TRATON GROUP

PRESS RELEASE | PRESSE INFO | COMUNICADO DE IMPRENSA |新闻稿 | プレスリリース | COMUNICADO DE PRENSA | COMMUNIQUÉ DE PRESSE | INFORMACJA PRASOWA

Successful fiscal year 2018: TRATON significantly increases sales revenue and operating profit

- **Sales revenue increases to €25.9 billion**
- **Adjusted operating profit rises by about 13% to around €1.7 billion; adjusted operating return on sales at 6.4%**
- **CEO Andreas Renschler: "We are ready to take the next steps"**
- **For 2019, the Group's operating return on sales is expected to range between 6.5 % and 7.5 %**

Munich, February 25, 2019 – TRATON SE significantly increased its sales revenue and operating profit in fiscal year 2018. Sales revenue rose by 6% to €25.9 billion across all brands. The company's adjusted operating profit increased by about 13% to approximately €1.7 billion[1], more than doubling the rise in sales revenue. This performance is reflected in the continued improvement of the adjusted operating return on sales of 6.4 % (previous year: 6.0%). Andreas Renschler, the CEO of TRATON and a member of the Board of Management of Volkswagen AG, said: "TRATON has performed exceptionally well since being established three years ago. We remain right on track to become a Global Champion. As a group of strong brands, we create success for our customers and tap synergies together. We are ready to take the next steps."

Now that the company has systematically taken steps to achieve capital market readiness and streamlined its portfolio, it will now focus on a new system of financial reporting. These changes affect prior-year comparisons.

Reporting at TRATON SE is now broken down into two segments: Industrial Business and Financial Services. Industrial Business comprises the operating activities of TRATON's truck and bus brands. In 2018, this segment generated a sales revenue of €25.0 billion (previous year: €23.4 billion), an adjusted operating profit of €1.5 billion (previous year: €1.3 billion) and an adjusted operating return on sales of 5.9% (previous year: 5.6%). In 2018, the Financial Services segment recorded an operating profit of €138 million (previous year: €111 million) and a sales revenue of €760 million (previous year: €721 million).

Strong performance by the brands

[1] The operating result was adjusted for one-off expenses of € 137 million for MAN's market exit from India in 2018 and for a positive one-off effect of € 50 million from the release of provisions at MAN in 2017.

All three TRATON brands produced strong results in 2018. Sales revenue of the MAN Truck & Bus operating unit rose by about 8% to €10.8 billion. The increase in adjusted operating profit, at about 13% to €540 million, was much more pronounced than the rise in sales revenue here, too. The adjusted operating return on sales was 5.0% (previous year: 4.8%). To be able to produce profitable growth in the future, MAN Truck & Bus will continue to take steps that are designed to optimize its processes and cost structures. The sales revenue of the Scania Vehicles & Services operating unit rose once again by more than 4% and totaled about €13 billion. The operating profit was weighed down by the additional costs associated with the introduction of the new truck generation but rose by more than 3% to €1.2 billion. At 9.3%, the operating return on sales at Scania Vehicles & Services was almost on the same level with the previous year (9.4%). Following an economically weak year of 2017 in Brazil, sales revenue of the Volkswagen Caminhões e Ônibus operating unit increased by about 22% to €1.4 billion in 2018. Volkswagen Caminhões e Ônibus recorded an operating profit for the first time since Brazil's economic crisis which rose to €28 million on the back of an increase in sales revenue and the implementation of systematic efficiency programs.

Christian Schulz, CFO of the TRATON GROUP, said: "With the help of our brands, we strengthened our global market position, continued to increase our sales revenue, and raised the adjusted operating profit disproportionately compared to sales revenue."

Outlook 2019:

Assuming exchange rates on the level of prior year, for 2019, the Group expects a slight increase in sales revenue, driven by a slight increase in sales volume. The Group targets a further increase in sales volume and a slight acceleration in sales revenue growth starting in 2020, driven by positive sales volume and aftermarket services revenue growing proportionally. In relation to its brands, the Group expects stable revenue at Scania in 2019 (with product mix compensating for a slight decline in sales volume) and targets a further increase in the medium term, mainly driven by a targeted uptake in sales volume. At MAN Truck & Bus, the Group expects a slight increase in sales revenue in 2019 (due to product mix – higher TGE ratio – at a lower rate than sales volume growth) and in the medium term targets sales revenue growth to mirror increasing sales volume and additional growth from the new vehicle generation's product position. At VWCO, the Group expects 2019 sales revenue to benefit further from the expected market recovery in Brazil and in the medium term expects a further improvement in line with the market recovery.

The Group expects its return on sales (calculated by taking the ratio of operating profit to sales revenue for the period) for 2019 to range between 6.5% to 7.5%. It believes that the key factors for this improvement to be favourable product mix effects from Scania's NTG and MAN's model year 2019, better cost leverage from reduced NTG dual production costs and the absence of extraordinary costs from supply chain bottlenecks at Scania and from the continuous realization of planned efficiency measures in its Industrial Business segment. Over the medium term, the Group expects Return on Sales to be driven by brand performance (Operational Excellence), synergy realization and scale effects from sales volume increase. With regard to the brands, Scania is committed to its over the cycle Return on Sales target of 12% (including Scania Financial Services) and in the medium term the Group expects MAN T&B to remain below its over the cycle target of 8% and further gradual improvement for VWCO due to better cost leverage.

This press release and additional material can be found at:
https://traton.com/en/newsroom/press_releases/press_release_25022019.html

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TRATON SE is a wholly-owned subsidiary of Volkswagen AG and a leading commercial vehicle manufacturer worldwide with its brands MAN, Scania, Volkswagen Caminhões e Ônibus, and RIO. In 2018, TRATON GROUP's brands sold around 233,000 vehicles in total. Its offering comprises light-duty commercial vehicles, trucks, and buses at 29 production and assembly sites in 17 countries. The Company had a workforce of around 81,000 employees worldwide across its commercial vehicle brands as of December 31, 2018. The Group seeks to transform the transportation system through its products, its services, and as a partner for its customers.