



TRATON

G R O U P

9M 2020

INTERIM STATEMENT AS OF SEPTEMBER 30, 2020





**“Our brands are taking  
the right steps to get fit for the  
future. Together, we are  
successfully entering a new era  
of transportation.”**

—  
MATTHIAS GRÜNDLER,  
CEO of the TRATON GROUP

# 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.

9M 2020:



€612 MILLION

sales revenue in the Financial Services segment



€15,419 MILLION

sales revenue in the Industrial Business segment

# 17

COUNTRIES

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



# 29

LOCATIONS

# 83,000

EMPLOYEES



The TRATON GROUP employs around 83,000 employees worldwide across its commercial vehicle brands (as of December 31, 2019).

# AT A GLANCE

Operating profit/loss down  
around €1.5 billion to  
**€-58**  
million

Decline in  
operating return  
on sales to  
**-0.4%**

Sales revenue decreased  
by 21% to around  
**€15.7**  
billion

Unit sales 29% lower at  
**127,660**  
trucks and buses

Incoming orders  
down by  
**14%**

## TRATON GROUP

Trucks and buses (units)	9M 2020	9M 2019	Change	Q3 2020	Q3 2019	Change
Incoming orders	145,933	169,708	-14%	58,502	49,217	19%
Unit sales	127,660	179,091	-29%	49,922	55,755	-10%
of which trucks <sup>1</sup>	115,820	163,316	-29%	45,331	50,204	-10%
of which buses	11,840	15,775	-25%	4,591	5,551	-17%
<b>TRATON GROUP</b>						
Sales revenue (€ million)	15,740	19,827	-21%	5,667	6,286	-10%
Operating profit/loss (€ million)	-58	1,482	-1,541	162	407	-246
Operating profit/loss (adjusted) (€ million)	-9	1,470	-1,479	211	407	-196
Operating return on sales (in %)	-0.4	7.5	-7.8 pp	2.9	6.5	-3.6 pp
Operating return on sales (adjusted) (in %)	-0.1	7.4	-7.5 pp	3.7	6.5	-2.8 pp
Earnings per share (€)	-0.29	2.40	-2.69	0.26	0.86	-0.60
Employees <sup>2</sup>	82,838	82,679	159	82,838	82,679	159
<b>Industrial Business</b>						
Sales revenue (€ million)	15,419	19,491	-21%	5,565	6,171	-10%
Operating profit/loss (€ million)	-140	1,377	-1,517	125	369	-244
Operating profit/loss (adjusted) (€ million)	-91	1,365	-1,455	174	369	-195
Operating return on sales (in %)	-0.9	7.1	-8.0 pp	2.2	6.0	-3.7 pp
Operating return on sales (adjusted) (in %)	-0.6	7.0	-7.6 pp	3.1	6.0	-2.9 pp
Adjusted EBITDA (€ million)	854	2,378	-64%	538	829	-35%
Primary R&D costs (€ million)	796	982	-19%	238	319	-25%
Capex (€ million)	602	569	6%	164	213	-23%
Net cash flow (€ million)	-148	2,323	-2,471	199	539	-339
Cash conversion rate (in %)	n/a	203	n/a	186	120	66 pp
Net liquidity/net financial debt (€ million) <sup>2</sup>	-727	1,500	-2,227	-727	1,500	-2,227
<b>Financial Services</b>						
Sales revenue (€ million)	612	635	-4%	200	215	-7%
Operating profit (€ million)	82	105	-23	37	35	2
Net portfolio (€ million) <sup>2</sup>	9,198	9,936	-738	9,198	9,936	-738

<sup>1</sup> Incl. MAN TGE vans (9M 2020: 11,392 units; 9M 2019: 10,111 units; Q3 2020: 5,037 units; Q3 2019: 2,845 units)

<sup>2</sup> Balance for 9M 2020 and Q3 2020 as of September 30, 2020, and for 9M 2019 and Q3 2019 as of December 31, 2019

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This interim statement was prepared in accordance with section 53 of the Exchange Rules for the Frankfurter Wertpapierbörse (FWB) and does not constitute an interim financial report as defined in International Accounting Standard (IAS) 34. It does not contain any related party disclosures and hence departs from the guidance for preparing interim management statements in Sweden proposed by Nasdaq Stockholm. This interim statement has not been reviewed by an auditor.

This interim statement contains certain forward-looking statements for the remaining months of fiscal year 2020. 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 (TRATON) 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](http://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.

The figures relating to net assets, financial position, and results of operations were prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union. All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

In connection with the United Kingdom's withdrawal from the EU on January 31, 2020, the "EU28+2" region has been renamed the "EU27+3" region starting in 2020 (defined as the EU27 countries excluding Malta, plus the United Kingdom, Norway, and Switzerland).





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# COURSE OF BUSINESS

9M 2020



# COURSE OF BUSINESS

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## Market Environment

The available registration data for the TRATON GROUP's core regions reflects the situation from January through September 2020, and January through August 2020 for the bus market in Mexico.

The most important truck markets (> 6t) for the TRATON GROUP are the EU27+3 region (defined as the EU27 countries excluding Malta, plus the United Kingdom, Norway, and Switzerland) as well as Brazil, South Africa, Russia, and Turkey. Truck registrations in the EU27+3 region were much lower than in the previous year. The already expected market downturn was reinforced by the COVID-19 pandemic, in particular in the second quarter. The 2019 comparative period additionally contained pull-forward effects in the first half of the year from the introduction of the digital tachograph in June 2019 and the potential for a no-deal Brexit.

The other truck markets have also been heavily impacted by the COVID-19 pandemic. In Brazil, truck registrations were down substantially on the prior-year period, in South Africa they decreased sharply. The Russian market recorded a sharp decline as well. Turkey recorded a very sharp increase in registrations, albeit based on a very low prior-year period.

The most important bus markets for the TRATON GROUP are the EU27+3 region, Brazil, and Mexico. The bus markets have also been heavily impacted by the COVID-19 pandemic. Bus registrations in the EU27+3 region were down sharply year-on-year, with the coach market in particular coming to a virtual standstill. Bus registrations were also much lower in Brazil and Mexico. The 2019 prior-year period also contained registrations from the government program for school buses in Brazil.

Despite the continuing uncertainty resulting from the COVID-19 pandemic, a noticeable recovery in almost all of the TRATON GROUP's most important truck and bus markets was evident in the third quarter of 2020 compared with the preceding quarter.

## Incoming Orders

Units	9M 2020	9M 2019	Change
Incoming orders, Industrial Business	145,933	169,708	-14%
of which trucks <sup>1</sup>	134,633	153,285	-12%
of which buses	11,300	16,423	-31%

<sup>1</sup> Incl. MAN TGE vans (9M 2020: 13,477 units; 9M 2019: 11,127 units)

Incoming orders in the Industrial Business segment stood at 145,933 (9M 2019: 169,708) units in the reporting period, down 14% on the previous year's level. This reduction was attributable to both the Truck and the Bus business. The economic downturn already expected for 2020 was amplified by the uncertainty due to the COVID-19 pandemic, especially in the second quarter of 2020. However, a noticeable recovery was evident in the third quarter of 2020.

Incoming orders for trucks (> 6t) declined sharply in the EU27+3 region. By contrast, incoming orders for MAN TGE vans in this region rose by 23%. Incoming orders for trucks in South America declined noticeably, in particular because of a significant decrease in Brazil. Incoming orders rose substantially in Russia and the Middle East region (especially in Turkey and Saudi Arabia).

Incoming orders in the Bus business amounted to 11,300 (9M 2019: 16,423) units in the first nine months of 2020, representing a 31% decline compared with the prior-year period. Incoming orders in the EU27+3 region and Mexico, in particular, were very strongly impacted by the uncertainty resulting from the COVID-19 pandemic. Incoming orders in South America declined sharply. However, incoming orders rose very sharply in Russia and the Middle East region, above all in Turkey and Saudi Arabia.

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## Unit Sales by Country

Units	9M 2020	9M 2019	Change
<b>Unit sales, Industrial Business</b>	<b>127,660</b>	<b>179,091</b>	<b>-29%</b>
<b>Unit sales, trucks<sup>1</sup></b>	<b>115,820</b>	<b>163,316</b>	<b>-29%</b>
EU27+3	64,503	102,097	-37%
of which in Germany	19,420	28,787	-33%
South America	29,424	36,818	-20%
of which in Brazil	25,257	33,275	-24%
Other regions	21,893	24,401	-10%
<b>Unit sales, buses</b>	<b>11,840</b>	<b>15,775</b>	<b>-25%</b>
EU27+3	4,030	5,130	-21%
of which in Germany	928	853	9%
South America	5,653	6,603	-14%
of which in Brazil	4,001	4,920	-19%
Other regions	2,157	4,042	-47%

<sup>1</sup> Incl. MAN TGE vans (9M 2020: 11,392 units, 9M 2019: 10,111 units;  
Q3 2020: 5,037 units, Q3 2019: 2,845 units)

Unit sales in the Industrial Business segment amounted to 127,660 (9M 2019: 179,091) units in the first nine months of 2020 and hence were down 29% year-on-year, with a 10% decline in the third quarter of 2020 compared with the prior-year quarter. This decline in the first nine months of the year was attributable to both the Truck and the Bus business. The expected decline in the Truck business in the EU27+3 region in 2020 was further reinforced by the uncertainty and restrictions resulting from the COVID-19 pandemic, especially in the second quarter of 2020. However, a noticeable recovery was recorded in the third quarter of 2020.

The very sharp decline in truck unit sales in the EU27+3 region was attributable to all countries in the region. Unit sales of trucks in Brazil were the main driver of the sharp decline in South America. The reduction in the other markets is attributable mainly to the Africa, Asia/Pacific, and Russia regions. Unit sales only increased very sharply in the Middle East region, driven by growth in Turkey and Saudi Arabia.

Unit sales of buses were down sharply year-on-year in the EU27+3 region. As a result of the COVID-19 pandemic, unit sales were impacted by the decline in almost all countries in the EU27+3 region, although unit sales of buses did rise in Sweden and Germany, in particular because of orders in the city bus segment. Bus unit sales in Brazil were particularly impacted by the significant decline in South America. The decline in the other regions is attributable in particular to Mexico, the Asia/Pacific region, and the Africa region. Unit sales rose very sharply in Russia and Turkey.

## Sales Revenue by Product Group

€ million	9M 2020	9M 2019	Change
<b>TRATON GROUP</b>	<b>15,740</b>	<b>19,827</b>	<b>-21%</b>
<b>Industrial Business</b>	<b>15,419</b>	<b>19,491</b>	<b>-21%</b>
New Vehicles	9,014	12,786	-30%
After Sales <sup>1</sup>	3,463	3,706	-7%
Others	2,942	2,999	-2%
<b>Financial Services</b>	<b>612</b>	<b>635</b>	<b>-4%</b>
Consolidation/others	-291	-299	-

<sup>1</sup> Incl. spare parts and workshop services



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The TRATON GROUP generated sales revenue of €15.7 billion in the reporting period (9M 2019: €19.8 billion), a year-on-year decline of 21%. The 21% decline in sales revenue in the Industrial Business segment was attributable primarily to the New Vehicles business, and reflected the slump in truck and bus sales. The After Sales business was also hit by the uncertainty and restrictions resulting from the COVID-19 pandemic, but only recorded a relatively small decline of 7%. The decline in Others is attributable to the engine and leasing business. Negative exchange rate effects also weighed on sales revenue.

Sales revenue in the Financial Services segment recorded a slight decline. An average higher net portfolio was offset by negative exchange rate effects and lower interest rates.

## Condensed Income Statement

€ million	TRATON GROUP		Industrial Business		Financial Services		Others/reconciliation	
	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019
Sales revenue	15,740	19,827	15,419	19,491	612	635	-291	-299
Cost of sales	-13,345	-15,825	-13,247	-15,713	-388	-411	291	299
<b>Gross profit</b>	<b>2,396</b>	<b>4,001</b>	<b>2,173</b>	<b>3,779</b>	<b>224</b>	<b>223</b>	<b>-1</b>	<b>0</b>
Distribution expenses	-1,636	-1,811	-1,549	-1,718	-88	-93	1	1
Administrative expenses	-644	-734	-644	-734	-	-	-	-
Other operating result	-174	26	-119	51	-54	-25	0	0
<b>Operating profit/loss</b>	<b>-58</b>	<b>1,482</b>	<b>-140</b>	<b>1,377</b>	<b>82</b>	<b>105</b>	<b>0</b>	<b>1</b>
Operating return on sales (in %)	-0.4	7.5	-0.9	7.1	13.4	16.5	-	-
Financial result	-76	103	-76	112	0	0	0	-8
<b>Profit/loss before tax</b>	<b>-134</b>	<b>1,586</b>	<b>-216</b>	<b>1,489</b>	<b>82</b>	<b>105</b>	<b>0</b>	<b>-8</b>
Income taxes	-24	-349	4	-344	-29	-29	0	25
Loss from discontinued operations, net of tax	-	-2	-	-2	-	-	-	-
<b>Profit/loss after tax</b>	<b>-158</b>	<b>1,235</b>	<b>-212</b>	<b>1,142</b>	<b>53</b>	<b>75</b>	<b>1</b>	<b>17</b>

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**Operating profit/loss:**

The downturn in demand in connection with the continuing COVID-19 pandemic had, in particular, an impact in Europe and South America, especially in the second quarter of 2020, although the third quarter of 2020 did see a significant recovery. Nevertheless, gross profit was still down by €1.6 billion (–40%) in the reporting period compared with the prior-year period.

A large number of countermeasures were launched to mitigate the economic consequences for the Company. Examples of these steps included cuts in subcontracted work and the worldwide closure of our production sites starting in the second half of March until the gradual restart from the end of April. Short-time working arrangements and similar measures to reduce personnel costs were also used, as well as systematic reductions in non-staff-related operating expenses, such as postponing or cancelling projects and events, and cuts to planned expenditures.

The gross margin was particularly affected by the year-on-year decline in sales revenue (–21%) and, at 15.2% (9M 2019: 20.2%), was below the prior-year figure. The gross margin was additionally impacted by higher depreciation and amortization charges as well as expenses at Scania Vehicles & Services, in particular as a result of measures to reorganize production facilities. Expenses in connection with an engine project involving MAN Truck & Bus and Navistar, additional costs relating to the introduction of the new generation of trucks at MAN Truck & Bus, and a more difficult used vehicle business negatively affected the gross margin.

Distribution and administrative expenses declined significantly year-on-year because of the measures initiated in connection with the COVID-19 pandemic — in particular short-time working arrangements and similar measures for reducing personnel costs, as well as systematic reductions in non-staff-related operating expenses. The fact that the expenses incurred in the prior-year period in conjunction with the TRATON GROUP's capital market readiness and its initial public offering (IPO) no longer

applied also played a role here. The increase in distribution expenses resulting from the introduction of the new generation of trucks at MAN Truck & Bus was more than offset. The ratio of distribution and administrative expenses to sales revenue rose by 1.7 percentage points year-on-year due to the decline in sales revenue.

Other operating result declined by €200 million year-on-year. The main drivers for this decline were increased expenses for provisions, net higher expenses from the measurement and realization of foreign currency items, and increased expenses from bad debt allowances on receivables, which rose in particular in the Financial Services segment due to the economic impact of the COVID-19 pandemic on our customers. Other positive factors in the prior-year period were income from insurance payments and the partial reversal of an impaired indirect tax receivable in Brazil, as well as the reversal of provisions for restructurings in Brazil.

The TRATON GROUP's operating profit declined by €1.5 billion year-on-year, resulting in an operating loss of €58 million in the reporting period. The TRATON GROUP's operating return on sales was –0.4%, representing a decline of 7.8 percentage points compared with the prior-year period.

**Financial result:**

The financial result was €–76 million, a decline of €179 million on the prior-year period. The main drivers behind this development were lower shares of profits and losses of equity-method investments — in particular Rheinmetall MAN Military Vehicles GmbH (RMMV), Navistar International Corporation, Lisle, Illinois, USA (Navistar), and Sinotruk (Hong Kong) Limited, Hong Kong, China (Sinotruk). The previous year's financial result contained the positive effect from the sale of the 49% interest in the Tactical Wheeled Vehicles division of RMMV. The expenses from the revolving credit line entered into in the third quarter of 2020 as part of the €3.75 billion syndicated facility were more than offset by lower interest expenses, especially in South America. Measurement losses from foreign exchange rate changes also had a negative impact compared with the prior-year period.



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Income taxes fell by €325 million to a reported tax expense of €24 million. This corresponds to a tax rate of -18% (9M 2019: 22%), which is lower than in the prior-year period and turned negative, primarily because of the partial nonrecognition of deferred tax assets in respect of current losses and the loss before tax.

**Profit/loss after tax:**

The loss after tax was €158 million in the 2020 reporting period and thus €1.4 billion lower than the result in the prior-year period. Earnings per share fell from €2.40 to €-0.29. Calculation of earnings per share was based on 500 million shares.

**Business Performance: Industrial Business**

€ million	9M 2020	9M 2019	Change
Operating profit/loss	-140	1,377	-1,517
Operating profit/loss (adjusted)	-91	1,365	-1,455
Operating return on sales (in %)	-0.9	7.1	-8.0 pp
Operating return on sales (adjusted) (in %)	-0.6	7.0	-7.6 pp
Capex	602	569	33
Primary R&D costs	796	982	-185

**Operating profit/loss:**

The operating loss of €140 million (9M 2019: operating profit of €1.4 billion) in the reporting period was driven in particular by the downturn in demand in connection with the continuing COVID-19 pandemic and the resulting decline in unit sales. Operating loss was additionally impacted by higher depreciation and amortization charges as well as expenses at Scania Vehicles & Services, in particular as a result of measures to reorga-

nize production facilities. Additional costs in conjunction with the introduction of the new truck generation at MAN Truck & Bus, increased expenses for provisions, and net higher expenses from the measurement and realization of foreign currency items negatively impacted operating loss. A more difficult used vehicle business also played a part in this development.

A large number of countermeasures were launched to mitigate the economic consequences for the Company. Examples of these steps included cuts in subcontracted work and the worldwide closure of our production sites starting in the second half of March until the gradual restart from the end of April. Short-time working arrangements and similar measures to reduce personnel costs were also used, as well as systematic reductions in non-staff-related operating expenses, such as postponing or cancelling projects and events, and cuts to planned expenditures.

**Operating profit/loss (adjusted):**

Operating loss (adjusted) in the reporting period was €91 million and contains adjustments to expenses at Scania Vehicles & Services, in particular for reorganizing production facilities, which increased operating loss by €50 million. This resulted in an operating return on sales (adjusted) of -0.6%. The adjustment in the prior-year period resulted from the reversal of a provision, which increased operating profit by €13 million. Operating profit (adjusted) in the prior-year period was therefore €1.4 billion and the operating return on sales (adjusted) was 7.0%.

**Capex:**

Capex in the reporting period was up slightly (€+33 million) on the prior-year period, at €602 million. The targeted prioritization of investment activities further slowed capex growth in the third quarter of 2020 compared with the prior-year period. The primary investing activities related to replacement investments, capital expenditures in conjunction with new products, such as engine platforms and transmissions, as well as capital expenditures in facility expansions, e.g., foundry equipment.

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**Primary research and development costs:**

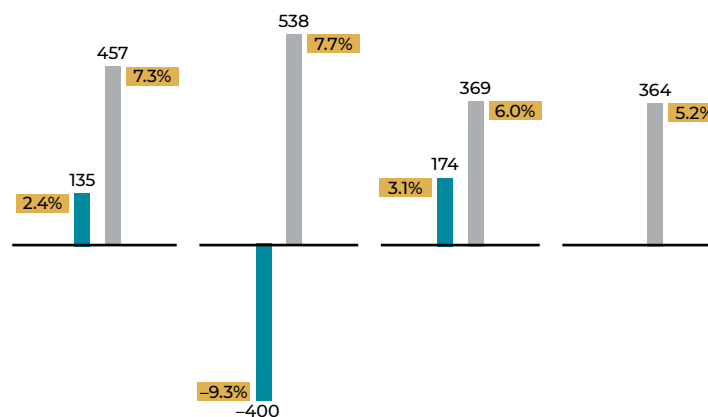
Primary research and development costs came to €796 million, a year-on-year reduction of €185 million. This was mainly achieved by the targeted reprioritization of projects. In addition, high R&D expenses in connection with the development of the new truck and bus generations at MAN Truck & Bus also had an effect in the prior-year period.

**Overview by quarter:**

**OPERATING PROFIT/LOSS INDUSTRIAL BUSINESS (ADJUSTED)**

€ million

■ Operating return on sales (adjusted) ■ 2020 ■ 2019



	Q1		Q2		Q3		Q4	
	2020	2019	2020	2019	2020	2019	2020	2019
Operating profit/loss, Industrial Business	135	457	-400	538	125	369	-	364
Adjustments, Industrial Business	-	-	-	-13	50	-	-	-
<b>Operating profit/loss, Industrial Business (adjusted)</b>	<b>135</b>	<b>457</b>	<b>-400</b>	<b>538</b>	<b>174</b>	<b>369</b>	<b>-</b>	<b>364</b>



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## Business Performance: Financial Services

€ million	9M 2020	9M 2019	Change
Operating profit	82	105	-23
Operating return on sales (in %)	13.4	16.5	-3.1 pp

Operating profit in the Financial Services segment declined to €82 million in the reporting period (9M 2019: €105 million). The decline was the result of lower margins, negative exchange rate effects, and higher bad debt allowances.

The number of financing contracts rose from around 175,700 as of December 31, 2019, to around 176,750 as of September 30, 2020. 28,581 (9M 2019: 39,299) new contracts were entered into in the first nine months of 2020. The year-on-year drop in new contracts is primarily attributable to the lower unit sales.

## Net Cash Flow

€ million	TRATON GROUP		Industrial Business		Financial Services		Others/reconciliation	
	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019
Gross cash flow	1,320	2,663	1,204	2,585	403	373	-287	-294
Change in working capital	-376	-2,366	-535	-1,447	-115	-1,198	274	280
Net cash provided by/used in investing activities attributable to operating activities	-808	1,196	-816	1,186	-1	-3	9	13
<b>Net cash flow</b>	<b>136</b>	<b>1,494</b>	<b>-148</b>	<b>2,323</b>	<b>287</b>	<b>-828</b>	<b>-4</b>	<b>-1</b>

Despite the negative impact of the COVID-19 pandemic, the TRATON GROUP increased net cash provided by operating activities by €647 million to €944 million in the reporting period. This comprises gross cash flow and the change in working capital.

Gross cash flow fell by €1.3 billion in the first nine months of 2020, mainly because of the lower operating profit/loss. The TRATON GROUP took several measures in order to cushion the consequences of the COVID-19 pandemic.

The change in funds tied up in working capital had a negative impact of €376 million on net cash provided by/used in operating activities in the reporting period, €2.0 billion less than in the prior-year period. The production stop at all plants starting in the second half of March caused by the COVID-19 pandemic and other steps taken resulted in a €762 million lower increase in inventories and a significantly lower €50 million increase in funds tied up in financial services receivables, following a €784 million increase in the prior-year period.

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Working capital was negatively impacted by the €176 million decline (9M 2019: €241 million increase) in liabilities. In the reporting period, this was primarily due to the €385 million decrease (9M 2019: €285 million increase) in liabilities from sales with buyback obligations due to the decline in unit sales. This decrease should be seen in conjunction with the €447 million decline (9M 2019: €354 million increase) in assets leased out. The aforementioned changes in assets leased out result from the net additions and disposals reported in working capital and depreciation charges reported in gross cash flow. The increase in trade payables by €147 million (9M 2019: €241 million decrease) had an offsetting effect on working capital.

Net cash provided by investing activities attributable to operating activities in the prior-year period was marked by proceeds of €2.0 billion from the disposal of the Power Engineering business and €101 million from the disposal of the 49% interest in RMMV's Tactical Wheeled Vehicles division. At €113 million, additions to capitalized development costs were down year-on-year, whereas capex increased by €33 million. TRATON is reviewing all investments in light of the new situation.

The TRATON GROUP's net cash flow decreased overall by €1.4 billion to €136 million.

Including the nonrecurring factors from the sale of subsidiaries and investees amounting to €2.1 billion contained in the 2019 net cash flow, the TRATON GROUP significantly increased net cash flow from operating activities despite the effects of the COVID-19 pandemic.

Following the significantly negative impact of the consequences of the COVID-19 pandemic on the TRATON GROUP's net cash flow in the second quarter of 2020, positive net cash flow of €261 million was generated again in the third quarter of 2020.

## Cash Conversion Rate in the Industrial Business Segment

€ million	9M 2020	9M 2019	Change
Net cash flow	-148	2,323	-2,471
Profit/loss after tax	-212	1,142	-1,354
<b>Cash conversion rate (in %)</b>	<b>n/a</b>	<b>203</b>	<b>n/a</b>

The cash conversion rate in the prior-year period was positively affected by the proceeds of €2.0 billion from the disposal of the Power Engineering business. In the first nine months of 2020, the negative net cash flow did not result in any meaningful cash conversion rate. For further information on the presentation of material factors affecting net cash flow and profit/loss after tax, see **"Condensed Income Statement"** and **"Net Cash Flow."**

## Net Liquidity/Net Financial Debt

€ million	TRATON GROUP		Industrial Business	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Cash and cash equivalents	2,210	1,913	2,124	1,853
Marketable securities, investment deposits, and loans to affiliated companies	1,114	3,195	1,114	3,288
<b>Gross liquidity</b>	<b>3,324</b>	<b>5,108</b>	<b>3,238</b>	<b>5,141</b>
Total third-party borrowings	-12,154	-12,497	-3,965	-3,641
<b>Net liquidity/net financial debt</b>	<b>-8,831</b>	<b>-7,390</b>	<b>-727</b>	<b>1,500</b>

Net debt rose by €1.4 billion to €8.8 billion in the third quarter of 2020, primarily because of the decline in investment deposits. These contained deposits by TRATON SE of €1.1 billion with Volkswagen AG as of September 30, 2020 (December 31, 2019: €3.1 billion).



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The liquidity reserve available to the TRATON GROUP consists of confirmed credit lines of €7.3 billion, including €3.0 billion from Volkswagen AG.

Additionally, the TRATON GROUP had €415 million of unused, unconfirmed credit lines from banks at its disposal as of September 30, 2020.

TRATON SE took out its first syndicated revolving credit facility with a volume of €3.75 billion in the third quarter of 2020. It has a maturity of three years and can be extended twice for one year each. The facility amount is provided by a banking consortium consisting of 21 banks and serves for general corporate purposes and to safeguard the Company's liquidity.

For fiscal year 2019, the distribution of a dividend of €1.00 per no-par value share carrying dividend rights amounting to a total volume of €500 million was resolved. The dividend was paid in September 2020.

On September 17, 2020, TRATON SE decided to no longer execute the merger law squeeze-out of the minority shareholders of MAN SE that was announced on February 28, 2020, in 2020. For the time being, MAN SE shall focus on its tasks from the realignment announced on September 11, 2020, and the handling of the impact from the COVID-19 pandemic. The full corporate integration of MAN SE into TRATON SE shall be pursued further in 2021.

## Navistar Acquisition Project

On September 10, 2020, TRATON increased the offer it originally made on January 30, 2020, to acquire all outstanding shares of Navistar International Corporation ("Navistar") (NYSE: NAV) not already held by TRATON to USD 43.00 per share in cash. TRATON SE held 16.7% of the outstanding shares of Navistar as of September 30, 2020.

On October 16, 2020, TRATON announced that it has reached an agreement in principle with Navistar that TRATON will acquire all outstanding shares of Navistar not already held by TRATON at a price of USD 44.50 per share. TRATON held 16.7% of the outstanding shares of Navistar at the time of the agreement. This agreement in principle remains subject to finalization of due diligence to the satisfaction of TRATON, agreement being reached on the conclusion of the merger agreement and related transaction documents, and the approval of the transaction by the executive bodies and committees of TRATON and Volkswagen AG as well as the Board of Directors and the Shareholder Meeting of Navistar. Following the conclusion of the agreement, the completion of the transaction will, in particular, be subject to approval by the relevant authorities.

## Opportunities and Risks

The Report on Opportunities and Risks should be read in conjunction with our guidance in the Annual Report 2019 and the update in the Half-Year Financial Report 2020 relating to the COVID-19 risk category. Although there has been a noticeable economic recovery in recent months, the global impact of the COVID-19 pandemic is continuing to lead to a very high degree of uncertainty about future developments. This may also adversely affect net assets, financial position, and results of operations in the remaining months of fiscal year 2020. The COVID-19 pandemic remains the most significant risk for the TRATON GROUP in the aggregated representation.

Additionally, the Executive Boards of MAN SE and MAN Truck & Bus SE decided on the key points of a comprehensive realignment of MAN Truck & Bus on September 11, 2020. The planned restructuring will affect all areas of the company, including the repositioning of the production and development network, and will most likely be accompanied by considerable downsizing of staff and the closure of certain sites.

The Executive Board entered into negotiations on this matter with the employee representatives on October 21, 2020. The outcome of these negotiations will directly impact the expected restructuring costs in terms of both their amount and their timing.

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## Report on Expected Developments

Due to the continuing spread of the COVID-19 pandemic, the related crisis measures taken by the affected countries, their drastic effects on the economy, and the associated high level of uncertainty, the TRATON GROUP's Executive Board continues to expect a sharp downturn for the commercial vehicle sector as a whole for full-year 2020 across all of the Group's core geographic regions, affecting new registrations of both medium- and heavy duty trucks (> 6t). For new registrations of buses, we assume a very sharp reduction on the whole across all of the Group's core geographic regions.

The TRATON GROUP took extensive measures in response to the crisis. In addition to establishing contingency plans and temporary production stops in the first half of the year, these also include safeguarding the Company's liquidity and reprioritizing our investments and our research and development projects.

Provided there is no further increase in the number of COVID-19 cases and no associated countermeasures are adopted by the relevant countries, and subject to the potential impact on our production and supply chains, we are assuming that our business activity will continue to recover by the end of 2020. Overall, however, we are anticipating a sharp decline in total unit sales worldwide for fiscal year 2020 due to the market downturn.

In line with unit sales, we are assuming that the sales revenue of the TRATON GROUP and the Industrial Business segment will also decline substantially year-on-year, and are expecting an operating return on sales for the TRATON GROUP of between -1.0% and +1.0%. For the Industrial Business segment, we are anticipating an operating return on sales of between -2.0% and +/-0.0%. The reason for the ranges given lies in the risk of renewed substantial restrictions on economic activity as a result of rising COVID-19 cases until the end of 2020. In addition, this expectation is based on the effects of the sharp decline in unit sales accompanied by a temporary production stop, the decrease in the After Sales business, a negative impact on the used vehicle business, as well as costs related to the introduction of the new truck generation at MAN Truck & Bus.

The projected operating return on sales does not contain any expenses for the realignment of MAN Truck & Bus announced on September 11, 2020. Due to the ongoing nature of the negotiations with the employee representatives, it is not possible to predict the timing and amount of these expenses at this point in time.

We are expecting a moderate decline in sales revenue in the Financial Services segment for fiscal year 2020. Because of higher bad debt allowances, we are assuming that the operating return on sales will be between 11.0% and 15.0%, and thus expecting an operating profit/loss that is lower than in the prior-year period.

Due to the range given for operating return on sales, there is also a corridor of -3.0% to +/-0.0% for return on investment in the Industrial Business segment. For the cash conversion rate, we are anticipating a negative net cash flow in the Industrial Business segment.

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Through investments in our products and plants as well as through our research and development activities, we are laying the foundation for profitable and sustainable growth in the TRATON GROUP. Nevertheless, current developments as a result of the COVID-19 pandemic require us to reprioritize our investments and our research and development projects. For fiscal year 2020, we are planning a noticeable decline in capex. Primary research and development costs are expected to decline substantially following the rollout of the new product range.

	Actual 2019	Forecast 2020 Annual Report 2019	Forecast 2020 Interim Statement 9M 2020
<b>TRATON GROUP</b>			
Sales (units)	242,219	moderate decline	sharp decline
Sales revenue (€ million)	26,911	moderate decline	substantial decline
Operating return on sales (in %)	7.0	4.5–5.5	between –1.0 and +1.0
<b>Industrial Business</b>			
Sales revenue (€ million)	26,454	moderate decline	substantial decline
Operating return on sales (in %)	6.6	4.0–5.0	between –2.0 and +/-0.0
Return on investment (in %)	9.7	5.5–6.5	between –3.0 and +/-0.0
Cash conversion rate (in %)	179	20–30	n/a
Capex (€ million)	993	noticeable increase	noticeable decline
Primary research and development costs (€ million)	1,376	noticeable decline	substantial decline
<b>Financial Services</b>			
Sales revenue (€ million)	849	slight growth	moderate decline
Operating return on sales (in %)	16.8	12.0–16.0	11.0–15.0





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OPERATING UNITS



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**Scania Vehicles & Services**

	9M 2020	9M 2019	Change	Q3 2020	Q3 2019	Change
<b>Trucks and buses (units)</b>						
Incoming orders	60,207	66,581	-10%	25,934	17,792	46%
Unit sales	47,735	74,720	-36%	17,298	23,196	-25%
of which trucks	43,443	68,996	-37%	15,788	21,001	-25%
of which buses	4,292	5,724	-25%	1,510	2,195	-31%
<b>Financial key performance indicators (€ million)</b>						
Sales revenue	8,094	10,427	-22%	2,825	3,312	-15%
Operating profit	419	1,209	-790	198	380	-183
Operating profit (adjusted)	468	1,209	-741	247	380	-133
Operating return on sales (in %)	5.2	11.6	-6.4 pp	7.0	11.5	-4.5 pp
Operating return on sales (adjusted) (in %)	5.8	11.6	-5.8 pp	8.7	11.5	-2.7 pp

The uncertainty associated with the COVID-19 pandemic heavily impacted incoming orders and unit sales, especially in the second quarter of 2020. The market downturn already expected for 2020, particularly in the EU27+3 region, was further reinforced by the COVID-19 pandemic. However, a noticeable recovery was recorded in the third quarter of 2020.

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Operating profit after the first nine months of the year was €419 million (9M 2019: €1.2 billion), representing a €790 million decrease compared with the prior-year period. This corresponds to an operating return on sales of 5.2% (9M 2019: 11.6%). Operating profit was impacted in the reporting period by the volume-driven decline in sales revenue, the measures taken in response to the COVID-19 pandemic, in particular the temporary closure of our plants in the first half of 2020, and currency effects. In addition, operating profit was impacted by costs that were primarily incurred in connection with the realignment of production facilities in the amount of €50 million. A favorable product mix and cost savings had a positive effect on operating profit. Furthermore, additional costs were incurred in the prior-year period in connection with the parallel production of the old and new vehicle generations.

Scania Vehicles & Services is continuing to work on measures to mitigate the negative impact of the ongoing COVID-19 pandemic and to safeguard future growth and achieve profitability targets.



The all-electric Scania truck produces zero emissions and makes virtually no noise as it drives in the city. Its launch marks a milestone for the company on the road to a more sustainable transportation system.



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## MAN Truck & Bus

	9M 2020	9M 2019	Change	Q3 2020	Q3 2019	Change
<b>Trucks and buses (units)</b>						
Incoming orders	59,745	75,712	-21%	21,553	20,834	3%
Unit sales	53,543	76,510	-30%	21,881	22,482	-3%
of which trucks <sup>1</sup>	50,166	71,647	-30%	20,635	20,757	-1%
of which buses	3,377	4,863	-31%	1,246	1,725	-28%
<b>Financial key performance indicators (€ million)</b>						
Sales revenue	6,567	7,990	-18%	2,487	2,467	1%
Operating profit/loss	-414	284	-699	-27	32	-58
Operating return on sales (in %)	-6.3	3.6	-9.9 pp	-1.1	1.3	-2.4 pp

<sup>1</sup> Incl. MAN TGE vans (9M 2020: 11,392 units, 9M 2019: 10,111 units;  
Q3 2020: 5,037 units, Q3 2019: 2,845 units)

The uncertainty associated with the COVID-19 pandemic heavily impacted incoming orders and unit sales, especially in the second quarter of 2020. The market downturn already expected for 2020, particularly in the EU27+3 region, was further reinforced by the COVID-19 pandemic. However, a noticeable recovery was recorded in the third quarter of 2020.

Operating loss after the first nine months of the year was €414 million (9M 2019: operating profit of €284 million), representing a €699 million decrease compared with the prior-year period, despite various measures

to reduce costs. This corresponds to an operating return on sales of -6.3% (9M 2019: 3.6%). In addition to the volume-driven decline in sales revenue, operating profit was also negatively impacted by costs in connection with the launch of the new truck generation and a more difficult used vehicle business. The operating loss also reflects steps taken in response to the COVID-19 pandemic, in particular the temporary closure of our plants in the first half of 2020. Expenses in the mid-double digit millions of euros were incurred in conjunction with the announced termination of the cooperation with Navistar relating to a diesel engine.

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On September 11, 2020, the Executive Boards of MAN SE and MAN Truck & Bus SE announced a comprehensive realignment of MAN Truck & Bus SE. The planned realignment will require a fundamental restructuring of the MAN Truck & Bus business in all areas, including the repositioning of the production and development network, and significant downsizing of staff. The current deliberations include the reduction of up to 9,500 jobs in Germany and Austria as well as worldwide, across all areas of the company. The partial relocation of development and production processes to other sites is being planned in this context. As a result, the possible closure of the Steyr production site and the facilities in Plauen and Wittlich is also being discussed.

Due to the ongoing nature of the talks with the employee representatives, it is not possible to predict the timing and amount of these expenses at this point in time.



With its fully electric MAN Lion's City E, MAN Truck & Bus has added a zero-emission model to its new city bus generation. The bus has won multiple awards and is already in use in several European cities.

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## Volkswagen Caminhões e Ônibus

	9M 2020	9M 2019	Change	Q3 2020	Q3 2019	Change
<b>Trucks and buses (units)</b>						
Incoming orders	26,287	30,453	-14%	11,112	11,091	0%
Unit sales	26,772	31,551	-15%	10,885	11,167	-3%
of which trucks	22,561	26,177	-14%	9,021	9,496	-5%
of which buses	4,211	5,374	-22%	1,864	1,671	12%
<b>Financial key performance indicators (€ million)</b>						
Sales revenue	931	1,328	-30%	319	468	-32%
Operating profit/loss	-6	30	-35	5	12	-7
Operating profit/loss (adjusted)	-6	17	-23	5	12	-7
Operating return on sales (in %)	-0.6	2.2	-2.8 pp	1.5	2.5	-1.0 pp
Operating return on sales (adjusted) (in %)	-0.6	1.3	-1.9 pp	1.5	2.5	-1.0 pp

The uncertainty associated with the COVID-19 pandemic heavily impacted incoming orders and unit sales, especially in the second quarter of 2020. However, a noticeable recovery was recorded in the third quarter of 2020.



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Operating loss after the first nine months of the year was €6 million (9M 2019: operating profit of €30 million). This corresponds to an operating return on sales of –0.6% (9M 2019: 2.2%). Operating loss was impacted in the reporting period by the volume-driven decline in sales revenue and the measures taken in response to the COVID-19 pandemic, in particular the temporary closure of our plants in the first half of 2020. By contrast, an improvement in product positioning had a positive effect. In addition, a positive effect from the partial reversal of an impaired indirect tax receivable and income of €13 million from the reversal of a restructuring provision were recorded in the 2019 comparative period.

Volkswagen Caminhões e Ônibus is working continuously on short-term measures to mitigate the negative impact of the ongoing COVID-19 pandemic, and continues to focus on strengthening the company in a competitive market environment with the goal of systematically improving its earnings quality.



Volkswagen Caminhões e Ônibus presents the Meteor, a new line of heavy-duty trucks. The trucks are powered by the MAN D26 engine, which is now also produced in Brazil.





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**SELECTED  
FINANCIAL INFORMATION**

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## Income Statement

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

€ million	9M 2020	9M 2019
<b>Sales revenue</b>	<b>15,740</b>	<b>19,827</b>
Cost of sales	-13,345	-15,825
<b>Gross profit</b>	<b>2,396</b>	<b>4,001</b>
Distribution expenses	-1,636	-1,811
Administrative expenses	-644	-734
Net impairment losses on financial assets	-68	-35
Other operating income	564	432
Other operating expenses	-669	-371
<b>Operating profit/loss</b>	<b>-58</b>	<b>1,482</b>
Share of profits and losses of equity-method investments	96	195
Interest income	63	59
Interest expense	-187	-191
Other financial result	-47	39
<b>Financial result</b>	<b>-76</b>	<b>103</b>
<b>Profit/loss before tax</b>	<b>-134</b>	<b>1,586</b>
Income tax expense	-24	-349
current	-231	-319
deferred	207	-30
Profit/loss from continuing operations, net of tax	-158	1,237
Loss from discontinued operations, net of tax	-	-2
<b>Profit/loss after tax</b>	<b>-158</b>	<b>1,235</b>
of which attributable to shareholders of TRATON SE	-143	1,202
of which attributable to noncontrolling interests	-15	33
Earnings per share from continuing operations in € (diluted/basic)	-0.29	2.41
Earnings per share from continuing and discontinued operations in € (diluted/basic)	-0.29	2.40



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## Statement of Comprehensive Income

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

€ million	9M 2020	9M 2019
<b>Profit/loss after tax</b>	<b>-158</b>	<b>1,235</b>
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	-30	-347
Deferred taxes on pension plan remeasurements recognized in other comprehensive income	4	96
<b>Pension plan remeasurements recognized in other comprehensive income, net of tax</b>	<b>-26</b>	<b>-252</b>
Fair value measurement of other equity investments and marketable securities		
Fair value measurement of other equity investments and marketable securities, before tax	0	7
Deferred taxes relating to the fair value measurement of other equity investments and marketable securities	0	-2
<b>Fair value measurement of other equity investments and marketable securities, net of tax</b>	<b>0</b>	<b>6</b>
Share of other comprehensive income of equity-method investments that will not be reclassified subsequently to profit or loss		
Share of other comprehensive income of equity-method investments that will not be reclassified subsequently to profit or loss, before tax	22	10
Deferred taxes relating to the share of other comprehensive income of equity-method investments that will not be reclassified subsequently to profit or loss	-2	4
<b>Share of other comprehensive income of equity-method investments that will not be reclassified subsequently to profit or loss, net of tax</b>	<b>20</b>	<b>13</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>	<b>-6</b>	<b>-233</b>
Currency translation differences		
Unrealized currency translation gains/losses	-598	-253
Transferred to profit or loss	0	-
Currency translation differences, before tax	-598	-253
Deferred taxes relating to currency translation differences	5	0
<b>Currency translation differences, net of tax</b>	<b>-594</b>	<b>-253</b>
Cash flow hedges		
Fair value changes recognized in other comprehensive income	-43	-21
Transferred to profit or loss	21	13
Cash flow hedges, before tax	-22	-7
Deferred taxes relating to cash flow hedges	9	2
<b>Cash flow hedges, net of tax</b>	<b>-14</b>	<b>-5</b>



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€ million	9M 2020	9M 2019
<b>Cost of hedging</b>		
Fair value changes recognized in other comprehensive income (cost of hedging)	-1	1
Cost of hedging transferred to profit or loss	-3	-1
Cost of hedging, before tax	-4	0
Deferred taxes relating to cost of hedging	1	0
<b>Cost of hedging, net of tax</b>	<b>-3</b>	<b>0</b>
<b>Share of other comprehensive income of equity-method investments that may be reclassified subsequently to profit or loss</b>		
Share of other comprehensive income of equity-method investments that may be reclassified subsequently to profit or loss	-43	45
Share of other comprehensive income of equity-method investments transferred to profit or loss	8	2
Share of other comprehensive income of equity-method investments that may be reclassified subsequently to profit or loss, before tax	-34	47
Deferred taxes relating to the share of other comprehensive income of equity-method investments that may be reclassified subsequently to profit or loss	0	0
<b>Share of other comprehensive income of equity-method investments that may be reclassified subsequently to profit or loss, net of tax</b>	<b>-34</b>	<b>47</b>
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>-645</b>	<b>-210</b>
Other comprehensive income, before tax	-667	-543
Deferred taxes relating to other comprehensive income	16	100
<b>Other comprehensive income, net of tax</b>	<b>-651</b>	<b>-443</b>
<b>Total comprehensive income</b>	<b>-809</b>	<b>791</b>
of which attributable to shareholders of TRATON SE	-777	766
of which attributable to noncontrolling interests	-32	25

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## Balance Sheet

Assets of the TRATON GROUP as of September 30, 2020, and December 31, 2019

€ million	09/30/2020	12/31/2019
<b>Noncurrent assets</b>		
Intangible assets	6,480	6,755
Property, plant, and equipment	6,535	6,789
Assets leased out	6,492	7,119
Equity-method investments	1,410	1,365
Other equity investments	51	34
Noncurrent income tax receivables	10	44
Deferred tax assets	931	970
Noncurrent financial services receivables	4,723	4,871
Other noncurrent financial assets	403	130
Other noncurrent receivables	239	384
	<b>27,273</b>	<b>28,461</b>
<b>Current assets</b>		
Inventories	4,600	4,943
Trade receivables	1,892	2,144
Current income tax receivables	107	124
Current financial services receivables	2,705	3,120
Other current financial assets	405	338
Other current receivables	916	963
Marketable securities and investment deposits	1,105	3,178
Cash and cash equivalents	2,210	1,913
	<b>13,939</b>	<b>16,722</b>
<b>Total assets</b>	<b>41,211</b>	<b>45,183</b>

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## Balance Sheet

Equity and liabilities of the TRATON GROUP as of September 30, 2020, and December 31, 2019

€ million	09/30/2020	12/31/2019
<b>Equity</b>		
Subscribed capital	500	500
Capital reserves	20,295	20,241
Retained earnings	-4,793	-4,150
Accumulated other comprehensive income	-3,361	-2,727
<b>Equity attributable to shareholders of TRATON SE</b>	<b>12,642</b>	<b>13,865</b>
Noncontrolling interests	238	270
	<b>12,879</b>	<b>14,134</b>
<b>Noncurrent liabilities</b>		
Noncurrent financial liabilities	5,534	5,966
Provisions for pensions and other post-employment benefits	1,805	1,769
Noncurrent income tax payables	0	125
Deferred tax liabilities	539	787
Noncurrent income tax provisions	68	17
Other noncurrent provisions	1,225	1,225
Other noncurrent financial liabilities	2,308	2,604
Other noncurrent liabilities	1,832	2,034
	<b>13,312</b>	<b>14,527</b>
<b>Current liabilities</b>		
Current financial liabilities	6,620	6,531
Trade payables	2,478	2,472
Current income tax payables	95	153
Current income tax provisions	4	34
Other current provisions	892	869
Other current financial liabilities	1,442	2,837
Other current liabilities	3,489	3,626
	<b>15,020</b>	<b>16,522</b>
<b>Total equity and liabilities</b>	<b>41,211</b>	<b>45,183</b>



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## Statement of Changes in Equity

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

€ million	Subscribed capital	Capital reserves	Retained earnings	Accumulated other comprehensive income		
				Items that may be reclassified subsequently to profit or loss		
				Currency translation	Cash flow hedges	Equity-method investments
<b>Balance as of 01/01/2019</b>	<b>10</b>	<b>21,331</b>	<b>-2,064</b>	<b>-1,762</b>	<b>-6</b>	<b>-62</b>
Profit after tax	-	-	1,202	-	-	-
Other comprehensive income, net of tax	-	-	0	-251	-4	47
Total comprehensive income	-	-	1,202	-251	-4	47
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 <sup>1</sup>	-	-	459	6	0	1
Distribution of retained earnings	-	-	-3,250	-	-	-
Other changes <sup>2</sup>	-	-	-1,451	-	-	-
<b>Balance as of 09/30/2019</b>	<b>500</b>	<b>20,841</b>	<b>-5,104</b>	<b>-2,007</b>	<b>-11</b>	<b>-15</b>
<b>Balance as of 01/01/2020</b>	<b>500</b>	<b>20,241</b>	<b>-4,150</b>	<b>-1,806</b>	<b>-8</b>	<b>-37</b>
Loss after tax	-	-	-143	-	-	-
Other comprehensive income, net of tax	-	-	-	-579	-15	-35
Total comprehensive income	-	-	-143	-579	-15	-35
Capital increase <sup>3</sup>	-	54	-	-	-	-
Dividend distribution	-	-	-500	-	-	-
Other changes	-	-	0	0	-	0
<b>Balance as of 09/30/2020</b>	<b>500</b>	<b>20,295</b>	<b>-4,793</b>	<b>-2,385</b>	<b>-23</b>	<b>-72</b>

1 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, of which €230 million is attributable to noncontrolling interests.

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

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



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## Statement of Changes in Equity

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

	Accumulated other comprehensive income					
	Items that will not be reclassified subsequently to profit or loss					
€ million	Pension plan remeasure- ments	Equity-method investments	Other equity investments	Equity attributable to shareholders of TRATON SE	Noncontrolling interests	Total
Balance as of 01/01/2019	-770	124	-1	16,799	2	16,801
Profit after tax	-	-	-	1,202	33	1,235
Other comprehensive income, net of tax	-246	13	6	-436	-8	-443
Total comprehensive income	-246	13	6	766	25	791
Capital increase from capital reserves	-	-	-	-	-	-
Reduction in subscribed capital into capital reserves	-	-	-	-	-	-
Capital transactions involving a change in ownership interest <sup>1</sup>	8	0	-1	473	230	704
Distribution of retained earnings	-	-	-	-3,250	-	-3,250
Other changes <sup>2</sup>	0	3	4	-1,444	0	-1,444
Balance as of 09/30/2019	-1,007	141	8	13,345	257	13,602
Balance as of 01/01/2020	-998	124	-2	13,865	270	14,134
Loss after tax	-	-	-	-143	-15	-158
Other comprehensive income, net of tax	-25	20	0	-634	-17	-651
Total comprehensive income	-25	20	0	-777	-32	-809
Capital increase <sup>3</sup>	-	-	-	54	-	54
Dividend distribution	-	-	-	-500	-	-500
Other changes	-	-1	1	0	0	0
Balance as of 09/30/2020	-1,023	143	0	12,642	238	12,879

1 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, of which €230 million is attributable to noncontrolling interests.

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

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

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**Statement of Cash Flows**  
of the TRATON GROUP for the period January 1 to September 30

€ million	9M 2020	9M 2019
<b>Cash and cash equivalents as of 01/01</b>	<b>1,913</b>	<b>2,997</b>
Profit/loss before tax	-134	1,586
Income taxes paid	-346	-398
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant, and equipment, and investment property <sup>1</sup>	697	626
Amortization of, and impairment losses on, capitalized development costs <sup>1</sup>	200	144
Impairment losses on equity investments, net of reversals of impairment losses <sup>1</sup>	2	-67
Depreciation of products leased out <sup>1</sup>	843	838
Change in pension obligations	14	-4
Profit/loss on disposal of noncurrent assets and equity investments	1	-28
Share of the result of equity-method investments	-66	-112
Other noncash income/expense	108	79
Change in inventories	-7	-769
Change in receivables (excl. financial services)	121	143
Change in liabilities (excl. financial liabilities)	-176	241
Change in provisions	133	-5
Change in products leased out	-396	-1,193
Change in financial services receivables	-50	-784
<b>Net cash provided by operating activities</b>	<b>944</b>	<b>297</b>
Capital expenditures in intangible assets (excl. capitalized development costs) and in property, plant, and equipment	-604	-572
Additions to capitalized development costs	-214	-327
Capital expenditures to acquire other investees	-19	-6
Proceeds from the disposal of subsidiaries	0	1,978
Proceeds from the disposal of associates	0	101
Proceeds from the disposal of intangible assets, property, plant, and equipment, and investment property	28	22
Change in marketable securities and investment deposits	2,073	-2,813
Change in loans	5	82



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€ million	9M 2020	9M 2019
<b>Net cash provided by/used in investing activities</b>	<b>1,270</b>	<b>-1,536</b>
Profit transfer to/loss absorption by Volkswagen AG	-1,404	4,161
Dividend distribution	-500	-
Capital increase by Volkswagen AG	54	-
Distribution of retained earnings	-	-3,250
Noncontrolling interest shareholders of MAN SE: compensation payments and acquisition of shares tendered	2	-1,109
Proceeds from the issuance of bonds	1,988	2,469
Repayment of bonds	-1,690	-1,144
Change in miscellaneous financial liabilities	-105	-639
Repayment of lease liabilities	-154	-125
<b>Net cash provided by/used in financing activities</b>	<b>-1,808</b>	<b>364</b>
Effect of exchange rate changes on cash and cash equivalents	-109	-7
<b>Change in cash and cash equivalents</b>	<b>297</b>	<b>-881</b>
<b>Cash and cash equivalents as of 09/30</b>	<b>2,210</b>	<b>2,116</b>

1 Net of impairment reversals



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## Contingent Liabilities and Commitments

of the TRATON GROUP as of September 30, 2020, and December 31, 2019

€ million	09/30/2020	12/31/2019	Change
Liabilities under buyback guarantees	2,363	2,489	-126
Contingent liabilities under guarantees	77	128	-51
Other contingent liabilities	726	1,059	-333
	<b>3,167</b>	<b>3,676</b>	<b>-509</b>

## Segment Reporting

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

### Reporting segments 2020

REPORTING PERIOD JANUARY 1 TO SEPTEMBER 30, 2020

€ million	Industrial Business	Financial Services	Reconciliation	TRATON GROUP
<b>Segment sales revenue</b>	<b>15,419</b>	<b>612</b>	<b>-291</b>	<b>15,740</b>
Intersegment sales revenue	-289	-3	291	-
Sales revenue, TRATON GROUP	15,131	610	-	15,740
<b>Segment profit/loss (operating profit/loss)</b>	<b>-140</b>	<b>82</b>	<b>0</b>	<b>-58</b>

### Reporting segments 2019

REPORTING PERIOD JANUARY 1 TO SEPTEMBER 30, 2019

€ million	Industrial Business	Financial Services	Reconciliation	TRATON GROUP
<b>Segment sales revenue</b>	<b>19,491</b>	<b>635</b>	<b>-299</b>	<b>19,827</b>
Intersegment sales revenue	-298	-1	299	-
Sales revenue, TRATON GROUP	19,193	634	-	19,827
<b>Segment profit (operating profit)</b>	<b>1,377</b>	<b>105</b>	<b>1</b>	<b>1,482</b>

Munich, October 28, 2020

TRATON SE  
The Executive Board





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## Key Performance Indicators

### INCOMING ORDERS, INDUSTRIAL BUSINESS

Units	9M 2020	9M 2019	Change	Q3 2020	Q3 2019	Change
Incoming orders, Industrial Business	145,933	169,708	-14%	58,502	49,217	19%
of which trucks <sup>1</sup>	134,633	153,285	-12%	55,304	44,077	25%
of which buses	11,300	16,423	-31%	3,198	5,140	-38%

1 Incl. MAN TGE vans (9M 2020: 13,477 units, 9M 2019: 11,127 units; Q3 2020: 5,040 units, Q3 2019: 3,398 units)

### UNIT SALES BY COUNTRY

Units	9M 2020	9M 2019	Change	Q3 2020	Q3 2019	Change
<b>Unit sales, Industrial Business</b>	<b>127,660</b>	<b>179,091</b>	<b>-29%</b>	<b>49,922</b>	<b>55,755</b>	<b>-10%</b>
<b>Unit sales, trucks<sup>1</sup></b>	<b>115,820</b>	<b>163,316</b>	<b>-29%</b>	<b>45,331</b>	<b>50,204</b>	<b>-10%</b>
EU27+3	64,503	102,097	-37%	24,686	28,635	-14%
of which in Germany	19,420	28,787	-33%	7,895	8,001	-1%
South America	29,424	36,818	-20%	11,345	13,750	-17%
of which in Brazil	25,257	33,275	-24%	9,337	12,543	-26%
Other regions	21,893	24,401	-10%	9,300	7,819	19%
<b>Unit sales, buses</b>	<b>11,840</b>	<b>15,775</b>	<b>-25%</b>	<b>4,591</b>	<b>5,551</b>	<b>-17%</b>
EU27+3	4,030	5,130	-21%	1,403	1,782	-21%
of which in Germany	928	853	9%	379	273	39%
South America	5,653	6,603	-14%	2,546	2,119	20%
of which in Brazil	4,001	4,920	-19%	1,672	1,666	0%
Other regions	2,157	4,042	-47%	642	1,650	-61%

1 Incl. MAN TGE vans (9M 2020: 11,392 units, 9M 2019: 10,111 units; Q3 2020: 5,037 units, Q3 2019: 2,845 units)



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**SALES REVENUE BY PRODUCT GROUP**

€ million	9M 2020	9M 2019	Change	Q3 2020	Q3 2019	Change
<b>TRATON GROUP</b>	<b>15,740</b>	<b>19,827</b>	<b>-21%</b>	<b>5,667</b>	<b>6,286</b>	<b>-10%</b>
<b>Industrial Business</b>	<b>15,419</b>	<b>19,491</b>	<b>-21%</b>	<b>5,565</b>	<b>6,171</b>	<b>-10%</b>
New Vehicles	9,014	12,786	-30%	3,331	3,937	-15%
After Sales <sup>1</sup>	3,463	3,706	-7%	1,163	1,248	-7%
Others	2,942	2,999	-2%	1,072	986	9%
<b>Financial Services</b>	<b>612</b>	<b>635</b>	<b>-4%</b>	<b>200</b>	<b>215</b>	<b>-7%</b>
Consolidation/others	-291	-299	-	-98	-100	-

<sup>1</sup> Incl. spare parts and workshop services

**CONDENSED TRATON GROUP INCOME STATEMENT**

€ million	9M 2020	9M 2019	Q3 2020	Q3 2019
Sales revenue	15,740	19,827	5,667	6,286
Cost of sales	-13,345	-15,825	-4,708	-5,063
<b>Gross profit</b>	<b>2,396</b>	<b>4,001</b>	<b>960</b>	<b>1,223</b>
Distribution expenses	-1,636	-1,811	-532	-597
Administrative expenses	-644	-734	-222	-232
Other operating result	-174	26	-44	14
<b>Operating profit/loss</b>	<b>-58</b>	<b>1,482</b>	<b>162</b>	<b>407</b>
Operating return on sales (in %)	-0.4	7.5	2.9	6.5
Financial result	-76	103	25	134
<b>Profit/loss before tax</b>	<b>-134</b>	<b>1,586</b>	<b>187</b>	<b>542</b>
Income taxes	-24	-349	-56	-98
Loss from discontinued operations, net of tax	-	-2	-	-
<b>Profit/loss after tax</b>	<b>-158</b>	<b>1,235</b>	<b>131</b>	<b>443</b>

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**KEY PERFORMANCE INDICATORS: INDUSTRIAL BUSINESS**

€ million	9M 2020	9M 2019	Change	Q3 2020	Q3 2019	Change
Operating profit/loss	-140	1,377	-1,517	125	369	-244
Operating profit/loss (adjusted)	-91	1,365	-1,455	174	369	-195
Operating return on sales (in %)	-0.9	7.1	-8.0 pp	2.2	6.0	-3.7 pp
Operating return on sales (adjusted) (in %)	-0.6	7.0	-7.6 pp	3.1	6.0	-2.9 pp
Capex	602	569	33	164	213	-49
Primary R&D costs	796	982	-185	238	319	-81

**KEY PERFORMANCE INDICATORS: FINANCIAL SERVICES**

€ million	9M 2020	9M 2019	Change	Q3 2020	Q3 2019	Change
Operating profit	82	105	-23	37	35	2
Operating return on sales (in %)	13.4	16.5	-3.1 pp	18.7	16.2	2.5 pp

**CONDENSED STATEMENT OF CASH FLOWS, INDUSTRIAL BUSINESS**

€ million	9M 2020	9M 2019	Q3 2020	Q3 2019
Gross cash flow	1,204	2,585	644	805
Change in working capital	-535	-1,447	-228	-40
<b>Net cash provided by operating activities</b>	<b>669</b>	<b>1,137</b>	<b>416</b>	<b>765</b>
Net cash provided by/used in investing activities attributable to operating activities	-816	1,186	-217	-226
Change in marketable securities, investment deposits, and loans	2,186	-1,844	901	-1,155
<b>Net cash provided by/used in investing activities</b>	<b>1,369</b>	<b>-658</b>	<b>683</b>	<b>-1,381</b>
<b>Net cash provided by/used in financing activities</b>	<b>-1,664</b>	<b>-1,348</b>	<b>-1,431</b>	<b>95</b>
Effect of exchange rate changes on cash and cash equivalents	-102	-7	-32	-16
<b>Change in cash and cash equivalents</b>	<b>271</b>	<b>-876</b>	<b>-363</b>	<b>-537</b>
<b>Cash and cash equivalents as of 09/30</b>	<b>2,124</b>	<b>2,069</b>	<b>2,124</b>	<b>2,069</b>
Gross cash flow	1,204	2,585	644	805
Change in working capital	-535	-1,447	-228	-40
Net cash provided by/used in investing activities attributable to operating activities	-816	1,186	-217	-226
<b>Net cash flow</b>	<b>-148</b>	<b>2,323</b>	<b>199</b>	<b>539</b>

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NET LIQUIDITY

€ million	TRATON GROUP		Industrial Business	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Cash and cash equivalents	2,210	1,913	2,124	1,853
Marketable securities, investment deposits, and loans to affiliated companies	1,114	3,195	1,114	3,288
<b>Gross liquidity</b>	<b>3,324</b>	<b>5,108</b>	<b>3,238</b>	<b>5,141</b>
Total third-party borrowings	-12,154	-12,497	-3,965	-3,641
<b>Net liquidity/net financial debt</b>	<b>-8,831</b>	<b>-7,390</b>	<b>-727</b>	<b>1,500</b>

## Definition of Key Performance Indicators

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

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

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

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

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



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

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

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

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

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

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

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

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Financial Diary	
03/22/2021	Annual Report 2020
03/22/2021	Annual press conference for fiscal year 2020
05/10/2021	Interim Statement 3M 2021
07/30/2021	Half-Year Financial Report 2021
10/29/2021	Interim Statement 9M 2021

The latest dates and information can be found at [www.traton.com](http://www.traton.com)



**6** **Course of Business**

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## Publication Details

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