77%	35,344	14,094	151%
Unit sales	47,317	31,662	49%	23,954	13,496	77%
of which trucks[1]	45,503	29,531	54%	22,913	12,471	84%
of which buses	1,814	2,131	–15%	1,041	1,025	2%
Financial key performance indicators (€ million)						
Sales revenue	5,408	4,079	33%	2,763	1,812	52%
Operating result	–493	–387	–106	–203	–310	107
Operating result (adjusted)	179	–387	567	108	–310	418
Operating return on sales (in %)	–9.1	–9.5	0.4 pp	–7.3	–17.1	9.8 pp
Operating return on sales (adjusted) (in %)	3.3	–9.5	12.8 pp	3.9	–17.1	21 pp

1 Including MAN TGE vans (H1 2021: 11,282 units; H1 2020: 6,355 units; Q2 2021: 5,378 units; Q2 2020: 2,927 units)

Almost all truck markets worldwide recovered in the first half of 2021 from the sharp decline in the previous year. In particular the EU27+3 region, the largest sales market for MAN Truck & Bus, posted a very strong increase in demand for trucks.

At 67,414 (H1 2020: 38,192) vehicles, incoming orders at MAN Truck & Bus in the first six months of 2021 were up 77% year-on-year. At 48,275 (H1 2020: 26,813) units, incoming orders for trucks (> 6t) were 80% higher than in the first half of 2020. The increase was attributable to all regions, and very strong growth was recorded in the EU27+3 region, in particular. Incoming orders for MAN TGE vans doubled to 17,387 (H1 2020: 8,437) units. Incoming orders in the bus business were down 40% to 1,752 (H1 2020: 2,942) units, due primarily to very sharp declines in the EU27+3 region, as well as to all other regions. Demand for coaches, in particular, came to a virtual standstill in all relevant markets as a result of the COVID-19 pandemic.

Total unit sales at MAN Truck & Bus rose by 49% to 47,317 (H1 2020: 31,662) units in the first six months of 2021. Unit sales of trucks (> 6t) increased by 48% year-on-year to 34,221 (H1 2020: 23,176) units. The increase was attributable to all regions, and very strong growth in unit sales was recorded in the EU27+3 region, by far the most important sales market. Unit sales of the MAN TGE van rose by 78% to 11,282 (H1 2020: 6,355) units. Unit sales of buses dropped by 15% to 1,814 (H1 2020: 2,131) units. The decline affected almost all regions, with slight growth only recorded in Africa and Asia/Pacific.

MAN Truck & Bus generated sales revenue of €5.4 billion (H1 2020: €4.1 billion) in the first half of 2021, a year-on-year increase of 33%. The very strong growth was attributable primarily to the new and used vehicle business, especially trucks. We also recorded a very strong increase in sales revenue from engines. The After Sales business recorded significant growth rates.

Operating result after the first six months of the year was €–493 million (H1 2020: €–387 million), representing a €106 million decrease compared with the prior-year period. This corresponds to an operating return on sales of –9.1% (H1 2020: –9.5%). Operating result was negatively impacted by expenses of €672 million in connection with the repositioning. Adjusted for these expenses, operating result (adjusted) was €179 million (H1 2020: €–387 million) and operating return on sales (adjusted) was 3.3% (H1 2020: –9.5%). In addition to the volume-driven increase in sales revenue, operating result was positively affected by the introduction of the new truck generation and strict cost management.

Operating result in the prior-year period was negatively affected by the measures taken in connection with the COVID-19 pandemic, particularly the closures of our production sites starting in the second half of March. In particular, expenses for which provisions can be recognized were incurred in connection with the restructuring program for the repositioning of MAN Truck & Bus in the first half of 2021. These expenses contain the expenses directly attributable to the restructuring measures that are necessary for the restructuring and are not related to operating activities. Of the restructuring expenses of €672 million, €340 million is attributable to personnel measures (including severance payments and partial retirement arrangements) and €158 million to impairment losses on property, plant, and equipment. Other expenses were incurred through restructuring measures in the production network.

The all-electric MAN eTGM truck delivers sustainbly produced beer from the BRLO brewery to the Greentech Festival in Berlin: a zero-emission, quiet, and efficient operation. The distribution truck from MAN Truck & Bus is particularly well-suited to the eco-friendly delivery of goods in city centers.

Volkswagen Caminhões e Ônibus

	H1 2021	H1 2020	Change	Q2 2021	Q2 2020	Change
Trucks and buses (units)						
Incoming orders	28,129	15,175	85%	15,379	5,658	172%
Unit sales	30,011	15,887	89%	16,022	6,027	166%
of which trucks	27,278	13,540	101%	14,599	5,035	190%
of which buses	2,733	2,347	16%	1,423	992	43%
Financial key performance indicators (€ million)						
Sales revenue	1,021	612	67%	555	229	142%
Operating result	77	–10	88	45	–22	67
Operating return on sales (in %)	7.6	–1.7	9.3 pp	8.0	–9.8	17.8 pp

Almost all truck markets worldwide recovered in the first half of 2021 from the sharp decline in the previous year. In particular Brazil, the largest sales market for Volkswagen Caminhões e Ônibus (VWCO), posted a substantial increase in demand for trucks and buses.

Incoming orders at VWCO rose by 85% to 28,129 (H1 2020: 15,175) units in the first half of 2021. Truck orders doubled to 25,608 (H1 2020: 12,833) units compared with the prior-year period. This increase was due to the very strong demand in Brazil and most other countries in South America, as well as in Mexico. Incoming orders for buses rose perceptibly to 2,521 (H1 2020: 2,342) units.

VWCO's total vehicle sales rose by 89% to 30,011 (H1 2020: 15,887) units in the first six months of 2021. Unit sales of trucks doubled to 27,278 (H1 2020: 13,540) units. This increase was due to the very strong growth in demand in Brazil, most other countries in South America, and Mexico. Bus unit sales rose by 16% to 2,733 (H1 2020: 2,347) units due to higher unit sales in Brazil and the export markets of Argentina and Peru.

VWCO generated sales revenue of €1.0 billion (H1 2020: €612 million) in the first half of 2021, a year-on-year increase of 67%. The increase resulted from the truck business. By contrast, exchange rate effects from translation into the euro, the Group currency, were a negative factor.

Operating result after the first six months of 2021 was €77 million (H1 2020: €–10 million). This corresponds to an operating return on sales of 7.6% (H1 2020: –1.7%). Operating result rose very strongly compared with the prior-year period due to a very sharp rise in unit sales and improved product positioning in Brazil. Negative factors were inflation-related cost increases, for example for material expenses.

Operating result in the prior-year period was negatively affected by the measures taken in connection with the COVID-19 pandemic, in particular the closures of our production sites starting in the second half of March 2020.

Volkswagen Caminhões e Ônibus successfully launches the first all-electric truck in South America into series production: the e-Delivery is available with a gross vehicle weight of eleven and 14 tons.

4

CONDENSED HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS

as of June 30, 2021

CONDENSED HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

Income Statement

of the TRATON GROUP for the period January 1 to June 30

€ million	H1 2021	H1 2020
Sales revenue	**13,621**	**10,073**
Cost of sales	–10,836	–8,637
Gross profit	**2,785**	**1,436**
Distribution expenses	–1,198	–1,104
Administrative expenses	–461	–422
Net impairment losses on financial assets	–1	–58
Other operating income	362	434
Other operating expenses	–1,032	–506
Operating result	**455**	**–220**
Share of earnings of equity-method investments	126	18
Interest income	42	34
Interest expense	–116	–112
Other financial result	17	–42
Financial result	**69**	**–101**
Earnings before tax	**525**	**–321**
Income taxes	–173	32
current	–310	–149
deferred	137	181
Earnings after tax	**351**	**–289**
of which attributable to shareholders of TRATON SE	345	–272
of which attributable to noncontrolling interests	6	–17
Earnings per share in € (diluted/basic)	0.69	–0.54

Statement of Comprehensive Income

of the TRATON GROUP for the period January 1 to June 30

€ million	H1 2021	H1 2020
Earnings after tax	**351**	**–289**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	239	16
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	–51	–11
Pension plan remeasurements recognized in other comprehensive income, net of tax	188	5
Fair value measurement of other equity investments and marketable securities		
Fair value measurement of other equity investments and marketable securities, before tax	309	0
Deferred taxes relating to the fair value measurement of other equity investments and marketable securities	–8	0
Fair value measurement of other equity investments and marketable securities, net of tax	300	0
Share of other comprehensive income of equity-method investments that will not be reclassified to profit or loss, net of tax[1]	29	6
Items that will not be reclassified subsequently to profit or loss	**517**	**11**
Currency translation differences		
Unrealized currency translation gains/losses	69	–439
Transferred to profit or loss	–	0
Currency translation differences, before tax	69	–439
Deferred taxes relating to currency translation differences	–1	5
Currency translation differences, net of tax	68	–435
Cash flow hedges		
Fair value changes recognized in other comprehensive income	86	–46
Transferred to profit or loss	23	17
Cash flow hedges, before tax	109	–29
Deferred taxes relating to cash flow hedges	–4	12
Cash flow hedges, net of tax	104	–17
Cost of hedging		
Cost of hedging recognized in other comprehensive income	–3	0
Cost of hedging transferred to profit or loss	0	–2
Cost of hedging, before tax	–3	–2
Deferred taxes relating to cost of hedging	2	0

€ million	H1 2021	H1 2020
Cost of hedging, net of tax	–2	–1
Share of other comprehensive income of equity-method investments that may be reclassified subsequently to profit or loss, net of tax[1]	27	–9
Items that may be reclassified subsequently to profit or loss	**198**	**–462**
Other comprehensive income, before tax[1]	779	–457
Deferred taxes relating to other comprehensive income[1]	–63	6
Other comprehensive income, net of tax	**716**	**–451**
Total comprehensive income	**1,067**	**–741**
of which attributable to shareholders of TRATON SE	1,050	–711
of which attributable to noncontrolling interests	17	–29

1 Prior-period amounts adjusted to reflect the current presentation

Balance Sheet

Assets of the TRATON GROUP as of June 30, 2021, and December 31, 2020

€ million	06/30/2021	12/31/2020
Noncurrent assets		
Intangible assets	6,794	6,766
Property, plant, and equipment	6,815	6,908
Assets leased out	6,499	6,496
Equity-method investments	1,502	1,380
Other equity investments	482	72
Noncurrent income tax receivables	47	29
Deferred tax assets	1,342	1,231
Noncurrent financial services receivables	5,466	4,783
Other noncurrent financial assets	244	435
Other noncurrent receivables	329	269
	29,520	**28,369**
Current assets		
Inventories	5,004	4,325
Trade receivables	2,096	1,906
Current income tax receivables	104	86
Current financial services receivables	3,106	2,957
Other current financial assets	496	453
Other current receivables	998	851
Marketable securities and investment deposits	3,955	2,105
Cash and cash equivalents	1,666	1,714
Assets held for sale	384	–
	17,808	**14,398**
Total assets	**47,328**	**42,767**

Balance Sheet

Equity and liabilities of the TRATON GROUP as of June 30, 2021, and December 31, 2020

€ million	06/30/2021	12/31/2020
Equity		
Subscribed capital	500	500
Capital reserves	19,995	19,995
Retained earnings	–4,529	–4,479
Accumulated other comprehensive income	–2,444	–3,078
Equity attributable to shareholders of TRATON SE	**13,522**	**12,939**
Noncontrolling interests	1	230
	13,523	**13,169**
Noncurrent liabilities		
Noncurrent financial liabilities	9,970	5,914
Provisions for pensions and other post-employment benefits	1,520	1,828
Deferred tax liabilities	787	767
Noncurrent income tax provisions	124	105
Other noncurrent provisions	1,487	1,304
Other noncurrent financial liabilities	2,286	2,321
Other noncurrent liabilities	1,910	1,903
	18,084	**14,143**
Current liabilities		
Current financial liabilities	4,549	6,384
Trade payables	3,298	2,769
Current income tax payables	128	117
Current income tax provisions	41	22
Other current provisions	1,361	977
Other current financial liabilities	2,230	1,561
Other current liabilities	3,872	3,626
Liabilities directly associated with assets held for sale	243	–
	15,722	**15,455**
Total equity and liabilities	**47,328**	**42,767**

Statement of Changes in Equity

of the TRATON GROUP for the period January 1 to June 30

€ million	Subscribed capital	Capital reserves	Retained earnings	Accumulated other comprehensive income – Items that may be reclassified subsequently to profit or loss: Currency translation	Cash flow hedges	Equity-method investments
Balance as of 01/01/2020	**500**	**20,241**	**–4,150**	**–1,806**	**–8**	**–38**
Earnings after tax	–	–	–272	–	–	–
Other comprehensive income, net of tax	–	–	–	–424	–18	–9
Total comprehensive income	–	–	–272	–424	–18	–9
Capital increase[1]	–	54	–	–	–	–
Other changes	–	–	0	0	–	0
Balance as of 06/30/2020	**500**	**20,295**	**–4,422**	**–2,230**	**–26**	**–46**
Balance as of 01/01/2021	**500**	**19,995**	**–4,479**	**–2,005**	**–115**	**–104**
Earnings after tax	–	–	345	–	–	–
Other comprehensive income, net of tax	–	–	–	65	103	27
Total comprehensive income	–	–	345	65	103	27
Capital transactions involving a change in ownership interest[2]	–	–	–270	–46	–1	–1
Dividend payout	–	–	–125	–	–	–
Other changes	–	–	0	0	–	40
Balance as of 06/30/2021	**500**	**19,995**	**–4,529**	**–1,987**	**–13**	**–38**

1 Contribution of additional profit from profit transfer by Volkswagen AG under the Relationship Agreement dated June 14, 2019

2 See Note **"17. Equity"**

€ million	Accumulated other comprehensive income – Items that may not be reclassified subsequently to profit or loss: Remeasurements of pension plans	Equity-method investments	Other equity investments	Equity attributable to shareholders of TRATON SE	Noncontrolling interests	Total
Balance as of 01/01/2020	**–998**	**125**	**–2**	**13,865**	**270**	**14,134**
Earnings after tax	–	–	–	–272	–17	–289
Other comprehensive income, net of tax	6	6	0	–439	–12	–451
Total comprehensive income	6	6	0	–711	–29	–741
Capital increase[1]	–	–	–	54	–	54
Other changes	–	–1	1	0	0	0
Balance as of 06/30/2020	**–993**	**129**	**0**	**13,207**	**240**	**13,448**
Balance as of 01/01/2021	**–1,054**	**186**	**15**	**12,939**	**230**	**13,169**
Earnings after tax	–	–	–	345	6	351
Other comprehensive income, net of tax	180	29	300	705	11	716
Total comprehensive income	180	29	300	1,050	17	1,067
Capital transactions involving a change in ownership interest[2]	–24	0	0	–342	–245	–586
Dividend payout	–	–	–	–125	–1	–126
Other changes	–	–40	–	0	0	0
Balance as of 06/30/2021	**–898**	**175**	**316**	**13,522**	**1**	**13,523**

1 Contribution of additional profit from profit transfer by Volkswagen AG under the Relationship Agreement dated June 14, 2019

2 See Note **"17. Equity"**

Statement of Cash Flows

of the TRATON GROUP for the period January 1 to June 30

€ million	H1 2021	H1 2020
Cash and cash equivalents as of 01/01	**1,714**	**1,913**
Earnings before tax	525	–321
Income taxes paid	–285	–273
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant, and equipment, and investment property[1]	626	460
Amortization of, and impairment losses on, capitalized development costs[1]	133	144
Impairment losses on equity investments[1]	0	2
Depreciation of products leased out[1]	562	569
Change in pension obligations	16	–7
Earnings on disposal of noncurrent assets and equity investments	7	2
Share of earnings of equity-method investments	–126	–20
Other noncash income/expense	–33	66
Change in inventories	–653	–123
Change in receivables (excl. financial services)	–327	361
Change in liabilities (excl. financial liabilities)	753	–305
Change in provisions	581	38
Change in products leased out	–510	–191
Change in financial services receivables	–684	64
Net cash provided by operating activities	**584**	**465**
Capital expenditures in intangible assets (excl. capitalized development costs) and in property, plant, and equipment[2]	–347	–440
Additions to capitalized development costs	–170	–168
Capital expenditures to acquire other investees	–106	–3
Proceeds from the disposal of intangible assets, property, plant, and equipment, and investment property	18	20
Change in marketable securities and investment deposits	–1,850	1,173
Change in loans	4	4
Net cash provided by/used in investing activities	**–2,451**	**586**

1 Net of impairment reversals

2 Of which in the Industrial Business segment: €–345 million (H1 2020: €–438 million)

€ million	H1 2021	H1 2020
Profit transfer to Volkswagen AG	–	–1,404
Dividend payouts	0	–
Capital increase by Volkswagen AG	–	54
Noncontrolling interest shareholders of MAN SE: compensation payments and acquisition of shares tendered	–	2
Proceeds from the issuance of bonds	4,201	1,916
Proceeds from the issuance of *Schuldscheindarlehen*	700	–
Repayment of bonds	–1,692	–1,475
Loan repayments to Volkswagen AG	–1,000	–
Change in miscellaneous financial liabilities	–2	692
Repayment of lease liabilities	–112	–103
Net cash provided by/used in financing activities	**2,094**	**–319**
Effect of exchange rate changes on cash and cash equivalents	49	–73
Change in cash and cash equivalents	**277**	**659**
Cash and cash equivalents as of 06/30	**1,991**	**2,572**
Cash and cash equivalents reported separately in the balance sheet (assets held for sale)	–324	–
Cash and cash equivalents as of 06/30 (reported in the balance sheet)	**1,666**	**2,572**

NOTES

to the Condensed Half-Yearly Consolidated Financial Statements of the TRATON GROUP

1. Basis of preparation

General information

TRATON SE, Munich, Germany (the Company, TRATON) is the parent company of the TRATON GROUP (the Group). TRATON is registered in the commercial register at the Munich Local Court under no. 246068.

In accordance with Regulation 1606/2002 of the European Parliament and of the Council, the TRATON GROUP prepared its Consolidated Financial Statements for fiscal year 2020 in compliance with International Financial Reporting Standards (IFRSs), as adopted by the European Union. The accompanying Condensed Half-Yearly Consolidated Financial Statements (Half-Yearly Consolidated Financial Statements) of TRATON SE as of June 30, 2021, comply with the applicable requirements of the *Wertpapierhandelsgesetz* (WpHG — German Securities Trading Act) and were prepared in compliance with IFRSs, as adopted by the European Union, and in particular with IAS 34 *Interim Financial Reporting*. They do not contain all the information and disclosures required by IFRSs for full-year consolidated financial statements. The Half-Yearly Consolidated Financial Statements should therefore be read in conjunction with the Consolidated Financial Statements for the fiscal year ended December 31, 2020, and the additional information contained therein. All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

From the Executive Board's perspective, the accompanying Half-Yearly Consolidated Financial Statements reflect all standard intraperiod adjustments required for the presentation of a true and fair view of the Group's net assets, financial position, and results of operations. The results presented for the first six months of fiscal year 2021 are not necessarily indicative of future results. Unless expressly indicated otherwise, the accounting policies applied to these Half-Yearly Consolidated Financial Statements are identical to those adopted for the most recent consolidated financial statements.

Preparation of the half-yearly consolidated financial statements requires the Executive Board to make certain assumptions and estimates affecting the measurement and presentation of assets and liabilities and income and expenses for the period. Actual amounts may differ from these estimates.

The accompanying Half-Yearly Consolidated Financial Statements were reviewed by an auditor within the meaning of section 115 of the WpHG.

2. Basis of consolidation

In addition to TRATON SE, the Half-Yearly Consolidated Financial Statements comprise all significant subsidiaries that are controlled directly or indirectly by TRATON SE.

The composition of the TRATON GROUP is shown in the following table:

	06/30/2021	12/31/2020
TRATON SE and consolidated subsidiaries		
Germany	22	23
Other countries	262	259

The change in other countries in the first half of 2021 particularly relates to the initial consolidation of TRATON Finance Luxembourg S.A., Strassen, Luxembourg (TRATON Finance), which issued a European Medium Term Notes program in March 2021.

The effects of other changes in the basis of consolidation on the Half-Yearly Consolidated Financial Statements were immaterial.

3. Accounting policies

TRATON has applied all accounting pronouncements adopted by the EU and required to be applied for periods beginning on or after January 1, 2021.

Interest Rate Benchmark Reform — Phase 2 amended IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts*, and IFRS 16 *Leases*. The amendments are effective for reporting periods beginning on or after January 1, 2021. In the wake of the financial market crisis, the regulatory authorities assigned top priority to a reform of interest rate benchmarks (IBOR reform) and the associated reform of interest rate benchmarks such as US dollar LIBOR and British pound sterling LIBOR. Modifications are necessary in order to switch existing contracts and agreements that refer to a relevant interest rate benchmark to alternative interest rate benchmarks but ensure economic equivalence. TRATON launched a project to implement the IBOR reform. The project coordinates the necessary modifications to systems, processes, and risk and measurement models and oversees their impact on the financial reporting. At the same time, TRATON is continuously following and engaging in discussions with external stakeholders in order to continue its preparations for a smooth transition of interest rate benchmarks. The IBOR reform does not expose TRATON to any new financial risks. The impact of the IBOR reform on the 2021 Consolidated Financial Statements is not expected to be material.

The IASB issued amendments to IFRS 16 on March 31, 2021. In line with these amendments, COVID-19-related rent concessions issued in May 2020 and limited until June 30, 2021, will be extended by a further year, until June 30, 2022. The amendments are effective for annual periods beginning on or after April 1, 2021, subject to endorsement by the EU. The TRATON GROUP has opted not to make use of this temporary relief.

Other accounting policies

The income tax expense for the Half-Yearly Consolidated Financial Statements was calculated on the basis of the average annual tax rate that is expected for the entire fiscal year, in accordance with IAS 34.

A discount rate of 1.0% (December 31, 2020: 0.5%) was applied to German pension provisions and a discount rate of 1.8% (December 31, 2020: 1.3%) to Swedish pension provisions in these Half-Yearly Consolidated Financial Statements.

The TRATON GROUP is no longer expecting an increase in defaults in connection with the COVID-19 pandemic. For this reason, the provision rates used to estimate the lifetime expected credit losses on trade receivables were no longer increased by 20% as of June 30, 2021.

In all other respects, the same accounting policies and consolidation principles were generally applied to the preparation of the Half-Yearly Consolidated Financial Statements and the computation of the prior-year comparative figures as to the 2020 Consolidated Financial Statements. A detailed description of these accounting policies is given in the Notes to the 2020 Consolidated Financial Statements under “Accounting policies.” Certain prior-period information was adjusted to reflect the current period presentation to improve comparability. In addition, the effects of the new standards are described in more detail under the disclosures on “New or amended IFRSs not applied.” Application of these amendments did not materially affect the TRATON GROUP’s Half-Yearly Consolidated Financial Statements.

4. Segment reporting

For information on the basis used for identifying and assessing the performance of reportable segments, refer to the TRATON GROUP's Consolidated Financial Statements as of December 31, 2020.

The following tables contain segment-related information for the first six months of 2021.

REPORTING SEGMENTS H1 2021

€ million	Industrial Business	Financial Services	Total segments	Reconciliation	TRATON GROUP
Segment sales revenue	**13,404**	**419**	**13,823**	**–202**	**13,621**
Intersegment sales revenue	–200	–2	–202	202	–
Sales revenue, TRATON GROUP	13,204	417	13,621	–	13,621
Segment result (operating result)	**355**	**100**	**455**	**0**	**455**

REPORTING SEGMENTS H1 2020

€ million	Industrial Business	Financial Services	Total segments	Reconciliation	TRATON GROUP
Segment sales revenue	**9,854**	**413**	**10,267**	**–194**	**10,073**
Intersegment sales revenue	–192	–2	–194	194	–
Sales revenue, TRATON GROUP	9,662	411	10,073	–	10,073
Segment result (operating result)	**–265**	**44**	**–220**	**0**	**–220**

5. Noncurrent assets or disposal groups held for sale

The disposal of MAN Truck & Bus Österreich GesmbH, Steyr, Austria (MTBÖ) is planned in the course of restructuring measures. A purchase agreement was signed on June 10, 2021, and the assets and liabilities of MTBÖ have been presented as a disposal group in the TRATON GROUP's financial statements from that date. The disposal of the interests in MTBÖ is expected in the third quarter of 2021. MTBÖ's assets and liabilities as of June 30, 2021, can be disaggregated as follows:

€ million	06/30/2021
Deferred tax assets	3
Inventories	42
Trade receivables and other current assets	14
Cash and cash equivalents	324
Total assets	**384**
Pension provisions	91
Deferred tax liabilities	16
Other provisions	26
Trade payables and other liabilities	109
Total liabilities	**243**

Classification as a disposal group resulted in the recognition of an expense, €158 million of which was attributable to impairment losses on property, plant, and equipment and €141 million to an additional recognized provision. The provision was recognized outside the disposal group. The entire expense is reported in other operating expenses; the related assets and liabilities are allocated to the Industrial Business segment. Additionally, MTBÖ reports accumulated losses from pension plan remeasurements amounting to €50 million in accumulated other comprehensive income that will be reclassified to the TRATON GROUP's retained earnings, rather than profit or loss, at the time of the sale.

The disposal of the MAN facility in Plauen was completed effective March 31, 2021. This resulted in a loss on disposal of property, plant, and equipment of €13 million, which is reported in other operating expenses.

6. Sales revenue

Structure of sales revenue

€ million	Industrial Business	Financial Services	Reconciliation	H1 2021
New vehicles	8,633	–	–6	8,627
Genuine parts	1,816	–	–1	1,815
Used vehicles	810	–	0	810
Engines, powertrains, and parts deliveries	366	–	–	366
Workshop services	772	–	0	772
Rental and leasing business	866	220	–192	893
Interest and similar income	3	199	–1	201
Other sales revenue	138	–	–1	137
	13,404	**419**	**–202**	**13,621**

€ million	Industrial Business	Financial Services	Reconciliation	H1 2020
New vehicles	5,682	–	0	5,682
Genuine parts	1,592	–	–1	1,591
Used vehicles	624	–	0	624
Engines, powertrains, and parts deliveries	281	–	–	281
Workshop services	709	–	–1	708
Rental and leasing business	851	218	–190	880
Interest and similar income	4	194	–1	197
Other sales revenue	110	–	–1	109
	9,854	**413**	**–194**	**10,073**

Sales revenue for the first six months of 2021 includes revenue from operating leases in the amount of €619 million (H1 2020: €623 million).

7. Functional expenses

Research and development costs are attributable to the Industrial Business segment. They are contained in cost of sales and broken down as follows:

RESEARCH AND DEVELOPMENT COSTS

€ million	H1 2021	H1 2020
Primary R&D costs	619	558
of which capitalized development costs	170	168
Capitalization ratio in %	27	30
Amortization of, and impairment losses on, capitalized development costs	133	144
Research and development costs recognized in the income statement	**582**	**534**

Personnel expenses changed as follows in the reporting period:

PERSONNEL EXPENSES

€ million	H1 2021	H1 2020
Wages and salaries	2,562	1,935
Social security, post-employment, and other benefit costs	642	569
Personnel expenses	**3,204**	**2,504**

In the first half of 2021, restructuring measures for the repositioning of MAN Truck & Bus amounting to €340 million and significantly lower government grants related to income compared with the prior-year period were the main factors responsible for an increase in personnel expenses. In the previous year, many governments launched short-time working programs and similar measures to support workforce employment in response to the COVID-19 pandemic.

8. Other operating income

€ million	H1 2021	H1 2020
Foreign exchange gains	223	308
Income from foreign currency derivatives not included in hedge accounting	23	41
Income from reversal of provisions and accruals	22	8
Income from cost allocations	17	19
Gains on disposal of noncurrent assets	12	6
Rental and lease income	8	8
Miscellaneous income	57	44
	362	**434**

Foreign exchange gains mainly comprise gains from changes in exchange rates between the dates of recognition and payment of receivables and liabilities denominated in foreign currencies, as well as exchange rate gains resulting from measurement at the closing rate. Foreign exchange losses from these items are included in other operating expenses.

9. Other operating expenses

€ million	H1 2021	H1 2020
Expenses for personnel measures due to restructurings	340	–
Foreign exchange losses	222	289
Expenses for litigation and legal risks	46	54
Losses from foreign currency derivatives not included in hedge accounting	18	67
Losses on disposal of noncurrent assets	18	1
Miscellaneous expenses	388	96
	1,032	**506**

Expenses for personnel measures (including severance payments and partial retirement arrangements) in the amount of €340 million were recognized in connection with the restructuring program for the repositioning of MAN Truck & Bus in the first half of 2021. These concern the costs necessary for the restructuring and are not related to operating activities.

Expenses for litigation risks relate primarily to expenses in connection with the antitrust proceedings launched against European truck manufacturers, including MAN and Scania, by the European Commission.

The disposal of MTBÖ is planned in the course of the restructuring measures for the repositioning. As a result, MTBÖ's assets and liabilities are presented as a disposal group in the TRATON GROUP's financial statements following a purchase agreement signed on June 10, 2021. Impairment losses on property, plant, and equipment in the amount of €158 million and an additional provision in the amount of €141 million were recognized in miscellaneous expenses in this context.

Miscellaneous expenses also include expenses in connection with an engine project between MAN Truck & Bus and Navistar International Corporation, Lisle, Illinois, USA (Navistar), in addition to expenses for other personnel costs.

10. Net interest expense

€ million	H1 2021	H1 2020
Interest and similar income	42	34
Interest and similar expenses	–88	–84
Interest expense for lease liabilities	–14	–16
Net interest on the net liability for pensions and other post-employment benefits	–11	–13
Unwinding of discount and effect of change in discount rate on liabilities and other provisions	–3	0
Net interest expense	**–73**	**–78**

Interest and similar expenses mainly contain interest expense for financial liabilities. Interest income and expenses contain realized income and expenses from interest rate derivatives on net liquidity positions.

11. Other financial result

€ million	H1 2021	H1 2020
Other expenses from equity investments	0	–2
Realized income and expense of loan receivables and payables in foreign currency	–81	–170
Gains/losses from remeasurement of financial instruments	288	–296
Gains/losses from changes in the fair value of derivatives not included in hedge accounting	–188	426
Gains/losses from changes in the fair value of derivatives included in hedge accounting	–3	–
	17	**–42**

The fair value changes from derivatives not included in hedge accounting largely offset the currency translation effects on net debt in both items. In the first half of 2020, a net expense resulted primarily from the strong depreciation of Latin American currencies against the euro and the US dollar.

12. Earnings per share

€ million	H1 2021	H1 2020
Earnings after tax (attributable to shareholders of TRATON SE)	345	–272
Number of shares outstanding	500,000,000	500,000,000
Earnings per share (€)	**0.69**	**–0.54**

Earnings per share are calculated by dividing consolidated earnings after tax attributable to TRATON SE shareholders by the number of shares outstanding. TRATON SE's share capital amounts to €500 million and is composed of 500 million (H1 2020: 500 million) no-par value bearer shares.

The computation of diluted earnings per share is identical to that of basic earnings per share because TRATON SE has not issued any financial instruments that could result in dilutive effects. Dilution may arise in the future if TRATON SE's contingent capital is exercised.

13. Equity-method investments

The increase of €126 million (H1 2020: €27 million) in the carrying amount of equity-method investments to €1,502 million (December 31, 2020: €1,380 million) is attributable to the share of earnings of Sinotruk (Hong Kong) Limited, Hong Kong, China (Sinotruk). The Sinotruk dividend receivable, which amounts to approximately €75 million after withholding tax, is an offsetting factor.

Additionally, the carrying amount of the equity-method investee Navistar increased to €405 million as of June 30, 2021 (December 31, 2020: €376 million).

14. Other financial assets

€ million	06/30/2021	12/31/2020
Positive fair value of derivatives	300	503
Receivables from loans, bonds, and profit participation rights (without interest)	16	15
Miscellaneous financial assets	424	370
	740	**888**

In the prior-year period, the positive fair value of derivatives increased due to the depreciation of the Brazilian real against the euro and the US dollar and due to fluctuations in the Swedish krona and various other currencies as a result of the economic impact of the COVID-19 pandemic. In the first half of 2021, the recovery of the Brazilian real against the euro and the US dollar and of various other currencies against the Swedish krona reduced the positive fair value of derivatives.

The increase in miscellaneous financial assets is attributable mainly to dividends receivable from equity-method investments amounting to €81 million (December 31, 2020: €8 million), which relate primarily to Sinotruk.

As of June 30, 2021, other financial assets contained related party receivables of €152 million (December 31, 2020: €88 million). Of this amount, €11 million (December 31, 2020: €9 million) is attributable to receivables from loans.

Other financial assets are reported in the following balance sheet items:

€ million	06/30/2021	12/31/2020
Other noncurrent financial assets	244	435
Other current financial assets	496	453

15. Inventories

€ million	06/30/2021	12/31/2020
Raw materials, consumables, and supplies	741	620
Work in progress	747	415
Finished goods and purchased merchandise	3,499	3,274
Prepayments	17	16
	5,004	**4,325**

Inventories of €10,666 million (H1 2020: €8,544 million) were recognized in cost of sales at the same time as sales revenue in the first half of 2021.

Valuation allowances recognized as expenses in the first half of 2021 amounted to €40 million (H1 2020: €78 million).

The increase in inventories reflects delivery problems for semiconductors and other components, as well as the significant increase in the volume of production.

16. Marketable securities and investment deposits

Marketable securities and investment deposits serve to safeguard liquidity. Marketable securities and investment deposits are fixed-income securities with short maturity. The item includes investment deposits at Volkswagen AG of €3,950 million (December 31, 2020: €2,100 million) as of June 30, 2021. They are allocated to the financial assets measured at amortized cost category.

The increase in investment deposits at Volkswagen AG is attributable to proceeds from the European Medium Term Notes program and from *Schuldscheindarlehen*.

17. Equity

After the Annual General Meeting, TRATON SE paid its shareholders a dividend of €0.25 per share. This resulted in a total payout of €125 million. The payout was made on July 5, 2021.

Noncontrolling interests

On February 28, 2020, TRATON SE (TRATON) announced its intention to merge MAN SE (MAN) with TRATON. A transfer of the shares held by noncontrolling interest shareholders of MAN to TRATON against payment of an appropriate cash settlement is to take place in connection with this merger (squeeze-out under merger law).

TRATON holds 94.36% of MAN's share capital and announced its offer of a cash settlement to MAN's noncontrolling interest shareholders in the amount of €70.68 on May 8, 2021. The merger of MAN with TRATON was agreed by the Annual General Meeting of MAN SE on June 29, 2021. Following this resolution, the present value of the put options granted, amounting to approximately €586 million, had to be recognized as a current liability not affecting net income. Noncontrolling interests in the TRATON GROUP's equity and retained earnings declined accordingly.

The squeeze-out under merger law is subject to the entry of the transfer resolution and merger in the commercial register at the registered office of TRATON SE and MAN SE.

18. Financial liabilities

The details of noncurrent and current financial liabilities are presented in the following table:

€ million	06/30/2021	12/31/2020
Bonds	9,678	7,170
Liabilities to banks	2,949	3,001
Lease liabilities	1,113	1,047
Schuldscheindarlehen	699	–
Loans from Volkswagen AG	–	1,000
Cash pool liabilities	31	31
Loans and miscellaneous liabilities	50	50
	14,520	**12,298**

Financial liabilities from bonds mainly relate to European Medium Term Notes (EMTNs). TRATON SE and TRATON Finance are using the issuance program to raise capital for general corporate purposes, and the capital raised will be used as needed within the TRATON GROUP.

For information on the asset-backed securities contained in the "Bonds" item, refer to Note **"21. Additional disclosures on financial instruments."**

Bonds from the €12,000 million European Medium Term Notes program launched by TRATON Finance for the first time were issued on the capital market in March and June 2021. The aggregate €3,500 million issues were implemented in four fixed interest-rate tranches of €500 million with a three-year term, €1,000 million with a four-year term, €1,250 million with an eight-year term, and €750 million with a twelve-year term, and were hedged in part by interest rate derivatives.

TRATON SE also placed several *Schuldscheindarlehen* in the total amount of €700 million with investors in March 2021, all of which had already been drawn down by June 30, 2021. The individual *Schuldscheindarlehen* have terms of three, five, and seven years, and have been offered in both fixed and floating-rate formats. They include sustainability criteria (ESG-linked pricing), thereby underlining TRATON's commitment to sustainability and sustainable business performance.

€ million	06/30/2021	12/31/2020
Noncurrent financial liabilities	9,970	5,914
Current financial liabilities	4,549	6,384

19. Other provisions

The increase in other provisions is attributable to restructuring provisions, in particular. These primarily contain the costs necessary for the repositioning of MAN Truck & Bus and are not related to operating activities.

The restructuring provisions of €329 million recognized in the first half of 2021 are attributable to personnel measures (including severance payments and partial retirement arrangements). Furthermore, the disposal of MTBÖ is planned within the context of these restructuring measures. An additional provision of €141 million was recognized in connection with the planned disposal. The full amount of these provisions is attributable to MAN Truck & Bus.

20. Other financial liabilities

€ million	06/30/2021	12/31/2020
Liabilities from buyback obligations	3,406	3,439
Liability from cash settlement with noncontrolling interest shareholders	586	–
Negative fair value of derivatives	158	225
Liabilities from dividends	126	–
Interest rate liabilities	41	45
Miscellaneous financial liabilities	198	174
	4,516	**3,882**

The liability from cash settlement with noncontrolling interest shareholders contains the present value of the settlement paid to the noncontrolling interest shareholders of MAN SE in return for transfer of their shares in MAN SE to TRATON SE in connection with the merger of MAN SE with TRATON SE. TRATON SE holds 94.36% of MAN SE's share capital and offered to pay the noncontrolling interest shareholders of MAN SE a cash settlement of €70.68 per MAN SE common share and per MAN SE preferred share. For an explanation of the squeeze-out under merger law, refer to Note **"17. Equity — Noncontrolling interests."**

The Annual General Meeting of TRATON SE resolved to pay the shareholders a dividend of €0.25 per share for fiscal year 2020. This corresponds to a dividend payout of €125 million, which was reported as a financial liability as of June 30.

Other financial liabilities are reported in the following balance sheet items:

€ million	06/30/2021	12/31/2020
Other noncurrent financial liabilities	2,286	2,321
Other current financial liabilities	2,230	1,561

21. Additional disclosures on financial instruments

Reconciliation of balance sheet items to classes of financial instruments

The following table shows the reconciliation of the balance sheet items to the relevant classes of financial instruments, broken down by the carrying amount and fair value of the financial instruments.

The fair value of financial instruments at amortized cost is measured by discounting, using a market rate of interest for a similar risk and matching maturity. For reasons of materiality, the fair value of current balance sheet items is generally considered to be their carrying amount.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF JUNE 30, 2021

	Measured at fair value		Measured at amortized cost		Derivative financial instruments within hedge accounting	Not allocated to any IFRS 9 category	Balance sheet item as of 06/30/2021
€ million	Through other comprehen-sive income	Through profit or loss	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets							
Other equity investments	452	–	–	–	–	30	482
Financial services receivables	–	–	2,537	2,557	–	2,929	5,466
Other financial assets	–	134	107	107	3	–	244
Current assets							
Trade receivables	–	23	2,073	2,073	–	–	2,096
Financial services receivables	–	–	1,415	1,415	–	1,692	3,106
Other financial assets	–	159	333	333	4	–	496
Marketable securities and investment deposits	–	–	3,955	3,955	–	–	3,955
Cash and cash equivalents	–	–	1,666	1,666	–	–	1,666
Assets held for sale	–	–	334	334	–	–	334
Noncurrent liabilities							
Financial liabilities	–	–	9,050	9,323	–	920	9,970
Other financial liabilities	–	46	2,233	2,233	6	–	2,286
Current liabilities							
Financial liabilities	–	–	4,356	4,356	–	193	4,549
Trade payables	–	–	3,298	3,298	–	–	3,298
Other financial liabilities	–	77	2,124	2,124	29	–	2,230
Liabilities directly associated with assets held for sale	–	–	64	64	–	–	64

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2020

	Measured at fair value		Measured at amortized cost		Derivative financial instruments within hedge accounting	Not allocated to any IFRS 9 category	Balance sheet item as of 12/31/2020
€ million	Through other comprehensive income	Through profit or loss	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets							
Other equity investments	47	–	–	–	–	25	72
Financial services receivables	–	–	2,023	2,033	–	2,760	4,783
Other financial assets	–	336	99	99	–	–	435
Current assets							
Trade receivables	–	27	1,879	1,879	–	–	1,906
Financial services receivables	–	–	1,432	1,432	–	1,525	2,957
Other financial assets	–	165	285	285	3	–	453
Marketable securities and investment deposits	–	–	2,105	2,105	–	–	2,105
Cash and cash equivalents	–	–	1,714	1,714	–	–	1,714
Noncurrent liabilities							
Financial liabilities	–	–	5,059	5,187	–	856	5,914
Other financial liabilities	–	39	2,275	2,275	7	–	2,321
Current liabilities							
Financial liabilities	–	–	6,192	6,192	–	192	6,384
Trade payables	–	–	2,769	2,769	–	–	2,769
Other financial liabilities	–	56	1,382	1,382	123	–	1,561

Financial assets and liabilities measured at fair value by level

Measurement and presentation of the fair value of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and is classified as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of Level 2 financial instruments is determined on the basis of the conditions prevailing at the end of the reporting period, such as interest rates or exchange rates, and using recognized models, such as discounted cash flow or option pricing models.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

These equity investments classified in Level 3 mainly comprise shares in unlisted companies for which there is no active market. The fair value of these investments is calculated using standard measurement models, such as discounted cash flow models. Due to the small carrying amount of these investments, a change in unobservable inputs would not result in a significantly lower or higher measurement of the instruments' fair value.

The option relating to TuSimple Holdings Inc., San Diego, California, USA (TuSimple) contained in the "Other financial assets" item was exercised in the first half of 2021, which led to an increase in other equity investments. In the course of TuSimple's IPO in April 2021, a significantly higher share price was achieved compared with the preceding financing rounds. As of June 30, 2021, the fair value (Level 1) of the investment in TuSimple amounted to €333 million (December 31, 2020: €14 million).

The lease receivables have a carrying amount of €4,621 million (December 31, 2020: €4,286 million) and a fair value of €4,621 million (December 31, 2020: €4,285 million).

Trade receivables contained in the factoring portfolio are measured at fair value through profit or loss and are therefore categorized within "Financial instruments measured at fair value." The factoring portfolio is classified in Level 3 of the fair value hierarchy. Fair value is measured by reference to the original transaction price, taking contractual factoring allowances into account.

The derivative used to hedge the currency risks resulting from the planned acquisition of Navistar and contained in “Other financial liabilities” is measured using standard measurement models. In particular, quoted prices of currency forwards and options as well as liquidity premiums were used to measure the derivative. Additionally, measurement also contains a component reflecting the banks’ estimate of the likelihood that the transaction will close. For this reason, the derivative is classified in Level 3 of the fair value hierarchy. A 10% increase or decrease in the unobservable input component would not have materially increased or reduced the earnings for the period because of the short remaining maturity of the derivative.

The “Financial liabilities” item contains liabilities from bonds with a carrying amount of €2,023 million and a fair value of €2,067 million that are included in hedge accounting as a fair value hedge. They were allocated to the “Measured at amortized cost” category.

All other financial assets and liabilities measured at fair value as well as the derivative financial instruments within hedge accounting are classified in Level 2 of the fair value hierarchy. The fair value of Level 2 financial instruments is determined on the basis of the conditions prevailing at the end of the reporting period, such as interest rates or exchange rates, and using recognized models, such as discounted cash flow or option pricing models.

The following table shows changes in other equity investments measured at fair value and classified in Level 3 as well as in trade receivables intended to be sold under factoring transactions, other financial assets, and other financial liabilities:

€ million	Other equity investments classified in Level 3	Trade receivables classified in Level 3	Other financial assets classified in Level 3	Other financial liabilities classified in Level 3
Balance as of 01/01/2021	**47**	**27**	**16**	**–102**
Fair value changes in “Fair value measurement of other equity investments and marketable securities” recognized in other comprehensive income	309	–	–	–
Fair value changes in “Cash flow hedges” recognized in other comprehensive income	–	–	–	97
Fair value changes in “Cost of hedging” recognized in other comprehensive income	–	–	–	2
Fair value changes in “Other operating expenses” recognized in profit or loss	–	–	–	–3
Fair value changes in “Other financial result” recognized in profit or loss	–	–1	–16	–
Transfer into Level 1	–333	–	–	–
Additions/acquisitions	97	33	–	–
Currency translation differences	0	0	–	–
Disposals	–	–37	–	–
Balance as of 06/30/2021	**119**	**23**	**–**	**–7**
Balance as of 01/01/2020	**14**	**–**	**–**	**–**
Fair value changes in “Fair value measurement of other equity investments and marketable securities, net of tax” recognized in other comprehensive income	–	–	–	–
Reclassified to equity-method investments	–1	–	–	–
Additions/acquisitions	2	17	–	–
Fair value changes in “Other financial result” recognized in profit or loss	–	–2	–	–
Balance as of 06/30/2020	**15**	**15**	**–**	**–**

The transfers between the levels of the fair value hierarchy are reported at the respective reporting dates. The transfer out of Level 3 into Level 1 relates to the investment in TuSimple, for which market price data is now available as a result of the company’s IPO. In addition, the “Financial liabilities” item contains liabilities measured at amortized cost from bonds amounting to €1,915 million that were reclassified from Level 2 to Level 1 because the market is classified as active due to an increase in liquidity. There were no further transfers between the levels of the fair value hierarchy in the first half of 2021. No transfers took place in the first half of 2020.

As of the reporting date, financial liabilities included asset-backed securities transactions implemented to refinance the Financial Services segment with a carrying amount of €122 million (December 31, 2020: €175 million). The corresponding carrying amount of financial services receivables is €157 million (December 31, 2020: €206 million). Collateral totaling €157 million (December 31, 2020: €206 million) was provided in connection with asset-backed securities transactions.

No further asset-backed securities transactions were conducted in 2021.

22. Contingent liabilities and commitments

€ million	06/30/2021	12/31/2020
Liabilities under buyback guarantees	2,551	2,431
Contingent liabilities under guarantees	41	60
Other contingent liabilities	840	759
	3,431	**3,250**

Customer liabilities to financial services companies of the Volkswagen Group and, to a small extent, to third parties are covered by standard industry buyback guarantees under which TRATON is obliged to buy back vehicles from the financial services company in the event of default. The maximum expenses from such obligations are shown under “Liabilities under buyback guarantees.” However, experience shows that the majority of these guarantees expire without being drawn upon.

Other contingent liabilities relate mainly to contingent liabilities for potential charges from tax risks, which exist for Volkswagen Caminhões e Ônibus. See Note **“23. Litigation/legal proceedings”** for further information.

23. Litigation/legal proceedings

In the course of their operating activities, the TRATON GROUP and the companies in which it is directly or indirectly invested become involved in a large number of legal cases and official proceedings at both national and international level. In particular, such legal cases and other proceedings may occur in relation to suppliers, dealers, customers, employees, or investors. For the companies involved, these may result in payment or other obligations.

Risks may also emerge in connection with compliance with regulatory requirements. This applies, in particular, in the case of regulatory vagueness that may be interpreted differently by the TRATON GROUP and the agencies responsible for the respective regulations. In addition, legal risks can arise from the criminal activities of individual persons, which even the best compliance management system can never completely prevent.

Where transparent and economically viable, adequate insurance coverage was taken out for these risks. For the identifiable and measurable risks, provisions considered appropriate are recognized and information about contingent liabilities is disclosed. As some risks cannot be assessed or can only be assessed to a limited extent, the possibility of loss or damage not being covered by the insured amounts and provisions cannot be ruled out.

Important legal cases

Note **"41. Litigation/legal proceedings"** in the Notes to the Consolidated Financial Statements in TRATON SE's 2020 Annual Report contains detailed information on important litigation and legal proceedings. There have been no other material developments since the publication of the Annual Report. Primarily as a result of currency fluctuations, the risk relating to the tax proceedings initiated by the Brazilian tax authorities against MAN Latin America Indústria e Comércio de Veículos Ltda. rose from €494 million to €538 million due to the translation of the risk amount and current interest.

In connection with the Navistar acquisition, a Navistar shareholder on January 19, 2021, filed a lawsuit against Navistar, its Board of Directors, as well as against TRATON and the merger subsidiary with the United States District Court for the Southern District of New York. The plaintiff alleged that preliminary versions of the proxy statement filed by Navistar with the SEC in connection with the Navistar acquisition were materially incomplete and therefore misleading. The complaint purported to seek injunctive relief, declaratory relief, rescission, monetary damages, and costs, including attorneys' fees. This complaint was not served on either TRATON or the merger subsidiary. The plaintiff voluntarily dismissed the complaint on March 2, 2021.

Also in conjunction with the Navistar acquisition, another Navistar shareholder on January 20, 2021, filed a putative class action against Navistar, its Board of Directors, as well as against TRATON and its wholly owned subsidiary TRATON US Inc. with the Circuit Court of DuPage County, Illinois, Chancery Division. The plaintiff alleged that Navistar and its Board of Directors were in breach of their fiduciary duties under Delaware law and that TRATON and TRATON US Inc. aided and abetted these alleged breaches of fiduciary duties. The complaint purported to seek class action certification, injunctive relief, declaratory relief, rescission, disgorgement, monetary damages, and costs, including attorneys' fees. This complaint was not served on either TRATON or TRATON US Inc. The plaintiff filed a notice of dismissal on February 26, 2021.

The parties to the litigation have resolved the lawsuits, and no lawsuits are expected to have a material negative impact.

24. Related party disclosures

There have been no material changes in relationships with related parties compared with the disclosures in the Consolidated Financial Statements as of December 31, 2020.

The following tables present the amounts of supplies and services transacted, as well as outstanding receivables and obligations, between consolidated companies of the TRATON GROUP and its related parties, including Volkswagen AG. There were no significant transactions with Porsche Automobil Holding SE, Stuttgart, or the state of Lower Saxony in any of the reporting periods presented. There is a liability to Volkswagen Finance Luxemburg S.A., Strassen, Luxembourg, resulting from the dividend payout to the shareholders resolved at the Annual General Meeting.

RELATED PARTIES

€ million	Sales and services rendered H1 2021	Sales and services rendered H1 2020	Purchases and services received H1 2021	Purchases and services received H1 2020
Volkswagen AG	1	0	76	60
Volkswagen Finance Luxemburg S.A.	–	–	–	–
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	777	584	371	275
Unconsolidated subsidiaries	14	5	3	3
Associates and their majority interests[1]	93	58	171	85
Joint ventures and majority-owned interests	7	5	27	4

1 Prior-year figures were adjusted (Purchases and services received).

€ million	Receivables from 06/30/2021	Receivables from 12/31/2020	Liabilities (including obligations) to 06/30/2021	Liabilities (including obligations) to 12/31/2020
Volkswagen AG	4,208	2,362	51	1,062
Volkswagen Finance Luxemburg S.A.	–	–	112	–
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	475	332	2,499	2,465
Unconsolidated subsidiaries	31	18	51	35
Associates and their majority interests	174	108	34	8
Joint ventures and majority-owned interests	3	2	2	2

On June 30, 2021, Volkswagen Finance Luxemburg, a wholly owned subsidiary of Volkswagen AG, held 89.72% (December 31, 2020: 89.72%) of TRATON SE's share capital. Additionally, Mr. Schulz held 4,050 (December 31, 2020: 4,050) and Mr. Levin held 3,600 (December 31, 2020: -) shares of TRATON SE on June 30, 2021.

Receivables from Volkswagen AG are mainly finance transaction balances. In 2021, the TRATON GROUP made short-term investment deposits at Volkswagen AG, amounting to €3,950 million (December 31, 2020: €2,100 million) as of June 30, 2021. The investment deposits are subject to market interest rates.

A credit facility of €4,000 million (December 31, 2020: €4,000 million) is in place with Volkswagen AG that had not been drawn down as of June 30, 2021. The credit facility is subject to market interest rates. The €1,000 million loan contained in liabilities to Volkswagen AG in the prior-year period was repaid in the first half of 2021. Liabilities to other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP mainly relate to liabilities to Volkswagen Financial Services.

In November 2020, TRATON SE took out a loan of €3,300 million with Volkswagen International Luxemburg S.A., Strassen, Luxembourg (Volkswagen International Luxemburg), with a term of up to 30 months, to finance the US dollar purchase price of the common shares of Navistar International Corporation not already held by TRATON SE. The financing is subject to market interest rates. The total loan amount was reduced to €2,750 million in May 2021 at TRATON SE's request and had not been drawn down as of June 30, 2021. TRATON SE pays commitment fees to Volkswagen International Luxemburg in connection with the loan.

The sale of receivables to subsidiaries of Volkswagen AG that are not part of the TRATON GROUP amounted to €504 million (H1 2020: €445 million) in the first half of 2021. This relates to the volume of receivables that were transferred and derecognized in each reporting period. Customer liabilities to Volkswagen Financial Services are covered by standard industry buyback guarantees, see Note **"22. Contingent liabilities and commitments."**

25. Events after the reporting period

The TRATON GROUP acquired all outstanding common shares of US commercial vehicle manufacturer Navistar on July 1, 2021. The cash purchase price was approximately €3.1 billion (USD 3.7 billion). TRATON now holds all shares of Navistar International Corporation, which was previously accounted for as an equity-method investment (16.7% interest). The transaction builds on a successful cooperative strategic alliance and will further drive forward the growth trajectory of Navistar and the TRATON GROUP. For the TRATON GROUP, it means entering the important North American market. The merger with Navistar that took place on July 1, 2021, is expected to result in a gain for the TRATON GROUP from the remeasurement of the existing interest. This will be reported in financial result.

To finance this transaction, TRATON SE had taken out a temporarily unused loan of €3.3 billion from Volkswagen International Luxemburg in November 2020, which was reduced to €2.75 billion in May 2021 and was called down in this amount after the reporting date. The transaction was additionally financed by available cash and cash equivalents and investment deposits at Volkswagen AG. The purchase price was fully hedged by a foreign currency derivative.

Closing costs incurred up to June 30, 2021, amounted to a total of approximately €19 million, of which approximately €6 million was recognized in other operating expenses and approximately €1 million in financial result. Additional closing costs were recognized in the cost of financial liabilities and amortized to profit or loss over their term.

Further closing costs of around €25 million were incurred up to the date of preparation of the Half-Year Financial Report on July 23, 2021.

Given the recent nature of the acquisition, it is not possible to make further disclosures about the acquisition or the resulting effects on the TRATON GROUP's consolidated financial statements at present.

The TRATON GROUP discharged its liabilities (incl. accrued interest) to Navistar amounting to a total of €3.0 billion immediately after the merger between the two companies.

Following successful completion of the merger with Navistar, Moody's Investors Service reiterated its Baa1 rating (negative outlook) on July 1, 2021, and S&P Global Ratings again reiterated its current BBB rating and stable outlook on July 9, 2021.

The term of the €3.75 billion syndicated loan signed on July 28, 2020, was extended by a further year at the beginning of July 2021. All of the syndicate banks agreed to the extension of the term. The loan will now mature on July 28, 2024.

TRATON SE paid its shareholders a dividend of €0.25 per share on July 5, 2021. This resulted in a total payout of €125 million.

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FURTHER INFORMATION

FURTHER INFORMATION

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for half-year financial reporting, the Condensed Half-Yearly Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the considerable opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Munich, July 23, 2021

TRATON SE

The Executive Board

Matthias Gründler **Christian Schulz** **Antonio Roberto Cortes**

Christian Levin **Bernd Osterloh** **Dr. Ing. h.c. Andreas Tostmann**

Review Report

To TRATON SE, Munich

We have reviewed the condensed half-yearly consolidated financial statements of TRATON SE, Munich, comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows, and selected explanatory notes, and the interim group management report for the period from January 1, 2021 to June 30, 2021, which are part of the half-year financial report pursuant to Sec. 115 WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act]. The executive directors are responsible for the preparation of the condensed half-yearly consolidated financial statements in accordance with IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports. Our responsibility is to issue a report on the condensed half-yearly consolidated financial statements and the interim group management report based on our review.

We conducted our review of the condensed half-yearly consolidated financial statements and of the interim group management report in compliance with German Generally Accepted Standards for the Review of Financial Statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IFRS on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of the Company’s employees and analytical assessments and therefore does not provide the assurance obtainable from an audit of financial statements. Since, in accordance with our engagement, we have not performed an audit of financial statement, we cannot issue an auditor’s report.

Based on our review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IFRS on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Munich, July 23, 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Meyer
Wirtschaftsprüfer

Hummel
Wirtschaftsprüfer

Key Performance Indicators

INCOMING ORDERS, INDUSTRIAL BUSINESS

Units	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Change Q2 2021 v. Q2 2020
Incoming orders, Industrial Business	**89,204**	**81,742**	**70,318**	**58,502**	**33,270**	**55,934**
of which trucks[1]	85,837	78,749	67,007	55,304	30,726	55,111
of which buses	3,367	2,993	3,311	3,198	2,544	823

1 Including MAN TGE vans (Q2 2021: 8,900 units; Q1 2021: 8,487 units; Q4 2020: 5,761 units; Q3 2020: 5,040 units; Q2 2020: 3,888 units)

UNIT SALES BY COUNTRY

Units	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Change Q2 2021 v. Q2 2020
Unit sales, Industrial Business	**66,135**	**60,315**	**62,520**	**49,922**	**31,748**	**34,387**
Unit sales, trucks[1]	**62,725**	**57,222**	**58,186**	**45,331**	**28,529**	**34,196**
EU27+3	30,106	29,975	34,510	24,686	15,724	14,382
of which in Germany	7,592	8,128	10,710	7,895	4,505	3,087
South America	19,872	16,956	12,859	11,345	7,214	12,658
of which in Brazil	17,434	14,489	10,481	9,337	6,271	11,163
Other regions	12,747	10,291	10,817	9,300	5,591	7,156
Unit sales, buses	**3,410**	**3,093**	**4,334**	**4,591**	**3,219**	**191**
EU27+3	1,255	757	2,068	1,403	1,323	–68
of which in Germany	327	337	801	379	171	156
South America	1,412	1,461	1,436	2,546	1,278	134
of which in Brazil	1,215	1,057	1,116	1,672	981	234
Other regions	743	875	830	642	618	125

1 Including MAN TGE vans (Q2 2021: 5,378 units; Q1 2021: 5,904 units; Q4 2020: 6,234 units; Q3 2020: 5,037 units; Q2 2020: 2,927 units)

SALES REVENUE BY PRODUCT GROUP

€ million	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Change Q2 2021 v. Q2 2020
TRATON GROUP	**7,076**	**6,544**	**6,839**	**5,667**	**4,394**	**2,682**
Industrial Business	**6,966**	**6,438**	**6,736**	**5,565**	**4,290**	**2,675**
New Vehicles	4,572	4,061	4,372	3,331	2,393	2,179
After Sales[1]	1,291	1,298	1,228	1,163	1,033	258
Others	1,103	1,080	1,136	1,072	865	238
Financial Services	**214**	**205**	**208**	**200**	**197**	**17**
Consolidation/Others	–103	–99	–104	–98	–93	–10

1 Including spare parts and workshop services

CONDENSED TRATON GROUP INCOME STATEMENT

€ million	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Change Q2 2021 v. Q2 2020
Sales revenue	7,076	6,544	6,839	5,667	4,394	2,682
Cost of sales	–5,601	–5,235	–5,777	–4,708	–3,978	–1,623
Gross profit	**1,475**	**1,310**	**1,063**	**960**	**416**	**1,059**
Distribution expenses	–612	–586	–611	–532	–510	–102
Administrative expenses	–236	–226	–231	–222	–185	–51
Other operating result	–327	–343	–82	–44	–103	–224
Operating result	**301**	**155**	**139**	**162**	**–382**	**682**
Operating return on sales (in %)	4.2	2.4	2.0	2.9	–8.7	12.9 pp
Financial result	–12	81	–40	25	–71	59
Earnings before tax	**289**	**236**	**100**	**187**	**–453**	**741**
Income taxes	–65	–108	–65	–56	68	–132
Earnings after tax	**224**	**127**	**35**	**131**	**–385**	**609**

KEY PERFORMANCE INDICATORS, INDUSTRIAL BUSINESS

€ million	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Change Q2 2021 v. Q2 2020
Operating result	251	104	114	125	–400	652
Operating result (adjusted)	562	465	118	174	–400	962
Operating return on sales (in %)	3.6	1.6	1.7	2.2	–9.3	12.9 pp
Operating return on sales (adjusted) (in %)	8.1	7.2	1.8	3.1	–9.3	17.4 pp
Capex	185	160	390	164	220	–35
Primary R&D costs	325	294	368	238	273	52

KEY PERFORMANCE INDICATORS, FINANCIAL SERVICES

€ million	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Change Q2 2021 v. Q2 2020
Operating result (€ million)	49	51	25	37	19	31
Operating return on sales (in %)	23.1	24.6	12.2	18.7	9.5	13.6 pp

CONDENSED STATEMENT OF CASH FLOWS, INDUSTRIAL BUSINESS

€ million	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Change Q2 2021 v. Q2 2020
Gross cash flow	830	538	642	644	95	735
Change in working capital	–402	171	693	–228	16	–418
Net cash provided by operating activities	**428**	**709**	**1,335**	**416**	**111**	**317**
Net cash used in investing activities attributable to operating activities	–298	–312	–511	–217	–291	–8
Change in marketable securities, investment deposits, and loans	–226	–1,749	–996	901	–201	–25
Net cash provided by/used in investing activities	**–525**	**–2,061**	**–1,507**	**683**	**–492**	**–33**
Net cash provided by/used in financing activities	**307**	**1,364**	**–319**	**–1,431**	**1,298**	**–991**
Effect of exchange rate changes on cash and cash equivalents	60	–15	8	–32	19	42
Change in cash and cash equivalents	**271**	**–3**	**–483**	**–363**	**936**	**–665**
Cash and cash equivalents as of quarter-end[1]	**1,909**	**1,638**	**1,641**	**2,124**	**2,488**	**–578**
Gross cash flow	830	538	642	644	95	735
Change in working capital	–402	171	693	–228	16	–418
Net cash used in investing activities attributable to operating activities	–298	–312	–511	–217	–291	–8
Net cash flow	**130**	**397**	**824**	**199**	**–179**	**309**

1 €324 million of the reported cash and cash equivalents is contained in “Assets held for sale” as of June 30, 2021.

NET LIQUIDITY, INDUSTRIAL BUSINESS

€ million	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Change Q2 2021 v. Q2 2020
Cash and cash equivalents[1]	1,909	1,638	1,641	2,124	2,488	–578
Marketable securities, investment deposits, and loans to affiliated companies	4,129	3,862	2,114	1,114	2,014	2,115
Gross liquidity	**6,038**	**5,500**	**3,755**	**3,238**	**4,502**	**1,537**
Total third-party borrowings	–5,460	–5,103	–3,728	–3,965	–4,878	–583
Net liquidity/net financial debt	**578**	**397**	**27**	**–727**	**–376**	**954**

1 €324 million of the reported cash and cash equivalents is contained in “Assets held for sale” as of June 30, 2021.

Definition of Key Performance Indicators

Adjustments to operating result: In addition to reported operating result (or operating profit/loss), operating result (adjusted) (or operating profit/loss (adjusted)) is calculated to enable the greatest possible transparency of our business performance. Adjustments concern certain items in the financial statements that, in the opinion of the Executive Board, can be presented separately to enable a more appropriate assessment of financial performance. They include, in particular, costs of restructurings and structural measures. Operating return on sales (adjusted) is therefore calculated as the ratio of operating result (adjusted) to sales revenue. Adjustments to operating result are also taken into account in determining the return on investment (adjusted) and EBITDA (adjusted).

Capex in the Industrial Business segment: Capex in the Industrial Business segment represents the TRATON GROUP's investments in the future. It consists of the capital expenditures in property, plant, and equipment and in intangible assets (excluding capitalized development costs) that are reported in the statement of cash flows.

Cash conversion rate in the Industrial Business segment: In order to fund our forward-looking expenditures, we use the cash conversion rate in the Industrial Business segment to monitor the TRATON GROUP's financial position. This indicates the share of earnings after tax generated as cash and cash equivalents and is calculated as the ratio of positive net cash flow to positive earnings after tax. If net cash flow and/or earnings after tax are negative, the indicator is meaningless and is no longer disclosed. The cash conversion rate is presented as a percentage.

EBITDA (adjusted) in the Industrial Business segment: EBITDA (earnings before interest, taxes, depreciation, and amortization) (adjusted) reflects the Industrial Business segment's operating performance before interest, taxes, depreciation, and amortization, after accounting for the use of resources. Since depreciation and amortization may depend on the chosen accounting policies, the carrying amounts, the capital structure, and the way in which an asset was acquired, EBITDA (adjusted) is used above all as an indicator for peer group comparisons.

Financial Services net portfolio: The net portfolio is calculated as the total of financial services receivables, the value of recognized buyback obligations, and of vehicles with buyback obligations. It is based on the values from the perspective of the Financial Services segment.

Gross cash flow: Gross cash flow is calculated as the sum of earnings before tax and income tax payments, adjusted by depreciation and amortization of, and impairment losses on, intangible assets, property, plant, and equipment, investment property, capitalized development costs, products leased out (net of impairment reversals), impairment losses on equity investments (net of impairment reversals), changes in pension obligations, earnings on disposal of noncurrent assets and equity investments, share of earnings of equity-method investments, and other noncash expenses/income.

Gross margin: The gross margin is calculated as the percentage ratio of gross profit to sales revenue in a given period.

Net cash flow: Net cash flow comprises net cash provided by/used in operating activities (continuing operations) and net cash provided by/used in investing activities attributable to operating activities (continuing operations). We do not include changes in loans, marketable securities, or investment deposits in this figure. Net cash flow indicates the excess funds from operating activities.

Net liquidity/net financial debt: Net liquidity/net financial debt comprises cash and cash equivalents, marketable securities, investment deposits, and loans to affiliated companies less financial liabilities, and reflects cash and cash equivalents, marketable securities, investment deposits, and loans to affiliated companies not financed by total third-party borrowings.

Operating return on sales: Operating return on sales is the ratio of operating result (or operating profit/loss) to sales revenue and expresses the economic performance of our business activities after accounting for the use of resources. Operating result does not include net investment income. Operating return on sales measures the TRATON GROUP's profitability.

Primary research and development costs in the Industrial Business segment: Primary research and development costs in the Industrial Business segment contain both capitalized development costs and research and development costs not eligible for capitalization. They therefore represent expenditures ranging from blue skies research down to the market-ready development of our products and services. There is a particular focus here on subject areas that are defined in our Global Champion Strategy: autonomous driving, connectivity, and alternative drives. We can only drive innovation forward and implement our Global Champion Strategy if we invest sufficiently in research and development.

Ratio of distribution and administrative expenses to sales revenue: This is calculated as the ratio of total distribution and administrative expenses to sales revenue.

Financial Calendar

The latest information and dates are available on TRATON SE's website at **www.traton.com/financialcalendar**.

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TRATON SE
Dachauer Str. 641
80995 Munich
Germany
www.traton.com

Corporate Communications
Phone: +49 89 36098 303
media-relations@traton.com

Investor Relations
Phone: +49 89 36098 0
investor.relations@traton.com

Concept and Design
3st kommunikation GmbH, Mainz

Photographs
Malagrine Studio (cover, p. 2)
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