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TRATON GROUP sees first signs of business recovery in third quarter

- **Total unit sales fell by 37% to 77,700 vehicles**
- **At €10.1 billion, H1 2020 sales revenue was down by a quarter year-on-year**
- **Operating profit dropped into negative territory in the wake of the COVID-19 pandemic, to an operating loss of €220 million**
- **Incoming orders down 27%, at 87,400 vehicles**
- **TRATON Chief Executive Officer Matthias Gründler**: **“Now that our business is slowly stabilizing following the severe slump in April, we are assuming a gradual recovery in sales in the current quarter, provided there is no surge in the number of new infections. Together with our experienced team, the coming weeks will see us paving the way for the further stabilization of our operating business and the continuation of our Global Champion Strategy.”**

Munich, July 31, 2020 — The TRATON GROUP recorded lower unit sales, sales revenue, and earnings in the first six months of 2020 in the wake of the expected market downturn in Europe and the significant impact of the global COVID-19 pandemic. **Unit sales** recorded by the three brands Scania, MAN and Volkswagen Caminhões e Ônibus from January to June contracted by 37% to 77,700 (H1 2019: 123,300) vehicles. At 38%, the decline in unit sales of trucks (including the MAN TGE van) to 70,500 (H1 2019: 113,100) vehicles was more significant than the 29% decrease in unit sales of buses to 7,200 (H1 2019: 10,200) vehicles. The first six months of 2019 were marked by pull-forward effects from the introduction of the digital tachograph and the potential for a no-deal Brexit, making the prior-period comparative basis exceptionally strong.

“We had already expected a downturn in demand in the European market, but the COVID-19 pandemic meant that it turned out to be more significant and also affected other regions. Now that our business is slowly stabilizing following the severe slump in April, we are assuming a gradual recovery in sales in the current quarter, provided there is no surge in the number of new infections,” said **Matthias Gründler, the TRATON GROUP’s Chief Executive Officer**. “Together with our experienced team, the coming weeks will see us paving the way for the further stabilization of our operating business and the continuation of our Global Champion Strategy,” added Gründler

The TRATON GROUP’s **sales revenue** dropped by 26% year-on-year to €10.1 billion from January to June (H1 2019: €13.5 billion). The **operating loss** was €220 million (H1 2019: operating profit of €1,075 million). The **operating return on sales** fell to –2.2%, following 7.9% in the first six months of the previous year. **Incoming orders** declined by 27% to 87,400 (H1 2019: 120,500) units. At 1.12, the book-tobill ratio, meaning the ratio of incoming orders to unit sales, was higher than in the first six months of 2019 (0.98).

The **decline in unit sales** in the Truck business (including the MAN TGE van) of the three brands Scania, MAN, and Volkswagen Caminhões e Ônibus was most significant in Europe (EU27+3 region), where it fell by 46%. The South American market also suffered from the consequences of the COVID-19 pandemic, with unit sales of trucks contracting by 22% in that region. In the Bus business, South America was the weakest market in terms of unit sales with a drop of 31%, Europe (EU 27+3 region) posted a less pronounced decline of 22%.

The increasing spread of the coronavirus had already additionally impacted unit sales in the first quarter, leading to plant closures in our global production network starting in mid-March. The TRATON GROUP brands gradually restarted production at their plants at the end of April, and all sites are now producing vehicles again. The recovery in unit sales that began in May continued in June.

The TRATON GROUP has taken extensive measures in response to the COVID-19 crisis. In addition to establishing contingency plans and temporary production stops, these also include in particular measures to safeguard the Company's liquidity. "In response to the market downturn, we imposed systematic savings and were able, for example, to significantly cut our non-personnel operating costs. We reprioritized our research and development projects without letting sight of our goals in the field of alternative drives," noted **Christian Schulz, the TRATON GROUP's Chief Financial Officer**. In addition to cash funds of €2.6 billion, the liquidity reserves available to the TRATON GROUP as of June 30 included credit lines of €5.6 billion. TRATON SE recently entered into its first revolving credit line of €3.75 billion, which serves as a liquidity reserve for the Group and replaces some of the bilateral credit lines. This will enable TRATON to increase the flexibility of its financing options.

Overview of the TRATON GROUP

Sales revenue in the **Industrial Business segment** fell by 26% to €9.9 billion (H1 2019: €13.3 billion). The primary factor here was the decline in the New Vehicles business due to the market downturn. By contrast, the After Sales business proved to be relatively robust, with a 6% decline. The **operating loss** in the Industrial Business was €265 million (H1 2019: operating profit of €1,008 million). In the second quarter, the continuing COVID-19 pandemic exacerbated the noticeable decline in demand, especially in Europe and South America, that had already been felt in the first quarter. The measures taken in connection with the pandemic — in particular the worldwide closures of our production sites starting in the second half of March — weighed on operating profit in the reporting period.

The **Financial Services segment** generated sales revenue of €413 million (H1 2019: €419 million) and operating profit of €44 million (H1 2019: €70 million). Earnings were lifted by the increase in the net portfolio, whereas negative exchange rate effects and lower margins were offsetting factors. Expenses from bad debt allowances on receivables rose in the reporting period and also weighed on earnings. The risk remains that further customers might have to delay their payments because of the COVID-19 pandemic.

The operating units at a glance

Scania Vehicles & Services recorded a 41% drop in **unit sales** to 30,400 (H1 2019: 51,500) vehicles. **Sales revenue** declined by 26% to €5.3 billion (H1 2019: €7.1 billion). **Operating profit** came to €221 million (H1 2019: €828 million). The **operating return on sales** reached 4.2% (H1 2019: 11.6%).

MAN Truck & Bus recorded **unit sales** of 31,700 (H1 2019: 54,000) vehicles, a year-on-year decline of 41%. **Sales revenue** declined by 26% to €4.1 billion (H1 2019: €5.5 billion). The **operating loss** was €387 million (H1 2019: operating profit of €253 million). This corresponds to an **operating return on sales** of –9.5% (H1 2019: 4.6%). Operating profit was impacted by a nonrecurring charge in the mid-double digit millions of euros.

Volkswagen Caminhões e Ônibus reported **unit sales** of 15,900 (H1 2019: 20.400) vehicles, a decline of 22%. **Sales revenue** declined by 29% to €612 million (H1 2019: €860 million). The **operating loss** was €10 million (H1 2019: operating profit of €18 million). The **operating return on sales** declined to –1.7% (H1 2019: 2.1%).

Expected business development

The continuing COVID-19 pandemic and its effects on the economic environment are making it extremely difficult for us to make any concrete statements about the expected future course of business. The impact on customer demand and supply chains still cannot be estimated with any degree of reliability, not least because of the possibility of a further rise in infection rates in Europe or other regions of the world.

“Provided there is no surge in the number of new infections and the associated countermeasures adopted by the countries, we are assuming a gradual recovery in our business activity in the second half of 2020. Overall, however, we continue to expect a dramatic fall in unit sales for the fiscal year, and cannot rule out an operating loss for the TRATON GROUP in fiscal year 2020,” said **TRATON’s Chief Financial Officer Christian Schulz**.

TRATON SE's Annual General Meeting

The annual general meeting of TRATON SE will be held on Wednesday, **September 23, 2020,** at **10.00 a.m.** (CEST), without the physical presence of shareholders and their appointed representatives at the Truck Forum, Dachauer Straße 570, 80995 Munich, Germany.

You can download the complete **media presentation, press release**, and investor relations presentations here from 8 a.m. CEST on July 31: https://ir.traton.com/websites/traton/German/8900/events.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 2019, TRATON GROUP's brands sold around 242,000 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 83,000 worldwide across its commercial vehicle brands as of December 31, 2019. The Group aims to reinvent transportation — with its products, its services, and as a partner to its customers.