TRATON

DELIVER

2022
Annual Report of the
TRATON GROUP

SCANIA / MAN / NAVISTAR / Truck Bus

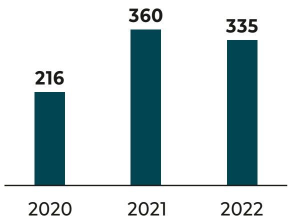
The transportation industry is undergoing a major transformation. In this environment, our commercial vehicles are a reliable means of transporting goods and people from A to B. Decarbonization, electrification, and digitalization — we have set ourselves clear goals and are consistently taking the steps we need to reach them. These include strengthening our brands' collaboration, optimizing our cost basis, and creating sustainable value. We are also developing new business models to help our customers remain successful in the future.

The TRATON GROUP and its strong brands DELIVER.

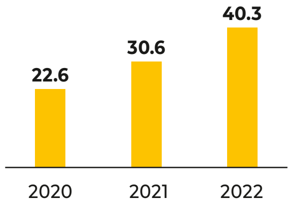
About TRATON

The TRATON GROUP is one of the world's leading commercial vehicle manufacturers. Our mission is to reinvent transportation — with our products, our services, and as a partner to our customers.

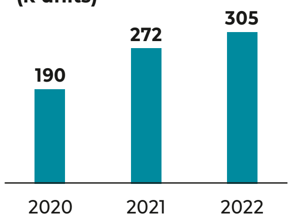
Incoming orders*
(k units)



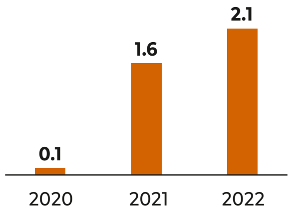
Sales revenue*
(€ billion)



Unit sales*
(k units)



Adjusted operating result*
(€ billion)



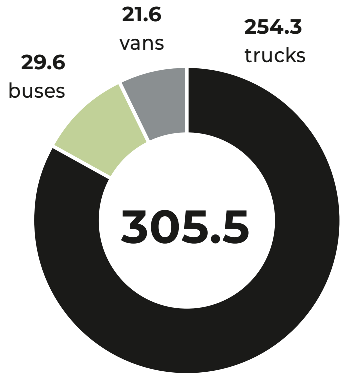
* Navistar included from H2 2021

SCANIA MAN NAVISTAR Truck Bus

Unit sales

(k units)

Fiscal year 2022



Fiscal year 2022:

100,356

Employees worldwide

5.1%

Adjusted operating return on sales

€2.28

Earnings per share

Sustainability is a core principle and responsible behavior a top priority in the TRATON strategy.

4

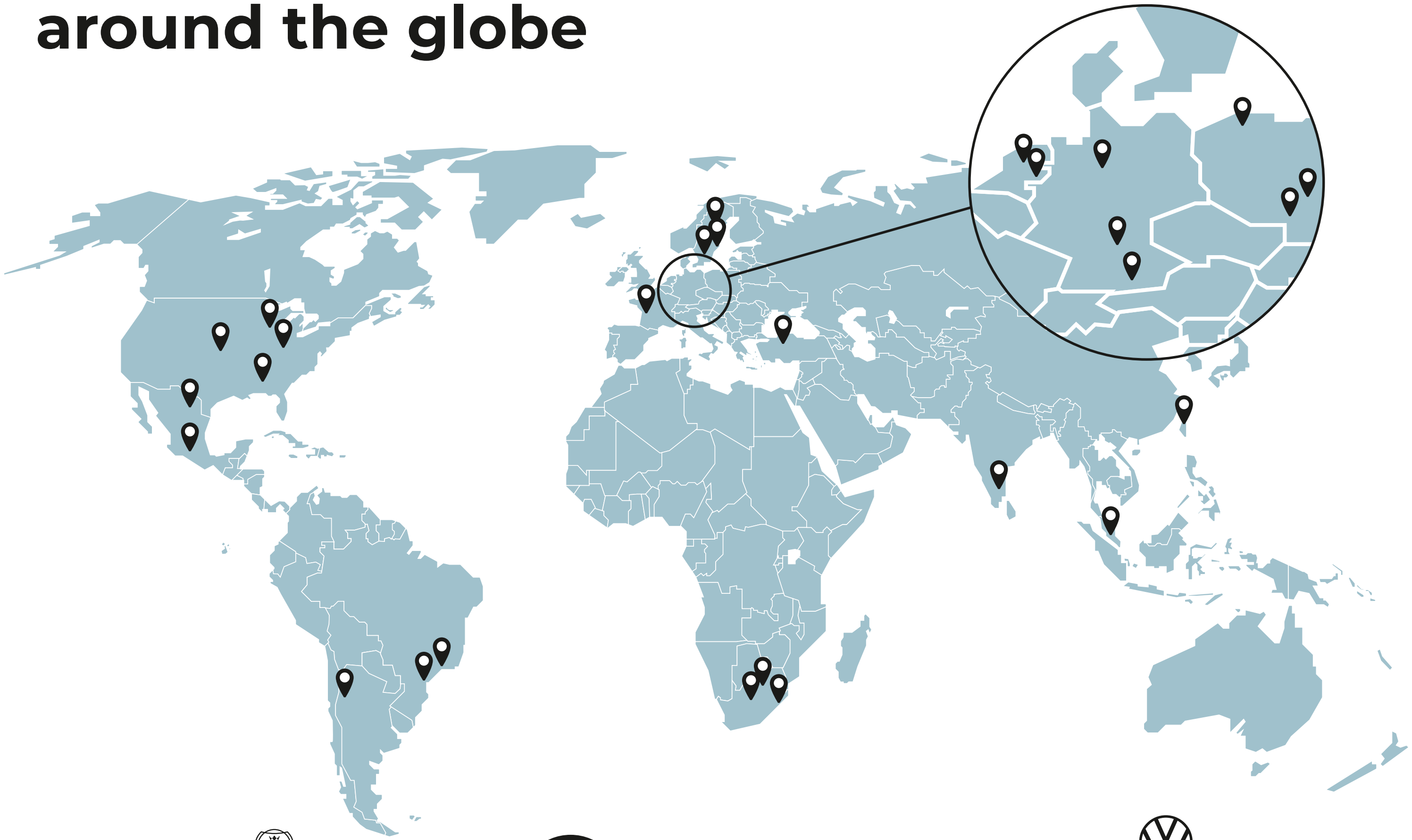
global commercial vehicle brands under one roof

28

sites

worldwide

Production & assembly sites around the globe

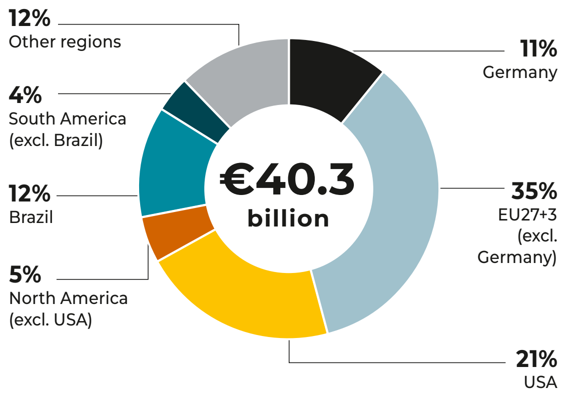


SCANIA	MAN	NAVISTAR	Truck Bus
13	8	5	2

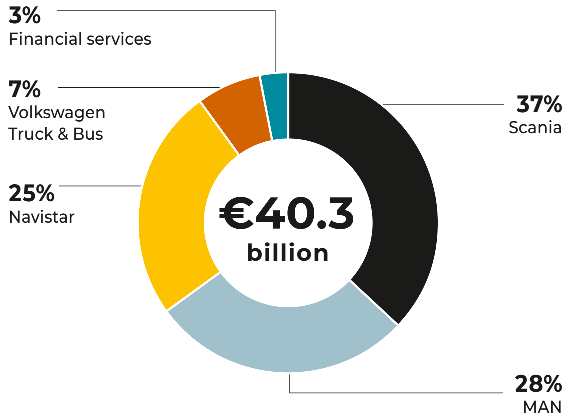
Find out more:
Sites

Sales revenue in 2022

By geography



By brand



Major milestones

2015

TRATON's predecessor Volkswagen Truck & Bus established with its Scania, MAN, and Volkswagen Caminhões e Ônibus brands

2018

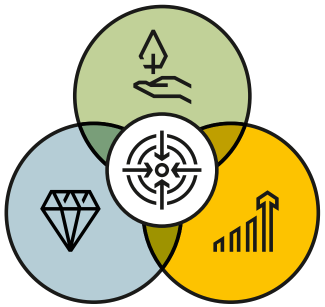
Change of name to TRATON

2019

Successful IPO of TRATON SE

2021

Acquisition of Navistar



2021+

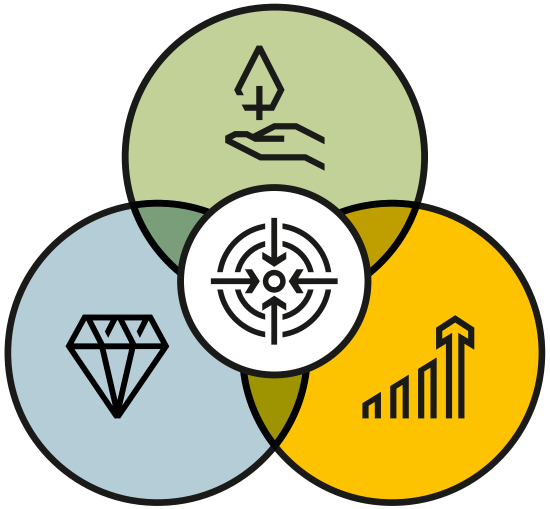
New strategy, the TRATON Way Forward

2022

Milence charging joint venture with Daimler Truck and Volvo Group

TRATON Way Forward

Our new strategy, the TRATON Way Forward, means that we have set clear targets for ourselves and are consistently taking the steps we need to reach them: fostering sustainability, creating long-term value, and developing new business models. The overarching purpose — Transforming Transportation Together. For a sustainable world.



Responsible Company

Make responsible behavior a top priority in everything we do

Value Creation

Focus on sustainable value creation for our stakeholders

TRATON Accelerated!

Actively shape our role in the future logistics ecosystem

Strategy Execution & Governance

Consistently take the steps we need to reach our goals

Responsible Company

The TRATON GROUP is committed to becoming even more responsible as a company, with all brands making considerable efforts and progress in becoming more sustainable. Decarbonization plays a key role in these efforts, and battery electric vehicles are our most prominent lever to contribute to climate change mitigation.

Find out more:
Nonfinancial Group Statement

TRATON is driving electrification forward, as demonstrated by Scania's investment in battery manufacturer Northvolt and MAN's battery pack production in Nuremberg.

This eTruck, MAN's first battery electric heavy-duty truck, is powered by battery packs manufactured in-house and will be available from 2024 on.

We are boosting our e-mobility investments:

2020–2025

€1.0 bn

Investment increase in 2021

€1.6 bn

2021–2026*

Investment increase in 2022

€2.6 bn

*including Navistar

Approx.

50%

of the vehicles we sell worldwide are set to be battery electric in 2030.

We are building a high-performance charging network in Europe:

>1,700
public charging points

€500 m
joint investment

- **Milence joint venture founded** in July 2022 with Daimler Truck and the Volvo Group
- **Independent management team** in place
- **Focus on heavy-duty long-haulage** with a 45-minute charging window

- Make **open network accessible to all brands**
- Boost **customer confidence in e-mobility**
- Support EU's **transition to climate-neutral transportation**

Find out more:
Race against time

As part of the TRATON GROUP's commitment to the Paris Agreement and to reducing emissions, all brands have validated science-based targets or are in the process of obtaining those.

Value Creation

Our brands' collaboration will become more efficient, while a sharper focus on what their customers need will improve their competitiveness. We are optimizing our cost basis and creating long-term value.

We are striving to achieve ambitious return on sales (RoS) targets:

	SCANIA	MAN	NAVISTAR	VW Truck Bus
Strategic RoS target	12%	8%	9%	8%
Focus topics	– Fully committed to sustainability – More high-margin services – Grow in China	– Realignment program & top line improvement – Leverage new truck generation – Shift to zero-emission vehicles	– Deliver profitable performance – Benefit from being part of TRATON – Improve dealer performance	– Volume growth and strong products – Higher margin by expanding portfolio of new heavy-duty vehicles – Continuous focus on improving efficiency

Expansion of the Vehicle Services business

TRATON Modular System

Captive Financial Services

Target for the TRATON GROUP RoS in 2024: 9%

New family member

We have already achieved a lot together with our US subsidiary Navistar and are working on further goals:

Continue to harmonize Navistar's values and culture with TRATON's

Create solutions that drive change toward a more sustainable future

Improve profitability to increase return on sales and enterprise value

Leverage Group technology and expand business models to grow revenue streams

Navistar uses the Group's Common Base Engine platform in its S13 Integrated Powertrain.

We will leverage the potential of our brands in China:

- **World's** largest **single market for commercial vehicles**
- Ca. **one million trucks** typically sold every year
- Segment shift toward **more sophisticated products**

We are the first Western truck manufacturer with a license for fully independent production in China:

- **Groundbreaking** for the plant in Rugao in June 2022
- China as an **R&D hub for development and future technology** and an **export hub** for other Asian markets

TRATON Accelerated!

We have a clear roadmap for our electrified, connected, and automated commercial vehicles. We are developing new business models and strengthening partnerships for the transportation of tomorrow.

Platform for autonomous driving as the key enabler

We are developing platform elements that are critical for all business models related to Autonomous Connected Electrified (ACE) vehicles:

Autonomous vehicles + services

- ACE vehicles
- Maintenance and repair capabilities
- Additional services

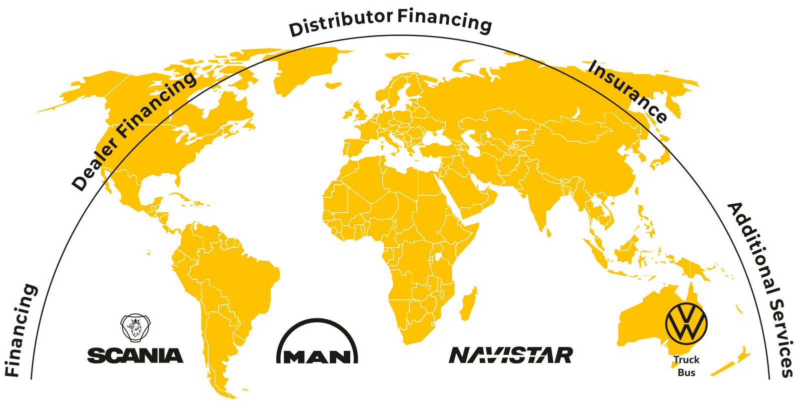
Self-driving system

- Virtual driver
- Autonomous routes

Control tower

- Basic dispatching of vehicles
- Integrated in overarching systems
- Monitoring and remote maintenance function

We are setting up TRATON Financial Services, a powerful Group-wide financing unit:



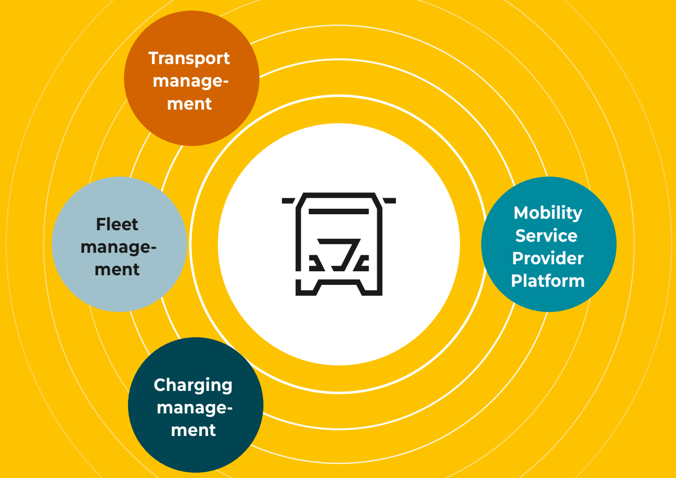
Brand-specific front office

Common back office

Increased funding capabilities

Volkswagen Truck & Bus offers tailor-made services with its e-Delivery truck, for example advising customers on the best charging and energy solution for their application for optimum total operating cost.

We are building a solution ecosystem around our customers:

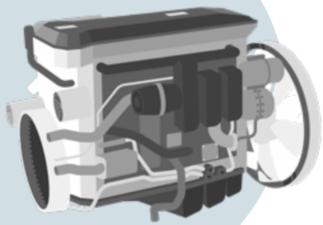


Strategy Execution & Governance

We are consistently executing the TRATON Way Forward strategy. Thanks to our new Industrial Operations setup and the TRATON Modular System, our brands' collaboration will become even more efficient.

No. 1

Our Common Base Engine is the world's most sustainable 13-liter diesel engine:

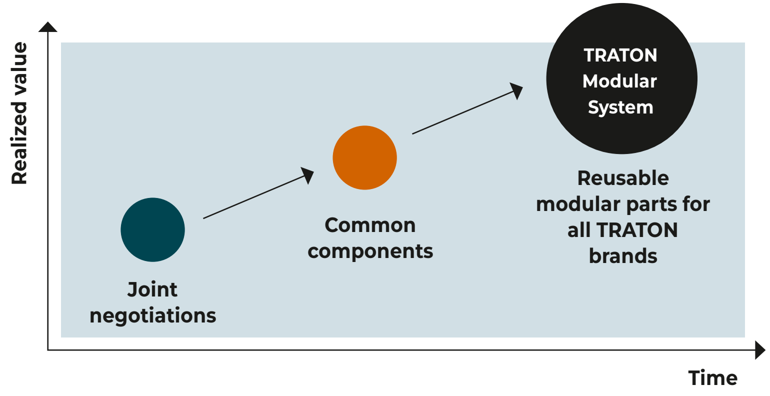


>50% of the truck costs are attributable to the powertrain.

>80% common components in the engine

TRATON Modular System

Profitable mass customization based on Scania's established Bygglåda modular system ensures long-term competitive advantage:



Principles of the TRATON Modular System

Standardized Group interfaces	Same need — identical solution	Balanced performance steps

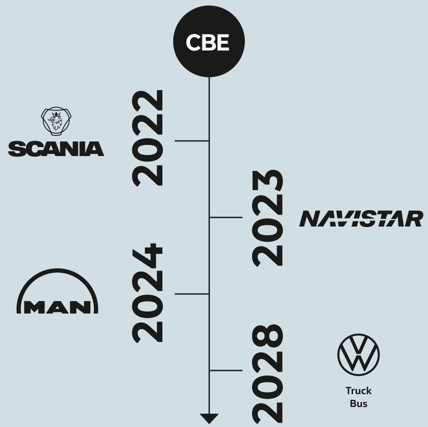
Taking cross-brand collaboration to a new level:

Group Product Management + Group Industrial Operations orchestrate and intensify collaboration across all areas of the TRATON GROUP.

- Electric-electronic architechture
- Chassis
- Software
- Bus solutions
- Autonomous driving
- Cab
- ICE powertrain
- E-mobility
- Batteries

Find out more:
Strong alone, stronger together

The new CBE diesel engine is being launched gradually:



Find out more:
An interface to the future

The Scania 460 R Highline is the first vehicle equipped with the 13-liter Common Base Engine, a diesel engine developed as a result of close collaboration between the TRATON brands.

Find out more:
Joining forces

"We will bring our strategy to life."

Joining forces to shape the transition to a world of sustainable transportation: this strategy of the TRATON GROUP entered a new phase in 2022. Now it is time to bring the strategy to life and create new value in the process. In our interview, TRATON CEO Christian Levin explains where work on this has already begun and which tasks will become important in 2023.

2022 was a year of global challenges. What comes to mind when you look back on it?

In my entire working life, I've never seen a year with so many challenges all coming together at once — from the coronavirus pandemic to disrupted supply chains causing semiconductor bottlenecks to the war in Ukraine, the energy crisis in Europe, and inflation. A key objective of the TRATON GROUP was to continue to create value regardless. Our brands are of central importance here, and there are two in particular that I'd like to highlight: Volkswagen Truck & Bus saw a considerable improvement in profitability and modernized significant parts of its product range. Likewise, Navistar made substantial progress with its product portfolio and opened a factory in San Antonio, Texas, to expand its production capacity.

What about the European brands Scania and MAN?

Scania is the largest contributor to the Group's profit and workforce and had to deal with a lot of challenges, for example in its supply chains. At the same time, the brand is the first to launch our new common powertrain platform on the market. The supply structures that have been created for this purpose will bring Scania back on track for success in 2023. MAN also had a difficult year with extensive restructuring going on, but 2023 promises to show that it, too, can contribute to the Group's value creation.

In what ways can TRATON help the brands prosper?

The TRATON GROUP will provide crucial support to the brands in creating value. We laid important foundations for this last year, for example with the TRATON Modular System. This shared product platform enables us to use standardized interfaces for different configurations to optimally integrate the modules for customized solutions into our brands' portfolios. This means that as time goes on, we'll see more and more joint development within the Group.

How quickly will that happen?

A development like this takes time. But to speed things up, we have restructured our organization. For example, in 2022, we set up a central research and development unit. Everyone who works in research and development is now part of a global team. We'll also be collaborating even more closely in other areas in the future, such as purchasing, logistics, and production. And last but not least, we've established a central Group Product Management unit.

What is the relationship between these two units?

The two units, along with our brands, have a key role to play in terms of our innovative strength. The Group Product Management strategic unit is tasked with understanding the needs of our customers — across all brands and applications. Based on this knowledge, it then works with Industrial Operations to develop specific products, services, and technical solutions that meet these needs to serve our customers. This approach ensures that our formidable research and development team, with more than 10,000 engineers and experts, is working on the right technologies to make all our customers successful — and thus also our brands.

>10,000

engineers and experts are working on the right technologies to make all our brands successful.

Let's talk about the cultural aspect of collaboration: what role do the shared values that TRATON has defined play in this?

Our objective is that it will become completely normal for employees to work for different brands and share their expertise with all of them. So instead of working for a single brand their entire professional life, they switch brands from time to time. This means that we as a Group must have strong values that provide guidance and orientation for employees wherever they are. To jointly work on solutions and build shared platforms, we benefit from having shared values. That's why we have defined five values that apply throughout the Group: Customer First, Respect, Team Spirit, Responsibility, and Elimination of Waste.

"We definitely need shared values and some uniform leadership principles. But I'd like to stress that we're not aiming for a uniform culture."

Christian Levin,
Chief Executive Officer of TRATON SE

Which of these values is most important for successful collaboration in the TRATON GROUP?

I believe that the value of respect is key when it comes to collaboration within the Group. Each and every one of us must show respect for our coworkers from other company cultures and countries. We have to be curious and try to understand why our coworkers might do things differently than we do. Only when we utilize more perspectives and work closer together can we get the most out of each other. The TRATON GROUP currently has 100,000 employees — if all of them put this into practice, we will have tremendous potential. Our next step will be to develop common leadership principles in the course of 2023 based on these values.

Christian Levin
was born in 1967. After graduating with a Bachelor of Science in Business & Administration and a Master of Science in Mechanical Engineering, he started his career as a management trainee with Scania in 1994. In 2010, having held a number of management positions already, he was appointed Executive Vice President and Head of Commercial Operations at Scania. Christian Levin joined the TRATON SE Executive Board as Chief Operating Officer in 2019. He has served as Chief Executive Officer of Scania since May 2021 and as Chief Executive Officer of TRATON SE since October 2021.

Does this mean that the cultures of the brands within the Group will converge?

We definitely need shared values and some uniform leadership principles. But I'd like to stress that beyond that, we're not aiming for a uniform culture within the TRATON GROUP. After all, we want to involve our customers, and they traditionally have strong ties to the individual brands. It's not just a question of the products, but also, for example, the unique way in which a particular brand partner communicates with its customers. We certainly don't want to take anything away from this uniqueness.

The TRATON strategy entered a new phase in 2022, which you describe as "Execution Now." What exactly do you mean by that?

What I mean is that we're now moving from theory to practice. On paper, the TRATON strategy is excellently defined: we want to shape the transition to a world of sustainable transportation. With our leadership team in the TRATON GROUP, we're now making a promise: we will deliver. We'll bring our strategy to life by tackling the operational challenges in detail — with our shared product platform or with our joint research and development work, for example. We made great strides on this front in 2022, and we'll be stepping up our efforts even further this year.

How can TRATON become even more responsible as a company and how important is the electrification of the transport industry in this context?

With Scania and MAN, we have two brands that are already working with science-based targets to achieve their sustainability goals. They are thus following the path defined by the Science Based Targets initiative to reduce CO_2 emissions in line with the targets of the Paris Agreement. Navistar and Volkswagen Truck & Bus are preparing to follow suit in the near future. The introduction of science-based targets clearly measures and guides our work toward greater sustainability. This is a big step for the TRATON GROUP in becoming even more responsible as a company.

The topic of electrification is important because more than 95 percent of our carbon footprint comes from customers operating our trucks and buses. The solution is to introduce battery electric vehicles, and our brands already have a variety of them on offer. At the same time, we are joining forces in the development of these vehicles. We expect a significant increase in orders for electric vehicles from Scania, Navistar, and Volkswagen Truck & Bus in 2023. MAN will kick off in 2024 with the launch of its new eTruck. This will further strengthen our position as a responsible company.

More than

95%

of our carbon footprint comes from customers operating our trucks and buses.

Race against time

The future of drive systems in the transportation sector is battery electric — and we at TRATON are convinced that it's just around the corner. Speed is of the essence, especially when it comes to solving the chicken-and-egg problem of creating a pan-European charging infrastructure.

Commentary by Atif Askar, Head of Business Development, Strategy, and M&A in the TRATON GROUP

If we were to take 10,000 long-haul diesel trucks off the road and replace them with electric vehicles, we could save up to one million tons of CO_2 — every year. Compared with other measures, this effect is not only huge, but also surprisingly easy to achieve. There's no need for completely new technology: batteries and axles with wound-rotor motors already exist today — so as far as the trucks are concerned, we're all set. In fact, the companies of the TRATON GROUP have electric vehicles on sale already, such as the 26-ton truck from Scania, electric buses and vans from MAN, electric school buses from IC Bus, a Navistar brand, or the 14-ton e-Delivery truck from Volkswagen Truck & Bus. Scania will be launching a 40-ton truck toward the end of 2023, and MAN's future eTruck will be available in late 2024. So the biggest problem in phasing out diesel won't be the trucks, but the charging infrastructure.

When it comes to charging, there are two main scenarios: many of our customers drive no more than 500 kilometers a day, for instance making regional deliveries, operating local public transport services, or using construction site vehicles. These kinds of vehicles can charge overnight, which means they don't even need a particularly powerful electricity supply. But the situation is different when we look at long-haul transportation and the public charging infrastructure. Here we have the classic chicken-and-egg problem: no one will buy electric trucks as long as there is no charging network, and no one will build the infrastructure as long as there are no users. That's why we have teamed up with other major commercial vehicle manufacturers and started a joint venture called Milence. Together, the manufacturers that founded Milence have a market share of 75 percent, and we plan to invest a total of half a billion euros over the next four years to build at least 1,700 high-performance charging points across Europe. That won't be enough, of course, but it's an important starting point and provides the critical mass needed to get things up and running. And it also sends a very clear signal to customers and the market: we as manufacturers are ready for the transformation.

Batteries are the better solution

Alongside batteries, hydrogen is often cited as a building block of a technology-open drive system mix. So what about the fuel cell as an alternative? Our customers pay very close attention to the TCO or total cost of ownership. When we look at these total costs, battery electric vehicles have a huge advantage: typically, long-haul truck customers in Europe spend around 40 percent of their total costs on the energy needed to drive the vehicle — right now, that is diesel. The truck itself only accounts for a good ten percent of the TCO over its lifetime. Electricity, however, costs only about half as much as diesel per kilometer. This means that even if the price of the truck were to more than double,

Milence

is the name of the joint venture for a pan-European charging infrastructure.

1,700

high-performance charging points will be built by Milence in Europe.

€500 million

will be invested in a charging infrastructure over the next few years.

75%

is the combined market share of the manufacturers who jointly founded Milence.

> “When our children look back on this time in the year 2040, they will ask us: ‘Why didn’t you recognize it sooner?’”

Atif Askar,
Head of Business Development, Strategy, and M&A in the TRATON GROUP

our customers would still be saving money. The same cannot be said of hydrogen trucks: a fuel cell drive consumes three times as much energy from the wind turbine to the wheel hub as a battery electric drive — there is no changing the fundamental physics behind that. Hydrogen may find a place in niche markets, but for the vast majority of applications, batteries are the better solution, since they are more resource-efficient and therefore simply cheaper. And that will remain the case even if green hydrogen should one day be extensively available in sufficient quantities. Another advantage of batteries: there’s no need to wait; we can get started on electrification today. That’s why we at TRATON are taking a very clear position: battery electric drives will be our main technology.

In terms of electrifying the transport sector, Europe and the USA are leading the way, with China not far behind. However, the basic conditions are similar all over the world. Other markets will get there later, but they will get there. What many have not yet internalized: this transformation is not a journey we will embark on sometime in the future. We at TRATON — just like many of our customers — have long since set the course. Only one question remains: how can we move forward with maximum speed? For this purpose, our policymakers too must focus all their attention on creating the right framework conditions as quickly and comprehensively as possible.

Predictable disruption

The discussion about when the last diesel vehicle will roll off the production line is taking us in the wrong direction. Whether we produce our last combustion engine vehicles in 2039 or 2040 makes little difference if we’re looking to save as much CO_2 as possible in the fastest possible time. A rapid ramp-up in the early years — in other words, right now — is much more important. And we do indeed anticipate that battery electric vehicles will account for half of our vehicle sales by as early as 2030. The shift is taking place in the form of a textbook S-curve — and with this kind of trajectory, the internal combustion engine will already be a thing of the past by 2040, if only for financial reasons.

When our children look back on this time in the year 2040, they might say: “That was probably the most predictable disruption imaginable. You knew that the cost of energy was critical. You knew what electricity, diesel, and hydrogen were going to cost. You knew in what relation these costs stand to each other and how they tend to behave relative to each other in the long run. What took you so long? Why didn’t you recognize it sooner?” Well, we have recognized it. Now we need to act quickly, and by that I don’t just mean us at TRATON, but also policymakers, our customers, and society.

Navistar’s IC Bus brand, the market leader for school buses in North America, already has a zero-emission vehicle in its portfolio.

500 km

is the most many users drive per day.

1 million

tons of CO_2 per year will be saved by replacing 10,000 long-haul diesel trucks with electric ones.

The future is now

The TRATON GROUP is ready for the transportation of the future — and is driving the transition to battery electric vehicles. E-vehicles from Scania, MAN, Navistar, and Volkswagen Truck & Bus are already available to buy. Today's battery-powered vans, trucks, and buses will soon be joined by others, including 40-ton trucks from Scania and MAN.

NAVISTAR
IC Bus CE Electric School Bus

Motor power:	max. 250 kW
Battery capacity:	up to 315 kWh
Range:	up to 321 kilometers
Production launch:	2021

MAN
eTGE

Motor power:	max. 100 kW
Battery capacity:	35.8 kWh
Range:	up to 130 kilometers
Production launch:	2018

NAVISTAR
International eMV

Motor power:	max. 250 kW
Battery capacity:	210 kWh
Range:	217 kilometers
Production launch:	2021

MAN
eTruck

Motor power:	up to 350 kW
Battery capacity:	up to 500 kWh
Range:	up to 400 kilometers
Production launch:	2024

MAN
Lion's City E

Motor power:	up to 320 kW
Battery capacity:	up to 640 kWh
Range:	up to 350 kilometers
Production launch:	2020

MAN
eTGM

Motor power:	max. 264 kW
Battery capacity:	185 kWh
Range:	up to 190 kilometers
Production launch:	2019

SCANIA
BEV Regional

Motor power:	450 kW
Battery capacity:	624 kWh
Range:	up to 350 kilometers
Production launch:	2023

SCANIA
Citywide LF

Motor power:	300/250 kW
Battery capacity:	up to 330 kWh
Range:	up to 320 kilometers
Production launch:	2021

VOLKSWAGEN TRUCK & BUS
e-Delivery

Motor power:	up to 300 kW
Battery capacity:	192 kWh
Range:	up to 250 kilometers
Production launch:	2021

Annette Danielski
was born in 1965. After earning her business administration degree, she gained more than 30 years of international experience in finance and controlling. She worked at Daimler AG from 1988 to 2017 and held a variety of management roles toward the end of her time there. She served as the Head of Group Controlling at Audi AG from 2017 to 2018. She joined TRATON SE in October 2018, serving as Head of Group Finance until September 2021 before being appointed to the Company's Executive Board in October 2021.

"We are becoming more immune to the ups and downs of the market."

Three questions for Annette Danielski, member of TRATON SE's Executive Board responsible for Finance and Business Development

1

TRATON's strategy emphasizes the Group's focus on achieving a sustained increase in value. What do you mean by that?

The TRATON GROUP is a company made up of brands that operate in a very cyclical market. Phases of high demand are generally followed by phases in which the market becomes more challenging, with developments often differing across the Company's individual regions. We're working hard to become more immune to those ups and downs and thus as resilient as possible in terms of our financial performance and profitability. One thing that will help us get there is tapping into new sales regions. Thanks to our Navistar acquisition, we are now successfully operating in the North American market. Another aspect is expanding our Vehicle Services business, an area that is unaffected by market fluctuations. We are also setting up TRATON Financial Services and have improved the cost structure of the entire Group.

2

At the Capital Markets Day in May 2022, the TRATON GROUP announced its ambitious goal of generating a 9 percent return on sales in 2024. What sort of progress have you made?

There's no doubt about it: the challenges we faced in 2022 — the shortage of components, limited logistics capacity, the war in Ukraine, and rapidly rising prices for energy and a large number of raw materials — have not made it any easier for us to grow our return on sales at the desired pace. But as a Group, we've taken the measures that were needed for us to get a handle on these challenges. We remain committed to our return on sales target of 9 percent in 2024, and we are working hard to reach it. We are concentrating on our powerful brands and our opportunities. Scania will remain our profitability leader and generate a double-digit return on sales. Volkswagen Truck & Bus will leverage its exceptional position in order to maintain its leadership in Latin America. MAN is profiting from its systematic realignment and the resulting improvements in the company's cost structure. Navistar is becoming stronger thanks to the Group's state-of-the-art technology, which enables it to expand its market share and volumes while significantly increasing its margins.

3

What do you consider to be the biggest and most effective lever in your work to further increase the Group's profitability in spite of the challenges you face?

Each of our brands has an extremely competitive portfolio and can use it to increase its market share. Our Group-wide 13-liter Common Base Engine (CBE) is helping us do exactly that. Scania has already introduced this engine platform, while Navistar's customers will be able to access it from 2023. It will then be rolled out at MAN and Volkswagen Truck & Bus in subsequent years. The CBE is a very efficient diesel engine. Our customers will benefit from its lower operating costs and high level of availability. In turn, we'll reap the benefits of improved product positioning. We're also working on our cost structure. The TRATON Modular System enables us to avoid duplication of work, something that also saves us money. Moreover, modularization will be a very effective and sustainable way of improving our profitability in the long run. This is why the Group is now introducing the TRATON Modular System across all key components.

Strong alone, stronger together

Since May

2022

Catharina Modahl Nilsson and Anders Williamsson have been in charge of two newly created organizational units.

Two newly created organizational units in the TRATON GROUP are working to take cross-brand collaboration to a new level. Their task is to enhance both efficiency and innovative strength by leveraging synergies. At the same time, the Group's established brands are to retain their own distinctive firepower. The key to striking a balance between group spirit and individuality is smart collaboration and mutual trust.

Take the modern steering system of a commercial vehicle, for example. Regular customers of one of the TRATON GROUP's four manufacturer brands count on being able to operate the steering wheel of a new model intuitively. That's because they have learned where to find which functions in Scania, MAN, Navistar, or Volkswagen Truck & Bus vehicles. But at the same time, they expect their vehicle to come with the best and most innovative steering technology, including all the benefits of automated driving. The great challenge for the manufacturers now lies in offering both: the familiar brand experience combined with the best possible technology.

An added difficulty is that they must accomplish this in a market with tremendous dynamics of change: while the industry used to serve fairly homogeneous customer groups and the main technical focus used to be on continually optimizing the internal combustion engine, the environment today is changing radically. Electric drives and autonomous systems are gaining in importance, and with them come new competitors and a number of unanswered questions.

Strengthening collaboration

"These days, one brand alone can't keep up with all these challenges," says Anders Williamsson, Head of TRATON Group Industrial Operations. "Which is why we need to strengthen cross-brand collaboration within the Group," adds Catharina Modahl Nilsson, Head of TRATON Group Product Management. Since May 2022, the two managers have been in charge of two newly created organizational units that are tasked with intensifying and orchestrating this collaboration in the TRATON GROUP. The goal is to strike the right balance: Scania, MAN, Navistar, and Volkswagen Truck & Bus each continue to build on their strengths and market positions, but at the same time cooperate in almost all areas, creating synergies where they previously performed duplicate work or failed to share their knowledge. Through this transformation, TRATON is solving a key strategic question, namely how to increase efficiency without giving up the individual identities of the brands. The answer is: through smart collaboration across the entire Group.

The Group Product Management unit headed by Catharina Modahl Nilsson primarily deals with strategic issues, while the Group Industrial Operations unit under the direction of Anders Williamsson focuses on operational collaboration at the plants. What this means in practice can be illustrated by the example of electric mobility. Group Product Management considers itself to be a fusion point for the needs and concerns of various stakeholders inside and outside the Group. Its strategic mission is to analyze how to align the demands of customers with the technical solutions of the TRATON GROUP.

Trust and respect

"Just imagine," says Modahl Nilsson, "market research shows that there's demand for five different types of electric motors, but our internal analysis tells us that we can't produce that level of variety efficiently enough. Across all brands, we therefore ask ourselves: how would fewer motor types have to be designed so that they still meet all customer requirements? Once we've worked out a solution together with our engineers, we pass it on to the marketing department, along with the question of how customers will react to it." This is how Group Product Management orchestrates a strategic cross-brand roadmap — "always within the bounds of financial viability, of course," Modahl Nilsson points out.

As Head of TRATON Group Industrial Operations, Williamsson works with his organizational unit to ensure that this strategic dimension of the transformation is in keeping with the operational processes. A key to this, he says, is close communication with the engineers who are working on solutions in research and development, but also with the many people who go about their daily work at the plants. "Every successful change brings with it positive emotions," Williamsson explains. A central factor in his opinion is that everyone believes in the common cause — "because trust grows when people treat each other with respect." In the past, there was a noticeable lack of trust in some areas of collaboration between the brands. "One of our key goals is to fix this," adds Williamsson, "and we've made a lot of progress with that in recent months." He reports that a new spirit is emerging: "We're starting to see a community that sticks together without anyone losing their independence."

"The smartest response to change is to preserve the precious heritage of our brands and invest in a common future."

Catharina Modahl Nilsson,
Head of TRATON Group Product Management

New perspectives

To further strengthen this spirit, the TRATON GROUP has a new internal policy of referring to plants by the name of the location rather than by the name of the brand that manufactures commercial vehicles there. "That may sound trivial," says Williamsson, "but it's a big mental step for a long-time employee to say, 'I work at the TRATON site in Munich or Södertälje' — not at Scania or MAN." All employees now face the task of stepping outside their comfort zone. Instead of identifying exclusively with the brand, they are

“In the past, we were only concerned with the success of a specific brand. Now the goal is to move the entire TRATON GROUP forward.”

Anders Williamsson,
Head of TRATON Group Industrial Operations

expected to see themselves as part of a global team. Williamsson is pleasantly surprised at how quickly this change is succeeding: “I was sure that we could do it. But I expected it to be more like a two-year project — not something that would happen within a few months.” That doesn’t mean the transformation is complete yet, “but we successfully overcame some major hurdles in 2022.”

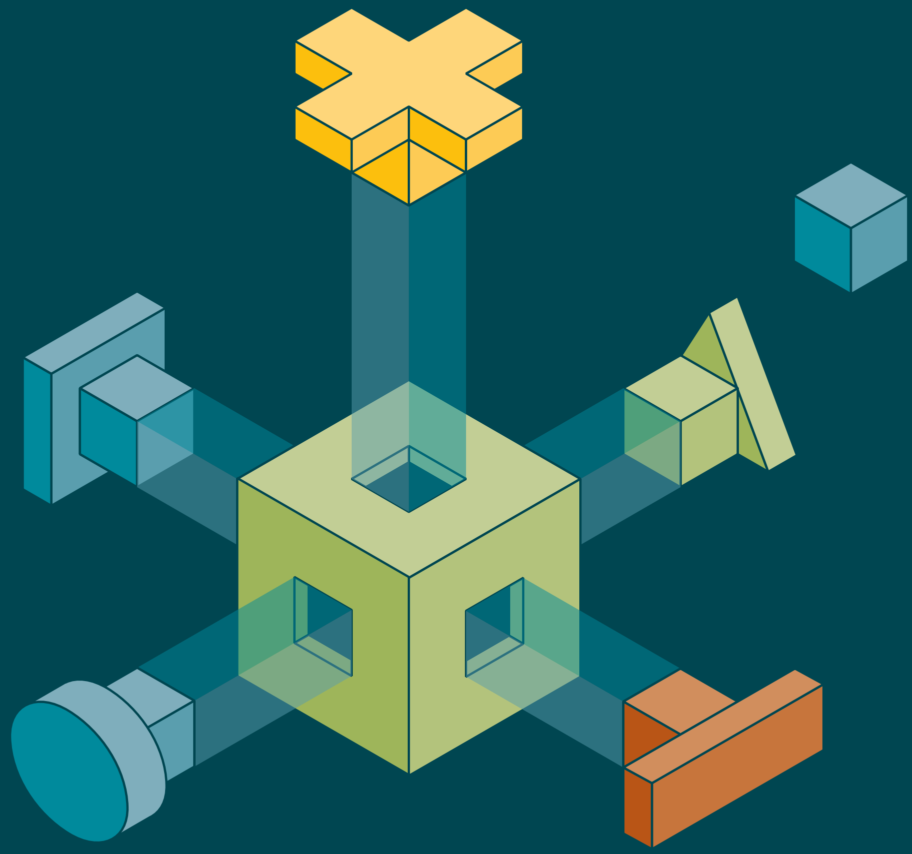
The key strategic factor behind the fast pace of transformation was another decision made by TRATON right at the start of the process: “We will introduce a modular system that is applicable to all sites,” says Catharina Modahl Nilsson. The TRATON Modular System provides standardized interfaces that allow certain components to be used across brands, such as chassis parts, electrical and software architecture, and drives. “The TRATON Modular System provides the outline, which the brands then fill in independently, so customers continue to experience the strengths of each brand,” says Modahl Nilsson. As Williamsson has experienced, combining the modular system with brand recognition is definitely a challenge for engineers. “But we can tell that our employees are looking forward to this challenge. In the past, we were only concerned with the success of a specific brand. Now the goal is to move the entire Group forward. This brings new perspectives to each person’s individual work, which is motivating for many employees.”

Continued increase in complexity

Williamsson stresses that the development process does not just call for engineers, but also managers: “The speed of the transformation depends on whether we manage to convince the brands’ management functions as well. If we don’t, the transformation will slow down. And we don’t want that, nor can we afford it.”

One thing is certain: the market for commercial vehicles will continue to change. It will grow in complexity, and the number and impact of global uncertainties will most likely increase as well. “The best response to this is to preserve the precious heritage of our brands and invest in a common future for the Group,” says Modahl Nilsson with conviction. “And in doing so, we must think strategically for the long term and remain agile in responding to new developments.” This, too, is a balancing act that would be overwhelming for one brand on its own. That is why the manager phrases the credo of collaboration as an appeal: “Let’s get stronger together!”

An interface to the future



The CBE is the TRATON GROUP's latest and best diesel engine — and also its last. Impressive in its efficiency and low in emissions, it stands on the cusp between conventional powertrains and electric mobility — and marks a shift to cross-brand modularity for the Group.

"Our CBE is more than a base engine," explains Michael Cunningham, Head of Conventional Powertrain at TRATON. Having previously worked for Navistar, he now coordinates the Group's cross-brand lighthouse project from his office in Sweden. The 13-liter CBE — short for Common Base Engine — is special for a number of reasons: first, its excellent performance makes it a fitting conclusion to a long line of diesel engines. And second, the CBE is a genuine team effort by the TRATON GROUP, since it was developed as a result of intense collaboration between all of the Group's brands, with Scania at the helm.

Lessons learned for the future

"The CBE has ushered in a transformed way of working in the TRATON GROUP," Cunningham notes. The project serves as a blueprint for future collaborative efforts at TRATON in terms of cross-brand development, common interfaces, and production at various locations around the world. Two of the biggest challenges facing the transportation industry are electric mobility and autonomous driving. The synergies created by the CBE will free up capacity to tackle these challenges in the future. Cunningham points out that the Group can also draw a lot of benefit from the years of project experience and the lessons it learned while developing the Common Base Engine. "We've gained valuable experience, established new processes, and agreed on common goals," he says, adding: "I genuinely believe that with the CBE, we've created a great foundation for cross-brand development and production within the TRATON GROUP."

More than shared components

Cunningham explains that the CBE can be expanded to meet specific needs, making it suitable for use all over the world. Thanks to a modular design principle, engines in trucks from Scania, MAN, Navistar, and Volkswagen Truck & Bus share more than 80 percent of the same components. "But there's much more to it than a few shared components that are subsequently assembled for specific regions and markets," Cunningham continues. Standardized interfaces then allow the TRATON GROUP brands to cater to the specific needs of their regions and markets using a modular approach. The engines are produced at four plants all over the world and will power the TRATON GROUP's heavy-duty commercial vehicles in Europe, North and South America, and potentially additional markets in the future.

COMMON BASE ENGINE

Södertälje/ Sweden

Production in Södertälje got off to a successful start in 2022 and is now in the ramp-up phase. The first trucks featuring the CBE are already on the road under the Swedish Super label. In addition, Scania has built a new foundry in Södertälje to produce crankcases for the CBE. Cast parts from there will also supply other sites within the Group. The first truck powered by the CBE — the Scania 460 R Highline — was crowned the winner of Europe's prestigious 1000-point test in 2022.

São Bernardo do Campo/ Brazil

Scania has been producing commercial vehicles in São Bernardo do Campo, Brazil, since 1957. The site is currently undergoing further expansion. The CBE will also be produced here from 2028 onward — for use in heavy-duty commercial vehicles from Volkswagen Truck & Bus.

Nuremberg/ Germany

MAN is building a new production facility for the CBE at its site in Nuremberg. Construction began in September 2021, with the 23,000-square-meter hall due to be completed in the course of 2023. The first engines are scheduled to roll off the production line in 2024. With an investment of €170 million, the new production hall is one of the largest construction projects in the history of the site.

Huntsville/ USA

Navistar's heavy-duty trucks operate under the International brand, so the CBE that will be used here has the name International S13. At its unveiling in August 2022, the new engine was met with enthusiasm from potential customers in North America. Small-batch production kicked off at the beginning of the year, with customer production scheduled to commence in the second half of 2023.

Find out more:
Collaboration is the future

A compass of values for all

The TRATON GROUP is made up of Scania, MAN, Navistar, and Volkswagen Truck & Bus. Each of these strong brands has its own history and identity. New shared values are helping the Group to achieve its corporate goals even more effectively.

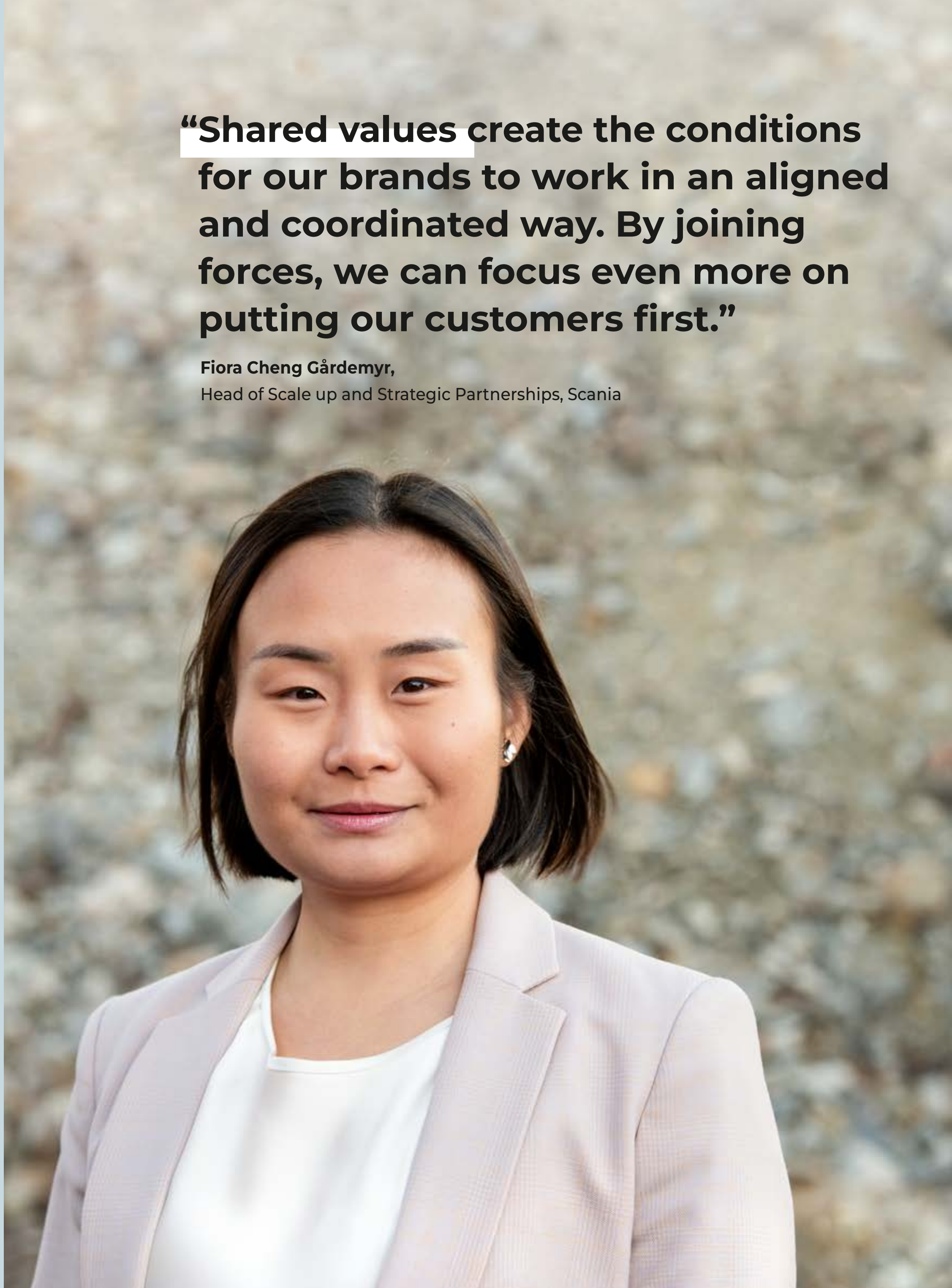
The TRATON GROUP is convinced that a company's culture is key to its commercial success. And the foundation of this culture is created by corporate values that are shared by all employees. That is why the TRATON GROUP has introduced five such values: Customer First, Respect, Team Spirit, Responsibility, and Elimination of Waste. These values are dependent on each other and complement the purpose that TRATON has defined for itself: Transforming Transportation Together. For a sustainable world.

The TRATON GROUP has stepped up collaboration between its brands in order to successfully implement its strategy and realize common projects. This means that people from different companies and cultures have to work together. A common compass of values helps guide their thoughts and actions in the same direction so that they can better achieve TRATON's goals.

Actively putting the values into practice on a day-to-day basis takes time, and a mix of cross-brand and own-brand activities will help the TRATON brands to adopt and embrace these values together. What's crucial first and foremost is that all employees understand the new values and can think about how they themselves might put them into practice and thus contribute to that TRATON Spirit that the Group is striving to create. To this end, the Company is planning Group-wide internal workshops to encourage the teams to continuously discuss the values and how they affect their way of working. Only when we truly embrace our corporate values can we strengthen the shared spirit of trust and collaboration — the TRATON Spirit.

"Shared values create the conditions for our brands to work in an aligned and coordinated way. By joining forces, we can focus even more on putting our customers first."

Fiora Cheng Gårdemyr,
Head of Scale up and Strategic Partnerships, Scania



"Team Spirit is the backbone of our processes. It means joining forces, bringing in our differences and experiences, to work on common goals. It also means challenging ourselves and learning from each other."

Felipe Nogueira,
Associate Director R&D, Volkswagen Truck & Bus

"Acting with integrity and transparency is a natural part of our culture. We recognize our Responsibility for the environment and society as a whole and build our customers' trust by being accountable for what we do."

Lina Ankargren,
Head of Charging and Thermal Management System, Scania

"Respect means acting in a socially responsible manner and harnessing the advantages of our diverse workforce to achieve better results for our customers and society as a whole."

Nuno Marques,
Automation Manager Development, TRATON

“Customer First means giving our all to understand what matters most and what creates the greatest value for our customers and then exceeding those expectations.”

Holly Coombes
Vice President Central Sales Administration, Navistar

“Elimination of Waste is one of our core values and is valid for everyone and for all business areas. In production, it is essential for standardizing our common production system. It is the basis for maximizing quality and minimizing delivery time, inventory, and cost for our customers.”

Ulrich Zimmer
Senior Vice President Production Powertrain, MAN

questions for ...

3

Bernd Osterloh

member of TRATON SE's Executive Board responsible for Human Resources

Mr. Osterloh, what is the TRATON Spirit?

The TRATON Spirit is all about learning from each other and being open-minded so that, together, we can boost the business of the entire TRATON GROUP with all its brands. That's what allows us to take full advantage of our opportunities, in line with our purpose "Transforming Transportation Together. For a sustainable world." The basis for this are our shared values, which guide us as we collaborate with our colleagues in our everyday work. Ever since I joined TRATON in 2021, I've been impressed by how committed the employees around me are to the brands working together — from development and production all the way to sales. But I think my favorite example is development: when we collaborate on developing new products, it creates a team spirit that spills over into the entire Company. One result of this team spirit is the modular design philosophy we're currently pushing and applying to things like drive systems and cabs, for example.

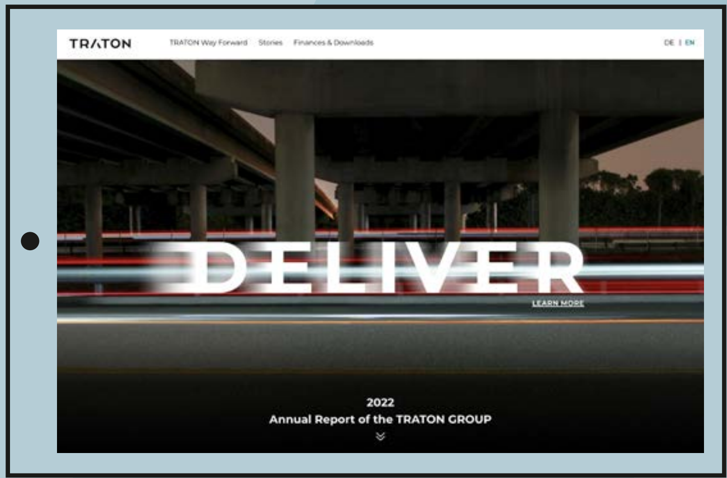
There are now shared corporate values for all employees in the TRATON GROUP. How are the different brands putting them into practice?

Customer First, Respect, Team Spirit, Responsibility, and Elimination of Waste: these values are the basis for our Group-wide collaboration. It's important to me that everyone identifies with these values and that they actively live by them. What shape this takes obviously varies from one brand to the next. Ultimately, however, the important thing is that we have a common understanding of the values throughout the Group, that we are guided by them and pursue major goals together — without losing sight of local circumstances and brand differences. Our customers should still be able to recognize the identity of each brand in the future.

How does the TRATON Spirit help the Group to achieve its goals?

No brand is viable on its own without the Group, and all of our companies know that. It's TRATON's responsibility to take the best we have within the Group, the things that each brand already implements in an exemplary manner, make that expertise available to all brands, and establish it as the Group-wide standard. This is how we live up to our purpose. Despite all the setbacks in the past year — among other things, we've had to close our operations in Russia because of the war in Ukraine, and the supply of semiconductors remains problematic — we always remained on track thanks to ever stronger cross-brand collaboration and the Group-wide spirit that all our brands share.

Bernd Osterloh
was born in 1956. He trained as an industrial business management assistant from 1973 to 1975. In 1977, he joined Volkswagen AG, where he worked until 2021. From 2005 to 2021, he was Chairman of the company's General and Group Works Councils and a member of its Supervisory Board's Executive Committee, additionally serving as a member of the Audit Committee from 2017 to 2021. He joined TRATON SE as a member of the Supervisory Board in 2018 before switching to the Executive Board on May 1, 2021, where he is responsible for Human Resources.



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This report contains certain forward-looking statements for fiscal year 2023 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 or to adapt them to future events or developments.

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

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TO OUR SHAREHOLDERS

Dear readers,

2022 was a very challenging year, economically but especially politically. Things we believed to be unshakable have been thrown into disarray. Above all, this is true of the war in Ukraine. Most political observers had no longer thought it possible for war to break out on European soil. The TRATON GROUP and its brands were quick to provide assistance after the war began. Our employees made donations and we organized aid convoys to the affected regions.

The war also had an enormous impact on our supply chains, which had not yet recovered from the challenges of the COVID-19 pandemic. The supply shortages left a mark on the entire Group but hit our MAN brand and its suppliers of cable harnesses in Ukraine the hardest, making it temporarily impossible for these components to be supplied to MAN. This meant that assembly lines at the MAN truck plants in Munich and Krakow stood still and production at other sites was stopped from mid-March onward. After successfully implementing a set of measures, MAN was able to gradually restart production after six weeks and return it to pre-war levels in the second half of the year.

In these exceptional times, we still managed to bring the TRATON GROUP forward considerably in 2022. We are focusing even more closely on executing our TRATON Way Forward strategy, joining forces to shape the transition to a world of sustainable transportation. In order to reach this goal, we have restructured our organization. Our new Group Industrial Operations unit brings all our research and development employees together into one global, cross-brand team. It will also allow us to work even more closely together in other areas in the future, for example in purchasing, logistics, and production. In addition, we have set up a cross-brand Group Product Management unit that aims to make our modular system even better at addressing our customers' needs — across all brands and areas of application. These units will now work together to develop products, services, and technical solutions that reflect those needs and improve our competitive standing. With its sights set firmly on executing its strategy, the TRATON GROUP is entering a new chapter in the Company's history.

While one chapter opens, another one closes: we stopped deliveries of vehicles and components to Russia at the beginning of March 2022 and ramped down the MAN and Scania manufacturing plant in St. Petersburg. In September 2022, TRATON announced the sale of its business activities in Russia. This included selling the MAN and Scania sales companies as well as Scania's financial services business in Russia.

Another area hugely affected by the war was Europe's energy supply as well as the prices of energy and raw materials. We will have to live with the consequences of this for years to come. Although the logistics shortages were an additional obstacle, we were able to adapt to this challenge step by step. Nevertheless, our customers' demand for innovative trucks with better fuel efficiency was particularly high after dipping as a result of the COVID-19 pandemic, and we were unable to satisfy it as quickly and completely as we endeavor to.

Faced with such a wide range of challenges, we still managed to increase our unit sales, sales revenue, and operating result (adjusted) in 2022. We also largely attained the forecast published at the beginning of the year, not least thanks to the integration of Navistar, our US subsidiary. The TRATON GROUP's unit sales grew to 305,500 vehicles in 2022, 12% higher than in 2021. We also increased our sales revenue by around a third to €40.3 billion and lifted our operating result (adjusted) by over a quarter year-on-year to around €2.1 billion. Our operating return on sales (adjusted) was 5.1% and thus at the lower end of the forecast target range of 5 to 6%.

Even though TRATON's performance remained robust on the whole, the many challenges and the production constraints we faced in 2022 weighed considerably on the Company's share price, causing it to drop by over a third compared to the previous year. This is not what our shareholders expect of us, and it is not what we expect of ourselves. Nor is it reflective of the value of our strong Group. Our focus for 2023 is clear: we are striving to achieve a significant improvement in the TRATON GROUP's performance and thus an increase in its share price.

Our optimism is also reflected in our outlook for fiscal year 2023. We are expecting our unit sales and sales revenue to increase significantly compared to 2022. We have our sights set firmly on our target return of 9% for the Group in 2024 and intend to take a crucial step toward achieving this target in 2023.

We need our powerful brands to create value — without them, we cannot be successful. The MAN restructuring is an important step in the right direction. We are making solid progress there: MAN has already become considerably more resilient and is recording a positive performance.

We are well on our way to setting up a Group-wide, integrated unit for financial services. TRATON Financial Services will offer comprehensive customer financing services and address the demand for new technologies. In doing so, it will support the TRATON GROUP's growth with new business models and allow us to play an active role in shaping the logistics ecosystem.

E-mobility is also continuing to gain momentum. TRATON reached a milestone on its journey toward sustainable transportation in 2022. For the first time ever, our brands sold more than 1,000 all-electric vehicles. We are confident that the sales of these vehicles will continue to grow exponentially. But this will not be possible without the corresponding charging infrastructure, especially for long-haul transportation.

We made significant progress in this area with the foundation of the Milence joint venture together with Daimler Truck and the Volvo Group. Milence has set itself the goal of building charging infrastructure in Europe quickly and is moving ahead at full steam. It aims to build and operate at least 1,700 green energy high-performance charging points for heavy-duty trucks and coaches in the next five years. The three partners are investing €500 million between them to support this.

We are also making great strides with our products. MAN and Scania put on an impressive show at the IAA Transportation trade fair, proving that they are ideally equipped for the transition to e-mobility. MAN presented a prototype of its new all-electric long-haul truck, which is close to production. The eTruck has a daily range of up to 800 kilometers and is already equipped for a new generation of high-power charging, the Megawatt Charging System (MCS). At the beginning of 2023, MAN signed an agreement with DB Schenker to gradually add 100 MAN eTrucks to the international logistics company's fleet in the period until 2026. The first vehicle deliveries are scheduled for the first half of 2024.

The IAA Transportation also saw Scania present an expanded portfolio of electric vehicles, specifically vehicles with two power levels designed for regional freight transportation. These 40-ton trucks can travel up to 350 kilometers on just one charge. Production of the vehicles will begin at the end of 2023, with MCS-compatible long-haul trucks set to follow gradually. Scania is seeing significant customer demand for electric trucks for regional long-haul applications and already had 640 orders for these vehicles on the books at the end of 2022. It has also entered into a partnership with Girteka and will deliver up to 600 Scania battery electric vehicles to this transport company over the next four years.

TRATON's approach to sustainability is a holistic one. After all, the first element of our strategy is making TRATON an even more responsible company with a global focus. We are also upholding this principle in the construction of our new production site in Rugao, China, 150 kilometers north-west of Shanghai. Production at the new factory will become emissions-free in the future.

It will take everything we have to reach our ambitious targets in 2023. It will be a challenging year: supply chains and the supply of raw materials are still far from stable, and uncertainty remains high as a result of the war in Ukraine. There is still a lot to be done to build the urgently needed charging infrastructure for battery electric commercial vehicles. This is where we need the support of policymakers, our customers, and society as a whole.

Looking ahead to 2023, I am feeling optimistic because of something that has stayed with me throughout all of the challenges of the past year: TRATON has strong brands and an excellent team, which is growing closer and closer together. I want to thank each and every one of our employees for their dedication. It is also clear from our corporate values, which we revised in 2022 and have now introduced for the entire Group. Our TRATON Modular System will help us make great strides in exchanging technology and leveraging synergies. At the same time, aligning our internal activities with the TRATON Modular System will take global collaboration within our Group to a new level. All of this is paving the way for a very successful future. We hope we can continue to count on your support as our shareholders.

Sincerely,

Christian Levin
CEO of TRATON SE

Executive Board

CHRISTIAN LEVIN

Chief Executive Officer of TRATON SE,
Chief Executive Officer of Scania

ANNETTE DANIELSKI

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

BERND OSTERLOH

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

ALEXANDER VLASKAMP

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

ANTONIO ROBERTO CORTES

Member of the Executive Board of TRATON SE,
Chief Executive Officer of Volkswagen Truck & Bus

MATHIAS CARLBAUM

Member of the Executive Board of TRATON SE,
Chief Executive Officer and President of Navistar

Report of the Supervisory Board[1]

Dear readers,

The Company's Supervisory Board addressed the Company's position and performance regularly and in detail in fiscal year 2022. In accordance with the recommendations of the German Corporate Governance Code (the Code), the statutory requirements, the Articles of Association, and the Rules of Procedure, we regularly advised the Executive Board in its management of the Company and monitored its activities. We were involved in an advisory capacity in all matters and decisions of major importance for the TRATON GROUP.

The Executive Board provided us with regular, comprehensive, and timely information, in both written and oral form, on the course of business, relevant business events, corporate planning, and deviations in the course of business from forecasts as well as their causes. The Executive Board also reported to the Supervisory Board, in particular, on the TRATON GROUP's strategy and the implementation status of strategic projects, the TRATON GROUP's risk position and risk management, as well as compliance issues. The documents and information required as a basis for making decisions were available to the members of the Supervisory Board at all times at the meetings and during the preparation of the resolutions to be adopted. We also received a detailed report on the current business situation from the Executive Board on defined dates.

The Executive Board provided us with detailed written or oral explanations for any deviation of business performance from the prepared budgets and targets. Together with the Executive Board, we analyzed the causes of the deviations and developed countermeasures.

During regular talks with the Chief Executive Officer outside the Supervisory Board meetings, I also discussed matters and issues relevant to the Company, such as the development of the business, planning and strategic projects, the risk position, risk management, and compliance.

The Supervisory Board held seven meetings in fiscal year 2022. It had four in-person meetings, three telephone meetings, and no video meetings. It also met for an all-day strategy day. Resolutions on urgent matters were adopted in writing.

The attendance rate of the members at the meetings of the Supervisory Board and its committees was 92% in fiscal year 2022. The individualized attendance of the members of the Supervisory Board at the meetings of the Supervisory Board and its committees is shown in the following overview:

	Supervisory Board		Presiding Committee		Audit Committee	
	No.	%	No.	%	No.	%
Mr. Pötsch	6/7	86	6/6	100		
Mr. Bechstädt	7/7	100			5/5	100
Ms. Carlquist	7/7	100				
Ms. Cavallo	5/7	71	3/6	50		
Dr. Döss	5/7	71				
Mr. Kerner	7/7	100	6/6	100		
Mr. Kilian	7/7	100	6/6	100		
Dr. Kirchmann	7/7	100				
Dr. Kuhn-Piëch	7/7	100			4/5	80
Ms. Lorentzon	7/7	100			5/5	100
Mr. Luthin	7/7	100				
Mr. Lyngsie	7/7	100	6/6	100		
Ms. Macpherson	5/7	71			5/5	100
Dr. Dr. Porsche	6/7	86	6/6	100		
Dr. Schmid	7/7	100				
Ms. Schnur	7/7	100			4/5	80
Mr. Wansch	6/7	86				
Mr. Witter	6/7	86			5/5	100
Mr. Zieger (until 12/30/2022)	6/7	86				
Mr. Sedlmaier (as of 12/31/2022)	0/0	(–)				

1 In accordance with section 171 (2) of the *Aktiengesetz* (AktG — German Stock Corporation Act)

Committee activities

The Supervisory Board established two committees — the **Presiding Committee** and the **Audit Committee** — on which shareholders and employees are represented equally, with three representatives in each case, as well as the **Nomination Committee**, which consists solely of shareholder representatives. The main role of the committees is to prepare Supervisory Board resolutions. In some cases, the Supervisory Board's decision-making powers or tasks are transferred to committees. The Nomination Committee is tasked with identifying candidates for Supervisory Board positions and recommending suitable candidates to the Supervisory Board as the latter's proposals for election at the Annual General Meeting. In this capacity, the shareholder representatives on the Presiding Committee act as the Nomination Committee.

Mr. Frank Witter was Chairman of the Audit Committee. I chaired the Presiding Committee in my capacity as Chairman of the Supervisory Board. At the Supervisory Board meetings, the Chairman of the Audit Committee and I provided regular reports on the work of the committees. Members of the committee assume responsibility for reporting if the Chairman is unable to attend a meeting.

The names of the members of the committees as of the end of 2022 can be found in the **"Corporate Governance Statement"** section and in the list in Note **"52. Supervisory Board committees"** to the Consolidated Financial Statements.

The **Presiding Committee** of the Supervisory Board held six meetings in the year under review. At its meetings, the Presiding Committee meticulously prepared the resolutions of the Supervisory Board, gathered information about ESG-related performance reviews and new features of the remuneration system for the Executive Board, discussed the execution of the TRATON GROUP's strategy and its governance, changes in the German Corporate Governance Code, including the skills and expertise profile and the qualification matrix for the Supervisory Board, as well as the impact of the Russia-Ukraine conflict.

The **Nomination Committee** did not meet in the year under review.

The **Audit Committee** held a total of five meetings in the year under review. It dealt in detail with financial reporting issues, the 2021 Annual Financial Statements of TRATON SE and the TRATON GROUP, and the audit reports as well as the supplementary report required as a result of the Russia-Ukraine conflict submitted by the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich (EY). Additionally, it subjected the performance of the audits to a quality review.

The committee discussed the Half-Year Financial Report with the Executive Board prior to its publication. EY reviewed the TRATON GROUP's Half-Year Financial Report for the period ending June 30, 2022. This did not lead to any objections. The committee discussed the findings of the review with the auditors in detail.

The Audit Committee also addressed the engagement of the auditor to audit the Annual Financial Statements for 2022, and the areas of emphasis of the audit. The committee regularly addressed the course of business in the TRATON GROUP, the internal control system, risk management and the risk management system, and the TRATON GROUP's impending and pending litigation, among other issues. The Audit Committee also addressed compliance and internal audit issues, such as the TRATON GROUP's internal audit system and the audit plans for the TRATON GROUP's Corporate Audit function, as well as their implementation status. The head of Corporate Audit of the TRATON GROUP and the Chief Compliance Officer of the TRATON GROUP reported to the committee in person on a regular basis.

The members of the Supervisory Board are responsible for obtaining the education and training necessary for them to perform their duties, for example with regard to changes in the legal environment. They are supported by the Company if necessary. In addition, issues affecting the Company are addressed regularly in-depth in the meetings of the Supervisory Board (for example, reaching ESG targets related to Executive Board remuneration, changes in the German Corporate Governance Code, or the eAxle development area). Further, issues that are of relevance for the TRATON GROUP (for example, the state of electrification technology, eChassis, and the TRATON Modular System) were addressed in depth in the course of the Supervisory Board's annual strategy day. In 2022, the members of the Supervisory Board were also able to participate in training sessions on the remuneration system for Supervisory Board members. Additionally, the members of the Audit Committee were able to attend training on the EU Taxonomy in the course of their activities. Newly appointed members of the Supervisory Board are additionally given the opportunity to receive a detailed introduction to the specific issues concerning the Supervisory Board of TRATON SE.

Issues addressed by the Supervisory Board

Topics discussed regularly by the Supervisory Board included trends with respect to orders, sales revenue, earnings, and employment within the TRATON GROUP. We also regularly addressed key strategic matters and projects, as well as programs for the future at subsidiaries of TRATON SE.

In general, the shareholder and employee representatives met for separate preliminary discussions before each of the Supervisory Board meetings.

The following additional information relates to the Supervisory Board meetings held in 2022:

Supervisory Board meeting on March 7, 2022

At our meeting on March 7, 2022, we obtained information on the Consolidated and Annual Financial Statements and the Combined Management Report of the TRATON GROUP and TRATON SE for 2021 prepared by the Executive Board. We responded to the challenges of the Russia-Ukraine conflict as a “material event” after the preparation of the financial statements and approved short-term changes by circular resolution in writing after the audit opinion had been issued by EY. We also addressed the 2021 Dependent Company Report and, for the first time in accordance with section 162 of the *Aktiengesetz* (AktG — German Stock Corporation Act), the 2021 Remuneration Report. In addition, we addressed ESG target achievement relating to Executive Board remuneration, the admission of an additional issuer to the European Medium Term Notes program, and the sale of International Indústria Automotiva Da América Do Sul Ltda. (MWM) by Navistar International Corporation.

Supervisory Board meeting on March 17, 2022

Our meeting on March 17, 2022, focused on strategy and governance issues affecting the TRATON GROUP.

Supervisory Board meeting on May 17, 2022

At our meeting on May 17, 2022, we discussed strategy and governance implementation with the Executive Board and approved the implementation of a matrix organization, including the Group Industrial Operations and Group Product Management central units.

Supervisory Board meeting on June 8, 2022

At our meeting on June 8, 2022, we approved the adjustment of the remuneration system for the members of the Executive Board, among other things. We also addressed the Executive Board appointment for the Communication and Sustainability business area at Scania CV AB and the corresponding appointment for the management position of the Communication and Sustainability business area at TRATON SE.

Supervisory Board meeting on September 14, 2022

At our meeting on September 14, 2022, we dealt with the appointment of the Executive Board member responsible for Human Resources at Volkswagen Truck & Bus and the position of Head of Governance, Risk & Compliance at TRATON SE. We also extensively addressed the planning round, the TRATON GROUP’s investment program, and the disposal of the business activities in Russia.

Supervisory Board meeting on November 25, 2022

At our meeting on November 25, 2022, we discussed the appropriateness review of Executive Board remuneration, among other things. We also obtained information on changes to the German Corporate Governance Code, sustainability expertise on the Supervisory Board, and the publication of a qualification matrix, as provided for by the German Corporate Governance Code. In addition, we again addressed the planning round and the investment program. We also received a status report on the Group Industrial Operations and Group Product Management business units.

Supervisory Board meeting on December 19, 2022

At our meeting on December 19, 2022, we addressed the appointment of the Executive Board member of MAN Truck & Bus SE responsible for Procurement.

By way of resolutions adopted in writing in the reporting period in addition to the aforementioned topics, we approved the results of the audits of the 2021 Annual Financial Statements of the TRATON GROUP and TRATON SE, the Report of the Supervisory Board, and the Corporate Governance Statement, among other things, as well as approving holding the Annual General Meeting as a virtual meeting and the corresponding agenda and proposed resolutions. Further written resolutions were adopted, among other things, to approve the sale of MWM by Navistar International Corporation and, following in-depth preliminary discussion in a Supervisory Board meeting, the sale of the Russian business and Scania's investment in Sennder GmbH. Finally, resolutions were also adopted in writing to approve Executive Board appointments at subsidiaries and appointments of senior executives at the first management level below the Executive Board.

Conflicts of interest

No conflicts of interest involving members of the Supervisory Board within the meaning of recommendation E.1 of the German Corporate Governance Code were reported in the year under review.

Corporate governance and Declaration of Compliance

Because of the change in the remuneration system for the Executive Board, the Executive Board and the Supervisory Board issued an intraperiod Declaration of Compliance. The annual Declaration of Compliance was also issued by the Executive Board and the Supervisory Board in December 2022. The declarations are permanently available on TRATON SE's website at (**https://ir.traton.com/websites/traton/English/5000/corporate-governance.html**). The departures from the recommendations of the German Corporate Governance Code are described in detail and substantiated in the Declarations of Compliance.

Further information on corporate governance at TRATON is available in the **Corporate Governance Statement** in the **"Corporate Governance at TRATON"** chapter of this Annual Report.

Changes to the composition of the Supervisory Board and the Executive Board

Effective the end of December 30, 2022, Mr. Steffen Zieger resigned his position as a member of the Supervisory Board of TRATON SE. Effective December 31, 2022, Mr. Josef Sedlmaier was appointed as his successor as a member of the Supervisory Board.

There were no changes in the Executive Board in the reporting period.

Audit of the Annual and Consolidated Financial Statements and of the Dependent Company Report

In line with the Supervisory Board's proposal, the Annual General Meeting of TRATON SE elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, (EY) as the auditor for fiscal year 2022 on June 9, 2022. The Supervisory Board issued the concrete audit engagement letter to EY in line with the Audit Committee's recommendations and specified the areas of emphasis of the audit.

The auditor issued unqualified auditor reports on the 2022 Annual Financial Statements of TRATON SE and TRATON's 2022 Consolidated Financial Statements, together with the Combined Management Report. The auditor also issued an audit opinion on the 2022 Remuneration Report prepared in accordance with section 162 of the AktG.

In addition, the auditor assessed the internal control system and the risk management system and concluded that the Executive Board had taken the measures required by section 91 (2) of the AktG to identify at an early stage any risks that could endanger the Company's continued existence.

The Executive Board of TRATON SE prepared a report on relationships with affiliated companies (Dependent Company Report) in accordance with section 312 of the AktG for fiscal year 2022. The auditor audited the Dependent Company Report and issued the following opinion:

"Based on our audit and assessment, which were carried out in accordance with professional standards, we confirm that

1. the factual statements made in the report are correct
2. the payments made by the Company in connection with legal transactions detailed in the report were not unreasonably high
3. there are no circumstances that would require a materially different assessment of the measures listed in the report than that of the Managing Board."

The Supervisory Board concurred with the result of the audit of the Dependent Company Report by the auditor.

The members of the Audit Committee and the members of the Supervisory Board received the documents relating to the Annual Financial Statements, including the Dependent Company Report, and the audit reports prepared by the auditor in good time for the meetings of these committees that dealt with the 2022 Annual Financial Statements.

At Audit Committee meetings, the auditors reported in detail on the key findings of their audits and were available to provide additional information.

Based on the audit reports by the auditor and its discussion with them as well as its own findings, the Audit Committee prepared the Supervisory Board's examination of the Consolidated Financial Statements and the Annual Financial Statements of TRATON SE, as well as the Combined Management Report and the Dependent Company Report, and reported on them in the Supervisory Board meeting.

We examined these documents in depth in the knowledge of, and taking into account, the report by the Audit Committee and the auditor's report, and in our discussions with them. We came to the conclusion that these reports comply with the applicable requirements and that the assessments by the Executive Board of the position of the Company and the Group presented in the Combined Management Report correspond to those of the Supervisory Board.

In line with the Audit Committee's recommendation, we concurred with the results of the audit by the auditor on February 22, 2023, and approved the Annual Financial Statements prepared by the Executive Board and the Consolidated Financial Statements. The Annual Financial Statements are thus adopted.

We examined the Executive Board's proposal on the appropriation of net earnings after considering in particular the interests of the Company and its shareholders and concurred with the proposal.

On completion of our examination, we raise no objections to the declaration by the Executive Board at the end of the Dependent Company Report.

The Supervisory Board would like to thank all the members of the Executive Board and the employees of the TRATON GROUP's companies for their achievements and active commitment. We also wish to extend our thanks to the employee representatives for their objective and constructive cooperation in the interests of our Company.

Munich, February 22, 2023

On behalf of the Supervisory Board:

Hans Dieter Pötsch
Chairman of the Supervisory Board

At a Glance

	2022	2021	Change
Trucks and buses (units)			
Incoming orders	334,583	359,975	–7%
Unit sales	305,485	271,608	12%
of which trucks	254,300	230,549	10%
of which buses	29,601	18,857	57%
of which MAN TGE vans	21,584	22,202	–3%
TRATON GROUP			
Sales revenue (€ million)	40,335	30,620	32%
Operating result (adjusted) (€ million)	2,071	1,599	472
Operating return on sales (adjusted) (in %)	5.1	5.2	–0.1 pp
Earnings per share (€)	2.28	0.91	1.37
Active employees[1]	100,356	97,235	3,121
TRATON Operations			
Sales revenue (€ million)	39,554	30,103	31%
Operating result (adjusted) (€ million)	2,257	1,883	374
Operating return on sales (adjusted) (in %)	5.7	6.3	–0.6 pp
Return on investment (ROI) (in %)	6.7	0.8	5.9 pp
EBITDA (adjusted) (€ million)	4,016	3,434	17%
Primary R&D costs (€ million)	1,892	1,462	29%
Capex (€ million)	1,298	1,125	15%
Net cash flow (€ million)	–625	938	–1,563
Net liquidity/net financial debt (€ million)[1]	–3,563	–1,694	–1,869
TRATON Financial Services			
Sales revenue (€ million)	1,294	964	34%
Operating result (adjusted) (€ million)	303	259	44
Operating return on sales (adjusted) (in %)	23.5	26.9	–3.5 pp
Return on equity (in %)	4.0	18.6	–14.6 pp

1 As of December 31

TRATON on the Capital Markets

Stock markets hit by Ukraine war, inflation, and economic concerns in 2022

Following a significantly positive but volatile stock market year in 2021, the global stock markets initially continued their upward trend at the beginning of 2022. The positive development came to an abrupt end with Russia's invasion of Ukraine and the start of the war on February 24, 2022. The introduction of extensive sanctions against Russia in an environment already strongly dominated by supply shortages significantly slowed down the stock markets. In particular the resulting expectation of slowing economic growth and, at the same time, of significant increases in prices for raw materials, energy, and consumer goods had a negative impact. The negative trend was exacerbated by emerging concerns about energy shortages and the end of the central banks' expansionary monetary policy. Extensive, repeated measures by international governments to support the economy, industry, and private households could only partially cushion the effects.

Over the further course of the year, central banks raised interest rates significantly in response to inflation rates, some of which posted double-digit growth. This entrenched expectations of recessionary trends in key regions. Amid often heavy volatility, global stock markets fell significantly and, in some cases, reached their lows for the year in the third quarter. In the final quarter, better-than-expected inflation and economic data and hopes that the central banks' expansionary interest rate policy would slow reversed the trend. On the back of these positive stimuli, the global stock markets recorded a significant recovery, which continued until the end of the year, albeit with some volatility.

The German Dax benchmark index closed the 2022 trading year at 13,924 points, down 12.3%. The SDax, which comprises the 70 most important companies in Germany below the Dax and the MDax, fell by 27.3% compared with the 2021 year-end closing level. The Stoxx Europe 600 Industrial Goods & Services (SXNP) index, whose members are the largest listed European companies in the industrial goods and services sector, declined by 20.1% in 2022.

TRATON posts significant share price decline

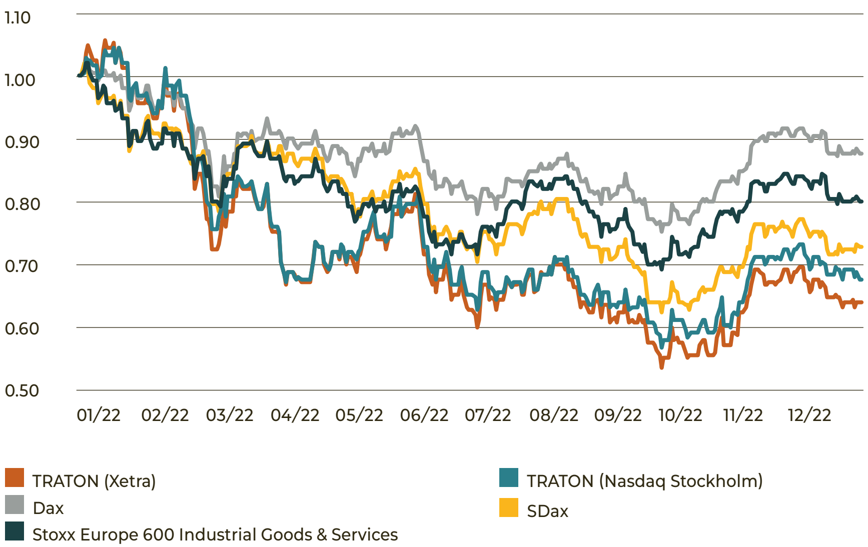
TRATON SE's shares began 2022 by broadly tracking the performance of the stock markets. The war in Ukraine led to massive supply shortfalls for truck cable harnesses at MAN Truck & Bus, resulting in a six-week interruption to production from mid-March. In the second quarter, this weighed on TRATON shares on top of the generally negative sentiment on the capital markets. In the second half of the year, TRATON shares largely followed the volatile developments on the markets, which were shaped by inflation and economic concerns. In the final quarter they benefited from the generally improved stock market environment and recorded a significant price increase.

TRATON shares reached their high for the year of €23.38 on January 13, 2022. They recorded their lowest price on September 29, 2022, at €11.83. The share price on the Nasdaq Stockholm in Sweden reached a high for 2022 of SEK 239.00 on January 17, 2022, and a low of SEK 130.20 on September 29, 2022.

TRATON shares were priced at €14.13 and SEK 155.10 on December 31, 2022. This resulted in a decrease of 36.2% and 32.3%, respectively, in the share price compared with the end of 2021. At the end of 2022, TRATON SE's market capitalization was €7.1 billion.

Currently, 24 financial analysts cover and rate TRATON shares. At the end of 2022, eleven analysts voted for "Buy," twelve for "Hold," and one for "Sell."

TRATON SHARE PRICE PERFORMANCE IN 2022 COMPARED WITH SELECTED INDICES SINCE JANUARY 1, 2022 (INDEXED; JANUARY 1, 2022 = 100%)



Earnings per share more than doubled

Earnings per share are calculated by dividing consolidated earnings after tax attributable to TRATON SE shareholders by the number of shares outstanding.

Earnings per share rose to €2.28 (previous year: €0.91) due to the improvement in operating result in the year under review.

Proposed dividend of €0.70 per share

The Executive Board and Supervisory Board of TRATON SE will propose the payment of a dividend of €0.70 per share at the Annual General Meeting for fiscal year 2022 to be held on June 1, 2023. Based on the proposed dividend, the payout ratio is 30.7%, and hence within the target corridor of 30 to 40% of net income.

Based on the proposed dividend for the year under review, the dividend yield for TRATON shares, calculated at the Xetra closing price on the last day of trading in 2022, was 5.0%.

Free float unchanged at 10.28%

TRATON has an international investor base, including from Germany, Sweden, the United Kingdom, and the USA, comprising both institutional and retail investors. The free float calculated in accordance with the criteria used by Deutsche Börse stood at 10.28% on December 31, 2022. The largest single shareholder is still Volkswagen Finance Luxemburg S.A., Strassen, Luxembourg, a Volkswagen Group company, which holds 89.72% of the share capital.

Market environment for corporate bonds

The capital market environment in 2022 was shaped by a rapidly and sharply changing interest rate environment and a high level of uncertainty due to the war in Ukraine. This resulted in a comparatively low supply of liquidity and rising bond yields. The latter stabilized at a higher level over the course of the year. In concert with other major central banks, the European Central Bank embarked on a cycle of interest rate hikes to counter rising inflation rates. The rise in euro reference rates therefore also contributed to generally rising refinancing costs. However, despite these factors, the fourth quarter of 2022 in particular offered attractive refinancing opportunities as companies and investors returned to the European bond market.

TRATON's ratings

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

RATINGS (AS OF DECEMBER 31, 2022)

	Moody's	S&P
Rating	Baa2	BBB
Outlook	stable	stable

European Medium Term Notes program

Since March 12, 2021, TRATON has had a European Medium Term Notes program, which was updated on March 31, 2022. The €12.0 billion capital market issuance program enables TRATON to raise capital on the debt markets flexibly and efficiently. In addition to TRATON SE, the Company's indirect subsidiaries TRATON Finance Luxembourg S.A. and TRATON Treasury AB can also issue bonds under the program. TRATON SE, TRATON Finance Luxembourg S.A., and TRATON Treasury AB are using the issuance program to raise capital for general corporate purposes, and the capital raised will be used as needed within the TRATON GROUP.

TRATON on the bond markets

In the course of 2022, TRATON SE issued a total volume of €1.4 billion in three tranches. The size of the issued tranches varied between €300 million and €600 million. The coupons ranged from 3-month EURIBOR plus 70 basis points to 4.125%, with terms of 18 months, 21 months, and three years. The aggregate outstanding amount issued as of December 31, 2022, was €5.7 billion. The bonds were issued by TRATON Finance Luxembourg S.A. and were listed on the Regulated Market of the Luxembourg Stock Exchange.

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

TRATON share capital

TRATON SE's share capital remained unchanged at the end of fiscal year 2022 at €500 million. It is composed of 500,000,000 no-par value shares, each with a notional value of €1.00. All shares carry full dividend rights in euros.

BASIC DATA FOR TRATON SHARES

Class	No-par value common bearer shares
ISIN	DE000TRATON7
WKN (German Securities Identification Number)	TRATON
Stock exchange	Frankfurt Stock Exchange Nasdaq Stockholm
Segment	Regulated Market (Prime Standard) of the Frankfurt Stock Exchange Large Cap Segment of Nasdaq Stockholm
Bloomberg ticker symbol	8TRA GY/8TRA SS
Reuters ticker symbol	8TRA.DE/8TRA.ST
Index membership (selection)	SDax (Deutsche Börse) OMX Stockholm All Share Index
Number of shares	500,000,000
Free float	10.28%

TRATON investor relations activities

We again further intensified and expanded our investor relations activities in the current year. We provided timely information to institutional investors and analysts, as well as retail investors, about current topics and the TRATON GROUP's business performance and its strategic focus. In addition, we held continuous discussions with institutional investors and analysts at roadshows and investor conferences in Europe and the USA — after pandemic-related restrictions or relaxations — both virtually and in person.

The highlight of TRATON's investor relations activities was the Capital Markets Day in Södertälje, Sweden, in May 2022, when the Executive Board presented and discussed the Group's and brands' goals and strategy to institutional investors and analysts. The event was also broadcast live on TRATON's website.

As in the previous year, TRATON SE held its Annual General Meeting without any shareholders or their representatives being physically present in Munich on June 9, 2022. Around 300 shareholders attended the virtual meeting of shareholders.

TRATON investor relations information

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

INDICATORS FOR TRATON SHARES

	2022	2021
Earnings per share in € (diluted/basic)	2.28	0.91
Price-earnings ratio (PE ratio)[1]	6.2	24.3
Dividend per share (€)[2]	0.70	0.50
Dividend yield (in %)[3]	5.0	2.3
Payout ratio (in %)	31	55
Xetra (€)		
Year-end closing price	14.13	22.14
Annual average price	16.01	24.25
Annual high	23.38	28.40
Annual low	11.83	19.92
Nasdaq Stockholm (SEK)		
Year-end closing price	155.10	229.00
Annual average price	169.46	245.87
Annual high	239.00	286.00
Annual low	130.20	205.00
Number of shares (million)[4]	500	500
Market capitalization (€ billion)[4]	7.1	11.1

1 Year-end closing Xetra price in relation to earnings per share
2 2022: proposed dividend, subject to approval by the 2023 Annual General Meeting
3 Dividend per share based on the year-end closing price of TRATON shares (Xetra trading)
4 As of December 31

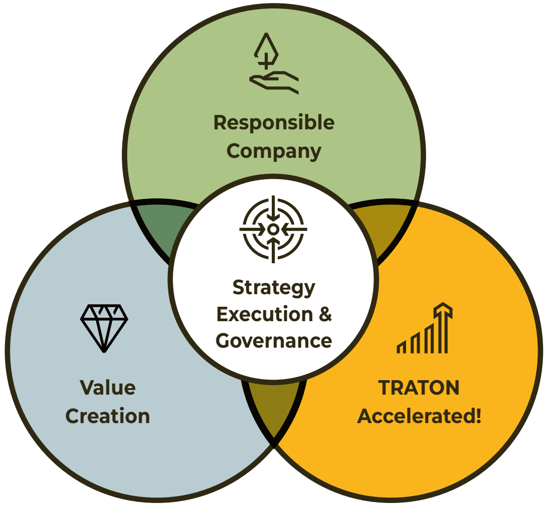
Strategy: TRATON Way Forward

Ongoing climate change, the growing importance of sustainability, decarbonization, and digital transformation pose different challenges for TRATON. The TRATON GROUP's strategy, the TRATON Way Forward, is based on a long-term vision that describes how TRATON will manage these challenges and hence the resulting changes expected in the transportation and logistics industry. As part of this strategy, TRATON has set itself the overarching goal of acting sustainably and responsibly at all times, irrespective of individual corporate decisions.

The TRATON Way Forward consists of three areas with an additional focus on strategy execution. The elements are: (1) Responsible Company; (2) Value Creation; (3) TRATON Accelerated!; and (4) Strategy Execution & Governance.

Make responsible behavior a top priority in everything we do

- Decarbonization & Circularity
- People & Diversity
- Governance & Ethics



Focus on sustainable value creation for our stakeholders

- Performance-driven
- Navistar as part of TRATON family
- TRATON goes China

Shape our role in the future logistics ecosystem

- Business Model Expansion
- Partnership Culture
- Embrace Digital

(1) Responsible Company

The TRATON GROUP intends to become even more responsible as a company in every respect. Decarbonization and circularity will play a key role in this endeavor and are our top priority. Together with our brands, we are working hard on our vision of making lasting changes to transportation in a sustainable way. Our objective is to generate the greatest possible benefit for our customers and society as a whole across the entire life cycle of our products. As well as reaching its environmental targets, TRATON also wants to strengthen a sustainable perspective on people, employees, customers, suppliers, and strategic partners. Being responsible is our highest priority and influences everything we do.

As part of our strategy, we have set ourselves the goal that around half of our annual new vehicle sales will be exclusively battery electric vehicles by 2030, enabling us to make a significant contribution to the decarbonization of the transportation sector. A further example of our stronger sense of responsibility is the establishment of the charging joint venture with Daimler Truck and the Volvo Group. The joint investment of €500 million to build at least 1,700 charging points for heavy-duty trucks and coaches over the next five years is one of the key factors for the expansion of electric mobility.

Responsible Company also includes a corporate culture that focuses on people and diversity. Our understanding of the term goes beyond the popular notion of diversity. TRATON wants to strengthen our actions to consciously bring together people with different experiences, educational backgrounds, and personalities. To be able to act responsibly, the Company is also continuing to invest increasingly in ethical principles in its corporate governance.

(2) Value Creation

The second element of the strategy is Value Creation. It focuses on a sustained increase in value for the TRATON GROUP stakeholders. It also involves tapping into additional sources of revenue and key markets to reach this goal. Making all TRATON brands even stronger is another objective. Each brand has a clearly defined strategic target return and works to deliver on it. The TRATON GROUP's management strives to achieve an operating return on sales of 9% for the Group by implementing its various brand strategies in 2024.

For TRATON, the acquisition of Navistar, which was completed in 2021, means entering the North American market and hence strengthening its global reach and leveraging an additional source of revenue. It also involves guiding Navistar to new strength. The measures for doing this range from using the powerful component and technology setup within the TRATON GROUP and expanding the financial services business, all the way to further leveraging one of the largest independent dealer and service networks in the North American market, to which Navistar already has access. The development and launch of the new Navistar S13 Powertrain on the basis of the TRATON Modular System is a key milestone.

When it comes to global expansion, the TRATON GROUP is also working to close the most important gap it still has on its global map in Asia. China is the world's largest commercial vehicle market. Chinese fleet customers are increasingly looking toward higher-end vehicles. They are expecting more and more in terms of efficiency and safety. TRATON wants to meet this demand by making appropriate investments in this region.

(3) TRATON Accelerated!

The third element of the new TRATON strategy is particularly forward-looking: TRATON wants to help actively shape the transportation and logistics ecosystem of the future. To do so, the Company intends to create new business models and partnerships that add value in a world marked by electrification, autonomous driving, and connectivity. The TRATON GROUP is accordingly expanding its perspective on business potential beyond pure transportation to include areas of logistics and digital transformation. What matters here is developing the right capabilities and partnerships in order to be able to help shape the transformation of the industry. One example of this is the launch of a second Scania venture capital fund, capitalized to the tune of SEK 2.0 billion, which aims to invest in B2B technologies such as software and products, solutions, and services in the areas of mobility, connectivity, autonomous driving, electrification, smart factories, and sustainability.

(4) Strategy Execution & Governance

The fourth element is focused on executing the strategy. Among other things, the goal is to concentrate capabilities and hence strengthen the overall competitiveness by developing a TRATON Modular System and through closer organizational integration.

All four elements of the TRATON Way Forward are interconnected. Together, they form the strategy that makes it possible for the TRATON GROUP to create an even more responsible company, add value, and pave the way toward a sustainable future.

Highlights 2022

The TRATON GROUP achieved success in all areas of its TRATON Way Forward strategy in 2022.

Responsible Company

For the TRATON GROUP, there can be no doubt that the future of transportation is electric. To make TRATON a market leader in this respect, a total of €2.6 billion is being selectively invested in e-mobility research and development between 2021 and 2026. In turn, TRATON is scaling back its investments in traditional drives to less than one-fifth of product development costs in 2026.

A dependable infrastructure is an essential prerequisite for the success of electric transportation. The CV Charging Europe (CVCE) joint venture between the TRATON GROUP, Daimler Truck, and the Volvo Group to build a high-performance charging infrastructure for heavy-duty trucks and coaches in Europe will therefore jump-start the development of battery-powered transportation. Establishment of the joint venture was completed in July 2022. The brand name Milence was presented in December.

The TRATON GROUP brands are further expanding their own portfolios of battery electric vehicles to drive forward the market ramp-up of electric transportation. At the same time, we are also investing in battery technology, which is of crucial significance.

After TRATON had joined the UN Global Compact in 2021, Volkswagen Truck & Bus (then still Volkswagen Caminhões e Ônibus) followed suit in March 2022. Eco-conscious business practices and respecting fundamental rights are essential.

In addition, the TRATON GROUP has identified Decarbonization & Circularity as one of three strategic focus areas in the Responsible Company element of its corporate strategy in order to change the Company's business model and product design with the aim of reducing CO_2 emissions and resource consumption. An advance materiality analysis was conducted for this purpose. This shows the TRATON GROUP's commitment to the climate protection convention agreed by the UN Climate Change Conference (the Paris Agreement).

Value Creation

The acquisition of all Navistar shares in 2021 was a vital step in opening up new sources of revenue and markets. Impressive success was achieved in 2022 in integrating Navistar into the Group. Expanding its global footprint has provided TRATON with greater stability, particularly in light of the significant market volatility in the year under review. In future, TRATON will be shifting its strategy more toward Asia. Scania will be the first Western truck manufacturer to have a fully independent production facility in China. This is an important step for the TRATON GROUP.

The TRATON GROUP decided in 2022 to develop a Group-wide, integrated business unit for financial services. TRATON Financial Services will offer comprehensive customer financing services to meet the demand for new technologies and business models. A very important element relates to financing services, which come into play, for example, when customers switch to electric vehicles or in connection with transport-as-a-service models.

TRATON Accelerated!

TRATON aims to establish new business models and value-added partnerships. To achieve this aim, it will expand its focus on logistics and digitalization. Test drives on Level 4 out of a total of five levels of autonomous driving had already begun in Sweden in 2021. In 2022, the route was extended thanks to approval from the Swedish road traffic authority. Now, self-driving Scania trucks can operate on all roads between the cities of Södertälje and Jönköping. There is a driver on board at all times for safety reasons.

Strategy Execution & Governance

In 2022, TRATON focused increasingly on the successful, targeted execution of its corporate strategy and optimized its own management structure accordingly. The core element of this was the start of the Group-wide introduction of a modular system with standardized interfaces for the most important technology areas, the TRATON Modular System. The entire Group is working intensively to introduce this modular system across all key components. To support this process, the two new units, Group Industrial Operations and Group Product Management, were established in the year under review.

Scania

Scania took further key steps toward sustainable transportation and self-driving trucks in 2022. With the Scania Super, the Swedish commercial vehicle manufacturer became the first brand in the TRATON GROUP to introduce the Group-wide 13-liter engine platform, developed in the Group as the Common Base Engine (CBE). This helped Scania win the prestigious 1000-point test, a major Europe-wide truck comparison. The Scania CBE reduces fuel consumption by up to 8% compared with the previous generation.

The IAA Transportation also saw Scania present an expanded portfolio of electric vehicles, specifically vehicles with two power levels designed for regional freight transportation. These are available with an installed battery capacity of up to 624 kWh, enabling a 40-ton truck to achieve a range of up to 350 kilometers.

Scania's battery electric vehicles are well received by its customers. For example, ARC, a municipal waste collection company in Copenhagen, has ordered around 100 vehicles for its own fleet, the first of which have already been delivered. In addition, Scania defined ambitious targets for decarbonizing its supply chain in 2022. The four areas of batteries, steel, aluminum, and cast iron have been identified. Together, they account for more than 80% of carbon emissions in the supply chain. Emissions from these areas are to be reduced by 60 to 85% by 2030, depending on the area.

To become a leading supplier of electrified commercial vehicles and self-driving trucks and buses, Scania is investing SEK 975 million in a new test track in Södertälje. This will further drive research and development in both of these forward-looking fields. Customers are already showing interest in driverless transportation, too. In April 2022, Scania started new tests of autonomous 40-ton mining vehicles with multinational mining group Rio Tinto and already reached a milestone in the year under review: driverless operation in a simulated load and conveying cycle environment. Scania has also started a pilot project with HAVI Supply Chain, an international logistics provider for the food industry, deploying an autonomous truck that transports commercial goods under regular traffic conditions. The project aims to shed light on the effectiveness of autonomous truck transportation between logistics centers.

Scania is also continuing to work with startups on B2B technologies and launched the second generation of its venture capital fund Scania Growth Capital. The new SEK 2 billion investment vehicle supports founders by enabling access to the Scania organization's knowledge of markets and technology.

MAN

MAN Truck & Bus drove forward the relocation of its production network in 2022. For example, €130 million is being invested in the expansion of the truck plant in Krakow, Poland. The site's area will grow by approximately one-third and will be expanded into a volume-balancing plant for trucks. In the future, around 300 vehicles and cabs can then roll off the production line every day in three shifts. To safeguard the sustainability of the site, a new bioenergy source will ensure that plant operation is carbon-neutral. This plant expansion will create approximately 1,500 additional jobs in Krakow.

A further forward-looking decision was made for the Nuremberg site, where MAN is basing large-scale production of batteries for electric trucks and buses. Production capacity is expected to reach 100,000 battery packs per year. This decision to invest around €100 million over a period of five years will safeguard approximately 350 jobs in Nuremberg. MAN will start manufacturing heavy-duty electric trucks in Munich at the beginning of 2024. Starting in early 2025, high-voltage batteries for electric trucks and buses will be manufactured in Nuremberg in large series.

MAN presented a prototype of its new all-electric large-series truck, which is close to production, at the IAA Transportation 2022. The eTruck has a daily range of up to 800 km and is scheduled for market launch in 2024. It is already equipped for a new generation of high-power charging, the Megawatt Charging System (MCS).

In 2022, MAN also anchored the issue of sustainability in its corporate strategy for the first time. In its sustainability report, the truck and bus manufacturer committed, among other things, to becoming net greenhouse gas-neutral in 2050. The TRATON brand's commitment is part of the Science Based Targets initiative (SBTi), an initiative for climate protection. The first step will be to reduce greenhouse gas (GHG) emissions at its global sites by 70% by 2030 compared with 2019. GHG fleet emissions per vehicle kilometer driven by trucks, buses, and vans sold by MAN are to be reduced by 28% by 2030 compared with the 2019 benchmark. The most important component of the greenhouse gas reduction strategy is achieving decarbonization by electrifying the company's fleet.

MAN is also developing new business areas as its vehicles become more digital. MAN is the first vehicle manufacturer to develop a transparent, digital platform for all payment processes relating to commercial vehicles: MAN SimplePay. The solution will be expanded into a payments ecosystem. Together with its partner BP p.l.c. (formerly British Petroleum), MAN is launching a solution that will ensure automated, contactless, and secure payments for fueling. Cash or physical credit cards will no longer be needed.

Navistar

Navistar embarked on a technological transformation in August 2022. With the planned start of deliveries of the International S13 Integrated Powertrain in the second half of 2023, the TRATON brand is moving to a new level in terms of efficiency, profitability, and sustainability. The S13 Integrated Powertrain is based on the Group-wide 13-liter CBE engine platform, which will be successively rolled out by all TRATON GROUP brands.

To manufacture the new powertrain, Navistar has significantly expanded and technologically upgraded its site in Huntsville, Alabama, in the year under review. The TRATON brand has invested around USD 190 million to do this. The opening of a new plant in San Antonio, Texas, represented a further milestone for Navistar. The production plant includes a body shop, a paint shop, vehicle assembly, and a logistics center, and is equipped for the production of Class 6 through 8 vehicles. Electric vehicles can also be produced there. This means that the factory is prepared for the e-mobility ramp-up right from the start.

Navistar had the eMV International medium-duty electric truck and the IC Bus Electric CE Series electric school bus in service in 2022. The company supports its customers in the transition to zero-emission vehicles, including with in-depth consulting and information events. For example, in 2022 the company trained more than 50 truck and bus dealers on the issue of zero emissions and was an exhibitor at selected trade shows in North America with augmented reality, 3D-printed models, videos, and interactive demonstrations.

Volkswagen Truck & Bus

Volkswagen Truck & Bus made strategic progress in expanding its global market presence in 2022. A clear sign of this was the change of name. Volkswagen Caminhões e Ônibus (VWCO) became Volkswagen Truck & Bus (VWTB). The TRATON brand now also has an official importer in Asia for the first time. The first VWTB models have already been delivered to customers in the Philippines.

VWTB also made progress in autonomous driving in 2022. Initial tests on sugar cane plantations saw the deployment of an autonomous Constellation 31.280 8x4 truck. 20 autonomous models of this type have already been sold to the Vamos Group, a vehicle rental company. VWTB also showcased the VW Meteor Optimus concept vehicle, which enables fuel savings of up to 8%, at the Fenatran, a major commercial vehicle trade show in São Paulo. In addition, VWTB presented the 17-ton VW e-Delivery there, the heaviest electric truck ever manufactured in Brazil.

Our New Corporate Values

In the TRATON GROUP, we are convinced that there is a strong link between our results, how we act, and how we make decisions. Shared values and consistent leadership principles that we cultivate in the Group are therefore crucial to our success. Our aspirations in this respect go beyond purely financial results.

Our corporate values are key to the Group's shared success. In 2022, we decided to review the corporate values in the TRATON GROUP. With Navistar, we have a new brand in the Group, and we know that we need to accelerate collaboration. We also took this opportunity to better describe our corporate values. The review is now completed, and the new corporate values — Customer First, Respect, Team Spirit, Responsibility, and Elimination of Waste — will be rolled out across the TRATON GROUP in 2023. They serve as guidance and orientation for collaboration between our employees.

Customer First

We can only be successful if our customers are successful. By understanding our current and future customers' business and establishing long-term relationships, we can provide tailored solutions that make them sustainable winners in the transportation sector. Our customers' operations and efficiency are at the center of our value chain.

Respect

We listen and try to understand. From the drivers of our vehicles to all our employees, the individual stands at the center of all that we do. We seek to capture the know-how, experience, and ambition of each and every one of them to continuously improve our enterprise and operations. Making use of each individual's skills, perspective, and experience is a fundamental aspect of this value, since we stand stronger together when everyone can contribute.

Team Spirit

To change the transportation industry together, we combine forces within the TRATON GROUP and work transparently with our partners toward a common goal. We consider differences and diversity as opportunities. We challenge and support one another to become better, all the way from our local team to our entire Group. The sense that we are moving in a common direction leads to collective strength and purpose.

Responsibility

We recognize that we have a responsibility to society and the environment and always strive to do the right thing in the right way. We honor all legal and compliance standards. We take responsibility for our actions, stand by our promises, act with integrity, and build trust. And trust is the basis of our relationships with customers, business partners, and society at large, making it one of our most important assets.

Elimination of Waste

With a strong focus on continuous improvements throughout our organization, we ensure safe and high-quality output in all areas. By identifying variations from targets and standards, we can avoid waste in the future. In everything we do, internally as well as externally, we strive to optimize our workflow and resource efficiency while minimizing our environmental footprint. We are creating a benchmark based on standardized work. Improvements are made on all levels, from gradual strategic changes to everyday operational ones.

Combined Management Report

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COMBINED MANAGEMENT REPORT OF TRATON SE, MUNICH, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2022

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

Key Information about the TRATON GROUP

1. Business activities and organization

The TRATON GROUP is one of the world's leading manufacturers of commercial vehicles. The Group's product range comprises trucks, buses, and light-duty commercial vehicles.

"Transforming Transportation Together. For a sustainable world." — this intention underlines the Company's ambition to have a lasting and sustainable impact on the commercial vehicle business and on the Group's commercial growth. At the same time, TRATON seeks to achieve its environmental goals, strengthen its sense of responsibility toward people, employees, customers, suppliers, and strategic partners, and increase value for its stakeholders. The Company will establish new business models and partnerships to actively shape the transportation and logistics ecosystem.

The TRATON GROUP's business activities are divided into two business areas: Industrial Business (TRATON Operations) and Financial Services (TRATON Financial Services). The TRATON Operations business area combines the four segments Scania Vehicles & Services (brand name: Scania), MAN Truck & Bus (brand name: MAN), Navistar Sales & Services (brand name: Navistar), and Volkswagen Truck & Bus (VWTB).

The TRATON Financial Services business area and segment will be developed into a global, brand-neutral financial services company in the future, combining existing structures of the Scania and Navistar brands to enable Group-wide financing on a common foundation. In this context, TRATON also intends to operate the financing business for the MAN and Volkswagen Truck & Bus brands in the future, which is currently handled by Volkswagen Financial Services AG and its subsidiaries.

The goal of the integrated financial services business unit is, first, to meet customer requirements as efficiently as possible. It will offer dealer and customer financing solutions, as well as leasing and insurance products. Brand-specific needs and product services are met by the local organizations, taking account of the regulatory environment. At the same time, the Group-wide financial services company is designed to support future growth as well as new business models in the TRATON GROUP.

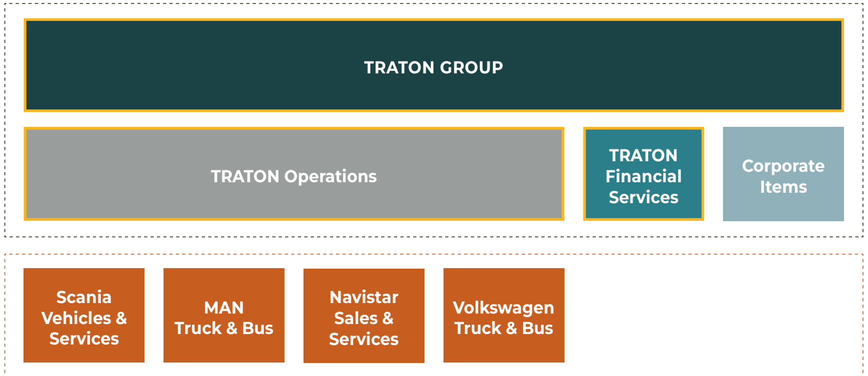
The activities of the holding companies are reported under Corporate Items. These also include the effects of purchase price allocation to the segments and business activities that are not allocated to any segment. As of year-end 2022, a total of approximately 100,400 people worked for the Group.

The TRATON GROUP's brands are clearly positioned:

- Scania is a premium innovation leader for sustainable transportation solutions. These include trucks and buses for sophisticated transportation applications as well as numerous related service offerings.
- MAN's objective is to simplify customer business as a reliable business partner. For this purpose, MAN offers a full range of solutions, from light commercial vehicles to heavy-duty trucks.
- Navistar produces trucks under the International brand and buses under the IC Bus brand, and also sells engines, spare parts, and vehicle-specific services through various partner dealerships in the USA and Canada.
- VWTB offers excellent value with products that are tailored to growth markets, especially in Latin America and Africa.

A core component of the Group's business purpose is the management and further development of an integrated, powerful organization that is stronger than the sum of its parts. The TRATON GROUP was therefore structured with a matrix organization. The Company is led by an experienced Executive Board team that comprises the Group functions Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Human Resources Officer (CHRO), and the CEOs of Scania, MAN, Navistar, and VWTB.

The core functions of the TRATON GROUP are distributed across the Munich, Germany, and Södertälje, Sweden, locations. Other important locations are Lisle, Illinois, USA, where Navistar is headquartered, and São Paulo, Brazil, the headquarters of VWTB. Purchasing, strategic product planning, and production management for the TRATON GROUP are coordinated in Södertälje in addition to research and development activities.



2. Research and development

The TRATON GROUP develops innovative solutions and products that are tailored to the needs of its customers.

TRATON repositioned its research and development function and introduced a matrix structure for its global development organization with effect from June 1, 2022. The aim of this structure is to implement the TRATON Modular System for the trucks and buses of all brands. The integration of all technical solutions in a cross-brand modular tool kit is the basis for all development activities. By consolidating our activities and harmonizing interfaces, we can offer tailored solutions to all our brands' customers and thus leverage synergies. We focus on the Modularization of components and products, Software and Systems (as the byword for networking traditional and new technologies as well as business models), and People and Collaboration to serve as the foundation for collaboration across borders and brands.

The TRATON GROUP is continuing to prioritize the product portfolio of all its brands with consistently high expenses in areas such as electrification and autonomous driving. We plan to invest a total of €2.6 billion in electric mobility in the period from 2021 to 2026, and hence substantially increase the proportion electric mobility accounts for in our product development budgets. Expenditure on conventional drives will decline accordingly. In fiscal year 2022, primary research and development costs in the TRATON GROUP amounted to €1.9 billion (previous year: €1.5 billion). The increase was essentially due to the initial consolidation of Navistar for the whole fiscal year 2022 and also attributable to significantly higher expenses for future technologies.

One of these future technologies is electrification, in which Scania continued to invest in fiscal year 2022. A Scania truck with its new 13-liter Super-based powertrain, which delivers outstanding efficiency and fuel performance, was named "Green Truck" in 2022 for the sixth time in a row. The renowned "Green Truck" award is presented for long-distance semitrailer tractors by leading German trade magazines Trucker and VerkehrsRundschau. The environmental performance assessment is based on a comparison of fuel consumption and CO_2 emissions.

MAN Truck & Bus consistently recorded high expenses for the integration of new engine and chassis regulations and for its new electric heavy-duty truck in the reporting period. MAN has been preparing the production of future eTrucks at the MAN eMobility Center since 2021, as conventional diesel trucks and electric trucks will be manufactured on the same production line during the electric mobility ramp-up. Key components of the eTrucks will be manufactured in Nuremberg in the future, where MAN also manufactures the high-voltage batteries. Production is still currently in small series, with large-series production scheduled to begin in early 2025.

As well as investing in future technologies, Scania and MAN Truck & Bus have set themselves targets to reduce CO_2 emissions in the context of the Science Based Targets initiative (STBi), and have already implemented various measures to noticeably reduce their CO_2 emissions. In 2021, Scania committed to achieving at least 30% of total sales with zero-emission vehicles by 2030 in the context of the UN Climate Change Conference. MAN Truck & Bus made a commitment in September 2021 to define binding and science-based targets for reducing emissions. The company aims to become net greenhouse gas-neutral by 2050 at the latest. MAN intends to reduce the fleet greenhouse gas emissions per vehicle-kilometer of its trucks, buses, and vans by 28% by 2030 (compared to the 2019 base year).

In 2022, Navistar's primary research and development spend was mainly directed toward the S13 Integrated Powertrain launch. At the same time, the company continued to grow its investments in the development of electric vehicles. Navistar upheld its commitment to sustainable mobility with the introduction of the International S13 Integrated Powertrain, which it unveiled during an exclusive live event held for dealers, customers, and industry press at the Las Vegas Motor Speedway in August 2022. International's S13 Integrated Powertrain was developed as part of a five-year global collaboration with the TRATON GROUP based on the Scania Super, and is thus a key component of the TRATON Modular System. Not only is it the most efficient powertrain Navistar has ever produced, but also a major milestone in the company's journey to zero-emission transportation.

In fiscal year 2022, VWTB increased spending to meet the legal requirements related to the new CONOMA P8 regulatory standards, which will come into force between 2023 and 2025. These relate in particular to the introduction of the Euro 6 standard, which will strengthen the limits for exhaust emissions. In addition, Volkswagen Truck & Bus has entered into a partnership with Brasol to develop charging solutions for the VW e-Delivery.

Further, the TRATON GROUP continued to invest in its digital brand RIO. RIO's information and application system makes it possible to standardize the route and order management, route optimization, and maintenance management of complex vehicle fleets. This allows customer-specific processes to be standardized and digitized, making transportation and logistics more efficient and thus more sustainable.

A particular focus is on the research and development activities in the TRATON Operations business area, which are presented in the following table:

RESEARCH AND DEVELOPMENT IN FIGURES

€ million	2022	2021	Change
Primary R&D costs, TRATON Operations	1,892	1,462	430
of which capitalized development costs	604	468	136
Capitalization ratio (in %)	32.0	32.0	–0.1 pp
Amortization of, and impairment losses on, capitalized development costs	379	299	80
Research and development costs recognized in the income statement	1,666	1,292	374
Sales revenue, TRATON Operations	39,554	30,103	9,451
Primary R&D costs, TRATON Operations	1,892	1,462	430
R&D ratio (in %)	4.8	4.9	–0.1 pp
R&D employees (as of 12/31)	10,123	8,702	1,421

3. Financial management

Internal management process within the TRATON GROUP

The TRATON GROUP is included in the Volkswagen Group's internal management process. The starting point for the TRATON GROUP's internal management is medium-term planning, which is prepared once per year over a period of five years. The core of the planning includes the long-term unit sales plan, the product program, and the capacity and utilization planning for the individual sites. The TRATON GROUP's financial medium-term planning comprises the income statement, cash flow and balance sheet planning, profitability and liquidity, as well as investments.

The first year of the medium-term planning period is then fixed and a budget drawn up for the individual months at the level of the operating cost centers. The budget is reviewed each month to establish the degree to which the targets have been met. Important control tools are target/actual comparisons, prior-year comparisons, variance analyses, and, if necessary, action plans to ensure budgetary targets are met. For the relevant current fiscal year, detailed revolving monthly forecasts are prepared for the coming three months and for the full year. These take into account current risks and opportunities. The focus of intra-year internal management is on measures for quickly adapting operating activities. At the same time, the current forecast serves as a potential, ongoing corrective to the medium-term and budget planning that follow on from it.

Key performance indicators of the TRATON GROUP

The following most important financial and nonfinancial key performance indicators have been defined for the TRATON GROUP and the TRATON Operations business area for fiscal year 2022:

- Unit sales
- Sales revenue
- Operating return on sales (adjusted)
- Return on investment, TRATON Operations
- Primary research and development costs, TRATON Operations
- Capital expenditures, TRATON Operations
- Net cash flow, TRATON Operations

Operating return on sales reported in fiscal year 2021 as a most important key performance indicator within the meaning of German Accounting Standard No. 20 was included as an additional performance indicator in 2022. This is due to the introduction of operating return on sales (adjusted) as a most important key performance indicator, which lays a focus on the TRATON GROUP's regular business performance.

Unit sales

Unit sales reflect our market performance. They represent the number of vehicles sold by Scania, MAN, Navistar, and VWTB. We use unit sales to monitor our goal of maintaining our position in our core markets.

Sales revenue

The growth targets that have been set assume increasing sales revenue. Driven mainly by unit sales, sales revenue reflects our market performance in terms of financial figures. A strong Vehicle Services business, sales of used vehicles, and financial services also contribute to corporate growth.

Operating return on sales (adjusted)

Operating return on sales (adjusted) is the ratio of operating result (adjusted) (or operating profit/loss (adjusted)) to sales revenue and expresses the economic performance of our business activities after accounting for the use of resources. Operating return on sales (adjusted) measures the TRATON GROUP's profitability.

Adjustments are made in order to ensure the greatest possible transparency of our business performance. The adjustments to operating result 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 as well as one-time events with a material impact on the TRATON GROUP's earnings.

Return on investment (ROI)

Return on investment represents the return on invested capital for a particular period. It is determined by calculating the ratio of operating result after tax to annual average invested capital. If the return on investment exceeds the cost of capital demanded by the market, added value is generated.

Return on investment is calculated based on operating result after tax. In addition to operating result of the TRATON Operations business area, the calculation also includes operating result of the TRATON Holding, consolidation effects between the TRATON Operations business area and the TRATON Holding, and earnings effects from the purchase price allocation with regard to the TRATON Operations business area. An overall average tax rate of 30% is applied. Invested capital is calculated as total recognized operating assets (intangible assets, property, plant, and equipment, 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. Since 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 financial result. The calculation methodology corresponds to the system used in the Volkswagen Group. The calculation is only performed on an annual basis.

Primary research and development costs

Primary research and development costs in the TRATON Operations business area contain both capitalized development costs and research and development costs not eligible for capitalization. They represent expenditures ranging from blue skies research down to the market-ready development of our products and services.

Capital expenditures

Capital expenditures in the TRATON Operations business area represent the TRATON GROUP's investments in the future. They consist of the cash investments in property, plant, and equipment and in intangible assets (excluding capitalized development costs) that are reported in the statement of cash flows.

Net cash flow

Net cash flow in the TRATON Operations business area comprises net cash provided by/used in operating activities and net cash provided by/used in investing activities attributable to operating activities, and indicates the excess funds from operating activities.

In addition to the most important key performance indicators, the following additional performance indicators are defined for the TRATON GROUP or for the individual business areas or segments:

Operating return on sales

Operating return on sales is the ratio of operating result (or operating profit/loss) to sales revenue and expresses the economic performance of our business activities after accounting for the use of resources. Operating return on sales measures the TRATON GROUP's profitability.

Net liquidity/net financial debt

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

EBITDA (adjusted)

EBITDA (adjusted) (earnings before interest, taxes, depreciation, and amortization) reflects operating performance in the TRATON Operations business area before interest, taxes, depreciation, and amortization, after accounting for the use of resources. Since depreciation and amortization may depend on the chosen accounting policies, the carrying amounts, the capital structure, and the way in which an asset was acquired, EBITDA (adjusted) is used as a key performance indicator for peer group comparisons, in particular. Adjustments to operating result are also taken into account in determining EBITDA (adjusted).

Equity ratio, TRATON Operations and TRATON Financial Services

The equity ratio indicates the ratio of total equity to total capital. For each business area, it is calculated from that area's perspective.

Return on equity, TRATON Financial Services

The return on equity describes the return on capital employed. It is calculated as the ratio of earnings before tax to average equity. Average equity is calculated from the equity at the beginning and the end of the reporting period.

Additional indicators that are mentioned in this Annual Report but not explained in this chapter are defined in the **"Further Information — Defined Terms"** section.

Report on Economic Position

1. Macroeconomic environment

Developments in the global economy

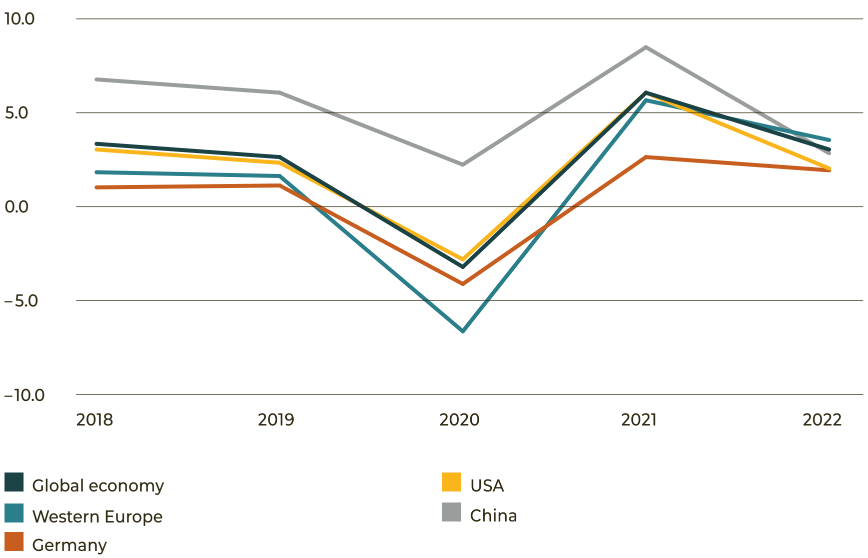
In the reporting period, the war in Ukraine war led to a humanitarian crisis and global market upheaval. Prices rose substantially, particularly on the energy and commodity markets. Component supply shortages also intensified in this context. The war in Ukraine has led to increased uncertainty about the development of the global economy and prompted large parts of the Western community of nations to impose sanctions on Russia. Among other things, these include a far-reaching trade embargo and the partial exclusion of Russia from the global financial markets. Russia itself, in its role as an energy exporter, has restricted gas deliveries to Europe. The resulting increase in commodity prices and intensified supply shortages are reinforcing the threat of persistently high inflation.

During 2022, the restrictive measures put in place to protect the population from the SARS-CoV-2 virus were lifted to a large extent in many countries. The progress made in administering vaccines to the public had a positive effect, while the emergence of the new Omicron variant and its subvariants led to renewed sharp rises in infections on a national scale, mostly causing milder symptoms but increased rates of sick leave. In China particularly, local outbreaks of infection in the course of 2022 led to tight restrictions under the zero-COVID strategy being pursued there, resulting in economic constraints and disruption to international supply chains. The departure from this strategy led to a rapid increase in infection rates in China at the end of the year.

Following the slump in global economic output in 2020 and the incipient recovery due to base and catch-up effects in 2021, the global economy recorded positive overall growth of 3.0% (previous year: 6.0%) in 2022. Both the advanced economies and the emerging markets remained on an economic recovery course on average, albeit with diminishing momentum and slower growth overall than in the previous year.

At national level, developments depended on the one hand on the scale of the negative impact of the COVID-19 pandemic and the intensity with which measures were taken to contain it, and on the other the extent to which national economies were affected by the consequences of the war in Ukraine. In response to the further rise of inflation rates around the world, many countries shifted to a more restrictive monetary policy, which led central banks to increase their key interest rates and reduce bond purchases during the reporting period. The gloomier economic outlook resulted in large losses on major stock markets. On average, prices for energy and many other raw materials rose significantly year-on-year, and shortages of intermediates and raw materials remained high. Global trade in goods increased in 2022.

ECONOMIC GROWTH
GDP CHANGE (IN %)



Europe/other markets

As a whole, the economies of Western Europe recorded positive growth of 3.5% (previous year: 5.6%) in 2022. The reasons for this included increased economic resilience in the face of high infection rates in many countries, and the associated easing of the measures taken to contain the pandemic. However, significantly increased inflation rates, among other things, resulted in a slowdown in economic momentum. This trend was seen in almost all countries in Northern and Southern Europe.

Altogether, at 0.6% (previous year: 6.4%), the economies in Central and Eastern Europe recorded low real growth in absolute gross domestic product (GDP) in the reporting period. While economic output in Central Europe saw positive, albeit somewhat less dynamic, growth of 4.4% (previous year: 7.8%), GDP in the Eastern Europe region fell significantly compared with the previous year as a result of the war in Ukraine, with a negative growth rate of 4.1% (previous year: positive growth of 4.8%). The sanctions imposed against Russia had a substantial impact in this region beginning in March 2022, causing Russian economic output to contract from the second quarter. Russia posted a negative average growth rate for the year of 3.1% (previous year: positive growth of 4.7%). Inflation rates rose, in some cases sharply, across the entire Central and Eastern Europe region.

In Türkiye, economic output for the year 2022 as a whole rose by 5.0% (previous year: 11.6%) amid very high inflation and a continued fall in the value of the local currency. South Africa saw slight GDP growth of 2.2% (previous year: 4.9%) in the reporting period, amid persistent structural deficits and political challenges.

Germany

Germany's economic output recorded a positive growth rate of 1.9% (previous year: 2.6%) in the 2022 reporting period, with declining momentum. The situation on the labor market improved compared with the previous year; the unemployment rate and reported short-time working fell on average. At the same time, monthly inflation rates hit all-time highs in the history of the Federal Republic, while consumer confidence was, for a time, at all-time lows.

North America

US economic output grew by 2.0% (previous year: 5.9%) in the reporting period. Given rising inflation and the tight labor market, the US Federal Reserve consistently maintained its restrictive monetary policy and raised its key interest rate seven times over the course of the reporting period. Unemployment declined further in 2022 from the high level seen in the previous year. GDP rose by 3.5% (previous year: 5.0%) in neighboring Canada and by 3.0% (previous year: 4.9%) in Mexico.

South America

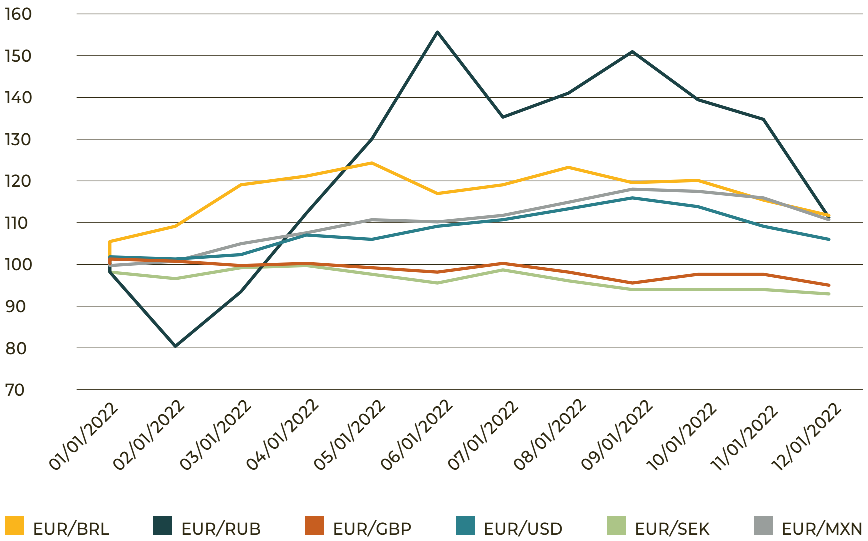
Brazil's economy posted GDP growth of 2.9% (previous year: 5.3%) in 2022. Argentina registered a positive economic performance with year-on-year growth of 4.6% (previous year: 10.4%) amid very high inflation and continuing depreciation of the local currency.

Asia/Pacific

At the beginning of the COVID-19 pandemic, China had already been exposed to the negative effects at an earlier stage than other economies and, due to the strict zero-COVID strategy pursued there, benefited from a relatively low number of new infections as the pandemic progressed. This strategy resulted in temporary local lockdowns in the reporting period in connection with the spread of the Omicron variant. The departure from this strategy led to a rapid increase in infection rates in China at the end of the year. The Chinese economy grew by only 2.8% (previous year: 8.4%) overall.

2. Exchange rates

TRATON'S PRIMARY FOREIGN CURRENCIES IN 2022



	Opening rate for the year	Year-end closing rate	Average rate for the year
BRL/EUR	6.3068	5.6444	5.4444
RUB/EUR	84.9779	76.2868	73.2742
GBP/EUR	0.8400	0.8868	0.8526
USD/EUR	1.1320	1.0677	1.0541
SEK/EUR	10.2548	11.0787	10.6278
MXN/EUR	23.1418	20.8879	21.2121

In 2022, the euro weakened against the US dollar on an annual average. The general strength of the dollar benefited from expansion of the interest rate differential and the considerable uncertainty surrounding developments in the global economy. Specific factors in the eurozone such as safeguarding the energy supply in the face of the war in Ukraine additionally weighed on the euro. The euro remained largely stable against the pound sterling on an annual average, among other reasons because fiscal policy decisions in the United Kingdom generated movement in the financial markets and caused the euro to appreciate at the end of the year. The Brazilian real and the Mexican peso were on average significantly stronger than the euro compared to 2021.

3. Market environment

The available registration data for the TRATON GROUP's core regions reflects the situation from January through December 2022.

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) and the North America region (defined as the USA, Canada, and Mexico), as well as Brazil, South Africa, and Türkiye. Russia is no longer defined as a core market. In North America, the truck market is divided into weight Classes ranging from 1 through 8. The market relevant to Navistar's business is the segment comprising weight Classes 6 through 8, approximately equivalent to a weight class > 9t (Class 6: approx. 9 through 12t, Class 7: approx. 12 through 15t, and Class 8: > 15t).

In 2022, the most important truck markets (> 6t) for the TRATON GROUP reported noticeable growth overall. The most important bus markets remained on a level with the previous year. This development was adversely affected by the war in Ukraine, which further exacerbated existing supply bottlenecks.

New truck registrations in the EU27+3 region were up moderately on the previous year's level in fiscal year 2022. Growth was recorded in the majority of the truck markets in the region, although it varied from market to market. Parts of Eastern Europe saw a continuation of the significant to strong recovery seen in the previous year. Poland, Bulgaria, and Lithuania reached new all-time highs. In Western Europe, the United Kingdom, the Netherlands, and Spain reported noticeable to significant growth, while Germany fell back slightly. There were also moderate market declines, for example in Austria, Switzerland, Norway, and Portugal. In Brazil, the market was slightly down on the previous year, whereas in Türkiye it was up sharply. New truck registrations in North America were again up significantly year-on-year. South Africa also recorded a significant increase.

The most important bus markets for the TRATON GROUP are the EU27+3 region, the school bus segment in North America, and Brazil. Overall, many bus markets remained at a very low level due to the COVID-19 pandemic. New bus registrations in fiscal year 2022 were slightly below the previous year's level in the EU27+3 region, varying widely between the individual countries and segments. The coach segment is still under pressure, but is starting to recover from its historic low in 2021. The Brazilian bus market recorded strong growth, whereas the North American school bus market saw a moderate year-on-year decline.

4. Results of operations

Incoming orders and unit sales

INCOMING ORDERS AND UNIT SALES BY COUNTRY, TRATON OPERATIONS

	Incoming orders			Unit sales		
Units	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Total	**334,583**	**359,975**	**–7%**	**305,485**	**271,608**	**12%**
BEV unit sales ratio (excluding MAN TGE vans, in %)	n/a	n/a	n/a	0.4	0.1	0.3 pp
Trucks	**274,299**	**305,745**	**–10%**	**254,300**	**230,549**	**10%**
EU27+3	111,833	148,555	–25%	89,060	92,019	–3%
of which in Germany	29,650	38,234	–22%	21,281	24,042	–11%
North America	72,864	33,581	117%	68,897	26,244	163%
of which in the USA/Canada	63,517	23,745	167%	59,840	21,653	176%
of which in Mexico	9,347	9,836	–5%	9,057	4,591	97%
South America	60,570	75,962	–20%	68,211	72,955	–7%
of which in Brazil	47,923	61,734	–22%	53,704	61,571	–13%
Other regions	29,032	47,647	–39%	28,132	39,331	–28%
Buses	**32,274**	**22,237**	**45%**	**29,601**	**18,857**	**57%**
EU27+3	6,152	4,820	28%	5,036	5,451	–8%
of which in Germany	1,652	1,566	5%	1,262	1,768	–29%
North America	15,061	10,658	41%	13,931	6,054	130%
of which in the USA/Canada	12,835	9,156	40%	11,857	4,841	145%
of which in Mexico	2,226	1,502	48%	2,074	1,213	71%
South America	8,361	4,495	86%	7,941	4,812	65%
of which in Brazil	6,427	3,464	86%	5,926	3,434	73%
Other regions	2,700	2,264	19%	2,693	2,540	6%
MAN TGE vans	**28,010**	**31,993**	**–12%**	**21,584**	**22,202**	**–3%**
EU27+3	27,519	31,300	–12%	21,424	21,534	–1%
of which in Germany	12,098	9,650	25%	9,080	6,320	44%

The TRATON GROUP recorded a noticeable decline in incoming orders in 2022. Excluding Navistar's activities, which have been consolidated since July 1, 2021, incoming orders would have been down 22% year-on-year. In addition, no orders for new vehicles were accepted from Russia because of the war in Ukraine.

Without Navistar, incoming orders in the truck business would have been down 26% year-on-year. Due to high order backlogs accompanied by long delivery times caused by limited component availability, MAN, Navistar, and Scania in particular, were highly restrictive in their order acceptance.

By contrast, the bus business posted a very strong increase in the reporting period, partly thanks to the school bus business in South America. Moreover, particularly high incoming orders had been recorded in the truck and MAN TGE van business as a result of a COVID-19 catch-up effect in the prior-year period.

The TRATON GROUP's unit sales increased by 12% in the reporting period. Excluding Navistar, unit sales would have been down 7% year-on-year. This is due primarily to ongoing supply bottlenecks, logistics shortages, and the six-week production stop at MAN Truck & Bus in the first half of the year.

The book-to-bill ratio in the reporting period was 1.1 (previous year: 1.3). Incoming orders thus exceeded unit sales in both the reporting period and the previous year, leading to an increase in the order backlog.

In 2022, 605 (previous year: 97) all-electric trucks and 449 (previous year: 153) all-electric buses were sold. This corresponds to a BEV unit sales ratio of 0.4% (previous year: 0.1%). Additionally, 57 (previous year: 29) hybrid trucks, 83 (previous year: 118) hybrid buses, and 686 (previous year: 826) MAN eTGE models were sold.

Sales revenue

SALES REVENUE BY PRODUCT GROUP

€ million	2022	2021	Change
TRATON GROUP	**40,335**	**30,620**	**32%**
TRATON Operations	**39,554**	**30,103**	**31%**
New Vehicles	25,542	19,029	34%
Vehicle Services business[1]	8,522	6,392	33%
Others	5,490	4,683	17%
TRATON Financial Services	**1,294**	**964**	**34%**
Corporate Items	–513	–447	–

1 Including genuine parts and workshop services

The TRATON GROUP generated sales revenue of €40.3 billion (previous year: €30.6 billion) in 2022. This increase is attributable to higher new vehicle unit sales as a result of the Navistar integration, a positive market and product mix, as well as better unit price realization and an increase in the Vehicle Services business. Excluding Navistar's activities, sales revenue would have been up 10% year-on-year. Accounting for 21% (previous year: 21%) of total sales revenue, the Vehicle Services business contributed a considerable €8.5 billion (previous year: €6.4 billion) to business performance. Both the genuine parts business and workshop services recorded substantial and significant growth across all brands, respectively. Additionally, there were positive currency effects compared with the previous year, in particular due to the movement of the Brazilian real and the Swedish krona. Moreover, the weakening of the euro against the US dollar made a positive contribution to sales revenue growth.

The TRATON Financial Services segment recorded sales revenue of €1.3 billion (previous year: €964 million), a very strong year-on-year increase. Even excluding Navistar's financial services business, which has been consolidated since July 1, 2021, we recorded substantial growth following the expansion of the financing portfolio in the previous year.

Profit and loss

CONDENSED INCOME STATEMENT OF THE TRATON GROUP

	TRATON GROUP		TRATON Operations		TRATON Financial Services		Corporate Items	
€ million	2022	2021	2022	2021	2022	2021	2022	2021
Sales revenue	40,335	30,620	39,554	30,103	1,294	964	–513	–447
Cost of sales	–33,482	–25,083	–33,086	–24,758	–794	–579	398	253
Gross profit	**6,853**	**5,536**	**6,468**	**5,345**	**500**	**385**	**–115**	**–194**
Distribution expenses	–3,399	–2,758	–2,981	–2,499	–162	–143	–256	–116
Administrative expenses	–1,376	–1,204	–1,239	–1,020	–28	–15	–109	–170
Other operating result	–513	–1,180	–274	–1,149	–230	33	–9	–64
Operating result	**1,564**	**393**	**1,973**	**677**	**80**	**259**	**–489**	**–543**
Operating result (adjusted)	**2,071**	**1,599**	**2,257**	**1,883**	**303**	**259**	**–489**	**–543**
Operating return on sales (in %)	3.9	1.3	5.0	2.2	6.2	26.9	–	–
Operating return on sales (adjusted) (in %)	5.1	5.2	5.7	6.3	23.5	26.9	–	–
Financial result	–4	255	–40	–106	0	0	36	361
Earnings before tax	**1,560**	**648**	**1,934**	**571**	**80**	**260**	**–453**	**–182**
Income taxes	–419	–178	–326	–349	–86	–47	–8	218
Earnings after tax	**1,141**	**470**	**1,607**	**222**	**–6**	**212**	**–461**	**35**

Operating result:
Gross profit rose to €6.9 billion (previous year: €5.5 billion) in the 2022 reporting period and was hence up 24% year-on-year. For the TRATON GROUP and the TRATON Operations business area, gross profit would have been up 5% on the prior-year level without Navistar. The change in gross profit was driven mainly by the war in Ukraine, which led to massive supply shortages for truck cable harnesses at MAN Truck & Bus, among other things. These resulted in a six-week production stop at some truck plants from mid-March. In addition, there were production restrictions in the TRATON Operations business area due to bottlenecks in the supply of semiconductors and other key components as well as shortages in logistics capacity. The shortages in logistics capacity also impacted deliveries of vehicles.

At 17.0% (previous year: 18.1%), the TRATON GROUP's gross margin was down 1.1 percentage points year-on-year. This was primarily attributable to the 1.4 percentage point decline in the TRATON Operations business area to 16.4% (previous year: 17.8%). The declining margin in the TRATON Operations business area was mainly due to lower production volumes, especially for trucks in Europe, and an associated significantly lower capacity utilization. In addition, higher development costs on the back of intensified spending on e-mobility negatively impacted the gross margin. Significantly higher prices for energy, raw materials, and other bought-in components as well as for logistics services were largely offset by higher vehicle prices. Without Navistar, the gross margin would have been 18.3% (previous year: 19.2%) for the TRATON GROUP and 17.5% (previous year: 18.3%) for the TRATON Operations business area.

At €3.4 billion (previous year: €2.8 billion), distribution expenses were up €640 million year-on-year. This increase is mainly attributable to the inclusion of Navistar, accounting for €759 million (previous year: €301 million). Adjusted to exclude the effect of the consolidation of Navistar, administrative expenses even declined slightly by €24 million (3%) to €911 million (previous year: €936 million) year-on-year thanks to strict cost management. The ratio of distribution and administrative expenses to sales revenue fell by 1.1 percentage points to a total of 11.8% (previous year: 12.9%).

Other operating result was impacted in particular by expenses related directly to the war in Ukraine and, at €–513 million (previous year: €–1.2 billion), was above the previous year's level. It includes expenses of €477 million, which mainly comprised higher bad debt allowances on receivables in connection with the disposal of the Russian Scania Financial Services companies in the TRATON Financial Services segment totaling €224 million. In the TRATON Operations business area, expenses of €253 million mainly comprised impairment losses on property, plant, and equipment and on inventories, bad debt allowances on receivables, and impairment losses on other assets, as well as other expenses in connection with the disposal of the Russian distribution companies of Scania Vehicles & Services and MAN Truck & Bus. There were additional negative effects from the measurement and realization of foreign exchange positions and derivatives, which were largely offset by higher income from the reversal of provisions. The prior-year figure had been mainly impacted by expenses of €696 million for restructuring measures at MAN Truck & Bus and expenses from provisions of €510 million at Scania Vehicles & Services in connection with the EU antitrust proceedings.

The TRATON GROUP's operating result increased significantly to €1.6 billion (previous year: €393 million). Operating result in the TRATON Operations business area was also up significantly on the previous year at €2.0 billion (previous year: €677 million). Without the inclusion of Navistar, operating result would have been €1.3 billion (previous year: €608 million) in the TRATON GROUP and €1.5 billion (previous year: €636 million) in the TRATON Operations business area.

The TRATON GROUP increased its operating return on sales by 2.6 percentage points year-on-year to 3.9% (previous year: 1.3%). Operating return on sales in the TRATON Operations business area was 5.0% (previous year: 2.2%), 2.7 percentage points above the previous year. Without the inclusion of Navistar, operating return on sales would have been 4.4% (previous year: 2.3%) in the TRATON GROUP and 5.1% (previous year: 2.4%) in the TRATON Operations business area, in each case above the prior-year level.

Operating result (adjusted):
The TRATON GROUP's operating result (adjusted) in the reporting period was €2.1 billion (previous year: €1.6 billion), up €472 million year-on-year despite substantial effects from supply bottlenecks as well as the production stop at MAN Truck & Bus and the associated lower capacity utilization. The adjustments of €507 million in the reporting period related mainly to expenses directly associated with the war in Ukraine. In the TRATON Financial Services segment, these included in particular bad debt allowances of €224 million on receivables in connection with the disposal of the Russian Scania Financial Services companies. In the TRATON Operations business area, these adjustments amounting to €253 million mainly comprised impairment losses on property, plant, and equipment and on inventories, receivables, and other assets, as well as other expenses in connection with the sale of the Russian distribution companies of Scania Vehicles & Services and MAN Truck & Bus. In addition, operating result in the TRATON Operations business area was adjusted for expenses of €17 million relating to the EU antitrust proceedings and expenses of €13 million in conjunction with the repositioning of MAN Truck & Bus. This meant that operating result (adjusted) in the TRATON Operations business area came to €2.3 billion (previous year: €1.9 billion), significantly above the level of the previous year. In the previous year, adjustments of €696 million had been made in connection with the repositioning of MAN Truck & Bus and of €510 million for expenses from provisions at Scania Vehicles & Services in connection with the EU antitrust proceedings.

Operating return on sales (adjusted) was 5.1% (previous year: 5.2%) in the TRATON GROUP and 5.7% (previous year: 6.3%) in the TRATON Operations business area.

Financial result:
At €–4 million (previous year: €255 million), financial result was down €259 million year-on-year. This development was mainly driven by lower investment income from companies accounted for using the equity method, in particular from the investment in Sinotruk (Hong Kong) Limited, Hong Kong, China. Higher realized income from loan payables in foreign currency was an offsetting factor. Income in connection with the initial consolidation of Navistar of €182 million net had been included in the previous year.

Taxes:
Income taxes came to €–419 million (previous year: €–178 million), corresponding to a tax rate of 27% (previous year: 27%). The tax rate in the year under review was thus slightly below the nominal Group tax rate and remained on a level with the previous year. Offsetting effects from tax loss carryforwards from previous years, for which deferred taxes were recognized for the first time, and from tax-exempt income, and negative effects from nondeductible expenses, among other things, largely canceled each other out.

Earnings after tax:
Earnings after tax increased to €1.1 billion (previous year: €470 million) in the year under review. This resulted in earnings per share of €2.28 (previous year: €0.91). Calculation of earnings per share was based on an average of 500 million shares.

Segments of the TRATON GROUP

SCANIA VEHICLES & SERVICES

	2022	2021	Change
Incoming orders (units)	**82,071**	**116,798**	**–30%**
Sales (units)	**85,232**	**90,366**	**–6%**
of which trucks	80,238	85,930	–7%
of which buses	4,994	4,436	13%
Sales revenue (€ million)	**15,316**	**13,927**	**10%**
New Vehicles	9,580	8,802	9%
Vehicle Services business[1]	3,426	2,964	16%
Others	2,311	2,162	7%
Operating result (€ million)	1,175	903	273
Operating result (adjusted) (€ million)	1,315	1,412	–97
Operating return on sales (in %)	7.7	6.5	1.2 pp
Operating return on sales (adjusted) (in %)	8.6	10.1	–1.6 pp

1 Including genuine parts and workshop services

Scania Vehicles & Services was able to increase its sales revenue noticeably year-on-year to €15.3 billion (previous year: €13.9 billion). Shortages in the supply of semiconductors and other key components meant that fewer trucks could be produced and sold compared to the prior-year period. Logistics shortages also had a negative impact on deliveries to customers. A favorable market and product mix, better unit price realization, and the substantial growth in the Vehicle Services business were able to offset the lower sales volume of new vehicles, among other things. Operating result was negatively impacted by the lower production capacity utilization. This was exacerbated by increased material and raw material prices and higher personnel and non-staff-related expenses, primarily directed toward expanding the Vehicle Services business. Higher development costs due to intensified spending on e-mobility further reduced operating result. Currency effects, especially the performance of the Swedish krona, had a positive impact.

Adjustments to operating result in the reporting period amounted to €140 million. These contained expenses of €17 million relating to the EU antitrust proceedings and expenses of €123 million attributable directly to the war in Ukraine. The latter included expenses due to the sale of the Russian distribution companies in the amount of €99 million (see Note **"9. Noncurrent assets and disposal groups held for sale"** to the Consolidated Financial Statements). In the previous year, the adjustments had related to expenses in connection with provisions for the EU antitrust proceedings amounting to €510 million.

MAN TRUCK & BUS

	2022	2021	Change
Incoming orders (units)	**109,717**	**143,531**	**–24%**
Sales (units)	**84,513**	**93,668**	**–10%**
of which trucks	58,123	66,837	–13%
of which buses	4,806	4,629	4%
of which MAN TGE vans	21,584	22,202	–3%
Sales revenue (€ million)	**11,331**	**10,934**	**4%**
New Vehicles	6,317	6,159	3%
Vehicle Services business[1]	2,603	2,303	13%
Others	2,411	2,472	–2%
Operating result (€ million)	–4	–447	443
Operating result (adjusted) (€ million)	139	249	–109
Operating return on sales (in %)	0.0	–4.1	4.1 pp
Operating return on sales (adjusted) (in %)	1.2	2.3	–1.0 pp

1 Including genuine parts and workshop services

MAN Truck & Bus was able to achieve sales revenue of €11.3 billion (previous year: €10.9 billion) despite the production stop in the first half of the year and supply bottlenecks. This figure was slightly above the prior-year level. Declining unit sales of new vehicles were countered by an improved market and product mix, better unit price realization for new and used vehicles, and significant growth in the Vehicle Services business. Additionally, operating result was impacted by negative developments in material and energy prices.

Adjustments to operating result in the reporting period amounted to €143 million. These contained restructuring expenses for the ongoing repositioning of MAN Truck & Bus amounting to €13 million (previous year: €696 million). Expenses of €130 million attributable directly to the war in Ukraine were also incurred. These included expenses in connection with the sale of the Russian distribution company in the amount of €92 million (see Note **"9. Noncurrent assets and disposal groups held for sale"** to the Consolidated Financial Statements). In the previous year, the adjustments had related to expenses of €696 million in connection with the restructuring program for the repositioning of MAN Truck & Bus.

NAVISTAR SALES & SERVICES

	2022	2021[1]	Change
Incoming orders (units)	**86,019**	**42,588**	**102%**
Sales (units)	**81,892**	**30,305**	**170%**
of which trucks	69,073	25,113	175%
of which buses	12,819	5,192	147%
Sales revenue (€ million)	**10,501**	**3,557**	**195%**
New Vehicles	6,861	2,054	234%
Vehicle Services business[2]	2,394	1,053	127%
Others	1,247	450	177%
Operating result/operating result (adjusted) (€ million)	502	41	460
Operating return on sales/operating return on sales (adjusted) (in %)	4.8	1.2	3.6 pp

1 July 1, 2021, to December 31, 2021

2 Including spare parts and workshop services

Navistar Sales & Services posted an operating result of €502 million and an operating return on sales of 4.8% in 2022. Rising procurement prices were offset by improved unit price realization. Navistar's Vehicle Services business accounts for around a quarter of total sales revenue. Unit sales of almost 82,000 vehicles were recorded despite continued pressure on supply chains.

In April 2022, Navistar entered into a definitive agreement with Tupy S.A., Brazil, for the sale of International Indústria Automotiva Da América Do Sul Ltda. (MWM). The sale of MWM was completed in November 2022. This transaction reduced operating result by €7 million.

VOLKSWAGEN TRUCK & BUS (VWTB)

	2022	2021	Change
Incoming orders (units)	**57,042**	**57,241**	**0%**
Sales (units)	**54,136**	**57,405**	**–6%**
of which trucks	47,074	52,794	–11%
of which buses	7,062	4,611	53%
Sales revenue (€ million)	**2,952**	**2,113**	**40%**
New Vehicles	2,801	2,023	38%
Vehicle Services business[1]	131	88	48%
Others	20	1	1,297%
Operating result/operating result (adjusted) (€ million)	309	171	138
Operating return on sales/operating return on sales (adjusted) (in %)	10.5	8.1	2.4 pp

1 Including spare parts and workshop services

Volkswagen Truck & Bus generated sales revenue of €3.0 billion (previous year: €2.1 billion) in 2022, a year-on-year increase of 40%. This increase was achieved in spite of a lower volume of unit sales and resulted primarily from improved product positioning and price realization in Brazil. Exchange rate effects from translation into the Group currency (euros) also had a positive impact. Operating result virtually doubled and a double-digit operating return on sales was recorded despite higher material costs.

TRATON FINANCIAL SERVICES

	2022	2021	Change
Sales revenue (€ million)	**1,294**	**964**	**34%**
Operating result (€ million)	80	259	–180
Operating result (adjusted) (€ million)	303	259	44
Operating return on sales (in %)	6.2	26.9	–20.8 pp
Operating return on sales (adjusted) (in %)	23.5	26.9	–3.5 pp
Return on equity (in %)	4.0	18.6	–14.6 pp

The TRATON Financial Services segment recorded sales revenue of €1.3 billion (previous year: €1.0 billion), a very strong year-on-year increase. Even excluding Navistar's financial services business, substantial growth was recorded on the back of rising interest income and as a result of the expansion of the financing portfolio in the previous year and positive exchange rate effects.

The positive volume effects were partly offset in operating result (adjusted) by bad debt allowances on receivables. Operating result (adjusted) at Scania Financial Services was up slightly year-on-year at €222 million (previous year: €216 million).

Operating result at Scania Financial Services was adjusted in the reporting period for expenses of €224 million directly related to the war in Ukraine. These included expenses in connection with the sale of the Russian financing business that took place on January 17, 2023, in the amount of €184 million (see Notes **"9. Noncurrent assets and disposal groups held for sale"** and **"49. Events after the reporting period"** to the Consolidated Financial Statements).

5. Financial position

Principles and goals of financial management

Financial management contributes to the value of the TRATON GROUP by optimizing the outcome of all financing measures, liquidity and capital structure, and also by managing risks.

All external and internal financial transactions are solely generated to fulfill financing needs or to limit risks from an actual underlying business transaction and therefore do not serve any speculative purpose. Strong dependencies on particular financial partners are systematically avoided. All financial transactions are concluded under standard market conditions.

Financial management has the duty to manage all financial transactions and financial risks in the TRATON GROUP with a focus on achieving the following objectives:

- Ensuring the solvency of all Group companies at all times as well as the financing of all Group business activities;
- Limiting of market price risks (from interest rates, foreign currencies/exchange rates, commodity prices) and default risk of financial counterparties;
- Optimization of costs from funding activities and returns on financial investments;
- Safeguarding the settlement of financial and payment transactions as well as pooling of Group liquidity.

Financing strategy

Our goal is to finance ongoing investment requirements in the TRATON Operations business area from operating cash flow. For this reason, the TRATON Operations business area should not report any net financial debt in a normal business environment. Depending on the gearing ratio and the liquidity position, other capital spending projects, such as acquisitions, should be financed by a balanced mixture of equity and debt. The composition can be adapted to reflect the relevant capital market environment. In the TRATON Financial Services business area, we ensure that leased or financed assets are financed at matching maturities.

As a general rule, the capital structure in the TRATON GROUP should correspond to an implied solid investment-grade classification. A key performance indicator in this context is the net financial debt/EBITDA (adjusted) ratio, which is the ratio of net financial debt to EBITDA (adjusted). If justified by extraordinary financing requirements or special market circumstances, this target can be temporarily relaxed subject to certain conditions. TRATON SE has been awarded external credit ratings by Moody's and Standard & Poor's (S&P) since June 2020. Moody's is currently awarding a rating of Baa2 (stable outlook), and S&P's rating is BBB (stable outlook). Both ratings are investment-grade.

Financing mix

Financial liabilities should be comprised of a balanced mix of bank liabilities and other financing sources, among others capital market financing. Especially for short-term debt, we use a broad range of financing instruments.

Liquidity

The TRATON GROUP strives to maintain adequate available liquidity from net cash flow in the TRATON Operations business area. This is supplemented by committed, unused credit lines from banks, among others, to cover liquidity requirements at all times.

Maturity profile

As a general principle, the TRATON GROUP aims to achieve a balanced maturity profile for its liabilities so that it can cover amounts that fall due during the year from net cash flow to the greatest extent possible.

Dividends policy

The TRATON GROUP intends to pay a dividend of 30 to 40% of its annual consolidated earnings after tax. The resolution to pay out a dividend for a particular fiscal year is adopted by the Annual General Meeting in the following year. The dividend is paid once a year. The proposal by the Executive Board and Supervisory Board concerning the amount of the dividend generally considers business performance and other influencing factors.

Risk management

The TRATON GROUP uses appropriate financial instruments, e.g., derivatives, to hedge the Group's financial risk exposure. Balance sheet foreign exchange exposure is also hedged in this context. Order book and other probable future sales and purchase contracts are hedged within defined limits. Commodity price risks are partially hedged, while counterparty risks are closely monitored. Management of foreign exchange, interest rate, and commodity exposure is at the discretion of each brand. The relevant requirements of each company are considered since different functional currencies and business environments apply. The Group's activities in the TRATON Financial Services business area are managed to largely match assets and liabilities in order to minimize interest rate mismatches. Appropriate value-at-risk methods are applied.

Financing in 2022

Gross financial liabilities amounted to €21.1 billion (previous year: €18.2 billion) as of December 31, 2022. €11.7 billion (previous year: €11.3 billion) of this amount was attributable to financing through capital market instruments, €5.9 billion (previous year: €4.3 billion) to bank funding, €2.2 billion (previous year: €1.4 billion) to Volkswagen Group loans, and €1.2 billion (previous year: €1.2 billion) to lease liabilities.

Financial liabilities of the TRATON GROUP as of 12/31/2022, € billion	Total	Due 2023	Due 2024	Due 2025	Due 2026	Due 2027	Due 2028 or later
Bonds	10.2	2.5	2.6	2.8	0.3	0.1	1.9
of which TRATON Operations	–	–	–	–	–	–	–
of which TRATON Financial Services	4.8	1.9	1.2	1.3	0.3	0.1	–
of which Corporate Items	5.4	0.6	1.4	1.5	–	–	1.9
Commercial paper	0.8	0.8	–	–	–	–	–
of which TRATON Operations	–	–	–	–	–	–	–
of which TRATON Financial Services	0.8	0.8	–	–	–	–	–
of which Corporate Items	–	–	–	–	–	–	–
Liabilities to banks	5.9	3.2	1.7	0.4	0.2	0.1	0.3
of which TRATON Operations	0.2	0.2	–	0.0	0.0	–	–
of which TRATON Financial Services	2.4	0.8	0.6	0.4	0.2	0.1	0.3
of which Corporate Items	3.3	2.2	1.1	–	–	–	–
Schuldscheindarlehen	0.7	–	0.4	–	0.3	–	0.0
of which TRATON Operations	–	–	–	–	–	–	–
of which TRATON Financial Services	–	–	–	–	–	–	–
of which Corporate Items	0.7	–	0.4	–	0.3	–	0.0
Volkswagen Group liabilities	2.2	1.7	–	0.5	–	–	–
of which TRATON Operations	–	–	–	–	–	–	–
of which TRATON Financial Services	0.0	0.0	–	–	–	–	–
of which Corporate Items	2.2	1.7	–	0.5	–	–	–
Total financial liabilities (excluding lease liabilities)	**19.9**	**8.2**	**4.7**	**3.7**	**0.8**	**0.2**	**2.2**
of which TRATON Operations	0.2	0.2	–	–	–	–	–
of which TRATON Financial Services	8.0	3.5	1.8	1.7	0.5	0.2	0.3
of which Corporate Items	11.6	4.5	2.9	2.0	0.3	–	1.9
Lease liabilities[1]	1.2						
Total financial liabilities	**21.1**						
of which TRATON Operations	1.4						
of which TRATON Financial Services	8.0						
of which Corporate Items	11.6						

1 The maturity structure of the lease liabilities (IFRS 16 *Leases*) is as follows: < 1 year: €240 million; 1–5 years: €640 million; > 5 years: €328 million.

Financial liabilities of the TRATON GROUP as of 12/31/2021, € billion	Total	Due 2022	Due 2023	Due 2024	Due 2025	Due 2026	Due 2027 or later
Bonds	9.6	2.0	2.2	1.5	1.9	–	2.0
of which TRATON Operations	–	–	–	–	–	–	–
of which TRATON Financial Services	5.3	2.0	1.9	0.5	0.9	–	–
of which Corporate Items	4.3	–	0.3	1.0	1.0	–	2.0
Commercial paper	1.0	1.0	–	–	–	–	–
of which TRATON Operations	–	–	–	–	–	–	–
of which TRATON Financial Services	1.0	1.0	–	–	–	–	–
of which Corporate Items	–	–	–	–	–	–	–
Liabilities to banks	4.3	1.4	2.1	0.4	0.2	0.1	0.1
of which TRATON Operations	0.5	0.4	0.0	0.0	0.0	0.0	0.0
of which TRATON Financial Services	2.1	1.0	0.3	0.4	0.2	0.1	0.1
of which Corporate Items	1.7	–	1.7	–	–	–	–
Schuldscheindarlehen	0.7	–	–	0.4	–	0.3	0.0
of which TRATON Operations	–	–	–	–	–	–	–
of which TRATON Financial Services	–	–	–	–	–	–	–
of which Corporate Items	0.7	–	–	0.4	–	0.3	0.0
Volkswagen Group liabilities	1.4	1.4	–	–	–	–	–
of which TRATON Operations	–	–	–	–	–	–	–
of which TRATON Financial Services	0.0	0.0	–	–	–	–	–
of which Corporate Items	1.3	1.3	–	–	–	–	–
Total financial liabilities (excluding lease liabilities)	**17.0**	**5.5**	**4.5**	**2.2**	**2.1**	**0.5**	**2.1**
of which TRATON Operations	0.5	0.4	0.0	0.0	0.0	0.0	0.0
of which TRATON Financial Services	8.4	3.8	2.5	0.8	1.1	0.1	0.1
of which Corporate Items	8.1	1.3	2.0	1.4	1.0	0.3	2.0
Lease liabilities[1]	1.2						
Total financial liabilities	**18.2**						
of which TRATON Operations	1.7						
of which TRATON Financial Services	8.4						
of which Corporate Items	8.1						

1 The maturity structure of the lease liabilities (IFRS 16) is as follows: < 1 year: €241 million; 1–5 years: €621 million; > 5 years: €375 million.

Financing of the TRATON GROUP

Bonds totaling €5.7 billion (previous year: €4.3 billion) from the €12.0 billion European Medium Term Notes program launched by TRATON Finance Luxembourg S.A., Strassen, Luxembourg (TRATON Finance) for the first time were issued on the capital market starting in March 2021 and partly hedged by means of interest rate derivatives.

The *Schuldscheindarlehen* placed by TRATON SE in 2021 were drawn down as of December 31, 2022, in the amount of €700 million (previous year: €700 million).

Additionally, in November 2020 TRATON SE took out a €3.3 billion credit facility with Volkswagen International Luxemburg S.A., Strassen, Luxembourg (Volkswagen International Luxemburg), with a term of up to 30 months to finance the purchase price of the common shares of Navistar not already held by TRATON SE. The credit facility was repaid in 2021 and 2022 in several tranches using external bank financing arrangements.

The TRATON Financial Services business saw a decrease of around €680 million in bonds and commercial paper. Scania maintains a €7.0 billion (previous year: €9.0 billion) European Medium Term Notes program, of which €3.9 billion (previous year: €5.0 billion) has been drawn down by Scania Financial Services. A €451 million (previous year: €76 million) bond and a €281 million (previous year: €265 million) Navistar bond from asset-backed securities transactions are also in place. To cover short-term funding needs in the TRATON Financial Services segment, there are two additional Scania commercial paper programs in Swedish krona and euro amounting to a total of €2.5 billion (previous year: €2.5 billion), of which €784 million (previous year: €1.0 billion) has been drawn down.

The TRATON GROUP has revolving credit facilities of €4.0 billion (previous year: €4.0 billion) in place with Volkswagen AG, of which €1.7 billion (previous year: €270 million) has been drawn down. There are also bank liabilities of €5.9 billion (previous year: €4.3 billion), a new loan from Volkswagen International Luxemburg amounting to €500 million, and lease liabilities of €1.2 billion (previous year: €1.2 billion).

The TRATON GROUP's total liquidity reserve consists of unused confirmed credit lines of €6.8 billion (previous year: €8.2 billion), including €2.3 billion (previous year: €3.7 billion) from Volkswagen AG. A further €4.5 billion (previous year: €4.5 billion) is attributable to the syndicated loan that TRATON SE entered into on July 28, 2020, and increased from €3.8 billion to €4.5 billion on December 15, 2021. The revolving credit line has a term of five years and can be extended twice for one year each. The banking consortium, consisting of 23 banks, agreed to the first one-year extension as of December 16, 2022. The credit line serves general corporate purposes as well as to safeguard the TRATON GROUP's liquidity.

The TRATON GROUP also has €457 million (previous year: €435 million) in unused unconfirmed credit lines from banks at its disposal in order to enhance flexibility in financing decisions.

The broad range of funding contracts entail interest rates in keeping with market conditions, which differ according to the respective financial instrument, maturity, currency, funding purpose, and volume as well as market region.

FINANCIAL LIABILITIES IN THE TRATON GROUP BY CURRENCY

€ billion	12/31/2022	12/31/2021
EUR	14.1	11.3
SEK	2.8	3.0
BRL	0.6	0.5
USD	0.6	0.5
NOK	0.4	0.3
GBP	0.5	0.4
MXN	0.3	0.3
Other currencies	0.3	0.6
Lease liabilities	1.2	1.2
Total financial liabilities	**21.1**	**18.2**

The TRATON GROUP's credit facilities include customary change-of-control clauses, allowing the counterparty to demand early repayment in case of significant changes in ownership.

Liquidity

Cash and cash equivalents amounted to €1.4 billion (previous year: €2.0 billion) as of December 31, 2022. Local cash funds in certain countries (e.g., Brazil, China, and South Korea) in the amount of €644 million (previous year: €1.0 billion) are subject to exchange controls and are not available to the Group for cross-border transactions without restriction. Such amounts are used locally to cover the financing needs of the operating business. The "Assets held for sale" item contains other cash and cash equivalents of €304 million (previous year: €– million), which are in Russia and are also not available to the Group for cross-border transactions without restriction.

In addition, €46 million (previous year: €53 million) was reported in other assets as restricted cash and cash equivalents as of December 31, 2022. Restricted cash and cash equivalents are mainly used as collateral in asset-backed securities transactions.

The TRATON GROUP's financial management manages cash pool structures at brand level, wherever legally and economically appropriate and feasible. The TRATON segments manage operational cash themselves. Excess cash in the TRATON segments is managed at TRATON SE level. The TRATON GROUP deposits a portion of its excess cash with Volkswagen AG under interest rates in keeping with standard market conditions.

Equity

EQUITY RATIO

	TRATON GROUP		TRATON Operations		TRATON Financial Services		Corporate Items	
€ million	2022	2021	2022	2021	2022	2021	2022	2021
Equity	14,374	13,446	8,473	6,991	2,175	1,823	3,725	4,632
Total assets	58,256	55,121	38,896	37,964	14,955	12,999	4,404	4,159
Equity ratio (in %)	**24.7**	**24.4**	**21.8**	**18.4**	**14.5**	**14.0**	–	–

As of December 31, 2022, the equity ratio was 21.8% (previous year: 18.4%) in the TRATON Operations business area and 14.5% (previous year: 14.0%) in the TRATON Financial Services segment.

Cash flow

CONDENSED STATEMENT OF CASH FLOWS OF THE TRATON GROUP

	TRATON GROUP		TRATON Operations		TRATON Financial Services		Corporate Items	
€ million	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Cash and cash equivalents as of 01/01	**2,002**	**1,714**	**4,775**	**4,267**	**146**	**73**	**–2,919**	**–2,626**
Gross cash flow	4,041	2,706	4,171	3,107	624	652	–755	–1,053
Change in working capital	–4,701	–1,172	–2,847	–336	–2,251	–1,435	397	599
Net cash provided by/used in operating activities	**–660**	**1,534**	**1,325**	**2,771**	**–1,627**	**–783**	**–358**	**–455**
Net cash provided by/used in investing activities attributable to operating activities	–1,916	–4,406	–1,950	–1,833	–2	–1	36	–2,572
Change in marketable securities, investment deposits, and loans	103	1,959	–376	–211	188	102	292	2,068
Net cash provided by/used in investing activities	**–1,813**	**–2,447**	**–2,326**	**–2,044**	**186**	**101**	**327**	**–504**
Net cash provided by/used in financing activities	**2,216**	**1,169**	**–625**	**–742**	**1,778**	**719**	**1,064**	**1,192**
Recognition of cash and cash equivalents at Navistar due to consolidation	–	–	–	534	–	32	–	–565
Effect of exchange rate changes on cash and cash equivalents	–2	33	6	–11	–27	4	19	40
Change in cash and cash equivalents	**–259**	**288**	**–1,621**	**508**	**310**	**72**	**1,052**	**–293**
Cash and cash equivalents as of 12/31[1]	**1,743**	**2,002**	**3,155**	**4,775**	**455**	**146**	**–1,867**	**–2,919**
Gross cash flow	4,041	2,706	4,171	3,107	624	652	–755	–1,053
Change in working capital	–4,701	–1,172	–2,847	–336	–2,251	–1,435	397	599
Net cash provided by/used in investing activities attributable to operating activities	–1,916	–4,406	–1,950	–1,833	–2	–1	36	–2,572
Net cash flow	**–2,576**	**–2,873**	**–625**	**938**	**–1,629**	**–784**	**–322**	**–3,027**

1 €304 million of the reported cash and cash equivalents was contained in “Assets held for sale” as of December 31, 2022. The entire amount is attributable to the TRATON Financial Services segment.

The TRATON GROUP's net cash provided by/used in operating activities fell by €2.2 billion year-on-year to €–660 million. The €1.3 billion increase in gross cash flow primarily reflects the rise in operating result.

The cash tied up in almost all items of working capital rose by a total of €4.7 billion in the reporting period. The ongoing supply bottlenecks for bought-in components and the logistics shortages impacting the delivery of vehicles resulted in a €1.2 billion increase in inventories. Additionally, cash tied up in working capital increased as a result of a €1.2 billion rise in receivables. An outflow of €102 million (previous year: €347 million) was recorded in 2022 in connection with the restructuring measures at MAN Truck & Bus.

In the second quarter, Scania also settled the fine of €937 million, including interest, imposed in the EU antitrust proceedings. In addition, Navistar made final payments totaling €420 million in June 2022 following court approval of the "Profit Sharing Settlement Agreement" and the "Krzysiak Action Settlement Agreement." These two payments negatively impacted cash tied up in working capital by a total of €1.4 billion in the change in provisions. This was offset by high additions to provisions in connection with the repositioning of MAN Truck & Bus in the comparative period. Additionally, high additions had been made to provisions for the EU antitrust proceedings at Scania Vehicles & Services in 2021.

In the comparative period, the acquisition of Navistar on July 1, 2021, had increased net cash used in investing activities with a cash outflow of €2.6 billion under Corporate Items.

The sale of MWM to Tupy S.A., Brazil, was completed in November 2022 and resulted in a net inflow of cash amounting to €113 million from the disposal of subsidiaries. This was partly offset by the disposal and deconsolidation of the companies in Russia, which resulted in net outflows of cash amounting to €80 million. The net outflow of cash amounting to €197 million from the disposal of subsidiaries in 2021 had been almost entirely in connection with the disposal of the interest in MAN Truck & Bus Österreich GmbH, Steyr, Austria (MTBÖ).

Additions to capitalized development costs and capital expenditures increased by €310 million to €1.9 billion. Navistar accounted for €147 million of this increase.

This resulted in negative net cash flow of €625 million in the TRATON Operations business area, due mainly to the effects on working capital described above and net cash used in investing activities attributable to operating activities. Net cash flow in the TRATON Financial Services segment was impacted especially by the increased receivables in connection with the higher business volume.

Net cash provided by financing activities of €2.2 billion (previous year: €1.2 billion) was dominated by net borrowings of financial liabilities. These include drawdowns of €1.5 billion from credit lines from Volkswagen AG and a loan of €500 million from Volkswagen International Luxemburg. In addition, bonds in the amount of €3.2 billion were issued and repayments of €2.2 billion were made.

TRATON SE paid out a dividend of €250 million (previous year: €125 million) for fiscal year 2021 in June 2022.

Net liquidity

NET LIQUIDITY OF THE TRATON GROUP

	TRATON GROUP		TRATON Operations		TRATON Financial Services		Corporate Items	
€ million	**12/31/2022**	**12/31/2021**	**12/31/2022**	**12/31/2021**	**12/31/2022**	**12/31/2021**	**12/31/2022**	**12/31/2021**
Cash and cash equivalents[1]	1,743	2,002	3,155	4,775	455	146	–1,867	–2,919
Marketable securities, investment deposits, and loans to affiliated companies	208	290	518	302	50	220	–361	–233
Gross liquidity	**1,951**	**2,292**	**3,673**	**5,078**	**506**	**366**	**–2,228**	**–3,152**
Total third-party borrowings	–21,131	–18,205	–7,236	–6,771	–11,952	–10,177	–1,944	–1,257
Net liquidity/net financial debt	**–19,180**	**–15,913**	**–3,563**	**–1,694**	**–11,446**	**–9,811**	**–4,172**	**–4,409**

1 €304 million of the reported cash and cash equivalents was contained in “Assets held for sale” as of December 31, 2022. The entire amount is attributable to the TRATON Financial Services segment.

More detailed information explaining net liquidity can be found in the **“Cash flow”** section. The ratio of net financial debt to EBITDA (adjusted) of the TRATON Operations business area including Corporate Items was –2.1 (previous year: –1.8) as of December 31, 2022.

Investments

INVESTMENTS BY SEGMENT

€ million	**2022**	**2021**	**Change**
TRATON GROUP	**2,029**	**4,265**	**–2,236**
TRATON Operations	**2,051**	**1,680**	**371**
Scania Vehicles & Services	905	893	12
MAN Truck & Bus	633	456	177
Navistar Sales & Services	392	246	146
Volkswagen Truck & Bus	122	87	35
Reconciliation	–1	–1	0
TRATON Financial Services	**4**	**3**	**1**
Corporate Items	**–26**	**2,582**	**–2,608**
Investments, TRATON Operations	**2,051**	**1,680**	**371**
of which capex	1,298	1,125	173
Capex ratio	3.3	3.7	–0.5 pp
of which in capitalized development costs	604	468	136
of which investments in other investees	149	87	62

During the reporting period, capital expenditures in the TRATON Operations business area increased to €1.3 billion, primarily as a result of the consolidation of Navistar as of the second half of 2021. The primary activities related to investments in conjunction with new products such as the cross-brand heavy-duty engine platform at MAN Truck & Bus and Scania, investments in facility expansions, e.g., foundry equipment at Scania, and replacement investments. Scania is continuing to make key strategic investments that are crucial to driving forward the transition to a sustainable transportation system in the long term. Electrification was one of the most important investment areas in 2022 and will become a greater priority in the coming years. At MAN Truck & Bus, investments were made in 2022 to safeguard the supply chain for cable harnesses. In addition, investments were made in connection with the company-wide restructuring program, with MAN Truck & Bus investing in the expansion of the plant in Krakow, Poland. Navistar invested in constructing new production facilities and expanding existing facilities at its sites in San Antonio, Texas, USA, and Huntsville, Alabama, USA. Navistar manufactures heavy-duty diesel and electric vehicles in weight Classes 6 through 8 in San Antonio. The plant started producing these in January 2022. The main focus of investment activities at Volkswagen Truck & Bus was on updating the powertrain and the driver cab.

The rise in capitalized development costs is attributable on the one hand to the integration of Navistar and on the other to growing development activities in the area of forward-looking technologies.

In the previous year, Corporate Items had been impacted by the purchase price of €3.1 billion for the outstanding Navistar shares, less cash and cash equivalents acquired of €565 million.

The TRATON GROUP's off-balance-sheet commitments

€ million	12/31/2022	12/31/2021	Change
TRATON GROUP			
Contingent liabilities	4,492	4,415	78
Purchase commitments for property, plant, and equipment, and intangible assets	672	724	–52
Obligations under irrevocable credit commitments	770	701	69
Off-balance-sheet commitments under rental and leasing contracts	81	116	–35
Miscellaneous financial obligations	370	304	67

Contingent liabilities include buyback guarantees in the amount of €2.6 billion (previous year: €2.6 billion) under which TRATON undertakes to repurchase vehicles from the financing company in the event of default. They also include guarantees by Navistar of €867 million (previous year: €1.0 billion). These are mostly default guarantees in favor of banks. Miscellaneous financial obligations were impacted by the obligations of the TRATON GROUP amounting to €162 million (previous year: €167 million) arising from the agreement signed on December 15, 2021, to set up the Milence charging infrastructure joint venture together with Daimler Truck and the Volvo Group. Equity of €5 million was paid into Milence following the formation of the joint venture in July 2022.

6. Net assets

Balance sheet analysis

CONDENSED BALANCE SHEET OF THE TRATON GROUP

	TRATON GROUP		TRATON Operations		TRATON Financial Services		Corporate Items	
€ million	12/31/2022	12/31/2021[1]	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021[1]
Goodwill	6,184	6,173	366	390	–	–	5,818	5,783
Intangible assets	7,195	7,173	4,198	4,018	3	4	2,994	3,151
Property, plant, and equipment	8,354	7,993	7,930	7,568	23	25	402	400
Assets leased out	6,162	6,924	6,015	6,802	784	886	–637	–765
Equity-method investments	1,328	1,280	236	203	–	–	1,093	1,077
Other equity investments	204	660	1,185	1,022	–	–	–981	–362
Income tax receivables	225	268	356	258	23	33	–154	–23
Deferred tax assets	2,274	2,147	2,581	2,393	150	124	–456	–370
Financial services receivables	11,622	9,936	2	8	11,618	9,925	2	3
Inventories	6,574	5,456	6,573	5,454	0	2	1	–
Trade receivables	3,348	2,437	2,999	2,522	557	328	–209	–414
Other assets	2,854	2,447	3,229	2,523	1,224	1,526	–1,600	–1,603
Marketable securities and investment deposits	73	226	73	26	–	–	–	200
Cash and cash equivalents	1,439	2,002	3,155	4,775	152	146	–1,867	–2,919
Assets held for sale	421	–	–	–	421	–	–	–
Total assets	**58,256**	**55,121**	**38,896**	**37,964**	**14,955**	**12,999**	**4,404**	**4,159**
Equity	14,374	13,446	8,473	6,991	2,175	1,823	3,725	4,632
Financial liabilities	21,131	18,205	7,236	6,771	11,951	10,177	1,944	1,257
Provisions for pensions and other post-employment benefits	1,786	2,648	1,763	2,628	10	12	14	8
Income tax payables	237	195	343	286	57	32	–164	–123
Deferred tax liabilities	690	804	394	326	120	123	175	355
Income tax provisions	218	162	61	53	4	3	153	105
Other provisions	3,293	4,659	3,197	4,556	13	6	82	98
Other liabilities	10,988	10,756	11,855	12,138	452	407	–1,319	–1,788
Trade payables	5,518	4,245	5,573	4,215	151	416	–206	–385
Liabilities directly associated with assets held for sale	21	–	–	–	21	–	–	–
Total equity and liabilities	**58,256**	**55,121**	**38,896**	**37,964**	**14,955**	**12,999**	**4,404**	**4,159**

1 Prior-year amounts adjusted. See Note **"8. Acquisitions — Navistar"** to the Consolidated Financial Statements for further information

The TRATON GROUP's total assets increased by approximately €3.1 billion compared with December 31, 2021. This increase was due primarily to the €1.7 billion rise in financial services receivables, the €1.1 billion increase in inventories, and the €911 million increase in trade receivables.

The €361 million increase in property, plant, and equipment is attributable primarily to the construction and expansion of production facilities and investments in connection with new products.

Assets leased out decreased by €762 million. Among other things, this reflected a lower share of sales with buyback obligations.

Other equity investments recorded a sharp decline. This was due, in particular, to the fair value measurement of the investment in TuSimple due to changes in the share price.

The €1.7 billion increase in financial services receivables was due partly to an expansion of the financing business and partly to the translation of financial statements of foreign operations.

Inventories increased by €1.1 billion compared with December 31, 2021. Among other things, this reflected the supply and production difficulties due to a lack of components, as well as the increased production volume in some areas and the logistics capacity shortages.

The €911 million increase in trade receivables was due primarily to increased business volumes in North and South America and to positive currency translation effects.

The €407 million increase in other assets resulted from the rise in a large number of different items, for example higher prepaid expenses and tax receivables and the increase in the fair values of derivative financial instruments.

Marketable securities and investment deposits fell by €153 million. Most of the investment deposits held as of December 31, 2021, expired in the course of 2022. Cash and cash equivalents amounted to €1.4 billion as of the reporting date.

In October 2022, the TRATON GROUP entered into an agreement to sell 100% of its interest in the Russian subsidiaries Scania Finance LLC, Scania Insurance LLC, and Scania Leasing LLC (together, "Scania Finance Russia"), to companies of the Volkswagen Group. The assets and liabilities of the companies as of December 31, 2022, were reclassified to "Assets held for sale" and "Liabilities directly associated with assets held for sale" (for further explanations, refer to Note **"9. Noncurrent assets and disposal groups held for sale"** to the Consolidated Financial Statements). The transaction was completed on January, 17, 2023, after all official approvals had been obtained.

The TRATON GROUP's total equity increased to €14.4 billion as of December 31, 2022. This is attributable primarily to the total comprehensive income of €1.2 billion. It was the result of the positive earnings after tax of €1.1 billion and other comprehensive income of €38 million, which is due in particular to the actuarial gains from the measurement of pension obligations resulting from the rise in interest rates. The fair value measurement of the TuSimple investment and negative effects from translating the financial statements of foreign operations were offsetting factors in other comprehensive income. The dividend payout also reduced equity (see Note **"30. Equity"** to the Consolidated Financial Statements).

Financial liabilities increased by €2.9 billion. This was primarily attributable to the issuance of notes under the European Medium Term Notes program by TRATON Finance and to bank liabilities and liabilities to Volkswagen companies incurred to repay the bridge loan taken out to finance the Navistar acquisition (for further information, refer to the **"Financial position"** section).

Provisions for pensions and other post-employment benefits decreased by €862 million, primarily as a result of an increase in the discount rates for the main pension plans.

Other provisions decreased by €1.4 billion. In particular, this reflected the payment of the fine of €937 million, including interest, imposed in the EU antitrust proceedings and final payments totaling €420 million for the "Profit Sharing Settlement Agreement" and the "Krzysiak Action Settlement Agreement" (for further information, refer to the **"Important legal cases"** section).

Trade payables rose by €1.3 billion. This reflected higher production volumes as well as positive exchange rate effects.

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

Return on investment

Return on investment, TRATON Operations

For information on the calculation of the return on investment (ROI), refer to the **"Financial management"** section. The following table shows the calculation for the current fiscal year and the previous year.

RETURN ON INVESTMENT, TRATON OPERATIONS

€ million	2022	2021
Annual average invested capital	16,595	14,042
Operating result, TRATON Operations	1,973	677
Operating result, TRATON Holding	–124	–244
Earnings effects from purchase price allocations, TRATON Operations	–278	–274
Consolidation effects between TRATON Operations and the TRATON Holding	11	1
Operating result for ROI before tax	1,583	161
Operating result for ROI after tax	1,108	113
Return on investment (ROI) (in %)	**6.7**	**0.8**

Compared with the previous year, return on investment increased due to the rise in operating result. Higher average invested capital, which also rose in 2022, had an offsetting effect on ROI. For more information on the change in invested capital and operating result, refer to the disclosures in the **"Balance sheet analysis"** and **"Profit and loss"** sections.

Expenses of €283 million (previous year: €1.2 billion) reported as adjustments were not deducted when calculating ROI.

7. Target achievement in 2022 and summary of economic position

The TRATON GROUP's Executive Board can look back on an overall satisfactory course of business, against the backdrop of the numerous challenges in 2022. The first half of the year was impacted very heavily by the effects of the war in Ukraine and ongoing supply bottlenecks. There was a slight recovery in the supply of bought-in components in the second half of the year, with the result that vehicle sales increased significantly.

In 2022, the most important truck markets (> 6t) for the TRATON GROUP reported noticeable growth overall. The most important bus markets remained on a level with the previous year. However, the TRATON GROUP was only partially able to track this trend, as the war in Ukraine and the effects of the zero-COVID policy in China led to supply bottlenecks and negatively impacted production and unit sales. The shortages affected all segments but to a varying extent determined by their supplier network, specifications of the individual vehicles, and customer demand. Especially at MAN Truck & Bus, supply shortages for cable harnesses as a direct consequence of the war in Ukraine meant that assembly lines at the truck plants in Munich and Krakow stood still for six weeks and production at other sites was stopped from mid-March onward. Additionally, the logistics shortages resulted in delays in the delivery of vehicles, in particular at MAN Truck & Bus and Scania Vehicles & Services. Worldwide, there was a significant increase in the prices for energy, logistics, raw materials, and bought-in components, which impacted all TRATON GROUP segments.

Unit sales in the TRATON Operations business area amounted to 305,485 (previous year: 271,608) units, 12% higher than in the previous year and slightly below our forecast.

The TRATON GROUP generated sales revenue of €40.3 billion (previous year: €30.6 billion) in the reporting period, 32% higher than in the previous year. The very sharp increase in revenue in the TRATON Operations business area was primarily the result of higher unit sales of new vehicles following the integration of Navistar, a positive market and product mix, better unit price realization, and growth in the Vehicle Services business. Additionally, there were positive currency effects compared with the previous year, in particular due to the movement of the Brazilian real and the Swedish krona. The TRATON Financial Services segment recorded a very strong year-on-year increase in sales revenue. The forecast was thus achieved in both business areas and in the TRATON GROUP.

The TRATON GROUP achieved its forecast for operating return on sales (adjusted) in fiscal year 2022. At 5.1%, this was at the lower end of the forecast target range. Operating result (adjusted) does not include any expenses directly related to the war in Ukraine and the sale of business activities in Russia, nor does it include any expenses in connection with the EU antitrust proceedings and the MAN Truck & Bus restructuring measures. However, earnings effects from the Navistar purchase price allocation are included in the result.

Capital expenditures in the TRATON Operations business area were up substantially year-on-year, and primary research and development costs recorded a sharp increase. As a result, these figures were in line with the forecast.

Excluding the expenses resulting from the EU antitrust proceedings, net cash flow for the TRATON Operations business area was €312 million. The forecast target corridor was therefore not achieved. This was due mainly to higher funds tied up as a result of supply bottlenecks and logistics shortages. The sale of the Russian operations of MAN Truck & Bus and Scania Vehicles & Services also negatively impacted net cash flow.

Return on investment was 6.7% and thus in the upper half of the forecast target range.

	Actual 2021	Original forecast for 2022	Latest forecast for 2022	Actual 2022
TRATON GROUP				
Sales (units)	271,608	very sharp increase	substantial increase	305,485
Sales revenue (€ million)	30,620	sharp increase	very sharp increase	40,335
Operating return on sales (adjusted) (in %)	5.2	5.0–7.0	5.0–6.0	5.1
TRATON Operations				
Sales revenue (€ million)	30,103	sharp increase	very sharp increase	39,554
Operating return on sales (adjusted) (in %)	6.3	5.5–7.5	5.5–6.5	5.7
Return on investment (in %)	0.8	7.0–9.0	6.0–7.0	6.7
Net cash flow (€ million)[1]	938	700–1,000	700–1,000	312
Capex (€ million)	1,125	very sharp increase	substantial increase	1,298
Primary R&D costs (€ million)	1,462	sharp increase	sharp increase	1,892
TRATON Financial Services				
Sales revenue (€ million)	964	significant increase	sharp increase	1,294
Operating return on sales (adjusted) (in %)	26.9	20.0–25.0	20.0–25.0	23.5

1 The forecast does not include expenses at Scania Vehicles & Services in the amount of €937 million in connection with the EU antitrust proceedings.

TRATON SE (German GAAP)

TRATON SE has its registered office in Munich and is the holding company and parent of the TRATON GROUP. TRATON SE is the (direct or indirect) parent company of Scania AB, Södertälje, Sweden (Scania AB), MAN Truck & Bus SE, Munich (MAN Truck & Bus SE), Volkswagen Truck & Bus Indústria e Comércio de Veículos Ltda., São Paulo, Brazil (Volkswagen Truck & Bus Ltda.), Navistar International Corporation, Lisle, Illinois, USA (Navistar International Corporation), and TB Digital Services GmbH, Munich (TB Digital Services GmbH).

TRATON SE is entered in the commercial register at the Munich Local Court under no. HRB 246068. The Annual Financial Statements of TRATON SE for the fiscal year from January 1 through December 31, 2022, have been prepared in accordance with the provisions of the *Handelsgesetzbuch* (HGB — German Commercial Code) and the SE Council Regulation, in conjunction with the *Aktiengesetz* (AktG — German Stock Corporation Act).

As of the reporting date of December 31, 2022, TRATON SE was an 89.72%-owned direct subsidiary of Volkswagen Finance Luxemburg S.A., Strassen, Luxembourg (Volkswagen Finance Luxemburg), which in turn is a wholly owned subsidiary of Volkswagen Aktiengesellschaft, Wolfsburg (Volkswagen AG).

1. Course of business

The performance of TRATON SE essentially corresponds to the performance of the TRATON GROUP and is presented in detail in the **“Report on Economic Position”** section. TRATON SE is integrated into the TRATON GROUP’s internal management process and the same key performance indicators apply as for the TRATON GROUP.

The *Schuldscheindarlehen* that had been placed by TRATON SE in 2021 were drawn down in the amount of €700 million (previous year: €700 million) as of December 31, 2022.

Additionally, in November 2020 TRATON SE had taken out a €3.3 billion credit facility with Volkswagen International Luxemburg with a term of up to 30 months to finance the purchase price of the common shares of Navistar International Corporation not already held by TRATON SE. The credit facility was repaid in full in 2021 and 2022 in several tranches using external bank financing arrangements.

TRATON SE’s total liquidity reserve consists of unused confirmed credit lines of €6.8 billion (previous year: €8.2 billion), including €2.3 billion (previous year: €3.7 billion) from Volkswagen AG. A further €4.5 billion (previous year: €4.5 billion) is attributable to the syndicated loan that TRATON SE entered into on July 28, 2020, and increased from €3.8 billion to €4.5 billion on December 15, 2021. The revolving credit line has a term of five years and can be extended twice for one year each. The banking consortium, consisting of 23 banks, agreed to the first one-year extension as of December 16, 2022. The credit line serves general corporate purposes as well as to safeguard the TRATON GROUP’s liquidity.

The TRATON GROUP has had a European Medium Term Notes program since March 12, 2021. The €12.0 billion capital market issuance program enables the TRATON GROUP to raise capital on the debt markets flexibly and efficiently. As well as TRATON SE, the indirect subsidiaries TRATON Finance Luxembourg S.A., Strassen, Luxembourg (TRATON Finance) and TRATON Treasury AB, Södertälje, Sweden (TRATON Treasury AB) can issue bonds under the program. TRATON SE, TRATON Finance, and TRATON Treasury AB are using the issuance program to raise capital for general corporate purposes, and the capital raised will be used as needed within the TRATON GROUP. TRATON Finance has issued senior notes totaling €5.7 billion (previous year: 4.3 billion) under this program since 2021 with a guarantee from TRATON SE.

In 2022, the most important truck markets (> 6t) for the TRATON GROUP reported noticeable growth overall. The most important bus markets remained on a level with the previous year. However, the TRATON GROUP was only partially able to track this general market trend, as the war in Ukraine and the effects of the zero-COVID policy in China led to supply bottlenecks and negatively impacted production and unit sales. The shortages affected all segments but to a varying extent determined by their supplier network, specifications of the individual vehicles, and customer demand. Especially at MAN Truck & Bus, supply shortages meant that assembly lines at the truck plants in Munich and Krakow stood still and production at other sites was stopped from mid-March onward. Additionally, the logistics shortages resulted in delays in the delivery of vehicles, in particular at MAN Truck & Bus and Scania Vehicles & Services. Worldwide, there was a significant increase in the prices for energy, logistics, raw materials, and bought-in components, which impacted all TRATON GROUP segments.

In fiscal year 2022, TRATON SE reported earnings after tax of €–261 million (previous year: €–5.6 billion). The €5.3 billion improvement was due primarily to the fact that the €5.6 billion loss from the merger of MAN SE with TRATON SE reported under other operating expenses in fiscal year 2021 no longer applied for fiscal year 2022. This was partly offset by the deterioration in investment income. As a result, we achieved the improvement in earnings after tax that had been forecast in the previous year, whereas the forecast improvement in net investment income could not be met due to the higher loss absorption.

2. Results of operations

INCOME STATEMENT OF TRATON SE

€ million	2022	2021	Change
Net investment income	–150	205	–355
Income from other securities and long-term loans	15	5	10
Net interest income	43	8	35
Sales revenue	26	28	–2
Cost of sales	–24	–18	–6
Gross profit	**2**	**10**	**–8**
General and administrative expenses	–102	–141	39
Other operating income	495	269	226
Other operating expenses	–563	–5,943	5,380
Income taxes	–1	35	–36
Earnings after tax	**–261**	**–5,552**	**5,291**
Net loss for the year	**–261**	**–5,552**	**5,291**
Profit carried forward from the previous year	27	128	–101
Withdrawal from capital reserves	600	5,700	–5,100
Net retained profit	**366**	**276**	**90**

Net investment income decreased by €355 million year-on-year. In the previous year, this item had contained the dividend from Scania AB. It was also impacted by a higher loss absorption from MAN Truck & Bus SE. This was partly offset by increased profit transfers from Scania CV Deutschland, Koblenz, and Scania Finance Deutschland, Koblenz, as well as the profit share of MAN Brand GmbH & Co. KG, Grünwald.

The net interest income of €43 million represents an improvement of €35 million year-on-year. The increase resulted principally from income from affiliated companies. This was partly offset by higher expenses relating to affiliated companies, among other things in connection with the expanded financing activities for the TRATON GROUP, and lower interest income on taxes.

Sales revenue, which primarily contains services and cost allocations charged to affiliated companies, fell from €28 million to €26 million. General and administrative expenses decreased by €39 million to €102 million. This is primarily attributable to the decrease in personnel expenses as a result of lower remuneration received by members of the governing bodies and lower post-employment expenses, as well as lower utilization of services.

The changes in other operating income mainly result from foreign currency translation. In the previous year, other operating expenses had been impacted by the loss of €5.6 billion resulting from the merger of MAN SE with TRATON SE.

A tax expense of €1 million (previous year: tax income of €35 million) was reported for fiscal year 2022.

The Executive Board and Supervisory Board of TRATON SE will propose the payout of a dividend of €0.70 per share to the shareholders at the Annual General Meeting. This proposal corresponds to a total payout of €350 million.

The economic position of TRATON SE is dominated by its operating activities and those of its subsidiaries. TRATON SE participates in the operating results of its subsidiaries through dividend payouts and profit and loss transfer agreements. The economic position of TRATON SE is therefore essentially the same as that of the TRATON GROUP, which is outlined in the **“Report on Economic Position”** section.

3. Assets and financial position

BALANCE SHEET OF TRATON SE

€ million	2022	2021	Change
Fixed assets	20,553	20,340	213
Receivables and other assets[1]	5,040	3,471	1,569
Bank balances	77	221	–144
Total assets	**25,670**	**24,032**	**1,638**
Equity	14,561	15,072	–511
Liabilities to banks	3,989	2,428	1,561
Miscellaneous provisions and liabilities[2]	7,120	6,532	588
Total equity and liabilities	**25,670**	**24,032**	**1,638**

1 Including accruals and deferrals, and differences from offsetting assets
2 Including accruals and deferrals

Total assets increased by €1.6 billion year-on-year to €25.7 billion.

Fixed assets primarily comprise interests in TRATON International S.A. and MAN Truck & Bus SE as well as the loans to TRATON Sweden AB and TRATON Finance.

The proportion of fixed assets relative to total assets fell to 80.1% (previous year: 84.6%).

Receivables and other assets rose by €1.6 billion to €5.0 billion. This resulted primarily from intragroup financing activities.

Bank balances decreased by €144 million, from €221 million to €77 million.

The reduction in equity was attributable to the dividend of €250 million paid in the year under review for the 2021 fiscal year, and to the net loss for the fiscal year of €261 million. As of December 31, 2022, the equity ratio was 56.7% (previous year: 62.7%).

TRATON SE's capital reserves of €13.7 billion (previous year: €14.3 billion) constitute the contributions by Volkswagen AG to TRATON SE, in particular from the contribution of MAN SE and Scania AB. €600 million was withdrawn from the capital reserves during the fiscal year under review.

Miscellaneous provisions and liabilities contain, in particular, liabilities to affiliated companies and other provisions. The miscellaneous provisions of €166 million were mainly for tax liabilities, obligations under public law, obligations from *Aufhebungsvereinbarungen* (agreements to annul the employment contracts) with former Executive Board members, and other individual risks. The increase in liabilities to banks is mainly the result of bank financing for the repayment of the remaining loan from Volkswagen International Luxemburg in the amount of €1.1 billion and a further loan for the expansion of intragroup financing activities.

Net liquidity/net financial debt comprises bank balances, intragroup receivables from financing transactions, loans to Group companies, and marketable securities less financial liabilities to banks/others and less intragroup liabilities from financing transactions. TRATON SE's net financial debt was €1.4 billion (previous year: €3.3 billion) as of December 31, 2022.

4. Opportunities and risks

The business performance of TRATON SE is essentially exposed to the same risks and opportunities as that of the TRATON GROUP. TRATON SE's exposure to the risks of its equity investments and subsidiaries is proportionate to the stakes it holds in these. The risks and opportunities are outlined in the **Report on Opportunities and Risks**. In addition, the relationship with equity investments may result in payments arising from statutory or contractual liability (especially financing) and write-downs of shares in affiliated companies and equity investments.

5. Report on expected developments

TRATON SE is the parent and holding company of the TRATON GROUP. The results reported by its subsidiaries are distributed or transferred to TRATON SE. The expectations with regard to the TRATON GROUP's business performance as described in the outlook also affect the earnings of TRATON SE. The outlook for the TRATON GROUP thus also applies to TRATON SE. Taking into account the expectations with regard to the Group's key performance indicators, we are anticipating a positive result for the year due to higher income from equity investments. Given the uncertain outcome of the war in Ukraine, it is difficult to forecast the duration and extent of the resulting impact on the earnings of TRATON SE. However, we assume that this will not have a sustained adverse effect on long-term business performance. For further information, refer to the TRATON GROUP's **Report on Expected Developments**.

Report on Expected Developments, Opportunities, and Risks

1. Report on expected developments

Our forecast for the most important key performance indicators of the TRATON GROUP for the period from January 1, 2023, to December 31, 2023, reflects the forward-looking expectations of the Company with respect to the key performance indicators of the TRATON GROUP. Assumptions that we have made regarding the overall economic environment and the development of the truck and bus markets serve as the foundation for this planning. The assessments presented for future development of the business are based on the targets of our segments as well as the opportunities and risks provided in connection with the anticipated market conditions and the competitive situation. Against this background, we are adapting our expectations for business performance to reflect each of the current forecasts regarding the development of the truck and bus markets.

Expected macroeconomic developments

Our planning is based on the assumption that global economic output will grow overall in 2023 albeit at a slower pace. The persistently high inflation in many regions and the restrictive monetary policy measures taken by central banks to rein this in are expected to increasingly dampen consumer spending. We continue to believe that risks will arise from protectionist tendencies, turbulence in the financial markets, and structural deficits in individual countries. In addition, growth prospects will be impacted by ongoing geopolitical tensions and conflicts, especially the risks posed by the continuing war in Ukraine. It cannot be ruled out that risks may also arise if new variants of coronavirus were to emerge, particularly regional outbreaks and the associated policy measures. We assume that both the advanced economies and the emerging markets will show positive momentum on average, even with below-average growth in gross domestic product (GDP).

We also expect the global economy to recover in 2024 and continue down a path of stable growth until 2027.

Europe/other markets

In Western Europe, we expect a comparatively low rate of economic growth in 2023. The relatively high overall level of inflation, which is projected to taper off as the year goes on, poses a major challenge for consumers and companies alike. Likewise, we anticipate comparatively low growth rates in Central Europe in 2023 with prices remaining high; economic output in Eastern Europe, however, is not expected to recover following the slump in the reporting period.

For Türkiye we expect positive, albeit slower growth than in the reporting period given high inflation and a weak local currency. The South African economy will probably be characterized by political uncertainty and social tensions again in 2023 resulting from high unemployment, among other factors. Here we anticipate only moderate growth.

Germany

We expect GDP in Germany to grow only slightly in 2023 and inflation to remain high averaged over the year. The labor market situation is likely to see some deterioration in 2023.

North America

We anticipate only low economic growth in the USA in 2023, accompanied by a worsening labor market situation. The US Federal Reserve is expected to essentially end the spate of key interest rate hikes that it began in the reporting period. Further inflationary trends and developments in the labor market as well as in the general economic situation will play a key role as decisive factors for possible adjustments to the key interest rate. Economic growth in Canada is also likely to be relatively low, while economic output in Mexico is expected to expand more strongly by comparison.

South America

The Brazilian economy will most likely record a slightly positive rate of growth in 2023. Economic output in Argentina is likewise expected to see no more than a slight improvement amid continued extremely high inflation and depreciation of the local currency.

China

The Chinese economy is likely to grow at a relatively high level in 2023 after a comparatively moderate expansion rate in the reporting period.

Expected sectoral developments

In the commercial vehicle markets relevant to the TRATON GROUP, the Executive Board is anticipating overall market growth based on continued high demand for replacement investments that could not be fully serviced in recent years due to supply bottlenecks. However, uncertainties continue to result from the war in Ukraine and the associated consequences for the macroeconomic situation, ongoing supply bottlenecks, continuing logistics shortages, and rising energy and raw material prices.

For new registrations of medium- and heavy-duty trucks (> 6t or Class 6 through 8 in North America), we are expecting the following developments for our core regions: we are expecting a moderate rise in the market for the EU27+3 region. We are also assuming a noticeable increase in demand in North America. In Brazil, we expect a slightly contracting market following the introduction of a new emissions standard. In Türkiye, demand is expected to cool substantially following a strong 2022. We anticipate slight market growth in South Africa.

In the bus markets that are relevant for the TRATON GROUP (EU27+3 region, Brazil, and school buses in North America), we are projecting very mixed demand growth in 2023, depending on the market. In the EU27+3 region, we are anticipating moderate market growth in the coach and city bus segment. In North America, new registrations are expected to rise very strongly year-on-year. In Brazil, by contrast, we are expecting a substantial market decline after bus demand reached a very high level in the second half of 2022.

Unit sales 2023

Based on the current high order backlog, we are forecasting an overall substantial increase in truck unit sales. By contrast, bus unit sales are expected to see a moderate decline. Worldwide, we estimate that unit sales for all vehicles (including MAN TGE vans) will record growth of 5 to 15% in fiscal year 2023.

Sales revenue and operating return on sales 2023

We are projecting an increase of between 5 and 15% in sales revenue in the TRATON Operations business area in fiscal year 2023, primarily due to a rise in unit sales of trucks and MAN TGE vans. In the TRATON Financial Services segment, we are projecting sales revenue growth of 10 to 20%. This means we are expecting an overall increase of 5 to 15% in the TRATON GROUP's sales revenue. The TRATON GROUP's Executive Board is therefore predicting a gradual improvement in our earnings in 2023.

For 2023, we forecast an operating return on sales (adjusted) of between 6.0 and 7.0% for the TRATON GROUP. This forecast includes earnings effects from the Navistar purchase price allocation. This expectation is based on the assumptions for unit sales and sales revenue outlined above.

For the TRATON Operations business area, we are anticipating an operating return on sales (adjusted) of between 6.5 and 7.5%. This expectation is based on the growth and unit sales assumptions for the truck and bus markets outlined above.

We expect operating return on sales (adjusted) to be in the range of 10.0 to 15.0% for the TRATON Financial Services business area.

We expect a return on investment of between 8.0 and 12.0%.

The TRATON GROUP's Executive Board expects net cash flow in the TRATON Operations business area to range between €1.3 billion and €1.8 billion for fiscal year 2023 as a result of the rise in sales revenue and lower capital tied up in current assets. Cash inflows from the disposal of Scania Finance Russia are already included in the forecast (see the **"Events after December 31, 2022"** chapter).

Capital expenditures and primary research and development costs

Investments in our products and plants as well as through our research and development activities are helping us to lay the foundation for profitable and sustainable growth in the TRATON GROUP. In fiscal year 2023, we are planning a very strong rise in capital expenditures and a significant increase in primary research and development costs for the TRATON Operations business area compared to 2022.

Summary of expected developments

Provided that there is no renewed deterioration in the supply shortages of key bought-in components, and subject to the negative impact of the war in Ukraine on industry growth and the TRATON GROUP's business activities, the Executive Board is expecting an increase in sales revenue in the range of 5 to 15% and an operating return on sales (adjusted) of 6.0 to 7.0% for 2023, based on current market expectations.

	Actual 2022	Forecast 2023
TRATON GROUP		
Sales (units)	305,485	+5–15%
Sales revenue (€ million)	40,335	+5–15%
Operating return on sales (adjusted) (in %)	5.1	6.0–7.0
TRATON Operations		
Sales revenue (€ million)	39,554	+5–15%
Operating return on sales (adjusted) (in %)	5.7	6.5–7.5
Return on investment (ROI) (in %)	6.7	8.0–12.0
Net cash flow (€ million)	–625	1,300–1,800
Capex (€ million)	1,298	very sharp increase
Primary R&D costs (€ million)	1,892	significant increase
TRATON Financial Services[1]		
Sales revenue (€ million)	1,294	+10–20%
Operating return on sales (adjusted) (in %)	23.5	10.0–15.0

1 Including Scania Financial Services and Navistar Financial Services

2. Report on opportunities and risks (contains the report required by section 289 (4) of the HGB)

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 TRATON's targets being achieved. In contrast, risks with a positive impact are referred to as "opportunities."

In addition, nonfinancial risks are taken into consideration, which relate to the aspects presented in the Group nonfinancial statement. Such risks focus on the impacts of TRATON's business activities, including those arising from the supply chain and the use of our products and services.

The TRATON GROUP promotes a risk awareness culture that is characterized by openness and encourages people throughout the Group to address and manage risks openly and transparently. Transparency is fundamental for dealing effectively with risks and avoiding blind spots, i.e., risks that remain undetected and therefore are not addressed properly.

TRATON is a dynamically evolving company that is characterized by various transformation projects (e.g., the further integration of Navistar, the expansion of Financial Services, the development of the TRATON Modular System). This means that the TRATON GROUP is continuously evolving and integrating its risk management and internal control systems in order to ensure uniform minimum standards across the whole TRATON GROUP.

Risk management organization

The Executive Board of TRATON SE holds the ultimate responsibility for implementing and monitoring effective risk management in the TRATON GROUP. In order to fulfill this obligation, the Executive Board provides strategic focus, takes decisions on major risk management matters, and acknowledges TRATON's major risks. Furthermore, the Executive Board provides summarized information to the Supervisory Board and Audit Committee of TRATON SE so that these can fulfill their oversight role.

The mandate to develop the Group's risk management framework has been assigned to the Governance, Risk & Compliance (GRC) function at TRATON SE. Together with the corresponding risk management functions in the brands, it is responsible for designing, implementing, and coordinating the respective processes across the TRATON GROUP.

As a principle, all management across the organization has a responsibility to manage risks within its area of responsibility (risk ownership). Risks are to be reported openly and promptly along the defined reporting channels and additionally to the respective risk management function if these risks fulfill the relevant reporting criteria and thresholds.

Furthermore, the Corporate Audit function provides independent assurance about the effectiveness and efficiency of the TRATON GROUP's risk management activities.

Risk management framework

The TRATON risk management framework shows how the different risk management processes within the TRATON GROUP relate to each other. The framework addresses relevant legal requirements and further makes reference to generally accepted principles defined in external frameworks and standards (e.g., COSO, ISO).

The purpose of risk management at TRATON is to define binding minimum standards for effective risk management across the whole TRATON GROUP. It provides a transparent description of the current TRATON risk exposure and ensures that clear responsibilities are allocated for all relevant risks. In general, all processes included in the framework follow the same generic cycle:

- **Identify** relevant risks that impact the Company and/or nonfinancial aspects;
- **Assess** and prioritize the relevant risks based on impact, likelihood, and further criteria;
- **Mitigate** risks by implementing appropriate risk responses (e.g., control or action plans);
- **Report** to management on the Company's risk status;
- **Monitor** the development of risks and the effectiveness of risk response measures.

The risk management framework deals with risks in a narrower sense, thus without considering opportunities. Instead, for external reporting purposes opportunities are collected periodically from dedicated functions, especially Controlling and Strategy.

Risk management processes

Enterprise risk management (ERM)

The ERM process is designed to provide management with transparency regarding the TRATON GROUP's current risk exposure. It encompasses all organizational rules and measures to identify and assess concrete business risks from a broad range of categories. It helps management to ensure that all relevant risks are clearly assigned to an owner and to monitor the implementation of appropriate measures. ERM serves as the core process for satisfying a variety of internal and external reporting obligations, as outlined in the related chapters below.

Risks are assessed in terms of their probability of occurrence and impact on net basis, with the net assessment factoring in any implemented measures that mitigate the risk in question. The assessment also covers the qualitative criteria of reputational loss and potential risk to compliance with external, statutory requirements. A score is calculated from the quantitative and qualitative criteria. Risks are ranked according to this score, if necessary considering an additional specialist assessment by management.

For risk aggregation purposes, the two quantitative criteria of probability of occurrence and net impact are used. We use a Monte Carlo simulation to analyze the aggregate impact of the risks on our earnings. The maximum total loss expected at a defined confidence level (value-at-risk) is then compared with the TRATON GROUP's risk-bearing capacity. Risk-bearing capacity is defined as recognized equity plus the projected earnings of the TRATON GROUP. The result of this comparison is included in the overall assessment of the TRATON GROUP's risk and opportunity position.

In addition, material nonfinancial risks were identified at Group level for the first time in connection with the ERM in the reporting period. We are working to integrate nonfinancial risks into the existing ERM process in the future.

Internal control system (ICS)

The ICS is a recurring process for managing and monitoring systemic risks at process level. It covers all prescribed procedures, methods, and measures that serve to provide reasonable assurance regarding the reliability of financial reporting and selected compliance topics (e.g., anti-corruption, antitrust law, tax compliance, product compliance). ICS as a process comprises the selection of entities to be included (scoping), documentation of relevant control activities, assessment of control design and operating effectiveness, mitigation of identified control deficiencies, and management reporting.

The Regular GRC Process, which was in force until 2021, aimed at the identification, assessment, and mitigation of major systemic risks, for example risks in the control environment and management systems. With the expansion of the scope of the ICS in 2022 and the simultaneous expansion of various compliance management systems, such as a tax compliance management system or a product compliance management system, we have achieved broader coverage of the risks previously captured by the Regular GRC Process. The Regular GRC Process was therefore discontinued at TRATON in 2022 as planned.

Risk reporting

The Executive Board and the Supervisory Board/Audit Committee of TRATON SE are informed regularly about the TRATON GROUP's risk position and risk management. The same applies to the executive and supervisory bodies of the TRATON brands and Group companies.

On behalf of TRATON SE's Executive Board, the TRATON Governance & Risk Board (GRB) deals with risk management, internal controls, and other related topics in the TRATON GROUP on a quarterly basis. The GRB is hosted by the GRC function and composed of the Chief Financial Officers of TRATON SE and the brands as well as other managers from the levels below the Executive Board.

In addition to the criteria for regular risk reporting processes, criteria have been defined across the TRATON GROUP for when an urgent risk notification to the Executive Board is required. That is the case if a new risk emerges that may have a material impact on the TRATON GROUP's targets, or if an already reported risk increases significantly.

Finally, TRATON satisfies a number of additional internal and external reporting requirements, including risk reporting to Volkswagen AG and external risk reporting in the combined management report of the statutory financial reporting.

Appropriateness and effectivness of risk management

Monitoring the appropriateness and effectiveness of risk management, in particular the ERM and ICS processes, is one of the core tasks of the GRB. It collates and evaluates relevant information that allows conclusions to be drawn on the appropriateness and effectiveness of risk management. This includes, for example, findings from internal and external audits, results from control tests as part of the ICS, or status reports on risk management projects. If vulnerabilities are identified, the GRB initiates appropriate corrective measures and monitors their implementation. The results are integrated into the reports to the Executive Board and the Supervisory Board/Audit Committee of TRATON SE.

Based on the measures described above for monitoring the appropriateness and effectiveness of risk management, the Company is not aware of any evidence that would indicate any material weakness in risk management. It should be noted that even an appropriate, effective risk management system cannot offer any absolute certainty that all relevant risks will be identified in good time and will be mitigated by suitable measures and controls.

Main features of internal control over financial reporting

The TRATON GROUP's internal control system is designed, among other things, to provide reasonable assurance that TRATON's consolidated financial statements are accurate, i.e., without material errors or omissions.

At TRATON SE, the Accounting function prepares and presents consolidated financial statements for the TRATON GROUP. The function also governs TRATON's accounting framework, which includes relevant financial reporting manuals, policies, and the definition of procedural instructions and internal controls. Furthermore, Accounting monitors relevant legislative requirements and reviews the consistency and continuity of financial reporting across the TRATON GROUP.

In order to ensure the validity of financial reporting, typical control mechanisms are systematically applied to all relevant processes, in particular comprehensive verification and review mechanisms, approval hierarchies, segregation of duties, and the dual control principle. Since financial reporting and consolidation rely heavily on the use of information technology, appropriate IT controls are in place for all relevant systems (e.g., access controls, backup and recovery procedures, and change management), including controls over external service providers.

The TRATON GROUP's internal control system over financial reporting not only covers accounting activities at TRATON SE, but also includes other functions and subsidiaries where material financial reporting information is generated.

The effectiveness of the internal control system over financial reporting is assessed at least annually in the course of the ICS process described above. Identified control deficiencies are centrally monitored until remediation measures have been implemented. As outlined above, the TRATON GROUP is currently expanding and harmonizing its internal control system based on common minimum standards across the whole TRATON GROUP.

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, as well as nonfinancial aspects, are classified into six categories: strategy, markets, products, operations, legal & compliance, and finance.

Nonfinancial risks are reportable for TRATON if their occurrence is highly probable and the resulting negative impact on the nonfinancial aspects is severe. No reportable nonfinancial risks were identified in 2022. Nevertheless, some of the risks presented below also relate to nonfinancial aspects.

Strategy

The TRATON GROUP's strategy, the TRATON Way Forward, is based on a long-term vision that describes how TRATON will manage the growing importance of sustainability, decarbonization, and digital transformation, and hence the resulting changes expected in the transportation and logistics industry. The TRATON GROUP's strategic framework aims to leverage the opportunities resulting from these changes. TRATON is committed to operating sustainably and responsibly at all times, irrespective of individual corporate decisions.

The TRATON Way Forward consists of three areas with an additional focus on strategy execution. The elements are: (1) Responsible Company; (2) Value Creation; (3) TRATON Accelerated!; and (4) Strategy Execution & Governance. Implementing these elements is associated with various opportunities and risks.

(1) Responsible Company

Commercial vehicles are subject to increasingly rigorous environmental requirements and other rules worldwide.

In Europe, for example, the European Union has set very ambitious targets for manufacturers of heavy-duty commercial vehicles, like the TRATON GROUP, for reducing CO_2 emissions in the course of this decade with Regulation (EU) 2019/1242, which defines CO_2 emission performance standards for new heavy-duty commercial vehicles > 16t. The CO_2 emissions of the vehicles in question must be cut by 15% by 2025 and 30% by 2030, compared with a reference value from an observation period running from July 2019 to June 2020. If these emissions targets are not met, potential penalties — initially in the period from 2025 to 2029 — of €4,250 for every gram of CO_2 emissions that exceeds the threshold per ton-kilometer (tkm) would be triggered. From 2030, the penalties will rise to €6,800 per gram of CO_2/tkm. The goal of reducing climate-harming greenhouse gas emissions by 30% by 2030 is set to be reviewed again at the beginning of 2023, along with other components of Regulation (EU) 2019/1242.

The European Commission published proposals for a new Euro 7 emissions standard in November 2022 to limit harmful pollutants such as nitrous oxide (NOx) or particulate matter from vehicle exhaust gases. The Euro 6 emissions standard, the sixth stage of the minimum standards that have become increasingly rigorous in recent years, applies to commercial vehicles in the European Union at present.

The goal of climate neutrality by 2050 defined in the European Commission's European Clean Deal and the associated ambitious CO_2 reduction targets for 2030 (general reduction of CO_2 emissions in the EU by at least 55% by 2030 compared with 1990) pose a significant challenge for TRATON and the entire transportation sector. The revision of the requirements for CO_2 emissions from heavy-duty commercial vehicles planned in the EU for spring 2023 and the proposals already published for a new Euro 7 emissions standard could further exacerbate these challenges.

Along with other important markets in which the TRATON GROUP sells its products, China has also set targets for reducing CO_2 emissions from commercial vehicles, and Brazil will implement new rules to reduce pollutant emissions produced by heavy-duty commercial vehicles starting in 2023. The Group is also exposed to a possible further tightening of CO_2 and NOx emissions regulations in the USA. CO_2 reductions based on the standards set in 2016 are already in force for 2024 and 2027. The USA is finalizing a new NOx regulation that is set to come into force in 2027. The US government will begin work on CO_2 reductions for 2030 in 2023. This exposes the TRATON GROUP to changing regulatory standards at the levels of the US government and California, which could additionally lead to emissions regulations being implemented at different times and with a different severity. While the Group is able to offer its products with limited adaptations in markets that implement EU or US emissions standards, such as Brazil, it is more costly for TRATON to produce vehicles that comply with particular national standards that differ from these common standards. China, for example, has introduced emissions regulations that are a mix of EU-, US-, and China-specific standards.

Adapting commercial vehicles to new emissions standards is technologically challenging and expensive, especially in light of often technically conflicting regulations for CO_2 and other pollutant emissions produced by combustion engines. To meet European Union and North American targets, it is imperative to use new technologies that reduce CO_2 and exhaust emissions. TRATON is therefore investing to a substantial extent in climate-friendly alternative drive systems, primarily battery electric commercial vehicles.

However, the medium- to long-term transition from combustion engines to zero-emission commercial vehicles is associated with uncertainties that are reflected in various risks and opportunities. The current and future investments in battery electric vehicles might not generate the expected income. The gradual but well-timed switch to battery electric vehicles, for example, offers TRATON the opportunity to meet CO_2 emissions standards worldwide, respond better and faster to customer wishes, and gain market share by entering the market at an early stage. However, a condition for this is that a high-capacity, nationwide charging infrastructure tailored specifically to commercial vehicles is already in place before battery electric commercial vehicles can be offered. To raise acceptance of these vehicles in the European market, the TRATON GROUP has established the Milence joint venture with commercial vehicle manufacturers Daimler Truck and the Volvo Group in order to develop a publicly accessible, high-performance charging network for battery electric commercial vehicles throughout Europe that can be used for vehicles from multiple manufacturers.

By acting responsibly, we are continuing with our aim to foster diversity and inclusion throughout the Company and ensure good standards of governance and ethical conduct by our employees. In the course of these efforts, we are exposed to various risks such as new regulatory developments in the field of human rights. On the other hand, the Company will gain access to various long-term opportunities if, for example, it succeeds in attracting investors with a strong focus on sustainability criteria.

(2) Value Creation

Each vehicle brand has a clearly defined strategic target return and is seeking to achieve this return by gaining market share, improving price realization, and enhancing efficiency. TRATON operates in an industry where improving brand performance is crucial in order to maintain competitiveness and increase profitability. Moreover, cooperation between the brands is generating significant opportunities due, in particular, to additional economies of scale. Our future success may be jeopardized if we fail to realize long-term synergies from cooperation between the brands and to successfully achieve operational efficiency enhancements within the individual units.

For TRATON, the acquisition of Navistar meant entering the North American market and hence strengthening its global reach and leveraging an additional source of revenue. In addition, opportunities are emerging from leveraging the powerful component and technology base within the TRATON GROUP, expanding the financial services business, and further leveraging Navistar's independent dealer and service network, which is one of the largest in the North American market. To realize these opportunities, Navistar must be successfully integrated into the TRATON GROUP. The success of this complex and long-term process is always associated with uncertainty.

In the course of its global expansion, the TRATON GROUP is also working to close the most important gap it still has — Asia. China is the world's largest commercial vehicle market by volume. TRATON intends to respond to local demand through appropriate investments. However, this decision does expose TRATON to certain risks associated with the Chinese market. These include growing geopolitical uncertainties that could lead to new trade barriers and the decoupling of economic areas. In addition, our activities in China are under particular scrutiny with regard to respect for human rights. There are also various operational risks associated with this type of investment, such as risks in the course of developing local production, risks from legislation, and risks from the Chinese market and competitive environment.

(3) TRATON Accelerated!

As electrification, automation, and digital transformation of products and services continue to gain momentum, TRATON's strategy also foresees a long-term transformation of its business model. TRATON wants to actively shape the transportation and logistics ecosystem of the future. Moving into new business areas such as logistics, new solutions for customers, and other digital business models entails risks for the Group, but also offers sustainable opportunities to position itself competitively in the long term in the course of the transformation of technologies and markets. In addition, the expansion of the TRATON Financial Services segment into an integrated, Group-wide Financial Services unit enables comprehensive financing options to meet the demand for new technologies and business models.

(4) Strategy Execution & Governance

The fourth element is focused on executing the strategy. Among other things, the goal is to concentrate capabilities and hence strengthen the overall competitiveness by developing a modular system and through closer organizational integration. If the Group does not succeed in achieving the desired synergy and efficiency improvements, this could have a substantial adverse effect on its business, operating result, financial position, and future prospects.

Markets

The commercial vehicle industry is heavily influenced by economic and political conditions globally and in TRATON'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 in both opportunities and risks when it comes to demand for our products.

In general, demand in the commercial vehicle sector is cyclical, i.e., phases of where customer investments in commercial vehicles are high are mostly followed by phases of slowing demand. The start and duration of these demand cycles can vary depending on the market segment, customer group, and region. Additionally, these cycles are influenced by external political and economic factors and are hence generally subject to uncertainty. Such variable demand patterns can therefore lead to a rapid rise or fall in demand for TRATON's products and services.

TRATON's business in Russia, Ukraine, and Belarus is being adversely affected by the war in Ukraine. The impact is reflected both in the sales of new and used commercial vehicles and in the Vehicle Services business and the Financial Services business area. MAN Truck & Bus and Scania sold their distribution companies in the Russian Federation to local distribution partners at the end of 2022. Scania AB was also planning to sell its Russian financing business. The completion of the sale in January 2023 means that there are no longer any risks connected with the Russian market.

In addition, the war in Ukraine is having substantial macroeconomic consequences worldwide, including continued growth in inflation and a potential economic downturn. In the transportation industry, the war has triggered a shortage of certain raw materials, spare parts, and components, and is thus compounding existing imbalances between supply and demand resulting from the COVID-19 pandemic. Rising energy prices and disruptions to supply chains have led to higher prices for raw materials and components because supplier production costs have risen accordingly. Additionally, considerable risks could arise for TRATON.

Navistar's business in North America gives the TRATON GROUP access to a large, high-margin part of the global transportation market. This opens up additional growth potential for TRATON and ensures a better balance between regional market developments in the cyclical commercial vehicle industry. In addition, Navistar has substantial growth opportunities in its primary North American markets if it can progressively restore its market share to the levels seen in earlier years.

TRATON could miss growth opportunities if it fails to expand beyond the current core markets. The Group could lose market share to competitors, it could be partially or fully shut out of important markets, and it could remain particularly dependent on market cycles and regulatory and other developments in its current core markets.

Risks to the development of the global economy also arise from increasingly protectionist tendencies and structural deficits that jeopardize the development of individual advanced economies and emerging markets. The growing ecological challenges that are impacting individual countries and regions to varying extents are a further factor. Moreover, the central banks' rapid transition from an expansionary to a more restrictive monetary policy harbors risks in the overall economic environment. The high and further growing levels of private and public sector debt are hindering growth prospects and can trigger negative market reactions.

The TRATON GROUP intends to benefit from accessing growing addressable market segments in emerging economies. The addressable market for Western vehicle manufacturers in these markets is expected to grow as stricter regulations and emissions 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, a shortage of capital imports, as well as by socio-political tensions, conflicts, corruption, inadequate government structures, and a lack of legal certainty.

Geopolitical tensions and conflicts as well as signs that the global economy is fragmenting are additional material risk factors for the development of individual countries and regions. These are increasingly giving rise to sanctions, tariff barriers, and other protectionist obstacles to trade. In light of the existing, strong global interdependence, local developments may also negatively impact the global economy. Any escalation of regional conflicts could further distort the semiconductor, energy, and commodity markets around the world and intensify migration trends, for example. The same applies to violent conflicts, terrorist activities, cyberattacks, and the spread of infectious diseases, which may prompt unexpected, short-term responses from the markets. TRATON is subject to intense competition, which may increase further in the future. TRATON's future success depends on the Group's ability to address the key factors of competition in the commercial vehicle industry: these are, in particular, its innovative capacity, which has a positive effect on the total cost of ownership of our products, the ability to address specific customer needs with tailored solutions, 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 in changing markets, this may result in pricing pressure, loss of sales revenue, and lower margins.

The TRATON GROUP 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 TRATON GROUP may help to buffer market volatility that is limited to specific regions, at least to some extent. As a further option, we 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. Timely innovations in disruptive trends like autonomous driving, digital connectivity, and electric vehicles may provide business opportunities. To achieve this, TRATON is investing significantly in research and development. This may also involve partnerships and cooperation with suppliers or other organizations outside TRATON's core competences.

The development of new products involves large and complex projects that 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 cost overruns, delays in new product launches, delivery delays, quality issues, and damage to customer relationships.

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

As commercial vehicle technology becomes increasingly complex, the risks of vehicle defects and quality issues generally rise. 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, TRATON may be exposed to product recalls as well as product liability and compensation claims. By the same token, superior product quality may strengthen our positioning within the competitive environment.

The impact of these factors may be further amplified in the future by the TRATON GROUP's Modular System, as the components are used in a number of different vehicles across all brands and hence in higher volumes. By the same token, the TRATON Modular System opens up a range of opportunities for the TRATON GROUP, in particular through economies of scale in production and procurement, as well as better allocation of development costs.

In order to maintain high quality standards for its products and to comply with government-prescribed safety and other standards, TRATON incurs costs for monitoring, certification, and quality assurance. We have 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 Group's products.

Considerable uncertainties remain due to ongoing shortages in the supply of bought-in components, as well as increasing costs for certain raw materials and energy. TRATON has intensified monitoring of its supplier network so it can respond as quickly as possible to any delays and nondeliveries.

Operations

The TRATON GROUP's success depends on the uninterrupted operation of its manufacturing activities. Unforeseen disruption of a production facility represents a 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 TRATON 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 or suppliers, we face the risks of production downtimes and inventory backlogs.

Due to the uncertainty of the war in Ukraine, there are still substantial risks of production stops due to bottlenecks in the supply chain. In addition, a rise in the number of COVID-19 infections could lead to production interruptions if the responsible authorities were to impose restrictive safety measures on critical suppliers, especially in China.

Furthermore, accidents or technical faults in production facilities may cause hazardous substances to contaminate water, soil, and air. The TRATON 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 we have put operational efficiency initiatives in place for each of our 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. As well as opportunities for improving the efficiency and effectiveness of TRATON's operations, this also gives rise to considerable 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 Company's IT systems or those of our business partners.

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.

Our success further depends on our ability to attract, hire, train, and retain experienced management and personnel for the Company. TRATON's management team has substantial expertise and industry experience, and the loss of key members of management may adversely affect our ability to implement our strategic objectives. Further, the TRATON GROUP also depends on employees that are highly skilled and qualified in scientific and technical fields.

Attracting and retaining these employees depends on a variety of factors, for example attractive 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 training strategies for vocational trainees all the way to top management executive education programs.

Legal & compliance

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

In particular, the TRATON GROUP is subject to antitrust regulation in the European Union and other jurisdictions and thus exposed to the risks of related enforcement actions and damage claims. Competition in the commercial vehicle industry is increasingly concentrated, which is why it is subject to heightened scrutiny by antitrust authorities. A finding of an infringement of antitrust regulations could adversely affect the TRATON GROUP in a variety of ways, including significant fines, private enforcement claims, disclosure of and changes in business practices, and reputational damage.

The TRATON 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, we are subject to the stringent requirements of the EU's General Data Protection Regulation (GDPR), which entered into force in May 2018. If the TRATON 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 global footprint and large number of products and services expose us to risks arising from breaches of the Company's patents by third parties, or the unauthorized disclosure of company-specific TRATON expertise by third parties. To address these risks, we review the specific legal situation in each case, if appropriate with the support of external legal advisers, to defend ourselves against unjustified claims or assert our own claims. Further, the TRATON GROUP has set up and is continuously enhancing a comprehensive compliance program with a special focus on combatting corruption, antitrust law, and preventing money laundering, among other things.

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 TRATON GROUP carries out transactions in a currency other than its functional currency, it is exposed to currency risk. The TRATON GROUP therefore partly hedges currency risk arising from order backlog, receivables and liabilities, and planned unit sales. The inclusion of subsidiaries or other affiliated companies in countries outside the eurozone in the consolidated financial statements represents a risk and an opportunity as a result of currency translation. As a general rule, TRATON does not use derivatives to hedge these translation risks.

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 sufficient liquidity at all times, 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. The TRATON GROUP's financial management manages automated cash pools, wherever legally and economically appropriate and feasible. There are increased liquidity risks because of uncertainty relating to the impact of the war in Ukraine and the further course of the COVID-19 pandemic.

For external financing purposes, the opportunities available on the financial market are tracked continuously so as to ensure the TRATON GROUP's financial flexibility. Additionally, the TRATON GROUP has access to Volkswagen 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, which may be negatively impacted by the COVID-19 pandemic, 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 earnings if equity-method investments are impaired.

The Company 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 pension commitments, 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 benefits granted by TRATON to its employees 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 may materialize if actual developments differ from expected developments in a positive way.

Furthermore, the TRATON GROUP is subject to income and other taxes in multiple jurisdictions. Provisions for income, sales, value-added, and other taxes, including withholding taxes, are primarily determined on the basis of responsible judgment and estimates of tax bases. Accordingly, in the ordinary course of our 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 final tax assessments or the timing of the tax effect are subject to some uncertainty.

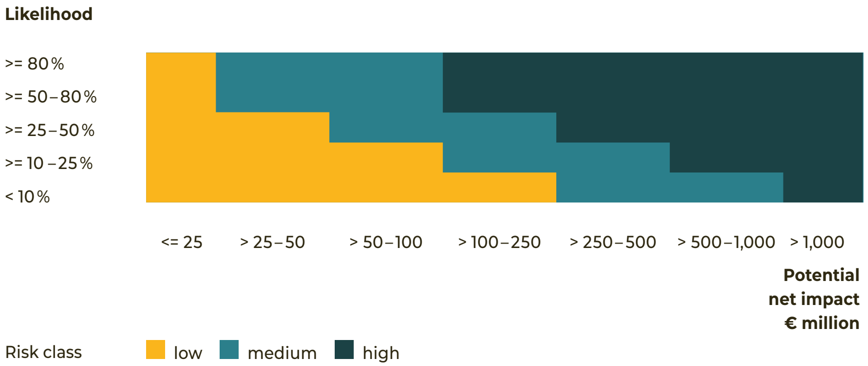
TRATON is regularly subject to tax audits conducted by the tax authorities responsible, which may disagree with the tax positions we have included. Even if the TRATON GROUP considers the reported tax positions appropriate, an external tax audit may affect the tax positions reported. As a result, we may be subject to additional tax liabilities, interest, penalties, or any regulatory, administrative, or other sanctions relating thereto.

Aggregated representation on the basis of risk categories

The combined management report outlines risks that could have a significant impact on the achievement of the Company's goals based on financial and nonfinancial criteria. The ERM process defines brand-specific thresholds for internal risk reporting in the net risk impact amount of between €7.5 million and €15 million. These criteria are validated on a regular basis and adjusted if necessary.

For risk aggregation purposes, we run a Monte Carlo simulation. As part of this process, we analyze the identified risks' potential impact and probability of occurrence taking into account any risk-mitigating measures that have already been implemented. The outcome of the Monte Carlo simulation for each risk category is then set in relation to the TRATON GROUP's planned operating result to calculate the corresponding risk class. The matrix below forms the basis of this process. If there are more risks or if they have a higher net impact, the risk class itself is higher, while a higher operating result with an unchanged risk assessment results in a lower risk class.

Risks belonging to the "Strategy" risk category usually have a long-term effect, which is difficult to quantify in the short term. TRATON therefore does not quantify these risks. The risk class for strategic risks is assessed through expert opinion.



The aggregated risk situation of the reported risks for each risk category is represented in the following table on the basis of the three risk classes and the risk categories:

Risk category	Risk class, current (2022 Annual Report)	Risk class, previous year (2021 Annual Report)
Strategy	High	High
Markets	Medium	High
Products	High	Medium
Operations	Medium	High
Legal & compliance	High	High
Finance	High	High

The current economic environment, the war in Ukraine, various issues affecting supply chains, and the increase in energy and raw materials prices are continuing to contribute to a high level of uncertainty. This means that the "Strategy," "Legal & compliance," and "Finance" categories are assessed as "High," which is unchanged compared with the previous year. For the "Products" category, TRATON sees a higher risk than in the 2021 Annual Report, classifying its risk class as "High." This higher risk class is primarily attributable to risks related to increased prices for raw materials, energy, and bought-in components. For the "Markets" and "Operations" categories, "Medium" represents a lower risk class than in the 2021 Annual Report. Among other things, this lower classification results from the fact that planned operating result for 2023 is significantly higher than in the previous year, which means the risk exposure is proportionately lower. Furthermore, the relatively high order backlog at present mitigates the risks of potentially negative market developments. In addition, fewer risks related to brand initiatives to increase operational efficiency were reported for the "Operations" category than in the previous year. The inclusion of Navistar's risks does not have a material effect on any change in the risk classes compared with the 2021 Annual Report.

Overall assessment of the TRATON GROUP's risk and opportunity position

According to our evaluation, risks in the "Legal & compliance" category have the most considerable impact on the TRATON GROUP. As in the previous year, legal and compliance risks comprise litigation risks, in particular. In the strategy risk area, the requirements and risks arising from CO_2/emissions regulation in the European Union and North America remain a particular focus. In addition to the general cyclicality of and intense competition in the commercial vehicle industry, market risks include the economic environment. As in the previous year, these risks can arise from supply chain issues, from protectionist measures, and from growing geopolitical tensions and the war in Ukraine. These may have a negative impact on sales volumes and sales margins. Product-related risks continue to primarily consist of possible cost increases for bought-in components. The primary operations risks arise from the use of information technology. Among the finance risks, future currency developments remain an area of significant uncertainty that may have both a positive and a negative effect on our Company.

Overall, the TRATON 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, TRATON has determined that there are no risks that could endanger its continued existence, either individually or in combination with other risks.

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

Important legal cases

MAN and Scania/EU antitrust proceedings

After unannounced inspections at the premises of several European truck manufacturers including MAN and Scania in 2011, the European Commission initiated proceedings in 2014 for suspected violations of EU antitrust rules in the European truck sector. On July 19, 2016, the European Commission issued a settlement decision (the "Settlement Decision") against MAN and four other European truck manufacturers (excluding Scania) holding that collusive arrangements on pricing and gross price increases for medium- and heavy-duty trucks in the European Economic Area and the timing and the passing on of costs for the introduction of emission technologies for medium- and heavy-duty trucks required by Euro 3 to Euro 6 standards had lasted from January 17, 1997, to January 18, 2011 (for MAN: until September 20, 2010). While the other four truck manufacturers were fined, MAN was granted immunity from fines since it had acted as a key witness and informed the European Commission of the antitrust infringements in September 2010. Scania decided not to apply for leniency and not to settle this antitrust case and, by decision of the European Commission dated September 27, 2017 (the "Scania Decision"), received a fine in the amount of approximately €880.5 million. Scania appealed the Scania Decision to the General Court of the European Union and asked for full annulment. On February 2, 2022, the General Court rendered its judgment, whereby Scania's appeal was dismissed in its entirety and the amount of fines set by the European Commission upheld. On April 8, 2022, Scania appealed against the judgment of the General Court of the European Union from February 2, 2022, to the European Court of Justice. The €880.5 million fine plus interest from the EU antitrust proceedings was paid on April 12, 2022, to avoid additional interest penalties.

Following the Settlement Decision, a significant number of (direct and indirect) truck customers in various jurisdictions have initiated or joined lawsuits against MAN and/or Scania. With the merger of MAN SE with TRATON SE taking effect, TRATON SE has — in most jurisdictions — automatically assumed the procedural role of MAN SE as legal successor in the respective proceedings (and is insofar covered by "MAN companies"). Even if such claims may have expired under the respective applicable local laws it cannot be excluded that further lawsuits will be filed. The claims against MAN companies differ significantly in scope; while some truck customers only bought or leased a single truck, other cases concern a multitude of trucks. Furthermore, some truck customer damages claims have been combined in class actions or through claim aggregators to which the truck customers assigned their respective damages claims.

In Germany, eight "judgments on the merits of the claim" (*Grundurteile*) have been rendered against one or more MAN companies. There was no need in these cases to resolve the issue of whether any damages were actually sustained. The defendant MAN companies have appealed all of these decisions. In one case, the court of appeal has already revoked the first instance judgment and dismissed the action as inadmissible. In two further cases, the respective claimant has withdrawn the action before the court of appeal. In individual proceedings, some courts issued "orders for evidence to be taken" (*Beweisbeschlüsse*) so that an expert can clarify the question of whether any damage has been sustained and, if so, in what amount. At the Regional Courts of Munich I (37. Civil Chamber) and Stuttgart (30. Civil Chamber), the respective experts retained by the court have delivered their expert opinions in several proceedings. MAN companies will file their complaints as well as requests and supplemental questions in due course. By contrast, a range of lawsuits against MAN companies have been dismissed — some of them already finally.

In addition to a series of dismissals of lawsuits — some of them already final — in various countries, individual courts in Spain have upheld a number of damages claims — either in part or in full. The defendant MAN companies have appealed all of the decisions or will do so within the statutory period. While in a few cases, the respective court of appeal has already revoked the decision of the court of first instance, in other cases, the respective court of appeal has upheld the first instance ruling awarding damages — in full or in part. With one negligible exception, none of these judgments are final, as the defendant MAN companies have appealed all decisions before the Spanish Supreme Court, which has not rendered a decision yet. In Belgium, a judgment on the merits and a judgment awarding damages (on an equitable basis) have been issued against MAN. MAN companies have appealed both decisions. In the meantime, the respective plaintiffs have withdrawn both claims.

A relatively small number of (direct and indirect) customers in various jurisdictions have initiated or joined lawsuits against Scania. Further, Scania has received a number of third-party notices from other defendant commercial vehicle manufacturers. As is the case for MAN, the claims against Scania differ significantly in scope as some customers only bought or leased one truck while others operate a whole fleet of trucks. Furthermore, some customer damages claims in other jurisdictions have been combined in class actions or through claim aggregators. The exact number of trucks involved is, however, unknown.

No provisions were recognized for these cases since a final and unappealable ruling under which MAN or Scania would have to pay damages is not more likely than unlikely at present. No contingent liabilities were recognized because these damages cannot currently be quantified. In particular, this applies to proceedings that are still in the early stages, including those in the early stages of expert appraisals.

VW Truck & Bus Ltda.

In the tax proceedings between Volkswagen Truck & Bus Indústria e Comércio de Veículos Ltda. (VW Truck & Bus Ltda.), formerly MAN Latin America Indústria e Comércio de Veículos Ltda. (MAN Latin America), and the Brazilian tax authorities, the Brazilian tax authorities took a different view of the tax implications of the acquisition structure chosen by MAN SE (now merged with TRATON SE) for the acquisition of VW Truck & Bus Ltda. in 2009. The tax proceedings have been divided into two auditing periods, covering the years 2009/2011 (Phase 1) and 2012/2014 (Phase 2). In December 2017, an adverse last instance judgment was rendered by the Brazilian Administrative Court (Phase 1), which was negative for VW Truck & Bus Ltda. VW Truck & Bus Ltda. appealed this judgment before a regular judicial court in 2018. The tax proceeding related to Phase 2 is still pending judgment by the Brazilian tax authorities. Due to the potential range of penalties plus interest which could apply under Brazilian law, the estimated size of the risk in the event that the tax authorities are able to prevail overall with their view is uncertain. This could result in a risk of about BRL 3.5 billion (equivalent to €0.6 billion as of December 31, 2022) for the contested period from 2009 onward. This assessment is based on the accumulated accounts at the reporting date for the claimed tax liability including the potential penalty surcharges, as well as accumulated interest, but excluding any future interest and without discounting any cash flows. Several banks have issued bank guarantees for the benefit of VW Truck & Bus Ltda. as is customary in connection with such tax proceedings, which in turn are secured by TRATON SE.

Navistar/profit sharing disputes

Navistar's post-retirement benefit obligations, such as retiree medical, are primarily funded in accordance with a 1993 settlement agreement. Pursuant to this agreement, if a threshold of profits for a given year was achieved, Navistar had to make profit sharing payments to a benefit trust. There have subsequently been repeated disputes about the details and extent of these profit sharing payments. A lawsuit filed in 2013 led to a court order in 2015 to enter into arbitration proceedings. In February 2021, Navistar and the Committee responsible for the benefit trust agreed in principle to a final arbitration award in the amount of USD 239 million (equivalent to €224 million as of December 31, 2022). The Committee filed a motion in court to confirm the arbitration award and Navistar filed a motion to vacate the arbitration award. In addition, the profit sharing calculations for the years 2015 through 2020 and the "profit sharing cessation date" provisions in the settlement agreement were also disputed. Various local bargaining units of the UAW (United Automobile, Aerospace and Agricultural Implement Workers of America) labor union have also filed local grievances under various collective bargaining agreements.

On December 22, 2021, the parties entered into a definitive settlement agreement ("Profit Sharing Settlement Agreement") on substantially the same terms and conditions as the letter of intent (LOI) dated October 22, 2021, which had been signed to settle all Profit Sharing Plan disputes for years 2020 and prior and to terminate all future Profit Sharing Plans. In return, Navistar agreed to make payments to the Supplemental Benefit Trust in the aggregate amount of USD 556 million (equivalent to €521 million as of December 31, 2022). On the same day, the parties entered into a Class Settlement Agreement, which was filed by the class representatives with their unopposed motion for preliminary approval of the class action settlement. In the fourth quarter of 2021, Navistar made the first payment of USD 100 million (€88 million) on the basis of this agreement.

The Profit Sharing Settlement Agreement agreed with the class representatives in December 2021 was approved by the competent court in June 2022. Following this, Navistar made the contractually agreed final payment of USD 424 million (€401 million) including interest. The deadline for appealing the court's final approval of the class action settlement has expired.

Navistar/retiree health care litigation

In October 2016, an additional lawsuit was filed with the court by the members of the Committee mentioned above in conjunction with the settlement agreement. This lawsuit involves retirees of Navistar who had joined the Navistar, Inc. Health Benefit and Life Insurance Plan established under the settlement agreement. The lawsuit is about the alleged misappropriation by Navistar of certain grants (Medicare Part D subsidies and Medicare Part D coverage-gap discounts).

On December 22, 2021, the parties entered into a definitive settlement agreement ("Krzysiak Action Settlement Agreement") on substantially the same terms and conditions as the letter of intent (LOI) dated October 22, 2021, under which it has been agreed that the OPEB plan will be adjusted with regard to the contributions, resulting in an increase of USD 146 million (€123 million) in the balance sheet obligation (see Note **"34. Provisions for pensions and other post-employment benefits"**) and a payment by Navistar. The competent court also approved the Krzysiak Action Settlement Agreement in June 2022. Following this, Navistar made the agreed final payments in the total amount of USD 20 million (€19 million). The deadline for appealing the court's final approval of the class action settlement has expired.

Navistar/MaxxForce EGR warranty litigation

Since 2014, Navistar has been facing lawsuits in the USA and Canada in connection with the MaxxForce 11-, 13-, and 15-liter EGR engines. The class action suits allege that these engines are defective, and that Navistar failed to disclose these defects. There are eight class action suits pending in Canada. In the USA, the pending class action suits were consolidated in a multidistrict litigation. In 2019, the parties reached a settlement agreement consisting of cash and rebate components with a total value of USD 135 million (equivalent to €126 million as of December 31, 2022). Settlement of the USA class action suits is final, and the USA class actions have been dismissed. In addition, there are non-class action lawsuits in this regard filed against Navistar in various state and federal courts in the USA and Canada. Several cases have been resolved at trial with varying results. Provisions have been recognized for this.

Update on the MAN SE merger squeeze-out

The merger of MAN SE with TRATON SE was entered in the commercial register of MAN SE and TRATON SE on August 31, 2021. With this, MAN SE ceased to exist as an independent legal entity, and all rights and obligations were transferred to TRATON SE. MAN SE shares were delisted at the same time.

Cash compensation in the amount of €70.68 per common and preferred share was paid out to MAN SE noncontrolling shareholders on September 3, 2021. This marked the conclusion of the MAN SE merger squeeze-out. The appropriateness of the cash compensation will be reviewed by a court-appointed auditor as part of the judicial award proceedings initiated by affected noncontrolling interest shareholders. TRATON submitted its response to the court at the end of June 2022. The oral proceedings are scheduled for March 2023. No provisions or contingent liabilities have been recognized.

Events after December 31, 2022

The planned sale of Scania Finance Russia was completed on January 17, 2023, following receipt of all regulatory approvals. The sale proceeds amounted to €400 million. In addition, Scania Finance Russia has negative accumulated other comprehensive income of €108 million, which relates to currency translation and will be reclassified to the income statement in 2023. Further information on the sale can be found in Note **"9. Noncurrent assets and disposal groups held for sale"** to the Consolidated Financial Statements.

The TRATON GROUP issued a €300 million fixed-rate note with a two-year term on January 18, 2023, under the €12.0 billion European Medium Term Notes program.

Nonfinancial Group Statement

Nonfinancial Group Statement

We are publishing this Nonfinancial Group Statement (hereinafter the "Nonfinancial Statement") in accordance with the provisions of the *Handelsgesetzbuch* (HGB — German Commercial Code). It applies to the TRATON GROUP (sections 315b, 315c of the HGB).

With its Scania, MAN, Navistar, and Volkswagen Truck & Bus (VWTB) brands, and the digital RIO brand, the TRATON GROUP is one of the world's leading commercial vehicle manufacturers. Unless otherwise stated, the terms "TRATON," "Group," and "the Company" refer to the TRATON GROUP. The activities of the digital RIO brand are not relevant for the Nonfinancial Statement and have therefore not been included.

The acquisition of Navistar by TRATON was completed in 2021. This meant that Navistar was not involved in some of TRATON's activities in the reporting period due to the still ongoing integration process. This is indicated accordingly.

The Nonfinancial Statement contains material information that is required by the HGB and relates to five nonfinancial issues: environmental matters, employee matters, social matters, respect for human rights, and combating corruption and bribery. To identify issues relevant for the Company within these nonfinancial matters, TRATON conducted a materiality analysis. Its aim was to identify topics that are relevant to understanding TRATON's course of business and position and to understanding the impact of TRATON's activities on the nonfinancial matters (see the "Content of the Nonfinancial Statement" table).

The option provided by law of using a defined reporting framework has not been adopted. Nevertheless, the Nonfinancial Statement is guided by the standard of the Global Reporting Initiative (GRI), where relevant for the material issues we have identified.

Detailed information on the Company's business model can be found in the **"Key Information about the TRATON GROUP"** chapter in the Combined Management Report.

Our integrated risk management has determined that our own business relationships, business activities, products, and services do not result in any highly likely risks with severe negative impact on the nonfinancial matters.

Sustainability at TRATON

TRATON's sustainability efforts are built on the Sustainable Development Goals (SDGs) adopted by the United Nations. By aligning our sustainability efforts with these global goals, we want to contribute to the United Nations' 2030 Agenda. Since TRATON is a company that primarily manufactures commercial vehicles, this means that we want to make a substantial contribution to a more sustainable transportation industry.

Sustainability management and strategy

Sustainability is a firmly established concept within the TRATON GROUP brands. Since the Group's organization is decentralized, the brands set their priorities, resources, and methods individually in line with their own corporate culture and strategy. TRATON, as the overarching brand umbrella, creates an environment in which its brands support each other to learn from their individual strengths and to leverage synergies. The focal point of this dialogue and development process are solutions that help to significantly reduce greenhouse gas and pollutant emissions.

The central Sustainability function at TRATON SE reports directly to the Chief Executive Officer and Executive Board via the TRATON Sustainability Board and is responsible for coordinating sustainability management at TRATON. Developing TRATON's sustainability path is a cross-functional task with responsibilities embedded at the level of the brands and in several central TRATON functions, such as Strategy, Human Resources, and Governance, Risk & Compliance.

The TRATON Sustainability Board is led by the Chief Executive Officer of the TRATON GROUP. The brands and the TRATON central functions are represented. The TRATON Sustainability Board assists the Executive Board in overseeing the Group's significant environmental, social, and governance (ESG) strategies, programs, measures, risks, and practices. It is used as a platform for knowledge transfer and provides guidance on key global ESG issues. New programs and measures receive their final approval from the TRATON Executive Board and at the level of each brand, with the brands solely responsible for their implementation. The TRATON Sustainability Board met twice in 2022.

In order to better understand the influence that the Group has on sustainable development, TRATON conducted its first materiality analysis in 2021. The materiality analysis was updated, and the strategic focus areas were confirmed in 2022. However, there has been an adjustment in the material issues within the strategic focus area of Decarbonization & Circularity. The previously defined “Clean air & water consumption” issue is now summarized in the Decarbonization & Circularity subsection. The key activities within this issue are further pursued at brand level due to the strong local orientation and relevance. Furthermore, the strategic focus area previously known as “People & Pluralism” has been renamed “People & Diversity” in order to have terminology that is more commonly known and accepted within TRATON and its brands.

Together with our brands, we analyzed which material issues are necessary to understand TRATON’s course of business and the impact of the TRATON GROUP’s activities on the five nonfinancial aspects (see the “Content of the Nonfinancial Statement” table).

As a result of this process, we have identified three strategic focus areas that can contribute substantially to transforming the transportation sector and to achieving the SDGs. Each of these strategic focus areas covers material issues that have been identified for TRATON:

1. **Decarbonization & Circularity:** Transforming the business model and product design to reduce CO_2 emissions and resource consumption.
2. **People & Diversity:** Promoting a variety of competencies and equal opportunities for employees and partners to increase employer attractiveness and innovative strength.
3. **Governance & Ethics:** Facilitating a transparent, risk-oriented, and fair decision-making process that is consistent with the Company’s rights and obligations and generates long-term value for TRATON and its stakeholders. This also includes looking beyond our own Company and putting social responsibility into practice along our value chain.

CONTENT OF THE NONFINANCIAL STATEMENT

Nonfinancial matters	Strategic focus areas	Material issues
Environmental matters	Decarbonization & Circularity	Decarbonization
		Circularity
Employee matters	People & Diversity	Diversity & Inclusion
		Education & Human Capital
Social matters		Decent Work
Combating corruption and bribery	Governance & Ethics	Values-Based Governance
		Compliance
Respect for human rights		Human Rights

Pursuing management approaches for the issues defined as material is primarily the task of the brands. We continuously work with our brands to better understand which competencies already exist within the brands and what the best way to create synergies will be in the future. It is our ambition to design the most efficient and effective distribution of roles within the Group. The definition of this target picture is still ongoing.

The design of Group-wide or brand-specific management approaches depends on the different market requirements of our brands as well as the different levels of maturity within individual sustainability topics. Where feasible, we apply overarching management approaches covering all brands. This applies especially to the material issues of “Diversity & Inclusion” and “Education & Human Capital” as well as the Governance & Ethics strategic focus area. Where the suitability of management approaches depends to a greater extent on production conditions, the product portfolio, or regulatory requirements, the brands have been in the lead. This is especially true for the material issues identified within the strategic focus area of “Decarbonization & Circularity,” as well as for the Decent Work material issue. It is important for TRATON that there is constant communication and active cooperation between the knowledge carriers in the Group. Coordinating these is the task of the TRATON Sustainability Board.

Decarbonization & Circularity

A changing transportation sector is a key element of a transformation that addresses climate goals. Protecting the environment is one of the objectives of TRATON's Decarbonization & Circularity activities. For this purpose, TRATON implemented an Environmental Compliance Management System (ECMS) in 2022. The ECMS directs all TRATON GROUP companies to address environmental management throughout all stages of their operations and the lifecycle of their products and services in order to minimize their environmental impact. The ECMS is a further development of the environmental management system in accordance with ISO 14001. The integration of the compliance aspect intends to ensure conformity with applicable regulations, uncover possible misconduct, and prevent it in the future.

Decarbonization

TRATON strives to make an important contribution to decarbonizing the transportation sector. With a view to achieving holistic decarbonization, the TRATON GROUP brands review various aspects of their value chain, mainly focusing on scopes 1 and 2, as well as scope 3 downstream.

As part of our strategy to lower CO_2 emissions, we intend to reduce emissions in these scopes. To achieve this goal, we work together with all brands of the TRATON GROUP. The TRATON GROUP is fully committed to further reducing greenhouse gas emissions from commercial vehicles in order to reach the targets of the Paris Climate Agreement and to limit global warming to 1.5°C above preindustrial levels. The most prominent lever for TRATON's contribution to combating climate change is the electrification of its product portfolio. We measure our progress in this area by analyzing the change in the BEV (battery electric vehicle) ratio.

The brands pursue their own CO_2 reduction programs. Scania, for example, has adopted science-based climate targets, which were officially endorsed by the Science Based Targets initiative (SBTi) in 2020. As part of this endeavor, Scania plans to reduce CO_{2e} emissions from its own operations (scopes 1 and 2) by 50% in absolute figures by 2025 compared with 2015, and emissions from its vehicles by 20% per kilometer over the same period (intensity target, scope 3). In 2022, Scania specified its supply chain decarbonization targets further. It aims to use 100% green batteries, 100% green steel, 100% green aluminum, and 100% green cast iron in its European production by 2030. Scania's definition of "green" requires eliminating the main sources of emissions by utilizing new technologies, green electricity, and/or recycled materials.

MAN joined SBTi in 2021 and had its near-term goals validated in 2022. As part of its SBTi commitment to the Business Ambition for 1.5°C, MAN intends to become net greenhouse gas-neutral by 2050 at the latest. The company aims to have its net zero target validated by the SBTi by early 2024. The near-term goals include the reduction of absolute greenhouse gas emissions at the company's sites around the world (scopes 1 and 2) by 70% by 2030 compared to the 2019 base year and a decrease of GHG fleet emissions per vehicle kilometer of trucks, buses, and vans sold by MAN (scope 3) by 28% within the same period. In 2022, MAN decided to build a battery pack production plant in Nuremberg. Construction of the facilities is scheduled to begin in 2023, so that industrial series production can start in 2025.

Navistar completed its full carbon footprint for its baseline year of 2021, measuring emissions across all emissions scopes, and began work on setting science-based targets. Navistar is aiming to submit its science-based targets in early 2023 or shortly after the Science Based Targets initiative releases its target calculation guidance for the automotive sector.

VWTB continued its decarbonization efforts in 2022. The result of these efforts was the reduction of electricity and natural gas consumption through the conversion of lighting in the production plants and the purchase of new burner controls, which will be installed in 2023. In addition, a project was launched to analyze the use of photovoltaic systems at the site in Mexico. In line with its decarbonization strategy, VWTB launched the first in-house postgraduate course in electric, autonomous, and connected vehicles. This initiative, which was created in partnership with the Federal University of Santa Catarina, seeks to further develop the commercial vehicle manufacturer's professionals for new technological trends.

Another key area is the expansion of the public charging network for battery electric heavy-duty trucks and long-distance coaches. Together with Daimler Truck and the Volvo Group, TRATON intends to build at least 1,700 high-performance green energy charging points across Europe within five years of establishing the joint venture. This ambition was adopted in a memorandum of understanding in mid-2021 and confirmed in a binding joint venture agreement at the end of 2021, which lays the foundation for the joint venture founded in July 2022 and now operating under the name "Milence."

The TRATON GROUP's priority is to invest in all-electric vehicles. Our aim is for zero-emission battery electric vehicles to make up around half of our vehicle sales across all segments and regions by 2030, provided the necessary regulatory mechanisms and infrastructure are in place. In fiscal year 2022, the TRATON GROUP's brands further specified the electrification of their product portfolio and the corresponding targets. For example, Scania introduced new electric trucks for regional long-haul operations. The new electric truck generation is based on classic Scania cornerstones such as modularity, sustainability, and a total operating economy (TOE) with the potential to match or even exceed what can be expected from conventional trucks. Scania continues along its electrification roadmap journey to reach the science-based targets set for CO_2 reduction, in partnership with its customers.

MAN underlined its ambition to transform its product portfolio toward drive systems that do not produce any greenhouse gas emissions. After MAN launched its first series-produced electric van in 2018 (the eTGE) and a small batch series of its 26-ton truck (the eTGM) in 2019, the company's all-electric city bus — the MAN Lion's City E — was awarded the "Bus of the Year 2023" title.

Further, MAN announced its intention to introduce a 10-meter version of the Lion's City E bus in October 2022, starting sales in early 2023. The 10-meter bus completes the all-electric city bus line-up, which consists of vehicles available in 12- and 18-meter variants. In addition, MAN unveiled its heavy-duty electric truck at the IAA 2022, which will be launched in 2024. With a daily range of 600 to 800 kilometers, this new all-electric truck can help customers to decarbonize their fleets.

Navistar saw the opening of its San Antonio manufacturing plant, which will be equipped to produce electric vehicle models alongside traditional vehicles. In fact, the first vehicle to roll off the manufacturing line was an International eMV Series electric truck. In 2022, Navistar also set itself a battery electric vehicle sales target. The goal is for 50% of the vehicles sold annually by 2030 and 100% of the vehicles sold annually by 2040 to be zero-emission.

VWTB has established the innovative e-Consortium at its site in Resende. The main role of the e-Consortium is to provide its customers with the entire operating infrastructure and services, including sustainable management services, alongside the product itself. The aim is to develop a comprehensive support structure for electric trucks and establish it on site: from vehicle manufacturing through building the charging infrastructure, down to managing the life cycle of the battery. This should significantly improve access to electric technology in the commercial vehicle sector. In 2021, four years after the debut of the first prototype, VWTB launched its new all-electric e-Delivery truck, ramping up its production. During 2022, the e-Delivery project was expanded to selected countries in Latin America, with VWTB now offering sustainable urban transportation solutions to its customers as part of its product portfolio. The first vehicles have already been delivered to key customers in Mexico and Paraguay.

Circularity

As part of its commitment to sustainability in the transportation sector, the TRATON GROUP also relies on the idea of circularity. Since a substantial part of industry emissions results from the usage of resources like steel, aluminum, or chemicals, increasing resource efficiency — especially through the recycling of raw materials and the extension of life cycles — will have to play an important role. The TRATON GROUP is currently working on a common perspective for all brands to figure out how and where we can make collective or individual efforts toward greater resource efficiency and circularity. We encourage our strategic partners at brand level to work on concepts that will enable us to take responsibility in both upstream and downstream stages of our value chain and foster the exchange of best practices between the brands, for example within the TRATON Sustainability Board.

Our brands are already taking initiatives toward more circular production. Scania, for example, focuses on extending the life of products, remanufacturing spare parts, and promoting recycling at the end-of-life product phase. A particular challenge in increasing resource efficiency while electrifying the transportation sector is the recyclability of battery cells. Scania is investing in the development and commercialization of battery cell technology for heavy-duty vehicles in partnership with Northvolt AB, Sweden. This also means an investment in the considerable growth in the European value chain for battery manufacturing, all the way from processing raw materials to producing battery cells and systems and creating the recycling infrastructure. The plan of Northvolt and its investors includes enforcing recycling capabilities to ensure that 50% of all raw materials come from recycled batteries by 2030. Furthermore, Scania's Climate Day 2022 focused on circular business in order to educate its employees and create a higher awareness of circularity as a concept. The goal was to elaborate what this concept means for Scania and encourage all units to start thinking about how they can contribute. Some of the measures discussed in 2022 included the reduction of single-use packaging material and the recycling of worn-out workwear for reuse in cab interiors as well as the use of foundry sand as a raw material in products.

MAN defined three major goals for its transition to a circular economy: (1) closing the material loop, (2) optimizing the lifetime of products and components, and (3) improving product usage and utilization. Due to the increasing electrification of its fleet, creating a second use (i.e., within another vehicle) or a second life (i.e., within another application, for example as mobile energy storage) for used batteries before they are recycled continued to be a clear imperative for MAN's research activities in fiscal year 2022. However, products do not necessarily need physical intervention to be more circular: MAN's smart digital services also support the transition toward a more circular business. The MAN ServiceCare proactive maintenance and repair management system, for example, helps to replace wear parts at the right time to prevent a major breakdown of the vehicle and thus optimize its lifetime. The enhanced version of this digital solution includes remote vehicle diagnostics and was piloted with selected customers in a number of regions across Germany and Austria in 2022. Furthermore, new digital drive program upgrades were introduced in the year under review that improve the vehicles' utilization without needing to go to the workshop or install new hardware. This is made possible by MAN's flexible over-the-air retrofitting solution, MAN Now.

VWTB already signed a memorandum of understanding in October 2021 that sets out the terms and understanding between the University of the State of Rio de Janeiro (UERJ) and the UERJ Circular project, which aims to develop studies, research, and measures that promote the circularity of the processes and products developed by the company. In 2022, a circular economy capacity building program was launched, focusing on training 23 VWTB employees in the UERJ Circular methodology and its application as well as in the development of business cases at the company. The next step in 2023 will be the development of projects focused on circularity in the automotive sector.

Both recycling and remanufacturing are critical instruments within a circular economy. For example, Scania has defined specific targets to increase reuse and recycling in its production: by 2025, the company aims to reduce the amount of unrecycled waste material by 50% compared with 2015. The remanufacturing of used parts is also an important part of Scania's circular thinking, bringing parts back from the value chain to be remanufactured, sold again in the Scania service network, or used again in its production processes.

MAN prioritizes the reuse of metals in its foundries in order to save raw materials. At its Nuremberg site, MAN buys and reuses certain scrap materials from external recycling processes. Shavings and scrap from MAN's own production have been reused in the manufacturing process at these plants since 2020. MAN professionally remanufactures used parts such as engines, cooling water pumps, crankshafts, a wide range of parts for charging and cooling, or powertrain components and sells these remanufactured parts under the MAN Genuine Parts ecoline brand. In 2022, approximately 3,200 ecoline engines were sold, which represents an increase of nearly 50% compared to the previous year.

Navistar focuses on remanufacturing used parts in its resource efficiency approach. The company collects used parts, sends them to one of four facilities dedicated to assessing parts for remanufacturing, restores them, and then distributes the parts through its parts sales network — and thus returns the parts to the product life cycle. More than 3,000 unique part types are regularly remanufactured as part of this process.

In the reporting period, VWTB continued its efforts and worked to improve its remanufacturing portfolio and increase the revenue generated with 71 (previous year: 70) remanufactured parts. Further efforts included promoting the upcycling of textile waste for the VW Social Project, which involves the production of new materials by seamstresses. Furthermore, VWTB applied the circular concept in its distribution center by reusing cardboard and plastic for outbound packaging, which resulted in a 25% reduction of new material expenses.

People & Diversity

The attractiveness and innovative strength of an organization is largely dependent on how well it recognizes and leverages the individual capabilities of its employees. Especially considering the ongoing structural change in our working world, diversity in our employees' job profiles and qualifications is becoming increasingly important. At the same time, both employers and employees benefit from decent working conditions and adequate income opportunities.

Diversity & Inclusion

TRATON promotes equal opportunities for everyone. We do not tolerate discrimination on grounds of ethnic or national origin, sex, gender identity, religion, views, age, disability, sexual orientation, skin color, political views, social background, or any other characteristics protected by law. We embrace diversity, actively encourage inclusion, and create an environment that fosters each employee's individuality in the interests of the Company. As a matter of principle, our employees are chosen, hired, and supported based on their qualifications and skills. TRATON has embedded the core principles of diversity and inclusion in its corporate culture and its overall strategy. We underpinned our commitment to a diverse and inclusive workforce by signing the Diversity Charter in 2017 and becoming its member in 2020.

By employing and developing people with the widest possible range of skills, knowledge, backgrounds, and experiences, our brands are taking important steps to promote an inclusive corporate culture that they consider to be a prerequisite for their business success. The Group's Diversity & Inclusion (D&I) team with representatives from all brands aims to ensure our common strategy, vision, activities, and KPIs for D&I across the TRATON GROUP. In line with the Group's D&I strategy, dedicated diversity management teams within the brands are responsible for the operationalization and delivery of appropriate measures and initiatives.

The core of our Group's D&I strategy is our Skill Capture approach. The Skill Capture approach is designed to develop management teams and employees by continuously working on diversity and inclusion awareness and creating value through actions and accountability. This systematic approach helps managers and their teams work with their employees and support them to develop to their full potential. To measure our success in obtaining a comprehensive picture of employee attitudes in the field of diversity and inclusion, TRATON has included three questions on the perception of diversity and inclusion in its yearly employee survey. Together, these questions form the Diversity & Inclusion index [0–100], where we achieved an overall score of 80.3 in 2021 and 80.5 in 2022 (Navistar not included).

At Scania, the Skill Capture Ambassadors support all the Skill Capture work done in their business areas. The revisits, also known as D&I progress reports, assist in assessing the extent to which Skill Capture is present in all business processes, activities, and decisions. Revisits reported in 2022 show that global teams focused on recruitment, awareness, mentorship, gender balance, and inclusive behavior activities in their Skill Capture work. Part of the Skill Capture revisit process allows for the collection of actions decided at local level, which are shared as best practices. These best practices form a toolbox that can be used by everyone and implemented in their organizational units.

A web-based training module on diversity and inclusion was created at MAN in 2022 based on the Skill Capture concept. MAN wants to make sure that new employees and managers begin their journey at MAN with a good understanding of diversity and inclusion. The web-based training has therefore also been included in the onboarding process and is also available to all MAN employees through the company's learning portal.

Navistar signed a pledge to support the CEO Action for Diversity & Inclusion initiative in the USA. The initiative is the largest CEO-driven business commitment to advance diversity and inclusion within the workplace.

To create equal opportunities for men and women to become managers, the TRATON GROUP brands have embedded a variety of approaches and initiatives in their companies. TRATON's target is a 20% proportion of women across all management positions by 2024 and a 30% proportion by 2029. To achieve this goal, our brands develop individual approaches. For example, we support potential female candidates on track for an executive career through HR development measures such as a mentoring program and an orientation program. New managers receive training to raise awareness of the topic of equal opportunities among all employees throughout the Company.

For example, in 2022, MAN entered into a partnership with PANDA, an NGO dedicated to increasing the number of women in management positions in German companies, offering training, career development strategies, mentoring, and networking to female managers and talents. It also joined forces with the Frauen Karriere Index (FKI), an NGO that compiles statistics on the number of women and their position in hundreds of companies around the world, providing a benchmark of progress for its members, which is then complemented by consulting services. Partnerships with these organizations considerably expand the breadth of information available to MAN's management, its D&I team, and its employees in general.

Measures were implemented to improve mothers' return to work after giving birth at VWTB in Brazil in 2022. The maternity leave itself has been extended by 60 days in addition to the 120 guaranteed by law. Remote work has also been approved for up to 5 days per week for mothers of children younger than 18 months of age. In addition, VWTB Brazil supports the Aceleradora de Carreiras (Career Accelerator) program dedicated to mentoring young female professionals. The aim of the program is to increase the number of women in leadership positions in the corporate world. In March 2022, VWTB received the São Paulo Diversity Seal, which highlights strategic actions for equal rights and best business practices.

Education & Human Capital

TRATON's HR department follows the "same needs, same solutions" approach in order to leverage synergies, reflecting brand-specific characteristics, and create added value for TRATON. To do this, the Chief Human Resources Officers (CHROs) of the brands meet on a monthly basis to discuss and follow up on agreed Group-wide activities. In addition, the TRATON HR Management Committee, which is composed of HR managers from all TRATON GROUP brands, oversees the Group's common HR activities and meets twice a month. The following HR activities apply to the TRATON GROUP brands. Navistar has been a full member of the Group since July 2021 and is gradually being included in the common HR topics.

Activities managed by the TRATON HR Management Committee include:

- **Development programs:** TRATON offers cross-brand development programs to create and develop a pool of top talent within TRATON. These include cross-brand and cross-program mentoring and an independent alumni network.
- **Global mobility:** support for the brands to enable cross-country and cross-brand employee exchange by offering a range of mobility tools.
- **Performance management:** TRATON's goal is to establish a sound and consistent methodology for evaluating management performance within the Company by enabling transparent, fair performance reviews independent of the brand. TRATON has agreed on a common management dialogue methodology.
- **Group talent management:** at Group level, TRATON organizes regular talent management meetings to discuss selected vacancies and facilitate the exchange of competencies and talents.
- **Employee satisfaction:** the Stimmungsbarometer is the overarching employee survey throughout the TRATON GROUP. The aim of the survey is to capture sentiment within TRATON and to enable improvements in areas like working conditions, information flow, quality, productivity, leadership, and collaboration by discussing the survey results and enhancing them with specific action plans.

In 2022, Management Excellence, the TRATON GROUP's talent development program, won second place in the Best Advance in Leadership Development category of the Brandon Hall Excellence Awards.

One focus area for TRATON's people activities in 2022 was supporting the organization in improving its Group-wide collaboration. The ability to deliver on the Group's strategic goals will be defined by the degree to which it is able to find and implement successful strategies to collaborate across geographies, brands, and functions. To facilitate this, a collaboration toolbox was developed based on proven best practices, external benchmarking, and internal research. This toolbox includes a diagnostic tool with a collection of short activities and workshops to identify potential improvement areas and help the teams collaborate more effectively. Moreover, the TRATON GROUP reviewed its corporate values in 2022 in order to ensure identical values for all brands, including Navistar. The review has now been completed, and the new corporate values, Customer First, Elimination of Waste, Respect, Responsibility, and Team Spirit, will be rolled out across the whole TRATON GROUP starting in 2023.

Scania uses workforce planning as a strategic approach to developing skills and nurturing talent, ensuring that it has the right people and competencies available when they are needed. With its Scania Academy, the company provides a range of programs designed to foster and develop employee knowledge and expertise for today's dynamically evolving transportation industry. Examples include reskilling initiatives where employees with no prior experience in a particular field are put on development paths that result in the individual's transition to a new career in the company. The most recent initiative was a program for front-end developers at Scania IT. With an in-house academy, Scania is able to continuously nurture the required culture and competencies in line with the ever-changing business needs. Leadership programs are a top priority, and the concepts range from those for junior managers to executive levels, all in partnership with business schools. In addition to individual competency development, the Scania Academy also provides formats for continuously developing team effectiveness with the Scania team factory concept. Additionally, focus remains high on learning research and democratizing learning, for instance by incorporating learning experience platforms in the company's learning system landscape.

At MAN, internal experts impart specific professional skills within the framework of knowledge transfer and thereby ensure the systematic transfer of knowledge and the training of the employees. In addition, worldwide strategic and technological innovations such as zero-emission mobility, digitalization, and automation require more targeted qualifications and new forms of learning. The MAN Academy therefore expanded its range of training opportunities in 2022 to meet this demand. MAN's upskilling and reskilling measures continue to focus heavily on competency development in the areas of alternative drives, automation, autonomous driving, data science and software development, and new working methods. The digitization of learning formats — in particular the implementation of external digital learning platforms — has also been important for all training content.

Navistar also offers development opportunities, for example the Finance and Accounting Leadership Development (FALD) program. This program is a three-year full-time rotational program to explore a career in finance and accounting. It includes executive mentorship and interaction, tuition assistance, and opportunities to relocate.

Decent Work

As one of the world's leading companies in the commercial vehicle industry, TRATON relies on qualified and motivated employees. We want to offer our employees a safe and attractive working environment in which they can develop to their full potential. This is made possible by our values-based culture of diversity, openness, and transparency. We strive to offer attractive working conditions to our employees. TRATON recognizes the right of employees to form labor unions and to participate in collective bargaining negotiations.

The involvement of employee representatives traditionally plays an important role in the Group brands. At Group level, TRATON has two labor forums — the TRATON GROUP Works Council and the TRATON SE Works Council — that are designed to ensure the multinational involvement of our employee representatives. As part of an additional agreement with the SE Works Council, the Company even enables participants to be invited from outside the European Union, so that employee representatives from locations around the world can take part in the meetings. In addition, the Executive Board and the employee representatives agreed in 2022 to establish an economic committee for information on economic matters at the level of the SE Works Council. The right of workers to collectively bargain the terms and conditions of their work is an internationally recognized human right. At TRATON, the majority of employees throughout the Group are covered by collective bargaining agreements.

Decent work is highlighted in multiple ways in the Policy Statement on Human Rights, which was published in 2022 and is valid for all brands of the TRATON GROUP. The Policy Statement includes a section on the rejection of forced or compulsory labor and the rejection of child labor and underage workers, and a section on equal treatment in employment. The topic of freedom of association and collective bargaining is also addressed. TRATON respects the right of all employees to establish and join unions as well as employee representative bodies and rejects any form of discrimination that could occur based on union activities. On top of this, the Policy Statement on Human Rights underlines that TRATON is committed to its responsibility for the health and safety of its employees and the continuous improvement of their work environment. Compliance with occupational health and safety requirements is handled by the brands' health and safety systems.

At TRATON, the focus in recent years has been on working conditions, including flexible working models. In order to define uniform working conditions around the world, Scania has rolled out a global group policy that regulates minimum standards for working hours, weekly rest periods, vacation, and sick leave for its employees. The policy also contains requirements for recruitment as well as termination of employment. Based on the Scania global principles for labor relations, a Labor Relations Improvement Program, a workshop-centered tool for improved dialogue between management and employee representatives, has been developed together with the employee representatives. It is available to the organization, and its rollout is currently the subject of a project reviewing improvement potential in labor relations more broadly.

At MAN in Munich, the concept of working from the office is changing with an eye to the future. Management and the Works Council have agreed on key conditions for future cooperation at the Munich site. Since 2022, employees have been able to organize their work more individually and flexibly in terms of time and place — on a permanent basis. There is also the option of working abroad within the European Union up to 20 days per calendar year.

In 2022, VWTB negotiated two different flexibility agreements with the trade union and the Works Council. One of the agreements guarantees that employees in administrative or office-based functions can work remotely up to three days a week. With this agreement, VWTB aims to create the opportunity to have a more flexible scheme for each job, encouraging a better combination of teamwork and individual performance.

Governance & Ethics

TRATON is committed to a values-based governance including transparent, risk-driven, fair decision-making that is consistent with the Company's rights and obligations and creates long-term value for TRATON and its stakeholders. Compliance with applicable laws and the Code of Conduct, our guideline for acting with integrity, is the basic prerequisite for this. The Company relies on its compliance management system and solid organizational compliance structures needed to do this.

Environmentally conscious management and compliance with human rights principles are fundamental for TRATON to act in a way that is socially and economically responsible. To underscore its commitment to responsible corporate governance, the TRATON GROUP has been a member of the UN Global Compact since October 2021 and is committed to principles in the fields of human rights, labor, environment, and anti-corruption, among others. In accordance with the initiative's policies, TRATON regularly communicates its progress in these fields as part of its commitment to the UN Global Compact.

Values-Based Governance

At TRATON, integrity is a cornerstone of our entrepreneurial activities. It forms the basis of the Group's reputation, for the trust that our customers and business partners place in us, for the well-being of our employees, and for our long-term commercial success. The Code of Conduct for Employees and the Code of Conduct for Suppliers and Business Partners enshrine the ethical principles derived from this. Additionally, TRATON communicates Group-wide binding rules on issues of substance to its employees through centralized policy management. Integrity is also embedded into internal processes, for example as a criterion for selecting new managers.

In 2022, TRATON continued the Together4Integrity (T4I) program across the TRATON GROUP. This program aims to promote the Group's integrity, compliance, culture, and risk initiatives to align them with the Company's top priorities. The goal is to strengthen a culture of integrity within the Company. The program seeks to implement a range of measures in various areas of the Company. At the Group and subgroup level, TRATON organized workshops on the subject of Governance, Risk & Compliance (GRC). The aim of these workshops was to raise awareness of the T4I program and give employees across all levels the opportunity to discuss the topics of compliance and integrity. In 2022, a variety of local units also held their own workshops in cooperation with their Compliance Officers. The feedback from these workshops is used to continuously strengthen the topics of compliance and integrity throughout TRATON.

Compliance

At TRATON, the aim of compliance management is for all employees to act in accordance with ethical standards, the law, and internal policies — at all times and everywhere. TRATON's compliance management system focuses on white-collar crime, in particular combating corruption, preventing money laundering, adhering to antitrust law, and respecting human rights. TRATON has developed a Group-wide compliance and integrity program that is designed to prevent compliance violations, detect compliance violations that may arise despite preventive measures as early as possible, and respond to these compliance violations.

Navistar, which joined the Group in mid-2021, is currently running a GRC integration project that aims at further developing its processes in accordance with the TRATON standards applicable throughout the Group. While the integration of Navistar into our systems and processes has made significant progress over the last year, the project is still ongoing.

Communication and employee training play a key role in TRATON's preventive compliance and sustainability work across all hierarchy levels. TRATON conducts regular face-to-face and online training sessions on compliance and integrity topics. The compliance training program includes training modules on the Code of Conduct, the Company's guideline for acting with integrity. A web-based training has been created, which is updated by the GRC Organization every two years and has to be repeated by the relevant employees every two years. The last update of the web-based Code of Conduct training took place in the year under review. Employees without access to the web-based training receive face-to-face training on the Code of Conduct from their managers, following a train-the-trainer approach, which is repeated at least every four years. As of December 31, 2022, 45,952 employees in the TRATON GROUP completed the web-based Code of Conduct training, equivalent to 96% of the TRATON employees who need to be qualified in this training format.

In addition, TRATON conducts compliance training sessions on the topics of anti-corruption, preventing money laundering, antitrust issues, business and human rights, and whistleblowing as well as general compliance and integrity training for employees in key positions, such as the Executive Board. The respective target groups for each training are defined on the basis of employees' respective risk exposure. In the year under review, TRATON rolled out an updated web-based training course on anti-corruption. As of December 31, 2022, 16,463 employees completed this training, equivalent to 47% of the TRATON employees who need to be qualified in this training format.

Further, business partners receive compliance training on the Code of Conduct for Suppliers and Business Partners. Business partners with an intermediary or representative function with a medium or higher corruption risk exposure undergo this training as part of their approval process via TRATON's Business Partner Approval Tool.

Integrity and compliant conduct in line with statutory regulations, internal policies, as well as the principles laid down in the Code of Conduct and the Code of Conduct for Suppliers and Business Partners are of the highest priority for TRATON. To protect these values and to avoid or minimize potential risks due to regulatory violations, it is crucial for potential regulatory violations by employees, suppliers, business partners, or other external parties related to TRATON to be identified at an early stage, clarified, and stopped, and for disciplinary measures to be applied where necessary. That is why the TRATON Investigation Office is charged with operating an independent, impartial, and confidential whistleblower system providing different whistleblower channels to employees, business partners, and other external parties as the central contact point for whistleblowers. Tip-offs can be also submitted anonymously, e.g., via the electronic whistleblower portal ("Speak up!").

The TRATON whistleblower system focuses on investigating potential serious infringements that could cause major damage to the Company's reputation or financial interests or that involve major breaches of the Company's ethical principles. Potential violations of the Code of Conduct for Suppliers and Business Partners by suppliers and violations of human rights and environmental laws by direct and indirect suppliers can also be reported to the TRATON Investigation Office. The TRATON Investigation Office then informs the responsible departments, who process the issue accordingly. In particular, this includes taking the necessary measures to minimize or stop violations and/or risks.

An investigation in line with applicable laws and together with the responsible units in the TRATON brand concerned is only initiated after a very careful examination of the facts and following reasonable suspicion of a regulatory violation. The whistleblower system is designed to guarantee the greatest possible protection for whistleblowers and the persons implicated. There is strict confidentiality and secrecy throughout the investigative process. Information is reviewed fairly and promptly and is treated as sensitive. The TRATON Investigation Office aims to ensure that no actions are taken to identify anonymous whistleblowers that are reporting in good faith. The presumption of innocence applies for all persons concerned. Appropriate disciplinary and preventive measures are implemented following a defined process where applicable. In 2022, TRATON received more than 245 tip-offs, of which approximately 39.5% were further investigated as potential serious or other regulatory violations. Of all the investigations completed in the reporting period, 17.4% resulted in disciplinary measures (Navistar not included).

Human Rights

TRATON aims to act sustainably in its own business operations, as well as in its engagements with third parties. This includes complying with, protecting, and promoting internal regulations safeguarding human rights that are applicable worldwide as fundamental and universally valid guidelines. In the year under review, TRATON published a Policy Statement on Human Rights, which reflects TRATON's commitment and describes the activities that TRATON has implemented for the protection of human rights.

Furthermore, we expanded our human rights-related risk assessment in the reporting period in order to enhance our understanding of how specific human rights issues may materialize in our business operations. This involved analyzing various external and internal information sources as well as numerous interviews with internal departments and stakeholders across the globe. These specific risks were then prioritized and serve as a basis for further enhancing the effectiveness of the human rights management system.

However, the protection of human rights does not only apply to operations within our Company, but also to the conduct of and toward suppliers and business partners. We ask our suppliers and business partners to also factor human rights risks into the equation when selecting their own suppliers and business partners. Our expectations toward suppliers and business partners with regard to human rights are described in the Code of Conduct for Suppliers and Business Partners.

In order to strengthen sustainability requirements in supplier relationships and address the topic of human rights in addition to ecological aspects, our brands have established their own approaches. A central tool in this area is the sustainability rating (S rating) system, which is used at Scania, MAN, and VWTB (Navistar not yet included).

The S rating is used to check suppliers' sustainability performance and to identify opportunities for continuous improvement. By tying sustainability performance directly to eligibility for being awarded contracts of a certain volume and higher, together with the Volkswagen Group we are aiming to send a signal to our suppliers and partners to encourage collaboration so as to allow sustainability aspects to permeate the supply chain. The primary objective is not to exclude suppliers from the supply chain, but rather to empower suppliers whose performance is not yet satisfactory to achieve the rating.

Any suspected violation of human rights can be reported through the TRATON GROUP's whistleblowing channels that are available to internal and external whistleblowers at all times. Violations of human rights are defined in TRATON's Policy on Internal Investigations as serious regulatory violations. Human rights are also part of the ongoing compliance monitoring system, including reporting to relevant stakeholders, such as the TRATON Executive Board, and continuous improvement of measures related to human rights, such as due diligence processes, issuing internal policies, training, and communication measures.

Additionally, we are currently reviewing the specific requirements of new regulations, such as the supply chain due diligence law in Germany. This will serve as the basis to further refine and enhance our activities for the protection of human rights.

EU Taxonomy Disclosures

1. Background and objectives

Under the European Green Deal, the European Union (EU) has put the issues of climate change mitigation, environmental protection, and sustainability at the center of its political agenda with the aim of reaching climate neutrality by 2050. The EU action plan on financing sustainable growth was developed to this end; it aims to reorient capital flows toward sustainable investments, mainstream sustainability into risk management, and foster transparency and long-termism. The action plan consists of ten actions and has as its core Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (Regulation 2020/852),[1] as well as the related delegated acts (hereinafter referred to together as "EU Taxonomy").

The EU Taxonomy is a classification system for sustainable economic activities. Economic activities that fall under the EU Taxonomy, and are thus taxonomy-eligible, are those that are described in the delegated acts and for which technical screening criteria are available for the two environmental objectives of "climate change mitigation" and "climate change adaptation." Economic activities are deemed to be environmentally sustainable, and thus taxonomy-aligned, if they make a substantial contribution to the achievement of at least one of six environmental objectives ("substantial contribution"), do not significantly harm (DNSH) one or more environmental objectives (substantial contribution and DNSH are together referred to as "technical screening criteria"), and also meet certain minimum safeguards. The six environmental objectives relate to:

- Climate change mitigation,
- Climate change adaptation,
- The sustainable use and protection of water and marine resources,
- The transition to a circular economy,
- Pollution prevention and control, and
- The protection and restoration of biodiversity and ecosystems.

All other economic activities are taxonomy-non-eligible economic activities.

1 Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020, on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

2. Reporting for fiscal year 2022

For fiscal year 2022, the TRATON GROUP is reporting for the first time in full on the taxonomy-aligned economic activities in accordance with Article 8 of Regulation 2020/852 and Article 10(4) of the Delegated Regulation on Article 8 of the aforementioned Regulation. The one-time condensed reporting requirement on the taxonomy-eligible economic activities applicable to fiscal year 2021 does not apply to fiscal year 2022.

The EU Taxonomy contains wording and terms that are still subject to interpretation uncertainties and which could lead to changes in the reporting if they are subsequently clarified by the EU. Ultimately, there is a risk that the reported key performance indicators have to be assessed differently. The TRATON GROUP's interpretation is presented in the following.

3. Economic activities of the TRATON GROUP

With its Scania, MAN, Navistar, and VWTB brands, the TRATON GROUP is one of the world's leading commercial vehicle manufacturers. Its portfolio includes trucks, buses, and light-duty commercial vehicles, as well as related financial services. It is divided into two business areas: TRATON Operations and TRATON Financial Services.

3.1 Taxonomy-eligible economic activities

The TRATON GROUP's economic activities were analyzed based on its business model as a manufacturer of commercial vehicles and fall under NACE code C.29.1 of the Statistical Classification of Economic Activities.

In terms of the "climate change mitigation" environmental objective pursuant to Annex I to Regulation 2020/852, this means that the economic activities related to the manufacture, repair, maintenance, retrofitting, or upgrade of vehicles are allocated to economic activity 3.3 "Manufacture of low-carbon technologies for transportation." The allocation of economic activity is independent of the drive technology of the underlying vehicle.

In detail, the manufacture and related selling activities for all new and used vehicles (including the sale of leased used vehicles) as well as financial services are allocated to economic activity 3.3 under the "climate change mitigation" environmental objective. In addition, service activities such as maintenance and repair, including the genuine parts used for this purpose, are also allocated to this economic activity. In contrast, economic activities where TRATON acts as dealer of vehicles or as supplier of components and parts rather than manufacturer are assigned to the taxonomy-non-eligible activities. They relate to economic activities for vehicles not manufactured internally being sold by the TRATON GROUP brands as well as those in connection with the “Engines, powertrains, and parts deliveries” sales revenue item. Hedging transactions and individual activities that are reported in the “Other sales revenue” item in the Consolidated Financial Statements as of December 31, 2022, do not conform to the descriptions of economic activities in the delegated acts and are therefore classified as taxonomy-non-eligible.

In the course of an analysis of economic activity within the framework of the EU Taxonomy, no activities were identified for TRATON that specifically account for the “climate change adaptation” environmental objective.

3.2 Taxonomy-aligned economic activities

Substantial contribution

The criteria for assessing the substantial contribution of economic activity 3.3 defined in Annex I to Regulation 2020/852 are based on the relevant vehicle classes and the associated CO_2 emissions and drive technologies. For the TRATON GROUP, all battery-electric vehicles (BEVs) manufactured internally, as well as buses manufactured internally that meet the requirements of the Euro 6, step E standard (Euro 6e buses) until December 31, 2022, meet the criteria for a substantial contribution. Specifically, this means that economic activities related to BEVs or Euro 6e buses make a substantial contribution to climate change mitigation.

DNSH criteria

The analysis of the DNSH criteria was conducted at the level of the relevant sites. In addition to production sites, component plants, and research and development units that are associated with vehicles that meet the technical screening criteria for substantial contribution, or will do so in the next five years, were also analyzed. The majority of the sites included in the analysis are located in countries within the EU, in the USA, and in South America. The EU Taxonomy is subject to interpretation uncertainties with regard to the DNSH criteria and apparently goes beyond the requirements applicable to ongoing business operations. In addition, the application of the EU Taxonomy for sites outside the EU leads to particular challenges due to the different legal situations that may apply there. The assessment of the DNSH criteria was based on the requirements applicable in the EU in 2022 for ongoing business operations as well as on internal policies and processes. Country-specific requirements and internal processes were applied to sites outside the EU. The examination of the DNSH criteria was positive for the 27 sites included in the analysis. The TRATON GROUP’s approach to assessing the DNSH criteria is presented in detail in the following.

Climate change adaptation

A climate risk and vulnerability assessment was performed to identify sites that could be impacted by physical climate risks. The identified physical climate risks were assessed on the basis of the useful lives of the relevant assets. TRATON’s climate-based DNSH assessment is based on the Representative Concentration Pathway (RCP) 8.5 scenario up to 2050 and thus assumes the highest assumed CO_2 concentration in accordance with the Intergovernmental Panel on Climate Change (IPCC). Identified threats were assessed for relevance in the local environment and any necessary risk mitigation measures were developed.

The sustainable use and protection of water and marine resources

Environmental impact assessments (EIAs), ISO 14001 certificates, local legislation, internal policies and processes, and other external data sources were used to analyze compliance with the DNSH criterion. To achieve good water status and good ecological status, risks of environmental damage related to maintaining water quality and avoiding water scarcity are identified and analyzed. Countermeasures, such as the construction of local wastewater treatment plants, are initiated at sites with an increased risk.

The transition to a circular economy

Sustainability is a firmly established concept within the TRATON GROUP brands. The transition to a circular economy is firmly embedded in the strategic focus areas defined by TRATON. Specifically, a review was carried out at the level of the brand in question to determine the extent to which local legislation or internal rules cover the specific requirements.

Pollution prevention and control

The DNSH criteria for this environmental objective require that the relevant business activity does not lead to the production, placing on the market, or use of listed chemicals from a range of EU chemical regulations and directives. Compliance with the regulations is ensured by means of implemented processes as well as underlying materials databases relating to the rules applicable to ongoing business operations.

The protection and restoration of biodiversity and ecosystems

The relevant areas have been identified to verify compliance with the requirements governing biodiversity and ecosystems. To the extent that biodiversity-sensitive areas are close to a site, an assessment of the associated risks and impacts on the area was performed. Where necessary, compensatory measures, such as tree planting programs, will be performed.

Minimum safeguards

Minimum safeguards ensure compliance with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the fundamental principles and rights from the eight core conventions set out in the International Labour Organization’s (ILO) Declaration on Fundamental Principles and Rights at Work, and the guiding principles from the International Bill of Human Rights. The analysis was based on the recommendations on minimum safeguards issued by the Platform on Sustainable Finance in October 2022. They require TRATON to have in place effective processes, controls, and compliance measures with regard to the following four core topics:

- Human rights, including labor rights
- Bribery
- Taxation
- Fair competition

TRATON is guided by the implementation of its duty to ensure respect for human rights as required by the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, which is reflected in various Group-wide policies and the TRATON Code of Conduct. Additionally, TRATON recognizes the International Bill of Human Rights and bases its approach to human rights issues on the UN Guiding Principles on Business and Human Rights and the ILO core conventions.

Regular risk analyses identify, assess, and take action to prevent, terminate, and mitigate negative impacts. The effectiveness of the implementation of the underlying regulations is reviewed with the help of the internal control system. Regular Group-wide communication relating to compliance and integrity takes place across hierarchical levels and brands using various channels and promotes employee awareness of ethical behavior. In addition, TRATON has various whistleblower channels for reporting violations at any time, in all languages, and anonymously if desired. As a result, TRATON ensures that the minimum safeguard requirements are met.

4. Key performance indicators pursuant to the EU Taxonomy

For the first time, the key performance indicators (KPIs) for fiscal year 2022 include the taxonomy-aligned turnover, capital expenditure (capex), and operating expenditure (opex) of the TRATON GROUP. The KPIs have been specified in accordance with Annex I to the Commission Delegated Regulation based on Article 8 of Regulation 2020/852. Only transactions with third parties have been taken into account. Turnover, capital expenditure, and operating expenditure relate in full to the “climate change mitigation” environmental objective.

To determine the percentages, the taxonomy-eligible and taxonomy-aligned turnover, capital expenditure, and operating expenditure were each set in relation to total turnover, total capital expenditure, and total operating expenditure within the meaning of the EU Taxonomy.

4.1 Turnover

Economic activities	Code(s)	Absolute turnover (€ million)	Proportion of turnover in %[2]	Substantial contribution criteria[1]: Climate change mitigation in %[2]	Substantial contribution criteria[1]: Climate change adaptation in %[2]	DNSH criteria ("Does Not Significantly Harm"): Climate change mitigation (Y/N)	DNSH: Climate change adaptation (Y/N)	DNSH: Water and marine resources (Y/N)	DNSH: Circular economy (Y/N)	DNSH: Pollution (Y/N)	DNSH: Biodiversity and ecosystems (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion of turnover, 2022 in %[2]	Category ("enabling activity") (E)	Category ("transitional activity") (T)
A. Taxonomy-eligible activities															
A.1 Environmentally sustainable activities (taxonomy-aligned)															
3.3 Manufacture of low-carbon technologies for transport	C.29.1	496	1%	1%	–	Y	Y	Y	Y	Y	Y	Y	1%	E	–
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)	**C.29.1**	**496**	**1%**	**1%**	**–**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**1%**	**E**	**–**
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)															
3.3 Manufacture of low-carbon technologies for transport	C.29.1	37,592	93%												
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)	**C.29.1**	**37,592**	**93%**												
Total (A.1 + A.2)	**–**	**38,087**	**94%**												
B. Taxonomy-non-eligible activities															
Turnover of taxonomy-non-eligible activities (B)	**–**	**2,247**	**6%**												
Total (A + B)	**–**	**40,335**	**100%**												

1 Criteria for a substantial contribution to the other environmental objectives have not yet been defined.

2 The percentage amount shown relates to the total turnover as defined by the EU Taxonomy.

Turnover was calculated on the basis of the sales revenue (denominator) reported in the income statement for the period from January 1 to December 31, 2022, in the Consolidated Financial Statements as of December 31, 2022, which amounted to €40.3 billion in fiscal year 2022.

Economic activity 3.3 accounted for €38.1 billion of this total, or 94% of the TRATON GROUP's sales revenue, which was classified as taxonomy-eligible turnover. This includes in particular revenue from the sale, lease, and financing of new and used vehicles manufactured internally, as well as revenue from genuine parts and workshop services. By contrast, revenue from the sale of vehicles that are not manufactured internally or revenue under the "Engines, powertrains, and parts deliveries" item is not included. Other taxonomy-non-eligible sales revenue can be found in the "Other sales revenue" item in the Consolidated Financial Statements as of December 31, 2022.

Taking into account the technical screening criteria and the minimum safeguards, taxonomy-aligned turnover amounted to €496 million, or 1% of the TRATON GROUP's sales revenue, in 2022.

4.2 Capital expenditure

				Substantial contribution criteria[1]		DNSH criteria ("Does Not Significantly Harm")									
Economic activities	Code(s)	Absolute capex (€ million)	Proportion of capex in %[2]	Climate change mitigation in %[2]	Climate change adaptation in %[2]	Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion of capex, 2022 in %[2]	Category ("enabling activity") (E)	Category ("transitional activity") (T)
A. Taxonomy-eligible activities															
A.1 Environmentally sustainable activities (taxonomy-aligned)															
3.3 Manufacture of low-carbon technologies for transport	C.29.1	478	12%	12%	–	Y	Y	Y	Y	Y	Y	Y	12%	E	–
Capex of environmentally sustainable activities (taxonomy-aligned) (A.1)	**C.29.1**	**478**	**12%**	**12%**	**–**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**12%**	**E**	**–**
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)															
3.3 Manufacture of low-carbon technologies for transport	C.29.1	3,310	85%												
Capex of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)	**C.29.1**	**3,310**	**85%**												
Total (A.1 + A.2)	**–**	**3,787**	**97%**												
B. Taxonomy-non-eligible activities															
Capex of taxonomy-non-eligible activities (B)	**–**	**111**	**3%**												
Total (A + B)	**–**	**3,898**	**100%**												

1 Criteria for a substantial contribution to the other environmental objectives have not yet been defined.

2 The percentage amount shown relates to the total capital expenditure as defined by the EU Taxonomy.

Capital expenditure was determined on the basis of additions and additions from business combinations to intangible assets (see Note **"19. Intangible assets"**), property, plant, and equipment (see Note **"20. Property, plant, and equipment"**), and assets leased out (see Note **"21. Assets leased out"**) included in the Consolidated Financial Statements as of December 31, 2022, which amounted to €3.9 billion in fiscal year 2022. Additions to goodwill were not included in the denominator.

Economic activity 3.3 accounted for €3.8 billion of this total, or 97% of the TRATON GROUP's capital expenditure classified as taxonomy-eligible. This includes in particular capital expenditure related directly to taxonomy-eligible economic activities. Capital expenditure on administration or distribution primarily benefits taxonomy-eligible economic activities and has therefore been included. By contrast, capital expenditure incurred in connection with vehicles not manufactured internally or the business with engines, powertrains, and parts deliveries is taxonomy-non-eligible. Also excluded is capital expenditure on investment property, since it is not economically required by TRATON to manufacture low-carbon technologies for transport.

Taking into account the technical screening criteria and the minimum safeguards, taxonomy-aligned capital expenditure amounted to €478 million, or 12% of the TRATON GROUP's capital expenditure, in 2022. Where possible, capital expenditure was allocated directly to BEVs and Euro 6e buses. Capital expenditure that could not be allocated directly was taken into account ratably using brand-specific allocation keys. The allocation keys are based on the five-year planning approved by the Executive Board and represent the ratio of planned five-year production of BEVs to planned total production over five years. Since Euro 6e buses meet the substantial contribution criteria for the last time in 2022, they were not included in the allocation key.

Additions to assets leased out included in capital expenditure represent a significant share of total capital expenditure according to the EU Taxonomy for the TRATON GROUP. They mainly contain vehicles sold under a buyback agreement that continue to be accounted for by the TRATON GROUP under a lease, and therefore only provide limited information about the extent to which TRATON is investing in the electrification of vehicles. If capitalized research and development costs relating to BEVs were to be considered in isolation from total capitalized research and development costs, the share of taxonomy-aligned capital expenditure would be significantly higher.

Taxonomy-aligned capital expenditure in the reporting period can be disaggregated as follows:

€ million	2022
Taxonomy-aligned capital expenditure in the reporting period	479
of which attributable to intangible assets	205
of which attributable to property, plant, and equipment	148
of which attributable to assets leased out	127

In 2022, Scania issued a green bond totaling SEK 3.0 billion (€271 million) to finance investments in the development of battery electric vehicles. In the reporting period, €178 million of this was already used to finance taxonomy-aligned research and development activities, of which €98 million was attributable taxonomy-aligned capital expenditure and €80 million to taxonomy-aligned operating expenditure. To allocate the used bond proceeds between capital and operating expenditure, these were set in relation to total taxonomy-aligned research and development costs for the fiscal year. Taking into account the portion of the bond proceeds attributable to taxonomy-aligned capital expenditure, the adjusted share of taxonomy-aligned capital expenditure in relation to the total capital expenditure under the EU Taxonomy amounts to 10%.

4.3 Operating expenditure

				Substantial contribution criteria[1]		DNSH criteria ("Does Not Significantly Harm")									
Economic activities	Code(s)	Absolute opex (€ million)	Proportion of opex in %[2]	Climate change mitigation in %[2]	Climate change adaptation in %[2]	Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion of opex, 2022 in %[2]	Category ("enabling activity") (E)	Category ("transitional activity") (T)
A. Taxonomy-eligible activities															
A.1 Environmentally sustainable activities (taxonomy-aligned)															
3.3 Manufacture of low-carbon technologies for transport	C.29.1	238	16%	16%	–	Y	Y	Y	Y	Y	Y	Y	16%	E	–
Opex of environmentally sustainable activities (taxonomy-aligned) (A.1)	**C.29.1**	**238**	**16%**	**16%**	**–**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**16%**	**E**	**–**
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)															
3.3 Manufacture of low-carbon technologies for transport	C.29.1	1,171	79%												
Opex of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)	**C.29.1**	**1,171**	**79%**												
Total (A.1 + A.2)		**1,409**	**95%**												
B. Taxonomy-non-eligible activities															
Opex of taxonomy-non-eligible activities (B)	**–**	**75**	**5%**												
Total (A + B)	**–**	**1,484**	**100%**												

1 Criteria for a substantial contribution to the other environmental objectives have not yet been defined.

2 The percentage amount shown relates to the total operating expenditure as defined by the EU Taxonomy.

Operating expenditure is determined on the basis of noncapitalized research and development costs as reported in Note **"11. Functional expenses — Cost of sales"** to the Consolidated Financial Statements as of December 31, 2022. They are calculated by subtracting capitalized development costs from primary R&D costs. In addition, the calculation of the denominator of the KPI includes the following:

– Maintenance expenses for owned or leased real estate and other assets and
– Expenses attributable to short-term leases (up to 12 months) and not recognized as right-of-use assets in the balance sheet

The TRATON GROUP's total operating expenditure pursuant to the EU Taxonomy amounted to €1.5 billion in the year under review.

Economic activity 3.3 accounted for €1.4 billion of this total, or 95% of the TRATON GROUP's operating expenditure, which was classified as taxonomy-eligible. In the same way as capital expenditure, only operating expenditure incurred in direct connection with taxonomy-eligible economic activities is included here. Operating expenditure related to taxonomy-non-eligible economic activities, such as the business with engines, powertrains, and parts deliveries, has therefore not been included in the numerator.

Taking into account the technical screening criteria and the minimum safeguards, taxonomy-aligned operating expenditure amounted to €238 million, or 16% of the TRATON GROUP's operating expenditure. Where possible, operating expenditure was allocated directly to BEVs and Euro 6e buses. Operating expenditure that could not be allocated directly was taken into account ratably using brand-specific allocation keys. The same allocation keys were used as for capital expenditure. Taking into account the portion of the bond proceeds attributable to taxonomy-aligned operating expenditure, the adjusted share of taxonomy-aligned operating expenditure in relation to the total operating expenditure under the EU Taxonomy amounts to 11%.

Of the total taxonomy-aligned operating expenditure in the reporting period, €227 million relates to noncapitalized research and development costs.

4.4 Disclosures on the capex plan

Under the EU Taxonomy, taxonomy-aligned capital expenditure in the reporting period is divided into a) capital expenditure relating to assets or processes already associated with environmentally sustainable economic activities and b) capital expenditure that is part of a plan to expand taxonomy-aligned economic activities, or to upgrade taxonomy-eligible economic activities to taxonomy-aligned economic activities (capex plan). The capex plan represents the total capital expenditure under the EU Taxonomy. This includes the aggregate capital and operating expenditures expected to be incurred during the reporting period and within the next five years to expand taxonomy-aligned economic activities or to upgrade taxonomy-eligible economic activities to taxonomy-aligned economic activities.

In the course of allocation, all taxonomy-aligned additions to assets leased out (primarily vehicle leases) relate to capital expenditure that is already associated with environmentally sustainable economic activities, because the underlying vehicles are already manufactured and taxonomy-aligned. By contrast, taxonomy-aligned additions to intangible assets and property, plant, and equipment as well as noncapitalized research and development costs were allocated to the capex plan on a pro rata basis with the help of the allocation key. The allocation key compares the ratio of the production volume of taxonomy-aligned vehicles for the reporting period with the average taxonomy-aligned production volume under the five-year plan. The proportion over and above that is allocated to the capex plan. Since Euro 6e buses meet the substantial contribution criteria for the last time in 2022, capital expenditure on these vehicles was not included in the capex plan. As a result, €336 million of the taxonomy-aligned capital expenditure and €216 million of the taxonomy-aligned operating expenditure were required to be allocated to the capex plan in the reporting period. The total capital expenditure of the capex plan that is expected to be incurred in the reporting period and the five-year plan amounts to €5.2 billion.

Supplemental Information on Fiscal Year 2022

1. Corporate Governance Statement [1]

Corporate governance at TRATON forms the framework for the management and supervision of the Company and the Group. Good corporate governance lays the foundations for responsible leadership and control of our Company and for successful business performance in the long term. At the same time, good corporate governance fosters the confidence that the financial markets, our investors, customers, business partners, and employees have in our Company, the Group, and in the work we do.

Our system of corporate governance is determined by applicable laws, our Articles of Association, internal regulations and guidelines, as well as by national and international standards of good corporate governance. The German Corporate Governance Code (the Code) represents the statutory provisions for the governance of German stock corporations that apply to TRATON and provides recommendations and suggestions for responsible and transparent corporate governance at TRATON in accordance with recognized standards.

I. Corporate governance at TRATON

Both TRATON's Executive Board and its Supervisory Board have addressed the corporate governance system and compliance with the recommendations and suggestions contained in the Code in detail. They are aware that good and transparent corporate governance that complies with both national and international standards is of central importance for ensuring responsible management with a long-term focus.

Declaration of Compliance

The Executive Board and Supervisory Board of TRATON SE issued their annual Declaration of Compliance in December 2022 as follows:

"The Executive Board and Supervisory Board of TRATON SE declare that the recommendations of the Government Commission on the German Corporate Governance Code as amended April 28, 2022 ("the Code"), published by the German Federal Ministry of Justice in the official section of the *Bundesanzeiger* (the Federal Gazette) on June 27, 2022, were complied with in the period since the announcement of the Code and continue to be complied with, except for the recommendations set out below, for the reasons and periods indicated below:

1. Recommendation A.3 (Sustainability-related objectives in the risk management and internal control system) is not fulfilled to the extent that TRATON already has risk management and internal control systems in place that also take into account selected sustainability-related objectives. However, given the scope and dynamic nature of this issue, TRATON has initiated a project that aims to address sustainability aspects in risk management and internal control systems even more comprehensively in the future. A departure from recommendation A.3 is therefore being declared as a precautionary measure until this project has been implemented.
2. Recommendation C.1 sentence 3 (Sustainability-related aspects in the skills and expertise profile) was not fulfilled to the extent that a component for expertise in the most important sustainability questions for the Company was not explicitly added to the skills and expertise profile until the Supervisory Board deliberated on the matter at length and adopted a corresponding resolution on November 25, 2022. This recommendation has therefore been complied with since November 25, 2022.
3. The recommendation in C.5 (Upper limit of term of office for Board members) is not fulfilled to the extent that in addition to his seat on the Supervisory Board of TRATON SE, the Chairman of the Supervisory Board discharges one further mandate as Chairman of the Supervisory Board of VOLKSWAGEN AG, a listed company, as well as having a seat on the Supervisory Board of Bertelsmann SE & Co. KGaA, and is also Chairman of the Board of Management of Porsche Automobil Holding SE. VOLKSWAGEN AG and TRATON SE do not form a group with Porsche Automobil Holding SE within the meaning of the German Stock Corporation Act. Nonetheless, we are of the opinion that the Chairman of the Supervisory Board has sufficient time available to discharge his mandate.
4. With regard to the recommendation in C.13 (Disclosure in the event of election proposals), the guidelines in the Code are vague and the definitions unclear. A departure from the Code is therefore being declared as a precautionary measure. Notwithstanding this, the Supervisory Board will make every effort to comply with the requirements of the recommendation in C.13.

1 The Corporate Governance Statement in accordance with sections 289f and 315d of the *Handelsgesetzbuch* (HGB — German Commercial Code) forms part of the combined management report and is not included in the audit.

5. Recommendation G.8 (Subsequent changes to targets or comparison parameters) aims to rule out any subsequent changes to targets or comparison parameters for variable remuneration. On June 9, 2022, the Annual General Meeting of TRATON SE approved an adjusted remuneration system. Among other things, the adjustments included shortening the assessment period for profit bonuses from two years to one. The Supervisory Board has resolved to implement the approved remuneration system with retroactive effect from January 1, 2022. The implementation of the new system meant that a one-off subsequent change was made to the comparison parameters within the meaning of recommendation G.8 in 2022. A departure from recommendation G.8 was therefore temporarily declared in June 2022. No changes to targets and target values for profit bonuses are associated with this. TRATON intends to comply with this recommendation again starting from next year.
6. The recommendation in G.13 sentence 1 (Severance cap) is not fulfilled. According to recommendation G.13 sentence 1, payments made to a member of the Executive Board due to early termination of their Board activity shall not exceed twice the annual remuneration (severance cap) and shall not constitute remuneration for more than the remaining term of the employment contract. It is not clear to the Executive Board and the Supervisory Board of TRATON SE whether recommendation G.13 sentence 1 only refers to severance payments or also to payments made to a member who has left the Executive Board that result from a continuing employment contract. In July 2020, Mr. Joachim Drees, among others, left the Executive Board by mutual consent. The employment contract between Mr. Drees and TRATON SE shall, in agreement with Mr. Drees, continue following his departure and remain in force — subject to earlier termination by Mr. Drees — for more than two additional years following the departure of Mr. Drees.

   Mr. Drees shall accordingly not receive severance but may, under certain circumstances, receive his contractual remuneration for a period of more than two years following his departure. This remuneration was also paid out in the period since the submission of the last Declaration of Compliance. In light of the above, the Executive Board and Supervisory Board of TRATON SE declare a departure from recommendation G.13 sentence 1 as a precautionary measure.

Furthermore, the Executive Board and Supervisory Board of TRATON SE declare that the recommendations of the Government Commission on the German Corporate Governance Code as amended December 16, 2019 ("the Code"), published by the German Federal Ministry of Justice in the official section of the *Bundesanzeiger* (the Federal Gazette) on March 20, 2020, were complied with in the period since the last regular Declaration of Compliance was submitted in December 2020 until the latest version of the Code entered into force, except for the recommendations set out below, for the reasons and periods indicated therein:

- C.5 (Upper limit of term of office for Board members)
- C.13 (Disclosure in the event of election proposals)
- G.8 (Subsequent changes in targets or comparison parameters) — since the Annual General Meeting on June 9, 2022
- G.13 sentence 1 (Severance cap)

Reasons for these departures can be found in the corresponding explanations to the current version of the Code listed above."

The Declaration of Compliance is available on the Company's website at **https://ir.traton.com/websites/traton/English/5000/corporate-governance.html**.

Swedish Corporate Governance Code
Furthermore, TRATON has published a statement regarding departures by TRATON's corporate governance system from the Swedish Corporate Governance Code. This is also available at **https://ir.traton.com/websites/traton/English/5000/corporate-governance.html**.

The Swedish Corporate Governance Code states that companies that are listed in Sweden can decide whether to comply with the Swedish code or with the relevant local regulations in the countries where those companies are headquartered. TRATON has decided to comply with the German Corporate Governance Code and not with the Swedish Corporate Governance Code.

Annual General Meeting

At the Annual General Meeting of a European stock corporation (Societas Europaea), shareholders exercise their rights in relation to the corporation's affairs. These include the shareholders exercising their voting rights, being provided with information, and entering into a dialogue with the Executive and Supervisory Boards.

TRATON SE's Annual General Meeting extensively safeguards these shareholder rights. The notice convening the Annual General Meeting is published in the *Bundesanzeiger* (the Federal Gazette) in accordance with the statutory periods and, along with all reports and proposed resolutions for the Annual General Meeting, is available as of this date on TRATON SE's website.

To make it easier for shareholders to exercise their rights and proxy voting options, they can authorize a TRATON employee as a proxy holder in addition to the options to authorize a credit institution, shareholder associations, or other persons.

As a result of the COVID-19 pandemic, the Annual General Meeting on June 9, 2022, was held as a virtual general meeting without the shareholders or their authorized representatives being physically present in accordance with section 1 (2) of the *Gesetz über Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins-, Stiftungs- und Wohnungseigentumsrecht zur Bekämpfung der Auswirkungen der COVID-19-Pandemie* (German Act on Measures in Company, Cooperative, Association, Foundation, and Residential Property Law to Combat the COVID-19 Pandemic).

Procedures of the Executive and Supervisory Boards as well as composition and procedures of their committees

TRATON SE has a two-tier structure comprising an Executive Board and a Supervisory Board. Both boards work closely together on behalf of the Company.

The Company's Executive Board currently has six members. The Executive Board does not have any committees. For information on its composition, refer to Note **"50. Members of the Executive Board and their appointments"** to the Consolidated Financial Statements.

The Executive Board is itself responsible for discharging management and operational functions. Its responsibility extends in particular to the TRATON GROUP's strategic focus, which it coordinates with the Supervisory Board. It is also responsible for preparation of the annual financial statements and interim statements, and ensures compliance with statutory provisions, official requirements, and internal policies.

The various tasks of the Executive Board are allocated to the individual Executive Board functions in accordance with the list of responsibilities. The full Executive Board addresses all key decisions and measures; the Executive Board's Rules of Procedure define the decisions and measures that require the approval of the full Executive Board.

The Executive Board reports to the Supervisory Board regularly, promptly, and comprehensively in both written and oral form on all issues of relevance for the Company with regard to strategy, planning, and the position of the Company, the development of the business, the risk position, risk management, and compliance. The Supervisory Board monitors how the Executive Board manages the Company. The Supervisory Board is directly involved in decisions of fundamental importance. The Executive Board also ensures open and transparent corporate communications.

In line with the Supervisory Board's age limit stipulation for members of the Executive Board, appointments of members of the Executive Board should, as a rule, end once those members have reached the age of 65. An extension by a maximum of three more years is possible.

In accordance with the requirements of the AktG and recommendation E.3 of the Code, members of the Executive Board may undertake secondary activities only with the Supervisory Board's consent.

No conflicts of interest were reported by members of either the Executive Board or the Supervisory Board in the year under review.

The Supervisory Board has an oversight and advisory role. Certain important transactions laid down by law, the Articles of Association, and the Executive Board's Rules of Procedure require the Supervisory Board's approval. For further information on the duties performed by the Supervisory Board and its cooperation with the Executive Board, refer to the Report of the Supervisory Board.

In line with the Articles of Association, the Company's Supervisory Board comprises 20 members, with equal numbers of shareholder and employee representatives. The Supervisory Board currently has 19 members due to the resignation of one of the shareholder representatives.

TRATON SE's Supervisory Board aims, in light of the purpose and size of the Company and the proportion of its international business activities, to take the following factors into account for its composition:

- At least three members of the Supervisory Board should be persons who embody the criterion of internationality to a particularly high degree.
- At least two Supervisory Board positions on the shareholder side for persons with no potential conflicts of interest, and who are independent within the meaning of the Code.
- Any person that sits on a governing body or is involved in an advisory capacity at one of the Company's major competitors should not be a member of the Supervisory Board.
- In addition, proposals for election should not, as a rule, include any persons who have reached the age of 75 at the time of the election or who have been a member of the Company's Supervisory Board for more than 15 years.

All aims have been fulfilled or taken into consideration, respectively.

The shareholder side considers Ms. Macpherson, Dr. Kirchmann, Dr. Schmid, and Mr. Witter to be independent members of the Supervisory Board in accordance with the Code.

Furthermore, the Supervisory Board of TRATON SE should collectively possess the following skills and expertise:

- knowledge and experience of the Company itself
- leadership or oversight experience in other medium-sized or large companies
- experience in industries that are of importance to the TRATON GROUP, such as the engineering, automotive, and information technology sectors
- knowledge of capital markets
- human resources expertise (particularly the search for and selection of members of the Executive Board, and the succession process) and knowledge of incentive and remuneration systems for the Executive Board
- expertise in the areas of financial reporting or auditing
- expertise in the areas of law and compliance
- expertise in the sustainability issues important for the Company.

The current implementation status of the skills and expertise profile is shown in the following qualification matrix:

Skills and expertise profile requirements / Members of the Supervisory Board	Pötsch	Lyngsie	Bechstädt	Cavallo	Carlquist	Dr. Döss	Kerner	Kilian	Dr. Kirchmann	Dr. Kuhn-Piëch	Lorentzon	Luthin	Macpherson	Dr. Dr. Porsche	Schmid	Schnur	Sedlmaier	Wansch	Witter
Knowledge and experience of the Company itself	X	X			X		X	X	X	X	X	X		X		X	X	X	
Leadership or oversight experience in other medium-sized or large companies	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X		X	X
Experience in industries that are of importance to the TRATON GROUP, such as the engineering, automotive, and information technology sectors	X	X			X				X		X	X			X		X	X	
Knowledge of capital markets	X		X	X		X	X	X	X				X		X				X
Human resources expertise (particularly the search for and selection of members of the Executive Board, and the succession process) and knowledge of incentive and remuneration systems for the Executive Board	X		X	X		X	X	X	X							X			X
Expertise in the areas of financial reporting or auditing	X		X						X						X	X			X
Expertise in the areas of law and compliance	X		X	X		X	X	X	X	X			X						X
Expertise in sustainability issues important for the Company	X	X	X	X		X	X	X	X	X						X	X		X

In line with the requirements of the *Aktiengesetz* (AktG — German Stock Corporation Act) and the recommendation of the German Corporate Governance Code, Mr. Witter and Mr. Bechstädt have expertise in the areas of financial reporting (including internal control and risk management systems) and auditing.

All aims have been fulfilled or taken into consideration, respectively. The resumes of the members of the Supervisory Board, updated each year, can be viewed at **https://traton.com/en/company/Supervisory-Board.html**.

Additionally, a statutory quota of at least 30% women and at least 30% men applies to the composition of the Supervisory Board pursuant to section 17 (2) of the *SE-Ausführungsgesetz* (SEAG — German SE Implementation Act). These requirements have been met by the Supervisory Board of TRATON SE. These quotas have also been separately fulfilled by both the shareholder and the employee side.

The Supervisory Board has established two committees — the Presiding Committee and the Audit Committee — on which shareholders and employees are represented equally, as well as the Nomination Committee, which consists solely of shareholder representatives. The members of the Presiding Committee are (as of December 31, 2022):

– Hans Dieter Pötsch (Chairman)
– Michael Lyngsie (Deputy Chairman)
– Daniela Cavallo
– Jürgen Kerner
– Gunnar Kilian
– Dr. Dr. Christian Porsche

The members of the Audit Committee are (as of December 31, 2022):

– Frank Witter (Chairman)
– Torsten Bechstädt (Deputy Chairman)
– Dr. Julia Kuhn-Piëch
– Lisa Lorentzon
– Nina Macpherson
– Karina Schnur

The members of the Nomination Committee are (as of December 31, 2022):

– Hans Dieter Pötsch
– Gunnar Kilian
– Dr. Dr. Christian Porsche

Further details about the members of the Executive and Supervisory Boards as well as of the work of the committees can be obtained from the **Report of the Supervisory Board** and from Notes **“51. Members of the Supervisory Board and their appointments”** and **“52. Supervisory Board committees”** to the Consolidated Financial Statements.

In line with recommendation D.12 of the Code, the Supervisory Board assesses, at regular intervals, how effectively it as a whole and its committees fulfill their tasks. As part of the self-assessment, the members of the Supervisory Board receive in advance a detailed questionnaire that enables them to submit their appraisal of the procedures of the Supervisory Board and its committees, and make proposals for improvements. The results are discussed at the following meeting of the Supervisory Board and, if necessary, in further individual conversations. The last self-assessment of the Supervisory Board took place in fiscal year 2021.

Long-term succession planning for the Executive Board

The Supervisory Board’s Presiding Committee works with the Chairman of the Executive Board to ensure long-term succession planning for the Executive Board. In addition to the statutory requirements, the requirements of the Code, and the Rules of Procedure of the Supervisory Board, long-term succession planning considers the criteria laid down in the diversity concept resolved by the Supervisory Board for the composition of the Executive Board.

After additionally considering the specific qualification requirements, the Presiding Committee prepares a requirements profile, if needed, on the basis of which it then selects the most suitable candidates. After interviewing the candidates, it makes a proposal to the Supervisory Board for resolution. If necessary, the Supervisory Board and Presiding Committee are supported by external consultants when developing requirements profiles and selecting candidates.

Remuneration of the Executive Board and Supervisory Board

The current remuneration system in accordance with section 87a (1) and (2) sentence 1 of the AktG, the last resolution on remuneration in accordance with section 113 (3) of the AktG, the remuneration report for the past fiscal year, and the auditor's report in accordance with section 162 of the AktG can be found on our website at https://ir.traton.com/websites/traton/English/5000/corporate-governance.html.

Compliance/risk management

The Governance, Risk & Compliance (GRC) function is managed by the Head of GRC/Chief Compliance Officer of the Group, who reports directly to the Chief Executive Officer of TRATON SE. GRC is comprised by the Corporate GRC Office at TRATON SE and the decentralized GRC teams at the brands. The Corporate GRC Office of TRATON SE and the decentralized GRC teams are jointly responsible for compliance and risk management throughout the entire TRATON GROUP.

The Corporate GRC Office plays a central control and support role in respect of the Group's risk management and compliance activities. This includes specifying GRC principles and uniform minimum standards for the entire Group, as well as giving the brands the necessary flexibility to implement tangible GRC measures, which fit with their respective organizations and environments. On the one hand, the processes for whistleblowing and internal investigations are strictly standardized, with a central Investigation Office in place at TRATON SE. In contrast, GRC communication is primarily embedded at brand level. The Corporate GRC Office also coordinates IT support systems and takes action to continuously improve the Group's GRC activities in terms of effectiveness and efficiency.

The Head of GRC/Chief Compliance Officer reports regularly, at least every quarter, to the Executive Board of the TRATON GROUP on the Group's risk exposure as well as on the current situation and on the GRC function's main activities. The Governance & Risk Board (GRB) as well as the Compliance Board (CB) have also been set up at TRATON level. These enable top-level executives from the entire Group to discuss relevant GRC issues regularly and in detail.

The GRC teams at brand level are responsible for implementing the compliance management and risk management systems at each brand. Each brand maintains a GRC organization, i.e., employees fully assigned to the GRC function. This organization is supported by a network of employees in the brands' subsidiaries, who are responsible for certain GRC activities, in particular risk reports, internal control systems, and compliance.

Navistar has been a part of the TRATON GRC organization since July 1, 2021. The project to integrate Navistar into the GRC structures described above has already made significant progress and continues to be driven forward. Navistar already meets the vast majority of the GRC principles and the minimum standards of the TRATON GROUP, which enables summaries of the risk situation and of the effectiveness of the compliance and risk management systems in the entire Group to be made.

For a detailed description of TRATON's risk management system as well as its risk and opportunity position, refer to the **Report on Opportunities and Risks** contained in the management report.

The TRATON GROUP GRC function's (including the GRC teams within the brands) main duties include:

- Supporting a risk management process that makes the Group's key business risks transparent and ensures a clear line of responsibility for risks and for implementing risk-reducing measures;
- Providing a system for monitoring the effectiveness of internal controls and for taking the appropriate remedial action where necessary;
- Providing and continuously improving a compliance program covering anti-corruption activities, antitrust law, the prevention of money laundering, and respect for human rights, based on a comprehensive compliance-related risk assessment;
- Coordinating policy management throughout the TRATON GROUP;
- Developing policies for relevant GRC issues, such as how to manage gifts, hospitality, and invitations to events, how to manage conflicts of interest, preventing money laundering and terrorism financing, and implementing internal investigations;
- Tool-based integrity checks for business partners. This relates primarily, albeit not exclusively, to business partners with sales support functions;
- Providing various training courses to foster awareness and knowledge of GRC-relevant topics;
- A range of different communication activities to strengthen compliance and integrity in accordance with each of the codes of conduct of the TRATON GROUP and the individual brands;

- Providing compliance-related advice to all employees at central and local levels (Compliance Helpdesk);
- Providing a whistleblower system, including examining and investigating the tip-offs received, so that any violations are identified, clarified, and remedied internally at an early stage. Potential violations include violations that cause significant reputational damage or have financial consequences, or violations of corporate values and human rights. An investigation is only launched after a careful examination of the tip-off and if there are concrete indications of a violation. The responsible departments are informed so that they can address the issue appropriately and take the necessary measures to minimize or stop the violations and/or risks.

Further explanations about selected GRC activities, especially in respect of human rights, are contained in the corresponding section of the Nonfinancial Statement.

Transparency and communication

The website **https://ir.traton.com/websites/traton/English/1/investor-relations.html** provides shareholders with access to the Company's Articles of Association, consolidated financial statements for the TRATON GROUP, the financial calendar with all the relevant dates, and information about upcoming events.

The Company's ad-hoc releases can also be accessed on TRATON SE's website at **https://ir.traton.com/websites/traton/English/4000/financial-news.html** immediately after they have been published in compliance with the law.

Notifications of voting rights pursuant to section 33ff. of the *Wertpapierhandelsgesetz* (WpHG — German Securities Trading Act) can be found on the same page, and disclosures of directors' dealings in accordance with Article 19 of the European Market Abuse Directive at **https://ir.traton.com/websites/traton/English/5000/corporate-governance.html**. Information on the Executive Board and Supervisory Board of TRATON SE is available on the Company's website at **https://traton.com/en/company.html**.

The above-mentioned information and documents are available in both German and English.

Financial reporting

The year-end consolidated financial statements of the TRATON GROUP are prepared by the Executive Board on the basis of the International Financial Reporting Standards (IFRSs), while the single-entity financial statements of TRATON SE are prepared in accordance with the German GAAP.

The Audit Committee established by the Supervisory Board deals in particular with preparing the decision by the Supervisory Board regarding the adoption of the annual financial statements and the approval of the consolidated financial statements, monitoring and the integrity of the financial reporting process, monitoring financial reporting, the effectiveness of the internal control system, of the risk management system, and of the internal audit system, and with financial statements audit and compliance. Furthermore, the Audit Committee submits a reasoned recommendation for the choice of external auditor to the Supervisory Board, obtains a statement regarding the auditor's independence, deals with the additional services provided by the auditor, drafts the resolution on issuing the audit engagement letter, and also deals with determining the areas of emphasis of the audit and agreeing the auditor's fees.

The Executive Board discusses the half-year financial report with the Audit Committee prior to its publication.

The publication deadlines set out in recommendation F.2 of the Code are complied with.

II. Other corporate governance practices

TRATON has a Code of Conduct, which is the mandatory guideline on acting with integrity at TRATON and applies equally to all employees — from the Executive Board and managers down to each individual employee. The Code of Conduct focuses on integrity and the responsibility that each individual has — responsibility as a member of society, as a business partner, and in the workplace. With the aid of practical examples, it also explains how each individual can live up to this responsibility and behave with integrity — especially in conflict situations.

Furthermore, TRATON also expects its suppliers and business partners as well as their employees to act responsibly, comply with applicable laws everywhere and at all times, and respect core ethical values. TRATON has therefore issued its own Code of Conduct for Suppliers and Business Partners, which details minimum ethical standards to be met by TRATON's suppliers and business partners.

The Code of Conduct as well as the Code of Conduct for Suppliers and Business Partners are available at **https://traton.com/en/company/compliance_risk.html**.

Corporate responsibility and sustainability are integral components of TRATON's strategy. Our Group and our brands take sustainability to mean understanding and proactively addressing global challenges and recognizing the opportunities and risks of sustainable development. TRATON takes the expectations of our customers, of politicians, and of society on board and provides specific answers to the various challenges posed by sustainable mobility. Wherever we operate in the world, our goal is to meet the highest standards and partner with companies that are leading the way in terms of sustainability.

You can find further information on the topics of corporate responsibility and sustainability at **https://traton.com/en/sustainability.html**.

III. Target for percentage of women

Given the long-term nature of the employment contracts held by current members of the Executive Board, the Supervisory Board has set the target percentage for the proportion of female members of the Executive Board at 0% for the period up to June 27, 2024, in accordance with section 111 (5) of the AktG. Irrespective of the above, however, the Supervisory Board's long-term goal is to increase the proportion of female members of the Executive Board, and it therefore supports the Executive Board's work to increase the proportion of female members at the top executive levels in the Company. As a result of Annette Danielski's appointment, women now account for 16.7% of Executive Board members.

Pursuant to section 76 (4) of the AktG, the Executive Board of TRATON SE has likewise set the following goals for females in the two management levels directly below the Executive Board in the period until December 31, 2023:

- 20% for females in the first management level below the Executive Board
- 30% for females in the second management level below the Executive Board

For the corresponding disclosures by TRATON SE subsidiaries, which are required by law to set target percentages, refer to the MAN Truck & Bus SE website (**https://www.mantruckandbus.com/en/company/management.html**).

IV. Disclosures on the diversity concept for the Executive Board and the Supervisory Board

A diversity concept for the Executive and Supervisory Boards is to be devised in accordance with section 289f (2) no. 6 of the *Handelsgesetzbuch* (HGB — German Commercial Code). This concept is to factor in aspects like age, gender, educational or occupational background.

The diversity concept for the Supervisory Board comprises the following elements:

- the defined goals for the composition of the Supervisory Board
- the profile of skills and expertise for the Supervisory Board
- the gender quota of 30% for the composition of TRATON SE's Supervisory Board that is already imposed by law and must therefore be complied with in accordance with section 17 (2) of the SEAG.

All aims have been fulfilled or taken into consideration, respectively.

The proposals for the election of Supervisory Board members by the Annual General Meeting comply with the statutory requirements and the standards laid down in the diversity concept. It should be noted that the Supervisory Board's proposals for election can only affect the composition of the Supervisory Board in respect of the shareholder representatives.

The members of the Executive Board are to fit the following profile:

- Appointments of members of the Executive Board should, as a rule, end when those members reach the age of 65, although an extension by a maximum of three more years is possible.
- Members of the Executive Board should have long-standing management experience and contribute as much experience as possible from a range of different activities.
- The Executive Board should collectively have leadership experience in an international context.
- The Executive Board should collectively possess long-standing experience in the fields of machinery/vehicle manufacturing, finance, and HR management.

All aims have been fulfilled or taken into consideration, respectively.

2. Dependent Company Report

The Executive Board of TRATON SE prepared a report on relationships with affiliated companies (Dependent Company Report) in accordance with section 312 of the *Aktiengesetz* (AktG — German Stock Corporation Act), which concluded with the following declaration: "We declare that TRATON SE received appropriate consideration for every legal transaction, or that any disadvantages have been compensated, and that it was not disadvantaged as a result of taking any measures listed in this report on relationships with affiliated companies in fiscal year 2022 in accordance with the circumstances known to us at the time the legal transactions were conducted or the measures taken. There were no measures we refrained from taking in the reporting period."

3. Takeover-related disclosures in accordance with sections 289a (1) and 315a (1) of the HGB

Composition of subscribed capital

Details of the composition of the subscribed capital can be found in Note **"30. Equity."**

TRATON is not aware of any restrictions on the exercise of voting rights or the transfer of shares.

Significant shareholdings in TRATON SE

TRATON SE's largest single shareholder is Volkswagen Finance Luxemburg S.A., Strassen, Luxembourg, a Volkswagen Group company, which holds 89.72% of the share capital. The free float was 10.28% as of December 31, 2022.

TRATON SE has not been notified of, nor is it aware of, further existing direct or indirect interests in the capital of TRATON SE that exceed the relevant threshold of 10% of the voting rights or the relevant thresholds of the *Wertpapierhandelsgesetz* (WpHG — German Securities Trading Act).

Appointment and dismissal of members of the Executive Board, amendments to the Articles of Association

The appointment and dismissal of members of the Company's Executive Board is governed by Articles 39(2) and 46 of the SE Council Regulation in conjunction with sections 84 and 85 of the *Aktiengesetz* (AktG — German Stock Corporation Act) and Article 8 of the Company's Articles of Association. These require the Executive Board to have at least two members who are appointed for a period of up to five years. Members of the Executive Board may be reappointed.

Article 59(1) of the SE Council Regulation in conjunction with sections 179ff. of the AktG applies to amendments to the Company's Articles of Association. Under these provisions, the Annual General Meeting may resolve to amend the Articles of Association by a majority of at least three-quarters of the share capital represented when the vote is taken. In accordance with Article 13 (4) of the Company's Articles of Association, the Supervisory Board may pass resolutions to amend the Articles of Association that alter only its wording.

Powers of the Executive Board

The powers of the Executive Board are governed by Article 39 of the SE Council Regulation in conjunction with sections 77ff. of the AktG and Article 9 of the Articles of Association of the Company. These provisions require the Executive Board to manage the Company independently and to represent the Company both in court and otherwise.

Article 5 (3) of the Articles of Association authorizes the Executive Board to increase the Company's share capital on one or several occasions by a total of up to €200,000,000 by issuing up to 200,000,000 bearer shares on a cash and/or noncash basis on or before May 21, 2024, subject to the Supervisory Board's approval (Authorized Capital 2019). The dividend entitlement of new shares can be determined contrary to the provisions of section 60 (2) of the *Aktiengesetz* (AktG — German Stock Corporation Act). Shareholders must be granted preemptive rights unless the Executive Board makes use of one of the following authorizations to disapply preemptive rights, with the consent of the Supervisory Board. The new shares may also be underwritten by a credit institution or an entity operating pursuant to section 53 (1) sentence 1 of the *Kreditwesengesetz* (KWG — German Banking Act) or section 53b (1) sentence 1 or (7) of the KWG (financial institution) to be designated by the Executive Board, or by a consortium of such credit or financial institutions, with the obligation to offer them for sale to shareholders of the Company. The Executive Board is authorized, with the consent of the Supervisory Board, to disapply shareholders' preemptive rights in the following cases:

a) To settle fractions resulting from a capital increase.
b) To the extent necessary to grant holders or creditors of convertible bonds or bonds with warrants, as well as convertible profit participation rights, issued by the Company and/or its direct or indirect majority investees a preemptive right to new shares in the amount to which they would be entitled following the exercise of their options or conversion rights or after meeting their exercise of option or conversion obligations.
c) If the new shares are issued against cash contributions and the issue price of the new shares is not materially lower than the quoted market price of existing listed shares of the Company at the date when the issue price is finally determined, which should be as close as possible to the placement of the shares. However, this authorization to disapply preemptive rights applies only to the extent that the notional amount of the share capital attributable to the shares issued with preemptive rights disapplied in accordance with section 186 (3) sentence 4 of the AktG does not exceed a total of 10% of the share capital, meaning neither the share capital existing when this authorization takes effect, nor the share capital existing at the date when this authorization is exercised. Shares that (i) are sold or issued, with preemptive rights disapplied, during the term of this authorization up to the date of its exercise on the basis of other authorizations in direct application, or application with the necessary modifications, of section 186 (3) sentence 4 of the AktG, or (ii) shares that were issued or will be issued, with preemptive rights disapplied, to settle bonds or profit participation rights with conversion or exercise rights or obligations will be counted toward this limit, to the extent that the bonds or profit participation rights were issued during the term of this authorization up to the date of its exercise, in application, with the necessary modifications, of section 186 (3) sentence 4 of the AktG;
d) To the extent that the capital increase is implemented to grant shares against noncash contributions, in particular for the purposes of acquiring companies, parts of companies, or investments in companies, or other assets.

The Executive Board is also authorized to define further details of the capital increase and its implementation, with the consent of the Supervisory Board. The Supervisory Board is authorized to amend the wording of Article 5 of the Articles of Association following the complete or partial implementation of the capital increase from Authorized Capital 2019 or after the expiration of the authorization period, in line with the scope of the capital increase.

Under Article 5 (4) of the Articles of Association, the Company's share capital may also be increased by up to €50,000,000 on a contingent basis through the issue of up to 50,000,000 bearer shares (no-par value shares) (Contingent Capital 2019). The sole purpose of Contingent Capital 2019 is to issue new shares to the holders/creditors of bonds which are issued by the Company or by other companies in which the Company directly or indirectly holds a majority interest in accordance with a resolution passed by the shareholders under item 2 of the agenda for the meeting of May 22, 2019, in the event that conversion and/or option rights are exercised or conversion or option exercise obligations are settled or the Company makes use of its right to grant shares in the Company, either in full or in part, in lieu of payment of the respective cash amount. The shares are issued at the conversion or option price to be determined in accordance with the aforementioned resolution. The contingent capital increase will only be implemented to the extent that conversion rights or options are exercised or conversion or option exercise obligations are settled, or the Company exercises its right to grant shares of the Company, either in full or in part, in lieu of payment of the cash amount due, and to the extent that other instruments are not used to settle the conversion rights or options.

The new shares carry dividend rights from the beginning of the fiscal year in which they are issued. To the extent permitted by law, the Executive Board may, with the consent of the Supervisory Board, determine the dividend rights in derogation of the above and of section 60 (2) of the AktG, including for a fiscal year that has already closed.

The Executive Board is authorized to define further details of the implementation of the contingent capital increase, with the consent of the Supervisory Board.

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CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

Income Statement

of the TRATON GROUP for the period January 1 to December 31

€ million	Note	TRATON GROUP 2022	2021
Sales revenue	[10]	**40,335**	**30,620**
Cost of sales	[11]	–33,482	–25,083
Gross profit		**6,853**	**5,536**
Distribution expenses		–3,399	–2,758
Administrative expenses		–1,376	–1,204
Net impairment losses on financial assets		–339	3
Other operating income	[12]	1,207	744
Other operating expenses	[13]	–1,381	–1,927
Operating result		**1,564**	**393**
Share of earnings of equity-method investments		97	432
Interest income	[14]	184	122
Interest expense	[14]	–409	–349
Other financial result	[15]	123	49
Financial result		**–4**	**255**
Earnings before tax		**1,560**	**648**
Income taxes	[16]	–419	–178
current		–833	–528
deferred		414	350
Earnings after tax		**1,141**	**470**
of which attributable to shareholders of TRATON SE		1,141	457
of which attributable to noncontrolling interests		0	13
Earnings per share in € (diluted/basic)	[17]	2.28	0.91

Statement of Comprehensive Income

of the TRATON GROUP for the period January 1 to December 31

€ million	2022	2021
Earnings after tax	**1,141**	**470**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	874	382
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	–219	–82
Pension plan remeasurements recognized in other comprehensive income, net of tax	655	300
Fair value measurement of other equity investments		
Fair value measurement of other equity investments, before tax	–527	–155
Deferred taxes relating to the fair value measurement of other equity investments	56	64
Fair value measurement of other equity investments, net of tax	–471	–92
Share of other comprehensive income of equity-method investments that will not be reclassified subsequently to profit or loss, net of tax	1	29
Items that will not be reclassified subsequently to profit or loss	**185**	**238**
Currency translation differences		
Unrealized currency translation gains/losses	–254	67
Transferred to profit or loss	53	0
Currency translation differences, before tax	–201	67
Deferred taxes relating to currency translation differences	5	4
Currency translation differences, net of tax	–196	71
Cash flow hedges		
Fair value changes recognized in other comprehensive income	46	57
Transferred to profit or loss	15	42
Cash flow hedges, before tax	61	99
Deferred taxes relating to cash flow hedges	–20	–1

€ million	2022	2021
Cash flow hedges, net of tax	42	98
Cost of hedging		
Cost of hedging recognized in other comprehensive income	–2	–5
Transferred to profit or loss	5	0
Cost of hedging, before tax	3	–5
Deferred taxes relating to cost of hedging	–1	2
Cost of hedging, net of tax	2	–2
Share of other comprehensive income of equity-method investments that will be reclassified subsequently to profit or loss, net of tax	5	67
Items that will be reclassified subsequently to profit or loss	**–147**	**233**
Other comprehensive income, before tax	216	485
Deferred taxes relating to other comprehensive income	–178	–13
Other comprehensive income, net of tax	**38**	**471**
Total comprehensive income	**1,179**	**941**
of which attributable to shareholders of TRATON SE	1,178	917
of which attributable to noncontrolling interests	0	24

Balance Sheet

Assets of the TRATON GROUP as of December 31, 2022, and December 31, 2021

		TRATON GROUP	
€ million	Note	12/31/2022	12/31/2021[1]
Noncurrent assets			
Goodwill	[18]	6,184	6,173
Intangible assets	[19]	7,195	7,173
Property, plant, and equipment	[20]	8,354	7,993
Assets leased out	[21]	6,162	6,924
Equity-method investments	[22]	1,328	1,280
Other equity investments	[23]	204	660
Noncurrent income tax receivables		71	80
Deferred tax assets	[16]	2,274	2,147
Noncurrent financial services receivables	[24]	6,560	5,834
Other noncurrent financial assets	[25]	414	192
Other noncurrent receivables	[26]	404	435
		39,150	**38,891**
Current assets			
Inventories	[27]	6,574	5,456
Trade receivables	[28]	3,348	2,437
Current income tax receivables		153	188
Current financial services receivables	[24]	5,061	4,102
Other current financial assets	[25]	695	579
Other current receivables	[26]	1,340	1,240
Marketable securities and investment deposits		73	226
Cash and cash equivalents	[29]	1,439	2,002
Assets held for sale	[9]	421	–
		19,106	**16,230**
Total assets		**58,256**	**55,121**

1 Prior-year amounts adjusted. See Note **“8. Acquisitions — Navistar”** for further information

Equity and liabilities of the TRATON GROUP as of December 31, 2022, and December 31, 2021

€ million	Note	TRATON GROUP 12/31/2022	12/31/2021[1]
Equity	[30]		
Subscribed capital		500	500
Capital reserves		13,695	14,295
Retained earnings		2,964	1,477
Accumulated other comprehensive income		–2,791	–2,829
Equity attributable to shareholders of TRATON SE		**14,368**	**13,444**
Noncontrolling interests		6	3
		14,374	**13,446**
Noncurrent liabilities			
Noncurrent financial liabilities	[31]	12,485	12,181
Provisions for pensions and other post-employment benefits	[34]	1,786	2,648
Deferred tax liabilities	[16]	690	804
Noncurrent income tax provisions		205	157
Other noncurrent provisions	[35]	1,462	1,549
Other noncurrent financial liabilities	[32]	2,652	2,429
Other noncurrent liabilities	[33]	1,971	2,060
		21,250	**21,828**
Current liabilities			
Current financial liabilities	[31]	8,646	6,024
Trade payables		5,518	4,245
Current income tax payables		236	195
Current income tax provisions		14	5
Other current provisions	[35]	1,831	3,111
Other current financial liabilities	[32]	2,113	2,045
Other current liabilities	[33]	4,253	4,222
Liabilities directly associated with assets held for sale	[9]	21	–
		22,632	**19,847**
Total equity and liabilities		**58,256**	**55,121**

1 Prior-year amounts adjusted. See Note “8. Acquisitions — Navistar” for further information

Further Information

Statement of Changes in Equity
of the TRATON GROUP for the period January 1 to December 31

				Accumulated other comprehensive income		
				Items that will be reclassified subsequently to profit or loss		
€ million	Subscribed capital	Capital reserves	Retained earnings	Currency translation	Cash flow hedges	Equity-method investments
Balance as of 01/01/2021	**500**	**19,995**	**–4,479**	**–2,005**	**–115**	**–104**
Earnings after tax	–	–	457	–	–	–
Other comprehensive income, net of tax	–	–	–	68	95	67
Total comprehensive income	–	–	457	68	95	67
Capital transactions involving a change in ownership interest[1]	–	–	–273	–46	–1	–1
Dividend payout	–	–	–125	–	–	–
Release of distributable capital reserves	–	–5,700	5,700	–	–	–
Other changes	–	–	197	0	–	41
Balance as of 12/31/2021	**500**	**14,295**	**1,477**	**–1,984**	**–20**	**3**
Balance as of 01/01/2022	**500**	**14,295**	**1,477**	**–1,984**	**–20**	**3**
Earnings after tax	–	–	1,141	–	–	–
Other comprehensive income, net of tax	–	–	–	–196	44	5
Total comprehensive income	–	–	1,141	–196	44	5
Dividend payout	–	–	–250	–	–	–
Release of distributable capital reserves	–	–600	600	–	–	–
Other changes	–	–	–	–	–	0
Balance as of 12/31/2022	**500**	**13,695**	**2,964**	**–2,180**	**23**	**8**

1 Squeeze-out under merger law of MAN SE shareholders by TRATON SE, €587 million effect

€ million	Accumulated other comprehensive income – Items that will not be reclassified subsequently to profit or loss: Pension plan remeasurements	Equity-method investments	Other equity investments	Equity attributable to shareholders of TRATON SE	Noncontrolling interests	Total
Balance as of 01/01/2021	**–1,054**	**186**	**15**	**12,939**	**230**	**13,169**
Earnings after tax	–	–	–	457	13	470
Other comprehensive income, net of tax	293	29	–92	460	11	471
Total comprehensive income	293	29	–92	917	24	941
Capital transactions involving a change in ownership interest[1]	–24	0	–	–344	–246	–590
Dividend payout	–	–	–	–125	–10	–135
Release of distributable capital reserves	–	–	–	–	–	–
Other changes	40	–222	–	57	4	61
Balance as of 12/31/2021	**–745**	**–7**	**–76**	**13,444**	**3**	**13,446**
Balance as of 01/01/2022	**–745**	**–7**	**–76**	**13,444**	**3**	**13,446**
Earnings after tax	–	–	–	1,141	0	1,141
Other comprehensive income, net of tax	655	1	–471	38	0	38
Total comprehensive income	655	1	–471	1,178	0	1,179
Dividend payout	–	–	–	–250	–	–250
Release of distributable capital reserves	–	–	–	–	–	–
Other changes	0	0	–	–5	3	–1
Balance as of 12/31/2022	**–90**	**–6**	**–547**	**14,368**	**6**	**14,374**

1 Squeeze-out under merger law of MAN SE shareholders by TRATON SE, €587 million effect

Further Information

Statement of Cash Flows[1]

of the TRATON GROUP for the period January 1 to December 31

€ million	TRATON GROUP 2022	TRATON GROUP 2021
Cash and cash equivalents as of 01/01	**2,002**	**1,714**
Earnings before tax	1,560	648
Income taxes paid	–689	–567
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant, and equipment, and investment property[2]	1,404	1,308
Amortization of, and impairment losses on, capitalized development costs[2]	379	299
Reversals and impairment losses on equity investments	0	4
Depreciation of and impairment losses on products leased out[2]	1,199	1,122
Change in pension obligations	–3	126
Earnings on disposal of noncurrent assets and equity investments	139	147
Share of earnings of equity-method investments	–40	–353
Other noncash income/expense	91	–30
Change in inventories	–1,158	3
Change in receivables (excluding financial services)	–1,169	–212
Change in liabilities (excluding financial liabilities)	1,090	504
Change in provisions	–1,432	713
Change in products leased out	–440	–1,174
Change in financial services receivables	–1,592	–1,007
Net cash provided by/used in operating activities	**–660**	**1,534**
Investments in intangible assets (excluding capitalized development costs) and in property, plant, and equipment	–1,305	–1,131
Additions to capitalized development costs	–604	–468
Investments to acquire subsidiaries	–94	–2,563
Investments to acquire other investees and joint ventures	–26	–103
Proceeds from the disposal of subsidiaries	58	–197
Proceeds from the disposal of other investees	0	2
Proceeds from the disposal of intangible assets, property, plant, and equipment, and investment property	55	54
Change in marketable securities and investment deposits	154	1,879
Change in loans	–50	80
Net cash used in investing activities	**–1,813**	**–2,447**
Dividend payouts	–250	–135
Capital transaction with noncontrolling interest shareholders	–	–590
Proceeds from the issuance of bonds	3,172	5,527
Proceeds from the issuance of *Schuldscheindarlehen*	–	698
Repayment of bonds	–2,153	–5,063
Proceeds from loans extended by Volkswagen AG and Volkswagen International Luxemburg S.A.	1,950	3,020
Loan repayment to Volkswagen AG and Volkswagen International Luxemburg S.A.	–1,049	–2,701
Change in miscellaneous financial liabilities	827	653
Repayment of lease liabilities	–281	–241
Net cash provided by financing activities	**2,216**	**1,169**
Effect of exchange rate changes on cash and cash equivalents	–2	33
Change in cash and cash equivalents	–259	288
Cash and cash equivalents as of 12/31	**1,743**	**2,002**
Cash and cash equivalents reported separately in the balance sheet (assets held for sale)	–304	–
Cash and cash equivalents as of 12/31 (reported in the balance sheet)	**1,439**	**2,002**

1 See Note **"38. Statement of cash flows"** for further information

2 Net of impairment reversals

NOTES

to the Consolidated Financial Statements

1. Basis of preparation

General information

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

With its Scania, MAN, Navistar, and Volkswagen Truck & Bus brands, the TRATON GROUP is one of the world's leading manufacturers of commercial vehicles. The Group's portfolio consists of light-duty commercial vehicles, trucks, and buses, as well as the sale of spare parts and customer services. The TRATON GROUP also offers a broad range of financial services to its commercial vehicle customers.

TRATON SE is a direct subsidiary of Volkswagen Finance Luxemburg S.A., Strassen, Luxembourg (Volkswagen Finance Luxemburg). The financial statements of Volkswagen Finance Luxemburg are published in the Luxembourg Trade and Company Register. TRATON SE and its subsidiaries are included in the consolidated financial statements of Volkswagen Aktiengesellschaft, Wolfsburg, Germany (Volkswagen AG), which are published in the *Bundesanzeiger* (the Federal Gazette).

The accompanying Consolidated Financial Statements of TRATON SE for the fiscal year ended December 31, 2022, were prepared in accordance with section 315e (1) of the *Handelsgesetzbuch* (HGB — German Commercial Code) and in compliance with the International Financial Reporting Standards (IFRSs), as adopted in the European Union.

The fiscal year corresponds to the calendar year. The Consolidated Financial Statements have been prepared in euros (€), TRATON SE's functional currency. All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

From the Executive Board's perspective, the accompanying Consolidated Financial Statements reflect all standard intra-period 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 are not necessarily indicative of future results.

The accompanying Consolidated Financial Statements were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich. The Consolidated Financial Statements were prepared on February 8, 2023, and approved for submission to the Supervisory Board by means of an Executive Board resolution. The period in which adjusting events after the reporting period are recognized ended on that date.

2. Basis of consolidation

In addition to TRATON SE, the consolidated financial statements comprise all significant subsidiaries, including structured entities, that are controlled directly or indirectly by TRATON SE. Control exists if TRATON SE obtains power over the potential subsidiaries, either directly or indirectly, from voting rights or similar rights, is exposed, or has rights to, positive or negative variable returns from its involvement with the subsidiaries, and is able to influence those returns. In the case of the structured entities consolidated in the TRATON GROUP, TRATON is also able to direct the material relevant activities remaining after the change in the structure even if it is not invested in the structured entity concerned, and is hence able to influence its own variable returns. The structured entities largely serve to implement asset-backed securities transactions to refinance the financial services business and to securitize receivables.

Material entities whose financial and operating policies TRATON SE can significantly influence indirectly or directly (associates), or over which TRATON SE shares control indirectly or directly (joint ventures), are measured using the equity method. Joint ventures also include entities in which the TRATON GROUP holds a majority equity interest, but whose shareholder agreements stipulate that important decisions may only be resolved unanimously.

Subsidiaries whose business activities have been suspended or whose business volume is minimal and that are insignificant individually and in the aggregate for the presentation of a true and fair view of the TRATON GROUP's net assets, financial position, results of operations, and cash flows are not consolidated. They are generally recognized at cost, net of any impairment losses required to be recognized, plus any reversals of impairment losses required to be recognized. The same applies to insignificant associates and joint ventures.

All other investees are financial investments.

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

	2022	2021
TRATON SE and consolidated subsidiaries		
Germany	21	19
Other countries	318	320
Subsidiaries carried at cost		
Germany	12	11
Other countries	32	23
Associates, joint ventures, and other equity investments		
Germany	12	10
Other countries	27	25

The changes in the basis of consolidation relating to subsidiaries principally comprise the acquisition of Bilmetro AB, Gavle, Sweden (see Note **"8. Acquisitions"**), and the disposal of International Indústria Automotiva Da América Do Sul Ltda., São Paulo, Brazil, as well as the Russian distribution companies MAN Truck and Bus Rus LLC, Moscow, Russian Federation, and Scania-Rus LLC, Golitsino, Russian Federation (see Note **"9. Noncurrent assets and disposal groups held for sale"**).

The list of the TRATON GROUP's shareholdings within the meaning of section 313 (2) of the *Handelsgesetzbuch* (HGB — German Commercial Code) is presented in Note **"53. List of shareholdings."**

The following consolidated German companies have met the criteria set out in section 264 (3) or section 264b of the HGB and have as far as possible exercised the option not to publish annual financial statements:

- MAN Grundstücksgesellschaft mbH & Co. Epsilon KG, Munich
- MAN Truck & Bus SE, Munich
- MAN Truck & Bus Deutschland GmbH, Munich
- TORINU Verwaltung GmbH & Co. Beta KG, Pullach i. Isartal
- TARONA Verwaltung GmbH & Co. Alpha KG, Pullach i. Isartal
- M A N Verwaltungs-Gesellschaft mbH, Munich
- MAN Service und Support GmbH, Munich
- KOSIGA GmbH & Co. KG, Pullach i. Isartal
- MAN GHH Immobilien GmbH, Oberhausen
- TB Digital Services GmbH, Munich
- MAN Marken GmbH, Munich
- MAN Brand GmbH & Co. KG, Grünwald
- Scania CV Deutschland Holding GmbH, Koblenz
- Scania Deutschland GmbH, Koblenz
- Scania Vertrieb und Service GmbH, Koblenz
- Scania Real Estate Deutschland GmbH, Koblenz

Consolidation principles

The assets and liabilities of the entities included in the consolidated financial statements are recognized in accordance with the uniform accounting policies applicable to the TRATON GROUP. In the case of equity-accounted entities, we apply the same accounting policies to determine the TRATON GROUP's share of the investee's equity.

Intercompany assets and liabilities, equity, expenses, and income, as well as cash flows, are eliminated in full. Intercompany profits or losses arising in Group inventories and assets are eliminated. Consolidation adjustments result in deferred taxes. Deferred tax assets and liabilities are offset if the taxable entity or taxpayer are identical and relate to the same tax period.

Business combinations are accounted for using the acquisition method of accounting. In the course of initial consolidation, assets and liabilities are recognized at their acquisition-date fair values. The carrying amounts are adjusted in the subsequent periods. Goodwill arises when the economic consideration paid for the acquisition exceeds the fair value of the identified net assets. If the economic consideration paid for the acquisition is less than the identified net assets, the difference is recognized in profit or loss in the year of acquisition. Unless otherwise stated, the share of equity directly attributable to noncontrolling interests at the acquisition date is measured at the fair value of the net assets (excluding goodwill) attributable to such noncontrolling interests. Any difference arising due to the acquisition of additional shares of a subsidiary that has already been consolidated is charged directly to equity.

Business combinations involving entities under common control are accounted for using the purchase method of accounting.

3. New and revised accounting pronouncements

New accounting pronouncements applied

TRATON has applied all accounting pronouncements adopted by the EU and required to be applied for periods beginning on or after January 1, 2022. The changes in accounting pronouncements do not materially affect the TRATON GROUP's net assets, financial position, or results of operations.

New or amended IFRSs not applied

In its 2022 Consolidated Financial Statements, TRATON did not apply the accounting pronouncements that have already been adopted by the IASB, but were not yet required to be applied for the fiscal year. The financial reporting standards issued by the IASB but not yet effective are not expected to materially affect the TRATON GROUP's consolidated financial statements.

4. Impact of the war in Ukraine

The war in Ukraine had a negative impact on the TRATON GROUP's business in 2022. As well as price increases on the energy and commodity markets, shortages of truck cable harnesses temporarily led to production stops at MAN. As a consequence of the war and the sanctions imposed by the EU in this regard, TRATON decided to discontinue its business activities in Russia or sell the companies there. This related in particular to distribution units of Scania Vehicles & Services and MAN Truck & Bus, as well as financial services companies. Because of the direct effects of the war, expenses of €477 million were incurred in 2022, which are primarily recognized in net impairment losses on financial assets and in other operating expenses. For information on the sale of the Russian companies, see Notes **"9. Noncurrent assets and disposal groups held for sale"** and **"49. Events after the reporting period."**

The TRATON GROUP does not have any material subsidiaries or equity investments in Ukraine. However, the sale of the Russian companies in 2022 and at the beginning of 2023 means the loss of a former TRATON GROUP core market. This loss means that the TRATON GROUP is no longer exposed to any material credit and liquidity risks in Russia. However, because certain globally traded input materials are substantial for the production of our vehicles, it is still necessary for TRATON to monitor the price fluctuation risks for raw materials and energy associated with the war and the sanctions imposed.

5. Accounting policies

Measurement principles

With the exception of certain items, such as financial instruments at fair value through profit or loss or provisions for pensions and other post-employment benefits, items are measured in the TRATON GROUP on the basis of the historical cost convention. The accounting policies applied to individual items are explained in greater detail in the following.

Goodwill and intangible assets

The TRATON GROUP's intangible assets comprise capitalized development costs, customer relationships, brands, and other intangible assets, such as licenses, software, and similar rights.

Development costs for future series products and other internally generated intangible assets are recognized at cost, to the extent that manufacturing of these products is expected to generate an economic benefit for the TRATON GROUP. If at least one of the recognition criteria under IAS 38 *Intangible Assets* is not met, the expenses are recognized in profit or loss in the period in which they are incurred. Research costs are recognized in profit or loss as incurred. Capitalized development costs consist of all direct and overhead costs that are directly attributable to the development process. They are amortized using the straight-line method from the start of use (e.g., start of production) over the expected life of the models or technologies developed.

Purchased intangible assets are recognized at cost and amortized over their economic life using the straight-line method.

The amortization period for software and licenses is mainly three to five years. Capitalized development costs are amortized over a period of three to ten years. Customer relationships are amortized over a period of five to twenty years.

Amortization charges and impairment losses in a reporting period are allocated to the corresponding functions in the income statement and are included in particular in cost of sales and distribution expenses.

Brand names acquired under business combinations generally have an indefinite useful life and are therefore not amortized. An indefinite useful life generally arises from the continued use and maintenance of a brand.

Indefinite-lived intangible assets and intangible assets that are not yet available for use are tested for impairment at least once a year. Assets in use and other finite-lived intangible assets are only tested for impairment if there are concrete indications of impairment.

Goodwill from business combinations is tested for impairment at least once a year. If it is impaired, an impairment loss is recognized and goodwill is carried at its recoverable amount. If it is not, the carrying amount is retained unchanged compared with the previous year.

To determine recoverability, the TRATON GROUP generally uses the higher of value in use and fair value less costs to sell. The goodwill impairment test is usually conducted at segment level on the basis of value in use. The same applies to indefinite-lived intangible assets and intangible assets not yet available for use.

Value in use is the present value of the expected future cash flows of the asset concerned. If no recoverable amount can be measured for an individual asset, the recoverable amount is determined for the smallest identifiable group of assets that generate cash flows (cash-generating unit) to which the asset belongs. If the recoverable amount is less than its carrying amount, an impairment loss is recognized immediately in profit or loss.

Value in use is measured based on management's current five-year planning. For information about the assumptions in the detailed planning period, refer to the disclosures on estimates and management's judgment (see Note **"6. Estimates and management's judgment"**). Further details can also be found in the **Report on Expected Developments**, which forms part of the Combined Management Report. The planning assumptions are adjusted to reflect the current state of knowledge.

When determining the value of use for the impairment test, the following pretax weighted average cost of capital (WACC) rates are used, modified if necessary to reflect country-specific risks:

WACC	2022	2021
Scania Vehicles & Services	13.4%	8.3%
MAN Truck & Bus	13.4%	8.3%
Navistar Sales & Services	14.1%	9.2%
Volkswagen Truck & Bus	19.2%	11.8%

The WACC rates are calculated based on the interest rate for risk-free investments, the market risk premium, and the cost of debt. Additionally, specific peer group information on beta factors and the cost of debt are considered. The composition of the peer groups used to determine beta factors is continuously reviewed and adjusted if necessary.

It was not necessary to charge impairment losses on our goodwill. Goodwill and brand names are not impaired even if the growth forecast for the perpetuity or the discount rate varies by –/+ 1.0 percentage points.

Property, plant, and equipment

Items of property, plant, and equipment are measured at cost and reduced by depreciation and, if necessary, impairment losses. Determining the recoverability of items of property, plant, and equipment corresponds to the procedure used to determine the recoverability for goodwill and intangible assets. Cost is recognized on the basis of directly attributable direct and overhead costs. The production cost of internally manufactured items of property, plant, and equipment comprises directly attributable production costs and proportionate production overheads.

Items of property, plant, and equipment are depreciated by the straight-line method ratably over their estimated useful lives. If items of property, plant, and equipment consist of significant identifiable components with different useful lives, such components are recognized and depreciated separately. The useful lives of items of property, plant, and equipment are periodically reassessed and adjusted if necessary.

Depreciation is mainly based on the following useful lives: buildings (ten to 50 years), land improvements (five to 33 years), technical equipment and machinery (three to 12 years), and other equipment, operating and office equipment (three to 15 years).

Leases

TRATON as lessee

In cases where the TRATON GROUP acts as lessee, it generally recognizes a right-of-use asset and a lease liability in its balance sheet for all leases with a term of more than 12 months, provided that the underlying asset is not a low-value asset. Lease payments for short-term and low-value leases are recognized as an expense in the income statement. A lease is a low-value lease if the maximum new value of the underlying asset is €5,000. IFRS 16 *Leases* is also not applied to leases of intangible assets.

Right-of-use assets are measured at cost less depreciation and impairment losses. During the lease term, the right-of-use asset is depreciated using the straight-line method over the shorter of the lease term or its expected useful life. If ownership of the underlying asset is transferred to the TRATON GROUP at the end of the lease term, the right-of-use asset is depreciated from the commencement date to the end of the economic life of the underlying asset. The right-of-use assets are presented in property, plant, and equipment and, if necessary, tested for impairment in accordance with the impairment tests for items of property, plant, and equipment set out in IAS 36 *Impairment of Assets*.

The lease liability is measured by reference to the outstanding lease payments, discounted using the lessee's incremental borrowing rate. The lease liability is subsequently measured using the effective interest rate method reflecting the lease payments made. Interest expense from unwinding the discount on lease liabilities is presented in financial result in the income statement and in net cash provided by/used in operating activities in the statement of cash flows.

TRATON as lessor

Lease accounting is based on classification into operating and finance leases. Classification is made on the basis of the risks and rewards incidental to ownership of the underlying asset.

In an operating lease, the significant risks and rewards are retained by the TRATON GROUP. The underlying asset is measured at amortized cost, recognized in the TRATON GROUP's assets leased out, and depreciated over the estimated useful life using the straight-line method. The useful lives underlying depreciation generally correspond to those of items of property, plant, and equipment used by the entity. The lease payments received in the period are recognized as income in the income statement on a straight-line or other systematic basis. Modifications to an operating lease are accounted for as a new lease.

If the TRATON GROUP retains control in addition to the risks and rewards, vehicles sold with a buyback obligation are also accounted for as operating leases. The sale price obtained on sale of the vehicle is recognized ratably in profit or loss over the term of the lease, net of the present value of the buyback price. Vehicles are recognized at cost and depreciated to the calculated residual value using the straight-line method over the term of the lease. Changes to the calculated residual value are taken into account by adjusting the future depreciation rates. Impairment losses identified as a result of an impairment test in accordance with IAS 36 are recognized.

Sales transactions for which a buyback obligation is not agreed from the outset, with the customer alone deciding whether to sell the vehicle back at a pre-arranged price, are also accounted for as operating leases. Based on contractual arrangements and our experience with such sales, we assume that customers will always make use of their put option.

In the case of a finance lease, the significant risks and rewards are transferred to the lessee. The underlying asset is derecognized from the TRATON GROUP's assets leased out and recognized in cost of sales. Additionally, a receivable is recognized in the amount of the net investment in the lease, which results in sales revenue being recognized in the amount of the discounted lease payments. The lease payments received in the reporting period subsequently reduce the principal and the unearned finance income. Unless they are required to be accounted for as a new lease or result in a different classification, modifications to finance leases are accounted for in accordance with the IFRS 9 *Financial Instruments* modification requirements.

Credit risk from lease receivables is accounted for in accordance with IFRS 9.

Equity-method investments

Equity-method investments include associates and joint ventures. Associates and joint ventures are initially measured at cost. In subsequent periods, the TRATON GROUP's share of earnings generated after acquisition is recognized in the income statement. Effects from the increase in the share of the equity (for example capital increases) of entities in which the TRATON GROUP does not participate, or only has a disproportionately low participation, are also recognized in the share of earnings of equity-method investments in the income statement. Other changes in the equity of associates and joint ventures, such as currency translation differences, are recognized in other comprehensive income. Changes in the interests/noncontrolling interests in subsidiaries of equity-method investments are accounted for directly in equity.

Intercompany profits or losses from transactions by Group companies with associates and joint ventures are eliminated ratably in the profit or loss of the Group companies. If there are indications that the carrying amount may be impaired, equity-method investments are tested for impairment; any impairment loss is recognized in the income statement. If the reason for impairment ceases to exist at a later date, the impairment loss is reversed to the carrying amount that would have been determined had no impairment loss been recognized.

Goodwill arising from the acquisition of an associate or a joint venture is included in the carrying amounts of investments in associates or joint ventures.

Inventories

Inventories are measured at the lower of cost and net realizable value. Production cost comprises directly attributable production costs and proportionate fixed and variable production overheads. Overheads are allocated on the basis of normal capacity of the production facilities. Borrowing costs are not capitalized. Distribution, general, and administrative expenses are not included in production cost. As a general principle, similar items of inventories are measured using the weighted average method or the FIFO method.

Further Information

Financial instruments

Primary financial instruments

Primary financial instruments mainly include trade receivables, financial services receivables, other equity investments, marketable securities and investment deposits, miscellaneous financial assets, cash and cash equivalents, financial liabilities, trade payables, liabilities from buyback obligations, and factoring liabilities. Cash and cash equivalents include bank balances and highly liquid financial investments of a temporary nature that are exposed to no more than minor risks of fluctuation in value. Primary financial instruments are accounted for at the settlement date in the case of regular way purchases or sales — that is, the date on which the asset is delivered.

The TRATON GROUP's financial management supports cash pool structures at brand level, wherever legally and economically appropriate and feasible. The TRATON GROUP brands manage their own operational liquidity themselves. Surplus liquidity of the brands is managed at the level of TRATON SE. The TRATON GROUP deposits some of the surplus liquidity with Volkswagen AG on an arm's length basis. Demand deposits are reported in cash and cash equivalents. By contrast, deposits classified as investments are recognized as marketable securities and investment deposits (current) or as other financial assets (noncurrent). Correspondingly, borrowings from Volkswagen AG are recognized as financial liabilities. Deposits with globally positioned banks are also a standard practice.

Initial measurement of financial instruments

Primary financial assets and liabilities are initially recognized at cost. As a rule, cost corresponds to fair value, plus or minus transaction costs, at the date of acquisition or origination. An exception to this principle relates to financial instruments recognized at fair value through profit or loss. Trade receivables without any significant financing component are initially recognized at the transaction price.

Financial assets and financial liabilities are generally reported at their gross carrying amounts. They are only offset if the TRATON GROUP has a currently enforceable right to offset the recognized amounts and intends to do so.

Classification and subsequent measurement of financial instruments

Financial instruments are classified as financial assets, equity instruments, or financial liabilities depending on the substance of the contractual arrangement and the definitions in IAS 32 *Financial Instruments: Presentation*.

Financial assets (debt instruments) that meet the following conditions are measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets (debt instruments) that meet the following conditions are measured at fair value through other comprehensive income:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The TRATON GROUP has exercised the option under IFRS 9 to recognize investments in equity instruments that are not held for trading at fair value through other comprehensive income (no recycling) because recognition of gains and losses on these instruments at fair value through profit or loss would not provide any information about the entity's performance for the TRATON GROUP. By default, all other financial assets (e.g., derivative financial instruments) are classified at fair value through profit or loss.

Financial liabilities are classified into the following categories:

- Financial liabilities at fair value through profit or loss; only financial liabilities held for trading are measured at fair value through profit or loss. In the TRATON GROUP, this requirement is only met by derivatives that are not included in hedge accounting.
- Financial liabilities at amortized cost; by default, all other financial liabilities are measured at amortized cost.

As a rule, fair value corresponds to the market or stock exchange price. If no active market exists, to the extent possible, fair value is determined using other observable inputs. If no observable inputs are available, fair value is determined using valuation techniques.

The amortized cost of a financial asset or liability is the amount

- at which a financial asset or liability is measured at initial recognition
- minus any principal repayments
- plus or minus the cumulative amortization of any difference between the original amount and the amount repayable at maturity, amortized using the effective interest method
- and adjusted for any loss allowances in the case of financial assets.

Derecognition of financial assets

A financial asset is derecognized if the rights to receive cash flows have expired or been transferred, and TRATON has transferred substantially all the risks and rewards of ownership, in particular the bad debt and payment date risk. Some companies in the TRATON GROUP sell revolving current trade receivables as well as contractually agreed cash flows from leases. Sales over and above these arrangements are agreed in individual cases. In the TRATON Financial Services segment, asset-backed securities transactions are also carried out in which future cash flows from financial services receivables are assigned to structured entities, which then securitize them. If substantially all the risks and rewards of ownership remain with TRATON, the financial asset is not derecognized. Instead, a financial liability is recognized in the case of asset-backed securities transactions; in all other cases, other financial liabilities are recognized in the amount of the consideration received.

Impairment of financial instruments and contract assets

In all cases, the TRATON GROUP recognizes lifetime expected credit losses (ECLs) for trade receivables measured at amortized cost, lease receivables, and contract assets (referred to in the following as the “simplified approach”). For trade receivables and contract assets, expected credit losses are estimated using a provision matrix unless there is objective evidence of individual impairment. The provision matrix is based on the Group’s historical loss experience, adjusted for debtor-specific factors, general economic factors, and an estimate of both current and expected changes in variables as of the reporting date, including the time value of money. The provision rates depend on the number of days a receivable is past due:

- Not impaired and not past due: 1.0% of the receivable
- Up to 30 days past due: 1.5% of the receivable
- 31 to 90 days past due: 2.0% of the receivable
- More than 91 days past due: 3.0% of the receivable

The provision rates that are used to estimate the expected credit losses on trade receivables were lowered as of December 31, 2022, by 0.5% for the past due period of 31–90 days and by 1.0% for the past due period of 91 days and more.

For other financial instruments, the TRATON GROUP recognizes the lifetime expected credit losses if there has been a significant increase in credit risk since initial recognition (referred to in the following as the “general approach”). By contrast, if the credit risk of the financial instrument has not increased significantly since initial recognition, a loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. To the extent that the internal risk management and control systems do not indicate a significant increase in credit risk at an earlier point in time, there is a rebuttable presumption in the TRATON GROUP that a significant increase in credit risk has arisen if payments are more than 30 days past due.

Financial instruments are allocated to one of four credit loss stages:

- Stage 1: financial instruments at initial recognition and whose credit risk has not increased significantly
- Stage 2: financial instruments with a significant increase in credit risk since recognition of the instrument, based on expected credit losses over the lifetime of the underlying contract
- Stage 3: credit-impaired financial instruments
- Stage 4: purchased or originated credit-impaired financial instruments

Allocation to a stage is reviewed in each reporting period. A financial asset is credit-impaired if one or more events have occurred that negatively impact future expected cash flows. These events include delayed payment over a certain period, the institution of enforcement measures, the threat of insolvency or overindebtedness, the application for or opening of bankruptcy proceedings, or the failure of reorganization measures. The amount of expected credit losses is based on the probability of default, the loss given default, and the exposure at default. If, based on the internal risk management and control systems, there are no grounds for assuming that there will be a significant increase in credit risk at an earlier point in time, there is a rebuttable presumption in the TRATON GROUP that default has occurred if payments are more than 90 days past due. The financial asset is always derecognized if there are no longer any reasonable expectations that it is collectible.

For financial assets, expected credit losses are calculated as the difference between all contractual cash flows payable to the TRATON GROUP under the terms of the contract and all cash flows that the Group expects to receive. This difference is discounted using the original effective interest rate (or, in the case of Stage 4 financial instruments, the credit-adjusted effective interest rate). In the case of lease receivables, the cash flows and discount rates used to determine expected credit losses are the same as the cash flows and discount rates used to measure the lease receivable under IFRS 16. Appropriate groupings are made when determining the expected credit losses.

The loss allowance for the subsequent measurement of Stage 4 financial instruments is measured as the cumulative change in lifetime expected credit loss. These instruments are not reclassified from Stage 4.

Derivatives and hedge accounting

Derivatives are initially recognized and accounted for at each subsequent reporting date at their fair value. They are generally recognized at the trade date.

The recognition of gains and losses from fair value measurement depends on the designation of the derivative. Derivatives that do not meet the IFRS 9 hedge accounting criteria are measured at fair value through profit or loss (also referred to in the following as "derivatives or hedging instruments not included in hedge accounting"). These gains and losses from measurement and realization are recognized in other operating income/expense (for example, foreign currency derivatives for customer orders) or in financial result (for example, foreign currency hedges for net liquidity items), depending on the underlying risk.

A condition for applying hedge accounting is that the hedging relationship between the hedged item and the hedging instrument is clearly documented and that there is an economic relationship between the hedged item and the hedging instrument that is not dominated by the effect of the credit risk. The hedging instruments are selected so that they are essentially affected by the same risk as the underlying transactions, namely foreign exchange risk or interest rate risk.

In the case of cash flow hedges, gains or losses from the remeasurement of the effective designated portion of the derivative are recognized in the cash flow hedge reserve in other comprehensive income. If the forward element and the cross-currency basis spread are not designated, the resulting gains and losses are recognized in the reserve for cost of hedging. The amounts recognized in other comprehensive income are reclassified to the income statement as soon as the hedged future cash flows are recognized in profit or loss. The reclassification of both the cash flow hedge reserve and the reserve for cost of hedging is recognized in the item to which the hedged item is allocated. If a cash flow hedge subsequently results in the recognition of a nonfinancial asset, the cash flow hedge reserve and the reserve for cost of hedging are included in the initial cost of the nonfinancial asset; this does not constitute any reclassification adjustment. The ineffective portion of a cash flow hedge is recognized in profit or loss for the period.

Further Information

When hedging against the risk of changes in the value of balance sheet items (fair value hedges), both the hedging instrument and the hedged effective risk portion of the underlying transaction are measured at fair value. Changes in the fair value of hedging instruments and hedged items are recognized in profit or loss. The hedged items in the TRATON GROUP relate to bonds that are measured at amortized cost. Changes in amortized cost because of hedging gains and losses are amortized at the latest when hedge accounting is discontinued.

Provisions for pensions and other post-employment benefits

Obligations for post-employment benefits under defined benefit plans are determined by independent actuaries using the projected unit credit method in accordance with IAS 19 *Employee Benefits*. Under this method, future obligations (the "defined benefit obligation") are measured on the basis of the proportionate benefit entitlements acquired at the balance sheet date and discounted to their present value. Measurement takes into account both the pensions and vested benefits known at the balance sheet date and actuarial assumptions for discount rates, salary and pension trends, fluctuation rates, longevity, and increases in healthcare costs, which are calculated for each Group company depending on its economic environment.

Provisions for pensions and other post-employment benefits are reduced by the fair value of the plan assets used to cover the pension obligations. If the plan assets exceed the obligation, the excess is only recognized as an asset if this results in a refund from the plan or a reduction in future contributions.

The service cost, which represents the entitlements of active employees accruing in the fiscal year in accordance with the plan, is reported in functional expenses. Net interest income and expense are reported in interest expense and calculated by multiplying the net asset or liability by the discount rate.

Remeasurements of the net asset or liability comprise actuarial gains and losses resulting from differences between the actuarial assumptions made and what has actually occurred, and changes in actuarial assumptions, as well as the return on plan assets, excluding amounts included in net interest income or expense. Remeasurements are recognized in equity, net of deferred taxes, in the period in which they arise.

Other provisions

General

Under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, provisions are recognized for a present obligation to a third party arising from a past event that is likely to result in an outflow of resources and whose amount can be measured reliably. The amount of the provision is determined based on estimates of the amount of the loss and the probability of utilization.

Where the effect of the time value of money is material, the provision is recognized at its present value. Discounting uses market rates of interest. The settlement amount also reflects expected cost increases at the reporting date.

Provisions are not offset against recourse rights.

Share-based payment

Share-based payment consists of performance shares. Share-based payment obligations are accounted for as cash-settled plans under IFRS 2 *Share-based Payment*. For these plans, obligations are measured at fair value during the term of the plan using a recognized option pricing model. The total remuneration expense to be recognized corresponds to the actual payout and is recognized over the vesting period.

Contingent liabilities and commitments

If the criteria for recognizing a provision are not met, but the outflow of financial resources is not improbable, or if the provision amount cannot be measured reliably, such obligations are disclosed in the notes to the consolidated financial statements. Contingent liabilities are only recognized as a provision once the obligations are more certain, i.e., the outflow of financial resources has become probable and their amount can be reliably estimated.

Revenue from contracts with customers

Sales revenue is recognized as soon as a performance obligation under a customer contract has been satisfied, i.e., as soon as the customer obtains control of the product. That is normally the case when the product is delivered to the customer and the customer has accepted the vehicle.

Sales revenue from contracts for services is recognized when the services have been rendered. In the case of long-term contracts for services and service guarantees, revenue is recognized on a straight-line basis over the term of the contract or, if services are not rendered on a straight-line basis, based on the stage of completion using the cost-to-cost method. In the case of prepayments received for these services, the allocated transaction price is recognized as a contract liability at the date of the original sale transaction and recognized as revenue over the period of the service. If payments are made for contracts for services to satisfy the performance obligations, the sales revenue recognized corresponds to the payments.

If a contract contains multiple performance obligations, the transaction price is allocated to the relevant performance obligations. In the case of contracts in which service elements are insignificant compared with the sales revenue from the sale of the vehicle, the residual approach is used to allocate the transaction price. This does not result in any material differences compared with the revenue based on relative standalone selling prices. In other cases, the transaction price is allocated based on the relative standalone prices.

Furthermore, certain parts are repurchased at a later date for reconditioning at TRATON. These result in the recognition of a right-of-return obligation to the customer, which is calculated using the expected value method, and of another receivable for the underlying part. Sales revenue is not recognized this case.

Discounts, customer rebates, and other sales allowances reduce the transaction price. Variable consideration is only included in the transaction price to the extent that it is highly probable that a subsequent reversal of the sales revenue can be ruled out.

TRATON uses the practical expedient of accounting for a financing component only if it is material and if a period of more than one year is expected between the transfer of the product or service to the customer and the customer payment. No financial component is accounted for because of the application of this practical expedient.

Refer to the **"TRATON as lessor"** section for information on sales with repurchase agreements.

Operating expenses and income

Operating expenses are recognized when the underlying products or services are used. Costs of advertising and other distribution expenses are recognized as incurred.

The production cost incurred to generate sales revenue and the purchase costs of merchandise are recognized in cost of sales. In addition to direct material and labor costs, production cost also includes production-related overhead costs, including depreciation of production facilities. This item also includes the cost of additions to warranty provisions for statutory or contractual guarantee obligations that are recognized when products are sold. Research and development costs not eligible for capitalization and impairment losses on development costs are also reported in cost of sales. Corresponding to the presentation of interest and commission income in sales revenue, interest expense and commission expenses attributable to the financial services business are presented in cost of sales.

Currency translation

Foreign currency transactions in the single-entity financial statements of TRATON SE and the subsidiaries included in the basis of consolidation are translated at the exchange rates prevailing at the transaction dates. Foreign currency monetary items are recognized at the closing date in the balance sheet. The resulting currency translation differences are recognized in operating result or in financial result, in accordance with their substance.

Financial statements of foreign entities are translated from their functional currency into euros using the modified closing rate method, under which balance sheet items (with the exception of equity) are translated at the closing rate, while income statement items are translated at weighted average exchange rates for the year. With the exception of income and expenses recognized in equity, equity is translated at historical exchange rates. The resulting currency translation differences are recognized as a separate item in equity until the disposal of the subsidiary.

Income taxes

Tax provisions contain obligations under current taxes. Provisions are recognized for potential tax risks based on the best possible estimate. A liability is recognized for other provisions resulting from supplementary tax payments that are due in this context.

Deferred tax assets are generally recognized for deductible temporary differences between the tax base of assets and liabilities and their carrying amounts in the consolidated balance sheet, for tax loss carryforwards, and for tax credits, to the extent that it can be expected that they will be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences between the tax base of assets and liabilities and their carrying amounts in the consolidated balance sheet (temporary concept).

Deferred taxes are recognized in the amount of the expected tax liability or tax benefit, as appropriate, in subsequent fiscal years, based on the expected enacted tax rate at the time of realization. The tax consequences of dividend payments are generally not taken into account until the resolution on appropriation of net profit has been adopted.

Deferred tax assets that are unlikely to be realized within a clearly predictable period are reduced by valuation allowances.

Deferred tax assets for tax loss carryforwards are usually measured on the basis of future taxable income over a planning period of five fiscal years. Deferred tax assets and deferred tax liabilities are offset where taxes are levied by the same taxation authority and relate to the same tax period.

Noncurrent assets or disposal groups held for sale

Noncurrent assets held for sale include both individual noncurrent assets and groups of assets, together with liabilities directly associated with those assets (disposal groups), if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Noncurrent assets classified as “held for sale,” either individually or as part of a disposal group, are presented separately as “held for sale” in the balance sheet. Within the scope of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, they are measured at the lower of their carrying amount and fair value less costs to sell, and are no longer depreciated or amortized. If there is any subsequent increase in fair value less costs to sell, a remeasurement gain is recognized. The remeasurement gain may not exceed the cumulative impairment losses already recognized for that asset.

Prior-period information

To improve comparability, certain prior-period information was adjusted to reflect the current presentation. Additionally, certain prior-period data was revised. If material, the details of such information are contained in the relevant sections.

6. Estimates and management’s judgment

Preparation of consolidated financial statements in accordance with IFRSs requires assumptions to be made with regard to certain items that affect the carrying amounts in the balance sheet or income statement and the disclosure of contingent assets and liabilities. All estimates and assumptions represent the best of management’s knowledge and belief in order to convey a true and fair view of the Group’s net assets, financial position, and results of operations. Nevertheless, actual developments may differ significantly from expected developments due to uncertainties over which the Group does not have complete control, with the result that the carrying amounts of the assets and liabilities concerned have to be adjusted accordingly in subsequent periods. Assumptions and management’s judgment relate primarily to the following matters:

Business performance

Management inputs its mid-range expectations into the planning on the basis of estimates of changes in the development of the economic environment, market volume, market share, and cost and price trends. The planning is based on past experience and external sources of information. The planning period is generally five years.

The TRATON GROUP believes that the supply shortages of semiconductors and other key bought-in components is a temporary phenomenon. Any resumption of the serious supply shortages resulting in production interruptions is no longer expected in the planning period. We also expect the shortages in logistics capacity for the delivery of our vehicles to subside in the course of 2023. We are currently not expecting any setbacks from the COVID-19 pandemic in the planning period. On the back of the high inflation rates in 2022, we are expecting slightly lower inflationary trends for 2023. Starting in 2024, we believe that the increases in materials and personnel costs will return to levels normally seen in the past, depending on the region. Increases in sales revenue were also projected because of the rise in costs.

In the commercial vehicle markets relevant to the TRATON GROUP, the Executive Board is anticipating overall market growth based on continued high demand for replacement investments that could not be fully serviced in recent years due to supply bottlenecks. More details on expected industry developments and the forecast for fiscal year 2023 can be found in the **Report on Expected Developments**.

Additionally, an expansion in electric mobility is also projected in all segments in the five-year planning (see also the **“Effects of climate change”** section). The cornerstone for the electrification of the commercial vehicle industry in Europe was laid in 2022 with the establishment of the Milence joint venture. The purpose of the joint venture, which the TRATON GROUP established together with Daimler Truck and the Volvo Group, is the development of a charging infrastructure for heavy-duty trucks and coaches. The planning for MAN Truck & Bus also includes the positive impact of the realignment program initiated in 2021. Another goal is to guide Navistar to new strength. The measures for doing this range from using the powerful component and technology setup within the TRATON GROUP and expanding the Financial Services business, all the way to further leveraging one of largest independent dealer and service network in the North American market, to which Navistar already has access. The fact that Volkswagen Truck & Bus is becoming more international was also factored into the planning. Overall, these assumptions led to an expected improvement in the growth rates in the core markets and in operating return on sales (adjusted) up to 2027 across all cash-generating units to which goodwill is allocated.

Effects of climate change

In light of climate change and the associated tightening of emissions regulations, the commercial vehicle industry is continuing its transition to electric mobility. The Executive Board gives additional emphasis to this transition with the Company’s TRATON Way Forward strategy.

In the course of preparing the consolidated financial statements, in particular for the five-year planning and hence the derivation of future cash flows for impairment testing, the potential impact of future regulatory requirements, in particular of the associated transition to electric mobility, was taken into account. In Europe, for example, the European Union has mandated a reduction in CO_2 emissions for new heavy-duty commercial vehicles over 16t within the current decade in Regulation (EU) 2019/1242. Using a standardized procedure, the CO_2 emissions of the vehicles in question must be cut by 15% by 2025 and 30% by 2030, compared with a reference value from an observation period running from July 2019 to June 2020. If these emissions targets are not met, it is possible that penalties will be imposed. Additionally, China has also set targets for reducing truck CO_2 emissions, and Brazil has submitted proposals to reduce the fuel consumption of heavy-duty commercial vehicles. The TRATON GROUP is also exposed to a possible further tightening of CO_2 and oxides of nitrogen (NOx) emissions regulations in the USA. The TRATON GROUP is preparing the electrification of its product portfolio to reflect the regulatory timetables for its brands. Our aim is for zero-emission vehicles to make up around half of all sales across all segments and regions in 2030 — provided the necessary regulatory mechanisms and infrastructure are in place.

It is technically challenging and expensive to adapt commercial vehicles to new emissions standards. To meet European Union and North American targets, it is imperative to use new technologies that reduce CO_2 and exhaust emissions. TRATON is therefore investing to a substantial extent in climate-friendly alternative drive systems, primarily battery electric commercial vehicles. The research and development expenses associated with the technology shift toward electric mobility total €2.6 billion for the period 2021 to 2026. In turn, TRATON is scaling back its investments in traditional drives to less than one-fifth of product development costs in 2026. No impact on the useful lives of capitalized development costs or items of property, plant, and equipment was identified in light of the observation period of regulatory requirements and because of the parallel production of battery electric vehicles and vehicles with combustion engines in the next few years. Liabilities resulting from emission limits being exceeded do not currently play any role. However, the increased development activity in the field of electric mobility resulted in a corresponding increase in recognized (intangible assets) and nonrecognized (cost of sales) development costs.

Recoverability of cash-generating units

The impairment testing of nonfinancial assets — especially goodwill, brand names, and capitalized development costs — and equity-accounted investments, or investments accounted at cost, require assumptions to be made about future market trends, the future cash flows to be derived on that basis, and the discount rate to be applied. The cash flows (see also the **"Business performance"** section) are derived from the detailed sales and revenue planning for commercial vehicles, profitability (gross margin) projections for products, and trends in the service business. They also reflect the transition to electric mobility and the associated regulatory timetables (see also the **"Effects of climate change"** section). Estimated cash flows after the end of the five-year planning period are based on an annual growth rate of 1% (previous year: 1%).

Recoverability of assets leased out

The recoverability of the Group's assets leased out depends in particular on the residual value of vehicles leased out after the end of the lease term, since this constitutes a significant portion of the expected cash flows. Forecasting residual values requires management to make assumptions about the future supply of and demand for vehicles, as well as vehicle price trends. These assumptions are based either on qualified estimates or on published information by expert third parties. Where available, qualified estimates are based on external data and also reflect additional information available internally, such as values derived from past experience and current sales data.

Measurement of expected credit losses

The TRATON GROUP is exposed to risks from contractual payments. In all major respects, the Group has the right to recover the vehicles underlying the contracts as collateral. The Group has an exposure to loss if the fair value of the collateral does not fully cover the risk exposure to the customer and the customer is unable to fulfill its contractual payment obligations. If possible, the estimates of this loss exposure are derived from past experience, taking into account current market data and rating classes, as well as scoring information.

Recognition and measurement of provisions

Recognition and measurement of provisions are based on estimates of the amount and probability of future events, and estimates of the discount rate. If possible, experience or external appraisals are used in these cases. The assumptions underlying the calculation of pension provisions can be found in Note **"34. Provisions for pensions and other post-employment benefits."**

Warranty claims arising from sales are determined on the basis of estimated future costs and ex gratia arrangements. In addition, assumptions must be made about the nature and extent of future guarantee and ex gratia claims. The measurement of restructuring provisions is based on estimates and assumptions regarding the amount of severance payments, the effects of onerous contracts, the timeline for the implementation of measures, and, consequently, the timing of the expected payments. Litigation and other court proceedings lead to complex legal issues and entail numerous uncertainties. The current status of negotiations and estimates by local management and TRATON SE's Executive Board as well as by external lawyers are taken into account for the measurement.

Income taxes

TRATON SE and its subsidiaries operate all over the world and are continuously audited by the local financial authorities. Changes in tax legislation, jurisdiction, and how these are interpreted by the financial authorities in the different countries may result in tax payments that differ from the estimates made in these financial statements. The measurement of the tax provision is based on the most probable estimate that this risk materializes. Depending on the individual case, whether tax-related uncertainties are recognized individually or as part of a group at TRATON depends on which presentation is better suited to forecasting whether the tax-related risk materializes. In the case of contracts entailing cross-border goods and services supplied within the Group, determining the price of the individual products and services is particularly complex because no market prices are available for the Company's own products in many cases or because using the market prices of similar products entails a degree of uncertainty due to lack of comparability. In these cases, the products and services are priced using recognized standard valuation methods, including for tax purposes.

When calculating deferred tax assets, assumptions must be made as to future taxable income and the timing of realization. In the course of the business combination with Navistar, deferred tax assets were recognized due to tax losses in prior periods. Taxable profits were derived over the next five years from the expected positive business prospects and cost savings of the companies involved as a result of the business combination. Deferred tax assets were recognized where these can be offset against the existing tax loss carryforwards.

In December 2021, the OECD issued model rules for a new global minimum tax framework. Several jurisdictions announced the intention to bring these into effect. In December 2022, EU member states agreed to a correspondent EU directive. While the overarching framework has been published, we are still awaiting the domestic legislation and detailed guidance to assess the full implications.

Useful lives of noncurrent assets

Estimates of the useful life of finite-lived assets are based on experience and are reviewed regularly. Where estimates are modified the residual useful life is adjusted and an impairment loss is recognized, if necessary. As part of this review, the useful lives of certain items of property, plant, and equipment were reassessed and prolonged in January 2023. These adjustments are expected to have a positive effect on operating result in the mid double-digit million range in both 2023 and 2024.

7. Segment reporting

2022 REPORTING SEGMENTS

€ million	Scania Vehicles & Services	MAN Truck & Bus	Navistar Sales & Services	Volkswagen Truck & Bus	TRATON Financial Services	Total segments	Reconciliation	TRATON GROUP	of which TRATON Operations
Total sales revenue	**15,316**	**11,331**	**10,501**	**2,952**	**1,294**	**41,395**	**–1,060**	**40,335**	**39,554**
Intragroup sales revenue	–428	–210	–287	–8	–90	–1,023	1,023	–	–386
External sales revenue	14,888	11,121	10,215	2,944	1,204	40,372	–37	40,335	39,168
Depreciation and amortization	–1,151	–1,163	–270	–61	–448	–3,094	139	–2,954	–2,643
Impairment losses	–13	–16	–18	–2	0	–50	16	–34	–50
Operating result	**1,175**	**–4**	**502**	**309**	**80**	**2,061**	**–497**	**1,564**	**1,973**
Operating result (adjusted)	**1,315**	**139**	**502**	**309**	**303**	**2,568**	**–497**	**2,071**	**2,257**
Financial result	27	78	23	–167	0	–40	36	–4	–40
of which share of earnings of equity-method investments	–7	35	–	–	–	27	70	97	27
Investments[1]	**905**	**633**	**392**	**122**	**4**	**2,056**	**–27**	**2,029**	**2,051**
Equity-method investments	101	135	–	–	–	236	1,093	1,328	236

1 Investments do not contain additions of right-of-use assets under IFRS 16. The aggregate addition to noncurrent assets (intangible assets, property, plant, and equipment, including right-of-use assets under IFRS 16, investment property) amounting to €2,349 million was distributed as follows in fiscal year 2022: Scania Vehicles & Services: €1,033 million; MAN Truck & Bus: €738 million; Navistar Sales & Services: €449 million; Volkswagen Truck & Bus: €128 million; TRATON Financial Services: €8 million, reconciliation: €–7 million.

2021 REPORTING SEGMENTS

€ million	Scania Vehicles & Services	MAN Truck & Bus	Navistar Sales & Services	Volkswagen Truck & Bus	TRATON Financial Services	Total segments	Recon-ciliation	TRATON GROUP	of which TRATON Operations
Total sales revenue	**13,927**	**10,934**	**3,557**	**2,113**	**964**	**31,496**	**–876**	**30,620**	**30,103**
Intragroup sales revenue	–500	–214	–130	–3	–19	–866	866	–	–418
External sales revenue	13,427	10,720	3,427	2,111	945	30,630	–10	30,620	29,685
Depreciation and amortization	–1,104	–1,177	–117	–51	–417	–2,866	252	–2,615	–2,448
Impairment losses	–2	–160	–	–2	–1	–165	–	–165	–164
Operating result	**903**	**–447**	**41**	**171**	**259**	**927**	**–534**	**393**	**677**
Operating result (adjusted)	**1,412**	**249**	**41**	**171**	**259**	**2,133**	**–534**	**1,599**	**1,883**
Financial result	–15	21	–57	–56	0	–106	361	255	–106
of which share of earnings of equity-method investments	–2	31	0	–	–	30	402	432	30
Investments[1]	**893**	**456**	**246**	**87**	**3**	**1,685**	**2,580**	**4,265**	**1,680**
Equity-method investments	105	98	–	–	–	203	1,077	1,280	203

1 Investments do not contain additions of right-of-use assets under IFRS 16. The aggregate addition to noncurrent assets (intangible assets, property, plant, and equipment, including right-of-use assets under IFRS 16, investment property) amounting to €4,590 million was distributed as follows in fiscal year 2021: Scania Vehicles & Services: €1,073 million; MAN Truck & Bus: €579 million; Navistar Sales & Services: €260 million; Volkswagen Truck & Bus: €90 million; TRATON Financial Services: €7 million; reconciliation: €2,582 million.

The TRATON GROUP's production and marketing activities are divided into the Scania Vehicles & Services, MAN Truck & Bus, Navistar Sales & Services, and Volkswagen Truck & Bus segments. The classification corresponds to the internal organizational and reporting structure. In order to make decisions about the allocation of resources and the assessment of performance, the results of the units are regularly reviewed by the Executive Board of TRATON SE in its role as chief operating decision maker. Volkswagen Truck & Bus is the new company name for Volkswagen Caminhões e Ônibus. As an additional reference, we include the TRATON Operations business area in the reporting, which corresponds to the consolidated value of the four vehicle segments allocated to it.

The TRATON Financial Services segment combines the activities of Scania Financial Services and Navistar Financial Services. Both businesses offer their customers financing solutions to purchase commercial vehicles and are therefore subject to the same cyclical fluctuations. They are also extremely similar with regard to customer groups and distribution channels, as their mission is to finance the products of the relevant vehicle segment.

The units have a similar business cycle in terms of their sales revenue development, capital intensity, and long-term financial performance, and are therefore combined in the reporting.

The "Reconciliation" column presents the Corporate Items with the activities and services of Group headquarters and of other investees not allocated to the segments. In addition, consolidation between the segments and the earnings effects of purchase price allocations in the event of the acquisition of an individual segment are presented here.

The four vehicle segments develop, produce, and distribute trucks and buses, and offer related services and spare parts. The Scania Vehicles & Services, MAN Truck & Bus, and Navistar Sales & Services segments also offer engines to their customers.

With its Scania brand, **Scania Vehicles & Services** has positioned itself as the premium innovation leader for sustainable transportation solutions in the TRATON GROUP. Scania operates globally, especially in Europe, South America, and Asia.

MAN Truck & Bus is the reliable business partner in the truck and bus business whose objective is to simplify its customers' business and to offer a full range of solutions, from light commercial vehicles through heavy-duty trucks. MAN is expanding from its core Western European market into the growth markets of Eastern Europe and Asia.

Navistar Sales & Services manufactures trucks and school buses and also sells engines and spare parts, as well as vehicle-specific services. Navistar is mainly active in the USA and Canada.

Volkswagen Truck & Bus offers excellent value with products that are tailored to growth markets such as Latin America and Africa.

The **TRATON Financial Services** segment offers Scania and Navistar customers financing solutions such as loans or leases. For customers of MAN and Volkswagen Truck & Bus, Volkswagen Financial Services AG and its subsidiaries provide similar financing solutions outside the TRATON GROUP.

In the TRATON GROUP, segment result is calculated on the basis of operating result (adjusted) from fiscal year 2022 onward. In the prior-year period, segment result was the same as operating result. Operating result (adjusted) is calculated from operating result (earnings before tax and before financial result) and taking into account any adjustments. The 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 as well as one-time events with a material impact on the TRATON GROUP's earnings. The prior-year period was adjusted correspondingly to reflect the current presentation.

Segment financial information is generally presented in accordance with the disclosure and measurement policies applied in the preparation of the consolidated financial statements. As a departure from IFRS 16, subleasing of buyback vehicles in the Financial Services segment is always accounted for as an operating lease.

Sales revenues between the segments are transacted on an arm's length basis. Depreciation, amortization, and impairment losses relate to intangible assets, property, plant, and equipment, and assets leased out allocated to the individual divisions. They also include the depreciation of and impairment losses on right-of-use assets under IFRS 16. Investments in intangible assets, property, plant, and equipment, and investment property are reported exclusive of additions to right-of-use assets under IFRS 16.

The reconciliation of the segment amounts to the corresponding Group amounts is shown in the following tables:

RECONCILIATION TO THE TRATON GROUP'S SALES REVENUE

€ million	2022	2021
Total sales revenue (total segments)	**41,395**	**31,496**
External sales revenue, TRATON Holding	12	11
Effects from purchase price allocation not allocated to the segments	–43	–15
Consolidation	–1,029	–872
Sales revenue (TRATON GROUP)	**40,335**	**30,620**

RECONCILIATION TO THE TRATON GROUP'S EARNINGS BEFORE TAX

€ million	2022	2021
Operating result (adjusted), total segments	**2,568**	**2,133**
Adjustments related to impairments due to the war in Ukraine and the sale of Russian entities	477	510
Adjustments related to antitrust proceedings	17	–
Adjustments related to restructurings	13	696
Operating result, TRATON Holding	–124	–244
Earnings effects from purchase price allocation not allocated to the segments	–317	–291
Consolidation	–57	1
Operating result (TRATON GROUP)	**1,564**	**393**
Financial result	–4	255
Earnings before tax (TRATON GROUP)	**1,560**	**648**

SEGMENT REPORTING BY REGIONS

€ million	Germany	EU27+3 (excluding Germany)	USA	North America (excluding the USA)	Brazil	South America (excluding Brazil)	Other regions[2]	Total
2022								
Noncurrent assets (excluding financial instruments, equity investments, and deferred taxes) as of 12/31/2022	5,165	12,294	7,477	782	1,792	176	683	28,369
Sales revenue[1]	4,446	14,312	8,545	1,913	4,765	1,577	4,778	40,335
2021								
Noncurrent assets (excluding financial instruments, equity investments, and deferred taxes) as of 12/31/2021[4]	5,408	13,155	7,047	730	1,607	147	684	28,779
Sales revenue[1,3]	4,318	12,920	2,843	762	3,352	1,074	5,350	30,620

1 Allocation of sales revenue to the regions follows the destination principle.

2 Also includes sales revenue from hedging transactions

3 The prior-period sales revenue amounts for Germany, the USA, and Brazil were adjusted. The adjustments were as follows: Brazil: €–112 million; Germany: €–3 million; USA: €115 million.

4 Prior-year amounts adjusted. See Note **“8. Acquisitions — Navistar”** for further information

8. Acquisitions

Bilmetro

On January 3, 2022, a TRATON GROUP company acquired 100% of the shares of Bilmetro AB and three real estate companies. Bilmetro AB is an authorized dealer for Scania trucks and for the passenger car brands Volkswagen, Audi, ŠKODA, SEAT, CUPRA, and Volkswagen Commercial Vehicles. The passenger cars business was sold on January 3, 2022, to a subsidiary of Volkswagen AG that is not part of the TRATON GROUP. Bilmetro AB is headquartered in central Sweden and operates at eleven locations in Sweden. Bilmetro AB’s total assets, excluding the sold passenger cars business, were €350 million at the acquisition date and include a financing portfolio of €260 million. The acquisition does not result in any material goodwill, nor does it have any material impact on the sales revenue or earnings of the TRATON GROUP.

Navistar

A TRATON GROUP company acquired all outstanding shares of US commercial vehicle manufacturer Navistar on July 1, 2021. Because of the size of the transaction, the internal reviews of the information underlying the purchase price allocation could only be completed in the current fiscal year. Following adjustments due to better information, the goodwill resulting from the acquisition amounts to €2,790 million (originally €2,783 million).

The updated allocation of the purchase price to the assets acquired and liabilities assumed relates to intangible assets (€+28 million) and property, plant, and equipment (€–67 million), and the related deferred tax assets (€+33 million) and deferred tax liabilities (€+1 million), as well as a shift from noncurrent to current liabilities (€22 million), and results in an adjustment of the corresponding prior-year comparative figures. The update does not affect the prior-year income statement.

9. Noncurrent assets and disposal groups held for sale

(Planned) disposals in connection with the war in Ukraine

In September 2022, the TRATON GROUP announced the planned disposal of business activities in Russia. This is expected to see the Russian distribution companies of MAN Truck & Bus and Scania Vehicles & Services as well as Scania's financial services business in Russia being sold. The following sections contain details of each of the (planned) disposals.

Scania Finance Russia

Together with Volkswagen AG, the TRATON GROUP decided to sell 100% of its shares in Scania Finance LLC, Scania Insurance LLC, and Scania Leasing LLC, which are based in the Russian Federation (together "Scania Finance Russia"), to companies of the Volkswagen Group. The agreement was signed in October 2022 and the transaction closed in January 2023. The assets and liabilities of Scania Finance Russia can be disaggregated as follows as of December 31, 2022:

SCANIA FINANCE RUSSIA

€ million	12/31/2022
Financial services receivables	109
Other receivables and financial assets	9
Cash and cash equivalents	304
Total assets	**421**
Other liabilities	20
Deferred tax liabilities	1
Total liabilities	**21**

The classification as a disposal group resulted in an impairment loss of €184 million. Intangible assets and property, plant, and equipment of Scania Finance Russia were written off in full. In addition, receivables from financial services were partially written off. Of the total expense, €183 million relates to net impairment losses on financial assets and €1 million to other operating expenses. In addition, Scania Finance Russia has negative accumulated other comprehensive income of €108 million, which relates to currency translation effects that will be reclassified to the income statement upon disposal. The related assets and liabilities are allocated to the TRATON Financial Services segment. The fair value of the disposal group is categorized within Level 3 in the fair value hierarchy. The fair value is based on the agreed selling price.

MAN Truck & Bus Russia

The sale of the 100% interest in MAN Truck and Bus Rus LLC, Russian Federation (MAN Truck & Bus Russia) to a Russian distribution partner was completed effective December 2, 2022, at a sale price of €5 million. The transaction includes an option for the TRATON GROUP to repurchase the company it sold. It can be exercised in the period January 1, 2024, to July 31, 2037, and the intention to exercise must be notified six months in advance. The purchaser must ensure that equity of €5 million is preserved until the option expires. The agreement also includes arrangements to secure the obligations under the purchase agreement and a partnership agreement between MAN Truck & Bus and the company it sold governing future cooperation. The assets and liabilities of MAN Truck & Bus Russia can be disaggregated as follows as of the disposal date:

MAN TRUCK & BUS RUSSIA

€ million	12/02/2022
Cash and cash equivalents	64
Total assets	**64**
Trade payables	2
Other liabilities and provisions	16
Total liabilities	**17**

An expense was recognized for €97 million in connection with the disposal. With the exception of cash and cash equivalents, all assets were written off in full. €56 million of the total impairment losses is attributable to other operating expenses, €18 million to net impairment losses on financial assets, and €5 million to the tax result. In addition, MAN Truck & Bus Russia has negative accumulated other comprehensive income of €18 million, which relates to currency translation effects and was also reclassified to other operating expenses at the time of disposal. The disposal of the interest in MAN Truck & Bus Russia resulted in a net outflow of cash amounting to €59 million, which is presented in net cash used in investing activities in the "Proceeds from the disposal of subsidiaries" item. The related assets and liabilities were allocated to the MAN Truck & Bus segment.

Scania Vehicles & Services Russia

On December 14, 2022, the TRATON GROUP disposed 100% of its shares in Scania-Rus LLC, Russian Federation (Scania Vehicles & Services Russia) for €75 million. The assets and liabilities of Scania Vehicles & Services Russia can be disaggregated as follows as of the disposal date:

SCANIA VEHICLES & SERVICES RUSSIA

€ million	12/14/2022
Other receivables	3
Cash and cash equivalents	86
Total assets	**90**
Other liabilities and provisions	14
Total liabilities	**14**

An expense was recognized for €102 million in connection with the disposal. With the exception of cash and cash equivalents and other receivables, all assets of Scania Vehicles & Services Russia were written off in full. €34 million of the total impairment losses are attributable to other operating expenses, €22 million to net impairment losses on financial assets, and €3 million to the tax result. In addition, Scania Vehicles & Services Russia has negative accumulated other comprehensive income of €43 million, which relates to currency translation effects and was also reclassified to other operating expenses upon disposal. The disposal of the interest in Scania Vehicles & Services Russia resulted in a net outflow of cash amounting to €11 million, which is presented in the "Proceeds from the disposal of subsidiaries" item within the statement of cash flows. The related assets and liabilities were allocated to the Scania Vehicles & Services segment.

Other disposal during the fiscal year

The sale of International Indústria Automotiva Da América Do Sul Ltda. (MWM), which is specialized in diesel engines, to Tupy S.A., Brazil, was completed on November 30, 2022. The purchase price amounted to €224 million, and €158 million (BRL 855 million) of this amount has already been paid. The remaining amount is reported in other financial assets and can be disaggregated as follows: €52 million to purchase price adjustments for MWM's closing balance sheet and €14 million to contingent consideration. MWM's assets and liabilities as of the date of the disposal can be disaggregated as follows:

MWM

€ million	11/30/2022
Intangible assets and property, plant, and equipment	23
Inventories	83
Trade receivables	53
Other receivables and financial assets	99
Deferred tax assets	48
Cash and cash equivalents	45
Total assets	**351**
Trade payables	58
Other liabilities and provisions	57
Deferred tax liabilities	12
Total liabilities	**127**

Income of €7 million was recognized in connection with the disposal. This includes impairment losses of €2 million, which are reported in other operating expenses. In addition, MWM has positive accumulated other comprehensive income of €9 million, which relates to currency translation effects and was reclassified to other operating income at the time of disposal. The disposal of the interest in MWM resulted in a net inflow of cash amounting to €113 million, which is presented in the "Proceeds from the disposal of subsidiaries" item within the statement of cash flows. The associated assets and liabilities were allocated to the Navistar Sales & Services segment and to Corporate Items.

Disposals completed in the previous year

Refer to the TRATON GROUP's Consolidated Financial Statements as of December 31, 2021, for information about the sale of MAN Truck & Bus Österreich GesmbH, Steyr, Austria (MTBÖ) and the MAN facility in Plauen.

10. Sales revenue

Structure of sales revenue

REPORTING PERIOD JANUARY 1 TO DECEMBER 31, 2022

€ million	Scania Vehicles & Services	MAN Truck & Bus	Navistar Sales & Services	Volkswagen Truck & Bus	TRATON Financial Services	Reconciliation	2022	of which TRATON Operations
New vehicles	9,580	6,317	6,861	2,801	–	20	25,579	25,542
Genuine parts	2,475	1,800	2,394	121	–	–32	6,757	6,759
Used vehicles and third-party products	991	707	635	1	18	0	2,353	2,334
Engines, powertrains, and parts deliveries	364	691	287	–	–	–484	858	858
Workshop services	951	803	–	9	–	–1	1,763	1,764
Rental and leasing business	767	880	46	–	523	–418	1,798	1,693
Interest and similar income	1	–	–	–	752	–89	665	1
Other sales revenue	187	133	279	19	–	–56	563	603
	15,316	**11,331**	**10,501**	**2,952**	**1,294**	**–1,060**	**40,335**	**39,554**

REPORTING PERIOD JANUARY 1 TO DECEMBER 31, 2021

€ million	Scania Vehicles & Services	MAN Truck & Bus	Navistar Sales & Services	Volkswagen Truck & Bus	TRATON Financial Services	Reconciliation	2021	of which TRATON Operations
New vehicles	8,802	6,159	2,054	2,023	–	–19	19,019	19,029
Genuine parts	2,098	1,583	1,053	83	–	–18	4,799	4,800
Used vehicles and third-party products	855	825	207	0	14	0	1,901	1,887
Engines, powertrains, and parts deliveries	357	637	115	–	–	–386	723	723
Workshop services	866	720	–	5	–	–1	1,590	1,591
Rental and leasing business	779	887	20	–	474	–402	1,758	1,686
Interest and similar income	5	–	0	–	477	–20	462	5
Other sales revenue	166	124	108	1	–	–30	368	381
	13,927	**10,934**	**3,557**	**2,113**	**964**	**–876**	**30,620**	**30,103**

Other sales revenue includes revenue from product-related royalties. The reconciliation contains the TRATON Holding, the effects of purchase price allocations in the event of the acquisition of an individual segment, and the consolidation adjustments between the reporting segments and the TRATON Holding.

Sales revenue recognized in the reporting period that was included in contract liabilities at the beginning of the reporting period (see Note **"33. Other liabilities"**) amounted to €1,232 million (previous year: €836 million). Sales revenue includes €37 million (previous year: €1 million) relating to the satisfaction of performance obligations in previous years.

Revenue from contracts with customers

Information about the Group's performance obligations

The Group's performance obligations primarily comprise sales of trucks, heavy-duty special-purpose vehicles, buses, and related spare parts, as well as the provision of repair and maintenance services. In addition to standard statutory warranties, the TRATON GROUP also offers service guarantees.

In line with standard business practice, payment terms are 30 days, although a payment term of up to 140 days is granted in certain markets. Customers can decide to purchase a vehicle by means of financing solutions from the TRATON Financial Services segment or from a Volkswagen Group subsidiary (e.g., Volkswagen Financial Services). If a third party outside the TRATON GROUP is used, TRATON normally receives the payment from that party shortly after the customer has received the vehicle.

ORDER BACKLOG

€ million	2022	2021
Expected timing of revenue recognition		
Within one year	26,287	21,319
1 to 5 years	2,077	1,971
More than 5 years	188	211
	28,552	**23,501**

The order backlog under IFRS 15 *Revenue from Contracts with Customers* resulting in revenue recognition within one year relates primarily to the delivery of vehicles. Revenue recognition expected after more than one year relates primarily to long-term service agreements and extended warranties. A range of supply bottlenecks and resulting delivery shortages contributed to the rise in the order backlog.

Revenue from financing arrangements

The TRATON Financial Services segment offers a wide range of financing solutions, normally with maturities of between three and five years, in which the vehicles serve as the underlying collateral. The type of financing solution offered often depends on market conditions as well as civil and tax law rules in the country concerned. Financing arrangements consist largely of finance leases in which legal title to the vehicle remains with TRATON over the lease term, but significant risks and rewards are transferred to the lessee. If hire purchase agreements are offered, title passes to the customer at the sale date, but the TRATON Financial Services segment receives collateral in the form of liens. Leases offered by the TRATON Financial Services segment in which the significant risks remain with TRATON when vehicles are delivered are recognized as operating leases.

A range of measures such as residual value guarantees are offered to third-party finance providers and end customers in order to support sales. Residual value guarantees result in a refund liability and are calculated on the basis of the expected or most likely amount. TRATON may also secure a contingent purchase option in order to participate in the development of the residual values. This contingent purchase option results in the recognition of a lease, on the basis of which the sales revenue from the sale is deferred and must be allocated over the period of the lease. This leads to deferred sales revenue in the amount of the calculated lease payments and financial loss in the amount of the expected residual value.

Income from customer finance is recognized over the term of the agreement using the effective interest rate method and reported in sales revenue. When interest-free or low-interest vehicle finance is awarded, sales revenue is reduced by the interest savings granted.

11. Functional expenses

Cost of sales

Cost of sales includes nonstaff overheads and personnel costs, as well as depreciation and amortization applicable to production. These include expenses of €794 million (previous year: €579 million) attributable to the TRATON Financial Services segment for the fiscal year ended December 31, 2022.

Research and development costs are contained in cost of sales and are broken down as follows:

€ million	2022	2021
Primary R&D costs	1,905	1,473
of which capitalized development costs	604	468
Capitalization ratio (in %)	32%	32%
Amortization of, and impairment losses on, capitalized development costs	379	299
Research and development costs recognized in the income statement	**1,679**	**1,303**

Personnel

Personnel expenses rose by €207 million year-on-year. Among other things, this reflects higher expenses attributable to Navistar (initial consolidation: July 1, 2021) and lower expenses at MAN Truck & Bus compared with the previous year, which contained expenses for the repositioning.

PERSONNEL EXPENSES

€ million	2022	2021
Wages and salaries	4,952	4,879
Social security, post-employment, and other benefit costs	1,371	1,238
Personnel expenses	**6,323**	**6,116**

Post-employment benefit costs amounted to €340 million (previous year: €280 million).

AVERAGE ANNUAL NUMBER OF EMPLOYEES

	2022	2021
Performance-related wage-earners	46,597	40,803
Salaried staff	53,830	50,196
Total number of employees	**100,427**	**90,999**
of which in the passive phase of partial retirement	546	513
Vocational trainees	2,966	3,149
Total headcount	**103,393**	**94,148**

The increase is primarily attributable to the initial consolidation of Navistar. Since it was acquired as of July 1, 2021, Navistar's average headcount in 2021 was 14,335.

12. Other operating income

€ million	2022	2021
Gains from exchange rate movements	679	389
Income from reversal of provisions and accruals	111	54
Income from derivatives not included in hedge accounting	87	53
Income from cost allocations	80	46
Rental and lease income	36	20
Gains on disposal of noncurrent assets	31	33
Miscellaneous income	182	148
	1,207	**744**

Due to high inflation and the associated stabilizing measures taken by the central banks, there were substantial currency fluctuations, leading to an increase in gains from exchange rate movements in fiscal year 2022.

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

Income from derivatives not included in hedge accounting is mainly comprised of exchange rate gains resulting from the fair value measurement of foreign currency derivatives not included in hedge accounting. Foreign exchange losses are included in other operating expenses.

13. Other operating expenses

€ million	2022	2021
Losses from exchange rate movements	726	387
Expenses for litigation and legal risks	152	621
Losses from derivatives not included in hedge accounting	119	60
Losses on disposal of noncurrent assets	12	31
Expenses for personnel measures due to restructurings	4	333
Miscellaneous expenses	368	497
	1,381	**1,927**

Due to high inflation and the associated stabilizing measures taken by the central banks, there were substantial currency fluctuations, leading to an increase in losses from exchange rate movements in fiscal year 2022.

Expenses for litigation in the previous year refer mainly to expenses in connection with the antitrust proceedings initiated by the European Commission against European truck manufacturers. A provision of €510 million had been recognized in the previous year at Scania Vehicles & Services in connection with this.

Losses from derivatives not included in hedge accounting are primarily comprised of exchange rate losses from the fair value measurement of foreign currency derivatives not included in hedge accounting.

Expenses for personnel measures (including severance payments and partial retirement arrangements) in the amount of €330 million had been recognized in connection with the restructuring program for the repositioning of MAN Truck & Bus in 2021. These concern the costs necessary for the restructuring and are not related to operating activities.

As part of the restructuring measures for the repositioning, MTBÖ was sold in 2021. As a result, MTBÖ's assets and liabilities were presented as a disposal group in the TRATON GROUP's financial statements from the time the purchase agreement was signed on June 10, 2021, until the disposal. Within this context, impairment losses on property, plant, and equipment in the amount of €159 million and a deconsolidation loss of €144 million had been recognized in miscellaneous expenses in the previous year.

Miscellaneous expenses of €154 million in the reporting period relate to impairment losses on noncurrent assets and disposal groups held for sale. For more information, see Note **"9. Noncurrent assets and disposal groups held for sale."**

14. Net interest expense

REPORTING PERIOD JANUARY 1 TO DECEMBER 31

€ million	2022	2021
Interest and similar income	184	122
Interest and similar expenses	–358	–279
Interest expense for lease liabilities	–31	–29
Net interest on the net liability for pensions and other post-employment benefits	–70	–39
Unwinding of discount and effect of change in discount rate on liabilities and other provisions	51	–1
	–224	**–227**

Interest income in the current fiscal year is positively impacted by the higher interest income on derivatives. Some Latin American companies also recorded higher income because of rising interest rates in the region.

Interest and similar expenses mainly contain interest expense for financial liabilities. The increase was due primarily to the higher volume of financing and the rise in interest rates in Brazil.

It was partly offset by lower interest expense in the current reporting period compared with the previous year in connection with provisions for the EU antitrust proceedings. For further disclosures on the antitrust proceedings, see Note **"43. Litigation/legal proceedings."**

The income generated from unwinding discounts and changes in the discount rate resulted almost exclusively from the increase in the discount rate for noncurrent provisions, in particular for warranty obligations.

Interest income and expenses contain realized income and expenses from interest rate derivatives on net liquidity positions.

15. Other financial result

REPORTING PERIOD JANUARY 1 TO DECEMBER 31

€ million	2022	2021
Other income from equity investments	3	7
Other expenses from equity investments	–2	–4
Income and expense from profit and loss transfer agreements	2	1
Realized income and expense of loan receivables and payables in foreign currency	189	–84
Gains/losses from remeasurement of financial instruments	487	434
Gains/losses from changes in the fair value of derivatives not included in hedge accounting	–570	–305
Gains/losses from changes in the fair value of derivatives included in hedge accounting	15	–
Other financial result	**123**	**49**

The fair value changes from derivatives not included in hedge accounting largely offset the currency translation effects on net financial debt in realization and measurement. There is a residual amount of income in fiscal year 2022 because the net expense from cross-currency swaps was lower than the net income from foreign exchange positions in net financial debt due to the general rise in interest rates.

16. Income taxes

COMPONENTS OF TAX INCOME AND EXPENSE

€ million	2022	2021
Current tax expense (+)/income (–), Germany	52	–5
Current tax expense (+)/income (–), outside Germany	782	533
Current income taxes	**833**	**528**
of which prior-period expense (+)/income (–)	2	–38
Deferred tax expense (+)/income (–), Germany	–32	–162
Deferred tax expense (+)/income (–), outside Germany	–382	–188
Deferred tax expense (+)/income (–)	**–414**	**–350**

The statutory corporate income tax rate in Germany for the 2022 assessment period was 15%. Including trade tax and the solidarity surcharge, this produces an aggregate tax rate of 31.9% (previous year: 31.9%).

The measurement of deferred taxes in the German consolidated tax group as of December 31, 2022, was based on a tax rate of 31.9% (previous year: 31.9%).

The local income tax rates applied to foreign companies vary between 0 and 46%. In cases of split tax rates, the tax rate applicable to undistributed profits was applied. The deferred tax expense/income resulting from changes in tax rates amounted to €0 million (previous year: €2 million) at Group level in 2022.

The realization of tax loss carryforwards from previous years reduced current income tax expense in 2022 by €112 million (previous year: €36 million).

The current income taxes in the reporting period decreased by €81 million (previous year: €24 million) due to the utilization of previously unrecognized tax losses and tax credits from previous periods. Previously unrecognized tax losses and credits contributed to a €119 million (previous year: €50 million) reduction in deferred tax expense in 2022.

TAX LOSS CARRYFORWARDS

€ million	12/31/2022	12/31/2021
Available for an indefinite period	2,495	1,937
Limit on utilization within the next 10 years	987	165
Limit on utilization between 11 and 20 years	2,072	2,866
Total currently unused tax loss carryforwards	**5,554**	**4,968**
Indefinite tax loss carryforwards	344	835
Expire within the next 10 years	113	139
Expire between 11 and 20 years	764	673
Total unusable tax loss carryforwards	**1,222**	**1,646**

WRITE-DOWNS OF DEFERRED TAX ASSETS

€ million	12/31/2022	12/31/2021
Deferred tax expense resulting from the write-down of a deferred tax asset	24	4
Deferred tax income resulting from the reversal of a write-down of a deferred tax asset	–22	–42

Tax credits granted by various countries amounted to €171 million (previous year: €172 million) as of December 31, 2022.

NONRECOGNITION OF DEFERRED TAX ASSETS

€ million	12/31/2022	12/31/2021
for deductible temporary differences	–	10
for tax credits that would expire in the next 20 years	135	137
for tax credits that will not expire	8	–

No deferred taxes were recognized for the retained earnings of €33,537 million (previous year: €30,434 million) at foreign subsidiaries because these profits are largely expected to be reinvested in the operations of the companies concerned. As a general rule, distribution would lead to additional income tax expense.

Deferred taxes in respect of temporary differences and tax loss carryforwards of €1,321 million (previous year: €1,351 million) were recognized as of December 31, 2022, without any offsetting deferred tax liabilities in the same amount. The companies concerned are expecting positive taxable income in the future, following losses in the current or previous fiscal year.

In fiscal year 2022, total deferred taxes of €168 million (previous year: €8 million) were recognized directly in other comprehensive income. Changes in deferred taxes classified by balance sheet item are presented in the Statement of Comprehensive Income.

Deferred taxes classified by balance sheet item

The following recognized deferred tax assets and liabilities were attributable to recognition and measurement differences in the individual balance sheet items and to tax loss carryforwards:

DEFERRED TAX ASSETS

€ million	2022	2021
Intangible assets	138	109
Property, plant, and equipment, and assets leased out	108	61
Noncurrent financial assets	5	78
Inventories	45	42
Receivables and other assets (including financial services receivables)	310	239
Pensions and other post-employment benefits	499	734
Liabilities and other provisions	2,709	2,665
Loss allowances on deferred tax assets from temporary differences	–4	–11
Temporary differences, net of loss allowances	3,808	3,916
Tax loss carryforwards, net of loss allowances	1,197	876
Tax credits, net of loss allowances	34	39
Value before consolidation and offset	**5,039**	**4,831**
of which attributable to noncurrent assets and liabilities	3,888	3,676
Offset	–3,470	–3,395
Consolidation[1]	705	711
Amount recognized[1]	**2,274**	**2,147**

1 Prior-year amounts adjusted. See Note **“8. Acquisitions”** for further information

DEFERRED TAX LIABILITIES

€ million	2022	2021
Intangible assets	1,694	1,656
Property, plant, and equipment, and assets leased out	1,844	1,954
Noncurrent financial assets	7	115
Inventories	104	50
Receivables and other assets (including financial services receivables)	233	196
Pensions and other post-employment benefits	3	2
Liabilities and other provisions	120	147
Temporary differences	4,005	4,119
Value before consolidation and offset	**4,005**	**4,119**
of which attributable to noncurrent assets and liabilities	3,688	3,890
Offset	–3,470	–3,395
Consolidation[1]	155	80
Amount recognized[1]	**690**	**804**

1 Prior-year amounts adjusted. See Note **“8. Acquisitions”** for further information

IAS 12 requires deferred tax assets and liabilities to be offset if, and only if, they relate to income taxes levied by the same taxation authority and relate to the same period.

RECONCILIATION OF EXPECTED TO EFFECTIVE INCOME TAX EXPENSE

€ million	2022	2021
Earnings before income tax	1,560	648
Expected income tax expense (+)/income (–) (tax rate: 31.9%; previous year: 31.9%)	**497**	**207**
Reconciliation:		
Effect of different tax rates outside Germany	–84	–21
Proportion of taxation relating to:		
tax-exempt income	–83	–172
expenses not deductible for tax purposes	199	235
effects of loss carryforwards and tax credits	–207	–126
Prior-period tax expense and tax risks	50	22
Effect of tax rate changes	0	2
Other taxation changes	46	32
Effective income tax expense (+)/income (–)	**419**	**178**
Effective tax rate (in %)	**27**	**27**

17. Earnings per share

€ million	2022	2021
Earnings after tax (attributable to shareholders of TRATON SE)	1,141	457
Number of shares outstanding	500,000,000	500,000,000
Earnings per share (€)	**2.28**	**0.91**

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

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

18. Goodwill

CHANGES IN GOODWILL

€ million	2022	2021
Cost		
Balance as of 01/01	**6,242**	**3,374**
Currency translation differences	0	74
Additions from business combinations[1]	18	2,795
Disposals of subsidiaries	–6	–1
Balance as of 12/31[1]	**6,254**	**6,242**
Amortization and impairment		
Balance as of 01/01	**69**	**69**
Other changes	1	–
Balance as of 12/31	**70**	**69**
Carrying amount as of 12/31[1]	**6,184**	**6,173**

1 Prior-year amounts adjusted. See Note **"8. Acquisitions"** for further information

€2,790 million (initially: €2,783 million) of the additions from business combinations that had been reported in the previous year is attributable to the Navistar acquisition (see Note **"8. Acquisitions"**).

The allocation of goodwill to the segments is shown in the following table:

€ million	12/31/2022	12/31/2021
Goodwill by segment		
Scania Vehicles & Services	2,560	2,749
MAN Truck & Bus	222	222
Navistar Sales & Services[1]	3,101	2,925
Volkswagen Truck & Bus	301	277
	6,184	**6,173**

1 Prior-year amounts adjusted. See Note **"8. Acquisitions"** for further information

19. Intangible assets

CHANGES IN INTANGIBLE ASSETS IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2022

€ million	Brand names	Customer relationships	Capitalized development costs	Other intangible assets	Total
Cost					
Balance as of 01/01/2022	**1,761**	**2,856**	**5,826**	**659**	**11,102**
Currency translation differences	–19	138	–143	–12	–36
Additions	–	–	604	24	629
Additions from business combinations	–	1	–	2	3
Transfers	–	–	0	19	19
Disposals	–11	–	–34	–16	–60
Disposals of subsidiaries/ transfer to assets held for sale	–	–	–5	–2	–7
Other changes in basis of consolidation	–	–	–	1	1
Balance as of 12/31/2022	**1,732**	**2,994**	**6,249**	**676**	**11,651**
Amortization and impairment					
Balance as of 01/01/2022	**37**	**603**	**2,905**	**383**	**3,929**
Currency translation differences	4	–6	–112	2	–113
Additions to cumulative amortization	2	262	379	51	693
Additions to cumulative impairment losses	–	–	0	1	2
Transfers	–	–	–	–4	–4
Disposals	–2	–	–34	–13	–49
Disposals of subsidiaries/ transfer to assets held for sale	–	–	–	–2	–2
Balance as of 12/31/2022	**41**	**859**	**3,138**	**418**	**4,456**
Carrying amount as of 12/31/2022	**1,691**	**2,136**	**3,111**	**257**	**7,195**

CHANGES IN INTANGIBLE ASSETS IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2021

€ million	Brand names	Customer relationships	Capitalized development costs	Other intangible assets	Total
Cost					
Balance as of 01/01/2021	**1,007**	**566**	**5,042**	**424**	**7,038**
Currency translation differences	14	99	–35	–3	75
Additions	–	3	468	27	498
Additions from business combinations[1]	740	2,188	416	228	3,572
Transfers	–	–	0	8	8
Disposals	–	–	–2	–20	–22
Disposals of subsidiaries/transfer to assets held for sale	–	–	–63	–5	–68
Balance as of 12/31/2021[1]	**1,761**	**2,856**	**5,826**	**659**	**11,102**
Amortization and impairment					
Balance as of 01/01/2021	**37**	**486**	**2,705**	**350**	**3,578**
Currency translation differences	0	–4	–34	0	–38
Additions to cumulative amortization	–	121	299	54	474
Additions to cumulative impairment losses	–	–	–	5	5
Disposals	–	–	–2	–19	–21
Disposals of subsidiaries/transfer to assets held for sale	–	–	–63	–6	–69
Balance as of 12/31/2021	**37**	**603**	**2,905**	**383**	**3,929**
Carrying amount as of 12/31/2021[1]	**1,724**	**2,252**	**2,921**	**276**	**7,173**

1 Prior-year amounts adjusted. See Note **"8. Acquisitions"** for further information

The allocation of the brand names to the segments is shown in the following table:

€ million	12/31/2022	12/31/2021
Brand names by segment	**1,691**	**1,724**
Scania Vehicles & Services	878	949
Navistar Sales & Services[1]	788	753
TRATON Financial Services	24	23

1 Prior-year amounts adjusted. See Note **"8. Acquisitions"** for further information

20. Property, plant, and equipment

CHANGES IN PROPERTY, PLANT, AND EQUIPMENT IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2022

€ million	Land, land rights, and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Prepayments and assets under construction	Total
Cost					
Balance as of 01/01/2022	**5,593**	**4,694**	**3,028**	**1,334**	**14,650**
Currency translation differences	–39	–117	–27	16	–168
Additions	290	191	267	852	1,600
Additions from business combinations	14	14	14	–	42
Transfers	278	460	126	–889	–24
Disposals	–153	–144	–129	–3	–429
Disposals of subsidiaries/transfer to assets held for sale	–47	–17	–7	0	–71
Other changes in basis of consolidation	1	17	3	1	23
Balance as of 12/31/2022	**5,936**	**5,099**	**3,276**	**1,311**	**15,623**
Depreciation and impairment					
Balance as of 01/01/2022	**1,817**	**3,051**	**1,785**	**3**	**6,657**
Currency translation differences	–19	–85	–19	0	–122
Additions to cumulative depreciation	315	325	419	–	1,059
Additions to cumulative impairment losses	23	1	2	3	29
Disposals	–97	–125	–113	–	–335
Disposals of subsidiaries/transfer to assets held for sale	–32	–9	–3	0	–44
Reversals of impairment losses	–1	0	–	–2	–3
Other changes in basis of consolidation	1	22	5	–	28
Balance as of 12/31/2022	**2,009**	**3,180**	**2,077**	**4**	**7,269**
Carrying amount as of 12/31/2022	**3,928**	**1,919**	**1,200**	**1,307**	**8,354**

Impairment losses of €29 million on property, plant, and equipment were recognized in other operating expenses in fiscal year 2022, mainly in connection with the disposal of the Russian distribution companies of MAN Truck & Bus and Scania Vehicles & Services.

CHANGES IN PROPERTY, PLANT, AND EQUIPMENT IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2021

€ million	Land, land rights, and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Prepayments and assets under construction	Total
Cost					
Balance as of 01/01/2021	**5,018**	**4,469**	**2,824**	**974**	**13,285**
Currency translation differences	33	–22	1	2	15
Additions	300	93	231	802	1,426
Additions from business combinations[1]	375	162	114	202	853
Transfers	189	318	128	–644	–10
Disposals	–130	–107	–191	–2	–430
Disposals of subsidiaries	–193	–218	–78	0	–489
Balance as of 12/31/2021[1]	**5,593**	**4,694**	**3,028**	**1,334**	**14,650**
Depreciation and impairment					
Balance as of 01/01/2021	**1,712**	**2,979**	**1,684**	**2**	**6,377**
Currency translation differences	4	–23	0	0	–18
Additions to cumulative depreciation	279	339	354	–	971
Additions to cumulative impairment losses	78	69	9	3	159
Disposals	–72	–94	–185	–	–351
Disposals of subsidiaries	–184	–217	–77	–1	–479
Reversals of impairment losses	–	–3	–	–1	–4
Balance as of 12/31/2021	**1,817**	**3,051**	**1,785**	**3**	**6,657**
Carrying amount as of 12/31/2021[1]	**3,776**	**1,644**	**1,243**	**1,331**	**7,993**

1 Prior-year amounts adjusted. See Note “8. Acquisitions” for further information

In the previous year, the impairment losses on property, plant, and equipment had resulted from the disposal of MTBÖ. These were reported in other operating expenses; the related assets and liabilities were allocated to the MAN Truck & Bus segment.

The right-of-use assets contained in property, plant, and equipment are explained in Note “36. The TRATON GROUP as lessee.”

21. Assets leased out

The “Assets leased out” item reports assets for which the TRATON GROUP is the lessor. These include in particular vehicles and real estate marketed in the context of short-term rentals or operating leases, as well as vehicles that continue to be attributable to the TRATON GROUP because of buyback agreements.

The “Investment property” item contains land and buildings held for rental or capital appreciation with a fair value of €103 million (previous year: €95 million). Lease income from investment property amounted to €22 million (previous year: €5 million) in the reporting period. The increase is due to a nonrecurring effect at Navistar.

As a general rule, fair value is calculated using an income capitalization approach based on internal data, using internal calculations, or by external experts (Level 3 in the fair value hierarchy). Depreciation and impairment losses are included in functional expenses.

CHANGES IN ASSETS LEASED OUT IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2022

€ million	Vehicles leased out	Investment property	Other assets leased out	Total
Cost				
Balance as of 01/01/2022	**9,785**	**94**	**44**	**9,922**
Currency translation differences	–5	4	–3	–5
Additions	1,599	0	0	1,599
Additions from business combinations	1	–	–	1
Transfers	–1	3	–	2
Disposals	–2,234	–1	0	–2,235
Disposals of subsidiaries/transfer to assets held for sale	–6	–	–	–6
Balance as of 12/31/2022	**9,139**	**99**	**41**	**9,279**
Depreciation and impairment				
Balance as of 01/01/2022	**2,926**	**33**	**39**	**2,998**
Currency translation differences	–1	0	–3	–4
Additions to cumulative depreciation	1,199	3	0	1,202
Additions to cumulative impairment losses	1	1	–	2
Transfers	–	1	–	1
Disposals	–1,075	0	0	–1,075
Disposals of subsidiaries/transfer to assets held for sale	–4	–	–	–4
Reversals of impairment losses	–1	–1	–	–2
Balance as of 12/31/2022	**3,045**	**37**	**36**	**3,117**
Carrying amount as of 12/31/2022	**6,095**	**63**	**5**	**6,162**

CHANGES IN ASSETS LEASED OUT IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2021

€ million	Vehicles leased out	Investment property	Other assets leased out	Total
Cost				
Balance as of 01/01/2021	**8,975**	**42**	**45**	**9,061**
Currency translation differences	398	2	–1	399
Additions	2,309	–	0	2,309
Additions from business combinations	262	48	–1	310
Transfers	–	2	0	2
Disposals	–2,160	0	1	–2,159
Disposals of subsidiaries	–	–	–	–
Balance as of 12/31/2021	**9,785**	**94**	**44**	**9,922**
Depreciation and impairment				
Balance as of 01/01/2021	**2,493**	**33**	**39**	**2,565**
Currency translation differences	331	0	–1	330
Additions to cumulative depreciation	1,168	1	0	1,169
Disposals	–1,020	0	0	–1,020
Disposals of subsidiaries/transfer to assets held for sale	–	–	–	–
Reversals of impairment losses	–46	–	–	–46
Balance as of 12/31/2021	**2,926**	**33**	**39**	**2,998**
Carrying amount as of 12/31/2021	**6,859**	**60**	**5**	**6,924**

In the previous year, the acquisition of Navistar had accounted for the bulk of additions to cost from business combinations.

22. Equity-method investments

Sinotruk

Sinotruk is one of the largest truck manufacturers in the Chinese market. Group companies and Sinotruk have entered into an agreement on a long-term strategic partnership under which the Group participates in the local market. Sinotruk's principal place of business is in Hong Kong, China. Due to the application of the equity method, taking into account local capital market regulations relating to the disclosure of financial information for the investee, a reporting period that differs from the TRATON GROUP's fiscal year is used to account for Sinotruk.

The market price of the Sinotruk shares held by TRATON was €903 million (previous year: €938 million) as of December 31, 2022.

Summarized financial information for Sinotruk (on a 100% basis and thus not adjusted for the equity interest held by TRATON) and a reconciliation to the carrying amounts are presented in the following tables:

STATEMENT OF COMPREHENSIVE INCOME

€ million	2022[1]	2021[1]
Sales revenue	7,863	15,273
Earnings after tax from continuing operations	309	1,057
Other comprehensive income	5	–10
Total comprehensive income	**314**	**1,047**
Dividend received[2]	54	75

1 Amounts shown relate to the period from July 1 of the previous year to June 30 of the year in question.

2 Dividends net of withholding tax

BALANCE SHEET

€ million	12/31/2022[1]	12/31/2021[1]
Noncurrent assets	4,150	3,852
Current assets	10,393	12,346
Noncurrent liabilities and provisions	180	161
Current liabilities and provisions	8,258	10,499
Net assets	**6,105**	**5,539**
Reconciliation of the financial information to the carrying amount of the equity-accounted investments		
Net assets	6,105	5,539
Noncontrolling interests	1,025	978
Net assets attributable to shareholders	5,080	4,560
Interest held by TRATON (in %)	25	25
Net assets attributable to the TRATON GROUP	**1,270**	**1,140**
Goodwill, effects of purchase price allocation, currency translation differences, and other changes	–181	–63
Carrying amount as of 12/31	**1,089**	**1,077**

1 Amounts shown relate to the reporting period ended June 30 of the year in question.

Rheinmetall MAN Military Vehicles GmbH (RMMV)

Rheinmetall MAN Military Vehicles GmbH (RMMV), headquartered in Munich, develops, manufactures, and sells logistics wheeled vehicles for military use. The TRATON GROUP holds a 49% equity interest, which is reported in the MAN Truck & Bus segment. Due to the application of the equity method, taking into account local capital market regulations relating to the disclosure of financial information, a reporting period that differs from the TRATON GROUP's fiscal year by three months is used to account for this company.

Summarized financial information for RMMV (on a 100% basis and thus not adjusted for the equity interest held by TRATON) and a reconciliation to the carrying amounts are presented in the following tables:

STATEMENT OF COMPREHENSIVE INCOME

€ million	2022[1]	2021[1]
Sales revenue	717	781
Earnings after tax from continuing operations	70	63
Other comprehensive income	4	–1
Total comprehensive income	**75**	**62**

1 Amounts shown relate to the period from October 1 of the previous year to September 30 of the year in question.

BALANCE SHEET

€ million	12/31/2022[1]	12/31/2021[1]
Noncurrent assets	133	137
Current assets	510	435
Noncurrent liabilities and provisions	77	81
Current liabilities and provisions	321	320
Net assets	**245**	**171**
Reconciliation of the financial information to the carrying amount of the equity-accounted investments		
Net assets	245	171
Net assets attributable to shareholders	245	171
Interest held by TRATON (in %)	49	49
Net assets attributable to the TRATON GROUP	**120**	**84**
Goodwill	10	10
Carrying amount as of 12/31	**130**	**94**

1 Amounts shown relate to the reporting period ended September 30 of the year in question.

Navistar
Until June 30, 2021, the investment in Navistar, which at that point in time amounted to 16.7%, was presented as an equity-method investment. Since July 1, 2021, the TRATON GROUP has held 100% of the shares of Navistar and accounted for the company as a consolidated subsidiary (see Note **"8. Acquisitions"**).

In the course of the initial consolidation of Navistar as of July 1, 2021, the equity interest held immediately prior to the business combination was remeasured, resulting in a gain of €219 million. At the same time, the reclassification of income and expenses previously recognized in other comprehensive income to the income statement resulted in an expense of €37 million.

Summarized financial information on individually immaterial associates of the TRATON GROUP based on its proportionate interest
The carrying amounts of other associates amounted to €30 million (previous year: €41 million) as of December 31, 2022. The following table contains summarized financial information on the other associates; the disclosures relate to the Group's share of the associates in all cases:

€ million	2022	2021
Earnings after tax from continuing operations	–10	–10
Total comprehensive income	–10	–10

Summarized financial information on individually immaterial joint ventures of the TRATON GROUP based on its proportionate interest
The carrying amounts of joint ventures amounted to €79 million (previous year: €68 million) as of December 31, 2022. The following table contains summarized financial information on the joint ventures; the disclosures relate to the Group's share of the joint ventures in all cases:

€ million	2022	2021
Earnings after tax from continuing operations	2	3
Total comprehensive income	2	3

23. Other equity investments

Other equity investments include shares in unconsolidated subsidiaries, associates and joint ventures not accounted for using the equity method due to insignificance, and financial investments.

The following table contains financial information about equity investments at fair value through other comprehensive income:

	Fair value		Dividends	
€ million	12/31/2022	12/31/2021	2022	2021
TuSimple	24	500	–	–
Northvolt AB	78	97	–	–
Other investees	32	22	0	1
	134	**618**	**0**	**1**

The reduction in other equity investments at fair value through other comprehensive income is due mainly to the lower price of TuSimple shares.

24. Financial services receivables

€ million	Carrying amount			Carrying amount		
	current	noncurrent	12/31/2022	current	noncurrent	12/31/2021
Receivables from the financing business						
Customer financing	1,856	3,519	5,374	1,408	2,700	4,107
Dealer financing	1,502	4	1,506	881	2	882
	3,358	**3,523**	**6,881**	**2,288**	**2,701**	**4,989**
Receivables from operating leases	17	–	17	2	–	2
Receivables from finance leases	1,687	3,038	4,724	1,811	3,133	4,944
	5,061	**6,560**	**11,622**	**4,102**	**5,834**	**9,936**

Customer finance receivables primarily comprise loans granted to direct customers. These loans are collateralized by the underlying vehicles or other liens. Dealer finance receivables mainly include working capital loans to dealers. The loans are collateralized by the underlying vehicles or other liens.

For more detailed information relating to leases and the risk management associated with financial services receivables, see Notes **"37. The TRATON GROUP as lessor"** and **"40. Financial risk management and financial instruments."**

The year-on-year increase in customer finance receivables resulted from business growth, especially in Brazil, and from the acquisition of the financing portfolio of Bilmetro AB. The increase in dealer finance receivables is primarily attributable to the improvement in the dealers' delivery situation in 2022.

Finance lease receivables decreased significantly due to the planned disposal of the business activities in Russia. The lease receivables of the Russian companies were partially written down and the remaining portfolio was reclassified to the "Assets held for sale" balance sheet item in the fiscal year under review. For further details, see Note **"9. Noncurrent assets and disposal groups held for sale."** The negative impact of the decline in Russia was mitigated by portfolio growth in other markets.

As of December 31, 2022, financial services receivables contained related party balances of €3 million (previous year: €8 million), mainly for rental agreements.

25. Other financial assets

€ million	12/31/2022	12/31/2021
Positive fair value of derivatives	397	262
Receivables from loans (excluding interest)	92	15
Restricted balances	46	53
Miscellaneous financial assets	576	441
	1,110	**771**

Derivatives are measured at fair value. The increase in the current year is primarily attributable to interest rate hedging transactions, which are due to the rise in interest rate levels in the eurozone. Further details on derivative financial instruments as a whole are given in Note **"40. Financial risk management and financial instruments."**

Restricted balances mainly serve as collateral in the context of asset-backed securities transactions.

Among other things, the increase in miscellaneous financial assets results from the residual purchase price receivable from the sale of MWM by Navistar. Miscellaneous financial assets include receivables from customers who purchased parts from dealers using a credit card program, claims for refunds, receivables from insurance management, and warranty credits.

As of December 31, 2022, other financial assets contained related party receivables of €112 million (previous year: €49 million). Of this amount, €89 million (previous year: €10 million) is attributable to receivables from loans.

26. Other receivables

€ million	12/31/2022	12/31/2021
Recoverable taxes	1,045	1,003
Miscellaneous receivables	698	673
	1,744	**1,676**

Miscellaneous receivables include €70 million (previous year: €63 million) from sales with a right of return, mainly from sold vehicles for which TRATON will repurchase certain parts at a later date for reconditioning.

As of December 31, 2022, other receivables contained related party balances of €24 million (previous year: €23 million).

27. Inventories

€ million	12/31/2022	12/31/2021
Raw materials, consumables, and supplies	1,480	1,204
Work in progress	847	783
Finished goods and purchased merchandise	4,226	3,467
Prepayments	20	1
	6,574	**5,456**

The logistics shortages affecting the delivery of vehicles resulted in an increase in finished goods. The procurement prices of raw materials, consumables, and supplies increased as a result of inflation. This was reflected in an increase in raw materials and work in progress in fiscal year 2022.

Inventories of €33,178 million (previous year: €24,788 million) were recognized in cost of sales at the same time as the sales revenue. The increase resulted principally from the integration of Navistar and from significantly higher prices for bought-in inventory components. Valuation allowances recognized as expenses in the fiscal year under review amounted to €37 million (previous year: €107 million).

28. Trade receivables

€ million	12/31/2022	12/31/2021
Trade receivables from		
third parties	3,181	2,321
related parties	166	116
	3,348	**2,437**

The increase in trade receivables was mainly attributable to the higher business volume in North and South America and to positive currency translation effects.

29. Cash and cash equivalents

€ million	12/31/2022	12/31/2021
Bank balances	1,244	1,706
Checks, bills, and cash	59	19
Cash pool receivables from unconsolidated affiliated companies	1	4
Receivables from affiliated companies of the Volkswagen Group	135	273
	1,439	**2,002**

Cash and cash equivalents amounting to €304 million (previous year: €– million) were reported in “Assets held for sale” as of December 31, 2022.

30. Equity

Share capital

The share capital of TRATON SE amounts to €500,000,000 and is composed of 500,000,000 no-par value bearer shares with a notional value of €1.00 each.

All shares are fully paid up and have the same dividend rights. Under Article 6 (2) sentence 1 of the Articles of Association, shareholders may not claim delivery of physical share certificates.

Authorized capital

Article 5 (3) of the Articles of Association authorizes the Executive Board to increase the Company's share capital on one or several occasions by a total of up to €200,000,000 by issuing up to 200,000,000 bearer shares on a cash and/or noncash basis on or before May 21, 2024, subject to the Supervisory Board's approval (Authorized Capital 2019). The dividend entitlement of new shares can be determined contrary to the provisions of section 60 (2) of the *Aktiengesetz* (AktG — German Stock Corporation Act). Shareholders must be granted preemptive rights unless the Executive Board makes use of one of the following authorizations to disapply preemptive rights, with the consent of the Supervisory Board. The new shares may also be underwritten by a credit institution or an entity operating pursuant to section 53 (1) sentence 1 of the *Kreditwesengesetz* (KWG — German Banking Act) or section 53b (1) sentence 1 or (7) of the KWG (financial institution) to be designated by the Executive Board, or by a consortium of such credit or financial institutions, with the obligation to offer them for sale to shareholders of the Company. The Executive Board is authorized, with the consent of the Supervisory Board, to disapply shareholders' preemptive rights in the following cases:

a) To settle fractions resulting from a capital increase.
b) To the extent necessary to grant holders or creditors of convertible bonds or bonds with warrants, as well as convertible profit participation rights, issued by the Company and/or its direct or indirect majority investees a preemptive right to new shares in the amount to which they would be entitled following the exercise of their options or conversion rights or after meeting their exercise of option or conversion obligations.
c) If the new shares are issued against cash contributions and the issue price of the new shares is not materially lower than the quoted market price of existing listed shares of the Company at the date when the issue price is finally determined, which should be as close as possible to the placement of the shares. However, this authorization to disapply preemptive rights applies only to the extent that the notional amount of the share capital attributable to the shares issued with preemptive rights disapplied in accordance with section 186 (3) sentence 4 of the AktG does not exceed a total of 10% of the share capital, meaning neither the share capital existing when this authorization takes effect, nor the share capital existing at the date when this authorization is exercised. Shares that (i) are sold or issued, with preemptive rights disapplied, during the term of this authorization up to the date of its exercise on the basis of other authorizations in direct application, or application with the necessary modifications, of section 186 (3) sentence 4 of the AktG, or (ii) shares that were issued or will be issued, with preemptive rights disapplied, to settle bonds or profit participation rights with conversion or exercise rights or obligations will be counted toward this limit, to the extent that the bonds or profit participation rights were issued during the term of this authorization up to the date of its exercise, in application, with the necessary modifications, of section 186 (3) sentence 4 of the AktG;
d) To the extent that the capital increase is implemented to grant shares against noncash contributions, in particular for the purposes of acquiring companies, parts of companies, or investments in companies, or other assets.

The Executive Board is also authorized to define further details of the capital increase and its implementation, with the consent of the Supervisory Board. The Supervisory Board is authorized to amend the wording of Article 5 of the Articles of Association following the complete or partial implementation of the capital increase from Authorized Capital 2019 or after the expiration of the authorization period, in line with the scope of the capital increase.

Contingent capital

Under Article 5 (4) of the Articles of Association, the Company's share capital may be increased by up to €50,000,000 on a contingent basis through the issue of up to 50,000,000 bearer shares (no-par-value shares) (Contingent Capital 2019). The sole purpose of Contingent Capital 2019 is to issue new shares to the holders/creditors of bonds which are issued by the Company or by other companies in which the Company directly or indirectly holds a majority interest in accordance with a resolution passed by the shareholders under item 2 of the agenda for the meeting of May 22, 2019, in the event that conversion and/or option rights are exercised or conversion or option exercise obligations are settled or the Company makes use of its right to grant shares in the Company, either in full or in part, in lieu of payment of the respective cash amount. The shares are issued at the conversion or option price to be determined in accordance with the aforementioned resolution. The contingent capital increase will only be implemented to the extent that conversion rights or options are exercised or conversion or option exercise obligations are settled, or the Company exercises its right to grant shares of the Company, either in full or in part, in lieu of payment of the cash amount due, and to the extent that other instruments are not used to settle the conversion rights or options.

The new shares carry dividend rights from the beginning of the fiscal year in which they are issued. To the extent permitted by law, the Executive Board may, with the consent of the Supervisory Board, determine the dividend rights in derogation of the above and of section 60 (2) of the AktG, including for a fiscal year that has already closed.

The Executive Board is authorized to define further details of the implementation of the contingent capital increase, with the consent of the Supervisory Board.

Capital reserves

TRATON SE's capital reserves of €13,695 million (previous year: €14,295 million) constitute the contributions by Volkswagen AG to TRATON SE, in particular from the contribution of MAN SE and Scania AB.

The entire capital reserves of €13,695 million are distributable capital reserves within the meaning of section 272 (2) no. 4 of the *Handelsgesetzbuch* (HGB — German Commercial Code). €600 million (previous year: €5,700 million) was released in the reporting period and transferred to retained earnings.

Retained earnings and other comprehensive income

The retained earnings of €2,964 million (previous year: €1,477 million) reported as of December 31, 2022, constitute amounts recognized as earnings after tax in prior periods. They also contain the difference between the value of MAN SE shares at the date of their contribution to TRATON SE and the recognized carrying amount of the corresponding assets and liabilities. TRATON SE paid its shareholders a dividend of €0.50 (previous year: €0.25) per share in 2022. This resulted in a total payout of €250 million (previous year: €125 million).

As of December 31, 2022, the accumulated other comprehensive income of €–2,791 million (previous year: €–2,829 million) contains the accumulated amounts of transactions recognized in other comprehensive income, in particular currency translation differences, differences from pension plan remeasurements, and the measurement of equity investments. Further information can be found in the Statement of Comprehensive Income.

For fiscal year 2022, TRATON SE's Executive and Supervisory Boards are proposing to the Annual General Meeting to be held on June 1, 2023, to pay a dividend of €0.70 (previous year: €0.50) per share. This proposal corresponds to a total payout of €350 million (previous year: €250 million).

31. Financial liabilities

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

€ million	12/31/2022	12/31/2021
Bonds	10,136	9,553
Liabilities to banks	6,695	5,310
Loans from Volkswagen AG	1,720	270
Lease liabilities	1,209	1,237
Schuldscheindarlehen	700	699
Loans from Volkswagen International Luxemburg S.A.	500	1,049
Loans and miscellaneous liabilities	171	88
	21,131	**18,205**

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

Bonds from the €12,000 million European Medium Term Notes program launched by TRATON Finance for the first time were issued on the capital market in March and June 2021. There were a total of three new issues with an aggregate volume of €1,400 million in fiscal year 2022. This means that a total of €5,700 million had been issued as of December 31, 2022.

Scania has launched a €7,000 million European Medium Term Notes program, €3,891 million of which was drawn down.

32. Other financial liabilities

€ million	12/31/2022	12/31/2021
Liabilities from buyback obligations	3,064	3,438
Negative fair value of derivatives	826	272
Factoring liabilities	105	113
Interest rate liabilities	94	78
Miscellaneous financial liabilities	676	574
	4,765	**4,474**

The liabilities from buyback obligations originate from sales of commercial vehicles accounted for as operating leases because of a buyback agreement.

Other financial liabilities include negative fair value of derivatives. Since these instruments are used mainly to hedge currency risk in customer orders and net liquidity, they are matched by offsetting gains and losses of the underlyings. Further information on derivatives as a whole can be found in Note **"40. Financial risk management and financial instruments."**

With regard to the factoring liabilities, refer to Note **"39. Additional financial instruments disclosures in accordance with IFRS 7 *Financial Instruments: Disclosures* — Transfers of financial assets."**

Miscellaneous financial liabilities mainly contain deferrals for outstanding supplier invoices.

33. Other liabilities

€ million	12/31/2022	12/31/2021
Deferred purchase price payments for assets leased out	2,167	2,444
Contract liabilities	1,985	1,767
Payroll liabilities	897	856
Miscellaneous tax payables	482	522
Liabilities related to social security contributions	266	208
Miscellaneous other liabilities	425	484
	6,223	**6,282**

Deferred purchase price payments for assets leased out relate to liabilities from buyback transactions.

The following table explains the change in contract liabilities in the reporting period:

€ million	2022	2021
Contract liabilities as of 01/01	**1,767**	**1,284**
Additions and disposals	269	291
Currency translation adjustments	–34	38
Changes in basis of consolidation/transfer to liabilities directly associated with assets held for sale	–18	155
Contract liabilities as of 12/31	**1,985**	**1,767**

34. Provisions for pensions and other post-employment benefits

Depending on the situation in specific countries, the TRATON GROUP grants its employees pension benefits in the form of defined benefit or defined contribution pension plans.

Defined contribution plans in the TRATON GROUP

Under defined contribution plans, contributions are paid to public or private pension providers on the basis of legislative or contractual requirements. There are no benefit obligations over and above the payment of contributions. Current contribution payments are recognized as an expense in the period in which they are incurred; in the TRATON GROUP, they amounted to a total of €401 million (previous year: €326 million) in 2022. €114 million (previous year: €110 million) was paid for contributions to the statutory pension insurance system in Germany. Additionally, these primarily relate to defined contribution pension plans in Sweden and the USA and defined benefit multi-employer pension plans that are accounted for as defined contribution pension plans.

Multi-employer plans in the TRATON GROUP

In the TRATON GROUP, there are multi-employer pension plans in the United Kingdom, Sweden, and the Netherlands (see the **"Scania plans in Sweden"** and **"Plans in other countries"** sections). The majority of these plans are defined benefit plans. A small proportion of these multi-employer pension plans are accounted for as defined contribution plans because the TRATON GROUP is unable to obtain the information required to account for them as defined benefit plans. Under the terms of the multi-employer plans, the TRATON GROUP only has a very limited liability for the obligations of the other employers.

Defined benefit plans in the TRATON GROUP

Most of the pension entitlements in the TRATON GROUP are classified as defined benefit plans under IAS 19, which are funded by external plan assets to a considerable extent.

Due to their similarity to pensions, the obligations in particular of the US, Canadian, and Brazilian Group companies for their employees' post-retirement healthcare benefits are also reported in provisions for pensions and other post-employment benefits. The expected long-term cost trend of these post-employment benefits is taken into account. The associated present value of the obligation amounted to €470 million (previous year: €613 million) as of December 31, 2022.

The significant pension plans are described in the following.

Scania's plans in Sweden

Scania's employees in Sweden are covered through post-employment benefit plans that offer benefits in the form of retirement pensions, early retirement pensions, surviving dependents' pensions, and severance payments.

Employees born before 1979 are covered by the joint defined benefit ITP2 pension plan, which is funded by recognized provisions and, since 2019, also partly by plan assets, and is secured by credit insurance taken out with Försäkringsbolaget PRI Pensionsgaranti, a mutual insurance company that also administers the plan. External funding of plan assets uses a foundation (Pensonsstiftelse). The fair value of plan assets was €240 million (previous year: €216 million) as of December 31, 2022. Another part of ITP2 is secured by contributions to Alecta, a pensions insurer, and is accounted for as a defined contribution plan (see the **"Multi-employer plans in the TRATON GROUP"** section).

In addition to these obligations, there are also defined benefit obligations for employees entitled to early retirement who have reached the age of 62 and were employed by the company for 30 years, or who have reached the age of 63 and were employed by the company for 25 years, as well as for a limited number of former executives.

For obligations that are funded entirely by recognized provisions, the company bears the risks associated with lifelong pension benefits.

Navistar's plans in the USA

Navistar offers employees in the USA a range of defined benefit pension plans that provide retirement benefits in the form of life annuities. The two pension plans for salaried employees were merged into a single pension plan as of August 31, 2022, and part of the obligations for more than 6,000 participants were transferred to a qualified insurer as of September 1, 2022. The benefits of the pension plan for salaried employees is generally based on salary and length of service, while benefits under the two pension plans for wage-earning staff are generally based on a negotiated amount for each year of service.

The pension plans for wage-earning staff and salaried employees have been closed to new entrants since 2008 and 1996, respectively, and, with the exception of one of the plans for wage-earning staff, are also closed to the accrual of further benefit entitlements.

These plans are funded pension plans subject to the US Employee Retirement Income Security Act (ERISA) and are eligible for tax benefits as qualified pension plans under US law. Under internal guidelines, the minimum required contribution pursuant to ERISA and the Internal Revenue Code is funded in each case, and additional discretionary contributions are paid in from time to time.

The pension plans are exposed to interest rate, market, and longevity risks, which are regularly monitored and assessed.

The plan assets are invested as part of a diversified strategy by experienced fund managers in equities, real estate, hedge funds, credit products, and assets in order to hedge liabilities, and diversified by an external investment advisor to avoid concentrations in type, sector, issuer, market, or country. Each pension plan has an investment policy that, among other things, defines strategic asset allocation depending on the funding level. As the funding level increases, investments are reallocated to asset classes that reduce interest rate risk at the expense of higher-yielding asset classes that are also more volatile. No derivative products are currently used to hedge longevity or interest rate risk.

For executives, US law provides for nonqualified defined benefit plans that are not subject to the ERISA and provide retirement benefits in the form of a life annuity, a lump sum, or installments. These are financed solely by provisions.

In addition, other post-employment benefits are provided in the USA through a funded and an unfunded plan ("OPEB"), each of which provides medical benefits, prescription drugs, and life insurance to a closed group of participants for life.

The funded plan benefits in place at the time of the acquisition of Navistar resulted from a 1993 Settlement Agreement between Navistar, Navistar's employees, pensioners, and collective bargaining organizations, and stipulated cost sharing between the company and the participants in the form of premiums, copayments, and deductibles. As part of this agreement, plan assets (a "Base Program Trust") were established to fund part of the healthcare and life insurance obligations. Navistar was required to make annual contributions. In addition, the cost of the benefits was shared between Navistar, the beneficiaries, and the plan assets.

Effective January 1, 2022, the funded OPEB plan was adjusted with regard to the contributions that participants are required to pay for pensioner healthcare under the terms of the plan. This saw pensioner contributions being reduced by the government subsidies from the employer group waiver plan agreement. This change resulted in a €123 million increase in the obligation as of December 31, 2021. In June 2022, the competent court approved the final agreement to adjust the plan (see Notes **"35. Other provisions"** and **"43. Litigation/legal proceedings"**).

TRATON Holding and MAN's plans in Germany

Once their active working life is over, the German companies of MAN Truck & Bus and the TRATON Holding grant their employees in Germany benefits provided by an occupational pension system that constitutes one of the key elements of their remuneration policy. Occupational pensions provide additional retirement benefits as well as risk protection in the event of invalidity or death.

Under the current pension plans, all active employees receive employer contributions that are tied to their remuneration and can also make additional provisions through deferred compensation — which is employer-subsidized for staff subject to collective bargaining agreements. The employer- and employee-funded contributions plus returns on capital market investments allow staff to accumulate plan assets during their active employment that are paid out as a lump sum or in installments on retirement, or that can be annuitized in certain cases. The risk of the investments is gradually reduced as employees get older (life cycle concept). The performance of the plan assets is based on the return on capital investments. The total amount of contributions paid in for the employee is paid out as a minimum when the employee retires.

Former employees, pensioners, or employees with vested benefits who have left also have benefit entitlements from discontinued pension plans, which are designed to provide lifelong pension payments. These commitments are exposed to the standard longevity and inflation risks, which are regularly monitored and assessed.

German pension assets are managed by MAN Pension Trust e.V. and Willis Towers Watson Pensionsfonds AG. These assets are irrevocably protected from recourse by the Group companies and may only be used to fund current pension benefit payments or to settle claims by employees in the event of insolvency. Proper management and utilization of the trust assets is supervised by independent trustees. Additionally, Willis Towers Watson Pensionsfonds AG is regulated by the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin — German Federal Financial Supervisory Authority).

The pension assets are invested by professional investment managers in accordance with investment rules laid down by TRATON SE's Investment Committee. Strategic allocation of the pension assets is based on regular asset/liability management studies.

There is a general prohibition on acquiring securities issued by companies in the Volkswagen Group and on investing in real estate used by MAN Group companies.

Plans in other countries

Employees in the United Kingdom, Switzerland, Canada, and Brazil receive pension benefits under defined benefit funded pension and healthcare plans.

The pension plans granting lifelong pensions in the United Kingdom have been closed to new entrants, and existing members cannot acquire additional entitlements. Trustee boards, which have appointed professional administrators and advisers, are responsible for administering the pension plans, including investing the assets. Regular asset/liability management studies form the basis of investment and risk management. The investment risk at MAN Truck & Bus is being gradually reduced as part of a defined derisking strategy as funding ratios improve.

Employees in Switzerland accrue entitlements through employer and employee contributions to multi-employer (MAN Truck & Bus) or occupational (Scania) pension providers that are converted into a lifelong pension at retirement at the terms in force at that time. The pension institutions are managed conservatively on the basis of standards imposed by the government. If the plan assets are insufficient to meet the pension entitlements because of adverse market developments, the member employers and their employees may be required to make "stabilization contributions."

In Canada, there are two registered and funded defined benefit pension plans, one for wage-earning staff and one for salaried employees, as well as an Other Post-Employment Benefits (OPEB) plan. The pension plans provide lifetime annuities and are closed to new entrants. The pension plan for salaried employees (the defined benefit component) is also closed for the acquisition of additional entitlements. The Canadian OPEB plan provides health, dental, and life insurance benefits to eligible pensioners and is also closed to new entrants.

Employees in Brazil are entitled to benefits under defined benefit pension plans funded largely by plan assets and have entitlements under healthcare plans funded by provisions.

Furthermore, other countries have pension plans with a low level of benefits or grant mandatory post-employment benefits. Some of these benefits are funded by plan assets, either in full (the Netherlands) or in part (Belgium, France, India), or are only funded by provisions (Austria, Türkiye, Poland, Italy).

The following amounts were recognized in the balance sheet for defined benefit plans:

€ million	12/31/2022	12/31/2021
Present value of funded obligations	4,783	6,313
Fair value of plan assets	3,678	4,458
Funded status (net)	1,104	1,855
Present value of unfunded obligations	619	720
Amount not recognized as an asset because of the ceiling in IAS 19	36	6
Net liabilities recognized in the balance sheet	**1,760**	**2,581**
of which provisions for pensions and other post-employment benefits	1,786	2,648
of which other receivables	26	66

Measurement of the pension provisions was based on the following actuarial assumptions:

	Germany		USA		Sweden		Other countries	
in %	2022	2021	2022	2021	2022	2021	2022	2021
Discount rate as of 12/31	3.8	1.0	5.3	2.6	4.0	2.0	5.1	2.5
Payroll trend	3.2	3.0	0.5	0.3	2.8	3.0	2.0	1.4
Pension trend	2.2	1.7	–	–	2.0	2.3	1.1	1.1
Staff turnover rate	2.5	2.5	3.9	3.5	4.8	4.7	2.8	3.0

These amounts are averages that were weighted using the present value of the defined benefit obligation. With regard to longevity, the most recent mortality tables in each country are used. For Germany, the 2005 G mortality tables developed by Professor Klaus Heubeck were adapted, most recently in 2017, to MAN-specific experience for the MAN Truck & Bus companies, TRATON SE, and TB Digital Services GmbH, and thus describe mortality in the TRATON GROUP better than the RT2018G mortality tables. For the US retirement plans, the mortality rates from standard mortality tables published by the Society of Actuaries are adjusted for plan experience. A study is conducted every five years to determine the best estimate of current mortality levels. A special study was conducted in 2022 for the US pension plan for salaried employees that reflects the change in the demographic structure of the plan following the transfer of more than 6,000 participants to a qualified insurer. On the basis of the study, the mortality rates for the pension plan for salaried employees reflect the standard mortality tables published by the Society of Actuaries. In Sweden, the DUS2014 standard mortality tables are applied. As a general principle, the discount rates are defined to reflect the yields on highly-rated (AA) corporate bonds with matching maturities and currencies. The payroll trends cover expected wage and salary trends, which also include increases due to career development. The pension trends either reflect the contractually defined guaranteed pension adjustments or are based on the rules on pension adjustments in force in each country. To the extent that current pensions are adjusted in line with inflation trends, the current level of inflation is taken into account by means of an add-on to the long-term inflation assumption. The employee turnover rates are based on past experience and future expectations.

The following table shows changes in the net defined benefit liability recognized in the balance sheet:

€ million	2022	2021
Net liabilities recognized in the balance sheet as of 01/01	**2,581**	**1,827**
Current service cost[1]	100	120
Net interest expense[1]	70	39
Actuarial gains (–)/losses (+) arising from changes in demographic assumptions	17	–2
Actuarial gains (–)/losses (+) arising from changes in financial assumptions	–1,651	–221
Actuarial gains (–)/losses (+) arising from experience adjustments	144	84
Income/expense from plan assets not included in interest income	649	–236
Change in amount not recognized as an asset because of the ceiling in IAS 19	30	2
Employer contributions to plan assets	–94	–97
Employee contributions to plan assets	12	11
Pension payments from company assets	–82	–69
Past service cost (including plan curtailments)[1]	1	–3
Gains (–) or losses (+) arising from plan settlements[1]	–6	–1
Changes in basis of consolidation	–3	973
Other changes	–1	124
Currency translation differences from foreign plans	–5	32
Net liabilities recognized in the balance sheet as of 12/31	**1,760**	**2,581**

1 Amounts recognized in the income statement

The change in the present value of the defined benefit obligations is attributable to the following factors:

€ million	2022	2021
Present value of obligations as of 01/01	**7,033**	**3,848**
Current service cost	100	120
Interest expense	152	76
Actuarial gains (–)/losses (+) arising from changes in demographic assumptions	17	–2
Actuarial gains (–)/losses (+) arising from changes in financial assumptions	–1,651	–221
Actuarial gains (–)/losses (+) arising from experience adjustments	144	84
Employee contributions to plan assets	15	13
Pension payments from company assets	–82	–69
Pension payments from plan assets	–315	–166
Past service cost (including plan curtailments)	1	–3
Gains (–) or losses (+) arising from plan settlements	–114	–2
Changes in basis of consolidation	–3	3,079
Other changes	–1	124
Currency translation differences from foreign plans	108	155
Present value of obligations as of 12/31	**5,402**	**7,033**

At the reporting date, €2,469 million (previous year: €3,183 million) of the defined benefit obligation is attributable to the Navistar plans in the USA, €1,452 million (previous year: €1,739 million) to the plans of the TRATON Holding and the German MAN Truck & Bus companies, and a further €827 million (previous year: €1,294 million) to Scania's plans in Sweden.

At Navistar in the USA, part of the obligations for more than 6,000 participants in the pension plan for salaried employees amounting to €114 million were transferred to a qualified insurer effective September 1, 2022. This resulted in the disposal of plan assets in the amount of €110 million and thus to a plan settlement gain of €4 million, which is contained in other operating income.

In the previous year, the changes in the basis of consolidation had contained mainly the addition of the defined benefit obligation from the initial consolidation of Navistar amounting to €3,169 million. This is offset in part by the disposal from the sale of the Austrian company in Steyr amounting to €90 million.

€123 million of the "Other changes" in the previous year had been attributable to the agreement to settle disputes relating to the 1993 agreement on the funded OPEB plan in the USA, for which another provision had been previously recognized (see the **"Navistar's plans in the USA"** section).

Changes in the relevant actuarial assumptions would have the following effects on the defined benefit obligation:

Present value of defined benefit obligation if		12/31/2022 € million	12/31/2022 Change in %	12/31/2021 € million	12/31/2021 Change in %
Discount rate	is 0.5 pp higher	5,142	–4.8	6,631	–5.7
	is 0.5 pp lower	5,690	5.3	7,483	6.4
Pension trend	is 0.5 pp higher	5,497	1.8	7,191	2.2
	is 0.5 pp lower	5,312	–1.9	6,900	–1.9
Payroll trend	is 0.5 pp higher	5,456	1.0	7,125	1.3
	is 0.5 pp lower	5,351	–0.9	6,951	–1.2
Longevity	increases by one year	5,568	3.1	7,307	3.9

The sensitivity analyses shown above consider the change in one assumption at a time, leaving the other assumptions unchanged versus the original calculation, i.e., any correlation effects between the individual assumptions are ignored. To examine the sensitivity of the present value of the defined benefit obligation to a change in assumed longevity, the age of the beneficiaries was reduced by one year as part of a comparative calculation. The average duration of the defined benefit obligation weighted by the present value of the defined benefit obligation (Macaulay duration) is 9 years (previous year: 12 years).

The present value of the defined benefit obligation is spread across the members of the plan as follows:

€ million	12/31/2022	12/31/2021
Active members with entitlements from defined benefits	1,609	2,277
Members who have left the company with vested entitlements	582	819
Pensioners	3,211	3,937
	5,402	**7,033**

The maturity profile of payments attributable to the defined benefit obligations is presented in the following table by classifying the present value of the obligations by the maturity of the underlying payments:

€ million	12/31/2022	12/31/2021
Payments due within the next fiscal year	380	378
Payments due in two to five years	1,344	1,443
Payments due in more than five years	3,677	5,213
	5,402	**7,033**

Changes in plan assets are shown in the following table:

€ million	2022	2021
Fair value of plan assets as of 01/01	**4,458**	**2,022**
Interest income from plan assets determined using the discount rate	82	37
Income/expense from plan assets not included in interest income	–649	236
Employer contributions to plan assets	94	97
Employee contributions to plan assets	3	2
Pension payments from plan assets	–315	–166
Gains (–) or losses (+) arising from plan settlements	–108	–1
Changes in basis of consolidation	–	2,107
Currency translation differences from foreign plans	113	123
Fair value of plan assets as of 12/31	**3,678**	**4,458**

As of the reporting date, €1,688 million (previous year: €2,196 million) of the fair value of plan assets is attributable to the Navistar plans in the USA, €1,308 million (previous year: €1,466 million) to the plans of the TRATON Holding and the German MAN Truck & Bus companies, and a further €239 million (previous year: €216 million) to Scania's plans in Sweden.

In the next fiscal year, employer contributions to plan assets are expected to amount to €99 million (previous year: €121 million).

The investment of plan assets to cover future pension obligations resulted in a loss of €567 million (previous year: gain of €273 million).

Plan assets are invested in the following asset classes:

€ million	Quoted prices in active markets	No quoted prices in active markets	Total 12/31/2022	Quoted prices in active markets	No quoted prices in active markets	Total 12/31/2021
Cash and cash equivalents	134	–	134	166	–	166
Equity instruments	118	–	118	116	–	116
Debt instruments	123	5	128	137	5	142
Direct investments in real estate	–	52	52	–	43	43
Equity funds	1,078	1	1,079	1,510	1	1,511
Bond funds	1,024	94	1,119	1,430	157	1,587
Real estate funds	407	30	437	364	23	387
Other instruments	17	207	224	36	173	209
Other	51	338	389	42	256	298
Fair value of plan assets	**2,952**	**727**	**3,678**	**3,800**	**657**	**4,458**

35. Other provisions

€ million	Obligations arising from sales	Obligations to employ-ees	Litigation and legal risks	Restruc-turing	Miscella-neous provisions	Total
Balance as of 01/01/2022	**1,679**	**352**	**1,687**	**241**	**700**	**4,659**
Additions from business combinations	0	5	0	–	0	5
Currency translation differences	23	0	49	0	15	88
Utilization	–840	–90	–1,399	–96	–346	–2,771
Additions/ new provisions	1,061	102	88	3	430	1,685
Disposals of subsidiaries/transfer to liabilities directly associated with assets held for sale	–6	–2	–11	–	–9	–28
Unwinding of discount/effect of change in discount rate	–52	1	–	–1	–3	–56
Reversals	–124	–18	–52	–23	–73	–290
Balance as of 12/31/2022	**1,741**	**351**	**361**	**124**	**714**	**3,293**
of which current	982	111	96	117	525	1,831
of which noncurrent	759	240	266	7	189	1,462

Obligations arising from sales contain provisions that cover all risks attributable to the sale of vehicles and spare parts. These primarily relate to provisions for warranties and statutory or contractual guarantee obligations. They also include provisions for discounts, bonuses, and similar allowances incurred after the reporting date, but for which there is a legal or constructive obligation attributable to sales revenue before the reporting date.

Provisions for obligations to employees are recognized for long-service awards, partial retirement arrangements, severance payments, and similar obligations, among other things.

The provisions for litigation and legal risks recognized in connection with the EU antitrust proceedings were utilized in full in the first half of the year. In this context, Scania settled the fine, plus interest, imposed by the European Commission and confirmed by the General Court of the European Union in its ruling of February 2, 2022. The total amount was €937 million. Scania filed an appeal against this judgment with the European Court of Justice on April 8, 2022.

In addition, Navistar made final payments totaling €420 million in June 2022 following court approval of the “Profit Sharing Settlement Agreement” and the “Krzysiak Action Settlement Agreement.”

The provisions for litigation and legal risks also contain amounts related to a large number of legal disputes and official proceedings in which TRATON GROUP companies become involved in Germany and internationally in the course of their operating activities. In particular, such legal disputes and other proceedings may occur in relation to suppliers, dealers, customers, and employees. Refer to Note **“43. Litigation/legal proceedings”** for a discussion of the legal risks.

Provisions for restructuring consist largely of provisions recognized at MAN Truck & Bus in fiscal year 2021 for the repositioning as part of the restructuring and provisions related to personnel measures (including severance payments and partial retirement arrangements).

Miscellaneous provisions relate to a large number of identifiable specific risks and uncertain obligations arising from operating activities that are measured at the expected settlement amount. Miscellaneous provisions also contain provisions for litigation in connection with indirect and other taxes.

36. The TRATON GROUP as lessee

The TRATON GROUP acts as a lessee in many areas of the Company. These transactions primarily relate to leases of real estate, office equipment, passenger cars, and other production resources. The leases are individually negotiated and feature a wide range of contractual terms. Right-of-use assets from leases are reported in property, plant, and equipment in the balance sheet and changed as follows:

CHANGES IN RIGHT-OF-USE ASSETS IN THE PERIOD JANUARY 1 TO DECEMBER 31

			2022			2021
€ million	Right-of-use assets contained in land, land rights, and buildings, including buildings on third-party land	Right-of-use assets contained in other equipment, operating and office equipment	Total right-of-use assets	Right-of-use assets contained in land, land rights, and buildings, including buildings on third-party land	Right-of-use assets contained in other equipment, operating and office equipment	Total right-of-use assets
Cost						
Balance as of 01/01	**1,426**	**266**	**1,693**	**1,114**	**243**	**1,358**
Currency translation differences	1	–5	–5	17	0	17
Changes in basis of consolidation	–12	0	–12	103	9	112
Additions	244	85	330	247	77	325
Disposals	–128	–55	–183	–55	–63	–119
Balance as of 12/31	**1,530**	**290**	**1,822**	**1,426**	**266**	**1,693**
Depreciation and impairment						
Balance as of 01/01	**381**	**125**	**507**	**242**	**109**	**351**
Currency translation differences	–3	–3	–6	3	0	3
Changes in basis of consolidation	–6	0	–7	2	–3	–1
Additions to cumulative depreciation	189	78	267	166	79	245
Additions to cumulative impairment losses	1	0	1	0	1	1
Disposals	–71	–52	–123	–32	–61	–92
Balance as of 12/31	**491**	**147**	**638**	**381**	**125**	**507**
Carrying amount as of 12/31	**1,039**	**144**	**1,183**	**1,044**	**141**	**1,186**

Measurement of right-of-use assets from leases and the associated lease liabilities is based on a best estimate of the exercise of extension and termination options. This estimate is updated in the event of material changes in the operating environment or the contract.

Taking into account future interest payable, the maturity structure of the lease liabilities is as follows:

€ million	12/31/2022	12/31/2021
Due within one year	271	269
Due in two to five years	740	715
Due in more than 5 years	368	424
	1,379	**1,408**

The interest expense on lease liabilities, the expenses for variable lease payments, and the expenses for low-value and short-term underlying assets do not materially affect our net assets, financial position, or results of operations. Overall, leases resulted in cash outflows of €363 million (previous year: €318 million) in the reporting period.

The following table shows an overview of potential future cash outflows that were not included in the measurement of lease liabilities:

€ million	12/31/2022	12/31/2021
Potential future cash outflows due to		
extension options	705	721
leases not yet commenced (contractual obligation)	2	55

37. The TRATON GROUP as lessor

The TRATON GROUP acts as a lessor in both finance and operating leases. These transactions mainly relate to commercial vehicles, as well as land and buildings, and technical equipment and machinery.

Operating leases

The following payments are expected in the years shown from outstanding undiscounted lease payments arising from operating leases:

Balance as of 12/31/2022 € million	2023	2024	2025	2026	2027	From 2028	Total
Lease payments	473	285	197	115	58	23	**1,151**

Balance as of 12/31/2021 € million	2022	2023	2024	2025	2026	From 2027	Total
Lease payments	567	362	234	107	65	39	**1,373**

Income from operating leases is classified as follows:

€ million	2022	2021[1]
Lease income	1,828	1,770
Income from variable lease payments	1	1
Income from operating leases	**1,829**	**1,771**

1 Lease income now also includes ratably recognized income from sales of vehicles with a buyback agreement. The prior-year period was adjusted to reflect the current presentation.

Changes in the underlying assets in operating leases are described in Note **“21. Assets leased out.”**

Finance leases

Finance lease receivables relate to leases of commercial vehicles. They are reported in financial services receivables.

Interest income from the net investment in the leases amounted to €260 million (previous year: €213 million) and is reported in sales revenue. Finance leases resulted in a disposal gain of €220 million (previous year: €244 million) in the fiscal year under review.

RECONCILIATION OF LEASE PAYMENTS FROM FINANCE LEASES

€ million	12/31/2022	12/31/2021
Undiscounted lease payments	**5,512**	**5,435**
Unearned interest income	–437	–398
Net investment in the lease	**5,075**	**5,038**
Loss allowance for lease receivables	–351	–93
Carrying amount	**4,724**	**4,944**

The following payments are expected in the years shown from expected outstanding undiscounted lease payments arising from finance leases:

Balance as of 12/31/2022 € million	2023	2024	2025	2026	2027	From 2028	Total
Lease payments	1,939	1,484	1,033	610	279	167	5,512

Balance as of 12/31/2021 € million	2022	2023	2024	2025	2026	From 2027	Total
Lease payments	2,028	1,470	986	560	263	128	5,435

38. Statement of cash flows

The cash and cash equivalents presented in the statement of cash flows correspond to the “Cash and cash equivalents” balance sheet item (see Note **“29. Cash and cash equivalents”**). Current account overdraft facilities are not presented as a component of cash and cash equivalents in the statement of cash flows, but are reported in net cash used in/provided by financing activities if they are used.

In 2022, cash flows from operating activities contained interest received of €799 million (previous year: €550 million) and interest paid of €749 million (previous year: €389 million). Cash flows from operating activities in 2022 also contained dividends received from joint ventures and associates amounting to €57 million (previous year: €79 million) and dividends received from other equity investments of €3 million (previous year: €7 million). Other noncash income and expenses result primarily from measurement effects relating to financial instruments denominated in foreign currencies and fair value changes relating to derivatives.

We report the acquisition and disposal of subsidiaries in investing activities. Payments from the disposal of subsidiaries are reported net of cash disposed at the date of disposal. Payments of €266 million (previous year: €3 million) were offset against cash and cash equivalents disposed of €208 million (previous year: €200 million) in 2022. When subsidiaries are acquired, cash and cash equivalents acquired are deducted from the purchase price paid. €22 million (previous year: €566 million) of cash and cash equivalents acquired was therefore deducted from the purchase prices paid in the total amount of €116 million (previous year: €3,129 million).

In the previous year, the settlement payments made to former shareholders of MAN SE as a result of the merger squeeze-out amounting to €587 million had been reported in net cash provided by financing activities.

The following reconciliation shows the changes in financial liabilities, classified by changes affecting cash flows and noncash changes.

			Noncash changes			
€ million	01/01/2022	Changes affecting cash flows	Foreign exchange differences	Changes in basis of consolidation	Other changes	12/31/2022
Bonds	9,553	1,019	–436	–	–	10,136
Schuldscheindarlehen	699	–	–	–	1	700
Other third-party borrowings	6,717	1,825	302	242	–	9,086
Lease liabilities[1]	1,237	–281	4	–7	256	1,209
Total third-party borrowings	**18,205**	**2,563**	**–129**	**236**	**256**	**21,131**
Derivatives in connection with financing activities[2]	–25	–97	36	–	289	203
Financial assets and liabilities in financing activities	**18,180**	**2,466**	**–93**	**236**	**545**	**21,334**

			Noncash changes			
€ million	01/01/2021	Changes affecting cash flows	Foreign exchange differences	Changes in basis of consolidation	Other changes	12/31/2021
Bonds	7,170	464	–23	1,942	–	9,553
Schuldscheindarlehen	–	698	–	–	1	699
Other third-party borrowings	4,081	901	–46	1,780	–	6,717
Lease liabilities[1]	1,047	–241	15	114	302	1,237
Total third-party borrowings	**12,298**	**1,822**	**–54**	**3,836**	**303**	**18,205**
Derivatives in connection with financing activities[2]	–388	70	2	–	291	–25
Financial assets and liabilities in financing activities	**11,911**	**1,892**	**–53**	**3,836**	**594**	**18,180**

1 Other changes in lease liabilities largely contain noncash additions of lease liabilities.

2 Other changes in foreign exchange derivatives in connection with financing activities result from changes in fair value.

39. Additional financial instruments disclosures in accordance with IFRS 7 *Financial Instruments: Disclosures*

Classes of financial instruments

Financial instruments are divided into the following classes in the TRATON GROUP:

- Financial instruments at fair value
- Financial instruments at amortized cost
- Derivative financial instruments included in hedge accounting
- Financial instruments not allocated to any measurement category, and
- Credit commitments/financial guarantee contracts

In addition to investments in associates and joint ventures, financial instruments not allocated to any measurement category also include lease receivables and liabilities. Financial instruments that are part of a disposal group are measured in part at amortized cost, with the other parts not allocated to any measurement category.

NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORIES

€ million	2022	2021
Net gains and losses:		
Financial instruments at fair value through profit or loss	–734	–392
Financial assets at amortized cost	1,481	778
Financial liabilities at amortized cost	–925	–394

Net gains and losses on financial assets and liabilities at fair value through profit or loss mainly comprise derivatives not included in hedge accounting.

Net gains and losses on financial assets and liabilities at amortized cost comprise interest income and expense measured using the effective interest method under IFRS 9, including currency translation effects. In addition, net gains and losses on financial assets include impairment losses as well as related reversals.

TOTAL INTEREST INCOME AND EXPENSE FROM FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

€ million	2022	2021
Interest income:		
Assets at amortized cost	437	266
Interest expense:		
Liabilities at amortized cost	–459	–279

CARRYING AMOUNT OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORIES

€ million	12/31/2022	12/31/2021
Assets at amortized cost	12,753	10,126
Other equity investments at fair value through other comprehensive income	134	618
Assets at fair value through profit or loss	366	295
Total financial assets	**13,253**	**11,040**
Liabilities at amortized cost	29,380	25,416
Liabilities at fair value through profit or loss	562	219
Total financial liabilities	**29,942**	**25,635**

Reconciliation of balance sheet items to classes of financial instruments

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

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

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2022

	Measured at fair value		Measured at amortized cost		Derivative financial instruments within hedge accounting	Not allocated to any measurement category	Balance sheet item as of 12/31/2022
€ million	Through other comprehensive income	Through profit or loss	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets							
Other equity investments	134	–	–	–	–	69	204
Financial services receivables	–	–	3,523	3,424	–	3,038	6,560
Other financial assets	–	256	145	145	14	–	414
Current assets							
Trade receivables	–	–	3,348	3,348	–	–	3,348
Financial services receivables	–	–	3,358	3,358	–	1,703	5,061
Income tax receivables[1]	–	–	5	5	–	–	5
Other financial assets	–	111	554	554	31	–	695
Marketable securities and investment deposits	–	–	73	73	–	–	73
Cash and cash equivalents	–	–	1,439	1,439	–	–	1,439
Assets held for sale	–	–	307	307	–	114	421
Noncurrent liabilities							
Financial liabilities	–	–	11,517	11,038	–	968	12,485
Other financial liabilities	–	420	1,975	1,867	257	–	2,652
Current liabilities							
Financial liabilities	–	–	8,406	8,406	–	240	8,646
Trade payables	–	–	5,518	5,518	–	–	5,518
Other financial liabilities	–	142	1,965	1,965	7	–	2,113

1 Income tax receivables as a result of tax allocation to Volkswagen Group companies

The “Financial liabilities” item contains liabilities from bonds with a carrying amount of €1,779 million (previous year: €2,029 million) and a fair value of €1,746 million (previous year: €2,032 million) that are included in hedge accounting as a fair value hedge. They were allocated to the “Measured at amortized cost” category.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2021

€ million	Measured at fair value		Measured at amortized cost		Derivative financial instruments within hedge accounting	Not allocated to any measurement category	Balance sheet item as of 12/31/2021
	Through other comprehensive income	Through profit or loss	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets							
Other equity investments	618	–	–	–	–	42	660
Financial services receivables	–	–	2,701	2,603	–	3,133	5,834
Other financial assets	–	90	101	101	1	–	192
Current assets							
Trade receivables	–	38	2,399	2,399	–	–	2,437
Financial services receivables	–	–	2,288	2,288	–	1,813	4,102
Other financial assets	–	168	409	409	3	–	579
Marketable securities and investment deposits	–	–	226	226	–	–	226
Cash and cash equivalents	–	–	2,002	2,002	–	–	2,002
Noncurrent liabilities							
Financial liabilities	–	–	11,186	11,254	–	995	12,181
Other financial liabilities	–	121	2,286	2,302	22	–	2,429
Current liabilities							
Financial liabilities	–	–	5,782	5,782	–	241	6,024
Trade payables	–	–	4,245	4,245	–	–	4,245
Other financial liabilities	–	98	1,916	1,916	31	–	2,045

Financial assets and liabilities measured at fair value by level

Measurement and presentation of the fair value of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and is categorized 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).

The equity investments categorized within Level 3 comprise shares in unlisted companies for which there is no active market. The fair value of these investments is calculated using prices from previous transactions. 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 "Other financial assets" item includes a receivable relating to contingent consideration from the disposal of MWM. The receivable is measured at fair value through profit or loss and categorized within Level 3 of the fair value hierarchy, since it was measured using probability and usage assumptions. Any change in the unobservable inputs would not result in any significant change in the fair value. The prior-year amount included in the "Other financial assets" item relates to an exercised option to acquire further TuSimple shares. The TuSimple shares are categorized within Level 1 of the fair value hierarchy since there is market price data available.

All other financial assets and liabilities measured at fair value as well as the derivative financial instruments included in hedge accounting are categorized within Level 2 of the fair value hierarchy.

The following tables contain an overview of the financial assets and liabilities measured at amortized cost by level:

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTIZED COST BY LEVEL

€ million	12/31/2022	Level 1	Level 2	Level 3
Financial services receivables	6,782	–	–	6,782
Trade receivables	3,348	–	3,348	–
Income tax receivables	5	–	5	–
Other financial assets	700	0	700	–
Marketable securities and investment deposits	73	–	73	–
Cash and cash equivalents	1,439	1,439	–	–
Assets held for sale	307	307	–	–
Fair values of financial assets measured at amortized cost	**12,654**	**1,746**	**4,125**	**6,782**
Trade payables	5,518	–	5,518	–
Financial liabilities	19,444	6,417	13,027	–
Other financial liabilities	3,832	9	3,823	–
Liabilities directly associated with assets held for sale	–	–	–	–
Fair values of financial liabilities measured at amortized cost	**28,794**	**6,426**	**22,368**	**–**

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTIZED COST BY LEVEL

€ million	12/31/2021	Level 1	Level 2	Level 3
Financial services receivables	4,891	–	–	4,891
Trade receivables	2,399	–	2,399	–
Other financial assets	509	0	509	–
Marketable securities and investment deposits	226	–	226	–
Cash and cash equivalents	2,002	2,002	–	–
Fair values of financial assets measured at amortized cost	**10,028**	**2,002**	**3,134**	**4,891**
Trade payables	4,245	–	4,245	–
Financial liabilities	17,037	5,944	11,092	–
Other financial liabilities	4,218	7	4,211	–
Fair values of financial liabilities measured at amortized cost	**25,500**	**5,952**	**19,549**	**–**

The lease receivables have a carrying amount of €4,850 million (previous year: €4,946 million) and a fair value (Level 3 of the fair value hierarchy) of €4,768 million (previous year: €4,934 million).

The following table shows changes in other equity investments and other financial assets measured at fair value and categorized within Level 3:

CHANGES IN BALANCE SHEET ITEMS MEASURED AT FAIR VALUE BASED ON LEVEL 3

€ million	Other equity investments categorized within Level 3	Other financial assets categorized within Level 3
Balance as of 01/01/2022	**119**	**–**
Fair value changes in “Fair value measurement of other equity investments” recognized in other comprehensive income	–6	–
Additions/acquisitions	6	14
Changes in basis of consolidation	0	–
Currency translation differences	–8	0
Disposals	0	–
Balance as of 12/31/2022	**110**	**14**
Balance as of 01/01/2021	**47**	**16**
Fair value changes in “Fair value measurement of other equity investments” recognized in other comprehensive income	316	–
Transfer into Level 1	–333	–
Additions/acquisitions	83	–
Changes in basis of consolidation	7	–
Currency translation differences	–1	–
Sales and settlements	–	–16
Balance as of 12/31/2021	**119**	**–**

The transfers between the levels of the fair value hierarchy are reported at the respective reporting dates. There were no transfers between the levels of the fair value hierarchy in 2022. The transfer out of Level 3 into Level 1 in the previous year had related to the investment in TuSimple, for which market price data is now available as a result of the company’s IPO in the previous year.

Offsetting financial assets and liabilities

The following tables present information about the effects of offsetting on the consolidated balance sheet and the potential financial effects of offsetting in the case of instruments that are subject to a legally enforceable master netting arrangement or a similar agreement. With the exception of the offset amounts presented below, the gross amounts correspond to the net amounts because they were not offset in the consolidated balance sheet.

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

				Amounts that are not offset in the balance sheet		
€ million	Gross amount	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Financial instruments	Collateral pledged	Net amount as of 12/31
2022						
Financial assets						
Derivative financial instruments including IFRS 5 companies	397	–	397	–227	–	169
Trade receivables including IFRS 5 companies	3,380	–32	3,348	–	–	3,348
Financial liabilities						
Derivative financial instruments including IFRS 5 companies	826	–	826	–227	–	598
Financial liabilities including IFRS 5 companies	21,131	–	21,131	–	–767	20,364
Trade payables including IFRS 5 companies	5,550	–32	5,518	–	–	5,518
2021						
Financial assets						
Derivative assets	262	–	262	–71	–	191
Trade receivables	2,460	–23	2,437	–	–	2,437
Financial liabilities						
Derivative financial instruments	272	–	272	–71	–	201
Financial liabilities	18,205	–	18,205	–	–65	18,140
Trade payables	4,268	–23	4,245	–	–	4,245

The "Financial instruments" column shows the amounts that are subject to a master netting arrangement but that have not been offset in the consolidated balance sheet because they do not meet the offsetting criteria.

The "Collateral pledged" column contains financial receivables that were pledged as collateral for leases. Vehicles were also pledged as collateral in addition to these leases. It also contains payments for receivables that were pledged as collateral in order to obtain more favorable financing conditions.

Transfers of financial assets

As of the reporting date, financial liabilities included asset-backed securities transactions implemented to refinance the TRATON Financial Services segment with a carrying amount of €684 million (previous year: €341 million). The corresponding carrying amount of the receivables is €843 million (previous year: €421 million). The expected payments were assigned to structured entities during the transaction, and collateral with a total amount of €843 million (previous year: €421 million) was provided. The asset-backed securities transactions did not result in the receivables being derecognized, as the TRATON GROUP retains nonpayment and late payment risks. In certain cases, it is also able to retransfer receivables from the asset-backed securities structure. The difference between the amount of financial service receivables and the associated liabilities is the result of different terms and conditions and overcollateralization.

Under certain conditions, parts of the asset-backed securities transactions implemented may be repaid early (clean-up call). In cases where receivables from the asset-backed securities structure are transferred back, the receivables can be assigned a second time or used as collateral in any other way. The bondholders' claims are limited to the assigned receivables, and the cash inflows arising from these receivables are intended for the settlement of the corresponding liability. As of December 31, 2022, the fair value of the assigned receivables that continue to be recognized in the balance sheet was €843 million (previous year: €421 million). The fair value of the associated liabilities amounted to €684 million (previous year: €341 million) as of that date. The resulting net position is €159 million (previous year: €80 million).

Moreover, the contractual rights to cash flows from leases are sometimes transferred to an external bank. As of the reporting date, the carrying amount of the lease receivables that have been transferred but not derecognized was €98 million (previous year: €10 million). The receivables did not qualify for derecognition due to a general recourse clause. The corresponding other financial liability had a carrying amount of €105 million (previous year: €111 million) as of the reporting date. The difference between the receivable amount and the liability amount is mainly the result of the receivable capturing only the portion currently resulting from operating leases, whereas the liability includes the discounted present value of all future cash flows that have been transferred. As of the reporting date, the fair value of the transferred but not derecognized receivables amounted to €105 million (previous year: €10 million), the fair value of the corresponding liability amounted to €105 million (previous year: €111 million), and the net position thus equaled €0 million (previous year: €101 million).

40. Financial risk management and financial instruments

Hedging guidelines and financial risk management principles

Due to the TRATON GROUP's business activities and international focus, its assets, liabilities, and forecast transactions are exposed to market, credit, and liquidity risk.

The Group's market risks are hedged with banks on the basis of internally defined limits. The TRATON GROUP uses suitable financial instruments such as derivatives to do this. Financial risks from balance sheet items, the order backlog, and other projected transactions are hedged. Such market risks are not managed centrally, but directly by TRATON SE and each of its brands. The relevant requirements of each company are considered since different functional currencies and business environments apply.

Counterparty risk is diversified as much as possible and monitored centrally. Liquidity risk is minimized by diversifying the sources of funding and ensuring a balanced mix of funding with different maturities, currencies, and interest rate agreements.

The Group's activities in the TRATON Financial Services segment are managed to largely match assets and liabilities in order to minimize interest rate mismatches. Appropriate value-at-risk methods are applied. The TRATON GROUP management is notified regularly about the financial risk position. Compliance with the applicable Group policies is reviewed by the internal Audit function.

Interest rate benchmark reform

The TRATON GROUP is exposed to the interest rate benchmark reform. A project was initiated within the TRATON GROUP to avoid material risks arising from the transition to alternative interest rate benchmarks (interest rate basis risk, liquidity risk, process risk, operational risk). In the course of this, market changes as well as publications of the various working groups managing the transition to new interest rate benchmarks were closely monitored. Furthermore, adequate risk management strategies and procedures are implemented.

The TRATON GROUP has almost finished its transition process for the relevant benchmark rates. For derivatives that reference a benchmark rate, the International Swaps and Derivatives Association's (ISDA) fallback clauses were made available at the end of 2020 and used within the TRATON GROUP for the transition. This ensures all legacy trades will, once the benchmark rate no longer applies, follow the fallback clause provided in the ISDA protocol.

Financial instruments that are affected by the IBOR reform as of the reporting date relate to primary financial liabilities and derivatives. Since the Euro Interbank Offered Rate (EURIBOR) was reformed in 2019, we currently do not expect a further reform.

QUANTITATIVE INFORMATION ON FINANCIAL INSTRUMENTS THAT HAVE YET TO TRANSITION TO AN ALTERNATIVE BENCHMARK RATE AS OF DECEMBER 31, 2022

€ million	Primary financial liabilities (carrying amount)	Derivatives (nominal amount)
Stockholm Interbank Offered Rate (STIBOR)	1,287	2,483
London Interbank Offered Rate for US dollars (USD LIBOR)	–	68
	1,287	**2,551**

QUANTITATIVE INFORMATION ON FINANCIAL INSTRUMENTS THAT HAD YET TO TRANSITION TO AN ALTERNATIVE BENCHMARK RATE AS OF DECEMBER 31, 2021

€ million	Primary financial liabilities (carrying amount)	Derivatives (nominal amount)
Stockholm Interbank Offered Rate (STIBOR)	1,894	2,911
London Interbank Offered Rate for US dollars (USD LIBOR)	50	204
	1,944	**3,115**

Credit and default risk

The TRATON GROUP is exposed to credit risk through its business operations and financing activities.

From the Group's perspective, credit risk entails the risk that a party to a financial instrument will fail to meet its contractual obligations and thus cause a financial loss for the Group. Credit risk comprises both the direct default risk and the risk of a deterioration in credit quality.

The maximum credit risk is reflected in the carrying amount of the financial assets recognized in the balance sheet. The TRATON GROUP holds collateral and other credit enhancements to further mitigate credit risk. Assets assigned as security, credit insurance, and guarantees are used as collateral. The risk from primary financial instruments is additionally accounted for by recognizing bad debt allowances.

The financial institutions and investment forms are carefully selected when investing cash funds, while a central limit system ensures diversification. Significant investments and derivatives are only entered into with national and international prime-rated banks. There are no material concentrations of credit risk in the TRATON GROUP.

Credit risk related to credit commitments to customers is managed decentrally, considering certain limits and using local credit quality assessments. Decisions on major credit commitments for the TRATON GROUP are made in subgroup credit committees. The maximum exposure to credit risk resulting from financial guarantees issued and irrevocable credit commitments is determined by the amount that the TRATON GROUP would have to pay in the event of claims under these guarantees.

Receivables of €23 million (previous year: €21 million) with contractual amounts outstanding were written off during the reporting period but are still subject to enforcement activity.

RECONCILIATION OF THE LOSS ALLOWANCE FOR FINANCIAL ASSETS AT AMORTIZED COST

	General approach					
€ million	12-month expected credit losses (Stage 1)	Lifetime expected credit losses — not impaired (Stage 2)	Lifetime expected credit losses — impaired (Stage 3)	Purchased credit-impaired assets (Stage 4)	Simplified approach	Total
Loss allowance as of 01/01/2022	**13**	**5**	**25**	**2**	**119**	**165**
Change	11	6	6	2	24	50
Loss allowance as of 12/31/2022	**25**	**11**	**32**	**5**	**143**	**215**
Loss allowance as of 01/01/2021	**16**	**4**	**24**	**–**	**106**	**149**
Change	–3	1	2	2	13	16
Loss allowance as of 12/31/2021	**13**	**5**	**25**	**2**	**119**	**165**

CHANGES IN LOSS ALLOWANCE FOR LEASE RECEIVABLES

€ million	Simplified approach
Loss allowance as of 01/01/2022	**94**
Change	244
Loss allowance as of 12/31/2022	**338**
Loss allowance as of 01/01/2021	**116**
Change	–23
Loss allowance as of 12/31/2021	**94**

The loss allowance relates mainly to credit risk from trade receivables and financial services receivables. Impairment losses on lease receivables amounting to €206 million were recognized as of December 31, 2022, as a result of the war in Ukraine and the planned disposal of Scania Finance Russia's business activities. The "Net impairment losses on financial assets" line in the income statement also includes the impairment losses of €40 million recognized as a result of the IFRS 5 classification of MAN Truck & Bus Russia and Scania Vehicles & Services Russia. These are no longer included in the loss allowance as of December 31, 2022, because the sale of the companies was completed before the reporting date. The impairment losses in connection with the disposals in Russia are not related to customer credit quality.

The gross carrying amounts of financial assets measured at amortized cost increased by €2,676 million to €12,967 million (previous year: €10,291 million) due in particular to new financial services receivables and newly established trade receivables allocated to the simplified approach.

The TRATON GROUP uses collateral, among other things, to lower credit risk. For financial assets with objective indications of impairment at the reporting date, the collateral mitigates the risk by €33 million (previous year: €30 million).

CHANGE IN LOSS ALLOWANCE FOR FINANCIAL GUARANTEE CONTRACTS AND CREDIT COMMITMENTS

€ million	12-month expected credit losses (Stage 1)	Lifetime expected credit losses — not impaired (Stage 2)	Lifetime expected credit losses — impaired (Stage 3)	Purchased credit-impaired assets (Stage 4)	Total
Loss allowance as of 01/01/2022	**10**	**0**	**1**	**3**	**14**
Change	0	0	0	0	0
Loss allowance as of 12/31/2022	**10**	**0**	**1**	**3**	**14**
Loss allowance as of 01/01/2021	**4**	**–**	**–**	**–**	**4**
Change	6	0	1	3	10
Loss allowance as of 12/31/2021	**10**	**0**	**1**	**3**	**14**

The carrying amounts of financial assets and the credit risk exposure of financial guarantees and credit commitments by credit risk rating grade are presented in the following. Credit risk rating grade 1 consists of financial instruments not exposed to any credit risk. Credit risk rating grade 2 consists of financial instruments that are subject to intensive credit management. Credit risk rating grade 3 consists of impaired financial instruments.

GROSS CARRYING AMOUNTS OF FINANCIAL ASSETS BY RATING GRADE

€ million	12-month expected credit losses (Stage 1)	Lifetime expected credit losses — not impaired (Stage 2)	Lifetime expected credit losses — impaired (Stage 3)	Purchased credit-impaired assets (Stage 4)	Simplified approach	12/31/2022
Rating grade						
Credit risk rating grade 1	9,181	–	–	8	7,950	17,139
Credit risk rating grade 2	–	213	–	1	507	721
Credit risk rating grade 3	–	–	69	4	212	285
	9,181	**213**	**69**	**13**	**8,669**	**18,145**

€ million	12-month expected credit losses (Stage 1)	Lifetime expected credit losses — not impaired (Stage 2)	Lifetime expected credit losses — impaired (Stage 3)	Purchased credit-impaired assets (Stage 4)	Simplified approach	12/31/2021
Rating grade						
Credit risk rating grade 1	7,574	–	–	–	6,984	14,558
Credit risk rating grade 2	–	144	–	6	386	536
Credit risk rating grade 3	–	–	42	5	190	238
	7,574	**144**	**42**	**11**	**7,560**	**15,331**

In the case of financial guarantee contracts and credit commitments, the bulk of the default risk exposure, accounting for €1,868 million (previous year: €1,905 million), relates to financial instruments for which the impairment loss is calculated on the basis of the expected 12-month credit loss (Stage 1), and hence credit risk rating grade 1.

Liquidity risk

Liquidity risk describes the risk that the TRATON GROUP will have difficulty in meeting its obligations associated with financial liabilities or that it can only procure liquidity at a higher price. To counter this risk, cash inflows and outflows and due dates are continuously monitored and managed. Cash requirements are primarily met by our operating business and by external financing arrangements. There were no material concentrations of liquidity risk in the past fiscal year.

The TRATON GROUP's solvency and liquidity are assured at all times by rolling liquidity planning, a liquidity reserve in the form of cash, credit lines with financial institutions and companies of the Volkswagen Group, and the issuance of securities on international money and capital markets. Special issuance programs and financing lines have been established for companies in the TRATON Financial Services segment to cover their funding requirements.

Cash and cash equivalents amounted to €1,439 million (previous year: €2,002 million) as of December 31, 2022. Local cash funds in certain countries (e.g., Brazil, China, and Russia) of €644 million (previous year: €1,038 million) are subject to exchange controls and are not available to the Group for cross-border transactions without restriction. Such amounts are used locally to cover the financing needs of the operating business. Other than that, no significant restrictions exist. The "Assets held for sale" item contains other cash and cash equivalents of €304 million (previous year: €– million), which are in Russia and also not available to the Group for cross-border transactions without restriction.

The TRATON GROUP's liquidity reserve consists of unused confirmed credit lines of €6,780 million (previous year: €8,230 million), including €2,280 million (previous year: €3,730 million) from Volkswagen AG. The TRATON GROUP also has €457 million (previous year: €435 million) in unused unconfirmed credit lines from banks at its disposal in order to enhance flexibility in financing decisions.

The following table shows how the cash flows relating to liabilities, derivatives, and financial guarantees affect the TRATON GROUP's liquidity position:

			2022			2021
Maturity overview	**Remaining contractual maturities**			**Remaining contractual maturities**		
€ million	**2023**	**2024–2027**	**> 2027**	**2022**	**2023–2026**	**> 2026**
Financial liabilities[1]	8,883	10,557	2,710	6,567	10,072	2,515
Trade payables[1]	5,502	16	0	4,231	14	–
Other financial liabilities[1,2]	1,965	1,860	115	1,916	2,151	130
Derivatives	5,785	5,141	1,140	6,741	4,399	1,046
Financial guarantees	860	–	–	1,006	–	–
	22,995	**17,574**	**3,966**	**20,462**	**16,636**	**3,692**

1 The amounts were calculated as follows:
- If there is no agreement on contractual maturity, the liability refers to the earliest possible maturity date.
- In the case of variable interest rate agreements, interest reflects the conditions as of the reporting date.
- It is assumed that the cash outflows will not occur earlier than shown.

2 The undiscounted maximum cash outflows from buyback obligations are recognized as a financial liability.

Derivatives comprise both cash outflows from derivatives with negative fair values and cash outflows from derivatives with positive fair values for which gross settlement has been agreed. Derivatives entered into through offsetting transactions are also accounted for as cash outflows. The cash outflows from derivatives for which gross settlement has been agreed are matched by cash inflows that are not disclosed in the maturity analysis. If these cash inflows had also been recognized, the cash outflows presented would be significantly lower. This also applies in particular if hedges have been closed out through offsetting transactions.

The cash outflows from irrevocable credit commitments are presented in Note **"44. Other financial obligations,"** classified by contractual maturities.

In addition, certain TRATON GROUP companies use supplier finance arrangements. These continue to be presented in the balance sheet under trade payables because they meet the definition of a trade payable, and the contractual terms (e.g., payment terms) do not change or do not change materially. Collateral is not pledged in this context. Correspondingly, the cash outflow is reported in net cash provided by/used in operating activities. As of December 31, 2022, trade payables included €363 million (previous year: €388 million) attributable to supplier finance arrangements. This does not result in any material liquidity risk or any risks from risk concentrations.

Market risk

Hedging policy and financial derivatives

During the course of its general business activities, the TRATON GROUP is exposed to currency, interest rate, and commodity price risks. TRATON's current policy is to continuously monitor these risks by means of its risk management systems. Measures to mitigate these risks are taken by the Treasury departments at TRATON SE and the individual brands. There were no significant concentrations of risk in the past fiscal year.

Market risk in the TRATON GROUP

1. Currency risk

Currency risk describes the risk of negative effects on earnings, cash flow, and balance sheet items due to exchange rate movements. The TRATON GROUP's currency risk is a result of its investments, financing measures, and operating activities. Currency forwards, currency options, currency swaps, and cross-currency swaps are used to mitigate risks to future cash flows. The TRATON GROUP partly hedges currency risk arising from order backlog, receivables and liabilities, and planned unit sales. Companies that enter into hedging transactions choose the hedge ratio for expected sales revenue on the basis of past experience in order to avoid ineffectiveness. Nevertheless, ineffectiveness can result from changes in counterparty credit risk or if the spot component of a forward is not separated from the forward element. The inclusion of subsidiaries or other affiliated Group companies in countries outside the eurozone 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.

Assets in the TRATON Financial Services segment should generally be funded by liabilities in the same currency. There are no fair value hedges relating to currency risk.

Hedging transactions entered into as part of foreign exchange risk management were mainly in Swedish kronor, British pounds sterling, US dollars, and Brazilian reais.

The primary and derivative financial instruments at the end of the reporting period were measured in a hypothetical scenario as part of a sensitivity analysis. The effects of a 10% increase/decrease in an exchange rate were as follows:

	12/31/2022				12/31/2021			
	Equity		Earnings for the period		Equity		Earnings for the period	
€ million	+10%	–10%	+10%	–10%	+10%	–10%	+10%	–10%
Currency pair								
EUR/USD	3	–4	58	–71	1	–1	30	–37
EUR/BRL	0	0	–57	57	0	0	–25	25
EUR/GBP	37	–45	–4	5	36	–44	–6	7
USD/BRL	2	–3	–21	22	–4	5	3	–4
EUR/CHF	9	–11	3	–4	8	–10	5	–6
SEK/USD	0	0	–14	14	0	0	–11	11
EUR/DKK	5	–6	1	–1	6	–7	4	–4
EUR/MXN	0	0	6	–7	0	0	8	–10

The following tables show details of derivatives included in hedge accounting in terms of the currency risk:

AMOUNT, TIMING, AND UNCERTAINTY OF CASH FLOWS

	Maturity			
€ million	< 1 year	1 to 5 years	> 5 years	Total nominal amount
2022				
Currency risk:				
Currency forwards EUR/GBP	557	45	–	602
Currency forwards BRL/USD	111	134	–	244
Currency forwards EUR/CHF	119	31	–	151
Currency forwards EUR/DKK	82	2	–	84
Currency forwards EUR/USD	31	20	–	51
Currency forwards EUR/ZAR	69	–	–	69
Currency forwards USD/MXN	33	–	–	33
Currency forwards — other currencies	30	–	–	30
	1,057	**232**	**–**	**1,289**
2021				
Currency risk:				
Currency forwards EUR/GBP	586	–	–	586
Currency forwards EUR/CHF	121	21	–	142
Currency forwards BRL/USD	65	31	–	96
Currency forwards EUR/DKK	86	8	–	94
Currency forwards EUR/NOK	30	–	–	30
Currency forwards EUR/ZAR	29	–	–	29
Currency forwards EUR/HKD	17	2	–	19
Currency forwards — other currencies	33	–	–	33
	966	**61**	**–**	**1,028**

Currency risk was hedged by cash flow hedges at the following average hedging exchange rates for the major currency pairs: 0.87 EUR/GBP; 6.10 BRL/USD; 1.00 EUR/CHF.

INFORMATION ON HEDGING INSTRUMENTS INCLUDED IN HEDGE ACCOUNTING

€ million	2022	2021
Currency risk		
Fair value change to determine hedge ineffectiveness	31	–29
Carrying amount of other financial assets	44	4
Carrying amount of other financial liabilities	8	32
Nominal value	1,289	1,028

INFORMATION ON HEDGED ITEMS INCLUDED IN HEDGE ACCOUNTING

€ million	2022	2021
Currency risk		
Fair value change to determine hedge ineffectiveness	–31	30
Reserve for active cash flow hedges	31	–30

INFORMATION ABOUT THE EFFECTS OF HEDGE ACCOUNTING ON THE STATEMENT OF COMPREHENSIVE INCOME

€ million	2022	2021
Currency risk		
Hedging instruments included in hedge accounting		
Unrealized gains and losses on hedging instruments	30	70
Reclassification of realized gains and losses to profit or loss	10	28
Cost of hedging		
Unrealized gains and losses relating to cost of hedging	0	–3
Reclassification of realized gains and losses to profit or loss	4	0
Ineffectiveness recognized in profit or loss and reported in other operating result	–	1

In the previous year, ineffectiveness recognized in profit or loss had been attributable to the hedge of the purchase price payment to acquire Navistar.

RECONCILIATION OF CASH FLOW HEDGE RESERVE

€ million	2022	2021
Balance as of 01/01	**–30**	**–127**
Gains and losses from effective hedges	45	57
Reclassification to profit or loss due to recognition of hedged item in profit or loss	15	41
Other changes (foreign exchange effects)	1	1
Balance as of 12/31	**31**	**–30**

RECONCILIATION OF THE RESERVE FOR COST OF HEDGING

€ million	2022	2021
Balance as of 01/01	**0**	**4**
Gains and losses from effective hedges	0	–4
Reclassification to profit or loss due to recognition of hedged item in profit or loss	5	0
Other changes (foreign exchange effects)	–2	0
Balance as of 12/31	**3**	**0**

2. Interest rate risk

Interest rate risk describes the risk of negative effects from movements in interest rates. Financial instruments that are sensitive to movements in interest rates are exposed to interest rate risk in the form of fair value risk or cash flow risk. Fair value risk is calculated using the sensitivity of the carrying amount of a recognized financial instrument to changes in market interest rates. Cash flow risk describes the exposure to variability in future interest payments in response to interest rate movements. Interest rate swaps and cross-currency swaps are used to implement the risk management strategy.

The TRATON GROUP is exposed to interest rate risk from interest rate-sensitive assets and liabilities. Intragroup financing arrangements are mainly funded at matching maturities. Departures from the Group's standards are subject to centrally defined limits and monitored continuously.

Interest rate risk within the meaning of IFRS 7 is calculated for the companies using sensitivity analyses. Any earnings effects attributable to interest rate sensitivity would be recognized exclusively in earnings for the period.

If market interest rates had been 100 basis points (bps) higher as of December 31, 2022, earnings after tax would have been €41 million lower (previous year: €36 million lower). If market interest rates had been 100 bps lower as of December 31, 2022, earnings after tax would have been €42 million higher (previous year: €41 million higher).

Of the aggregate outstanding amount of €5,700 million (previous year: €4,300 million) issued by TRATON SE in 2021, €2,050 million (previous year: €2,050 million) is included in hedge accounting as of December 31, 2022; interest rate swaps are used to hedge against interest rate changes. The interest rate swaps and the hedged item have the same material conditions, which is why an offsetting economic relationship can be assumed. Nevertheless, ineffectiveness arises mainly because of TRATON's nondesignated own credit risk, which is reflected in the measurement of the swaps. The hedging relationship is accounted for as a fair value hedge.

Derivatives included in hedge accounting relate solely to interest rate risk. The following tables show details of these derivatives:

AMOUNT, TIMING, AND UNCERTAINTY OF CASH FLOWS

		Maturity		
€ million	**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**
2022				
Interest rate risk:				
Interest rate swaps	81	220	52	353
2021				
Interest rate risk:				
Interest rate swaps	–	14	6	21

The average rate for interest rate swaps used to hedge interest rate risk in fair value hedges was 0.45% (previous year: 0.45%).

INFORMATION ON HEDGING INSTRUMENTS INCLUDED IN HEDGE ACCOUNTING

€ million	**2022**	**2021**
Interest rate risk:		
Cumulative fair value change to determine hedge ineffectiveness	–256	–21
Carrying amount of other financial liabilities	256	21
Nominal value	2,050	2,050

INFORMATION ON HEDGED ITEMS INCLUDED IN HEDGE ACCOUNTING

€ million	**2022**	**2021**
Interest rate risk:		
Carrying amount of financial liabilities	1,779	2,029
Accumulated amount of hedge adjustments	–271	–21
Cumulative fair value change to determine hedge ineffectiveness	271	21
Ineffectiveness recognized in profit or loss and reported in other financial result	15	–

3. Commodity price risk

The TRATON GROUP is primarily exposed to commodity price risk from fluctuations in the price and availability of commodities.

Commodity price risks are captured centrally at regular intervals for MAN Truck & Bus and Navistar Sales & Services and hedged externally based on defined risk limits, provided there are liquid markets. This approach also considers whether changes in commodity prices will be reflected in higher selling prices for the products. The Group enters into cash-settled commodity futures to mitigate these risks. There were no material concentrations of risk in the past fiscal year. Cash-settled commodity futures had been entered into at the balance sheet date to hedge commodity and energy price risks relating to heating oil, nonferrous metals, precious metals, and rubber with a fair value of €–5 million (previous year: €0 million). Hedge accounting is not used at present.

The maximum remaining maturity of hedges of future transactions at the end of fiscal year 2022 was 20 months (previous year: 13 months). Reflecting the sensitivity analysis of currency risk, a hypothetical 10% increase/decrease in the value of commodity prices did not have any significant effect on earnings after tax.

41. Capital management

The TRATON GROUP's capital management ensures that the goals and strategies can be achieved in the interests of its shareholders, employees, and other stakeholders. In particular, management focuses on generating the minimum return on invested capital in the TRATON Operations business area that is required by the capital markets, which is determined via the return on investment, and on increasing the return on equity in the TRATON Financial Services segment.

Return on investment is calculated based on operating result after tax. In addition to operating result of the TRATON Operations business area, the calculation also includes operating result of the TRATON Holding, consolidation effects between the TRATON Operations business area and the TRATON Holding, and earnings effects from the purchase price allocation with regard to the TRATON Operations business area. An overall average tax rate of 30% is applied. Invested capital is calculated as total recognized operating assets (intangible assets, property, plant, and equipment, 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. The calculation methodology corresponds to the methodology used in the Volkswagen Group.

The return on equity in the TRATON Financial Services segment is calculated as the ratio of earnings before tax to average equity. Average equity is calculated from the balance at the beginning and the end of the reporting period.

An additional goal is to satisfy the capital requirements of the banking regulator. To do so, a planning procedure integrated into internal reporting has been put in place, allowing the required equity to be continuously determined on the basis of actual and expected business performance. The external minimum capital requirements applicable to certain companies in the TRATON Financial Services segment were met.

The return on investment in the TRATON Operations business area as well as the return on equity in the Financial Services segment are shown in the following table:

€ million	**2022**	**2021**
TRATON Operations		
Operating result after tax for ROI	1,108	113
Invested capital (average)	16,595	14,042
Return on investment (ROI) (in %)	**6.7**	**0.8**
TRATON Financial Services		
Earnings before tax	80	260
Average equity	1,999	1,392
Return on equity before tax (in %)	**4.0**	**18.6**

42. Contingent liabilities and commitments

€ million	**12/31/2022**	**12/31/2021**
Liabilities under buyback guarantees	2,555	2,603
Contingent liabilities under guarantees	904	1,045
Other contingent liabilities	1,033	767
	4,492	**4,415**

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

Contingent liabilities under guarantees as of December 31, 2022, include financial guarantees of €870 million (previous year: €1,017 million). These are primarily default guarantees by Navistar in favor of banks.

The guarantees in favor of or for related party entities were insignificant at year-end.

Other contingent liabilities relate mainly to contingent liabilities for potential charges from tax risks, which exist primarily for Volkswagen Truck & Bus. For further information, refer to Note **"43. Litigation/legal proceedings."**

43. Litigation/legal proceedings

MAN and Scania/EU antitrust proceedings

After unannounced inspections at the premises of several European truck manufacturers including MAN and Scania in 2011, the European Commission initiated proceedings in 2014 for suspected violations of EU antitrust rules in the European truck sector. On July 19, 2016, the European Commission issued a settlement decision (the "Settlement Decision") against MAN and four other European truck manufacturers (excluding Scania) holding that collusive arrangements on pricing and gross price increases for medium- and heavy-duty trucks in the European Economic Area and the timing and the passing on of costs for the introduction of emission technologies for medium- and heavy-duty trucks required by Euro 3 to Euro 6 standards had lasted from January 17, 1997, to January 18, 2011 (for MAN: until September 20, 2010). While the other four truck manufacturers were fined, MAN was granted immunity from fines since it had acted as a key witness and informed the European Commission of the antitrust infringements in September 2010. Scania decided not to apply for leniency and not to settle this antitrust case and, by decision of the European Commission dated September 27, 2017 (the "Scania Decision"), received a fine in the amount of approximately €880.5 million. Scania appealed the Scania Decision to the General Court of the European Union and asked for full annulment. On February 2, 2022, the General Court rendered its judgment, whereby Scania's appeal was dismissed in its entirety and the amount of fines set by the European Commission upheld. On April 8, 2022, Scania appealed against the judgment of the General Court of the European Union from February 2, 2022, to the European Court of Justice. The €880.5 million fine plus interest from the EU antitrust proceedings was paid on April 12, 2022, to avoid additional interest penalties.

Following the Settlement Decision, a significant number of (direct and indirect) truck customers in various jurisdictions have initiated or joined lawsuits against MAN and/or Scania. With the merger of MAN SE with TRATON SE taking effect, TRATON SE has — in most jurisdictions — automatically assumed the procedural role of MAN SE as legal successor in the respective proceedings (and is insofar covered by "MAN companies"). Even if such claims may have expired under the respective applicable local laws it cannot be excluded that further lawsuits will be filed. The claims against MAN companies differ significantly in scope; while some truck customers only bought or leased a single truck, other cases concern a multitude of trucks. Furthermore, some truck customer damages claims have been combined in class actions or through claim aggregators to which the truck customers assigned their respective damages claims.

In Germany, eight "judgments on the merits of the claim" (*Grundurteile*) have been rendered against one or more MAN companies. There was no need in these cases to resolve the issue of whether any damages were actually sustained. The defendant MAN companies have appealed all of these decisions. In one case, the court of appeal has already revoked the first instance judgment and dismissed the action as inadmissible. In two further cases, the respective claimant has withdrawn the action before the court of appeal. In individual proceedings, some courts issued "orders for evidence to be taken" (*Beweisbeschlüsse*) so that an expert can clarify the question of whether any damage has been sustained and, if so, in what amount. At the Regional Courts of Munich I (37. Civil Chamber) and Stuttgart (30. Civil Chamber), the respective experts retained by the court have delivered their expert opinions in several proceedings. MAN companies will file their complaints as well as requests and supplemental questions in due course. By contrast, a range of lawsuits against MAN companies have been dismissed — some of them already finally.

In addition to a series of dismissals of lawsuits — some of them already final — in various countries, individual courts in Spain have upheld a number of damages claims — either in part or in full. The defendant MAN companies have appealed all of the decisions or will do so within the statutory period. While in a few cases, the respective court of appeal has already revoked the decision of the court of first instance, in other cases, the respective court of appeal has upheld the first instance ruling awarding damages — in full or in part.

With one negligible exception, none of these judgments are final, as the defendant MAN companies have appealed all decisions before the Spanish Supreme Court, which has not rendered a decision yet. In Belgium, a judgment on the merits and a judgment awarding damages (on an equitable basis) have been issued against MAN. MAN companies have appealed both decisions. In the meantime, the respective plaintiffs have withdrawn both claims.

A relatively small number of (direct and indirect) customers in various jurisdictions have initiated or joined lawsuits against Scania. Further, Scania has received a number of third-party notices from other defendant commercial vehicle manufacturers. As is the case for MAN, the claims against Scania differ significantly in scope as some customers only bought or leased one truck while others operate a whole fleet of trucks. Furthermore, some customer damages claims in other jurisdictions have been combined in class actions or through claim aggregators. The exact number of trucks involved is, however, unknown.

No provisions were recognized for these cases since a final and unappealable ruling under which MAN or Scania would have to pay damages is not more likely than unlikely at present. No contingent liabilities were recognized because these damages cannot currently be quantified. In particular, this applies to proceedings that are still in the early stages, including those in the early stages of expert appraisals.

VW Truck & Bus Ltda.

In the tax proceedings between Volkswagen Truck & Bus Indústria e Comércio de Veículos Ltda. (VW Truck & Bus Ltda.), formerly MAN Latin America Indústria e Comércio de Veículos Ltda. (MAN Latin America), and the Brazilian tax authorities, the Brazilian tax authorities took a different view of the tax implications of the acquisition structure chosen by MAN SE (now merged with TRATON SE) for the acquisition of VW Truck & Bus Ltda. in 2009. The tax proceedings have been divided into two auditing periods, covering the years 2009/2011 (Phase 1) and 2012/2014 (Phase 2). In December 2017, an adverse last instance judgment was rendered by the Brazilian Administrative Court (Phase 1), which was negative for VW Truck & Bus Ltda. VW Truck & Bus Ltda. appealed this judgment before a regular judicial court in 2018. The tax proceeding related to Phase 2 is still pending judgment by the Brazilian tax authorities. Due to the potential range of penalties plus interest which could apply under Brazilian law, the estimated size of the risk in the event that the tax authorities are able to prevail overall with their view is uncertain. This could result in a risk of about BRL 3.5 billion (equivalent to €0.6 billion as of December 31, 2022) for the contested period from 2009 onward. This assessment is based on the accumulated accounts at the reporting date for the claimed tax liability including the potential penalty surcharges, as well as accumulated interest, but excluding any future interest and without discounting any cash flows. Several banks have issued bank guarantees for the benefit of VW Truck & Bus Ltda. as is customary in connection with such tax proceedings, which in turn are secured by TRATON SE.

Navistar/profit sharing disputes

Navistar's post-retirement benefit obligations, such as retiree medical, are primarily funded in accordance with a 1993 settlement agreement. Pursuant to this agreement, if a threshold of profits for a given year was achieved, Navistar had to make profit sharing payments to a benefit trust. There have subsequently been repeated disputes about the details and extent of these profit sharing payments. A lawsuit filed in 2013 led to a court order in 2015 to enter into arbitration proceedings. In February 2021, Navistar and the Committee responsible for the benefit trust agreed in principle to a final arbitration award in the amount of USD 239 million (equivalent to €224 million as of December 31, 2022). The Committee filed a motion in court to confirm the arbitration award and Navistar filed a motion to vacate the arbitration award. In addition, the profit sharing calculations for the years 2015 through 2020 and the "profit sharing cessation date" provisions in the settlement agreement were also disputed. Various local bargaining units of the UAW (United Automobile, Aerospace and Agricultural Implement Workers of America) labor union have also filed local grievances under various collective bargaining agreements.

On December 22, 2021, the parties entered into a definitive settlement agreement ("Profit Sharing Settlement Agreement") on substantially the same terms and conditions as the letter of intent (LOI) dated October 22, 2021, which had been signed to settle all Profit Sharing Plan disputes for years 2020 and prior and to terminate all future Profit Sharing Plans. In return, Navistar agreed to make payments to the Supplemental Benefit Trust in the aggregate amount of USD 556 million (equivalent to €521 million as of December 31, 2022). On the same day, the parties entered into a Class Settlement Agreement, which was filed by the class representatives with their unopposed motion for preliminary approval of the class action settlement. In the fourth quarter of 2021, Navistar made the first payment of USD 100 million (€88 million) on the basis of this agreement.

The Profit Sharing Settlement Agreement agreed with the class representatives in December 2021 was approved by the competent court in June 2022. Following this, Navistar made the contractually agreed final payment of USD 424 million (€401 million) including interest. The deadline for appealing the court's final approval of the class action settlement has expired.

Navistar/retiree health care litigation

In October 2016, an additional lawsuit was filed with the court by the members of the Committee mentioned above in conjunction with the settlement agreement. This lawsuit involves retirees of Navistar who had joined the Navistar, Inc. Health Benefit and Life Insurance Plan established under the settlement agreement. The lawsuit is about the alleged misappropriation by Navistar of certain grants (Medicare Part D subsidies and Medicare Part D coverage-gap discounts).

On December 22, 2021, the parties entered into a definitive settlement agreement ("Krzysiak Action Settlement Agreement") on substantially the same terms and conditions as the letter of intent (LOI) dated October 22, 2021, under which it has been agreed that the OPEB plan will be adjusted with regard to the contributions, resulting in an increase of USD 146 million (€123 million) in the balance sheet obligation (see Note **"34. Provisions for pensions and other post-employment benefits"**) and a payment by Navistar. The competent court also approved the Krzysiak Action Settlement Agreement in June 2022. Following this, Navistar made the agreed final payments in the total amount of USD 20 million (€19 million). The deadline for appealing the court's final approval of the class action settlement has expired.

Navistar/MaxxForce EGR warranty litigation

Since 2014, Navistar has been facing lawsuits in the USA and Canada in connection with the MaxxForce 11-, 13-, and 15-liter EGR engines. The class action suits allege that these engines are defective, and that Navistar failed to disclose these defects. There are eight class action suits pending in Canada. In the USA, the pending class action suits were consolidated in a multidistrict litigation. In 2019, the parties reached a settlement agreement consisting of cash and rebate components with a total value of USD 135 million (equivalent to €126 million as of December 31, 2022). Settlement of the USA class action suits is final, and the USA class actions have been dismissed. In addition, there are non-class action lawsuits in this regard filed against Navistar in various state and federal courts in the USA and Canada. Several cases have been resolved at trial with varying results. Provisions have been recognized for this.

Update on the MAN SE merger squeeze-out

The merger of MAN SE with TRATON SE was entered in the commercial register of MAN SE and TRATON SE on August 31, 2021. With this, MAN SE ceased to exist as an independent legal entity, and all rights and obligations were transferred to TRATON SE. MAN SE shares were delisted at the same time.

Cash compensation in the amount of €70.68 per common and preferred share was paid out to MAN SE noncontrolling shareholders on September 3, 2021. This marked the conclusion of the MAN SE merger squeeze-out. The appropriateness of the cash compensation will be reviewed by a court-appointed auditor as part of the judicial award proceedings initiated by affected noncontrolling interest shareholders. TRATON submitted its response to the court at the end of June 2022. The oral proceedings are scheduled for March 2023. No provisions or contingent liabilities have been recognized.

44. Other financial obligations

2022 € million	Due 2023	Due 2024–2027	Due from 2028	Total 12/31/2022
Purchase order commitments for				
property, plant, and equipment	354	259	1	614
Intangible assets	20	37	–	58
Obligations from				
irrevocable credit and lease commitments to customers	673	88	9	770
long-term rental and lease contracts	30	43	8	81
Miscellaneous financial obligations	101	267	2	370

2021 € million	Due 2022	Due 2023–2026	Due from 2027	Total 12/31/2021
Purchase order commitments for				
property, plant, and equipment	469	194	2	666
intangible assets	22	36	–	58
Obligations from				
irrevocable credit and lease commitments to customers	575	116	10	701
long-term rental and lease contracts	32	63	21	116
Miscellaneous financial obligations	93	207	3	304

On December 15, 2021, the TRATON GROUP signed the contract to establish the Milence charging infrastructure joint venture together with Daimler Truck and the Volvo Group and undertook to invest a total amount of up to €167 million in this joint venture. Equity of €5 million was paid into Milence following the formation of the joint venture in July 2022.

45. Related party disclosures

Related parties within the meaning of IAS 24 *Related Party Disclosures* are persons or entities that can be influenced by the TRATON GROUP, that can exercise influence over the TRATON GROUP, or that are influenced by another related party of the TRATON GROUP.

Related parties from the TRATON GROUP's perspective as of December 31, 2022, were:

- Volkswagen Finance Luxemburg S.A., Strassen, Luxembourg (Volkswagen Finance Luxemburg)
- Volkswagen AG and its subsidiaries, together with its significant investees outside the TRATON GROUP
- Porsche Automobil Holding SE, Stuttgart (Porsche Stuttgart), which has significant influence on the Volkswagen Group's operating policy decisions within the meaning of IAS 28 *Investments in Associates and Joint Ventures*, together with its affiliated companies and related parties
- The state of Lower Saxony and its related majority-owned interests
- Other individuals or entities that can be influenced by the TRATON GROUP or that can influence the TRATON GROUP, such as:
  - members of TRATON SE's Executive and Supervisory Boards
  - members of the Board of Management and Supervisory Board of Volkswagen Finance Luxemburg
  - members of the Board of Management and Supervisory Board of Volkswagen AG
  - associates and joint ventures
  - unconsolidated subsidiaries

Some members of the Executive and Supervisory Boards of the TRATON GROUP are members of supervisory and executive boards or shareholders of other companies with which the TRATON GROUP has relations in the normal course of business.

On December 31, 2022, Volkswagen Finance Luxemburg, a wholly owned subsidiary of Volkswagen AG, held 89.72% (previous year: 89.72%) of TRATON SE's share capital. Additionally, Mr. Levin held 3,600 (previous year: 3,600) shares of TRATON SE on December 31, 2022.

The following tables present the amounts of supplies and services transacted, as well as outstanding receivables and obligations, between consolidated companies of the TRATON GROUP and its related parties, including Volkswagen AG. There were no significant transactions with Porsche Stuttgart, Volkswagen Finance Luxemburg, or the state of Lower Saxony in any of the reported periods presented.

RELATED PARTIES

	Sales and services rendered		Purchases and services received	
€ million	2022	2021	2022	2021
Volkswagen AG	5	26	186	189
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	1,934	1,635	949	801
Unconsolidated subsidiaries	16	29	11	10
Associates and their majority-owned interests	175	161	254	276
Joint ventures and their majority-owned interests	13	15	49	47

	Receivables from		Liabilities (including obligations) to	
€ million	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Volkswagen AG	11	210	1,904	362
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	624	372	2,711	3,566
Unconsolidated subsidiaries	60	37	40	49
Associates and their majority-owned interests	40	38	12	29
Joint ventures and their majority-owned interests	5	2	1	1

Supplies and services rendered to other subsidiaries and investees of Volkswagen AG that are not part of the TRATON GROUP mainly relate to the sales financing business of MAN Truck & Bus, in which customer finance for vehicles is provided by Volkswagen Financial Services. This increase is attributable to the solid business performance in this area. Supplies and services received from other subsidiaries and investees of Volkswagen AG that are not part of the TRATON GROUP relate mainly to unfinished goods and products.

Receivables from Volkswagen AG are mainly finance transaction balances. The short-term deposits with Volkswagen AG amounting to €200 million that had been invested in the previous year were withdrawn in the first half of the year.

In October 2022, the TRATON GROUP entered into an agreement to sell 100% of its interest in Scania Finance LLC, Scania Insurance LLC, and Scania Leasing LLC (together, "Scania Finance Russia"), to companies of the Volkswagen Group. The transaction was completed on January, 17, 2023, after all regulatory approvals had been obtained. In this context, Scania Finance Russia has bank balances of €287 million (previous year: €– million) relating to a Volkswagen Group company. For further information, see Note **"9. Noncurrent assets and disposal groups held for sale."**

Liabilities to Volkswagen AG include loans granted by Volkswagen AG in the amount of €1,720 million (previous year: €270 million) resulting from a €4,000 million (previous year: €4,000 million) credit facility. The credit facility is subject to market interest rates.

The outstanding obligations relating to Volkswagen AG also include remuneration and severance components for a former member of TRATON SE's Executive Board. Liabilities to other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP mainly relate to liabilities to Volkswagen Financial Services. The decrease in these liabilities is primarily attributable to the loan taken out with Volkswagen International Luxemburg S.A., Strassen, Luxembourg (Volkswagen International Luxemburg), which is explained in the following paragraph.

In November 2020, TRATON SE took out a loan of €3,300 million with Volkswagen International Luxemburg, with a term of up to 30 months, to finance the US dollar purchase price of the common shares of Navistar International Corporation not already held by TRATON SE. The financing was subject to market interest rates. The loan was reduced to €2,750 million in May 2021 and fully drawn down at the acquisition date, and repaid in full by means of bank financing in three tranches in October 2021, November 2021, and March 2022. In addition, a new loan of €500 million (previous year: €1,050 million) was taken out with Volkswagen International Luxemburg in the first half of the year at standard market terms.

The sale of receivables to subsidiaries of Volkswagen AG that are not part of the TRATON GROUP amounted to €1,251 million (previous year: €1,023 million) in fiscal year 2022. This relates to the volume of receivables that were transferred and derecognized in each reporting period. Customer liabilities to Volkswagen Financial Services are covered by standard industry buyback guarantees, see Note **"42. Contingent liabilities and commitments."**

The remuneration system for the Executive Board comprises fixed and variable components. The variable remuneration consists of a performance-related profit bonus with a one-year assessment period and a long-term incentive (LTI) in the form of a performance share plan with a forward-looking four-year term (share-based payment). For the members of the Executive Board who were already in office prior to December 16, 2020, the remuneration system for the Executive Board applies until their contract is renewed on the condition that the performance share plan continues to have a performance period of three years. The same applies to tranches of the performance share plans that were granted in fiscal years prior to the year beginning January 1, 2021.

In the introductory phase of the performance share plan, those members of the Executive Board who were members of the Executive Board as of January 17, 2019, receive advances of 80% of their target amount for the first two tranches (2019–2021 tranche and 2020–2022 tranche) of the performance share plan. As of December 31, 2022, there was a receivable of €1 million (previous year: €1 million) from current members of the Executive Board for the 2020–2022 tranche. As of December 31, 2022, a subsidiary of TRATON SE extended a secured loan at a standard market rate of interest to a member of TRATON SE's Executive Board, which is described in Note **"46. Remuneration of the Executive Board and the Supervisory Board in accordance with section 314 of the HGB."**

Liabilities to the current members of the Executive Board and Supervisory Board comprise outstanding balances for the remuneration of the Supervisory Board, for the fair values of performance shares granted to members of the Executive Board, and for variable remuneration in the amount of €7 million (previous year: €3 million, prior-period amount adjusted). The pension provisions for the members of the Executive Board in office amounted to €2 million (previous year: €1 million) as of December 31, 2022.

The following expenses were recognized in fiscal year 2022 for the benefits and remuneration granted to members of the Executive and Supervisory Boards of TRATON SE in the course of their activities as members of governing bodies.

€ million	2022	2021
Short-term benefits	11	9
Benefits based on performance shares	1	8
Post-employment benefits	3	3
Termination benefits	–	19
	16	**39**

The employee representatives on the Supervisory Board who are employed by TRATON SE or other TRATON GROUP companies also receive their regular salaries as specified in their employment contracts. If they are members of German works councils, this is based on the provisions of the *Betriebsverfassungsgesetz* (BetrVG — German Works Council Constitution Act).

Benefits based on performance shares include the expenses for the performance shares granted to Executive Board members under the remuneration system in place from 2019 onward.

Post-employment benefits relate to additions to pension provisions, expenses for defined contribution pension plans, and — depending on the social security system — contributions to the Swedish pension system for current members of the Executive Board.

46. Remuneration of the Executive Board and the Supervisory Board in accordance with section 314 of the HGB

The total remuneration granted to the members of the Executive Board amounted to €15 million (previous year: €12 million).

Under the performance share plan, the members of the Executive Board were awarded a total of 272,166 (previous year: 263,213) performance shares for fiscal year 2022, whose value at the award date amounted to €5 million (previous year: €6 million).

Advances granted to members of the Executive Board under the performance share plan amounted to €– million (previous year: €1 million) as of December 31, 2022. Outstanding advances in connection with the 2020–2022 tranche of the performance share plan amounted to €1 million (previous year: €1 million) as of December 31, 2022. In fiscal year 2022, a total of €– million (previous year: €1 million) of the advances granted to members of the Executive Board was offset against the performance share plan payment. In addition, a loan extended to a member of the Executive Board in 2021 was outstanding in the amount of €3 million (previous year: €3 million) as of December 31, 2022.

Former members of the Executive Board and their surviving dependents were paid €– million (previous year: €19 million) in fiscal year 2022. There were pension provisions of €9 million (previous year: €8 million) for this group of persons.

The total remuneration granted to the members of the Supervisory Board amounted to €2 million (previous year: €2 million).

47. Fees paid to the auditor of the consolidated financial statements

The fees charged for the work performed by the auditors of the consolidated financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), in Germany are shown in the following table:

€ million	2022	2021
Audit of the financial statements	3	3
Other assurance services	0	1
Tax advisory services	0	1
Total expenses for fees	**3**	**5**

Most of the fees charged for the work of the auditor in 2022 were the result of the audit of TRATON SE's Consolidated Financial Statements and of the annual financial statements of Group companies in Germany, as well as intraperiod reviews of the interim financial statements of TRATON SE and the German Group companies.

48. German Corporate Governance Code

The Executive Board and Supervisory Board of TRATON SE issued their annual Declaration of Compliance in accordance with section 161 of the *Aktiengesetz* (AktG — German Stock Corporation Act) in December 2022. The Declaration of Compliance is included in the **Corporate Governance Statement** as a separate part of the Combined Management Report, and has been published on TRATON SE's website at **www.traton.com**.

49. Events after the reporting period

The planned sale of Scania Finance Russia was completed on January 17, 2023, following receipt of all regulatory approvals. The sale proceeds amounted to €400 million. In addition, Scania Finance Russia has negative accumulated other comprehensive income of €108 million, which relates to currency translation and will be reclassified to the income statement in 2023. Further information on the sale can be found in Note **"9. Noncurrent assets and disposal groups held for sale."**

The TRATON GROUP issued a €300 million fixed-rate note with a two-year term on January 18, 2023, under the €12,000 million European Medium Term Notes program.

50. Members of the Executive Board and their appointments

Christian Levin
Lidingö, Sweden
Chairman of the Executive Board

2 MAN Truck & Bus SE (Chairman)
4 Navistar International Corporation, USA
Scania Growth Capital AB, Sweden
Scania Growth Capital II AB, Sweden
TRATON Financial Services AB, Sweden (Chairman)
Volkswagen Truck & Bus Indústria e Comércio de Veículos Ltda., Brazil (Chairman)

Mathias Carlbaum
Hinsdale, USA
Member of the Executive Board

Antonio Roberto Cortes
São Paulo-Indianópolis, Brazil
Member of the Executive Board

3 Santa Joana Medical Group, Brazil
4 Volkswagen Participações Ltda., Brazil

Annette Danielski
Leinfelden-Echterdingen
Member of the Executive Board

1 Volkswagen Original Teile Logistik Beteiligungs-GmbH
2 MAN Truck & Bus SE
4 Navistar International Corporation, USA
Scania AB, Sweden (Chairwoman)
Scania CV AB, Sweden (Chairwoman)
TRATON Financial Services AB, Sweden (Chairwoman)
TRATON Sweden AB, Sweden
TRATON Treasury AB, Sweden (Chairwoman)
Volkswagen Truck & Bus Indústria e Comércio de Veículos Ltda., Brazil

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Bernd Osterloh
Wolfsburg, Fallersleben
Member of the Executive Board

1 Autostadt GmbH
Volkswagen Group Services GmbH
3 VfL Wolfsburg-Fußball GmbH

Alexander Vlaskamp
Starnberg
Member of the Executive Board

2 MAN Truck & Bus Deutschland GmbH (Chairman)
3 Sinotruk (Hong Kong) Ltd., China

As of December 31, 2022
1 Membership of statutory German supervisory boards
2 Membership of statutory German supervisory boards, Group appointments
3 Membership of comparable German or foreign governing bodies
4 Membership of comparable German or foreign governing bodies, Group appointments

51. Members of the Supervisory Board and their appointments

Hans Dieter Pötsch
Wolfsburg
Chairman of the Executive Board of Porsche Automobil Holding SE and Chairman of the Supervisory Board of Volkswagen AG

Chairman of the Supervisory Board

1 Bertelsmann SE & Co. KGaA
Bertelsmann Management SE
2 Volkswagen AG (Chairman)
AUDI AG
Wolfsburg AG
Autostadt GmbH
Dr. Ing. h.c. F. Porsche AG
4 Porsche Austria Gesellschaft m.b.H., Austria (Chairman)
Porsche Holding Gesellschaft m.b.H., Austria (Chairman)
Porsche Retail GmbH, Austria (Chairman)
VfL Wolfsburg-Fußball GmbH (Deputy Chairman)

Michael Lyngsie*
Gnesta, Sweden
Chair of IF Metall (labor union in Sweden) at Scania

Deputy Chairman of the Supervisory Board

3 Scania AB, Sweden
Scania CV AB, Sweden

Torsten Bechstädt*
Helmstedt
Head of Supervisory Board matters of the Chair of the Group Works Council of Volkswagen AG

Mari Carlquist*
Södertälje, Sweden
Representative of PTK (Privattjänstemannakartellen, Confederation of Labor Unions in Sweden) at Scania

3 Scania AB, Sweden
Scania CV AB, Sweden

Daniela Cavallo*
Wolfsburg
Chairwoman of the General and Group Works Councils of Volkswagen AG

1 Volkswagen AG
Volkswagen Financial Services AG (Deputy Chairwoman)
Wolfsburg AG
Volkswagen Group Services GmbH
PowerCo SE (Deputy Chairwoman)
3 Porsche Holding Gesellschaft m.b.H., Austria
Skoda Auto a.s., Czech Republic
SEAT, S.A., Spain
VfL Wolfsburg-Fußball GmbH
Allianz für die Region GmbH
Brose Sitech Sp. z o.o.

Dr. Manfred Döss
Mülheim
Member of the Executive Board of Porsche Automobil Holding SE and member of the Board of Management of Volkswagen AG

2 Audi AG (Chairman)
4 Member of the Supervisory Board of Grizzlys Wolfsburg GmbH

Jürgen Kerner*
Frankfurt
Executive Board member of IG Metall

1 MAN Truck & Bus SE (Deputy Chairman)
Premium Aerotec GmbH (Deputy Chairman)
thyssenkrupp AG (Deputy Chairman)
Siemens AG
Siemens Energy AG

Gunnar Kilian
Lehre
Member of the Board of Management of Volkswagen AG
Member of the Brand Board of Management of Volkswagen Passenger Cars

2 Wolfsburg AG (Chairman)
Autostadt GmbH (Chairman)
Volkswagen Group Services GmbH (Chairman)
MAN Energy Solutions SE (Chairman)
MAN Truck & Bus SE
AUDI AG
PowerCo SE
4 Volkswagen Immobilien GmbH (Chairman)
Scania AB, Sweden
Scania CV AB, Sweden
Allianz für die Region GmbH
FAW-Volkswagen Automotive Co., Ltd., China

Dr. Albert X. Kirchmann
Lindau/Bodolz
Chief Executive Advisor

3 MAN Truck & Bus SE
MCE Bank GmbH
Stremler AG (Deputy Chairman)

Dr. Julia Kuhn-Piëch
Salzburg, Austria
Real estate manager

1 MAN Truck & Bus SE
AUDI AG
3 Scania AB, Sweden
Scania CV AB, Sweden

Lisa Lorentzon*
Huddinge, Sweden
Chair of the Labor Unions for Graduate Employees at Scania

3 Scania AB, Sweden
Scania CV AB, Sweden

Bo Luthin*
Södertälje, Sweden
Head of Occupational Health and Safety at Scania Södertälje and Coordinator for IF Metall (labor union in Sweden)

Nina Macpherson
Stocksund, Sweden
Member of the Board of Directors of Scania AB

3 M&K Industrials AB, Sweden (Deputy Member)
Netel Group AB, Sweden
Scania AB, Sweden
Scania CV AB, Sweden
Scandinavian Enviro Systems AB, Sweden

Dr. Dr. Christian Porsche
Salzburg, Austria
Specialist in Neurology

1 MAN Truck & Bus SE
3 Scania AB, Sweden
Scania CV AB, Sweden

Dr. Wolf-Michael Schmid
Helmstedt
Businessman (Managing Director of the Schmid Group)

1 BRW AG (Chairman)

Karina Schnur*
Reichertshofen
Chairwoman of the SE Works Council and Chairwoman of the Group Works Council of TRATON SE
Chairwoman of the SE Works Council and the General and Group Works Council of MAN Truck & Bus SE
Chairwoman of the Works Council of MAN Truck & Bus SE, Munich

1 MAN Truck & Bus SE

Josef Sedlmaier*
(since December 31, 2022)
Weichs
Chairman of the Works Council of TRATON SE

Markus Wansch*
Schwabach
Deputy Chairman of the Group Works Council of TRATON SE and Chairman of the Works Council of MAN Truck & Bus SE, Nuremberg plant

1 MAN Truck & Bus SE

Frank Witter
Braunschweig
Former member of the Board of Management of Volkswagen AG

1 Deutsche Bank AG
3 VfL Wolfsburg-Fußball GmbH (Chairman)
CGI Inc., Canada

Steffen Zieger*
(until December 30, 2022)
Leipzig
Chairman of the General Works Council of MAN Truck & Bus Deutschland GmbH

1 MAN Truck & Bus Deutschland GmbH (Deputy Chairman)

* Elected by the workforce

As of December 31, 2022, or date of departure
1 Membership of statutory German supervisory boards
2 Membership of statutory German supervisory boards, Group appointments
3 Membership of comparable German or foreign governing bodies
4 Membership of comparable German or foreign governing bodies, Group appointments

52. Supervisory Board committees

(As of December 31, 2022)

Presiding Committee

Hans Dieter Pötsch (Chairman)
Michael Lyngsie (Deputy Chairman)
Daniela Cavallo
Jürgen Kerner
Gunnar Kilian
Dr. Dr. Christian Porsche

Audit Committee

Frank Witter (Chairman)
Torsten Bechstädt (Deputy Chairman)
Dr. Julia Kuhn-Piëch
Lisa Lorentzon
Nina Macpherson
Karina Schnur

Nomination Committee

Hans Dieter Pötsch
Gunnar Kilian
Dr. Dr. Christian Porsche

53. List of shareholdings

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2022

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2022	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
I. PARENT COMPANY							
TRATON SE, Munich							
II. SUBSIDIARIES							
A. Consolidated companies							
1. Germany							
KOSIGA GmbH & Co. KG, Pullach i. Isartal	EUR		94.00	38,087	765		2021
LOTS Germany GmbH, Koblenz	EUR		100.00	–	–	4) 6)	2022
M A N Verwaltungs-Gesellschaft mbH, Munich	EUR		100.00	1,039	–	1)	2022
MAN Brand GmbH & Co. KG, Grünwald	EUR		100.00	21	4	4)	2021
MAN GHH Immobilien GmbH, Oberhausen	EUR		100.00	44,668	–	1)	2022
MAN Grundstücksgesellschaft mbH & Co. Epsilon KG, Munich	EUR		100.00	665	47		2021
MAN Marken GmbH, Munich	EUR		100.00	27	–		2021
MAN Service und Support GmbH, Munich	EUR		100.00	25	–	1)	2022
MAN Truck & Bus Deutschland GmbH, Munich	EUR		100.00	130,934	–	1)	2022
MAN Truck & Bus SE, Munich	EUR		100.00	564,841	–	1) 11)	2022
Navistar Europe GmbH, Nuremberg	EUR		100.00	604	18		2021
Scania CV Deutschland Holding GmbH, Koblenz	EUR		100.00	66,295	–	1)	2021
SCANIA DEUTSCHLAND GmbH, Koblenz	EUR		100.00	45,791	–	1)	2022
Scania Finance Deutschland GmbH, Koblenz	EUR		100.00	62,913	–	1)	2021
SCANIA Real Estate Deutschland GmbH, Koblenz	EUR		100.00	15,183	–	1)	2021
Scania Versicherungsvermittlung GmbH, Koblenz	EUR		100.00	1,133	204		2021
SCANIA Vertrieb und Service GmbH, Koblenz	EUR		100.00	21,756	–	1)	2022
TARONA Verwaltung GmbH & Co. Alpha KG, Pullach i. Isartal	EUR		100.00	5,124	4,008		2021
TB Digital Services GmbH, Munich	EUR		100.00	25	–	1) 11)	2022
TORINU Verwaltung GmbH & Co. Beta KG, Pullach i. Isartal	EUR		100.00	18,100	505		2021

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2022

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2022	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
2. Other countries							
AB Dure, Södertälje	SEK	11.0787	100.00	1,440	–	5)	2021
AB Folkvagn, Södertälje	SEK	11.0787	100.00	1,440	–	5)	2021
AB Scania-Vabis, Södertälje	SEK	11.0787	100.00	100	–	5)	2021
Ainax AB, Södertälje	SEK	11.0787	100.00	120	–	5)	2021
Bilmetro AB, Gävle	SEK	11.0787	100.00	–	–	7)	2022
Bilmetro Lastbilar i Hudiksvall AB, Gävle	SEK	11.0787	100.00	–	–	7)	2022
Blue Diamond Parts LLC, Lisle, Illinois	USD	1.0677	100.00	11,705	41,131		2021
Centurion Truck & Bus (Pty) Ltd. t/a, Centurion	ZAR	18.0795	70.00	20,391	5,598		2021
Chicago International Trucks - Chicago, LLC, Chicago, Illinois	USD	1.0677	100.00	–5,793	–	5)	2021
Codema Comercial e Importadora Ltda., Guarulhos	BRL	5.6444	99.98	394,577	90,209		2021
Fastighetsaktiebolaget Flygmotorn, Södertälje	SEK	11.0787	100.00	18,683	–	1)	2021
Fastighetsaktiebolaget Hjulnavet, Södertälje	SEK	11.0787	100.00	53,892	–	1)	2021
Fastighetsaktiebolaget Vindbron, Södertälje	SEK	11.0787	100.00	43,067	–	1)	2021
Ferruform AB, Luleå	SEK	11.0787	100.00	71,567	–1,372		2021
Griffin Automotive Ltd., Road Town	TWD	32.7048	100.00	2,115,174	449,784		2021
Griffin Lux S.à r.l., Luxembourg	EUR		–	–	–	12)	2021
Harbour Assurance Company of Bermuda Ltd., Hamilton	BMD	1.1320	100.00	26,251	3,634		2021
HTD I Oskarshamn AB, Oskarshamn	SEK	11.0787	100.00	–	–		2021
IC Bus LLC, Lisle, Illinois	USD	1.0677	100.00	919,350	30,036		2021
IC Bus of Oklahoma, LLC, Tulsa, Oklahoma	USD	1.0677	100.00	–	–	3)	2021
International DealCor Operations, Ltd., George Town	KYD	0.9396	100.00	56,787	–		2021
International Engine Intellectual Property Company, LLC, Lisle, Illinois	USD	1.0677	100.00	501,939	199		2021
International of Mexico Holding Corporation LLC, Lisle, Illinois	USD	1.0677	100.00	403,740	–130,973		2021
International Parts Distribution S. de R.L. de C.V., Miguel Hidalgo	MXN	20.8879	100.00	434,487	269,254		2021
International Truck and Engine Corporation Cayman Islands Holding Company, Lisle, Illinois	USD	1.0677	100.00	623,249	2,783		2021

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2022

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2022	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
International Truck and Engine Corporation U.S. Holding Company, LLC, Lisle, Illinois	USD	1.0677	100.00	92	0		2021
International Truck and Engine Investments Corp., Lisle, Illinois	USD	1.0677	100.00	–47,308	–764		2021
International Truck and Engine Overseas Corp., Lisle, Illinois	USD	1.0677	100.00	–10,124	–		2021
International Truck Intellectual Property Company, LLC, Lisle, Illinois	USD	1.0677	100.00	985,352	–836		2021
International Truck Leasing Corp., Lisle, Illinois	USD	1.0677	100.00	4,749	–31		2021
Italscania S.p.A., Trento	EUR		100.00	58,256	35,022		2021
Kai Tak Holding AB, Södertälje	SEK	11.0787	100.00	120	–	5)	2021
Laxå Specialvehicles AB, Laxå	SEK	11.0787	100.00	119,039	21,680		2021
LKW Komponenten s.r.o., Bánovce nad Bebravou	EUR		100.00	9,828	–1,487		2021
LOTS Chile S.p.A., Santiago de Chile	CLP	915.6600	100.00	–	–	4)	2021
LOTS Group AB, Södertälje	SEK	11.0787	100.00	416,417	–449		2021
LOTS Latin América Logística de Transportes Ltda., São Bernardo do Campo	BRL	5.6444	100.00	87,464	–3,312		2021
Lots Logistics (Guangxi) Co. Ltd., Beihai	CNY	7.3661	100.00	1,610	1,381		2021
LOTS SPV USA LLC, Wilmington, Delaware	USD	1.0677	70.00	–	–	4)	2021
LOTS Ventures Canada Inc., Vancouver, British Columbia	CAD	1.4440	80.00	–	–		2021
LOTS Ventures USA Inc., Wilmington, Delaware	USD	1.0677	100.00	–	–		2021
Mälardalens Tekniska Gymnasium AB, Södertälje	SEK	11.0787	80.00	27,033	3,945		2021
MAN Automotive (South Africa) (Pty) Ltd., Johannesburg	ZAR	18.0795	100.00	991,829	65,101		2021
MAN Bus Sp. z o.o., Starachowice	PLN	4.6860	100.00	888,558	71,718		2021
MAN Engines & Components Inc., Pompano Beach, Florida	USD	1.0677	100.00	103,856	9,473		2021
MAN Finance and Holding S.A., Strassen	EUR		100.00	2,235,963	–602,794		2021
MAN Hellas Truck & Bus A.E., Aspropygros	EUR		100.00	2,629	451		2018
MAN Kamion és Busz Kereskedelmi Kft., Dunaharaszti	HUF	400.3900	100.00	6,680,813	952,754		2021
MAN Kamyon ve Otobüs Ticaret A.S., Ankara	TRY	19.9852	100.00	522,790	183,321		2021
MAN Nutzfahrzeuge Immobilien GmbH, Vienna	EUR		100.00	29,647	2,291		2021
MAN Shared Services Center Sp. z o.o., Poznan	PLN	4.6860	100.00	13,161	2,938		2021
MAN Truck & Bus (Korea) Ltd., Yongin	KRW	1,338.2950	100.00	12,082,153	–252,223		2021
MAN Truck & Bus (M) Sdn. Bhd., Rawang	MYR	4.7032	100.00	52,314	–1,640		2021

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2022

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2022	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
MAN Truck & Bus Czech Republic s.r.o., Cestlice	CZK	24.1450	100.00	1,237,607	11,933		2021
MAN Truck & Bus Danmark A/S, Greve	DKK	7.4369	100.00	140,033	17,722		2021
MAN Truck & Bus France S.A.S., Evry	EUR		100.00	85,761	11,626		2021
MAN Truck & Bus Iberia S.A., Coslada	EUR		100.00	118,040	8,980		2021
MAN Truck & Bus Italia S.p.A., Dossobuono di Villafranca	EUR		100.00	31,914	3,788		2021
MAN Truck & Bus Middle East FZE, Dubai	AED	3.9213	100.00	53,206	953		2021
MAN Truck & Bus N.V., Kobbegem	EUR		100.00	28,286	1,268		2021
MAN Truck & Bus Norge A/S, Lorenskog	NOK	10.5047	100.00	132,552	7,001		2021
MAN Truck & Bus Polska Sp. z o.o., Nadarzyn	PLN	4.6860	100.00	59,056	16,665		2021
MAN Truck & Bus Portugal S.U. Lda., Lisbon	EUR		100.00	5,114	833		2021
MAN Truck & Bus Schweiz AG, Otelfingen	CHF	0.9852	100.00	29,383	1,647		2021
MAN Truck & Bus Slovakia s.r.o., Bratislava	EUR		100.00	10,838	838		2021
MAN Truck & Bus Slovenija d.o.o., Ljubljana	EUR		100.00	13,714	1,382		2021
MAN Truck & Bus Trading (China) Co., Ltd., Beijing	CNY	7.3661	100.00	71,925	–580		2021
MAN Truck & Bus UK Ltd., Swindon	GBP	0.8868	100.00	102,985	3,508		2020
MAN Truck & Bus Vertrieb Österreich GmbH, Vienna	EUR		100.00	252,355	4,429		2021
MAN Trucks Sp. z o.o., Niepolomice	PLN	4.6860	100.00	1,309,332	113,695		2021
MAN Türkiye A.S., Ankara	TRY	19.9852	99.99	2,550,271	969,272		2021
Metrobus AB, Gävle	SEK	11.0787	100.00	–	–	7)	2022
MW-Hallen Restaurang AB, Södertälje	SEK	11.0787	1.00	1,993	–34		2021
N.W.S. S.r.l., in liquidation, Trento	EUR		52.50	21	–3	2)	2021
Navistar (Shanghai) Trading Co., Ltd., Shanghai	CNY	7.3661	100.00	24,637	1,128		2021
Navistar Aftermarket Products, Inc., Lisle, Illinois	USD	1.0677	100.00	31,185	–5		2021
Navistar Auspac Pty. Ltd., Tullamarine	AUD	1.5706	100.00	1,732	–33		2021
Navistar Big Bore Diesels, LLC, Huntsville, Alabama	USD	1.0677	100.00	–43,853	4,696		2021
Navistar Canada, ULC, Halifax, Nova Scotia	CAD	1.4440	100.00	–76,190	42,905		2021
Navistar Comercial S.A. de C.V., Miguel Hidalgo	MXN	20.8879	100.00	274,270	20,008		2021
Navistar Delaware Holdings, LLC, Lisle, Illinois	USD	1.0677	100.00	25,000	–		2021

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Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2022	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Navistar Diesel of Alabama, LLC, Lisle, Illinois	USD	1.0677	100.00	90,140	–252		2021
Navistar Financial Corporation, Lisle, Illinois	USD	1.0677	100.00	360,729	–954		2021
Navistar Financial Dealer Note Master Owner Trust II, Wilmington, Delaware	USD	1.0677	–	–	–	12)	2021
Navistar Financial Securities Corp., Lisle, Illinois	USD	1.0677	100.00	59,414	–146		2021
Navistar Financial, S.A. de C.V. SOFOM E.R., Miguel Hidalgo	MXN	20.8879	100.00	5,263,656	540,808		2021
Navistar Global Operations Corp., Lisle, Illinois	USD	1.0677	100.00	–	–		2020
Navistar Hong Kong Holding Company Ltd., Hong Kong	HKD	8.3210	100.00	4,226	–146		2021
Navistar International B.V., Amsterdam	EUR		100.00	364,317	–2,188		2021
Navistar International Corporation, Lisle, Illinois	USD	1.0677	100.00	3,314,653	–24,883		2021
Navistar International Employee Leasing Company, Lisle, Illinois	USD	1.0677	100.00	6,497	500		2021
Navistar International Holdings B.V., Amsterdam	EUR		100.00	21,943	–51		2021
Navistar International Mexico, S. de R.L. de C.V., Escobedo	MXN	20.8879	100.00	2,321,672	931,921		2021
Navistar International Pvt. Ltd., Pune	INR	88.1640	100.00	143,050	5,560	3)	2021
Navistar International Southern Africa (Pty) Ltd., Johannesburg	ZAR	18.0795	100.00	–46,086	–46,502		2021
Navistar International Truck Mexico, S. de R.L. de C.V., Miguel Hidalgo	MXN	20.8879	100.00	2,320,906	931,713		2021
Navistar Leasing Company, Lisle, Illinois	USD	1.0677	–	–	–	12)	2021
Navistar Leasing Services Corp., Lisle, Illinois	USD	1.0677	100.00	36,159	3,058		2021
Navistar Mexico, S. de R.L. de C.V., Mexico City	MXN	20.8879	100.00	3,623,755	1,123,428		2021
Navistar San Antonio Manufacturing LLC, Lisle, Illinois	USD	1.0677	100.00	–26,202	–13,505		2021
Navistar, Inc., Lisle, Illinois	USD	1.0677	100.00	–7,592,402	3,237		2021
NC2 Brasil Industria e Comercio de Caminhoes Ltda., Canoas	BRL	5.6444	100.00	–5,707	–14		2021
NC2 Global LLC, Lisle, Illinois	USD	1.0677	100.00	137,758	3,684		2021
NC2 Luxembourg S.a.r.l., Luxembourg	EUR		100.00	–110,630	2,141	3)	2021
Norsk Scania AS, Oslo	NOK	10.5047	100.00	299,437	479,299		2021
Norsk Scania Eiendom AS, Oslo	NOK	10.5047	100.00	121,441	10,990		2021
OCC Technologies, LLC, Lisle, Illinois	USD	1.0677	100.00	–53,850	–5,929		2021
OOO Scania Finance, Moscow	RUB	76.2868	100.00	1,284,897	100,099		2021
OOO Scania Leasing, Moscow	RUB	76.2868	100.00	5,440,818	2,645,481		2021

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Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2022	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
OOO Scania Peter, St. Petersburg	RUB	76.2868	100.00	266,660	76,268		2021
OOO Scania Strachovanie, Moscow	RUB	76.2868	100.00	134,772	63,567		2021
Parts and Service Ventures, Inc., Lisle, Illinois	USD	1.0677	100.00	1,724	0		2021
Power Vehicle Co. Ltd., Bangkok	THB	36.8837	49.00	1,643	–244		2021
PT Scania Parts Indonesia, Balikpapan	IDR	16,621.4200	100.00	4,110	507		2020
Reliable Vehicles Ltd., Milton Keynes	GBP	0.8868	100.00	2,500	–	5)	2021
Sågverket 6 AB, Södertälje	SEK	11.0787	100.00	365	–299		2021
Scan Siam Service Co. Ltd., Bangkok	THB	36.8837	49.00	99,415	23,038		2021
Scanexpo International S.A., Montevideo	USD	1.0677	100.00	8,127	–62		2021
Scania (Hong Kong) Ltd., Hong Kong	HKD	8.3210	100.00	66,079	27,671		2021
Scania (Malaysia) Sdn. Bhd., Shah Alam	MYR	4.7032	100.00	49,681	–14,719		2021
Scania AB, Södertälje	SEK	11.0787	100.00	18,143,909	6,000,003		2021
Scania Administradora de Consórcios Ltda., Cotia	BRL	5.6444	99.99	84,791	34,738		2021
Scania Argentina S.A., Buenos Aires	USD	1.0677	100.00	23,310,289	3,945,092		2021
Scania Australia Pty. Ltd., Melbourne	AUD	1.5706	100.00	79,190	21,249		2021
Scania Banco S.A., São Bernardo do Campo	BRL	5.6444	100.00	721,428	77,541		2021
Scania Belgium N.V., Neder-Over-Heembeek	EUR		100.00	14,747	20,494		2021
Scania BH d.o.o., Sarajevo	BAM	1.9558	100.00	3,784	816		2021
Scania Botswana (Pty) Ltd., Gaborone	BWP	13.6187	100.00	28,156	16,809		2020
Scania Bulgaria EOOD, Sofia	BGN	1.9560	100.00	19,714	9,975		2021
Scania Bus & Coach UK Ltd., Milton Keynes	GBP	0.8868	100.00	1,029	–	5)	2021
Scania Bus Financing AB, Södertälje	SEK	11.0787	100.00	100	–		2021
Scania Central Asia LLP, Almaty	KZT	494.1400	100.00	907,288	–299		2021
Scania Chile S.A., Santiago de Chile	CLP	915.6600	100.00	29,143,549	11,215,704		2021
Scania Colombia S.A.S., Bogotá	COP	5,179.5000	100.00	134,264,102	53,580,597		2021
Scania Comercial, S.A. de C.V., Querétaro	MXN	20.8879	100.00	495,474	–22,288		2021
Scania Commercial Vehicles India Pvt. Ltd., Bangalore	INR	88.1640	100.00	–1,038,358	–247,195		2021
Scania Commercial Vehicles Renting S.A., San Fernando de Henares	EUR		100.00	39,386	2,845		2021

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Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2022	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Scania Commerciale S.p.A., Trento	EUR		100.00	10,313	1,229		2021
Scania Corretora de Seguros Ltda., São Bernardo do Campo	BRL	5.6444	100.00	12,849	4,546		2021
Scania Credit (Malaysia) Sdn. Bhd., Shah Alam	MYR	4.7032	100.00	11,157	–4,480		2021
Scania Credit AB, Södertälje	EUR		100.00	1,410	–970		2021
Scania Credit Argentina S.A.U., Buenos Aires	ARS	188.7587	100.00	–	–	4)	2021
Scania Credit Hrvatska d.o.o., Lucko (Zagreb)	HRK	7.5364	100.00	29,180	9,843		2021
Scania Credit Romania IFN S.A., Ciorogârla	RON	4.9483	100.00	66,316	10,766		2021
Scania Credit Singapore Pte. Ltd., Singapore	SGD	1.4310	100.00	172	–125		2021
Scania Credit Solutions (T) Ltd., Dar es Salaam	TZS	2,492.0150	100.00	–	–		2021
Scania Credit Solutions Pty Ltd., Aeroton	ZAR	18.0795	100.00	18,044	4,952		2021
Scania Credit Taiwan Ltd., New Taipei City	TWD	32.7048	100.00	7,638	4,752		2021
Scania Crna Gora d.o.o., Danilovgrad	EUR		100.00	136	–104		2021
Scania CV AB, Södertälje	SEK	11.0787	100.00	45,305,344	697,040		2021
Scania Czech Republic s.r.o., Prague	CZK	24.1450	100.00	697,307	458,325		2021
Scania Danmark A/S, Ishöj	DKK	7.4369	100.00	326,698	130,954		2021
Scania Danmark Ejendom ApS, Ishöj	DKK	7.4369	100.00	117,005	1,969		2021
Scania del Perú S.A., Lima	PEN	4.0439	100.00	66,472	29,937		2021
Scania Delivery Center AB, Södertälje	SEK	11.0787	100.00	149,992	2,078		2021
Scania East Africa Ltd., Nairobi	KES	131.7000	100.00	–339,526	–		2020
Scania Eesti AS, Tallinn	EUR		100.00	9,762	2,868		2021
Scania Finance Australia Pty. Ltd., Melbourne	AUD	1.5706	100.00	25,373	1,821		2021
Scania Finance Belgium N.V., Neder-Over-Heembeek	EUR		100.00	18,439	1,743		2021
Scania Finance Bulgaria EOOD, Sofia	BGN	1.9560	100.00	19,475	4,463		2021
Scania Finance Chile S.A., Santiago de Chile	CLP	915.6600	100.00	10,369,822	8,006,423		2021
Scania Finance Colombia S.A.S., Bogotá	COP	5,179.5000	100.00	5,566,855	–188,093		2021
Scania Finance Czech Republic spol. s r.o., Prague	CZK	24.1450	100.00	873,724	106,109		2021
Scania Finance France S.A.S., Angers	EUR		100.00	61,466	5,606		2022
Scania Finance Great Britain Ltd., London	GBP	0.8868	100.00	115,949	15,762		2021

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Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2022	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Scania Finance Hispania EFC S.A., San Fernando de Henares	EUR		100.00	48,784	3,802		2021
Scania Finance Ireland Ltd., Dublin	EUR		100.00	12,520	1,497		2021
Scania Finance Italy S.p.A., Milan	EUR		100.00	60,545	8,404		2021
Scania Finance Korea Ltd., Chung-Ang	KRW	1,338.2950	100.00	52,182,251	6,570,606		2021
Scania Finance Luxembourg S.A., Munsbach	EUR		100.00	118,948	–1,132		2021
Scania Finance Magyarország Zrt., Biatorbágy	HUF	400.3900	100.00	2,995,545	351,040		2021
Scania Finance Mexico, S.A. de C.V. SOFOM, E.N.R., El Marqués	MXN	20.8879	100.00	–	–		2020
Scania Finance Nederland B.V., Breda	EUR		100.00	57,737	5,336	8)	2021
Scania Finance New Zealand Ltd., Auckland	NZD	1.6824	100.00	–	–	4)	2020
Scania Finance Polska Sp. z o.o., Nadarzyn	PLN	4.6860	100.00	235,951	36,170		2021
Scania Finance Schweiz AG, Kloten	CHF	0.9852	100.00	8,762	1,835		2021
Scania Finance Slovak Republic s.r.o., Senec	EUR		100.00	14,096	1,063		2021
Scania Finance Southern Africa (Pty) Ltd., Aeroton	ZAR	18.0795	100.00	742,433	122,996		2021
Scania Financial Leasing (China) Co., Ltd., Shanghai	CNY	7.3661	100.00	156,481	–4,392		2021
Scania Finans AB, Södertälje	SEK	11.0787	100.00	1,592,385	364,199		2021
Scania France S.A.S., Angers	EUR		100.00	85,857	40,837		2021
Scania Great Britain Ltd., Milton Keynes	GBP	0.8868	100.00	124,597	78,345		2021
Scania Griffin Sales & Services AB, Södertälje	SEK	11.0787	100.00	–	–	5)	2021
Scania Group (Thailand) Co., Ltd., Bangkok	THB	36.8837	100.00	–223,364	–227,034		2020
Scania Growth Capital AB, Södertälje	SEK	11.0787	90.10	380,279	–149		2021
Scania Growth Capital II AB, Södertälje	SEK	11.0787	90.10	–	–	4) 6)	2022
Scania Hispania Holding S.L., San Fernando de Henares	EUR		100.00	39,352	14,495		2020
Scania Hispania S.A., San Fernando de Henares	EUR		100.00	26,204	18,226		2021
Scania Holding France S.A.S., Angers	EUR		100.00	82,949	22,386		2021
Scania Holding Inc., Columbus, Indiana	USD	1.0677	100.00	1,621	–324		2021
Scania Hrvatska d.o.o., Lucko (Zagreb)	HRK	7.5364	100.00	52,136	11,091		2021
Scania Hungaria Kft., Biatorbágy	HUF	400.3900	100.00	3,501,856	–		2021
Scania Industrial Maintenance AB, Södertälje	SEK	11.0787	100.00	23,094	–9,908		2021

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Scania Insurance Nederland B.V., Middelharnis	EUR		100.00	–	–	9)	2021
Scania Insurance Polska Sp. z o.o., Nadarzyn	PLN	4.6860	100.00	3,315	3,231		2021
Scania Investimentos Imobiliários S.A., Vialonga	EUR		100.00	487	–3		2020
Scania IT AB, Södertälje	SEK	11.0787	100.00	117,162	–10		2021
Scania IT France S.A.S., Angers	EUR		100.00	207	101		2021
Scania IT Nederland B.V., Zwolle	EUR		100.00	849	179		2020
Scania Japan Ltd., Tokyo	JPY	140.6650	100.00	–508,608	–70,251		2021
Scania Korea Group Ltd., Seoul	KRW	1,338.2950	100.00	73,137,674	44,129,342		2021
Scania Latin America Ltda., São Bernardo do Campo	BRL	5.6444	100.00	3,662,872	1,582,634		2021
Scania Latvia SIA, Riga	EUR		100.00	11,338	4,096		2021
Scania Leasing BH d.o.o., Sarajevo	BAM	1.9558	100.00	–	–	4) 6)	2022
Scania Leasing d.o.o., Ljubljana	EUR		100.00	7,593	714		2021
Scania Leasing Ltd., Dublin	EUR		100.00	0	–	5)	2021
Scania Leasing Österreich GmbH, Brunn am Gebirge	EUR		100.00	13,949	872		2021
Scania Leasing RS d.o.o., Krnješevci	RSD	117.3000	100.00	147,172	45,677		2021
Scania Lízing Kft., Biatorbágy	HUF	400.3900	100.00	411,792	12,131		2021
Scania Locacao Ltda., São Bernardo do Campo	BRL	5.6444	100.00	–	–	4) 6)	2022
Scania Location S.A.S., Angers	EUR		100.00	6,128	462		2021
Scania Logistics Netherlands B.V., Zwolle	EUR		100.00	6,118	1,685		2021
Scania Luxembourg S.A., Munsbach	EUR		100.00	–	841		2019
Scania Makedonija d.o.o.e.l., Ilinden	MKD	61.6000	100.00	11,230	395		2021
Scania Manufacturing (Thailand) Co., Ltd., Bangkok	THB	36.8837	100.00	–439,561	–486,322		2020
Scania Maroc S.A., Casablanca	MAD	11.1574	100.00	187,138	39,917		2021
Scania Middle East FZE, Dubai	AED	3.9213	100.00	20,887	9,308		2021
Scania Milano S.p.A., Lainate	EUR		100.00	7,355	2,214		2021
Scania Moçambique, S.A., Beira	MZN	68.4600	100.00	24,177	8,658		2021
Scania Namibia (Pty) Ltd., Windhoek	NAD	18.0735	100.00	37,779	12,640		2021
Scania Nederland B.V., Breda	EUR		100.00	139,249	29,548		2021

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Scania New Zealand Ltd., Wellington	NZD	1.6824	100.00	31,130	149		2021
Scania Omni AB, Södertälje	SEK	11.0787	100.00	2,400	–	5)	2021
Scania Österreich Ges.m.b.H., Brunn am Gebirge	EUR		100.00	39,218	21,337		2021
Scania Österreich Holding GmbH, Brunn am Gebirge	EUR		100.00	18,585	–5		2021
Scania Overseas AB, Södertälje	SEK	11.0787	100.00	71,631	–		2021
Scania Polska S.A., Nadarzyn	PLN	4.6860	100.00	222,507	158,937		2021
Scania Portugal, Unipessoal Lda., Santa Iria de Azóia	EUR		100.00	11,378	4,270		2021
Scania Power Polska Sp. z o.o., Warsaw	PLN	4.6860	100.00	–382	–374		2021
Scania Production (China) Co., Ltd., Rugao	CNY	7.3661	100.00	307,057	–72,334		2020
Scania Production Angers S.A.S., Angers	EUR		100.00	30,660	3,225		2021
Scania Production Meppel B.V., Meppel	EUR		100.00	22,971	2,158		2020
Scania Production Slupsk S.A., Slupsk	PLN	4.6860	100.00	49,325	6,440		2021
Scania Production Zwolle B.V., Zwolle	EUR		100.00	57,789	6,186		2020
Scania Properties Ltd., Milton Keynes	GBP	0.8868	100.00	501	–	5)	2021
Scania Real Estate (UK) Ltd., Milton Keynes	GBP	0.8868	100.00	8,056	694		2021
Scania Real Estate Belgium N.V., Neder-Over-Heembeek	EUR		100.00	4,035	1,359		2021
Scania Real Estate Bulgaria EOOD, Sofia	BGN	1.9560	100.00	–33	–11		2021
Scania Real Estate Czech Republic s.r.o., Prague	CZK	24.1450	100.00	116,308	17,611		2021
Scania Real Estate Finland Oy, Helsinki	EUR		100.00	18,319	826		2021
Scania Real Estate France S.A.S., Angers	EUR		100.00	4,531	224		2021
Scania Real Estate Hispania S.L., San Fernando de Henares	EUR		100.00	1,373	478		2021
Scania Real Estate Holding Luxembourg S.àr.l., Munsbach	EUR		100.00	–	323		2020
Scania Real Estate Holding Oy, Helsinki	EUR		100.00	5,495	–15		2021
Scania Real Estate Hong Kong Ltd., Hong Kong	HKD	8.3210	100.00	46	–	5)	2021
Scania Real Estate Hungaria Kft., Biatorbágy	HUF	400.3900	100.00	1,030,701	132,305		2021
Scania Real Estate Kenya Ltd., Nairobi	KES	131.7000	100.00	183,783	–11,579		2020
Scania Real Estate Lund AB, Södertälje	SEK	11.0787	100.00	102	2		2021
Scania Real Estate Österreich GmbH, Brunn am Gebirge	EUR		100.00	13,276	5,339		2021

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Scania Real Estate Polska Sp. z o.o., Nadarzyn	PLN	4.6860	100.00	73,186	6,943		2021
Scania Real Estate Romania S.R.L., Ciorogârla	RON	4.9483	100.00	7,519	1,044		2021
Scania Real Estate Schweiz AG, Kloten	CHF	0.9852	100.00	3,861	2,347		2021
Scania Real Estate Services AB, Södertälje	SEK	11.0787	100.00	933,696	59,564	1)	2021
Scania Real Estate Slovakia s.r.o., Senec	EUR		100.00	4,367	504		2021
Scania Real Estate The Netherlands B.V., Breda	EUR		100.00	15,165	2,464		2021
Scania Rent Romania S.R.L., Ciorogârla	RON	4.9483	100.00	14,328	5,925		2021
Scania Romania S.R.L., Ciorogârla	RON	4.9483	100.00	33,871	20,196		2021
Scania Sales (China) Co., Ltd., Beijing	SEK	11.0787	100.00	117,370	3,560		2021
Scania Sales and Service (Guangzhou) Co., Ltd., Guangzhou	CNY	7.3661	100.00	–26,785	–10,268		2021
Scania Sales and Services AB, Södertälje	SEK	11.0787	100.00	16,682,100	1,797,003		2021
Scania Schweiz AG, Kloten	CHF	0.9852	100.00	29,261	26,106		2021
Scania Senegal S.U.A.R.L., Dakar	XOF	655.9570	100.00	–35,909	–71,427		2021
Scania Services del Perú S.A., Lima	PEN	4.0439	100.00	35,813	15,225		2021
Scania Servicii Asigurari S.R.L., Ciorogârla	RON	4.9483	100.00	2,458	96		2021
Scania Servicios, S.A. de C.V., El Marqués	MXN	20.8879	100.00	137	–16		2021
Scania Siam Co. Ltd., Bangkok	THB	36.8837	99.99	483,163	29,201		2021
Scania Siam Leasing Co. Ltd., Bangkok	THB	36.8837	100.00	347,585	20,032		2021
Scania Singapore Pte. Ltd., Singapore	SGD	1.4310	100.00	7,762	2,150		2021
Scania Slovakia s.r.o., Senec	EUR		100.00	12,513	5,489		2021
Scania Slovenija d.o.o., Ljubljana	EUR		100.00	15,871	3,352		2021
Scania South Africa (Pty) Ltd., Aeroton	ZAR	18.0795	100.00	860,530	335,301		2021
Scania Srbija d.o.o., Krnješevci	RSD	117.3000	100.00	504,647	195,754		2021
Scania Suomi Oy, Helsinki	EUR		100.00	34,910	21,811		2021
Scania Sverige AB, Södertälje	SEK	11.0787	100.00	533,576	27,867		2021
Scania Sverige Bussar AB, Södertälje	SEK	11.0787	100.00	42,966	–	5)	2021
Scania Tanzania Ltd., Dar es Salaam	TZS	2,492.0150	100.00	3,158,164	2,974,981		2021
Scania Thailand Co. Ltd., Bangkok	THB	36.8837	99.99	120,080	–2,676		2020

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2022

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2022	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Scania Transportlaboratorium AB, Södertälje	SEK	11.0787	100.00	3,248	–24		2021
Scania Treasury AB, Södertälje	SEK	11.0787	100.00	74,029,041	146,487		2021
Scania Trucks & Buses AB, Södertälje	SEK	11.0787	100.00	79,989	780		2021
Scania USA Inc., San Antonio, Texas	USD	1.0677	100.00	13,074	1,850		2021
Scania West Africa Ltd., Accra	GHS	10.8906	100.00	11,362	–9,968		2019
Scania-Kringlan AB, Södertälje	SEK	11.0787	100.00	6,000	–	5)	2021
Scania-Vabis 118 AB, Värnamo	SEK	11.0787	100.00	1,979	–		2021
Scanlink Ltd., Milton Keynes	GBP	0.8868	100.00	1,956	–	5)	2021
Scanrent - Alguer de Viaturas sem Condutor, S.A., Santa Iria de Azóia	EUR		100.00	12,599	1,513		2021
Scantruck Ltd., Milton Keynes	GBP	0.8868	100.00	1,671	–	5)	2021
SLA Treasury Spain S.L., Barcelona	EUR		100.00	–	–		2021
Södertälje Bilkredit AB, Södertälje	SEK	11.0787	100.00	100	–	5)	2021
SOE Busproduction Finland Oy, Lahti	EUR		100.00	4,741	1,168		2019
Southway Scania Ltd., Milton Keynes	GBP	0.8868	100.00	1,170	–	5)	2021
SST Sustainable Transport Solutions India Pvt. Ltd., Nagpur	INR	88.1640	99.99	44,057	2,777		2021
Tachy Experts S.A.S., Angers	EUR		100.00	152	72		2021
TOV Donbas-Scan-Service, Makiivka	EUR		100.00	10,994	–6,531		2021
TOV Kyiv-Scan, Kyiv	EUR		100.00	12,654	–50		2021
TOV MAN Truck & Bus Ukraine, Kyiv	UAH	39.2396	100.00	322,678	41,469		2021
TOV Scania Credit Ukraine, Kyiv	UAH	39.2396	100.00	236,970	69,041		2021
TOV Scania Ukraine, Kyiv	EUR		100.00	187,506	82,639		2021
TOV Scania-Lviv, Lviv	EUR		100.00	32,756	257		2021
Transproteccion Agente de Seguros S.A. de C.V., Miguel Hidalgo	MXN	20.8879	100.00	50,522	17,748		2021
TRATON AB, Södertälje	SEK	11.0787	100.00	15,332	3,434		2021
TRATON Finance & Services AS, Tallinn	EUR		100.00	–	–	4) 6)	2022
TRATON Finance Luxembourg S.A., Strassen	EUR		100.00	44,724	–5,306		2021
TRATON Financial Services Aktiebolag, Södertälje	SEK	11.0787	100.00	360,878	91,608		2021
TRATON International S.A., Strassen	EUR		100.00	1,882,171	–520		2021

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2022

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2022	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
TRATON Sweden AB, Södertälje	EUR		100.00	25	–		2021
TRATON US, LLC, Wilmington, Delaware	EUR		100.00	1,474,103	–15,671		2021
UAB Scania Lietuva, Vilnius	EUR		100.00	11,123	3,449		2021
Union Trucks Ltd., Milton Keynes	GBP	0.8868	100.00	573	–	5)	2021
Uppsala Danmark-Säby 8:1 AB, Gävle	SEK	11.0787	100.00	–	–	7)	2022
UTP Holdings, LLC, Lisle, Illinois	USD	1.0677	100.00	118,755	3,417	3)	2021
Vabis Bilverkstad AB, Södertälje	SEK	11.0787	100.00	101	–	5)	2021
Vabis Försäkringsaktiebolag, Södertälje	SEK	11.0787	100.00	198,030	–1,439		2021
Vindbron Arendal AB, Södertälje	SEK	11.0787	100.00	13,356	–389		2021
Volkswagen Truck & Bus Indústria e Comércio de Veículos Ltda., São Paulo	BRL	5.6444	100.00	2,626,625	–328,306		2021
Volkswagen Truck & Bus México S.A. de C.V., El Marqués	MXN	20.8879	100.00	–1,331,442	–216,768		2021
Westrucks Ltd., Milton Keynes	GBP	0.8868	100.00	336	–	5)	2021
Workhorse International Holding Company, Lisle, Illinois	USD	1.0677	100.00	–1,045	23		2021
B. Unconsolidated companies							
1. Germany							
LoadFox GmbH, Munich	EUR		100.00	–3,221	151		2021
LoadFox Transport Solutions GmbH, Munich	EUR		100.00	–	–	4) 6)	2022
MAN Brand Management GmbH, Grünwald	EUR		100.00	25	–	1)	2022
MAN Grundstücksgesellschaft mbH & Co. Gamma KG, Munich	EUR		100.00	1,307	37		2021
MAN HR Services GmbH, Munich	EUR		100.00	480	–	1)	2022
MAN Personal Services GmbH, Dachau	EUR		100.00	25	–	1)	2022
MAN Zweite Beteiligungs GmbH, Munich	EUR		100.00	–	–	7)	2022
MAN-Unterstützungskasse GmbH, Munich	EUR		100.00	397	50		2021
Ortan Verwaltung GmbH & Co. Objekt Karlsfeld KG, Pullach i. Isartal	EUR		100.00	1,418	429		2021
TRATON Beteiligungsverwaltungs GmbH, Munich	EUR		100.00	–	–	4) 7)	2022
TRATON Dritte Beteiligungs GmbH, Munich	EUR		100.00	–	–	7)	2022
Unterstützungseinrichtung VGW GmbH, Munich	EUR		100.00	211	–32		2021

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2022

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2022	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
2. Other countries							
Arver Lastbilar AB, Örebro	SEK	11.0787	100.00	–	–	7)	2022
Beech's Garage (1983) Ltd., Belper	GBP	0.8868	100.00	–	–	5)	2021
Bellwether Forest Products, LLC, Camden, South Carolina	USD	1.0677	100.00	–	–		2021
ERF (Holdings) plc, Swindon	GBP	0.8868	100.00	757	–	5)	2021
ERF Ltd., Swindon	GBP	0.8868	100.00	–	–	5)	2021
Fastighetsbolaget Bärgningsbilen 2 Örebro AB, Stockholm	SEK	11.0787	100.00	–	–	7)	2022
Fastighetsbolaget Fluoret AB, Stockholm	SEK	11.0787	100.00	–	–	7)	2022
Fastighetsbolaget Gilltuna Västerås AB, Stockholm	SEK	11.0787	100.00	–	–	7)	2022
HRVS Group Ltd., Belper	GBP	0.8868	100.00	–	–	5)	2021
HRVS Rentals Ltd., Belper	GBP	0.8868	100.00	–	–	5)	2021
Lauken S.A., Montevideo	UYU	42.6710	100.00	–	–	5)	2021
MAN Bus & Coach (Pty) Ltd., in liquidation, Olifantsfontein	ZAR	18.0795	100.00	–	–1,775	2) 5)	2017
MAN Financial Services Administrators (S.A.) (Pty) Ltd., in liquidation, Isando	ZAR	18.0795	100.00	0	–	2) 5)	2018
MAN Truck & Bus (S.A.) (Pty) Ltd., in liquidation, Isando	ZAR	18.0795	100.00	–	–68,539	2) 5)	2017
MAN Truck & Bus Asia Pacific Co. Ltd., Bangkok	THB	36.8837	99.99	155,319	12,213		2021
MAN Truck & Bus India Pvt. Ltd., Pune	INR	88.1640	99.99	3,330,160	133,140		2021
MAN Truck and Bus Hong Kong Ltd., Hong Kong	HKD	8.3210	100.00	13,587	4,428		2021
OOO MAN Truck & Bus Production RUS, St. Petersburg	RUB	76.2868	100.00	891,492	106,364		2021
OOO Truck Production RUS, St. Petersburg	RUB	76.2868	100.00	122,551	687		2021
Re-MAN Parts Ltd., in liquidation, Belper	GBP	0.8868	100.00	–	–	2) 5)	2021
Rio Soluções Digitais Ltda., São Paulo	BRL	5.6444	99.99	10	–		2021
S.A. Trucks Ltd., in liquidation, Bristol	GBP	0.8868	100.00	1	–	2) 5)	2018
Scanexpo S.A., Montevideo	UYU	42.6710	100.00	–	–	5)	2021
Scania de Venezuela S.A., Valencia	VES	18.4254	100.00	1,350,641	1,065,177		2021
Scania Finance Israel Ltd., Tel Aviv	ILS	3.7562	100.00	1,000	–		2021
Scania-MAN Administration ApS, Copenhagen	DKK	7.4369	100.00	290	23		2021

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2022

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2022	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Stop 134 AB, Stockholm	SEK	11.0787	100.00	–	–	7)	2022
TRATON Charging Solutions AB, Södertälje	SEK	11.0787	100.00	12,615	11,672		2021
TRATON Treasury AB, Södertälje	SEK	11.0787	100.00	–	–	4) 6)	2022
TRATON, LLC, Herndon, Virginia	USD	1.0677	100.00	1,277	170		2021
Vita Gjuteriets Fastighetsbolag AB, Stockholm	SEK	11.0787	100.00	–	–	7)	2022
Volkswagen Caminhões e Ônibus Comércio e Serviços Ltda., Limeira	BRL	5.6444	100.00	10	–		2021
III. JOINT VENTURES							
A. Equity-accounted companies							
1. Germany							
2. Other countries							
Commercial Vehicle Charging Europe B.V, Amsterdam	EUR		33.33	–	–	4) 6)	2022
Cummins-Scania XPI Manufacturing, LLC, Columbus, Indiana	USD	1.0677	50.00	145,935	8,882		2020
Oppland Tungbilservice A/S, Fagernes	NOK	10.5047	50.00	8,452	2,751		2021
Tynset Diesel A/S, Tynset	NOK	10.5047	50.00	5,519	679		2021
B. Companies accounted for at cost							
1. Germany							
HINO & TRATON Global Procurement GmbH, Munich	EUR		51.00	494	169		2021
2. Other countries							
AMEXCI AB, Karlskoga	SEK	11.0787	9.10	37,455	–22,568		2021
IV. ASSOCIATES							
A. Equity-accounted associates							
1. Germany							
Rheinmetall MAN Military Vehicles GmbH, Munich	EUR		49.00	61,709	6,441		2021
sennder Technologies GmbH, Berlin	EUR		13.69	78,007	–9,061		2019
Telematics Solutions GmbH, Berlin	EUR		46.73	2	0		2020

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2022

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2022	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
2. Other countries							
BITS DATA i Södertälje AB, Södertälje	SEK	11.0787	33.00	15,012	456		2021
ScaValencia, S.A., Ribarroja del Turia	EUR		26.00	13,257	1,513		2021
Sinotruk (Hong Kong) Ltd., Hong Kong	CNY	7.3661	25.00	42,768,087	4,709,462	8) 10)	2021
UZ Truck and Bus Motors, LLC, Samarkand	UZS	12,008.2250	32.89	303,075,240	23,148,518		2020
B. Associates accounted for at cost							
1. Germany							
bex technologies GmbH, Stuttgart	EUR		32.55	–	–	7)	2022
Scantinel Photonics GmbH, Ulm	EUR		47.14	–	–		2021
2. Other countries							
Corebon AB, Arlöv	SEK	11.0787	24.20	56,569	–58,027		2021
Innokraft AB, Sundsvall	SEK	11.0787	46.00	4,483	–		2020
Magnum Power Products, LLC, Franklin, Indiana	USD	1.0677	30.00	31,185	–5		2021
Maudlin International Parts and Services of Palm Bay, LLC, Lisle, Illinois	USD	1.0677	49.00	139	–329		2021
Newstream Enterprises, LLC, Springfield, Missouri	USD	1.0677	49.00	6,769	3,208		2021
Parcelly Limited, London	GBP	0.8868	33.40	–	–	7)	2022
Roboyo Midco Limited, Stockholm	SEK	11.0787	15.83	26,292	3,981		2020
SIB Solutions AB, Lund	SEK	11.0787	20.70	–	–	7)	2022
Södertälje Science Park AB, Södertälje	SEK	11.0787	25.00	2,496	273		2021
V. EQUITY INVESTMENTS							
1. Germany							
Car2Car Communication Consortium GbR, Braunschweig	EUR		7.40	399	92		2021
FFK Fahrzeugservice Förtsch GmbH Kronach, Kronach	EUR		30.00	1,559	176		2021
Grundstücksgesellschaft Schlossplatz 1 mbH & Co. KG, Berlin	EUR		8.16	983	605		2021
Roland Holding GmbH, Munich	EUR		22.83	3,720	–20		2021

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2022

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2022	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Verwaltungsgesellschaft Wasseralfingen mbH, Aalen	EUR		50.00	14,436	17		2021
vialytics GmbH, Stuttgart	EUR		15.69	–	–	7)	2022
2. Other countries							
Car IQ Inc., Oakland, California	USD	1.0677	0.20	–	–	4) 7)	2022
Combient AB, Stockholm	SEK	11.0787	4.65	44,970	12,625		2021
Enersize OY, Helsinki	EUR		2.75	2,459	–2,387		2021
H2GS AB, Stockholm	SEK	11.0787	2.02	73,133	–154,988		2021
Maghreb Truck Industry S.p.A., Sidi M'Hamed	DZD	146.4838	10.00	131,822	2,337		2021
NorthVolt AB, Stockholm	SEK	11.0787	0.90	37,575,447	744,995		2021
OneH2, Inc., Hickory, North Carolina	USD	1.0677	5.13	59,194	1,197		2021
Shenzhen Haylion Technologies Co. Ltd., Shenzhen	CNY	7.3661	2.00	86,216	525		2021
TuSimple Holdings Inc., San Diego, California	USD	1.0677	7.41	1,326,978	732,673		2021

1 Profit and loss transfer agreement
2 In liquidation
3 Different fiscal year
4 Short fiscal year
5 Currently not trading
6 Newly established company/spin-off
7 Newly acquired company
8 Consolidated financial statements
9 Figures included in the consolidated financial statements of the parent company
10 Figures in accordance with IFRSs
11 Matter within the meaning of section 1 of the *Umwandlungsgesetz* (UmwG — German Transformation Act)
12 Structured company in accordance with IFRS 10 and IFRS 12

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FURTHER INFORMATION

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Combined Management Report includes a fair review of the development and performance of the business and the position of the TRATON GROUP, together with a description of the material opportunities and risks associated with the expected development of the TRATON GROUP.

Munich, February 8, 2023

TRATON SE

The Executive Board

Christian Levin	Annette Danielski	Mathias Carlbaum
Antonio Roberto Cortes	Bernd Osterloh	Alexander Vlaskamp

Translation of the German independent auditor's report concerning the audit of the consolidated financial statements and combined management report prepared in German

Independent Auditor's Report

To TRATON SE

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of TRATON SE, Munich, and its subsidiaries (the Group), which comprise the consolidated income statement and statement of comprehensive income for the fiscal year from January 1 to December 31, 2022, the consolidated balance sheet as at December 31, 2022, the consolidated statements of changes in equity and cash flows for the fiscal year from January 1 to December 31, 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of TRATON SE, which is combined with the management report of the Company, for the fiscal year from January 1 to December 31, 2022. In accordance with the German legal requirements, we have not audited the content of the parts of the group management report specified in the appendix to the auditor's report and the company information stated therein that is provided outside of the annual report and is referenced in the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

– the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e (1) of the *Handelsgesetzbuch* (HGB – German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2022 and of its financial performance for the fiscal year from January 1 to December 31, 2022, and
– the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. We do not express an opinion on the content of the parts of the group management report specified in the appendix to the auditor's report.

Pursuant to section 322 (3) Sentence 1 HGB we declare that our audit and our examination have not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Impairment testing of goodwill

Reasons why the matter was determined to be a key audit matter:

Goodwill constitutes a significant part of the TRATON Group's assets. The recoverable amount of the cash-generating units (CGUs) is generally calculated on the basis of its value in use, applying discounted cash flow models. The result of determining a possible need to recognize an impairment loss on goodwill in the course of impairment testing is to a large extent dependent on the executive directors' estimate of future cash flows and the respective discount factors used. Therefore, and also due to the complexity of the measurement models, the impairment testing of goodwill was a key audit matter in our audit.

Auditor's response:

As part of our audit procedures, we discussed with management the demarcation of cash-generating units and the allocation of assets and liabilities to the respective cash-generating units and assessed their consistency with the internal reporting structure. We analyzed the planning process implemented in the TRATON GROUP and tested the operating effectiveness of the controls implemented therein. We assessed the underlying valuation models for the determination of value in use calculated using the discounted cash flow model in terms of methodology and reperformed the calculations with the assistance of internal valuation specialists. We discussed the operative planning prepared by the executive directors in connection with the development of sales markets, production costs, margins and growth rates applied with the employees responsible for planning and compared it with external information, particularly with market studies. In doing so, particular attention was paid to effects from possible long-term supply shortages for semiconductors and other important bought-in components, inflation forecasts, trend rates of material and personnel costs as well as the continuing regional differences in the effects of the COVID-19 pandemic. Furthermore, we discussed and assessed the planning assumptions regarding the effects of climate change and the associated expansion of e-mobility, particularly the existing uncertainty related to the estimate of market shares of electric vehicles and target margins as well as long-term growth rates used for the planning. We assessed the derivation of the discount rates, in particular by evaluating the composition of the peer group used for this purpose using the beta factor applied and comparing the country-specific parameters used by the TRATON GROUP on the current development of interest rates and market risks. We performed sensitivity analyses to assess the impairment risk in the case of a reasonably possible change in one of the significant assumptions.

Our audit procedures did not lead to any reservations relating to the assessment of impairment testing of goodwill.

Reference to related disclosures:

The Company's disclosures regarding the relevant accounting principles for the recognition and measurement of goodwill are contained in sections "5. Accounting policies", "6. Estimates and management's judgment" and "18. Goodwill" of the notes to the consolidated financial statements.

Recognition and recoverability of development costs

Reasons why the matter was determined to be a key audit matter

Significant criteria for the recognition of development costs are the feasibility of development projects (including the possibility of technical realization, the intention to complete and the ability to use) as well as the expected future economic benefit. Due to the technological transformation of the TRATON GROUP and the associated new development areas (including high investments in e-mobility and autonomous driving), research and development projects are becoming increasingly complex. The assessment of project feasibility plays an increasingly significant role in this connection and is subject to a high degree of judgment.

As long as capitalized development costs are not amortized, they must be tested for impairment at least once every year as part of the related cash-generating unit (CGU) at the level of the brands defined as CGUs. The assumption that it will be possible to generate future economic benefit and the result of the impairment test of capitalized development costs as part of analyses and impairment testing is highly dependent on the executive directors' estimate of future cash flows and the respective discount rates used. The recoverable amount of the cash-generating units (CGUs) is generally calculated on the basis of its value in use, applying discounted cash flow models.

Against the background of the ongoing transformation of the core business towards e-mobility and digitalization and the increasing environmental regulations, there are uncertainties that need to be considered when estimating the market shares of electric vehicles and target margins as well as the long-term growth rates. Executive directors' growth forecasts are subject to risk and may be revised given the changing environmental regulations and market conditions.

Furthermore, judgment by executive directors is involved in determining the CGU for purposes of the impairment test, in determining the discount rates applied and the assumed long-term growth rates.

Against this background, the materiality of capitalized development costs in relation to total assets, the total amount of research and development expenses as well as the judgment involved in the valuation, the recognition of development costs and the impairment test was a key audit matter.

Auditor's response

As part of our audit, we assessed the process for the demarcation of research and development costs, particularly with reference to recognition criteria. In this connection, we performed analytical audit procedures such as comparisons of project budgets and capitalization ratios, inspected the records for documenting project feasibility and verified the capitalized costs on a spot check basis. Besides this, we examined the recognition criteria of the future economic benefit on the basis of assumption regarding cash inflows of the respective CGU to which the capitalized development services are allocated. We also obtained an understanding of the executive directors' estimate regarding changes in the useful lives applied and indicators for changes in value of individual projects.

Furthermore, we assessed, among other things, the method used to determine the relevant CGUs and to perform the impairment test against the background of the corresponding requirements of IAS 36 with the assistance of valuation experts. We checked the mathematical accuracy of the valuation models applied.

We analyzed the planning process implemented in the TRATON GROUP and tested the operating effectiveness of the controls implemented therein. As a starting point, we reconciled the operative five-year planning of the TRATON Group or the CGUs prepared by the executive directors and acknowledged by the Supervisory Board with the amount budgeted in the underlying impairment tests. We discussed the significant planning assumptions with the executive directors and compared these with the results and cash inflows realized in the past to assess the planning accuracy. For the plausibility testing of input data of the impairment tests, among other things we performed a comparison with general and industry-specific market expectations underlying the expected cash inflows. Furthermore, we investigated the effects on the planned investments and their indirect effects on the sustainable cash inflows expected by the executive directors.

Our procedures did not lead to any reservations relating to the recognition and recoverability of capitalized development costs.

Reference to related disclosures

The Company's disclosures regarding the relevant accounting principles for the recognition and measurement of development costs are contained in sections "5. Accounting policies", "6. Estimates and management's judgment" and "19. Intangible assets" of the notes to the consolidated financial statements.

Completeness and measurement of provisions for warranties from sales transactions

Reasons why the matter was determined to be a key audit matter:

Warranties from sales transactions are recognized for statutory and contractual warranty obligations as well as for ex gratia arrangements with customers. They constitute a significant share of other provisions of the TRATON GROUP. The recognition of these provisions involves a high degree of judgment for assumptions and estimates related to the calculation of the estimated future course of claims for damages, both regarding the scope and costs as well as discount rates. Due to these facts, we consider the completeness and measurement of these provisions to constitute a significant risk of material misstatement and the matter was therefore determined to be a key audit matter.

Auditor's response:

As part of our audit procedures, we examined the process implemented by the executive directors to determine whether and how it takes into account the complete recognition of all the relevant warranty events. We examined the method and calculation used of the system-based calculation of provisions for each vehicle sold for statutory and contractual warranty obligations with assistance from internal IT specialists. We assessed the valuation assumptions underlying the calculation and involving uncertainty, particularly related to the expected warranty claims per vehicle and their costs, using analyses on the basis of past data. We performed analytical audit procedures by comparing the development of revenue and vehicles sold with the development of warranty provisions and discussed the deviations from our expectations with the executive directors.

For significant technical specific risks, we assessed their expected incidences of loss as well as the determination of expected costs per case or vehicle on the basis of documentation of previous loss events, and discussion with the responsible persons.

Our procedures did not lead to any reservations with regard to the completeness and measurement of warranty provisions from the sales transactions.

Reference to related disclosures:
The Company's disclosures regarding the recognition and measurement of provisions for warranty obligations are contained in the sections "5. Accounting policies – other provisions" and "35. Other provisions" of the notes to the consolidated financial statements.

Other information
The Supervisory Board is responsible for the Report of the Supervisory Board in the 2022 Annual Report. The executive directors and the supervisory board are responsible for the declaration pursuant to section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act) on the German Corporate Governance Code, which is part of the statement on corporate governance. In all other respects, the executive directors are responsible for the other information. The other information comprises the parts of the annual report mentioned in the appendix.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

– is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
– otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report
The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and profitability of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance in accordance with section 317 (3a) HGB on the electronic rendering of the consolidated financial statements and the group management report prepared for publication purposes

Opinion

We have performed assurance work in accordance with section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in TRATON_SE_KA_ZLB_ESEF-2022-12-31 and prepared for publication purposes complies in all material respects with the requirements of section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from January 1 to December 31, 2022 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with section 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with section 317 (3a) HGB (IDW AsS 410) (06.2022) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the supervisory board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with section 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with section 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on June 9, 2022. We were engaged by the Supervisory Board on September 28, 2022. We have been the group auditor of TRATON SE since the fiscal year 2020.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed individually in the consolidated financial statements or in the group management report:

- Issuance of comfort letters for TRATON SE in connection with the €12 billion European Medium Term Notes (EMTN) Program;
- Audit of the remuneration report in accordance with section 162 AktG;
- Audit to obtain limited assurance of the group non-financial statement in accordance with sections 315b et seq. HGB;
- Voluntary audits or reviews of annual financial statements;
- Consulting services in connection with acquisitions.

Other matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the *Unternehmensregister* [German Company Register] – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement
The German Public Auditor responsible for the engagement is Heiko Hummel.

Appendix to the auditor's report:

1. Parts of the group management report whose content is unaudited

We have not audited the content of the following parts of the group management report:

- The section "Appropriateness and effectiveness of risk management" in the section "Report on expected developments, opportunities and risks, 2. Report on opportunities and risks" of the group management report
- the Corporate governance statement contained in the section "Supplemental information on fiscal year 2022" of the group management report.
- the Nonfinancial group statement contained in the group management report.

2. Further other information

The other information also comprises additional parts to be included in the annual report, of which we obtained a copy prior to issuing this auditor's report, in particular the sections:

- Section 1 To Our Shareholders
- Section 4 Further Information

but not the consolidated financial statements, not the group management report disclosures whose content is audited and not our auditor's report thereon.

3. Company information outside the annual report, which has been referred to in the group management report

The management report contains cross-references to the websites of the Group and the Group companies. We have not audited the contents of information to which the cross-references refer.

Munich, February 13, 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Meyer	Hummel
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the Nonfinancial Group Statement 2022 of TRATON SE. The following text is a translation of the original German independent assurance report.

Independent auditor's report on a limited assurance engagement

To TRATON SE, Munich

We have performed a limited assurance engagement on the non-financial group statement included in the "Nonfinancial Group statement" section of the Combined Management Report of TRATON SE, Munich, (hereinafter the "Company"), as well as the "Business activities and organization" section of the Combined Management Report incorporated by reference, for the period from 1 January 2022 to 31 December 2022 (hereinafter the "group non-financial statement").

Not subject to our assurance engagement are other references to disclosures made outside the group non-financial statement as well as prior-year disclosures.

Responsibilities of the executive directors

The executive directors of the Company are responsible for the preparation of the group non-financial statement in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB ["Handelsgesetzbuch": German Commercial Code] and Art. 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder as well as in accordance with their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as set out in section "EU Taxonomy Disclosures" of the group non-financial statement.

These responsibilities of the Company's executive directors include the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a group non-financial statement that is free from material misstatement, whether due to fraud (manipulation of the group non-financial statement) or error.

The EU Taxonomy Regulation and the Delegated Acts adopted thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU Taxonomy Disclosures" of the group non-financial statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and quality assurance of the auditor's firm

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements - in particular the BS WP/vBP ["Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer": Professional Charter for German Public Accountants/German Sworn Auditors] in the exercise of their Profession and the IDW Standard on Quality Management issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Audit Firm (IDW QS 1) and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

Responsibilities of the auditor

Our responsibility is to express a conclusion with limited assurance on the group non-financial statement based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company’s group non-financial statement is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors disclosed in section “EU Taxonomy Disclosures” of the group non-financial statement. Not subject to our assurance engagement are other references to disclosures made outside the group non-financial statement and prior-year disclosures.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the auditor.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Group’s sustainability organization and stakeholder engagement
- Inquiries of relevant employees involved in the preparation of the group non-financial statement about the preparation process, about the internal control system related to this process, and about disclosures in the group non-financial statement
- Inquiries of the employees regarding the selection of topics for the group non-financial statement, the risk assessment and the policies of the Group for the topics identified as material
- Inquiries of employees of the Group responsible for data capture and consolidation as well as the preparation of the group non-financial statement, to evaluate the reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the disclosures in the group non-financial statement
- Identification of likely risks of material misstatement in the group non-financial statement
- Analytical procedures on selected disclosures in the group non-financial statement at the level of the Group
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and Combined Management Report
- Evaluation of the presentation of the group non-financial statement
- Evaluation of the process to identify the economic activities taxonomy-aligned and the corresponding disclosures in the group non-financial statement

In determining the disclosures in accordance with Art. 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the group non-financial statement of the Company for the period from 1 January 2022 to 31 December 2022 is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors as disclosed in section “EU-Taxonomy disclosures” of the group non-financial statement.

We do not express an assurance conclusion on the other references to disclosures made outside the group non-financial statement and prior-year disclosures.

Restriction of use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. As a result, it may not be suitable for another purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company alone. We do not accept any responsibility to third parties. Our assurance conclusion is not modified in this respect.

General Engagement Terms and Liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We accept no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the report to reflect events or circumstances arising after it was issued, unless required to do so by law. It is the sole responsibility of anyone taking note of the summarized result of our work contained in this report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 13 February 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Richter	Hauschildt
Wirtschaftsprüferin	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Remuneration Report

Section 162 of the *Aktiengesetz* (AktG — German Stock Corporation Act) requires the Executive Board and Supervisory Board of TRATON SE to prepare a clear, readily understandable report on the remuneration of members of the Executive Board and the Supervisory Board. In this report, we explain the principles of the remuneration system for the Executive Board and Supervisory Board. The Remuneration Report also presents the individual remuneration broken down by component for current and former members of the Executive Board and Supervisory Board of TRATON SE.

Executive Board remuneration

Business performance in the year under review

In 2022, the most important truck markets (> 6t) for the TRATON GROUP worldwide reported noticeable growth. The most important bus markets remained on a level with the previous year. However, the TRATON GROUP was only partially able to track this general market trend, as the war in Ukraine and the effects of the zero-COVID policy in China led to supply bottlenecks and negatively impacted production and unit sales. The shortages affected all segments but to a varying extent determined by their supplier network, specifications of the individual vehicles, and customer demand. Especially at MAN Truck & Bus, supply shortages meant that assembly lines at the truck plants in Munich and Krakow stood still for six weeks and production at other sites was stopped from mid-March onward. Additionally, the logistics shortages resulted in delays in the delivery of vehicles, in particular at MAN Truck & Bus and Scania Vehicles & Services. Worldwide, there was a significant increase in the prices for energy, logistics, raw materials, and bought-in components, which impacted all TRATON GROUP segments. There was a slight recovery in the supply situation for bought-in components in the second half of the year, with the result that vehicle sales increased significantly. Overall, the TRATON GROUP's operating result increased year-on-year, from €393 million to €1.6 billion.

Principles of Executive Board remuneration

The remuneration of the members of the Executive Board is based on the revised remuneration system adopted by the Supervisory Board on December 16, 2021, and effective from January 1, 2022, which largely corresponds to the remuneration system already adopted on December 16, 2020, and effective from January 1, 2021, and approved by the Annual General Meeting on June 30, 2021. The Annual General Meeting approved the revised remuneration system on June 9, 2022, with 97.98% of the votes cast. The Executive Board remuneration system implements the requirements of the AktG in the version as amended by ARUG II and takes account of the recommendations of the German Corporate Governance Code (the Code) as amended on April 28, 2022 (entered into force on June 27, 2022). With the revision of the remuneration system, the assessment period for the profit bonus was essentially cut from two fiscal years to one fiscal year as of January 1, 2022, and the maximum remuneration for the Executive Board member who is also CEO of Navistar International Corporation (Navistar) was set at €4,000 thousand. For the nonfinancial Environmental subtarget of the profit bonus, the Supervisory Board resolved that, from fiscal year 2022, the ratio of the number of battery electric vehicles and fuel cell electric vehicles sold to the total number of vehicles sold, excluding the MAN TGE model, will be used as the basis. For fiscal year 2022, this excludes vehicle sales by Navistar for a transitional period.

For the members of the Executive Board who were already in office prior to December 16, 2020, the remuneration system shall apply until their contract is renewed and with the proviso that the performance share plan will continue to have a performance period of three years.

The level of the Executive Board remuneration should be appropriate and attractive in the context of the Company's national and international peer group. Criteria include the tasks of the individual Executive Board member, their personal performance, the economic situation, and the performance of and outlook for the Company, as well as how customary the remuneration is when measured against the peer group. In this context, comparative studies on remuneration are conducted on a regular basis.

The Executive Board and Supervisory Board reported in detail on the remuneration of the Executive Board and Supervisory Board in fiscal year 2021 in the 2021 Remuneration Report. The Annual General Meeting approved the 2021 Remuneration Report on June 9, 2022, with 99.17% of the votes cast.

The following provides an overview of the remuneration system for the Executive Board that was applicable in fiscal year 2022 before discussing the remuneration components in the same reporting period.

Overview of the remuneration components

The following table provides an overview of the remuneration components paid to the members of the Executive Board in fiscal year 2022. It also provides an overview of the composition of the individual remuneration components and explains the targets, especially in respect of how the remuneration is intended to foster the Company's long-term development.

2022 EXECUTIVE BOARD REMUNERATION SYSTEM

Component	Composition	Target
Fixed remuneration components		
Base salary	Twelve equal installments payable at month-end	The base remuneration and fringe benefits are intended to reflect the tasks and responsibility of the Executive Board members, provide a basic income, and prevent them from taking inappropriate risks.
Fringe benefits	In particular: – Private use of the first company car; second and third company cars with fuel cards in return for payment of a monthly flat fee; private use of the driver pool to an appropriate extent – Allowance toward health and long-term care insurance and retirement provision – Accident insurance – Installation and private use of security measures – Medical check-up for managers – Inclusion in D&O and criminal legal expenses insurance – Benefits in the event of death – Possible payment of tax consulting costs Modified fringe benefits for Executive Board members who are also members of the Executive Board of a foreign subsidiary: – Executive Board members who are also members of the Executive Board of a foreign subsidiary do not currently receive their fringe benefits from TRATON SE but from the respective foreign subsidiary. – These Executive Board members are only entitled to modified fringe benefits from TRATON SE, i.e., they are included in the D&O and criminal legal expenses insurance, they are entitled to benefits in the event of death, and, under certain circumstances, to the payment of tax consulting costs.	
Occupational retirement provision	– Retirement, disability, and surviving dependents' benefits – In principle, upon reaching the age of 65 (earlier claims are possible) – Defined contribution system dependent on the performance of certain fund indices – Annual contribution of 40% of the contractually agreed base salary – Executive Board members who are also members of the Executive Board of a foreign subsidiary do not currently receive occupational retirement provision from TRATON SE but from the respective foreign subsidiary.	The occupational retirement provision is intended to provide Executive Board members with an adequate pension when they retire.

2022 EXECUTIVE BOARD REMUNERATION SYSTEM

Component	Composition	Target
Variable remuneration components		
Profit bonus	– Plan type: target bonus – Cap: 180% of the target amount – Assessment period: profit bonus fiscal year (year for which the bonus is granted) – Performance criteria: o **Financial subtargets:** • **Operating return on sales** (50%) and **return on investment** (50%) o Operating return on sales is the ratio of the operating result of the TRATON Operations business area (including Corporate Items[1]) before tax and excluding adjustments to the corresponding sales revenue. o Return on investment is the ratio of the operating result of the TRATON Operations business area (including Corporate Items[1]) after tax (normalized tax rate of 30%) and excluding adjustments to the corresponding average invested capital. • The Supervisory Board defines threshold, target, and maximum values for the financial subtargets for the profit bonus fiscal year. The threshold, target, and maximum values correspond to subtarget achievement of 50%, 100%, and 150%, respectively; interim values are interpolated on a linear basis. • The profit bonus depends on target achievement in the profit bonus fiscal year. • Total financial target achievement = subtarget achievement operating return on sales x 50% + subtarget achievement return on investment x 50% o **ESG targets** • **Environmental** subtarget (ratio of the number of battery electric vehicles and fuel cell electric vehicles sold to the total number of vehicles sold, excluding the MAN TGE model; for fiscal year 2022, excluding vehicle sales by Navistar for a transitional period) weighted at 50% • **Social** subtarget (opinion index), weighted at 50% • **Governance factor** (compliance and integrity) of between 0.9 and 1.1 (normal value 1.0) • The Supervisory Board defines minimum, target, and maximum values for the Environmental and Social subtargets for each fiscal year. The minimum, target, and maximum values correspond to subtarget achievement of 0.7, 1.0, and 1.3 respectively; interim values are interpolated on a linear basis • Calculation of the ESG factor: [Environmental subtarget achievement x 50% + Social subtarget achievement x 50%] x Governance factor (0.9–1.1) – Profit bonus payment amount = individual target amount x financial target achievement x ESG factor – Payout: generally in cash in the month following approval of the consolidated financial statements for the profit bonus fiscal year	The profit bonus is intended to motivate the Executive Board members to pursue ambitious targets during the assessment period. The financial performance targets support the strategic target of achieving competitive earnings power. The integration of sustainability targets reflects the significance of the Environmental, Social, and Governance factors.

2022 EXECUTIVE BOARD REMUNERATION SYSTEM

Component	Composition	Target
Long-term incentive (LTI) (Note: for Executive Board members appointed prior to December 16, 2020, a three-year performance period continues to apply until their contract is renewed; in all other respects, however, the terms of the LTI are equivalent to the terms of the performance share plan described for fiscal year 2022.)	– Plan type: performance share plan – Performance period: in principle, forward-looking four-year term – Cap: 200% of the target amount – **Allocation of performance shares:** at the start of each fiscal year, the individually agreed target amount is divided by the arithmetic mean of the TRATON SE share price (German Securities Identification Number: TRAT0N) in the Xetra trading system of Deutsche Börse AG on the last 30 trading days prior to January 1 of the respective performance period (initial reference price). – **Target setting:** at the start of the performance period, the Supervisory Board defines minimum, target, and maximum values for earnings per share (EPS), the audited diluted earnings per TRATON share for continuing and discontinued operations. The minimum, target, and maximum EPS values correspond to target achievement of 50, 100, and 150%, respectively. – **Calculation of the payment amount:** the final number of performance shares is calculated by multiplying the number of performance shares conditionally allocated at the start of the performance period by the arithmetic mean of the annual EPS target achievement figures during the performance period. The final number of performance shares is then multiplied by the sum of the arithmetic mean of the closing prices on the last 30 trading days prior to the end of the performance period (closing reference price) and the dividends paid per share during the performance period (dividend equivalent). – Payout: generally in cash in the month following approval of the consolidated financial statements for the last fiscal year of the respective performance period – If the employment contract ends before the end of the performance period due to a bad leaver case (extraordinary termination for cause or revocation of appointment due to a gross breach of duties, resignation, termination without cause by the person concerned, a breach of a contractual or post-contractual restraint on competition), all performance shares will be forfeited.	The long-term incentive serves to align the remuneration of the Executive Board members to the Company's long-term performance. The financial performance target EPS in conjunction with share price performance and the dividends paid, measured over four years, ensures the long-term effect of the behavioral incentives and supports the strategic target of achieving competitive earnings power.
Other benefits		
Special payment	– If applicable, on the basis of a separate agreement with the Executive Board member – The agreement is made in advance for the fiscal year and defines performance criteria for the special payment.	Special payments are intended to reward outstanding performance and will only be granted if it is in the Company's interest to do so and generates a forward-looking benefit for the Company.
Benefits agreed with new Executive Board members for a defined period of time or for the entire term of their employment contracts	– Optional payments to compensate for declining variable remuneration or other financial disadvantages – Optional benefits in connection with relocation – Optional minimum remuneration guarantee	These (compensation) payments are intended to enable the Company to attract qualified candidates for the Executive Board.

2022 EXECUTIVE BOARD REMUNERATION SYSTEM

Component	Composition	Target
Other remuneration provisions		
Penalty and clawback	– The possibility for the Supervisory Board to reduce profit bonuses and the performance share plan by up to 100% or to claw back the remuneration that has already been paid in the case of relevant misconduct during the respective relevant assessment period – Clawback is excluded if more than three years have passed since the variable remuneration component was paid out.	The aim is to motivate Executive Board members to maintain lawful and ethical conduct.
Maximum remuneration	– The relevant components are the fixed salary for the respective fiscal year, the service cost for occupational retirement provision, the fringe benefits granted, the profit bonuses granted for the respective fiscal year and paid out in the following year, the performance share plan paid out in the respective fiscal year and for which the performance period ended immediately before the respective fiscal year, any special payment granted for the respective fiscal year, and any benefits granted to new Executive Board members. – €5,500 thousand gross for the Chairman of the Executive Board per fiscal year; in general, €3,700 thousand gross for the members of the Executive Board per fiscal year; in deviation from this €1,750 thousand gross for Mr. Cortes and €4,000 thousand gross for the member of the Executive Board who is also CEO of Scania AB and/or Scania CV AB, and €4,000 thousand gross for the member of the Executive Board who is also CEO of Navistar – The maximum remuneration for Executive Board members who are also members of the Executive Board of a foreign subsidiary consists of the total remuneration from TRATON SE together with that from the respective subsidiary. – If the maximum remuneration is exceeded, the variable remuneration components will be reduced accordingly.	The aim is to ensure that the remuneration of Executive Board members is not inappropriately high when measured against the peer group.

1 Excluding consolidation effects between the TRATON Operations and Financial Services business areas and effects of purchase price allocations on Financial Services

Remuneration of the Executive Board members appointed in fiscal year 2022

Members of the Executive Board in fiscal year 2022

On the one hand, the Executive Board of TRATON SE is made up of members who are also members of the Executive Board of a foreign subsidiary and receive their remuneration proportionately from TRATON SE and from the respective foreign subsidiary. On the other, it consists of members who are only members of the Executive Board of TRATON SE or also members of the Executive Board of a German subsidiary. These Executive Board members are remunerated entirely by TRATON SE; if they hold an additional Executive Board function at a German subsidiary, part of their remuneration will be reimbursed by way of intercompany charging. The members of the Executive Board receive no additional remuneration for discharging further mandates in the management bodies, supervisory boards, or comparable bodies of other Group companies in the course of their board activity. Should such remuneration be granted nonetheless, it will be offset against the remuneration for the activity as a member of the Executive Board of TRATON SE.

In fiscal year 2022, the Executive Board of TRATON SE had the following members:

Christian Levin: Mr. Levin has been a member of the Executive Board since the effective date of the change of legal form of TRATON AG to TRATON SE on the day this was entered in the commercial register in 2019, and has been the Chairman of the Executive Board since October 1, 2021. Mr. Levin has also been Chief Executive Officer of Scania AB and Scania CV AB since May 1, 2021. Since October 1, 2021, the remuneration has been divided between TRATON SE and Scania CV AB based on areas of responsibility. Since May 1, 2021, Mr. Levin has received fringe benefits and occupational retirement provision solely from Scania CV AB.

Mathias Carlbaum: Mr. Carlbaum has been a member of the Executive Board since October 1, 2021, and, in addition, Chief Executive Officer and President of Navistar since September 1, 2021, on the basis of a secondment agreement between him, Scania CV AB, and Navistar. Since October 1, 2021, 20% of his fixed and variable remuneration has been borne by TRATON SE and 80% by Navistar. The fringe benefits for Mr. Carlbaum are borne by Navistar. All pension expenses and some fringe benefits were paid by Scania CV AB, with which Mr. Carlbaum still has a dormant employment contract, and charged on to Navistar.

Antonio Roberto Cortes: Mr. Cortes has been a member of the Executive Board since the effective date of the change of legal form of TRATON AG to TRATON SE on the day this was entered in the commercial register in 2019, and is also Chief Executive Officer of Volkswagen Truck & Bus Latin America Indústria e Comércio de Veículos Ltda. (Volkswagen Truck & Bus), formerly MAN Latin America Indústria e Comércio de Veículos Ltda. Mr. Cortes received 20% of his fixed and variable remuneration from TRATON SE and 80% from Volkswagen Truck & Bus. Mr. Cortes received his fringe benefits and occupational pension entirely from Volkswagen Truck & Bus.

Annette Danielski: Ms. Danielski has been a member of the Executive Board since October 1, 2021.

Bernd Osterloh: Mr. Osterloh has been a member of the Executive Board since May 1, 2021.

Alexander Vlaskamp: Mr. Vlaskamp has been a member of the Executive Board since November 25, 2021, and is also Chief Executive Officer of MAN Truck & Bus SE. Mr. Vlaskamp received no separate remuneration in fiscal year 2022 for his role at MAN Truck & Bus SE. The Supervisory Board of MAN Truck & Bus SE resolved to reimburse TRATON SE for 80% of the remuneration expenses by way of intercompany charging.

Remuneration granted and owed in fiscal year 2022

In accordance with section 162 (1) sentence 1 of the AktG, the remuneration report must detail the remuneration granted and owed to each individual member of the Executive Board in the past fiscal year. The terms used are defined as follows:

- The term “granted” means the “*actual receipt of the remuneration component.*”
- The term “owed” covers “*all legal obligations in respect of remuneration components that are due but have not yet been fulfilled.*”

These definitions differ from the terms “benefits granted” and “benefits received” used in the 2020 Remuneration Report. The term “benefits granted” within the meaning of the Code (2017) included all remuneration components, irrespective of the time of actual payment, which had been awarded at least in principle to a member of the Executive Board in the fiscal year and the amount of which could be estimated. The introduction of section 162 of the AktG means it is no longer possible to continue applying the distinction between “granted” and “received” as had previously been the case. The term “granted” used in section 162 of the AktG most closely matches the definition of the term “received” that was previously used.

Table overview

The following tables show the remuneration actually received by the members of the Executive Board in fiscal year 2022. The time of actual payment is not significant. Correspondingly, the remuneration granted in 2022 includes the base salary paid in fiscal year 2022, the fringe benefits, and the profit bonus paid for fiscal year 2022 following approval of the Company’s consolidated financial statements. In fiscal year 2022, the LTI with the 2019–2021 performance period was also paid out and is reported as remuneration granted. As the Company was not in arrears with the payment of remuneration components, the tables do not show any remuneration owed.

The relative portions shown in the tables refer to the remuneration components “granted and owed” in the respective fiscal year in accordance with section 162 (1) sentence 1 of the AktG. They therefore include all benefits actually received by the members of the Executive Board in the respective fiscal year, no matter which fiscal year they were paid for. The relative portions shown here are therefore not comparable with the respective relative portions of the fixed and variable remuneration components in total remuneration as contained in the description of the remuneration system in accordance with section 87a (1) sentence 2 no. 3 of the AktG. The portions shown in the remuneration system refer to the respective target values granted for the respective fiscal year, irrespective of the time at which the remuneration component in question is paid out.

Pension expense is reported as service cost within the meaning of IAS 19. The service cost in accordance with IAS 19 does not constitute remuneration granted or owed within the meaning of section 162 (1) sentence 1 of the AktG as it is not actually received by the Executive Board member in the reporting period. It also includes other pension benefits such as surviving dependents' benefits and the use of company cars, as well as defined contribution pension plans where these are provided for under foreign legislation.

The maximum remuneration is the maximum remuneration within the meaning of section 87a (1) sentence 2 no. 1 of the AktG in accordance with the remuneration system resolved by the Supervisory Board and approved by the Annual General Meeting.

Moreover, in accordance with the remuneration system resolved by the Supervisory Board on December 16, 2020, and approved by the Annual General Meeting on June 30, 2021, the employment contracts of the members of the Executive Board contain a penalty and clawback provision. TRATON SE did not make use of these regulations in fiscal year 2022.

Further explanations about the individual tables can be found below the tables.

CHRISTIAN LEVIN

		2022	
Remuneration component		**€ thousand[1]**	**in %**
Fixed remuneration components			
Base salary	TRATON SE	1,220	54
	Scania CV AB	630	
Fringe benefits	TRATON SE	0	1
	Scania CV AB	34	
Total	**TRATON SE**	**1,220**	**55**
	Scania CV AB	**664**	
	Total	**1,884**	
Variable remuneration components			
– Profit bonus 2022 (target amount €1,350 thousand per annum)	TRATON SE	572	31
	Scania CV AB	500	
– LTI 2019–2021 (performance share plan, three-year term; target amount €650 thousand per annum; minus advance payment[2])	TRATON SE	96	14
	TRATON AB	385	
Sum — remuneration granted and owed	**TRATON SE**	**1,888**	**100**
	Scania CV AB	**1,164**	
	TRATON AB	**385**	
	Total	**3,437**	
Pension expenses	TRATON SE	0	
	Scania CV AB	1,304	
Total remuneration including pension expenses	**TRATON SE**	**1,888**	
	Scania CV AB	**2,468**	
	TRATON AB	**385**	
	Total	**4,740**	
Maximum remuneration	**Total**	**5,500**	
Clawback in accordance with section 162 (1) sentence 2 no. 4 of the AktG		0	

1 Contractually agreed exchange rate: SEK 10.30 = €1

2 Mr. Levin received an advance payment on the LTI 2019–2021 of €99 thousand (TRATON SE) and €398 thousand (TRATON AB) at the beginning of fiscal year 2020. The advance payment does not represent remuneration granted in fiscal year 2022 and is therefore not shown in the table.

MATHIAS CARLBAUM

Remuneration component		2022 € thousand	2022 in %
Fixed remuneration components			
Base salary	TRATON SE	150	44
	Navistar	600	
Fringe benefits	TRATON SE	0	22
	Navistar[1]	371	
Total	**TRATON SE**	**150**	**65**
	Navistar	**971**	
	Total	**1,121**	
Variable remuneration components			
– Profit bonus (target amount €750 thousand per annum)	TRATON SE	119	35
	Navistar	476	
Sum — remuneration granted and owed	**TRATON SE**	**269**	**100**
	Navistar	**1,447**	
	Total	**1,716**	
Pension expenses	TRATON SE	0	
	Navistar	446	
Total remuneration including pension expenses	**TRATON SE**	**269**	
	Navistar	**1,893**	
	Total	**2,162**	
Maximum remuneration	**Total**	**4,000**	
Clawback in accordance with section 162 (1) sentence 2 no. 4 of the AktG		0	

1 The fringe benefits also include benefits due to Mr. Carlbaum's secondment to Navistar.

ANTONIO ROBERTO CORTES

Remuneration component		2022 € thousand[1]	2022 in %
Fixed remuneration components			
Base salary	TRATON SE	124	55
	Volkswagen Truck & Bus	496	
Fringe benefits	TRATON SE	0	4
	Volkswagen Truck & Bus	40	
Total	**TRATON SE**	**124**	**58**
	Volkswagen Truck & Bus	**536**	
	Total	**660**	
Variable remuneration components			
– Profit bonus (target amount €310 thousand per annum)	TRATON SE	49	22
	Volkswagen Truck & Bus	197	
– LTI 2019–2021 (performance share plan, three-year term; target amount €310 thousand per annum; minus advance payment[2])	TRATON SE	46	20
	Volkswagen Truck & Bus	183	
Sum — remuneration granted and owed	**TRATON SE**	**219**	**100**
	Volkswagen Truck & Bus	**917**	
	Total	**1,136**	
Pension expenses	TRATON SE	0	
	Volkswagen Truck & Bus	290	
Total remuneration including pension expenses	**TRATON SE**	**219**	
	Volkswagen Truck & Bus	**1,207**	
	Total	**1,426**	
Maximum remuneration	**Total**	**1,750**	
Clawback in accordance with section 162 (1) sentence 2 no. 4 of the AktG		0	

1 Contractually agreed exchange rate: BRL 6.36 = €1

2 Mr. Cortes received an advance payment on the LTI 2019–2021 of €47 thousand (TRATON SE) and €190 thousand (Volkswagen Truck & Bus) at the beginning of fiscal year 2020. The advance payment does not represent remuneration granted in fiscal year 2022 and is therefore not shown in the table.

ANNETTE DANIELSKI

	2022	
Remuneration component	**€ thousand**	**in %**
Fixed remuneration components		
Base salary	700	54
Fringe benefits	49	4
Total	**749**	**57**
Variable remuneration components		
– Profit bonus (target amount €700 thousand per annum)	556	43
Sum — remuneration granted and owed	**1,305**	**100**
Pension expenses	182	
Total remuneration including pension expenses	**1,487**	
Maximum remuneration	**3,700**	
Clawback in accordance with section 162 (1) sentence 2 no. 4 of the AktG	0	

BERND OSTERLOH

	2022	
Remuneration component	**€ thousand**	**in %**
Fixed remuneration components		
Base salary	700	51
Fringe benefits	113	8
Total	**813**	**59**
Variable remuneration components		
– Profit bonus (target amount €700 thousand per annum)	556	41
Sum — remuneration granted and owed	**1,369**	**100**
Pension expenses	287	
Total remuneration including pension expenses	**1,656**	
Maximum remuneration	**3,700**	
Clawback in accordance with section 162 (1) sentence 2 no. 4 of the AktG	0	

ALEXANDER VLASKAMP

	2022	
Remuneration component	**€ thousand**	**in %**
Fixed remuneration components		
Base salary	688	52
Fringe benefits	87	7
Total	**775**	**58**
Variable remuneration components		
– Profit bonus (target amount €700 thousand per annum)	556	42
Sum — remuneration granted and owed	**1,331**	**100**
Pension expenses	385	
Total remuneration including pension expenses	**1,716**	
Maximum remuneration	**3,700**	
Clawback in accordance with section 162 (1) sentence 2 no. 4 of the AktG	0	

Explanation

Additional contractual agreements with the members of the Executive Board

Mr. Vlaskamp will be reimbursed for the costs of accommodation at his regular place of work and for weekly family trips home for a period of 18 months following his appointment. The Company is also assuming any relocation, moving, and real estate agent costs incurred as well as the costs of a tax advisor. Out of solidarity with the employees of MAN Truck & Bus SE, who were on short-time work, Mr. Vlaskamp, like all the Executive Board members of MAN Truck & Bus SE, waived 10% of his fixed salary in the months of April and May 2022.

A contractual arrangement with **Mr. Cortes** specifies the payment of an amount to compensate for the higher tax burden in Germany.

For the duration of their appointments, **Ms. Danielski** and **Mr. Osterloh** will be reimbursed for the costs of accommodation at their regular places of work and for weekly family trips home. TRATON SE also committed to reimbursing Mr. Osterloh for the costs of acquiring a class C/CE driver’s license, including related follow-up costs.

These benefits for members of the Executive Board are reported in the amounts included for fringe benefits.

Performance criteria for variable remuneration

Bonus performance criteria

Financial subtargets

The following overviews show the values defined by the Supervisory Board for the threshold, target, and maximum values for the financial subtargets, namely operating return on sales and return on investment for fiscal year 2022, and the actual values or target achievement in percent.

	2022
Operating return on sales	
Maximum value	10.8%
100% target level	6.0%
Threshold value	4.0%
Actual	4.6%
Target achievement (in %)	**66.2%**
Return on investment	
Maximum value	13.8%
100% target level	7.7%
Threshold value	3.8%
Actual	7.7%
Target achievement (in %)	**101.0%**
Overall target achievement	**83.6%**

The indicator relevant for calculating operating return on sales and return on capital employed is operating result in the TRATON Operations business area, including Corporate Items. Normally, operating result is used for this purpose without adjustments. However, the Supervisory Board has made use of the option provided for in the remuneration system in accordance with recommendation G.11 of the Code by taking account of extraordinary developments in determining target achievement. The Supervisory Board set the financial subtargets for the bonus for fiscal year 2022 in December 2021. It could not have been foreseen at that point that war would break out in Ukraine, which would also have a severe impact on TRATON's business activities. Against this backdrop, the Supervisory Board decided, for the calculation of operating return on sales and return on investment, to adjust operating result in the TRATON Operations business area (including Corporate Items) for charges incurred directly in connection with the war in Ukraine. These charges comprise mainly impairment losses on property, plant, and equipment, on inventories, on receivables, and on other assets, and other expenses in connection with the sale of the Russian distribution companies of Scania Vehicles & Services and MAN Truck & Bus. After adjustments of €253 million, operating result in the TRATON Operations business area (including Corporate Items) therefore amounted to €1,836 million. The actual figure shown in the table above is therefore 0.6 percentage points higher than the unadjusted figure for operating return on sales and 1.0 percentage points higher for return on investment. This means that target achievement is 66.2% rather than 50.1% for the financial subtarget of operating return on sales and 101.0% rather than 87.1% for the return on investment subtarget.

ESG targets

The following overview shows the values defined by the Supervisory Board for the minimum, target, and maximum values for the Environmental subtarget and the Social subtarget for fiscal year 2022, and the actual value or target achievement in percent in fiscal year 2022.

The Environmental subtarget is based on the decarbonization target. This is based on the ratio of the number of battery electric vehicles and fuel cell electric vehicles sold to the total number of vehicles sold, excluding the MAN TGE model. For fiscal year 2022, this excludes vehicle sales by Navistar for a transitional period. The minimum, target, and maximum values for the Environmental subtarget are defined by the Supervisory Board for each fiscal year and are based in particular on the business plan to achieve a consistently high proportion of battery electric and fuel cell electric vehicles.

The Social subtarget is based on the opinion index. The opinion index reflects the results of the Stimmungsbarometer employee survey in the TRATON GROUP, which regularly surveys employee satisfaction in the companies of the TRATON GROUP and also includes questions about characteristics of the corporate culture. The minimum, target, and maximum values for the Social subtarget are defined by the Supervisory Board for each fiscal year and are based in particular on the results of previous years and on current developments.

ENVIRONMENTAL (DECARBONIZATION TARGET)

in %	2022
Maximum value	1.46
100% target level	0.97
Minimum value	0.49
Actual	**0.39**
Subtarget achievement	**0.70**

SOCIAL (OPINION INDEX)

Points	2022
Maximum value	79
100% target level	75
Minimum value	71
Actual	**77.8**
Subtarget achievement	**1.2**

For fiscal year 2022, the Supervisory Board defined a normal value of 1.0 for the Governance factor, taking account of and assessing the performance of the Executive Board as a whole and the performance of the current individual members of the Executive Board. To determine the Governance factor, the Supervisory Board assesses the collective performance of the Executive Board in the first step. In the second step, the Supervisory Board assesses the performance of each individual Executive Board member in terms of integrity and compliance. The Supervisory Board can increase the Governance factor to 1.1 or reduce it to 0.9 on the basis of the collective and individual assessment. If there are no special circumstances in a fiscal year, the Governance factor is 1.0 (normal value).

LTI performance criteria

LTI introductory phase

For members of the Executive Board who were already in office as of January 17, 2019, and in respect of the remuneration components, the remuneration system for the Executive Board generally makes a distinction between months and fiscal years beginning up to and including the month and fiscal year of TRATON SE's IPO in June 2019 (pre-IPO phase) and the months and fiscal years beginning after the month and fiscal year of TRATON SE's IPO (post-IPO phase). For this reason, the employment contracts of Mr. Drees, Professor Intra, Mr. Levin, and Mr. Schulz distinguish between the pre-IPO phase and the post-IPO phase in respect of the target amount for the performance share plan. For performance shares issued up to and including the fiscal year of TRATON SE's IPO, the LTI is based on the performance of Volkswagen AG (fiscal year 2019). For performance shares issued after that date, the LTI is based solely on the performance of TRATON SE (from fiscal year 2020).

In the introductory phase of the performance share plan, those members of the Executive Board who were members of the Executive Board as of January 17, 2019, received advance payments of 80% of their target amount for the first two tranches (2019–2021 tranche and 2020–2022 tranche) of the performance share plan. This affected Mr. Cortes, Mr. Drees, Professor Intra, Mr. Levin, and Mr. Schulz. Mr. Henriksson only received an advance payment for the 2019–2021 tranche. The two advances were each paid after the first year of the performance period. These amounts are offset against the actual achievement of targets at the end of the relevant three-year performance period. The advances on the 2019–2021 tranche were paid out at the start of fiscal year 2020 and reported as remuneration received in the 2019 Remuneration Report. These advances were deducted when calculating the payment amounts from the 2019–2021 tranche. The payment amounts for the 2019–2021 tranche reported as remuneration granted for fiscal year 2022 therefore show the amounts reduced by the advance and thus correspond to the amount actually paid out to the Executive Board members.

EPS target values

The following overviews show the minimum, target, and maximum values defined by the Supervisory Board at the beginning of the relevant 2019–2021, 2020–2022, 2021–2023, 2021–2024, 2022–2024, and 2022–2025 performance periods, and the actual values and target percentage achievement already achieved for individual years in the assessment period. The performance share plans for the 2020–2022, 2021–2023, 2021–2024, 2022–2024, and 2022–2025 performance periods were not yet due and were not paid out in fiscal year 2022; they therefore do not represent remuneration granted or owed in fiscal year 2022.

The performance share plan due for payment in fiscal year 2022 for the 2019–2021 performance period is based on the target achievement of the EPS of Volkswagen preferred shares.

2019–2021 PERFORMANCE PERIOD
EPS VOLKSWAGEN PREFERRED SHARES (PRE-IPO)

€	2021	2020	2019
Maximum value	30.00	30.00	30.00
100% target level	20.00	20.00	20.00
Minimum value	10.00	10.00	10.00
Actual	29.60	16.66	26.66
Target achievement (in %)	148.0	83	133.3

2020–2022 PERFORMANCE PERIOD
EPS TRATON SHARES (POST-IPO)

€	2022	2021	2020
Maximum value	4.32	4.32	4.32
100% target level	2.90	2.90	2.90
Minimum value	1.95	1.95	1.95
Actual	2.28	0.91	–0.20
Target achievement (in %)	67.37	–	–

2021–2023 PERFORMANCE PERIOD
EPS TRATON SHARES

€	2022	2021
Maximum value	4.32	4.32
100% target level	2.90	2.90
Minimum value	1.95	1.95
Actual	2.28	0.91
Target achievement (in %)	67.37	–

2021–2024 PERFORMANCE PERIOD
EPS TRATON SHARES

€	2022	2021
Maximum value	4.32	4.32
100% target level	2.90	2.90
Minimum value	1.95	1.95
Actual	2.28	0.91
Target achievement (in %)	67.37	–

2022–2024 PERFORMANCE PERIOD
EPS TRATON SHARES

€	2022
Maximum value	4.32
100% target level	2.90
Minimum value	1.95
Actual	2.28
Target achievement (in %)	67.37

2022–2025 PERFORMANCE PERIOD EPS TRATON SHARES

€	2022
Maximum value	4.32
100% target level	2.90
Minimum value	1.95
Actual	2.28
Target achievement (in %)	67.37

Reference prices/dividend equivalent for the performance period

The initial reference price, closing reference price, and dividend equivalent for the 2019–2021 performance period are shown in the following overview. The prices for Volkswagen preferred shares apply to the 2019–2021 performance share plan.

€	2019–2021
Initial reference price	147.08
Closing reference price[1]	175.75
Dividend equivalent	
2019	4.86
2020	4.86
2021	4.86

The reference prices and dividend equivalents for the performance periods of the performance share plans not yet due and not yet paid out in fiscal year 2022 are shown in the following overview. The reference prices for these performance share plans are the prices of TRATON shares.

€	2022–2025	2022–2024	2021–2024	2021–2023	2020–2022
Initial reference price	21.70	21.70	22.40	22.40	24.58
Closing reference price[1]			–	–	14.69
Dividend equivalent					1.75
2020			–	–	1.00
2021			0.25	0.25	0.25
2022	0.50	0.50	0.50	0.50	0.50

1 Determined at the end of the performance period

Alignment with the remuneration system

The remuneration granted and owed to the members of the Executive Board in fiscal year 2022 complies with the requirements of the Executive Board remuneration system. There was no deviation from the valid remuneration system in fiscal year 2022. The profit bonus payments and the payments under the performance share plan for the 2019–2021 performance period were not reduced because the caps of 180% on the profit bonus target amount and 200% on the target amount for the performance share plan were not exceeded. Overall, the remuneration granted and owed to the members of the Executive Board in fiscal year 2022 did not exceed the maximum remuneration prescribed by the remuneration system.

Benefits and defined benefits in connection with termination

Benefits and defined benefits granted to members of the Executive Board in the event of early termination

The Executive Board remuneration system and employment contracts of the members of the Executive Board prescribe termination periods and severance payments in the event of revocation of the appointment of a member of the Executive Board and the mutual termination of the Executive Board function. If an appointment is revoked without cause within the meaning of section 626 of the *Bürgerliches Gesetzbuch* (BGB — German Civil Code), the employment contract will generally end after a period of 12 months. Other than in cases of cause justifying extraordinary termination of the employment contract by the Company, members of the Executive Board receive a severance payment in the amount of their gross remuneration for the remaining period of the employment contract, capped at two times the annual gross income. As a rule, the annual gross income used as the basis for calculating the severance payment consists of the fixed remuneration paid in the previous year plus the variable remuneration components defined for the previous year.

The severance payment is paid in twelve equal monthly gross installments from the end of the employment contract. Contractual remuneration paid by the Company for the time between termination of the appointment and the end of the employment contract is offset against the severance payment. If a member of the Executive Board takes up a new position after termination of the appointment, the severance payment will be reduced by the income from the new position. If a post-contractual restraint on competition has been agreed, the severance payment will be offset against the waiting allowance. No severance payment will be made if the member of the Executive Board continues to work for the Company or for another Volkswagen Group company in the context of an employment contract.

The members of the Executive Board are also generally entitled to retirement, disability, and surviving dependents' benefits in the event of early termination of their appointment without having entered retirement (cf. the following section for further information), although the minimum plan assets will only be maintained as ratably reduced plan assets pursuant to sections 2 (1) and 2a (1) of the *Gesetz zur Verbesserung der betrieblichen Altersversorgung* (BetrAVG — German Occupational Pensions Act). Pursuant to section 2a (2) item 2a) of the BetrAVG, the maintained portion of the minimum plan assets is adjusted by 1% per annum from the Board member's departure from the Company until the benefits fall due.

Defined benefits granted to members of the Executive Board in the event of regular termination of their role

TRATON SE generally grants retirement, disability, and surviving dependents' benefits to the members of the Executive Board. As a rule, the agreed retirement benefits are paid when the Executive Board member reaches the age of 65. However, Executive Board members who are also members of the Executive Board of a foreign subsidiary of TRATON SE do not receive retirement benefits from TRATON SE but from the respective foreign subsidiary. TRATON SE manages the occupational pension plans for Executive Board members Ms. Danielski, Mr. Osterloh, and Mr. Vlaskamp. The occupational pension plans for the other members of the Executive Board are maintained by Scania CV AB (Mr. Carlbaum and Mr. Levin), TRATON AB (Mr. Levin), and Volkswagen Truck & Bus (Mr. Cortes).

Entitlements to such benefits granted by TRATON SE are accumulated under a defined contribution system, the Capital Account Plan, with the value of benefits dependent upon the performance of certain fund indices. TRATON SE pays an annual contribution of 40% of the contractually agreed fixed remuneration in the calendar year. Executive Board members may elect to make contributions themselves out of their gross salary.

Contributions and interest are held in individual capital accounts. The performance of the capital account is directly linked to the capital markets and is determined by a basket of indices and other suitable parameters. The risk of the investments is gradually reduced as the beneficiaries get older (life cycle concept).

At retirement, the beneficiary may elect to receive the balance of the capital account, or at a minimum the total amount of the contributions, as a lump-sum payment, in installments, or as an annuity at an insurance rate valid as of the date of retirement.

In the event of disability or death, the beneficiary is paid the accumulated account balance, or a minimum of €2,000 thousand.

The following overview shows the individual pension entitlements of the members of the Executive Board and their cash value as of December 31, 2022, as well as the associated amount expensed or provided for for post-employment benefits in fiscal year 2022, if applicable considering the special features of the applicable foreign legislation in each case. The measurement of post-employment benefits also includes other pension benefits such as surviving dependents' benefits and the use of company cars, as well as defined contribution plans provided for by foreign legislation where expense is incurred in the year under review.

€ thousand	Cash value	Expense/provisions in fiscal year 2022
Christian Levin (Scania CV AB)	454	1,304
Mathias Carlbaum (Scania CV AB)	210	446
Antonio Roberto Cortes (Volkswagen Truck & Bus)	0	290
Annette Danielski (TRATON SE)	572	182
Bernd Osterloh (TRATON SE)	463	287
Alexander Vlaskamp (TRATON SE)	307	385

In the event of the regular termination of their function, the members of the Executive Board who previously had a company car provided to them by TRATON SE may be able to continue using their company car under certain circumstances. These include the respective Executive Board member having held the function for a total of at least ten years, or having worked for the Company for a total of at least 15 years, or the Supervisory Board considering the provision of a company car in retirement to be appropriate and in the Company's interest.

On account of Mr. Osterloh's long service with the Volkswagen Group, it was agreed in his employment contract that the minimum term of office that is the condition for the use of a company car in retirement should be considered to have been fulfilled when he retires at the end of his term of office.

No changes were made to the commitments explained in this section in fiscal year 2022.

Benefits and defined benefits to members of the Executive Board who stepped down in fiscal year 2022

No Executive Board member stepped down in fiscal year 2022.

No clawback in fiscal year 2022

There was no clawback of variable remuneration components from individual Executive Board members by TRATON SE in fiscal year 2022. None of the circumstances justifying a clawback existed.

Remuneration of former Executive Board members

In accordance with section 162 (1) sentence 1 of the AktG, the remuneration report must also detail the remuneration granted and owed to former members of the Executive Board.

Remuneration granted and owed in fiscal year 2022 (individual)

In accordance with section 162 (5) sentence 2 of the AktG, the obligation to report individually on the remuneration granted and owed to former members of the Executive Board extends to the remuneration granted and owed until the end of ten years after the fiscal year in which the former Executive Board member ended their role as a member of the Executive or Supervisory Board of TRATON SE.

Table overview

The following tables show the individual remuneration granted and owed in fiscal year 2022 to former members of the Executive Board who stepped down after fiscal year 2012. The profit bonuses for fiscal year 2022 paid out at the start of 2023 as well as the performance share plan with the 2019–2021 tranche paid out in fiscal year 2022 are included in the remuneration granted in fiscal year 2022 for both active and former members of the Executive Board.

JOACHIM DREES

Member of the Executive Board of TRATON SE; CEO of MAN SE and MAN Truck & Bus SE Left July 15, 2020	2022	
	€ thousand	in %
Pension payments	0	0
Base salary	700	39
Fringe benefits	60	3
Profit bonus	556	31
LTI 2019–2021 (performance share plan, three-year term; target amount €650 thousand per annum; minus advance payment[1])	481	27
Severance payments	0	0
Sum — remuneration granted and owed	**1,796**	**100**
Pension expense	0	–

1 Mr. Drees received an advance payment on the LTI 2019–2021 of €497 thousand at the beginning of fiscal year 2020. The advance payment does not represent remuneration granted in fiscal year 2022 and is therefore not shown in the table.

MATTHIAS GRÜNDLER

Chief Executive Officer of TRATON SE Left September 30, 2021	2022	
	€ thousand	in %
Pension payments	0	0
Base salary	1,350	55
Fringe benefits	29	1
Profit bonus	1,072	44
Severance payments	0	0
Sum — remuneration granted and owed	**2,450**	**100**
Pension expense	0	–

PROFESSOR CARSTEN INTRA

Member of the Executive Board & *Arbeitsdirektor* of TRATON SE; Chief Human Resources Officer & *Arbeitsdirektor* of MAN SE and MAN Truck & Bus SE Left July 15, 2020	2022	
	€ thousand	in %
Pension payments	0	0
Base salary	0	0
Fringe benefits	0	0
Profit bonus	0	0
LTI 2019–2021 (performance share plan, three-year term; target amount €650 thousand per annum; minus advance payment[1])	481	100
Severance payments	0	0
Sum — remuneration granted and owed	**481**	**100**
Pension expense	0	–

1 Professor Intra received an advance payment on the LTI 2019–2021 of €497 thousand at the beginning of fiscal year 2020. The advance payment does not represent remuneration granted in fiscal year 2022 and is therefore not shown in the table.

CHRISTIAN SCHULZ

Member of the Executive Board of TRATON SE, CFO Left September 30, 2021	2022	
	€ thousand	in %
Pension payments	0	0
Base salary	700	39
Fringe benefits	36	2
Profit bonus	556	31
LTI 2019–2021 (performance share plan, three-year term; target amount €650 thousand per annum; minus advance payment[1])	481	27
Severance payments	0	0
Sum — remuneration granted and owed	**1,773**	**100**
Pension expense	0	–

1 Mr. Schulz received an advance payment on the LTI 2019–2021 of €497 thousand at the beginning of fiscal year 2020. The advance payment does not represent remuneration granted in fiscal year 2022 and is therefore not shown in the table.

DR. ING. H.C. TOSTMANN

Member of the Executive Board of TRATON SE; CEO of MAN SE[1] and MAN Truck & Bus SE Left November 24, 2021	2022 € thousand	2022 in %
Pension payments	0	0
Base salary	700	53
Fringe benefits	67	5
Profit bonus	556	42
Severance payments	0	0
Sum — remuneration granted and owed	**1,323**	**100**
Pension expense	0	–

1 Until August 31, 2021 (merger between MAN SE and TRATON SE)

HENRIK HENRIKSSON

Member of the Executive Board of TRATON SE; CEO of Scania CV AB and Scania AB Left April 30, 2021		2022 € thousand	2022 in %
Pension payments		0	0
Base salary		0	0
Fringe benefits		0	0
Profit bonus		0	0
LTI 2019–2021 (performance share plan, three-year term; target amount €996 thousand per annum; minus advance payment[1])	TRATON SE	147	100
	Scania CV AB	590	
Severance payments			
Sum — remuneration granted and owed	**TRATON SE**	**147**	**100**
	Scania CV AB	**590**	
	Total	**737**	
Pension expense		36	–

1 Mr. Henriksson received an advance payment on the LTI 2019–2021 of €152 thousand (TRATON SE) and €609 thousand (Scania CV AB) at the beginning of fiscal year 2020. The advance payment does not represent remuneration granted in fiscal year 2022 and is therefore not shown in the table.

Explanation

In addition to his activity as a member of the Executive Board of TRATON SE, Mr. Drees was a member of the Executive Boards of MAN SE and MAN Truck & Bus SE until his departure effective the end of July 15, 2020. The employment contract between Mr. Drees and TRATON SE will continue until its planned end on January 17, 2024. The Supervisory Board of MAN Truck & Bus SE has resolved that MAN Truck & Bus SE will continue to reimburse TRATON SE for 80% of the expenses for Mr. Drees's remuneration until the regular end of his original appointment as a member of the Executive Board of MAN Truck & Bus SE, i.e., until March 31, 2023.

Professor Intra was a member of the Executive Board of TRATON SE until the end of July 15, 2020. Until this time, Professor Intra was also a member of the Executive Boards of MAN SE and MAN Truck & Bus SE. His employment contracts with TRATON SE and MAN Truck & Bus SE ended when he stepped down from his Executive Board positions. At no time was there an employment contract with MAN SE. In the fiscal year under review, Professor Intra received a payout from the 2019–2021 performance share plan from TRATON SE. The Supervisory Board of MAN Truck & Bus SE has resolved that MAN Truck & Bus SE will reimburse TRATON SE for 20% of the expenses for Professor Intra.

Mr. Henriksson was appointed as a member of the Executive Board of TRATON SE and as President and Chief Executive Officer of Scania CV AB and Scania AB until the end of April 30, 2021. Mr. Henriksson still has rights to payments under the performance share plans that he acquired during his term of office.

Mr. Schulz left the Executive Board of TRATON SE effective the end of September 30, 2021. He was originally appointed as a member of the Executive Board until January 17, 2024. The employment contract between Mr. Schulz and TRATON SE continued until December 31, 2022.

Mr. Gründler was also a member of the Executive Board of TRATON SE until the end of September 30, 2021, and was appointed Chairman of the Executive Board. Mr. Gründler's employment contract with TRATON SE runs until the end of its regular termination effective the end of July 15, 2023.

Dr. Ing. h.c. Tostmann was appointed as a member of the Executive Board of TRATON SE until November 24, 2021, as Chairman of the Executive Board of MAN SE until August 31, 2021, and as Chairman of the Executive Board of MAN Truck & Bus SE until November 24, 2021. Dr. Ing. h.c. Tostmann's employment contract with TRATON SE runs until the end of its regular termination effective the end of July 15, 2023. The Supervisory Board of MAN Truck & Bus SE has resolved that MAN Truck & Bus SE will reimburse TRATON SE for 80% of the expenses for Dr. Ing. h.c. Tostmann.

Comparative presentation

The following table shows a year-on-year comparison of the percentage change in remuneration for the members of the Executive Board with the earnings performance of TRATON SE and with the average remuneration for employees on FTE basis.

Earnings performance is calculated using the following earnings-related indicators of TRATON SE and the TRATON GROUP, which are published in TRATON SE's annual reports: the earnings after tax of TRATON SE in accordance with German GAAP and the TRATON GROUP's operating return on sales.

The development of the average remuneration of employees is shown on the basis of two indicators. First, the average remuneration of employees is calculated by adjusting TRATON SE's personnel expenses as reported in the single-entity financial statements of TRATON SE to exclude the remuneration of the Group's Executive Board members. The adjusted personnel expenses are divided by the number of TRATON SE employees (284.2 employees) on FTE basis as of December 31, 2022, excluding the members of the Group's Executive Board (employees of TRATON SE). Second, the personnel expenses of the TRATON GROUP, as reported in the notes to the consolidated financial statements, adjusted to exclude the remuneration of the Group's Executive Board members, are divided by the number of employees of the TRATON GROUP (total headcount of 104,032 in accordance with internal reporting, including performance-related wage earners, salaried staff, and vocational trainees) (employees of the TRATON GROUP).

Annual change in %	2022 compared with 2021[2]	2021 compared with 2020[2]
Executive Board remuneration[1]		
Carlbaum, Mathias[3]	431.3%	–
Cortes, Antonio Roberto	27.3%	–10.6%
Danielski, Annette[3]	597.2%	–
Drees, Joachim	19.5%	3.8%
Gründler, Matthias	68.8%	69.0%
Henriksson, Henrik	176.3%	–85.0%
Intra, Professor Carsten	19.4%	–59.5%
Levin, Christian	96.1%	25.1%
Osterloh, Bernd[3]	152.2%	–
Schulz, Christian	16.2%	6.1%
Tostmann, Dr. Andreas	–22.5%	96.9%
Vlaskamp, Alexander[3]	1,542.7%	–
Earnings performance		
Earnings after tax of TRATON SE in accordance with German GAAP[4]	–	–
Operating return on sales of the TRATON GROUP	+2.6 pp	0.9 pp
Development of employee remuneration[5]		
Employees of TRATON SE	–7.0%	7.5%
Employees of the TRATON GROUP	0.5%	1.1%

1 Remuneration granted and owed within the meaning of section 162 (1) sentence 1 of the AktG

2 In accordance with the transitional provision of section 26j (2) sentence 2 of the EGAktG, only the average remuneration for the period from fiscal year 2020 and not the average remuneration for the past five fiscal years must be included in the comparison until the end of fiscal year 2025.

3 Joined in the course of fiscal year 2021

4 Percentage change in earnings after tax of TRATON SE in accordance with German GAAP cannot be presented because there were negative earnings from fiscal year 2020 through fiscal year 2022.

5 Personnel expenses additionally adjusted for exceptional project profit sharing by selected managers in 2021

Peer group

The remuneration amount, the maximum remuneration, and the targets agreed individually are regularly reviewed by the Supervisory Board and adjusted if necessary. As part of this process, the Supervisory Board carries out a vertical comparison with the remuneration and employment conditions of the Company's employees and a horizontal comparison with the remuneration and employment conditions of executive board members of other companies. In order to assess how customary the total remuneration of specific Executive Board members is compared to other companies, the Supervisory Board uses a peer group comparison method. This peer group is reviewed and adjusted on a regular basis, most recently in December 2022. The peer group currently comprises the following companies: Caterpillar Inc., Continental AG, Cummins Inc., Daimler Truck AG, Deere & Company, Henkel AG & Co. KGaA, Komatsu Kabushiki kaisha, Magna International Inc., Mitsubishi Motors Corporation, Paccar Inc., Schaeffler AG, Tata Motors Ltd., Thyssenkrupp AG, Volvo AB.

Remuneration of the members of the Supervisory Board

Principles of Supervisory Board remuneration

The remuneration of the members of the Supervisory Board is regulated in Article 16 of the Articles of Association of TRATON SE. According to section 113 (3) of the AktG, which has been amended on the basis of the ARUG II, the annual general meeting of a listed company must resolve on the remuneration of its supervisory board members at least every four years. It is permissible to confirm the existing remuneration. Moreover, information must be provided about the remuneration system for supervisory board members. In preparing the resolution for the Annual General Meeting, the Executive Board and Supervisory Board review whether the remuneration, especially its amount and structure, is still in the interest of TRATON SE and whether it is commensurate with the tasks performed by the members of the Supervisory Board and with the position of TRATON SE. In the Annual General Meeting on June 30, 2021, the Supervisory Board and Executive Board presented the existing remuneration for members of the Supervisory Board for confirmation and the remuneration system for a resolution to be adopted. The remuneration was confirmed and the remuneration system approved by 99.99% of the votes cast in the Annual General Meeting on June 30, 2021.

Overview of the remuneration

Remuneration components

The remuneration of the members of the Supervisory Board consists of annual fixed remuneration and an attendance fee.

The annual fixed remuneration is €225 thousand for the Chairman of the Supervisory Board, €150 thousand for the Deputy Chairman of the Supervisory Board, and €75 thousand for each further member of the Supervisory Board.

For their work on committees, the members of the Supervisory Board receive additional annual fixed remuneration per committee provided the committee has met at least once per year for the performance of its duties. The annual fixed remuneration is €80 thousand for the chair of a committee, €60 thousand for the deputy chair of a committee, and €40 thousand for each further member of a committee. No remuneration will be paid for membership of the Nomination Committee or the Mediation Committee within the meaning of section 27 (3) of the *Mitbestimmungsgesetz* (MitBestG — German Codetermination Act), should such a committee be established in the future. If a member of the Supervisory Board is a member of several committees, remuneration will be paid only for the two committee functions with the highest fixed annual remuneration. The remuneration of the members of the Supervisory Board thus also complies with recommendation G.17 of the German Corporate Governance Code, which specifies that appropriate consideration be given to the greater investment of time required from the Chairman and Deputy Chairman of the Supervisory Board as well as from the chairs and members of the committees.

The Supervisory Board members each receive an attendance fee of €1 thousand for attending a meeting of the Supervisory Board or of a committee. The attendance fee is paid only once, even if several meetings are held in one day.

The fixed annual remuneration becomes due after the end of the Annual General Meeting that accepts or decides to approve the consolidated financial statements for the fiscal year for which the remuneration is paid. The fixed annual remuneration will be reduced pro rata temporis if a member of the Supervisory Board or of a committee is not a member for the full fiscal year or does not hold the office of Chairman or Deputy Chairman of the Supervisory Board or chair or deputy chair of the committee for the full fiscal year. TRATON SE will reimburse any value-added tax that may be payable on the remuneration and expenses of Supervisory Board members.

TRATON SE will also ensure that liability insurance with a deductible is taken out for the members of the Supervisory Board.

Former members of the Supervisory Board of TRATON SE do not receive any further remuneration for the period following the termination of office.

How the remuneration contributes to promoting the long-term development of TRATON SE

The remuneration of the members of the Supervisory Board considers both the nature and extent of what is required of a member of the Supervisory Board of TRATON SE, especially the associated investment of time and the associated responsibility. The remuneration is in line with standard market practice in terms of its structure, and the amount is commensurate with the tasks of the members of the Supervisory Board and with the position of TRATON SE, also in comparison with the remuneration of the members of the supervisory boards of other listed companies of a similar size in Germany.

The remuneration makes it possible to attract suitable and qualified candidates as Supervisory Board members. Therefore, the remuneration of the members of the Supervisory Board contributes to enabling the Supervisory Board as a whole to exercise its governance role and advise the Executive Board appropriately and competently. The restriction to just one fixed remuneration is also in line with these Supervisory Board tasks. It is an incentive to the members of the Supervisory Board to ask appropriate questions when exercising their governance role and advising the Executive Board, without primarily focusing on the development of operational performance indicators. Together with the Executive Board, the Supervisory Board thus promotes the business strategy and long-term development of TRATON SE. Moreover, the restriction to just one fixed remuneration is in line with suggestion G.18 sentence 1 of the German Corporate Governance Code.

Remuneration of Supervisory Board members in fiscal year 2022

Remuneration granted and owed to the Supervisory Board members in office in fiscal year 2022

The following table shows the members of the Supervisory Board of TRATON SE in office in fiscal year 2022 and the remuneration granted and owed to the individual members of the Supervisory Board in fiscal year 2022. Remuneration "granted and owed" has the same meaning as described for members of the Executive Board. The remuneration shown in the table therefore represents the amounts actually received in fiscal year 2022, i.e., the remuneration paid to the members of the Supervisory Board for their roles on the Supervisory Board in fiscal year 2022, even if the remuneration is not owed until the year following the end of the Annual General Meeting.

	Fixed remuneration		Work in the committees		Attendance fees		Total	Remuneration from other Group appointments
	2022		2022		2022		2022	2022
	€ thousand	in %	€ thousand	in %	€ thousand	in %	€ thousand	€ thousand
Pötsch, Hans Dieter	225	72	80	26	7	2	312	–
Lyngsie, Michael[2,3]	–	–	–	–	–	–	–	–
Bechstädt, Torsten[1]	75	51	60	41	11	8	146	–
Carlquist, Mari[2,3]	–	–	–	–	–	–	–	–
Cavallo, Daniela[1]	75	63	40	33	5	4	120	–
Döss, Dr. Manfred[2]	–	–	–	–	–	–	–	–
Kerner, Jürgen[1]	75	61	40	33	7	6	122	21
Kilian, Gunnar[2]	–	–	–	–	–	–	–	–
Kirchmann, Dr. Albert X.	75	91	–	–	7	9	82	21
Kuhn-Piëch, Dr. Julia	75	60	40	32	10	8	125	67
Lorentzon, Lisa[2,3]	–	–	–	–	–	–	–	–
Luthin, Bo[2,3]	–	–	–	–	–	–	–	–
Macpherson, Nina	75	60	40	32	9	7	124	67
Porsche, Dr. Dr. Christian	75	62	40	33	6	5	121	67
Schmid, Dr. Wolf-Michael	75	91	–	–	7	9	82	–
Schnur, Karina[1]	75	60	40	32	10	8	125	20
Sedlmaier, Josef[1]	0	0	–	–	–	–	0	–
Wansch, Markus[1]	75	93	–	–	6	7	81	21
Witter, Frank	75	45	80	48	10	6	165	–
Zieger, Steffen[1]	74	94	–	–	6	8	80	23

1 These employee representatives have stated that they will transfer their Supervisory Board remuneration to the Hans Böckler Foundation in accordance with the guidelines issued by the German Confederation of Trade Unions (DGB).

2 Remuneration for fiscal year 2022 was waived in full.

3 In view of the waivers, the Executive Board of TRATON SE decided that it will make a contribution of €507 thousand to "Scanias Personalstiftelse 1996" after the 2023 Annual General Meeting.

Comparative presentation

The following table shows a year-on-year comparison of the percentage change in remuneration for the members of the Supervisory Board with the earnings performance of TRATON SE and with the average remuneration for employees on FTE basis.

Earnings performance is calculated using the following earnings-related indicators of TRATON SE and the TRATON GROUP, which are published in TRATON SE's annual reports: the earnings after tax of TRATON SE in accordance with German GAAP and the TRATON GROUP's operating return on sales.

The development of the average remuneration of employees is shown on the basis of two indicators. First, the average remuneration of employees is calculated by adjusting TRATON SE's personnel expenses as reported in the single-entity financial statements of TRATON SE to exclude the remuneration of the Group's Executive Board members. The adjusted personnel expenses are divided by the number of TRATON SE employees on FTE basis as of December 31, 2022, excluding the members of the Group's Executive Board (employees of TRATON SE). Second, the personnel expenses of the TRATON GROUP, as reported in the notes to the consolidated financial statements, adjusted to exclude the remuneration of the Group's Executive Board members, are divided by the number of employees of the TRATON GROUP (headcount) (employees of the TRATON GROUP).

Annual change in %	2022 compared with 2021[2]	2021 compared with 2020[2]
Supervisory Board remuneration[1]		
Pötsch, Hans Dieter	0.0%	0.3%
Lyngsie, Michael	0.0%	0.0%
Bechstädt, Torsten	0.7%	–1.4%
Carlquist, Mari	0.0%	0.0%
Cavallo, Daniela[3]	73.9%	–
Döss, Dr. Manfred	0.0%	0.0%
Kerner, Jürgen	–10.6%	–18.8%
Kilian, Gunnar	0.0%	0.0%
Kirchmann, Dr. Albert X.	4.0%	15.1%
Kuhn-Piëch, Dr. Julia	27.2%	–16.6%
Lorentzon, Lisa	0.0%	0.0%
Luthin, Bo	0.0%	0.0%
Macpherson, Nina	0.0%	–1.5%
Porsche, Dr. Dr. Christian	25.3%	17.2%
Schmid, Dr. Wolf-Michael	0.0%	–1.2%
Schnur, Karina	–16.2%	–16.0%
Sedlmaier, Josef[3]	–	–
Wansch, Markus[3]	43.7%	–
Witter, Frank	103.7%	–
Zieger, Steffen	–1.0%	–16.1%

Annual change in %	2022 compared with 2021[2]	2021 compared with 2020[2]
Earnings performance		
Earnings after tax of TRATON SE in accordance with German GAAP[4]	–	–
Operating return on sales of the TRATON GROUP	+2.6 pp	0.9 pp
Development of employee remuneration[5]		
Employees of TRATON SE	–7.0%	7.5%
Employees of the TRATON GROUP	0.5%	1.1%

1 Remuneration granted and owed within the meaning of section 162 (1) sentence 1 of the AktG

2 In accordance with the transitional provision of section 26j (2) sentence 2 of the EGAktG, only the average remuneration for the period from fiscal year 2020 and not the average remuneration for the past five fiscal years must be included in the comparison until the end of fiscal year 2025.

3 Only joined in fiscal year 2021 or 2022

4 Percentage change in earnings after tax of TRATON SE in accordance with German GAAP cannot be presented because there were negative earnings from fiscal year 2020 through fiscal year 2022.

5 Personnel expenses additionally adjusted for exceptional project profit sharing by selected managers in 2021

Financial Calendar

May 2, 2023
3M 2023 Interim Statement

June 1, 2023
Annual General Meeting

July 26, 2023
2023 Half-Year Financial Report

October 25, 2023
9M 2023 Interim Statement

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

Defined Terms

Active employees: Number of permanent employees excluding vocational trainees and employees in partial retirement.

BEV unit sales ratio: The ratio of the number of battery electric vehicles and fuel cell electric vehicles to the total number of vehicles sold, excluding the MAN eTGE model.

Book-to-bill ratio: The ratio of incoming orders to unit sales.

Capex ratio: The capex ratio indicates the ratio of capital expenditures to sales revenue and is calculated for the TRATON Operations business area.

Capitalization ratio: The capitalization ratio is defined as the ratio of capitalized development costs to total research and development costs. It indicates which proportion of the total research and development expense is required to be capitalized.

Capitalized development costs: Capitalized development costs consist of all direct and indirect costs that are directly attributable to the development process and are required to be capitalized.

Committee of Sponsoring Organizations of the Treadway Commission (COSO): Internationally recognized framework for enterprise risk management and internal control (ICS).

Compliance: Adherence to statutory provisions, internal corporate policies, and ethical principles.

Contract liability: Obligation to transfer goods or services to a customer for which it has already provided or is yet to provide consideration.

Corporate governance: A commonly used international term that denotes responsible corporate management and control geared toward long-term value added.

Derivatives/derivative financial instruments: Financial instruments whose value is derived primarily from the price and price volatility/expectations of an underlying (e.g., stocks, foreign currency, interest-bearing securities).

Dividend yield: Dividend yield is defined as the ratio of the dividend for the reporting period to the closing price per share class on the final trading date of the reporting period and indicates the return per share. Dividend yield is used in particular for measuring and comparing shares.

ESG: Environmental, Social, Governance.

European Medium Term Notes (EMTN) program: A master agreement between companies and bond dealers that allows companies to place securities on the European capital markets very quickly to obtain debt capital.

Fair value: The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing, and independent parties in an arm's length transaction.

Functional expenses: Functional expenses comprise the cost of sales, distribution expenses, and general and administrative expenses.

German Corporate Governance Code (the Code): Constitutes key statutory requirements for the management and supervision of listed German companies and contains internationally and nationally recognized standards of good, responsible corporate governance in the form of recommendations and suggestions.

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

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

Incoming orders: Incoming orders are defined as legally effective, binding orders.

Market share: TRATON's share of registrations of trucks and buses in the overall market.

Net financial debt/EBITDA (adjusted) ratio: The ratio of net financial debt to EBITDA (adjusted) is calculated by dividing net liquidity/net financial debt by EBITDA (adjusted) for the past twelve months and is determined for the TRATON Operations business area, including Corporate Items.

Operating result (adjusted): Operating result (adjusted) (or operating profit/loss (adjusted)) is calculated to ensure the greatest possible transparency about our business performance by making adjustments to our operating result. These 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 as well as one-time events with a material impact on the TRATON GROUP's earnings.

Option: Agreement under which the purchaser is entitled, but not obligated, to acquire (call option) or sell (put option) the underlying asset at a future date for a predefined price. By contrast, the seller of the option is obligated to sell or purchase the asset and usually receives a premium for granting the option rights.

Payout ratio: The payout ratio means the proportion of the total amount of dividends attributable to common shares to earnings after tax attributable to TRATON SE shareholders. The payout ratio provides information about the allocation of earnings.

Price-earnings ratio: The price-earnings ratio is calculated by dividing the year-end closing price per share by earnings per share. It reflects the earnings power per share and provides information about its development compared over a number of years.

Registrations: Number of new vehicles registered for the first time in a country with the relevant registration authorities. The term "registrations" describes the size of the market for new vehicles and thus also the development of the market. Market share is also calculated from the registration data.

Swap: Agreement between two counterparties to swap cash payments over a certain period. Prime examples are currency swaps, under which principal amounts denominated in various currencies are exchanged, and interest rate swaps, which usually entail the exchange of fixed and variable interest payments in the same currency.

Total cost of ownership (TCO): Sum of all incurred costs for the acquisition, use, and potential disposal of an asset.

Weighted Average Cost of Capital (WACC): WACC is derived from the return required by capital providers.

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This is a translation of the German original. In the event of discrepancies between the German language version and any translation thereof, the German version will prevail.

TRATON GROUP Five-Year Overview

	2022	2021	2020	2019	2018
Trucks and buses (units)					
Incoming orders	334,583	359,975	216,251	227,240	243,714
of which trucks	274,299	305,745	182,402	190,974	209,738
of which buses	32,274	22,237	14,611	21,032	23,889
of which MAN TGE vans	28,010	31,993	19,238	15,234	10,087
Unit sales	305,485	271,608	190,180	242,219	232,992
of which trucks	254,300	230,549	156,371	205,935	202,492
of which buses	29,601	18,857	16,174	21,496	22,629
of which MAN TGE vans	21,584	22,202	17,635	14,788	7,871
TRATON GROUP					
Sales revenue (€ million)	40,335	30,620	22,580	26,901	25,927
Operating result (€ million)	1,564	393	81	1,884	1,513
Operating result (adjusted) (€ million)	2,071	1,599	135	1,871	1,650
Operating return on sales (in %)	3.9	1.3	0.4	7.0	5.8
Operating return on sales (adjusted) (in %)	5.1	5.2	0.6	7.0	6.4
Active employees[1]	100,356	97,235	82,567	82,679	97,395

	2022	2021	2020	2019	2018
TRATON Operations[2]					
Sales revenue (€ million)	39,554	30,103	22,152	26,444	24,963
Operating result (€ million)	1,973	677	176	1,741	1,346
Operating result (adjusted) (€ million)	2,257	1,883	230	1,729	1,484
Operating return on sales (in %)	5.0	2.2	0.8	6.6	5.4
Operating return on sales (adjusted) (in %)	5.7	6.3	1.0	6.5	5.9
Return on investment (ROI) (in %)	6.7	0.8	–0.1	9.7	8.6
EBITDA (adjusted) (€ million)	4,016	3,434	1,435	3,022	2,366
Primary R&D costs (€ million)	1,892	1,462	1,154	1,376	1,411
Capex (€ million)	1,298	1,125	988	993	931
Net cash flow (€ million)	–625	938	979	2,711	221
Net liquidity/net financial debt (€ million)[1]	–3,563	–1,694	1,347	1,500	227
Scania Vehicles & Services					
Incoming orders (units)	82,071	116,798	92,940	88,739	97,446
Sales (units)	85,232	90,366	72,085	99,457	96,475
Sales revenue (€ million)	15,316	13,927	11,521	13,934	12,981
Operating result (adjusted) (€ million)	1,315	1,412	802	1,506	1,207
Operating return on sales (adjusted) (in %)	8.6	10.1	7.0	10.8	9.3

	2022	2021	2020	2019	2018
MAN Truck & Bus					
Incoming orders (units)	109,717	143,531	84,921	100,652	112,915
Sales (units)	84,513	93,668	81,673	104,887	102,556
Sales revenue (€ million)	11,331	10,934	9,659	11,088	10,815
Operating result (adjusted) (€ million)	139	249	–553	371	539
Operating return on sales (adjusted) (in %)	1.2	2.3	–5.7	3.3	5.0
Navistar Sales & Services[3]					
Incoming orders (units)	86,019	42,588	–	–	–
Sales (units)	81,892	30,305	–	–	–
Sales revenue (€ million)	10,501	3,557	–	–	–
Operating result (adjusted) (€ million)	502	41	–	–	–
Operating return on sales (adjusted) (in %)	4.8	1.2	–	–	–

	2022	2021	2020	2019	2018
Volkswagen Truck & Bus					
Incoming orders (units)	57,042	57,241	38,805	41,103	36,535
Sales (units)	54,136	57,405	36,974	41,891	36,362
Sales revenue (€ million)	2,952	2,113	1,235	1,738	1,421
Operating result (adjusted) (€ million)	309	171	–15	43	28
Operating return on sales (adjusted) (in %)	10.5	8.1	–1.2	2.5	2.0
TRATON Financial Services					
Sales revenue (€ million)	1,294	964	820	849	760
Operating result (adjusted) (€ million)	303	259	107	142	138
Operating return on sales (adjusted) (in %)	23.5	26.9	13.1	16.8	18.2
Return on equity (in %)	4.0	18.6	11.1	16.9	19.2
TRATON shares					
Earnings per share (€)[4]	2.28	0.91	–0.20	3.04	2.78
Dividend per share (€)[5]	0.70	0.50	0.25	1.00	–
Number of common shares as of 12/31	500,000,000	500,000,000	500,000,000	500,000,000	10,000,200
Common shares, closing price (Xetra price in €)	14.13	22.14	22.61	23.92	–

1 As of December 31

2 The figures for 2018–2019 were not adjusted to match the current structure of the TRATON Operations business area, but rather correspond to the structure prior to 2021 (Industrial Business).

3 2021: July 1 to December 31

4 Comparable earnings per share for 2018 calculated on the basis of 500 million shares

5 2022: proposed dividend, subject to approval by the 2023 Annual General Meeting

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