TRATON GROUP

H1 2019

HALF-YEARLY FINANCIAL REPORT

"For the TRATON GROUP, going public represents a historic milestone on the path toward becoming a Global Champion in the transportation industry."

ANDREAS RENSCHLER,
CEO of the TRATON GROUP

8TRA

DUAL LISTING

The TRATON GROUP shares are traded under the ticker symbol 8TRA in the Regulated Market of the Frankfurt Stock Exchange (Prime Standard) and in the Regulated Market (reglerad marknad) of Nasdaq Stockholm (Large Cap Segment).

RINGING OF THE BELL

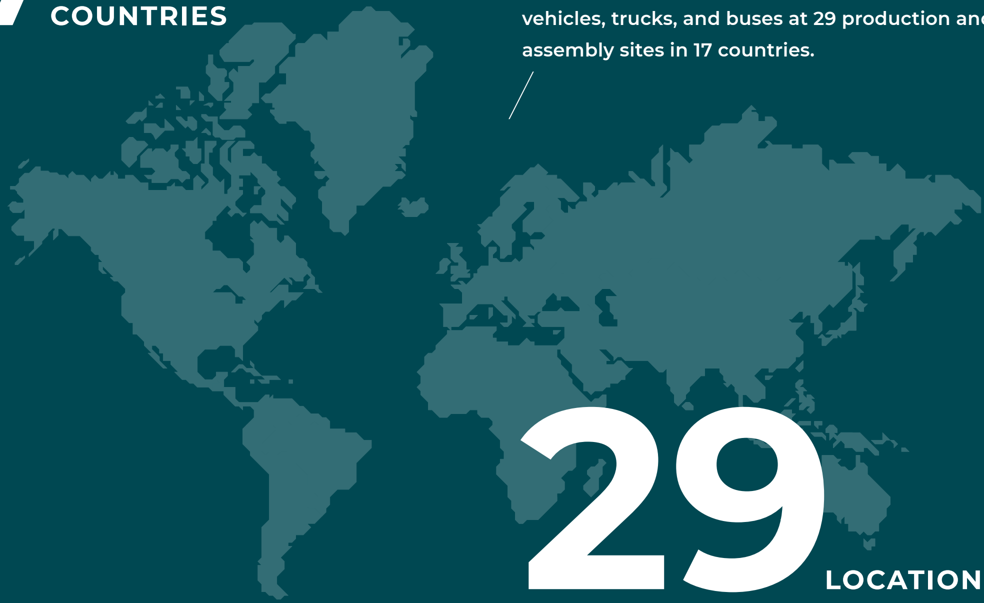
The TRATON GROUP celebrated its stock market debut on June 28, 2019. TRATON has an international investor base, including from Germany, Sweden, and the United Kingdom.

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

FIRST HALF OF 2019:

€419 MILLION

revenue in the Financial Services segment

€13 BILLION

revenue in the Industrial Business segment

81,000 EMPLOYEES

The TRATON GROUP employs around 81,000 employees worldwide across its commercial vehicle brands (as of December 31, 2018).

TRATON

GROUP

With its brands MAN, Scania, Volkswagen Caminhões e Ônibus, and RIO, the TRATON GROUP is one of the world's leading commercial vehicle manufacturers. The Group aims to reinvent transportation — with its products, its services, and as a partner to its customers.

MAN / SCANIA / Caminhões Ônibus / RIO

SCANIA

Scania is one of the world's leading suppliers of sustainable transportation solutions, manufacturing in Europe, South America, and Asia. The company offers city and country buses and coaches, heavy-duty trucks for long-haul and distribution transportation, and construction vehicles. Scania is also a leader in networked services for the commercial vehicle industry. The company offers a wide range of additional revenue and services to complement its product range.

FIRST HALF OF 2019

€ 7.1	€ 828
billion in sales revenue	million in operating profit

State-of-the-art technology and driving pleasure: the Scania R500 combines high transportation speed with extremely low fuel consumption.

MAN is one of the leading commercial vehicle manufacturers in Europe. The company manufactures in three European countries as well as Russia, South Africa, and Turkey. In addition to vans, MAN produces light- to heavy-duty trucks for distribution and long-haul transportation, construction site vehicles as well as city and country buses and coaches. The product portfolio is supplemented by extensive revenue and service activities.

FIRST HALF OF 2019

€	€
5.5	**253**
billion in sales revenue	million in operating profit

On the road with 400 hp of engine power: the MAN TGS with new D15 engine in the version for tank silo transports.

Caminhões Ônibus

Volkswagen Caminhões e Ônibus offers light- to heavy-duty trucks and bus chassis — tailor-made for markets such as Latin America and Africa. The brand has a nationwide revenue and service network in Brazil and neighboring countries. Volkswagen Caminhões e Ônibus also offers after-sales services and digital solutions tailored to growth markets.

FIRST HALF OF 2019

€ 860	€ 18
million in sales revenue	million in operating profit

Guaranteed reliability: Volkswagen Caminhões e Ônibus has over 25 years of experience and expertise in tailor-made buses.

CONTENTS

The half-yearly financial report of TRATON SE 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 management report of the Group, and a responsibility statement.

This half-yearly financial report contains certain forward-looking statements for the remaining months of fiscal year 2019 that are based on present assumptions and forecasts by the Company's management. 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 and to adapt them to future events or developments.

All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

1 TO OUR SHAREHOLDERS

TO OUR SHAREHOLDERS

ANDREAS RENSCHLER
CEO of the TRATON GROUP,
Member of the Board of Management of Volkswagen AG

Dear Ladies and Gentlemen,

We have now been listed on the Frankfurt and Stockholm stock exchanges for a month. I would like to extend a warm welcome to our investors and thank you for your confidence in TRATON SE. For our Group, going public is a historic milestone on the path toward becoming a Global Champion of the transportation industry. The dual listing on the stock exchanges in Germany and Sweden reflects our DNA as a company with a global presence. We are pleased to be able to present our first half-yearly financial report as a listed company. This is a premiere I am proud of.

The first half of 2019 was a success for our Group. We were able to increase our sales revenue by 7% year-on-year to €13.5 billion. We lifted our operating profit over the one billion euro mark at the mid-year point for the first time, and, at €1.1 billion, it is roughly 25% better than it was a year ago. We improved our operating return on sales by more than one percentage point to 7.9%. One of the drivers for this was the 10% increase in unit sales of our vehicles, driven by strong growth in truck sales across all brands.

For our team at TRATON, good results are a motivation to stay successful, to continue to improve, and to meet your expectations as our investors. The global market environment remains challenging, with the result that we recorded a modest decline in order intake in the first half of 2019.

Our three brands MAN, Scania, and Volkswagen Caminhões e Ônibus are working together at full speed to develop efficient new technologies. We expect their continuously evolving cooperation to generate additional synergies in the coming years. We are also consistently developing our strategic partnerships at global level. We are doing all of this to meet the needs of our customers, our employees, our partners, and our investors.

These are flanked by our initiatives in growth markets, upcoming product innovations, and our aspiration to make the Group, which has only existed for four years, progressively stronger.

I am proud of what we have achieved so far. It is and remains the achievement of our teams at TRATON: every day, more than 80,000 employees are fully committed to ensuring the success of our Group. On behalf of the Executive Board, I would like to express my heartfelt thanks to our powerful teams, who are driving our Company forward with so much passion and enthusiasm.

We would also like to extend our particular thanks to our shareholders for their confidence in us, our strategy, and our potential.

Sincerely,

Andreas Renschler
CEO, TRATON GROUP

"I am proud of what we have achieved so far. Every day, more than 80,000 employees are fully committed to ensuring the success of our Group."

EXECUTIVE BOARD

THE EXECUTIVE BOARD OF THE TRATON GROUP
From left to right: Antonio Roberto Cortes, Christian Levin, Dr. Carsten Intra, Andreas Renschler, Christian Schulz, Joachim Drees, Henrik Henriksson

AT A GLANCE

Rise in operating return on sales to

7.9%

Operating profit increased by around 25% to

€1.1

billion

Sales revenue increased by

7%

to €13.5 billion

Truck and bus sales up by around

10%

at 123,336 units

Order intake down by

6%

TRATON GROUP

Trucks and buses (units)	H1 2019	H1 2018	Change in %
Order intake	120,491	127,543	–6%
Unit sales	123,336	112,134	10%
of which trucks[1]	113,112	100,883	12%
of which buses	10,224	11,251	–9%
Financial key performance indicators (€ million)			
Sales revenue	13,541	12,609	7%
Operating profit	1,075	863	25%
Operating profit (adjusted)	1,062	863	23%
Operating return on sales (in %)	7.9%	6.8%	1.1 pp
Operating return on sales (adjusted) (in %)	7.8%	6.8%	1.0 pp
Primary R&D costs, Industrial Business	663	687	–3%
Payments to acquire property, plant, and equipment, and intangible assets, Industrial Business	356	342	4%
			Change in € million
Net cash flow, Industrial Business	1,784	–251	2,035
Net liquidity, Industrial Business[2]	689	227	462

1 Incl. MAN TGE vans (first half of 2019: 7,266 units; first half of 2018: 3,178 units)

2 As of June 30, 2019, and December 31, 2018

TRATON ON THE CAPITAL MARKETS

TRATON SE celebrated its successful IPO on June 28, 2019. TRATON shares are listed under the ticker symbol 8TRA in the Regulated Market of the Frankfurt Stock Exchange (Prime Standard) and in the Regulated Market (reglerad marknad) of Nasdaq Stockholm (Large Cap Segment).

TRATON shares were initially quoted at €27.00 on the Frankfurt Stock Exchange and SEK 281.15 on Nasdaq Stockholm. At the end of the first trading day, which was marked by brisk trading, the shares closed at €26.45 in Frankfurt and SEK 278.55 in Stockholm. Based on the closing prices, TRATON's market capitalization was €13.2 billion.

A total of 57,500,000 no-par value ordinary bearer shares (no-par value shares) (including 7,500,000 shares to cover any overallotment options) of Volkswagen AG were placed, each with a notional value of €1.00 and carrying full dividend rights in euros.

In the run-up to the IPO, a wide range of group and one-on-one meetings were held with investors in Europe and the U.S.A. in the course of a roadshow. In total, TRATON's management met with more than 400 potential investors.

TRATON has an international investor base, including from Germany, Sweden, and the United Kingdom, comprising both institutional and private investors. Volkswagen AG remains the largest single investor. The free float will be between 10.00% and 11.50% (depending on how the overallotment option is exercised).

HIGHLIGHTS IN THE FIRST HALF OF 2019

In January, the Company's legal form was changed from a German stock corporation (AG) to that of a European SE (Societas Europaea). TRATON AG became TRATON SE, thus underlining the international corporate identity of the TRATON GROUP.

For TRATON SE, the main event in the first half of the year was the IPO. TRATON SE shares had their first trading day on June 28. As a company with a global footprint, TRATON SE has a dual listing at both the Frankfurt Stock Exchange in Germany and Nasdaq Stockholm in Sweden.

The TRATON GROUP's brands recorded numerous highlights:

MAN:

- MAN Truck & Bus was reorganized as a European stock corporation by way of the official entry in the commercial register in March. This changed the Company's legal form from a German stock corporation (AG) to that of a European SE (Societas Europaea).
- Since March, the German national soccer team has been traveling in an exclusively equipped MAN Lion's Coach. The women's national team and the U21 team also received their own team coaches from MAN Truck & Bus. For MAN, sports sponsorship is a well-established brand communication tool. Many German and European clubs, including Bayern Munich, Borussia Dortmund, VFL Wolfsburg, and Paris Saint-Germain, travel in MAN coaches.
- The results of a successful truck platooning field test by MAN and DB Schenker in real-life logistics operations on the A9 highway were presented in May. The findings: operating digitally networked trucks on German highways is safe, technically reliable, and easy to use in the day-to-day operations of a logistics company. As part of a research project supported by the Federal Ministry of Transport and Digital Infrastructure (BMVI), the truck drivers praised the driving comfort and the general feeling of safety. The field test also revealed slight fuel consumption savings.
- Larger orders in a rather difficult market were also recorded. At the beginning of this year, the Cairo Transportation Authority (CTA) in Egypt ordered 122 natural gas-powered buses from MAN Truck & Bus.

SCANIA:

- Swedish vehicle brand Scania and its Scania R450 received the Green Truck 2019 award. It represents the most fuel-efficient and most environmentally friendly commercial vehicle in its class.
- During the UITP 2019 Global Public Transport Summit in Stockholm in June, Scania showcased sustainable solutions for public transportation that meet the future challenges facing global metropolises. In cooperation with Scandinavian Biogas, Sweden's largest biogas producer, Scania presented a technique for converting food waste into renewable biogas. Scania also invited the participants to Barkarbystaden to experience the initial implementation examples of the most state-of-the-art transportation solution worldwide, including autonomous shuttle buses in scheduled local public operations.
- Scania also presented its new battery-powered NXT electric self-driving urban concept vehicle at the UITP Summit. It offers a wide range of flexible applications, for example being used by commuters to travel to work and back in the morning and the evening, delivering goods during the day, and collecting trash at night.

VOLKSWAGEN CAMINHÕES E ÔNIBUS:

- Volkswagen Caminhões e Ônibus continues to occupy a leading position in the Brazilian truck market. The heavy-duty Constellation truck line topped the production milestone of 230,000 units since its introduction in 2005. Another successful line is the new delivery truck family from Volkswagen Caminhões e Ônibus, production of which has already exceeded the first 15,000 units.
- Volkswagen Caminhões e Ônibus also strengthened its position in buses: more than 3,400 Volksbus units are being delivered as part of the Caminho da Escola “Way to School” program, and a further 430 buses will be on the road to support social projects.

In March 2019, TRATON SE’s interest in MAN SE exceeded the 90% threshold as a result of shares tendered by MAN noncontrolling interest shareholders. As of June 30, 2019, TRATON SE held 94.36% of the shares and 94.68% of the voting rights in MAN SE.

The TRATON GROUP takes sustainability and environmental awareness very seriously. To ensure compliance with the requirements of the Paris climate agreement, the institutions of the European Union resolved a CO_2 regime for heavy-duty trucks weighing more than 16 tons for the first time in the first half of 2019. Truck manufacturers have to reduce the CO_2 emissions of their new vehicle fleets in the EU by 15% by 2025, with a reduction target of 30% by 2030. The benchmark year for all reduction targets is 2019. The TRATON GROUP is fully committed to further reducing greenhouse gas emissions caused by commercial vehicles in order to comply with the EU CO_2 requirements and thus the targets defined in the Paris climate agreement.

2 GROUP INTERIM MANAGEMENT REPORT

of the TRATON GROUP as of June 30, 2019

GROUP INTERIM MANAGEMENT REPORT

of the TRATON GROUP as of June 30, 2019

Business Activities and Organization

With its MAN, Scania, and Volkswagen Caminhões e Ônibus brands, the TRATON GROUP is a leading global commercial vehicle manufacturer. TRATON's Global Champion Strategy seeks to make it a Global Champion in the industry through profitable growth and synergies, global expansion, and customer-focused innovations. Together with its partners Navistar/U.S.A. (TRATON holds a 16.8% interest), Sinotruk/China (interest of 25% plus 1 share), and its strategic partner Hino Motors/Japan, the TRATON GROUP forms a strong common platform for future synergies, in particular in purchasing and development.

The TRATON GROUP (formerly Volkswagen Truck & Bus) was established in 2015 in order to concentrate the activities of the three commercial vehicle brands. At the same time, the organization was focused more sharply on commercial vehicles and uncoupled from the parent organization's passenger vehicle processes.

The TRATON GROUP's business activities are divided into the two segments: Industrial Business and Financial Services. The Industrial Business segment comprises the three operating units MAN Truck & Bus (brand name: MAN), Scania Vehicles & Services (brand name: Scania), and Volkswagen Caminhões e Ônibus, in particular. The Financial Services segment offers customers a broad range of financial services, including dealer and customer finance, leasing, and insurance products.

The TRATON GROUP's vehicle brands are clearly positioned:

- The MAN brand is a reliable business partner whose objective is to simplify its customers' business and to offer a full range of solutions, from light commercial vehicles through heavy-duty trucks.
- The Scania brand is positioned as a premium innovation leader for sustainable transportation solutions.
- Volkswagen Caminhões e Ônibus offers excellent value with products that are tailored to growth markets such as Latin America and Africa.

A core component of the Group's business purpose is the creation of an integrated, powerful organization that is stronger than the sum of its parts. The TRATON GROUP was therefore structured from the outset as a separate business with a clear matrix organization: the Company is led by a strong Executive Board team that comprises both the Group functions (CEO, CFO, COO, CHRO) and the CEOs of the three vehicle brands.

The core functions of the TRATON GROUP are distributed across the Munich and Södertälje locations and are thus situated close to the home of the primary MAN and Scania brands. In the first six months of the year, the function of the COO Office in Södertälje was reorganized and now combines purchasing, production, and strategic product planning, in addition to research & development activities. This change took effect on July 1, 2019.

Financial Management

1. Most important key performance indicators

Sales revenue, operating profit, and the operating return on sales (RoS) are the most important financial key performance indicators within the TRATON GROUP. Sales revenue is the financial reflection of our market performance. After accounting for the use of resources, operating profit expresses the economic performance of the TRATON GROUP's business activities. The operating return on sales is the ratio of operating profit to sales revenue. Vehicle unit sales, as the primary driver of sales revenue, are the most important nonfinancial key performance indicator.

We use the same key performance indicators to manage the Industrial Business segment. We also calculate the return on investment (RoI) as the ratio of the operating profit after tax to average invested capital. RoI represents the return on invested capital for a particular period. If it exceeds the cost of capital demanded by the market, added value is generated for the Group.

Operating profit after tax is included in the calculation of RoI. This, in turn, is calculated by applying an overall average tax rate of 30% to the operating profit of the Industrial Business segment — based on the different international income tax rates of our companies. Invested capital is calculated as total operating assets (property, plant, and equipment, intangible assets, assets leased out, inventories, and receivables) less noninterest-bearing liabilities (trade payables and contract liabilities). Average invested capital is derived from the balance at the beginning and the end of the reporting period. As the concept only comprises our operating activities, assets relating to investments in subsidiaries and associates and the investment of cash funds are not included when calculating invested capital. Interest charged on these assets is reported in the financial result. The calculation methodology corresponds to the methodology used in the Volkswagen Group. It is not calculated on an intraperiod basis.

The most important financial performance indicators in the Financial Services segment are sales revenue and operating profit.

2. Calculating adjusted operating profit

Adjusted operating profit is also calculated to enable a more transparent presentation of 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. The operating return on sales (adjusted) is therefore calculated as the ratio of adjusted operating profit to sales revenue.

3. Key performance indicator figures

The following key performance indicator figures were generated in the TRATON GROUP in the relevant reporting periods:

KEY PERFORMANCE INDICATORS

TRATON GROUP	H1 2019	H1 2018	Full-year 2018
Sales (units)	123,336	112,134	232,992
Sales revenue (€ million)	13,541	12,609	25,927
Operating profit (€ million)	1,075	863	1,513
Operating profit (adjusted) (€ million)	1,062	863	1,650
Operating return on sales (in %)	7.9%	6.8%	5.8%
Operating return on sales (adjusted) (in %)	7.8%	6.8%	6.4%
Industrial Business			
Sales (units)	123,336	112,134	232,992
Sales revenue (€ million)	13,320	12,069	24,963
Operating profit (€ million)	1,008	787	1,346
Operating profit (adjusted) (€ million)	996	787	1,483
Operating return on sales (in %)	7.6%	6.5%	5.4%
Operating return on sales (adjusted) (in %)	7.5%	6.5%	5.9%
Financial Services			
Sales revenue (€ million)	419	380	760
Operating profit (€ million)	70	65	138

4. Impact of the new financial reporting standard IFRS 16 “Leases”

Effective January 1, 2019, the new IFRS 16 financial reporting standard made changes to the previous lease accounting rules with the core objective of recognizing all leases. Accordingly, lessees do not have to classify leases into finance and operating leases. Instead, they must generally recognize a right-of-use asset and a lease liability for all leases in their balance sheet. The recognized right-of-use assets are reported in the balance sheet items in which the assets underlying the lease would be presented if they were owned by the TRATON GROUP. Using the modified retrospective method (adjustments to the opening balance), right-of-use assets were recognized as noncurrent assets for the first time as of January 1, 2019, and lease liabilities were recognized as financial liabilities. This resulted in an increase in total assets, with no change in equity. The new approach results in a slight increase in operating profit in 2019, since this item only contains depreciation of right-of-use assets since January 1, 2019. Interest expense relating to lease liabilities in the Industrial Business segment is recognized as a charge in the financial result.

The change in the way profit or loss items related to leases are presented under IFRS 16 is expected to result over the full year in a slightly positive effect on gross cash flow and subsequently on net cash flow (depreciation is a noncash expense). Repayment of the lease liabilities results in a corresponding negative impact on net cash provided by/used in financing activities. The initial recognition of lease liabilities as financial liabilities in the balance sheet resulted in a significant increase in total borrowings and, consequently, in a negative nonrecurring impact of €1,042 million on the presentation of the net liquidity of the Industrial Business segment as of January 1, 2019. Prior-period amounts were not adjusted.

Report on Economic Position

1. Market environment

The most important truck markets for the TRATON GROUP are the EU28+2 region (defined as the EU28 countries apart from Malta, plus Norway and Switzerland) as well as Brazil, South Africa, Russia, and Turkey. Overall new registrations of medium- and heavy-duty trucks in these markets with a gross vehicle weight of more than 6 tons in the period from January to June 2019 were considerably higher than in the prior-year period. Registrations in the EU28+2 region increased sizably compared to 2018, with a substantial rise in new registrations in Germany and the United Kingdom, in particular. Truck registrations in Brazil also recorded substantial growth on the back of the country's economic recovery. New truck registrations in Turkey slumped dramatically because of the economic developments there. The Russian market posted a moderate decline, whereas South Africa recorded a slight increase.

New bus registrations between January and June 2019 in the most important bus markets for the TRATON GROUP (EU28+2, Brazil, and Mexico) were substantially higher overall than in the prior-year period. Registrations in the EU28+2 rose sizably, with Germany recording a slight increase. The Brazilian bus market posted substantial growth, while Mexico declined slightly.

2. Results of operations

ORDER INTAKE

Units	H1 2019	H1 2018	Change
Order intake, Industrial Business	**120,491**	**127,543**	**–6%**
of which trucks[1]	109,208	114,723	–5%
of which buses	11,283	12,820	–12%

1 Incl. MAN TGE vans (first half of 2019: 7,729 units; first half of 2018: 4,641 units)

Order intake in the Industrial Business segment was 120,491 units in the first six month of 2019, down 6% on the prior-year period. The decline was primarily attributable to the Truck business. There was a noticeable decrease in the EU28+2 region, driven in particular by significant declines in Germany and substantial reductions in the United Kingdom (due, above all, to orders pulled forward because of the potential Brexit), which were only partly offset by other markets. Demand grew in Brazil in the wake of the economic recovery, resulting in a substantial increase in order intake. There were also substantial declines in Russia, India, and Turkey.

Order intake in the Bus business was 11,283 units in the first half of 2019. Order intake in the EU28+2 region was noticeably higher than in the previous year, growing substantially in South America and, in particular, in Brazil. The overall decline in order intake for buses is attributable mainly to the Mexican, Iranian, and Saudi Arabian markets.

UNIT SALES BY COUNTRY

Units	H1 2019	H1 2018	Change
Unit sales, Industrial Business	**123,336**	**112,134**	**10%**
Unit sales, trucks[1]	**113,112**	**100,883**	**12%**
EU28+2	73,462	60,167	22%
of which in Germany	20,786	16,637	25%
South America	23,068	19,223	20%
of which in Brazil	20,732	14,394	44%
Other regions	16,582	21,493	–23%
Unit sales, buses	**10,224**	**11,251**	**–9%**
EU28+2	3,348	3,287	2%
of which in Germany	580	664	–13%
South America	4,484	3,149	42%
of which in Brazil	3,254	2,072	57%
Other regions	2,392	4,815	–50%

1 Incl. MAN TGE vans (first half of 2019: 7,266 units; first half of 2018: 3,178 units)

The Industrial Business segment increased its unit sales by 10% to 123,336 (previous year: 112,134) units in the first half of the year. Unit sales of trucks grew by 12% to 113,112 (previous year: 100,883) units, and unit sales of buses declined by 9% to 10,224 (previous year: 11,251) units.

Unit sales of trucks in the EU28+2 region were up substantially year-on-year. Germany contributed to this growth with a substantial increase. Unit sales of trucks in other EU28+2 markets also recorded positive growth. This growth was supported by sales of the MAN TGE van, whose volume more than doubled.

Growth in unit sales of trucks in South America differed from region to region. Whereas unit sales rose substantially in Brazil, most of the other South American markets posted dramatic declines. Especially in Argentina, unit sales declined substantially because of the difficult macroeconomic situation.

In the remaining markets, in particular unit sales of trucks in India, Turkey, Russia, and Iran recorded dramatic declines compared with the prior-year period.

Unit sales of buses in the EU28+2 region recorded a slight improvement year-on-year, lifted mainly by unit sales in Sweden and France. Unit sales in South America were up substantially compared with the prior-year period, with unit sales in Brazil, in particular, posting a substantial increase. This growth was supported by an order as part of a government program for school buses.

Unit sales fell short of the prior-year level in the remaining markets. The reduction was primarily attributable to substantial declines in Iran and Mexico.

SALES REVENUE BY PRODUCT GROUP

€ million	H1 2019	H1 2018	Change
TRATON GROUP	**13,541**	**12,609**	**7%**
Industrial Business	**13,320**	**12,069**	**10%**
New Vehicles	8,849	7,721	15%
After Sales	2,458	2,359	4%
Others	2,013	1,989	1%
Financial Services	**419**	**380**	**10%**
Consolidation/others	–199	160	–224%

The TRATON GROUP generated sales revenue of €13.5 billion in the first six months of fiscal 2019, 7% higher than in the previous year (€12.6 billion). The prior-year period contained the sales revenue of Volkswagen Gebrauchtfahrzeughandels und Service GmbH ("VGSG"), which was disposed of as of January 1, 2019, in the amount of €348 million. Adjusted for this sales revenue, the increase in the current fiscal year amounted to 10%.

The considerable increase in sales revenue in the Industrial Business segment by 10% to €13.3 billion (previous year: €12.1 billion) was attributable in particular to the New Vehicles business, driven by a strong increase in the Truck business. The Bus business was on a level with the prior-year period.

The After Sales business recorded modest growth. The Others business mainly comprises used vehicles, engines, and leasing, and grew slightly year-on-year.

The Financial Services segment also recorded significant growth as a result of the increased unit sales in the New Vehicles business.

CONDENSED TRATON GROUP INCOME STATEMENT

€ million	H1 2019	H1 2018	Change
Sales revenue	13,541	12,609	932
Cost of sales	–10,762	–10,094	–668
Gross profit	**2,778**	**2,515**	**263**
Distribution expenses	–1,214	–1,165	–48
Administrative expenses	–502	–511	9
Other operating result	12	24	–12
Operating profit	**1,075**	**863**	**212**
of which in the Industrial Business segment	1,008	787	221
of which in the Financial Services segment	70	65	5
Financial result	–31	–284	253
Profit before tax	**1,044**	**579**	**465**
Income taxes	–251	–153	–97
Profit/loss from discontinued operations, net of tax	–2	53	–55
Profit after tax	**792**	**479**	**313**
Operating return on sales (in %)	7.9%	6.8%	1.1 pp
of which operating return on sales (in %), Industrial Business	7.6%	6.5%	1.1 pp

In the first half of 2019, the TRATON GROUP generated sales revenue of €13,541 million, compared with €12,609 million in the prior-year period.

At €2,778 million, gross profit was up 10% on the prior-year period. The gross margin was 21% (previous year: 20%). In addition to volume effects, this increase was supported by the market launch of the new heavy-duty series of our Scania brand, which was met with a positive reception on the market.

Distribution expenses rose at a lower rate than sales revenue because of our disciplined cost management, and administrative expenses declined slightly. The ratio of distribution and administrative expenses to sales revenue improved by 0.6 percentage points year-on-year.

The other operating result declined by €12 million. The main drivers were reduced income and expenses from the measurement and realization of foreign currency items. Higher expenses for litigation risks were an offsetting factor.

The operating profit of the TRATON GROUP overall improved by €212 million to €1,075 million. The TRATON GROUP's operating return on sales increased by 1.1 percentage points to 7.9%.

The financial result improved considerably by €253 million to €–31 million. In the prior-year period, net interest expense was impacted by the remeasurement of the put options and compensation rights of MAN SE noncontrolling interest shareholders amounting to €374 million. Net interest expense also contained €104 million from the unwinding of the discount on these rights. In the prior-year period, the other financial result contained €190 million from the reversal of an impairment loss on the investment in Sinotruk.

The TRATON GROUP's profit before tax rose significantly by 80% to €1,044 million in the reporting period.

The income tax expense reported for the first six months of 2019 was €251 million (previous year: €153 million), corresponding to a tax rate of 24% (previous year: 26%). Prior-period taxes were one of the factors contributing to this positive development. In addition, the nonrecognition of deferred tax assets relating to current losses at a company in Brazil had negatively impacted the prior-year period.

The profit/loss from discontinued operations was a result of the sale of the Power Engineering business as of the end of December 31, 2018, and the final purchase price adjustment in the reporting period.

Profit after tax was €792 million in the first half of 2019 and thus significantly higher than the prior-year amount of €479 million. This lifted earnings per share from €0.95 to €1.54.

Calculation of (basic) earnings per share was based on 500 million shares.

BUSINESS PERFORMANCE: INDUSTRIAL BUSINESS

€ million	H1 2019	H1 2018	Change
Operating profit	1,008	787	221
Operating profit (adjusted)	996	787	208
Operating return on sales (in %)	7.6%	6.5%	1.1 pp
Operating return on sales (adjusted) (in %)	7.5%	6.5%	1.0 pp

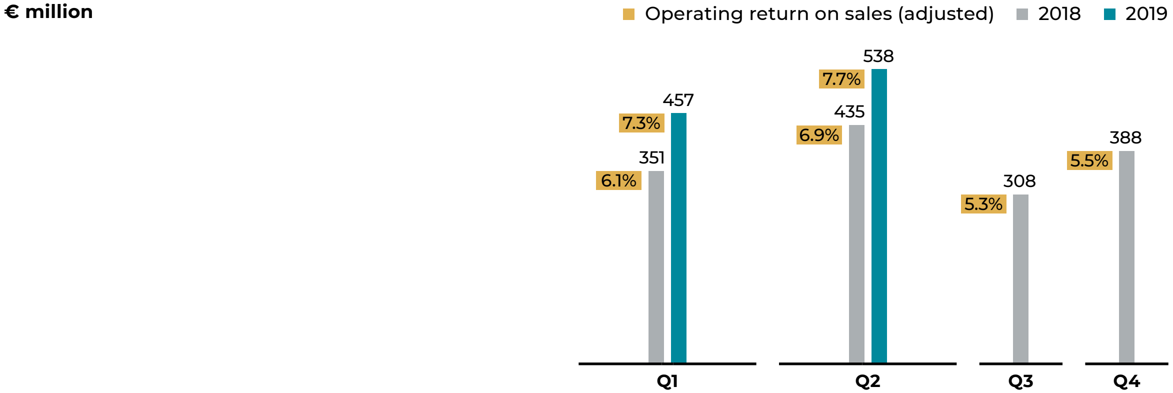
Operating profit recorded by the Industrial Business segment came to €1,008 million, representing a year-on-year increase of 28%. This results in an operating return on sales of 7.6% (previous year: 6.5%). The main drivers for this development were positive earnings contributions by increased volumes and the more favorable product mix. In addition, the operating profit reflects efficiency gains due to the removal of bottlenecks in the supply process and initial positive effects following the end of parallel production at Scania, which more than offset the increased expenses and depreciation charges.

In the period from January to June 2019, operating profit included adjustments of €13 million from the reversal of provisions for restructurings in the Industrial Business segment. Restructuring provisions for restructuring programs were recognized in prior-year periods, which were reported in operating profit (adjusted). The prior-year period did not contain any adjustments.

Taking into account the adjustments, operating profit in the Industrial Business segment was €996 million (previous year: €787 million). The operating return on sales (adjusted) was 7.5% (previous year: 6.5%).

Overview by quarter:

OPERATING PROFIT INDUSTRIAL BUSINESS (ADJUSTED)[1]



	Q1 2019	Q1 2018	Q2 2019	Q2 2018	Q3 2018	Q4 2018
Operating profit, Industrial Business	457	351	551	435	193	366
Adjustments, Industrial Business	–	–	13	–	–115	–22
Operating profit, Industrial Business (adjusted)	457	351	538	435	308	388

1 Not part of the audit review

BUSINESS PERFORMANCE: FINANCIAL SERVICES

	H1 2019	H1 2018	Change
Operating profit (€ million)	70	65	5
Growth in net portfolio (in %)[1]	8.5%	5.4%	–3.1 pp
Net portfolio (in € million)[2]	9,481	8,699	9%
Penetration rate (in %)	42%	42%	0 pp

1 Currency-adjusted basis

2 As of June 30, 2019, and December 31, 2018

Operating profit recorded by the Financial Services segment improved to €70 million in the first half of 2019 (previous year: €65 million). A larger net portfolio and currency effects positively impacted operating profit, while lower margins and higher operating expenses were offsetting factors.

The value of the customer finance portfolio as of June 30, 2019, was €9.5 billion, and thus €0.8 billion higher than the value as of December 31, 2018.

In the markets in which the Financial Services segment is active, the penetration rate in the first six months of 2019 was 42% (previous year: 42%).

3. Financial position

CONDENSED TRATON GROUP STATEMENT OF CASH FLOWS

€ million	H1 2019	H1 2018	Change
Cash and cash equivalents as of January 1	**2,997**	**4,593**	**–1,596**
Gross cash flow	1,825	1,411	414
Change in working capital	–2,155	–1,581	–574
Net cash provided by/used in operating activities – discontinued operations	–	–152	152
Net cash used in operating activities	**–330**	**–321**	**–8**
Net cash provided by/used in investing activities attributable to operating activities	1,410	–522	1,931
Change in marketable securities, investment deposits, and loans	–1,313	–7	–1,305
Net cash flows from investing activities of discontinued operations	–	–60	60
Net cash provided by/used in investing activities	**97**	**–589**	**686**
Net cash provided by/used in financing activities	**–105**	**963**	**–1,069**
Effect of exchange rate changes on cash and cash equivalents	10	–50	61
Change in cash and cash equivalents	**–328**	**2**	**–330**
Cash and cash equivalents as of June 30	**2,670**	**4,596**	**–1,926**
Gross cash flow	1,825	1,411	414
Change in working capital	–2,155	–1,581	–574
Net cash provided by/used in investing activities attributable to operating activities	1,410	–522	1,931
Net cash flow[1]	**1,080**	**–691**	**1,771**
of which in the Industrial Business segment	**1,784**	**–251**	**2,035**

1 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), and indicates the excess funds from operating activities.

At €1,825 million, gross cash flow was up significantly on the prior-year period (€1,411 million).

This growth was primarily due to the increase in operating profit and the higher depreciation charges, due among other things to the initial application of the new financial reporting standard IFRS 16 "Leases." By contrast, the high noncash expense in the prior-period financial result relating to the measurement of the put options and compensation rights granted to MAN SE noncontrolling interest shareholders was largely offset within gross cash flow.

Operating cash flow in the first half of 2019 was negatively impacted by the higher level of funds tied up in working capital, which amounted to €2,155 million (previous year: €1,581 million). The main factors contributing to this were the increase in inventories, at €780 million (previous year: €843 million), and the increase in the portfolio of financial services receivables, at €617 million (previous year: €394 million). This was offset to a slight extent in the current reporting period by growth in liabilities (excluding financial liabilities) in the amount of €251 million (previous year: €670 million). The change in liabilities includes the decline in trade payables by €87 million (previous year: €184 million increase) and the rise in buyback liabilities by €199 million (previous year: €422 million).

Within working capital, the €784 million increase in assets leased out (previous year: €722 million) was largely offset by the depreciation of assets leased out and by the abovementioned increase in buyback liabilities in net cash used in operating activities.

Net cash provided by/used in investing activities attributable to operating activities in the first six months of 2019 was impacted by the proceeds from the disposal of the Power Engineering business amounting to €1,978 million. Other investments were up slightly year-on-year.

Net cash flow from continuing operations thus improved by €1,771 million to €1,080 million.

Net cash used in financing activities amounted to €105 million (previous year: net cash provided by financing activities of €963 million) in the reporting period.

This reflected the loss absorption by Volkswagen AG for the prior-year period amounting to €4,161 million (previous year: €28 million), a distribution from retained earnings to Volkswagen AG in the amount of €3,250 million, and the net increase in financial liabilities of €92 million (previous year: €1,052 million). In 2019, these included the repayment of lease liabilities due to the introduction of IFRS 16, which amounted to €79 million in the first six months of 2019.

Net cash provided by/used in financing activities also included payments to noncontrolling interest shareholders of MAN SE from the acquisition of shares and from compensation payments amounting to €1,109 million (previous year: €116 million).

Cash flow from discontinued operations in the first half of 2018 relates to the Power Engineering business and is presented in separate rows in the statement of cash flows. The TRATON GROUP's net cash flow does not contain discontinued operations.

TRATON GROUP NET LIQUIDITY[1]

€ million	6/30/2019	12/31/2018	Change
Cash and cash equivalents	2,670	2,997	–328
Marketable securities, investment deposits, and loans	1,513	202	1,310
Gross liquidity	**4,183**	**3,200**	**983**
Total borrowings	–12,076	–10,814	–1,262
Net liquidity/net financial debt	**–7,894**	**–7,615**	**–279**
of which in the Industrial Business segment	**689**	**227**	**462**

1 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 borrowings.

Net debt rose by €279 million in the first six months of 2019 to €7,894 million. Due to the application of IFRS 16 and the initial recognition of lease liabilities as financial liabilities, total borrowings as of January 1, 2019, rose by €1,034 million.

4. Net assets

CONDENSED TRATON GROUP BALANCE SHEET

€ million	6/30/2019	12/31/2018	Change
Noncurrent assets	27,546	25,851	1,695
Current assets	16,480	20,533	–4,053
Total assets	**44,026**	**46,384**	**–2,358**
Equity	13,313	16,801	–3,488
Noncurrent liabilities	13,794	13,217	577
Current liabilities	16,920	16,366	554
Total equity and liabilities	**44,026**	**46,384**	**–2,358**

The introduction of IFRS 16 resulted in a number of changes in the balance sheet structure. These are explained in detail under “Accounting policies” in the condensed half-yearly consolidated financial statements.

The TRATON GROUP’s total assets amounted to €44,026 million at the end of the reporting period, 5% lower than as of December 31, 2018 (€46,384 million).

Noncurrent assets rose by 7% compared with December 31, 2018. The main factor here was the €1 billion increase in property, plant, and equipment, resulting primarily from the initial recognition of right-of-use assets due to the application of IFRS 16.

Current assets were down 20% on the figure as of the end of 2018. This is attributable, in particular, to the payment of the loss absorption of €4,161 million for fiscal year 2018 by Volkswagen AG, Wolfsburg (Volkswagen), and the settlement of the purchase price receivable for the Power Engineering business sold as of the end of December 31, 2018 (€1,978 million), which were reported in other current financial assets. On the other hand, inventories increased by €787 million in the first half of the fiscal year.

Cash and cash equivalents amounted to €2,670 million as of the reporting date (previous year: €2,997 million). Cash inflows included the payment of the loss absorption for 2018 and the purchase price receivable, while cash outflows included the distribution of retained earnings, the acquisition of shares tendered by noncontrolling interest shareholders of MAN SE, and the repayment of loans to Volkswagen.

The TRATON GROUP’s total equity decreased from €16,801 million as of December 31, 2018, to €13,313 million as of June 30, 2019. This is due primarily to the distribution of retained earnings of €3,250 million. It also reflects the accrual of the profit transfer attributable to Volkswagen for 2019 under German GAAP. In addition, there were negative effects from the translation of financial statements of foreign operations and actuarial losses from the measurement of pension obligations due to lower interest rates. Offsetting factors were the profit after tax for the first six months of 2019 and the recognition of effects due to the expiration of the put options granted to noncontrolling interest shareholders of MAN SE. The equity ratio was 30.2% (previous year: 36.2%).

Noncurrent liabilities rose by €577 million. This primarily reflected the increase in pension obligations due to a change in interest rates.

Current liabilities rose by 3% compared with December 31, 2018. This was due, among other factors, to the accrual of the profit transfer attributable to Volkswagen AG for 2019 under German GAAP, which is 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. There were also unrecognized contingent liabilities, buyback guarantees, and other financial obligations as of June 30, 2019.

Report on Risks and Opportunities

The TRATON GROUP is exposed to numerous risks in a wide range of categories. Entrepreneurial risks are acceptable to a reasonable extent, but they need to be managed effectively and controlled with appropriate risk response measures. Risks that pose a threat to the continued existence of the TRATON GROUP or any TRATON brand must be avoided.

In this context, the term “risk” describes the possibility of events or developments occurring that may have — individually or together with other circumstances — a material impact on achieving the Group’s targets. Risks with a positive impact are also referred to as opportunities.

The TRATON GROUP promotes a risk awareness culture which is characterized by openness and encourages people throughout the organization to speak up and discuss the risks the Group is facing. Transparency is fundamental for dealing effectively with risks and avoiding blind spots, i.e., risks which remain undetected and therefore are not addressed properly. They are assessed in terms of their probability of occurrence and impact on a gross and net basis, with the net assessment factoring in any implemented measures that mitigate the risk in question.

1. Opportunities and risks

Significant opportunities and risks that may have an impact on the TRATON GROUP’s net assets, financial position, and results of operations are classified into six categories: strategy, markets, products, operations, legal & compliance, and finance.

STRATEGY

The Group’s ability to meet its stated objective of becoming a Global Champion in the truck industry depends to a significant extent upon successful geographic expansion beyond its current core markets of EU28+2 and South America. The Group intends to expand its business activities in North America and Asia through strategic alliances and other measures, both of which entail significant opportunities and risks. If the Group fails to successfully expand beyond its EU28+2 and South American core markets, its ability to maintain profitable scale may be jeopardized.

The strategic alliances entail various risks for TRATON, in particular if the Group’s business and legal interests cannot be aligned with those of its partners. Unexpected problems with respect to these alliances could adversely affect the Group’s position and access to the strategically important North American and Asian markets.

The Group operates in an industry where efficiency improvements and cost savings are crucial in order to maintain competitiveness and profitability. There are significant opportunities arising from collaboration among the brands and with its alliance partners, resulting mainly from additional economies of scale. The Group’s future success will depend, among other factors, on its ability to realize long-term synergies from collaboration and to successfully implement operational efficiency programs within the operating units.

Commercial vehicles are subject to a broadening range of increasingly strict and at times conflicting environmental laws and regulations around the world, in particular regulations to address climate change and vehicle exhaust emissions. In the European Union, CO_2 monitoring regulations are already in effect or will have become effective by 2020, depending on vehicle configuration. These require heavy-duty truck manufacturers, including the Group, to use a standard methodology to monitor carbon emissions and report them to authorities in EU member states. In addition, European truck manufacturers have to fulfill the EU's first-ever regulation of CO_2 emissions by heavy-duty vehicles targeting a 15% reduction in CO_2 emissions by trucks weighing over 16 tons by 2025 and a 30% reduction by 2030, each compared to the benchmark period of July 1, 2019, to June 30, 2020. Compliance with climate change and exhaust emission regulations will require substantial investments in new technologies, including alternative drive systems and vehicles powered by alternative fuels.

MARKETS

The commercial vehicle industry is heavily influenced by economic and political conditions globally and in the Group's key markets. For that reason, the industry is subject to significant cyclicality. Deviations from expected developments in the economic environment and fluctuations in the business climate may result both in opportunities and in risks regarding the demand for the Group's products.

In the medium to long term, the TRATON GROUP sees opportunities for all brands to achieve profitable growth in the transportation markets, since the underlying global economic trends are expected to continue, or assuming that the transportation markets remain stable despite an overall cooling down of the economy. These include continued, albeit moderate, economic growth, value chains based on an international division of labor, increasing e-commerce, and the resulting high level of global transportation volumes.

Volatility on the financial markets, increasing protectionist tendencies, and structural deficits represent significant risks to the continued growth of the global economy. Moreover, the transition from an expansionary to a more restrictive monetary policy worldwide harbors risks in the overall economic environment. Private and public sector debt remain high in many places, which hinders growth prospects and can trigger negative market reactions.

In particular, global economic developments are currently subject to a high degree of uncertainty with respect to barriers to trade, for example resulting from protectionist measures like tariffs or the United Kingdom's expected departure from the EU (Brexit). These developments could have a negative impact on the global economic environment and therefore result in lower demand for the Group's products, posing a considerable risk for the Group.

The TRATON GROUP intends to benefit from accessing growing addressable market segments in emerging economies. The addressable market for Western OEMs in such markets is expected to grow as stricter regulations and emission standards are implemented globally over the coming years. However, economic growth in some emerging markets is overshadowed, in particular, by dependency on energy and commodity prices and capital imports, as well as by socio-political tensions, conflicts, corruption, inadequate government structures, and a lack of legal certainty.

The Group is subject to intense competition which may increase further in the future. TRATON's future success depends on its ability to address the key factors of competition in the commercial vehicle industry: these are, in particular, the offer's total cost of ownership (TCO), the ability to respond to specific customer needs with tailored products and services, and the availability of technological innovations that respond to the major trends of the industry (i.e., alternative drives, connectivity, and autonomous driving). If TRATON fails to successfully compete, this may result in pricing pressure, loss of sales, and lower margins.

TRATON can address the fluctuation in the demand for its products with flexible production and labor concepts, among other things. Furthermore, the international footprint of the Group may help to buffer market volatility that is limited to specific markets or regions. As a further option, the

Group may implement structural adjustments if a market downturn cannot be addressed by temporary measures. However, such adjustments may involve substantial nonrecurring expenses.

PRODUCTS

The TRATON GROUP's future success will depend on its ability to correctly assess and respond to the industry's major trends with innovative, commercially attractive products, technologies, and services. To achieve this, the Group is investing significantly in research and development.

The development of new products involves large and complex projects which are subject to various risks. These may result from a number of factors, including inaccurate assumptions with respect to planning and implementation costs, unexpected technical challenges, weaknesses in project design and management, or poor performance of third-party suppliers and partners. These factors could result in considerable cost overruns, delays in new product launches, delivery delays, quality issues, and damage to customer relationships.

To address these risks, TRATON and its brands have set up a diligent strategic planning process based on an analysis of trends in the market and business environment. The resulting product plans are used to manage the Group's extensive research and development activities.

As commercial vehicles become increasingly complex, the risks of vehicle defects and quality issues generally rise. The impact of such issues may further increase due to the Group's modular component concept, as components may be used in a number of different vehicles across the brands. Substandard quality may result in manufacturer's guarantee, statutory warranty, and ex gratia repair costs as well as the loss of market share or lower product margins. In severe cases, the Group may be exposed to product recalls as well as product liability and compensation claims. By the same token, superior product quality may strengthen the Group's positioning within the competitive environment.

In order to maintain high quality standards for its products and to comply with government-prescribed safety and other standards, the Group incurs substantial costs for monitoring, certification, and quality assurance. The Group has implemented a comprehensive quality management system that begins at the product gestation stage and extends to manufacturing, suppliers, and to in-life monitoring of the Company's products.

OPERATIONS

The Group's success depends on the uninterrupted operation of its manufacturing activities. Unforeseen disruption of a production facility represents a considerable risk and may be caused by a number of incidents — for example power failure, equipment failure, fires, floods, social unrest or terrorist activity, labor difficulties, or other operational problems. Additionally, the Group relies on the timely delivery of high-quality materials and components by its suppliers. If one or more suppliers are unable or unwilling to fulfill delivery obligations, for example due to supply shortages, labor strikes, capacity allocation to other customers, or financial distress of the supplier, the Group faces the risk of production downtime and inventory backlog.

Furthermore, accidents or technical faults in production facilities may cause hazardous substances to contaminate water, soil, and air. The Group has taken a variety of preventive and detective measures to counter these risks. These measures include preventive plant maintenance and servicing, regular checks by qualified personnel, on-site inspections, risk avoidance plans, hazardous substance management, and plant fire departments.

Due to the high level of competition in the commercial vehicle industry, efficiency improvements and cost savings are crucial in order to maintain competitiveness and profitability. While the Group has put operational efficiency initiatives in place for each of its brands, there can be no assurance that these programs will yield the targeted improvements, or that they will not entail higher implementation costs than expected.

The TRATON GROUP's business processes rely heavily on information technology. Besides opportunities for improving efficiency and effectiveness of the Group's operations, this also gives rise to risks. Parts of the infrastructure may fail as a result of accidents, disasters, technical damage, outdated technology, or cyberattacks, thereby impairing business processes or bringing them to a complete standstill. There is also the risk of unauthorized access to confidential business data and information stored on the Group's IT systems.

In order to ensure the availability, integrity, and confidentiality of information, TRATON uses a risk-based information security management system as well as a combination of the latest hardware and software technologies, effective IT organizational mechanisms, and an IT-related internal control system.

The Group's success further depends substantially on its ability to attract, hire, train, and retain experienced management and personnel. The Group's management team has substantial expertise and industry experience, and the loss of key members of management could adversely affect the Group's ability to implement its strategic objectives. Further, the Group also depends on employees that are highly skilled and qualified in scientific and technical fields.

Attracting and retaining such employees depends on a variety of factors, including the Company's remuneration and benefit programs, work environment, career development opportunities, commitment to diversity, and public image. To capture the value of our employees and support the strategic targets of the TRATON GROUP, all brands foster an environment in which training, qualification, and continuous professional development are central to the personnel development strategy, from modern vocational education strategies for trainees all the way to top management executive education programs.

LEGAL & COMPLIANCE

In the ordinary course of its business, the TRATON GROUP is involved in various legal disputes and legal proceedings. Some of the associated risks are considerable. See "Important legal cases" for further details. Furthermore, the Group may be subject to proceedings by governmental authorities if it fails to comply with laws and regulations.

In particular, the Group is subject to antitrust regulation in the EU and other jurisdictions and is therefore exposed to the risks of related enforcement actions and damage claims. The commercial vehicle industry is increasingly concentrated and therefore subject to heightened scrutiny by antitrust authorities. A finding of an infringement of antitrust regulations could adversely affect the Group in a variety of ways, including significant fines, private enforcement claims, disclosure of and changes in business practices, and reputational damage.

The Group is subject to data protection regulations with respect to, among other things, the use and disclosure of personal data, and the confidentiality, integrity, and availability of such information. In particular, the Group is subject to the stringent requirements of the EU's General Data Protection Regulation (GDPR), which entered into force in May 2018. If the Group fails to comply with this regulation, this could result in claims for damages and other liabilities, significant fines and other penalties, and the loss of customers and reputation.

The TRATON GROUP's international presence and large number of products and services expose the Group to risks arising from breaches of its patents by third parties, or the unauthorized disclosure of company-specific TRATON expertise by third parties.

To address these risks, the Group reviews the specific legal situation in each case, if appropriate with the support of external legal advisors, to defend itself against unjustified claims or assert its own claims. Further, TRATON has set up and is continuously enhancing a comprehensive compliance program with a special focus on combatting corruption, antitrust law, and preventing money laundering.

FINANCE

Due to its global business activities and international nature, the TRATON GROUP is exposed to considerable financial risks. It manages these risks using a Group-wide financial risk management system.

If the Group carries out transactions in a currency other than its functional currency, it is exposed to currency risk. The TRATON GROUP therefore hedges currency risk arising from order backlog, receivables, and liabilities, and partly hedges currency risk arising from forecast transactions. The inclusion of subsidiaries or other affiliated companies in countries outside the euro zone in the consolidated financial statements represents a risk as a result of currency translation. As a general rule, TRATON does not use derivatives to hedge these translation risks. This may lead to a short-term opportunity as the Group's cost position in Sweden may benefit from the recent weakening of the Swedish krona (SEK) in relation to the euro.

Interest rate risk results from interest rate-sensitive assets and liabilities. The goal of interest rate risk management is to largely reduce these risks through the use of derivative financial instruments.

The manufacture of the TRATON GROUP's products requires commodities. Price trends on the commodity markets or price escalation clauses in supplier contracts may entail commodity price risks. These risks are managed through long-term supplier contracts, price escalation clauses in customer contracts, and targeted commodity price hedging in the banking market.

Liquidity risk describes the risk that the TRATON GROUP may have difficulty in meeting obligations associated with financial liabilities. To ensure liquidity, cash inflows and outflows are continuously monitored and managed. In addition, changes in the TRATON GROUP's liquidity are monitored using a detailed financial plan. Where permitted by law, financial management for the operating units is performed centrally, to a large extent using a cash pooling process. For external financing purposes, the opportunities available on the financial market are tracked continuously so as to ensure the TRATON GROUP's financial flexibility. Its integration into the Volkswagen Group also enables the TRATON GROUP to draw on intragroup financing.

Credit risk is the risk that a party to a contract will fail to meet its contractual obligations as a result of its own financial situation or the political environment, thereby causing a financial loss for the TRATON GROUP. This country and counterparty risk is reduced through the careful selection of business partners, through appropriate contractual and payment terms, and through guarantees and documentary credits. In addition, central cash management functions and a central limit allocation system are used to distribute investments of cash funds across financial institutions.

The TRATON GROUP is exposed to a risk of impairment affecting profit or loss if equity-method investments are impaired.

TRATON grants its employees pension commitments and other long-term benefits. The present value of these liabilities depends largely on the discount rate used to discount future benefits, the inflation rate as the basis of future benefit adjustments, expected salary trends, the contribution payments to be made, and the longevity of the beneficiaries.

In order to reduce the financial risks inherent in defined benefit pension plans, and in some cases as a result of legal regulations, some of the

TRATON GROUP's pension plans are — on a mandatory or voluntary basis — funded through pension plan assets that can be offset against pension plan liabilities in the balance sheet. The fair value of plan assets can be negatively impacted in particular by changes in exchange rates, interest rates, credit risks, and securities prices.

Any significant increase in the present value of pension commitments and other long-term employee benefits granted by TRATON and/or significant reductions in the fair value of plan assets could materially adversely affect the TRATON GROUP's net assets, financial position, and results of operations.

The TRATON GROUP's financial planning is based on the assumptions made by the Group's management. These assumptions relate to business developments or other external factors that are difficult to predict or cannot be influenced by TRATON, as well as measures, some of which still have to be implemented. There is therefore a risk that the planning assumptions may be incomplete or incorrect, and that a variance between the planned and actual outcomes may arise. Opportunities for TRATON could materialize if actual developments differ from expected developments in a positive way.

Furthermore, the Group is subject to income and other taxes in multiple jurisdictions. Significant judgment and estimation is required in determining the Group's provisions for income, sales, value-added, and other taxes, including withholding taxes. In the ordinary course of the Group's business, there are various transactions and calculations, including, for example, intercompany transactions and cross-jurisdictional transfer pricing and transactions with specific documentation requirements, for which the ultimate tax determination or the timing of the tax effect is uncertain.

The Group is regularly audited by tax authorities, who may disagree with the Group's tax estimates or judgments. Although the Group believes its tax estimates are reasonable, the final determination of any such tax audits or reviews could differ from its tax provisions and accruals. As a result, the Group may be subject to additional tax liabilities, interest, penalties, or any regulatory, administrative, or other sanctions relating thereto.

2. Overall assessment of the Group's risk and opportunity position

According to the Group's evaluation, market risks have the most considerable impact on the TRATON GROUP. In addition to the general cyclicality of and the intense competition in the commercial vehicle industry, there are increasing risks to the economic environment arising from protectionist measures and geopolitical tensions, which may have a negative impact on sales volumes and sales margins. At the same time, stable markets for transportation solutions despite a generally cooling-down economy may also represent a tangible opportunity for the Group in a short-term perspective. Product risks primarily include potential excess costs and delays for engineering and new product launches. This is further emphasized by the significant investments of the Group in order to respond to emerging market trends with innovative, attractive, and energy-efficient products and services. The main operations risks arise from production interruptions, which may have several reasons. Legal and compliance risks comprise litigation risks, in particular. Among the finance risks, future currency developments are also an area of significant uncertainty that can have both a positive and a negative effect on the Group. However, due to the Group's cost position in Sweden, the weakening of the Swedish krona (SEK) in relation to the euro may lead to a short-term opportunity through currency translation.

Overall, the Group is exposed to significant levels of uncertainty that it can influence only partially. In the aggregate, the described risks generally outweigh the corresponding opportunities. However, the Group has determined that there are no risks which individually, or in combination with other risks, endanger its continued existence.

Due to the dynamic nature of the current business environment, the Company will continue to monitor its main risks and opportunities closely.

3. Important legal cases

In 2011, the European Commission launched an antitrust investigation into suspected antitrust violations in the European commercial vehicles business and sent MAN, Scania, and all other commercial vehicle manufacturers affected the statement of objections in November 2014, informing them of the allegations brought forward against them. With its settlement decision in July 2016, the European Commission imposed penalties on five European commercial vehicle manufacturers for “collusive arrangements on pricing and gross price increases in the European Economic Area (...) and the timing and the passing on of the costs for the introduction of emission technologies for medium and heavy trucks required by EURO 3 to 6 standards” from January 17, 1997, through January 18, 2011 (for MAN: until September 20, 2010). MAN’s fine was waived in full because it had notified the European Commission about the irregularities as a whistleblower. In September 2017, the European Commission then fined Scania €0.88 billion. Scania has appealed to the European Court in Luxembourg and will use all means at its disposal to defend itself. Scania had already recognized a provision of €0.4 billion in 2016. Furthermore, a number of customers who purchased or leased trucks have filed antitrust damages claims. As in any antitrust proceedings, further claims for damages may follow.

The Brazilian tax authorities initiated tax proceedings against MAN Latin America Indústria e Comércio de Veículos Ltda., São Paulo/Brazil, with regard to the assessment of the tax effects of the acquisition structure chosen in 2009 for this company. In December 2017, an administrative court ruled against the company following an appeal. The company took legal action against this ruling by recourse to regular courts in 2018. Because of the potential range of punitive surcharges plus interest that may be applied under Brazilian law, the best estimate of the risk in the event that the tax authorities are successful in asserting their position entails a degree of uncertainty. Nevertheless, a positive outcome is still expected for the company. The potential risk in the event of a negative outcome is currently approximately €697 million for the contested period starting in 2009, which was disclosed in “Contingent liabilities and commitments.”

In June 2013, the Annual General Meeting of MAN SE approved the conclusion of a domination and profit and loss transfer agreement (DPLTA) between MAN SE and TRATON SE (formerly Volkswagen Truck & Bus GmbH, Volkswagen Truck & Bus AG, and TRATON AG). In July 2013, award proceedings were instituted to review the appropriateness of the cash settlement set out in the agreement in accordance with section 305 of the *Aktiengesetz* (AktG — German Stock Corporation Act) and the cash compensation in accordance with section 304 of the AktG.

In its final decision announced on June 26, 2018 (and corrected on July 30 and December 17, 2018), the Higher Regional Court (*Oberlandesgericht*) of Munich set the guaranteed dividend and the recurring fixed compensation payment at €5.47 gross per share (minus potential corporate taxes and solidarity surcharges at the rates as applicable to the respective fiscal year). The amount of the cash settlement payable of €90.29 per share from the Higher Regional Court of Munich ruling at first instance was confirmed. The decisions of the Higher Regional Court of Munich were published in the Federal Gazette (*Bundesanzeiger*) on August 6, 2018, and January 10, 2019. In accordance with section 305 (4) of the AktG, noncontrolling interest shareholders had the right to tender their shares to TRATON SE (at that point in time TRATON AG) in consideration for a cash redemption of €90.29 per share plus interest within two months of this publication date. As a result of the court decision, the compensation payment increased significantly. Consequently, the domination and profit and loss transfer agreement with MAN SE was terminated with effect from January 1, 2019, by way of notice of extraordinary termination. This decision by TRATON SE (at that point in time TRATON AG) was a result of the legal consequences of the judicial decisions. After the publication of the registration of the termination, the noncontrolling interest shareholders of MAN SE were again entitled to tender their shares to TRATON SE (at that point in time TRATON AG) in consideration for a cash redemption of €90.29 per share without additional interest. As of June 30, 2019, TRATON SE held 94.36% of the shares and 94.68% of the voting rights in MAN SE.

Report on Expected Developments

The TRATON GROUP Executive Board expects the macroeconomic development in 2019 in the core geographic regions for the TRATON GROUP, i.e., Europe (defined as EU28 countries excluding Malta plus Norway and Switzerland, or “EU28+2”) and South America, to show stable performance or a slight improvement compared to 2018.

We further assume a stable political environment in the most relevant countries for the TRATON GROUP. In particular, we assume stability of the global trade and tariff framework and no further deterioration of the political environment between China and the United States of America.

We expect total sales volumes for heavy- and medium-duty trucks in the markets relevant for the TRATON GROUP to slightly increase in 2019. In addition to the EU28+2 countries with particular focus on Germany, these markets comprise Brazil, Russia, South Africa, and Turkey.

Bus sales volumes in the relevant markets are assumed to moderately increase in 2019. In addition to the EU28+2 countries, in particular Germany, the most relevant bus markets for the TRATON GROUP are Brazil and Mexico.

Overall, we expect total sales revenue in the Industrial Business segment to moderately increase.

We assume a strong increase in sales revenue for our Financial Services segment.

We assume that the main driver for the expected growth will be an increase in penetration rates in both existing regions and in new regions. Growth is assumed to continue to primarily relate to financing services.

For the period from January 1, 2019, to December 31, 2019, we currently expect the operating return on sales of the TRATON GROUP to be in the range of 6.5% to 7.5%. This expectation is based on the assumption that the sales revenue generated by the TRATON GROUP in 2019 will be up slightly on the prior-year figure. From the development of the exchange rates, we expect a net positive impact on operating profit at Scania V&S, primarily due to the depreciation of the Swedish krona against the sterling and the euro. In 2018, sales revenue of Volkswagen Gebrauchtfahrzeughandels und Service GmbH (“VGSG”) was still included in the total TRATON GROUP figure.

The new financial reporting standard IFRS 16 (Leases) has been applied to our forecast for fiscal year 2019. We do not expect this change to have a material impact on sales revenue, but anticipate a slight increase in operating profit. See the Notes to the Condensed Interim Consolidated Financial Statements for further information.

Our forecast for operating return on sales of the TRATON GROUP and its consolidated subsidiaries for the period from January 1, 2019, to December 31, 2019, reflects the forward-looking expectations of the Company with respect to the 2019 operating return on sales forecast of the TRATON GROUP.

Events after June 30, 2019

See the Notes to the Condensed Half-Yearly Consolidated Financial Statements for events after the reporting period.

3 OPERATING UNITS

This section does not form part of the Group interim management report or the condensed half-yearly consolidated financial statements.

Scania Vehicles & Services

Total vehicle sales increased significantly, to 51,524 vehicles in the first half of 2019 (previous year: 46,778 vehicles). Truck sales rose to 47,995 units (previous year: 42,129 units), 14% more than in the first half of 2018; the increase was primarily attributable to strong growth in the EU28+2 and South America regions. Overall, Scania Vehicles & Services significantly increased its share of the EU28+2 market for trucks over 16 t in the first half of 2019 and took a leading position of that segment. In addition to favorable economic development, the rollout of a new truck generation made a positive contribution to performance in Brazil. Truck sales declined in Russia. In the Middle East, both truck and bus sales were substantially lower than in the first half of 2018. Worldwide, Scania sold 3,529 buses in the first six months of 2019 (previous year: 4,649 buses).

Order intake for the first six months of 2019 was 48,789 vehicles, 7% down on the same period in 2018 (52,503 vehicles). Order intake for trucks was 6% lower than in the first half of 2018, at 44,654 units (previous year: 47,411 units). The main reason for the decline was the negative trends in the UK, Russia, and Iran. The order intake for buses was also lower, amounting to 4,135 units (previous year: 5,092 units), especially due to a decline in orders from Mexico and a lack of orders from Iran.

KEY FIGURES SCANIA VEHICLES & SERVICES

	H1 2019	H1 2018	Change in %
Trucks and buses (units)			
Order intake	48,789	52,503	–7%
Unit sales	51,524	46,778	10%
of which trucks	47,995	42,129	14%
of which buses	3,529	4,649	–24%
Financial key performance indicators (€ million)			
Sales revenue	7,115	6,322	13%
Operating profit	828	618	34%
Operating return on sales (in %)	11.6	9.8	1.9 pp

Despite unfavorable foreign exchange effects, the sales revenue generated by Scania Vehicles & Services increased by 13% to €7,115 million (previous year: €6,322 million). In addition to overall growth in the New Vehicles business, sales revenue in the After Sales business reached an all-time high in the first half of 2019.

Scania Vehicles & Services generated an operating profit of €828 million (previous year: €618 million) in the reporting period. This represents a year-on-year increase of 34% and an operating return on sales of 11.6% (previous year: 9.8%). The operating profit includes a positive foreign exchange effect of €57 million, compared to the first half of 2018. In addition to the general improvement in sales revenue performance, a more favorable market mix had a positive effect on profit. The successful rollout of the new Scania truck generation in Latin America and Asia marked the end of the previous parallel production of old and new series. Scania continues to work consistently on optimizing its logistics and production processes, thus systematically improving the cost situation and normalizing its production capacity following the rollout of the new truck generation.

MAN Truck & Bus

MAN Truck & Bus's total vehicle sales performance was very positive in the first half of 2019, at 54,028 vehicles (previous year: 49,040 vehicles). Truck sales amounted to 50,890 units (previous year: 45,783 units), up 11% on the previous year; the increase was primarily attributable to growth in Germany, Brazil, and the UK. By contrast, there was a noticeable decline in sales in the Middle East region. In India, the main sales activities were discontinued in the course of the previous year. In total, MAN Truck & Bus further stabilized its leading position in the European market for trucks over 6 t in the first half of 2019.

3,138 buses were sold in the first six months of 2019 (previous year: 3,257 buses), corresponding to a year-on-year decline of 4%. Among other factors, this was attributable to lower volumes in Singapore, South Africa, and Tunisia. In the European bus market, by contrast, MAN Truck & Bus increased its market share further.

Order intake in the first half of 2019 was 54,878 vehicles, 8% down on the same period in 2018 (59,621 vehicles). Order intake for trucks was 7% lower than in the first half of 2018, at 51,345 units (previous year: 55,201 units). The main driver of this decline was the negative trends in Germany, Poland, Russia, India, and Turkey. In the first half of 2019, MAN Truck & Bus received orders for 7,729 MAN TGE vans (previous year: 4,641 vans). Order intake for buses was also lower, amounting to 3,533 units (previous year: 4,420 units), especially because of a decline in orders in Saudi Arabia, Singapore, and Israel.

MAN Truck & Bus generated sales revenue of €5,523 million, a year-on-year increase of 6% (previous year: €5,194 million). This growth was driven by both the New Vehicles and the After Sales business.

At €253 million, operating profit in the first half of 2019 was down on the previous year (€285 million). This corresponds to an operating return on sales of 4.6% (previous year: 5.5%). The positive effect of the rise in sales revenue was offset by a difficult market environment for used vehicles and higher expenses resulting from, among other factors, higher depreciation charges caused by increased capital expenditure, as well as increased costs ahead of the rollout of the new truck and bus generations. The prior-year period contained an earnings effect of €19 million resulting from the transfer of the RIO brand to a TRATON GROUP company. In order to grow profitably in the future, MAN Truck & Bus will continue to concentrate on measures to optimize processes and the cost structure.

KEY FIGURES MAN TRUCK & BUS

	H1 2019	H1 2018	Change in %
Trucks and buses (units)			
Order intake	54,878	59,621	–8%
Unit sales	54,028	49,040	10%
of which trucks[1]	50,890	45,783	11%
of which buses	3,138	3,257	–4%
Financial key performance indicators (€ million)			
Sales revenue	5,523	5,194	6%
Operating profit	253	285	–11%
Operating return on sales (in %)	4.6	5.5	–0.9 pp

1 Incl. MAN TGE vans (first half of 2019: 7,266 units; first half of 2018: 3,178 units)

Caminhões Ônibus

Volkswagen Caminhões e Ônibus

Volkswagen Caminhões e Ônibus sold a total of 20,384 trucks and buses in the first half of 2019, 18% more than in the prior-year period (17,335 vehicles). This increase is attributable to the economic recovery in Brazil. By contrast, export sales declined due in particular to a decline in demand in other relevant markets in South America.

Truck sales increased by 20% to 16,681 (previous year: 13,870) vehicles. Volkswagen Caminhões e Ônibus thus defended a prominent position in the Brazilian truck market, among others, with said market recording growth in the heavy-duty segment (over 16 tons), in particular. Bus sales rose by 7% to 3,703 units (previous year: 3,465 units). Volkswagen Caminhões e Ônibus continues to maintain its number two position in the Brazilian bus market. The market growth is attributable to a government school bus program, among other factors.

Volkswagen Caminhões e Ônibus sold 2,677 vehicles outside Brazil (previous year: 5,389 vehicles), securing its position as one of Brazil's leading exporters with 23.3% (previous year: 20.8%) of the country's vehicle exports. The decrease in export sales was mainly the result of weaker demand from Argentina, Mexico, Chile, and some African countries.

The order intake rose 15% to 19,362 vehicles, from 16,815 vehicles in the first half of 2018. Truck orders, which amounted to 15,654 units, were 18% higher than in the prior-year period (13,292 units). Strong growth in Brazil

KEY FIGURES VOLKSWAGEN CAMINHÕES E ÔNIBUS

	H1 2019	H1 2018	Change in %
Trucks and buses (units)			
Order intake	19,362	16,815	15%
Unit sales	20,384	17,335	18%
of which trucks	16,681	13,870	20%
of which buses	3,703	3,465	7%
Financial key performance indicators (€ million)			
Sales revenue	860	674	28%
Operating profit	18	13	34%
Operating profit (adjusted)	5	13	–60%
Operating return on sales (in %)	2.1	2.0	0.1 pp
Operating return on sales (adjusted) (in %)	0.6	2.0	–1.4 pp

more than offset declines in Argentina and other South American countries. The order intake for buses also increased by 5% to 3,708 units (previous year: 3,523 units). Here, too, a higher number of orders in Brazil offset a decline in orders from export countries.

Volkswagen Caminhões e Ônibus's sales revenue expanded by 28%, from €674 million to €860 million. This increase reflects the higher sales, accompanied by solid market positioning, despite the depreciation of Brazilian currency.

Operating profit rose to €18 million in the first half of 2019 (previous year: €13 million). This figure includes a gain of €13 million from the reversal of a restructuring provision. The increase in sales revenue was offset by foreign exchange effects and inflation-related cost increases, e.g., for materials, and higher depreciation charges. The operating return on sales was 2.1% (previous year: 2.0%). Volkswagen Caminhões e Ônibus continues to focus its efforts on an extensive program to strengthen the company in a competitive market environment with the aim of systematically improving its earnings quality.

Condensed

4 HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS

as of June 30, 2019

CONDENSED HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2019

Income Statement
of the TRATON GROUP

€ million	H1 2019	H1 2018
Sales revenue	**13,541**	**12,609**
Cost of sales	–10,762	–10,094
Gross profit	**2,778**	**2,515**
Distribution expenses	–1,214	–1,165
Administrative expenses	–502	–511
Net impairment losses on financial assets	–26	–18
Other operating income	288	386
Other operating expenses	–249	–344
Operating profit	**1,075**	**863**
Share of profits and losses of equity-method investments	70	83
Interest income	38	40
Interest expense	–122	–216
Other financial result	–16	–190
Financial result	**–31**	**–284**
Profit before tax	**1,044**	**579**
Income taxes	–251	–153
current	–193	–212
deferred	–57	59
Profit from continuing operations, net of tax	794	426
Profit/loss from discontinued operations, net of tax	–2	53
Profit after tax	**792**	**479**
of which attributable to shareholders of TRATON SE	772	476
of which attributable to noncontrolling interests	20	3
Earnings per share from continuing operations in € (diluted/basic)	1.55	0.85
Earnings per share from continuing and discontinued operations in € (diluted/basic)	1.54	0.95

Statement of Comprehensive Income
of the TRATON GROUP

€ million	H1 2019	H1 2018
Profit after tax	**792**	**479**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	–239	–22
Deferred taxes on pension plan remeasurements recognized in other comprehensive income	66	–3
Pension plan remeasurements recognized in other comprehensive income, net of tax	–173	–25
Fair value measurement of other equity investments and marketable securities, net of tax	6	–
Share of other comprehensive income of equity-method investments that will not be reclassified to profit or loss, net of tax	18	1
Items that will not be reclassified to profit or loss	**–149**	**–25**
Currency translation differences		
Unrealized currency translation gains/losses	–122	–588
Transferred to profit or loss	–	–
Currency translation differences, before tax	–122	–588
Deferred taxes relating to currency translation differences	0	6
Currency translation differences, net of tax	–122	–583
Cash flow hedges		
Fair value changes recognized in other comprehensive income	2	–37
Transferred to profit or loss	11	–3
Cash flow hedges, before tax	14	–40
Deferred taxes relating to cash flow hedges	–5	13
Cash flow hedges, net of tax	9	–27
Cash flow hedges (cost of hedging)		
Fair value changes recognized in other comprehensive income (cost of hedging)	–2	4
Transferred to profit or loss	–1	–4
Cash flow hedges (cost of hedging), before tax	–3	0
Deferred taxes relating to cash flow hedges (cost of hedging)	1	0
Cash flow hedges (cost of hedging), net of tax	–2	0
Share of other comprehensive income of equity-method investments that may be reclassified subsequently to profit or loss, net of tax	15	12
Items that may be reclassified subsequently to profit or loss	**–100**	**–598**
Other comprehensive income, before tax	–311	–642
Deferred taxes relating to other comprehensive income	62	20
Other comprehensive income, net of tax	**–249**	**–622**
Total comprehensive income	**543**	**–143**
of which attributable to shareholders of TRATON SE	527	–146
of which attributable to noncontrolling interests	16	3

Balance Sheet

Assets of the TRATON GROUP as of June 30, 2019, and December 31, 2018

€ million	06/30/2019	12/31/2018
Noncurrent assets		
Intangible assets	6,602	6,597
Property, plant, and equipment	6,484	5,469
Assets leased out	6,868	6,599
Equity-method investments	1,276	1,223
Other equity investments	49	37
Noncurrent income tax receivables	47	50
Deferred tax assets	897	939
Noncurrent financial services receivables	4,547	4,212
Other noncurrent financial assets	99	63
Other noncurrent receivables	677	663
	27,546	**25,851**
Current assets		
Inventories	5,610	4,822
Trade receivables	2,315	2,319
Current income tax receivables	101	140
Current financial services receivables	3,050	2,688
Other current financial assets	402	6,371
Other current receivables	856	939
Marketable securities and investment deposits	1,477	98
Cash and cash equivalents	2,670	2,997
Assets held for sale	–	157
	16,480	**20,533**
Total assets	**44,026**	**46,384**

Balance Sheet

Equity and Liabilities of the TRATON GROUP as of June 30, 2019, and December 31, 2018

€ million	06/30/2019	12/31/2018
Equity		
Subscribed capital	500	10
Capital reserves	20,841	21,331
Retained earnings	–5,573	–2,064
Accumulated other comprehensive income	–2,704	–2,478
Equity attributable to shareholders of TRATON SE	**13,065**	**16,799**
Noncontrolling interests	248	2
	13,313	**16,801**
Noncurrent liabilities		
Noncurrent financial liabilities	5,553	5,449
Provisions for pensions and other post-employment benefits	1,737	1,506
Noncurrent income tax payables	124	122
Deferred tax liabilities	766	824
Noncurrent income tax provisions	17	16
Other noncurrent provisions	1,198	1,184
Other noncurrent financial liabilities	2,514	2,333
Other noncurrent liabilities	1,885	1,780
	13,794	**13,217**
Current liabilities		
Put options/compensation rights granted to noncontrolling interest shareholders	–	1,827
Current financial liabilities	6,523	5,366
Trade payables	2,863	2,969
Current income tax payables	122	125
Current income tax provisions	23	137
Other current provisions	903	938
Other current financial liabilities	2,889	1,620
Other current liabilities	3,597	3,263
Liabilities directly associated with assets held for sale	–	123
	16,920	**16,366**
Total equity and liabilities	**44,026**	**46,384**

Statement of Changes in Equity

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

				Accumulated other comprehensive income		
				Items that may be reclassified subsequently to profit or loss		
€ million	**Subscribed capital**	**Capital reserves**	**Retained earnings**	**Currency translation**	**Cash flow hedges**	**Equity-method investments**
As of 01/01/2018	**10**	**24,581**	**–10,760**	**–1,274**	**14**	**–80**
Profit after tax	–	–	476	–	–	–
Other comprehensive income, net of tax	–	–	–	–583	–26	12
Total comprehensive income	–	–	476	–583	–26	12
Other changes[1]	–	–	–451	0	0	0
As of 06/30/2018	**10**	**24,581**	**–10,735**	**–1,857**	**–12**	**–68**
As of 01/01/2019	**10**	**21,331**	**–2,064**	**–1,762**	**–6**	**–62**
Profit after tax	–	–	772	–	–	–
Other comprehensive income, net of tax	–	–	0	–121	7	14
Total comprehensive income	–	–	772	–121	7	14
Capital increase from capital reserves	16,490	–16,490	–	–	–	–
Reduction in subscribed capital into capital reserves	–16,000	16,000	–	–	–	–
Capital transactions involving a change in ownership interest[2]	–	–	459	6	0	1
Distribution of retained earnings	–	–	–3,250	–	–	–
Other changes[1]	–	–	–1,489	–	–	–
As of 06/30/2019	**500**	**20,841**	**–5,573**	**–1,877**	**0**	**–46**

1 Retained earnings include the share of profit/loss attributable to Volkswagen AG in the event of profit/loss transfer based on profit/loss under German GAAP.

2 The put options granted to noncontrolling interest shareholders of MAN SE expired on March 4, 2019. The remaining liability of €704 million was reclassified directly to equity. €230 million of this amount is attributable to noncontrolling interests.

Statement of Changes in Equity

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

	Accumulated other comprehensive income					
	Items that will not be reclassified to profit or loss					
€ million	Pension plan remea-surements	Equity-method investments	Other equity investments	Equity attributable to shareholders of TRATON SE	Noncontrolling interests	Total
As of 01/01/2018	**–882**	**89**	**3**	**11,702**	**109**	**11,810**
Profit after tax	–	–	–	476	3	479
Other comprehensive income, net of tax	–25	1	–	–622	0	–622
Total comprehensive income	–25	1	–	–146	3	–143
Other changes[1]	0	–	0	–451	–3	–454
As of 06/30/2018	**–907**	**90**	**2**	**11,104**	**108**	**11,212**
As of 01/01/2019	**–770**	**124**	**–1**	**16,799**	**2**	**16,801**
Profit after tax	–	–	–	772	20	792
Other comprehensive income, net of tax	–169	18	6	–245	–4	–249
Total comprehensive income	–169	18	6	527	16	543
Capital increase from capital reserves	–	–	–	–	–	–
Reduction in subscribed capital into capital reserves	–	–	–	–	–	–
Capital transactions involving a change in ownership interest[2]	8	0	–1	473	230	704
Distribution of retained earnings	–	–	–	–3,250	–	–3,250
Other changes[1]	0	0	4	–1,485	0	–1,485
As of 06/30/2019	**–931**	**142**	**8**	**13,065**	**248**	**13,313**

1 Retained earnings include the share of profit/loss attributable to Volkswagen AG in the event of profit/loss transfer based on profit/loss under German GAAP.

2 The put options granted to noncontrolling interest shareholders of MAN SE expired on March 4, 2019. The remaining liability of €704 million was reclassified directly to equity. €230 million of this amount is attributable to noncontrolling interests.

Statement of Cash Flows

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

€ million	2019	2018
Cash and cash equivalents as of January 1	**2,997**	**4,593**
Profit before tax	1,044	579
Income taxes paid	–256	–274
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant, and equipment, and investment property[1]	411	301
Amortization of, and impairment losses on, capitalized development costs[1]	92	84
Impairment losses on equity investments[1]	0	0
Depreciation of products leased out[1]	564	535
Change in pension obligations	1	25
Loss on disposal of noncurrent assets and equity investments	–4	–13
Share of losses of equity-method investments	–70	–272
Other noncash income/expense	43	446
Change in inventories	–780	–843
Change in receivables (excl. financial services)	–212	–296
Change in liabilities (excl. financial liabilities)	251	670
Change in provisions	–13	4
Change in products leased out	–784	–722
Change in financial services receivables	–617	–394
Net cash used in operating activities – discontinued operations	–	–152
Net cash used in operating activities	**–330**	**–321**
Payments to acquire property, plant, and equipment and intangible assets (excluding capitalized development costs)	–358	–344
Additions to capitalized development costs	–223	–188
Payments to acquire other investees	–5	–21
Proceeds from the disposal of subsidiaries	1,978	0
Proceeds from the disposal of other investees	0	0
Proceeds from the disposal of intangible assets, property, plant, and equipment, and investment property	18	31
Change in marketable securities and investment deposits	–1,381	–62
Change in loans	68	55
Net cash used in investing activities – discontinued operations	–	–60
Net cash provided by/used in investing activities	**97**	**–589**
Loss absorption by Volkswagen AG	4,161	28
Distribution of retained earnings	–3,250	–
Noncontrolling interest shareholders of MAN SE: acquisition of shares tendered and compensation payments	–1,109	–116
Proceeds from the issuance of bonds	1,640	1,400
Repayment of bonds	–595	–
Change in miscellaneous financial liabilities	–874	–349
Repayment of lease liabilities	–79	0
Net cash provided by/used in financing activities – discontinued operations	–	0
Net cash provided by/used in financing activities	**–105**	**963**
Effect of exchange rate changes on cash and cash equivalents	10	–50
Change in cash and cash equivalents	**–328**	**2**
Cash and cash equivalents as of June 30	**2,670**	**4,596**

1 Net of impairment reversals

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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”). By way of a resolution dated December 14, 2018, the Company changed its legal form to a European stock corporation (Societas Europaea/SE). The change in legal form became effective upon its entry in the commercial register on January 17, 2019. Since then, TRATON has been 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 the fiscal years ended December 31, 2018, 2017, and 2016, and for the interim reporting period from January 1, 2019, to March 31, 2019, in compliance with International Financial Reporting Standards (IFRSs), as adopted by the European Union. These financial statements were published in an offering prospectus in the course of TRATON SE’s IPO on June 28, 2019. The offering prospectus is available on our website at www.traton.com. The accompanying condensed half-yearly consolidated financial statements (half-yearly consolidated financial statements) of TRATON SE as of June 30, 2019, were prepared in compliance with International Financial Reporting Standards (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 years ended December 31, 2018, 2017, and 2016, 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 2019 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 *Wertpapierhandelsgesetz* (WpHG — German Securities Trading Act).

2. Basis of consolidation

In addition to TRATON SE, the consolidated half-yearly 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:

	06/30/2019	12/31/2018
TRATON SE and consolidated subsidiaries		
Germany	25	26
Other countries	258	258

The effects of 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, 2019.

IFRS 16 – Leases

IFRS 16 revises the accounting for leases and supersedes the existing IAS 17 and related interpretations.

The core objective of IFRS 16 is to recognize all leases. Accordingly, lessees no longer have to classify leases into finance and operating leases. Instead, they must recognize a right-of-use asset and a lease liability for all leases in their balance sheet. In the TRATON GROUP, the lease liability is measured at the present value of the lease payments discounted using the lessee's incremental borrowing rate, whereas the right-of-use asset is generally measured at the amount of the lease liability plus any initial direct costs incurred. The right-of-use asset must be amortized over the lease term and the lease liability adjusted using the effective interest method, taking into account the lease payments. Under IFRS 16, there are recognition exemptions for short-term and low-value leases that the TRATON GROUP exercises, hence it does not recognize any right-of-use assets or liabilities for such leases. The related lease payments continue to be recognized as expenses in the income statement. At the date of initial application, leases whose term ends before January 1, 2020, are classified as short-term leases regardless of the inception date of the lease.

Lessor accounting largely corresponds to the previous provisions of IAS 17. Lessors must continue to classify leases into finance and operating leases based on the risks and rewards of the asset in the future.

Effective January 1, 2019, the TRATON GROUP accounts for leases under IFRS 16 using the modified retrospective method for the first time. Prior-period amounts were not adjusted. Under this method, the lease liability is measured at the present value of the outstanding lease payments at the transition date. Present value is calculated on the basis of the lessee's incremental borrowing rates as of January 1, 2019. The weighted average interest rate applied in the TRATON GROUP was 3.6%.

As a practical expedient, right-of-use assets are measured at the amount of the related lease liability, adjusted for any prepaid or accrued lease payments. In addition, existing contracts were not reassessed at the date of initial application to identify whether they contain a lease based on the IFRS 16 criteria. Instead, contracts that were already classified as leases under IAS 17 or IFRIC 4 continue to be classified as leases. Contracts that were not classified as leases under IAS 17 or IFRIC 4 are also not classified as leases under IFRS 16.

The recognized right-of-use assets are reported in the balance sheet items in which the assets underlying the lease would be presented if they were owned by the TRATON GROUP. The right-of-use assets are therefore presented in property, plant, and equipment in noncurrent assets at the reporting date.

The effects of the initial recognition of right-of-use assets and lease liabilities as of January 1, 2019, are described in the following:

- The opening balance of right-of-use assets amounts to €1,023 million. This amount is reduced by right-of-use assets that were transferred to third parties under subleases in cases in which the sublease was classified as a finance lease. Such subleases resulted in finance lease receivables of €13 million. Of the right-of-use assets recognized, €3 million had already been recognized in the balance sheet as of December 31, 2018, under finance leases.

- Starting on January 1, 2019, all assets leased out must be presented separately from assets used by the TRATON GROUP itself. Assets with a total carrying amount of €17 million were therefore reclassified from property, plant, and equipment to assets leased out. Assets leased out contain products leased out and investment property.
- Lease liabilities of €1,034 million were recognized and reported in noncurrent and current financial liabilities. Of the recognized lease liabilities, €1 million had already been recognized in the balance sheet as of December 31, 2018, under finance leases.
- Initial application of IFRS 16 had no effect on equity.

The difference between the expected payments for operating leases of €977 million discounted using the lessee's incremental borrowing rate as of December 31, 2018, and the opening balance of lease liabilities amounting to €1,034 million results primarily from the reassessment of lease terms under IFRS 16. Reasonably certain extension or termination options were taken into account when determining the lease payments. In addition, lease payments for low-value and short-term leases are not included in the opening balance of lease liabilities.

In contrast to the previous accounting policy, under which expenses for operating leases were reported in full in operating profit, only depreciation and impairment losses relating to right-of-use assets are allocated to operating profit under IFRS 16 in the Industrial Business segment. In the Industrial Business segment, interest expenses from unwinding discounted lease liabilities are reported in the financial result. In the first six months of 2019, this increased operating profit by €24 million.

The change in the recognition of operating lease expenses in the statement of cash flows resulted in a €79 million improvement in cash flow from operating activities and net cash flow in the first half of 2019. Cash flow from financing activities decreased accordingly. The increase in financial liabilities resulting from the change in accounting policies negatively impacted the TRATON GROUP's net debt as of June 30, 2019, by €1,066 million.

It also resulted in significantly more extensive disclosures.

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, 2018: 1.7%) was applied to German pension provisions and a discount rate of 1.8% (December 31, 2018: 2.5%) to Swedish pension provisions in these half-yearly consolidated financial statements.

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 presentation of the prior-year comparative figures as to the 2018 consolidated financial statements. A detailed description of these accounting policies is given in the notes to the 2018 consolidated financial statements. Certain prior-period information was adjusted to reflect the current 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.” The 2017 Improvements to International Financial Reporting Standards and the amendments to IAS 19: Employee Benefits (Plan Amendment, Curtailment or Settlement) and to IAS 28: Investments in Associates and Joint Ventures (Long-term Interests in Associates and Joint Ventures) were endorsed for use in the EU in the first half of 2019. Application of these amendments did not materially affect the TRATON GROUP’s half-yearly consolidated financial statements.

4. Segment reporting

Please refer to the TRATON GROUP’s consolidated financial statements as of December 31, 2018, for information on the basis used for identifying and assessing the performance of reportable segments. The adjustments to the accounting policies described under “Accounting policies” are also applied in the segments.

The segment information represents continuing operations. The segment disclosures for the current and the comparative period therefore do not include the corresponding information for discontinued operations.

The following tables contain segment-related information for the first six months of 2019.

Reporting segments 2019

REPORTING PERIOD JANUARY 1 TO JUNE 30, 2019

€ million	Industrial Business	Financial Services	Other segments	Reconciliation	Group
Segment sales revenue	**13,320**	**–419**	**–**	**–199**	**13,541**
Intersegment sales revenue	–198	–1	–	199	–
Group sales revenue	13,122	419	–	–	13,541
Segment profit or loss (operating profit or loss)	**1,008**	**70**	**–**	**–3**	**1,075**

Reporting segments 2018

REPORTING PERIOD JANUARY 1 TO JUNE 30, 2018

€ million	Industrial Business	Financial Services	Other segments	Reconciliation	Group
Segment sales revenue	**12,069**	**380**	**348**	**–187**	**12,609**
Intersegment sales revenue	–187	–1	0	187	–
Group sales revenue	11,882	380	348	–	12,609
Segment profit (operating profit)	**787**	**65**	**12**	**0**	**863**

The reconciliation of the total profit/loss of the segments to the TRATON GROUP profit/loss before tax and discontinued operations is presented in the following:

REPORTING PERIOD JANUARY 1 TO JUNE 30

€ million	2019	2018
Total segment profit (operating profit)	**1,078**	**851**
Other segments	–	12
Reconciliation	–3	–
Operating profit (TRATON GROUP)	**1,075**	**863**
Financial result	–31	–284
Profit before tax from continuing operations (TRATON GROUP)	**1,044**	**579**

5. Noncurrent assets held for sale and discontinued operations

Disposal of the Power Engineering business area

On October 25, 2018, the TRATON GROUP announced its intention to sell the Power Engineering business to a subsidiary of Volkswagen AG outside the TRATON GROUP for a cash payment. The purchase price was based on the carrying amounts of the Power Engineering business.

The Power Engineering business comprises the two former operating segments of MAN Energy Solutions (formerly MAN Diesel & Turbo) and Renk, as well as HABAMO Verwaltung GmbH & Co. Objekt Sterkrade KG.

MAN Energy Solutions is a leading global manufacturer of marine diesel engines and stationary engines, and one of the leading turbomachinery providers. Renk is a globally recognized manufacturer of high-quality special gear units, propulsion components, and testing systems. Control of the Power Engineering business passed to the buyer when the transaction closed as of December 31, 2018.

The purchase price was €1,978 million and was settled in 2019. The payment is presented under “Disposal of subsidiaries” in net cash provided by/used in investing activities.

The prior-period amounts in the consolidated income statement and the consolidated statement of cash flows were adjusted in order to present the profit/loss from discontinued operations and the cash flow from discontinued operations, respectively, as separate line items in compliance with IFRS 5.

Disposal of Volkswagen Gebrauchtfahrzeughandels und Service GmbH (VGSG)

On December 6, 2018, TRATON entered into an agreement with a Volkswagen AG subsidiary outside the TRATON GROUP to sell its subsidiary, VGSG, effective January 1, 2019. Volkswagen Gebrauchtfahrzeughandels und Service GmbH was expected to be sold within 12 months, and the associated assets and liabilities were therefore classified as held for sale and presented separately in the consolidated balance sheet as of December 31, 2018.

The following assets and liabilities in relation to VGSG were disposed of effective January 1, 2019:

€ million	January 1, 2019
Inventories	149
Miscellaneous assets	8
Total assets	**157**
Trade payables	86
Miscellaneous liabilities	37
Total liabilities and provisions[1]	**123**
Net assets	**34**

1 The liabilities shown exclude intercompany liabilities of €34 million.

The transaction was completed on January 1, 2019. No gain was recognized. The consideration received and the amount of cash disposed of in this transaction were each below €1 million.

INCOME STATEMENT DISCLOSURES

6. Sales revenue

Structure of Group sales revenue

REPORTING PERIOD JANUARY 1 TO JUNE 30, 2019

€ million	Industrial Business	Financial Services	Other segments	Recon-ciliation	2019
Vehicles	8,849	–	–	–1	8,848
Genuine parts	1,719	–	–	–1	1,718
Used vehicles	716	–	–	0	716
Engines, powertrains, and parts deliveries	320	–	–	–	320
Workshop services	739	–	–	0	739
Rental and leasing business[1]	858	223	–	–195	885
Interest and similar income[1]	2	197	–	–1	199
Other sales revenue	117	–	–	–1	115
	13,320	**419**	**–**	**–199**	**13,541**

1 Not sales revenue within the scope of IFRS 15

REPORTING PERIOD JANUARY 1 TO JUNE 30, 2018

€ million	Industrial Business	Financial Services	Other segments	Recon-ciliation	2018
Vehicles	7,721	–	–	–1	7,720
Genuine parts	1,661	–	–	0	1,661
Used vehicles	710	–	334	0	1,044
Engines, powertrains, and parts deliveries	326	–	–	0	326
Workshop services	697	–	0	0	697
Rental and leasing business[1]	801	212	–	–184	829
Interest and similar income[1]	3	168	–	–1	170
Other sales revenue	150	–	14	–1	162
	12,069	**380**	**348**	**–187**	**12,609**

1 Not sales revenue within the scope of IFRS 15

7. Administrative expenses

The administrative expenses mainly include nonstaff overheads and personnel costs, as well as depreciation and amortization applicable to the administrative functions. The €9 million decline in the first six months of 2019 is due primarily to lower nonstaff overheads. Costs of €29 million (previous year: €31 million) were also incurred in conjunction with making the TRATON GROUP ready for the capital markets and for its IPO.

8. Net interest expense

REPORTING PERIOD JANUARY 1 TO JUNE 30

€ million	2019	2018
Interest and similar income	38	40
Interest and similar expenses	–79	–92
Interest expense for lease liabilities	–24	–
Unwinding of discount and effect of change in discount rate on liabilities and other provisions	–1	–106
Net interest on the net liability for pensions and other post-employment benefits	–17	–17
Net interest expense	**–84**	**–176**

Net interest expense mainly contains interest expense for financial liabilities and, in the prior-year period, interest from unwinding the discount on the put options/compensation rights granted to noncontrolling interest shareholders of MAN SE. In the first six months of 2019, it also includes interest expense for lease liabilities.

9. Other financial result

REPORTING PERIOD JANUARY 1 TO JUNE 30

€ million	2019	2018
Other income from equity investments	0	192
Realized income and expense of loan receivables and payables in foreign currency	103	61
Gains/losses from remeasurement of financial instruments	53	–322
Gains/losses from changes in the fair value of derivatives not included in hedge accounting	–173	–121
	–16	**–190**

In the prior-year period, other income from equity investments primarily contained the reversal of an impairment loss on the carrying amount of the investment in Sinotruk amounting to €190 million.

In the first half of 2019, losses from remeasurement of financial instruments did not contain any expenses or income from the measurement of put options/compensation rights granted to noncontrolling interest shareholders (in the prior-year period: expenses of €374 million). The other gains/losses from remeasurement of financial instruments result from the translation of receivables and liabilities contained in net debt.

Fair value changes of derivatives not included in hedge accounting largely offset the currency translation effects on net debt.

10. Earnings per share

€ million	**H1 2019**	**H1 2018**
Profit after tax attributable to shareholders of TRATON SE	772	476
of which profit/loss from discontinued operations, net of tax[1]	–2	49
Profit from continuing operations attributable to shareholders of TRATON SE, net of tax	**773**	**426**
Number of shares outstanding	500,000,000	500,000,000
Earnings per share from continuing operations in €	1.55	0.85
Earnings per share from discontinued operations in €[1]	0.00	0.10
Total in €	**1.54**	**0.95**

1 Minority interests attributable to discontinued operations

Earnings per share are calculated by dividing consolidated earnings after tax from continuing operations attributable to TRATON SE shareholders by the number of shares outstanding following the capital increase to €500,000,000, which was entered in the Company's commercial register and thus became effective on March 12, 2019. Further information is available under "Equity."

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.

BALANCE SHEET DISCLOSURES

11. Other financial assets

€ million	06/30/2019	12/31/2018
Positive fair value of derivatives	95	146
Receivables from loans, bonds, and profit participation rights (without interest)	45	113
Receivables from the profit and loss transfer agreement and the tax allocation procedure with Volkswagen AG	–	4,161
Miscellaneous financial assets	361	2,014
	501	**6,434**

As of December 31, 2018, miscellaneous financial assets contained €1,980 million of consideration receivable from a subsidiary of Volkswagen AG outside the TRATON GROUP relating to the disposal of the Power Engineering business. It was settled on June 30, 2019.

As of June 30, 2019, receivables from loans include €36 million (previous year: €104 million) from Volkswagen Group companies.

Other financial assets are reported as follows:

€ million	06/30/2019	12/31/2018
Other noncurrent financial assets	99	63
Other current financial assets	402	6,371

12. Inventories

€ million	06/30/2019	12/31/2018
Raw materials, consumables, and supplies	620	548
Work in progress	535	461
Finished goods and purchased merchandise	4,436	3,801
Prepayments	18	13
	5,610	**4,822**

13. Marketable securities and investment deposits

The marketable securities and investment deposits serve to safeguard liquidity. Marketable securities and investment deposits are fixed-income securities with short maturity. The item also includes deposits of €1,350 million (previous year: €0 million) as of June 30, 2019, relating to short-term investment deposits at Volkswagen AG. They are allocated to the financial assets measured at amortized cost category.

14. Equity

TRATON SE's share capital is €500 million. It is composed of 500,000,000 no-par value shares with a notional value of €1 each. The share capital is fully paid-up. Under Article 6 (2) of the Articles of Association, shareholders may not claim delivery of physical share certificates.

In 2018, the Executive Board converted parts of the capital reserves into retained earnings for an intended distribution to Volkswagen AG amounting to €3,250 million. The payment was made in fiscal year 2019. Additionally, capital reserves in the amount of €490 million were converted into subscribed capital in the period under review. A further €16 billion was initially converted into subscribed capital by way of a capital increase. Immediately after this, the share capital was reduced again to €500 million by way of a capital decrease in the same amount.

Following the Company's successful IPO, the domination and profit and loss transfer agreement between TRATON SE and Volkswagen AG will end automatically at the end of fiscal year 2019 in accordance with section 307 of the *Aktiengesetz* (AktG — German Stock Corporation Act). As a result, TRATON SE will transfer its annual profit (calculated in accordance with German GAAP accounting policies) to Volkswagen AG for the last time for fiscal year 2019. Further information is available under "Related party disclosures."

Noncontrolling interests

In August 2018, the domination and profit and loss transfer agreement with MAN SE was terminated by way of notice of extraordinary termination effective January 1, 2019. Following the entry of the termination of the domination and profit and loss transfer agreement in the commercial register, the noncontrolling interest shareholders of MAN SE had the right to tender their shares to TRATON SE, pursuant to the provisions of the domination and profit and loss transfer agreement, within a two-month period. This resulted in cash outflows of €1,063 million in the first quarter of this year for the acquisition of shares tendered and compensation payments. There was a corresponding reduction in the "Put options and compensation rights granted to noncontrolling interest shareholders" reported in the balance sheet. The put options granted to noncontrolling interest shareholders of MAN SE expired on March 4, 2019. After the deduction of outstanding payments, which are shown in "Other financial liabilities," the remaining liability of €704 million was derecognized and reclassified directly to equity. €230 million of this amount is attributable to noncontrolling interests, representing the carrying amount of MAN's equity not attributable to TRATON SE at the date of reclassification. The residual amount was recorded in retained earnings at a carrying amount of €449 million and in accumulated other comprehensive income at a carrying amount of €24 million.

As a consequence, noncontrolling interests as of June 30, 2019, mainly comprise the noncontrolling interest shareholders of MAN SE.

15. Financial liabilities

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

€ million	06/30/2019	12/31/2018
Bonds	5,802	4,820
Liabilities to banks	3,431	2,770
Lease liabilities	1,066	1
Loans and miscellaneous liabilities	1,778	3,223
	12,076	**10,814**

Financial liabilities from bonds mainly relate to European Medium Term Notes (EMTN). The issuance of bonds of €1,640 million in fiscal year 2019 mainly relates to EMTN, which are used for financing activities in the Financial Services segment.

Loans and miscellaneous liabilities include loans from Volkswagen AG in the amount of €1,000 million (previous year: €2,293 million).

The €1,066 million increase in lease liabilities is attributable to the initial application of IFRS 16. Further information is available under "Accounting policies."

€ million	06/30/2019	12/31/2018
Noncurrent financial liabilities	5,553	5,449
Current financial liabilities	6,523	5,366

16. Additional financial instruments disclosures in accordance with IFRS 7

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 measured 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, 2019

	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 06/30/2019
€ million	Recognized in other comprehensive income	Through profit and loss	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets							
Equity-method investments	–	–	–	–	–	1,276	1,276
Other equity investments	37	–	–	–	–	13	49
Financial services receivables	–	–	4,547	4,500	–	–	4,547
Other financial assets	–	23	73	73	3	–	99
Current assets							
Trade receivables	–	–	2,315	2,315	–	–	2,315
Financial services receivables	–	–	3,050	3,050	–	–	3,050
Other financial assets	–	61	333	333	8	–	402
Marketable securities and investment deposits	–	–	1,477	1,477	–	–	1,477
Cash and cash equivalents	–	–	2,670	2,670	–	–	2,670
Noncurrent liabilities							
Financial liabilities	–	–	5,553	5,579	–	–	5,553
Other financial liabilities	–	121	2,392	2,392	2	–	2,514
Current liabilities							
Put options/compensation rights granted to noncontrolling interest shareholders	–	–	–	–	–	–	–
Financial liabilities	–	–	6,523	6,523	–	–	6,523
Trade payables	–	–	2,863	2,863	–	–	2,863
Other financial liabilities	–	90	2,790	2,790	8	–	2,889

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2018

	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 12/31/2018
€ million	Recognized in other comprehensive income	Through profit and loss	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets							
Equity-method investments	–	–	–	–	–	1,223	1,223
Other equity investments	25	–	–	–	–	12	37
Financial services receivables	–	–	4,212	4,180	–	–	4,212
Other financial assets	–	28	33	33	3	–	63
Current assets							
Trade receivables	–	–	2,319	2,319	–	0	2,319
Financial services receivables	–	–	2,688	2,688	–	–	2,688
Other financial assets	–	109	6,256	6,256	6	–	6,371
Marketable securities and investment deposits	–	–	98	98	–	–	98
Cash and cash equivalents	–	–	2,997	2,997	–	–	2,997
Noncurrent liabilities							
Financial liabilities	–	–	5,449	5,455	–	–	5,449
Other financial liabilities	–	39	2,289	2,289	6	–	2,333
Current liabilities							
Put options/compensation rights granted to noncontrolling interest shareholders	–	–	1,827	1,827	–	–	1,827
Financial liabilities	–	–	5,366	5,366	–	–	5,366
Trade payables	–	–	2,969	2,969	–	–	2,969
Other financial liabilities	–	119	1,488	1,488	12	–	1,620

Financial assets and liabilities measured at fair value by level

Measurement and presentation of the fair values of financial instruments is 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).

Other equity investments measured at fair value are classified in Level 3. All other financial assets and liabilities measured at fair value as well as the derivative financial instruments included in hedging relationships are classified in Level 2 of the fair value hierarchy. Other equity investments mainly comprise shares in unlisted companies for which there are no quoted market values as there is no active market. The fair value of these investments is calculated using 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 following table shows the development of other equity investments measured at fair value that are classified in Level 3:

€ million	Other equity investments classified in Level 3
Balance as of 01/01/2018	13
Fair value changes recognized in "Fair value measurement of other equity investments and marketable securities, net of tax" in other comprehensive income	–
Additions	21
Balance as of 06/30/2018	**33**
Balance as of 01/01/2019	25
Fair value changes recognized in "Fair value measurement of other equity investments and marketable securities, net of tax" in other comprehensive income	8
Additions	5
Balance as of 06/30/2019	**37**

The transfers between the levels of the fair value hierarchy are reported at the respective reporting dates. There were no transfers between Level 1, Level 2, and Level 3 in the first half of 2019.

OTHER DISCLOSURES

17. Contingent liabilities and commitments

€ million	06/30/2019	12/31/2018
Liabilities under buyback guarantees	2,359	2,149
Contingent liabilities under guarantees	169	205
Other contingent liabilities	1,059	936
	3,587	**3,290**

Customer liabilities to financial services companies of the Volkswagen Group and, to a small extent, 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, based on experience, the majority of these guarantees expire without being drawn upon.

Other contingent liabilities relate mainly to contingent liabilities for potential charges from tax risks and legal disputes, which exist in Brazil, in particular. See “Litigation” for further information.

18. Litigation

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 great number of legal disputes and official proceedings in Germany and internationally. In particular, such legal disputes 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 particularly applies 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 is 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.

The TRATON GROUP does not tolerate compliance violations. Neither corruption nor breaches of competition law are tolerated, encouraged, or accepted by TRATON.

Important legal cases

In 2011, the European Commission launched an antitrust investigation into suspected antitrust violations in the European commercial vehicles business and sent MAN, Scania, and all other commercial vehicle manufacturers affected the statement of objections in November 2014, informing them of the allegations brought forward against them. With its settlement decision in July 2016, the European Commission imposed penalties on five European commercial vehicle manufacturers for “collusive arrangements on pricing and gross price increases in the European Economic Area (...) and the timing and the passing on of the costs for the introduction of emission technologies for medium and heavy trucks required by EURO 3 to 6 standards” from January 17, 1997, through January 18, 2011 (for MAN: until September 20, 2010). MAN’s fine was waived in full because it had notified the European Commission about the irregularities as a whistleblower. In September 2017, the European Commission then fined Scania €0.88 billion. Scania has appealed to the European Court in Luxembourg and will use all means at its disposal to defend itself. Scania had already recognized a provision of €0.4 billion in 2016. Furthermore, a number of customers who purchased or leased trucks have filed antitrust damages claims. As is the case in any antitrust proceedings, further lawsuits for damages may follow.

The Brazilian tax authorities initiated tax proceedings against MAN Latin America Indústria e Comércio de Veículos Ltda., São Paulo/Brazil with regard to the assessment of the tax effects of the acquisition structure chosen in 2009 for this company. In December 2017, an administrative court ruled against the company following an appeal. The company took legal action against this ruling by recourse to regular courts in 2018. Because of the potential range of punitive surcharges plus interest that may be applied under Brazilian law, the best estimate of the risk in the event that the tax authorities are successful in asserting their position entails a degree of uncertainty. Nevertheless, a positive outcome is still expected for the company. The potential risk in the event of a negative outcome is currently approximately €697 million for the contested period starting in 2009, which was disclosed in “Contingent liabilities and commitments.”

In June 2013, the Annual General Meeting of MAN SE approved the conclusion of a domination and profit and loss transfer agreement between MAN SE and TRATON SE (formerly Volkswagen Truck & Bus GmbH, Volkswagen Truck & Bus AG, and TRATON AG). In July 2013, award proceedings were instituted to review the appropriateness of the cash settlement set out in the agreement in accordance with section 305 of the AktG and the cash compensation in accordance with section 304 of the AktG.

In its final decision announced on June 26, 2018 (and corrected on July 30 and December 17, 2018), the Higher Regional Court (*Oberlandesgericht*) of Munich set the guaranteed dividend and the recurring fixed compensation payment at €5.47 gross per share (minus potential corporate taxes and solidarity surcharges at the rates as applicable to the respective fiscal year). The amount of the cash settlement payable of €90.29 per share from the Higher Regional Court of Munich ruling at first instance was confirmed. The decisions of the Higher Regional Court of Munich were published in the Federal Gazette (*Bundesanzeiger*) on August 6, 2018, and January 10, 2019. In accordance with section 305 (4) of the AktG, noncontrolling interest shareholders had the right to tender their shares to TRATON SE (at that point in time TRATON AG) in consideration for a cash redemption of €90.29 per share plus interest within two months of this publication date. As a result of the court decision, the compensation payment increased significantly. Consequently, the domination and profit and loss transfer agreement with MAN SE was terminated with effect from January 1, 2019. This decision by TRATON SE (at that point in time TRATON AG) was a result of the legal consequences of the judicial decisions. After the publication of the registration of the termination, the noncontrolling interest shareholders of MAN SE were again entitled to tender their shares to TRATON SE (at that point in time TRATON AG) in consideration for a cash redemption of €90.29 per share without additional interest. As of June 30, 2019, TRATON SE held 94.36% of the shares and 94.68% of the voting rights in MAN SE.

19. Other financial obligations

Other financial obligations declined during the first half of 2019, mainly due to the initial application of IFRS 16 (see "Accounting policies"). Obligations from leasing and rental contracts therefore declined from €1,154 million to €60 million. Obligations from credit commitments had an offsetting effect, rising from €354 million to €422 million.

20. Related party disclosures

There have been no material changes in relationships with related parties compared with the disclosures in the consolidated financial statements for the period ended December 31, 2018.

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 related parties, including Volkswagen AG. No transactions with Porsche Automobil Holding SE, Stuttgart, took place in the periods presented.

Related parties

REPORTING PERIOD JANUARY 1 TO JUNE 30

	Sales and services rendered		Purchases and services received	
€ million	2019	2018	2019	2018
Volkswagen AG	1	9	35	53
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	818	824	285	178
Nonconsolidated subsidiaries	5	28	3	6
Associates and their majority interests	77	80	50	62
Joint ventures and their majority interests	8	9	48	41

REPORTING PERIOD JANUARY 1 TO JUNE 30

	Receivables from		Liabilities (incl. obligations) to	
€ million	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Volkswagen AG	2,633	5,650	2,652	2,543
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	591	2,724	3,409	3,495
Nonconsolidated subsidiaries	7	8	20	39
Associates and their majority interests	131	89	25	21
Joint ventures and their majority interests	2	2	0	1

Part of the retained earnings of TRATON SE amounting to €3,250 million was distributed to Volkswagen AG in the first half of 2019.

Volkswagen AG and TRATON SE had a domination and profit and loss transfer agreement in place in fiscal years 2018 and 2017. The loss under German GAAP of €4,161 million for fiscal 2018 was absorbed on March 15, 2019 (previous year: loss absorption of €28 million). As a result of the Company's IPO in June 2019, this domination and profit and loss transfer agreement will end at the end of fiscal year 2019.

In 2019, the TRATON GROUP made short-term investment deposits at Volkswagen AG, amounting to €1,350 million (previous year: €0 million) as of June 30, 2019. The liabilities to Volkswagen AG include loans granted by Volkswagen AG in the amount of €1,000 million (previous year: €2,293 million) resulting from a loan framework of €4,000 million (previous year: €4,800 million).

In addition, Volkswagen AG has reached an agreement with TRATON SE under which Volkswagen AG will be liable for certain liability claims filed against TRATON SE in conjunction with the IPO.

In a Relationship Agreement dated June 14, 2019, Volkswagen AG and TRATON SE determined that the profit after tax of TRATON SE in accordance with German GAAP is expected to be €1.35 billion, and that this amount will be transferred to Volkswagen in 2019 under the terms of the domination and profit and loss transfer agreement. If the profit deviates from this amount by €20 million or more, the full deviation shall be neutralized by way of the following mechanism:

a) Volkswagen AG shall contribute an amount equaling the exceeding profits transferred under the DPLTA to the capital reserves of TRATON SE under section 272 (2) no. 4 of the *Handelsgesetzbuch* (HGB — German Commercial Code);

b) TRATON shall procure extraordinary distributions from subsidiaries (and subsequent transfer under the DPLTA) to the extent legally permissible and necessary to cancel out any decreases of the expected 2019 German GAAP profit (or even losses in the financial year 2019).

The receivables from other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP as of December 31, 2018, included the cash consideration regarding the sale of the Power Engineering business. The total amount of €1,978 million was paid in the reporting period.

The sale of receivables to subsidiaries of Volkswagen AG that are not part of the TRATON GROUP amounted to €549 million (previous year: €581 million) as of June 30, 2019. Furthermore, customer liabilities to Volkswagen Financial Services are covered by standard industry buyback guarantees, see "Contingent liabilities and commitments."

The compensation of the members of the Executive Board generally consists of monthly salary payments (non-performance-based salary) and performance-based variable remuneration components. The variable remuneration consists of the following components:

The performance-related annual bonus ("annual bonus") is determined for each fiscal year at the reasonable discretion of the Supervisory Board. In line with the conditions for the annual bonus, which are revised from time to time, it is designed to be dependent on the targets achieved for the relevant fiscal year and the preceding fiscal year. The equally weighted targets are currently the average operating return on sales and the average return on investment.

The long-term incentive (LTI) bonus is determined by the Supervisory Board at its reasonable discretion. The terms and conditions for the LTI provide for a period of three years for calculating the target achievement, and may be amended from time to time. The most recent modification to the LTI provided for the introduction of a share-based payment plan in January 2019. In this plan, a new performance period ("performance period") starts at the beginning of each fiscal year.

At the beginning of each new performance period, each member of the Executive Board is conditionally awarded a certain number of performance shares. The number of performance shares depends (i) on the individual target amounts for each Executive Board member and (ii) on the calculated price of Volkswagen AG preferred shares (in the pre-IPO phase) or the price of TRATON SE shares (in the post-IPO phase), with the arithmetic mean of the closing prices of the 30 trading days preceding the performance period being used to calculate the price.

During the pre-IPO phase, the individual target amount for the LTI in the case of 100% target achievement is €310,000 (gross), €650,000 (gross), or €996,000 (gross) for Executive Board members per three-year period. If the employment contract begins or ends in the course of a year, the target amount for the LTI is calculated ratably for the period of service.

The number of performance shares at the end of a performance period ("final number of performance shares") depends on the number of performance shares conditionally awarded at the beginning of the performance period and the achievement of the "earnings per share" target amounts. These are determined at the beginning of the performance period. The payout amount depends on the final number of performance shares and the calculated price of Volkswagen AG preferred shares (in the pre-IPO phase) or the price of TRATON SE shares (in the post-IPO phase), using the arithmetic mean of the closing prices of the last 30 trading days of the performance period and including any dividends paid out during the performance period.

The amount paid out is capped at 200% of the target amount.

In the case of extraordinary events or developments, e.g., a business combination, significant changes in the shareholder structure, or certain corporate actions or structural measures implemented by the Company, the Company is entitled, under certain conditions, to modify the terms and conditions of the plan or the number of performance shares. In “bad leaver” cases, which are defined in the relevant performance share plan (in particular in the case of the extraordinary termination of an Executive Board member), all the performance shares of a current performance period are forfeited and not replaced or otherwise compensated.

The terms and conditions of the LTI for each performance period are determined by the Supervisory Board at its reasonable discretion. The Supervisory Board has introduced provisions governing penalties and salary clawbacks in the event of misconduct (including breaches of oversight or organizational duties as a “cultural and integrity corrective”), which can lead to a reduction or the complete forfeiture of the LTI or to the clawback of an LTI that has already been paid out.

A total of 26,556 performance shares were awarded to members of the Executive Board. The fair value of the performance shares obligation as of June 30, 2019, was €1 million. The expenses under the plan amounting to €1 million were recognized in personnel expenses. If the beneficiaries of the performance share plan had left the Company as of June 30, 2019, the obligation (intrinsic value) would have been €0 million.

The following expenses were recognized by TRATON for the key management personnel in the course of their activities as members of the Executive Board:

REPORTING PERIOD JANUARY 1 TO JUNE 30

€ million	2019	2018
Short-term benefits	4	3
Share-based benefits	1	–
Post-employment benefits	1	1
	6	**4**

21. Supervisory Board

When TRATON AG was reorganized as an SE on January 17, 2019, the members of the Supervisory Board of TRATON AG, namely Hans Dieter Pötsch (Chairman), Athanasios Stimoniaris (Deputy Chairman), Torsten Bechstädt, Dr. Manfred Döss, Gunnar Kilian, Lisa Lorentzon, Michael Lyngsie, Bernd Osterloh, Dr. Ferdinand Oliver Porsche, Günther Pröbster, Hiltrud Werner, and Frank Witter, left office on January 17, 2019.

The members of the Supervisory Board of TRATON SE since January 17, 2019, are Hans Dieter Pötsch (Chairman), Athanasios Stimoniaris (Deputy Chairman), Torsten Bechstädt, Mari Carlquist, Dr. Manfred Döss, Jürgen Kerner, Gunnar Kilian, Dr. Albert Kirchmann, Dr. Julia Kuhn-Piëch, Lisa Lorentzon, Bo Luthin, Michael Lyngsie, Nina Macpherson, Bernd Osterloh, Dr. Dr. Christian Porsche, Dr. Wolf-Michael Schmid, Karina Schnur, Hiltrud Werner, Frank Witter, and Steffen Zieger.

22. Executive Board

When TRATON AG was reorganized as an SE on January 17, 2019, the members of the Executive Board of TRATON AG, namely Andreas Renschler (Chairman), Antonio Roberto Cortes, Joachim Drees, Henrik Henriksson, and Christian Schulz, left office on January 17, 2019.

The members of the Executive Board of TRATON SE since January 17, 2019, are Andreas Renschler (Chairman), Antonio Roberto Cortes, Joachim Drees, Henrik Henriksson, Dr. Carsten Intra, Christian Levin, and Christian Schulz.

23. Events after the reporting period

€114 million was repaid in the Industrial Business segment on July 8, 2019, for amounts and interest resulting from security deposits provided in Brazil. This will have a positive effect on the TRATON GROUP's financial position in the third quarter of 2019, although the repayment will not have a material effect on profit or loss.

5 FURTHER INFORMATION

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for half-yearly 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 management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Munich, July 23, 2019

TRATON SE

The Executive Board

Andreas Renschler

Christian Schulz

Antonio Roberto Cortes

Joachim Drees

Henrik Henriksson

Dr. Carsten Intra

Christian Levin

REVIEW REPORT

To TRATON SE, Munich

We have reviewed the condensed consolidated interim financial statements – 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 of TRATON SE for the period from January 1 to June 30, 2019 which are part of the half-year financial report pursuant to § (Article) 115 WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company’s Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance 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 so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Munich, July 23, 2019

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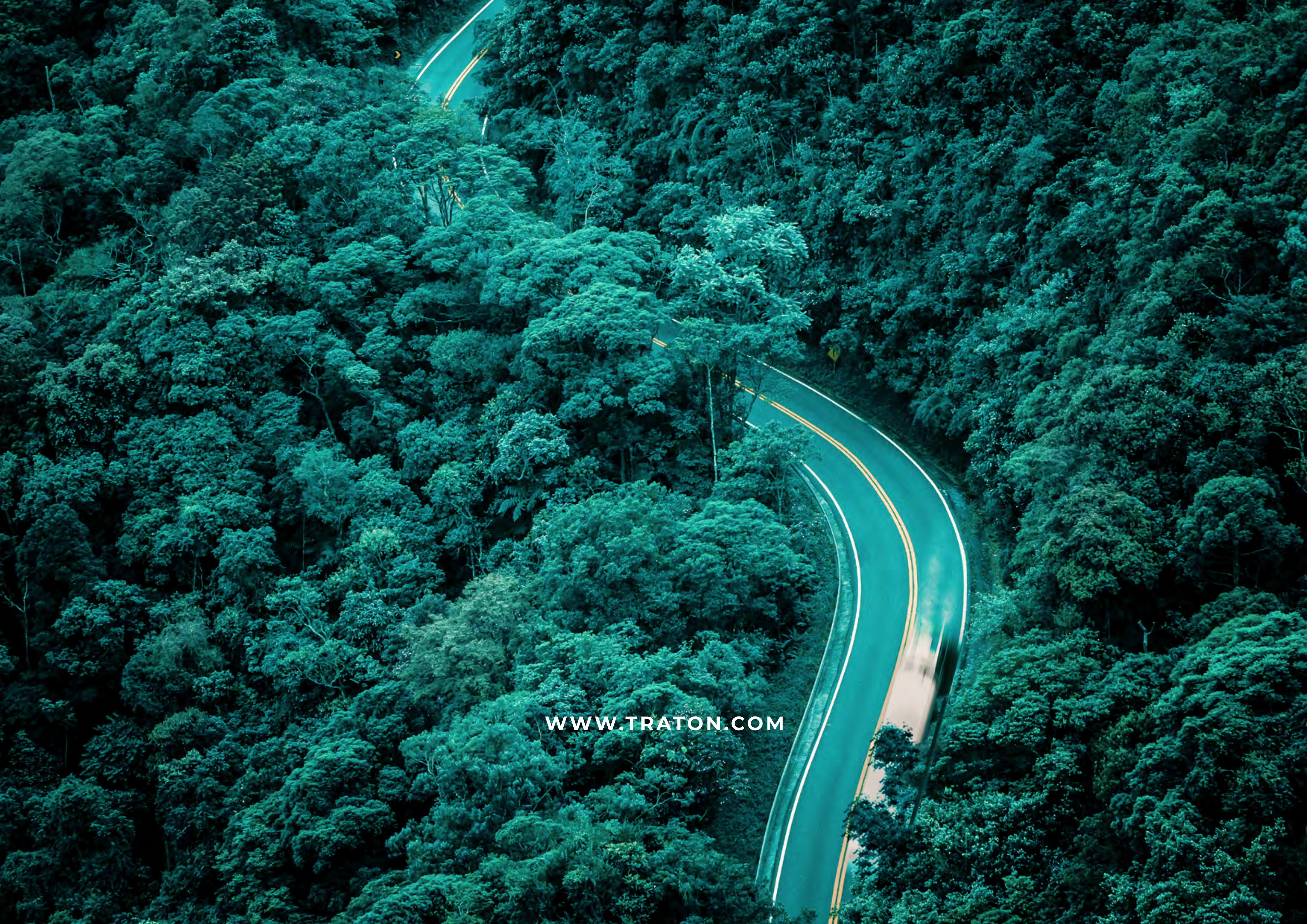
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