TRATON

2021

ANNUAL REPORT
OF THE TRATON GROUP

SCANIA / MAN / Caminhões Ônibus / NAVISTAR / RIO

Whether viewed from afar or right up close, nature is a wonderful work of art. Proof of this can be seen in our cover photo, which shows a bird's eye view of marshlands in the Spanish region of Andalusia. The TRATON GROUP wants to contribute to preserving the basis of life on our planet for generations to come. That is why, together with our brands, we have committed ourselves to acting responsibly and sustainably.

“We want a CO_2-neutral future, and to achieve this we are doing much more than just the minimum required of us. Our brands will be drivers of change as we move toward zero-emission transportation solutions.”

CHRISTIAN LEVIN,
CEO of TRATON SE

TRATON

Scania, headquartered in Södertälje, Sweden, has had an all-electric truck for short- and medium-haul routes in its lineup since 2020.

MAN, headquartered in Munich, Germany, began series production of the all-electric Lion’s City E bus in October 2020.

31
PRODUCTION AND ASSEMBLY SITES

IN **16** COUNTRIES

ON **4** CONTINENTS

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

Volkswagen Caminhões e Ônibus, headquartered in São Paulo, Brazil, went into series production with the e-Delivery all-electric distribution truck in 2021.

Navistar, headquartered in Lisle, Illinois, USA, delivered the first all-electric school buses under the IC Bus brand in 2021.

TRATON GROUP
Fiscal year 2021

97,235
Employees
(As of December 31, 2021)

359,975
Incoming orders
(units)

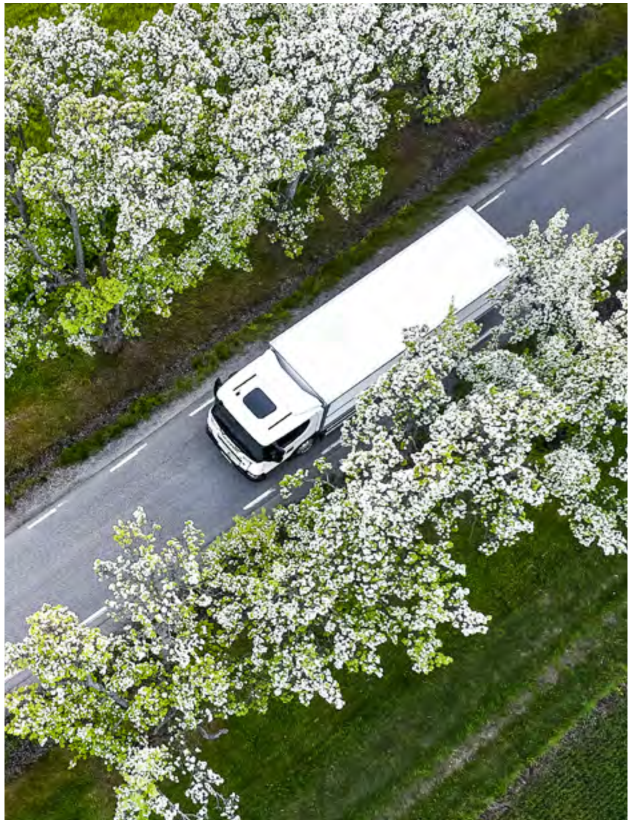
30,620
Sales revenue
(€ million)

393
Operating result
(€ million)

271,608
Sales
(units)

1.3%
Operating return
on sales

Innovation Hub



Baggage and life cycle

Critics of the electrification of heavy-duty vehicles often argue that their production generates an excessive amount of CO_2. And that this "baggage" cannot be offset during a vehicle's useful life. In June 2021, Scania presented a study that used Life Cycle Assessments (LCAs) to examine the environmental impact of battery-electric vehicles over their entire service life. Andreas Follér, Head of Sustainability at Scania, explains the results.

→ www.traton.com/LCA-study

Drivers of change

The transformation of the transportation industry is a major task that no single company can tackle alone. With its strong brands, the TRATON GROUP is in a good position to develop solutions and play a leading role in shaping the required change. Larissa Albrecht, who joined TRATON SE only recently, met with Christian Levin in Södertälje, Sweden. The editor and the CEO talk about challenges in the logistics industry, solutions, and the essential role of partnerships.

→ www.traton.com/video-interview

"We don't just talk about diversity, we live it. In fact, differences are celebrated here as opposed to being just tolerated."

Nicole Wiggins,
Chief Diversity Officer at Navistar

Trilogy of diversity

Diversity, equity, and inclusion — employees at Navistar practice this triad on a daily basis. Having become part of the TRATON GROUP in mid-2021, the US commercial vehicle manufacturer is now taking this principle to a new level, with lively exchanges ensuring that the ideals are spreading even further. Nicole Wiggins, Chief Diversity Officer at Navistar, provides some insight into how the company promotes and lives diversity. She also explains why differences are good for both the company and its employees.

→ www.traton.com/diversity

How an e-truck comes into the world

In June 2021, Volkswagen Caminhões e Ônibus and the TRATON GROUP took an important step in their electrification strategy. South America's first electrically powered distribution truck, the e-Delivery, went into series production. Behind this success story is a globally unique initiative with a new e-mobility team and an entire ecosystem centered around zero-emission trucks. An animated timeline chronicles the exciting story of how the e-Delivery came to be.

→ **www.traton.com/timeline**

Economy and ecology in harmony

Sustainability is a fundamental component of the new corporate strategy known as NewMAN, and this will also be reflected in specific targets for reducing greenhouse gas emissions. MAN Truck & Bus has joined the Science Based Targets initiative (SBTi), which helps companies set targets that are in line with the Paris Climate Agreement. Fabian Heidinger, who is in charge of the decarbonization program at MAN, explains what this means for the company specifically.

→ **www.traton.com/SBTi**

Up close and personal

They apply their individual strengths, create synergies, and help transform the transportation industry with lasting effect: the TRATON GROUP is proud of its employees, who are at work every day across various brands and in the various markets around the world. In the Portraits section, people from all areas of the TRATON GROUP introduce themselves — Mr. Make-it-happen from MAN, the tenacious developer from Volkswagen Caminhões e Ônibus, the socializer from Navistar, and many more.

→ **www.traton.com/portraits**

Helga Würtele, Head of Sustainability in the TRATON GROUP, coordinates the exchange of knowledge

Learning from each other

The brands within the TRATON GROUP have already undertaken many initiatives to become more sustainable. With Helga Würtele as Head of Sustainability, the Group now wants to drive the issue forward at the Holding level as well. Working from Södertälje, the Munich native coordinates an exchange of knowledge and thus inspires new strategic approaches and creative ideas.

Ms. Würtele, how important is sustainability to you personally?

I have a deep love of nature and enjoy spending time outdoors, whether it's skiing, mountain biking, or canoeing. The way I see it, we as humans should have a sustainable relationship with nature, and so we should treat it with as much respect as possible.

"We also want to assume responsibility for people themselves — that is, for our employees, customers, suppliers, partners, and society as a whole."

Helga Würtele,
Head of Sustainability at TRATON

Does that apply in a similar way to companies? How would you describe the TRATON GROUP's overarching strategy in terms of sustainability?

At TRATON, we strongly believe that sustainability and responsible conduct in line with ethical standards must be the foundations of our business activities. To give this objective a more concrete form, we have committed ourselves to the Sustainable Development Goals — the SDGs — of the United Nations. And we're not only concerned with environmental and climate targets, we also want to assume responsibility for people themselves — that is, for our employees, customers, suppliers, partners, and society as a whole.

Why do you want to make sustainability the foundation of the Company's business activities?

There are very solid reasons for this. Both our customers and the capital markets now look very closely at the conditions under which a product was manufactured or a business model developed before making a purchase or investment decision. We want to attract investors to our Company, and to do this we need to be transparent about ESG aspects — where E stands for Environmental, S for Social, and G for Governance. ESG ratings are a helpful compass to see where we stand as a company and where we can do better. What's more, meaningful business conduct also increases the TRATON GROUP's attractiveness as an employer. The younger generation, in particular, prefers companies that demonstrate social commitment.

Is that why the Group has joined the UN Global Compact for sustainable and responsible corporate governance?

That's right. Our Scania and MAN brands have already been active in this initiative for many years. But now the entire Group has joined and committed itself to the initiative's ten principles, which address issues such as human rights, labor, environment, and anti-corruption. We hope that the large network of more than 12,000 companies from 160 countries will provide us with new momentum and best practices.

What is the relationship between the individual brands and the TRATON GROUP as a whole?

The Scania, MAN, Volkswagen Caminhões e Ônibus, and Navistar brands have been committed to sustainability for many years. One sign of this is that all brands have already developed fully electric commercial vehicles that are suitable for everyday use. Each brand first defines its measures, methods, and priorities individually and independently of the others. The TRATON GROUP is the overarching umbrella under which the brands then exchange information. This transfer of knowledge will help us drive forth the transformation of the transportation industry even more quickly and develop future-proof components, systems, and products together.

The photographs of Helga Würtele were taken at Scania's visitor center in Södertälje, Sweden. There, visitors can find out about the changes taking place in the transportation industry.

"Both our customers and the capital markets now look very closely at the conditions under which a product was manufactured."

Helga Würtele,
Head of Sustainability at TRATON

How do the customers of the TRATON GROUP benefit from this?

A key criterion when deciding which commercial vehicle to buy is the total cost of ownership (TCO). This includes not only the acquisition costs, but also labor costs for the driver, expenses for repairs and maintenance, and fuel costs, of course. We believe that, in the medium term, fully electrified fleets will prove more favorable in terms of TCO than their conventional, diesel-powered counterparts. However, certain prerequisites must be in place for this to happen — first and foremost, a fully functional and broad-based charging infrastructure for commercial vehicles. This point in particular shows that, in addition to the decentralized expertise of our brands, we need an overarching exchange of knowledge and a common approach as a Group, also vis-à-vis policymakers and society.

Which key issues have you identified for the Group so far that transcend the individual brands?

One particularly important topic is cutting CO_2 emissions to the point of climate neutrality by the middle of this century. This poses a major challenge for the TRATON GROUP and for the transportation industry as a whole. Our brands have made varying degrees of progress in the individual areas of application related to corporate greenhouse gas emissions. However, this is not a disadvantage, because it means that we can learn particularly well from each other in our cross-brand dialogue. Other priorities include developing a circular economy and further promoting pluralism and inclusion. In terms of organization, we put forward and discuss these topics on the TRATON Sustainability Board and in many working groups, both face-to-face and digitally.

12,000

companies from 160 countries are part of the network of the UN Global Compact, an initiative that the TRATON GROUP has now also joined.

HELGA WÜRTELE

Head of Sustainability in the TRATON GROUP

Helga Würtele joined the TRATON GROUP — then still known as Volkswagen Truck & Bus — in 2015 and has focused on the area of sustainability since May 2021.

The business economist worked for MAN SE from 2008, where she held positions in Investor Relations, Controlling, and Corporate Finance. Prior to that, she spent ten years working for various banks in the areas of equity and debt capital markets.

→ www.traton.com/Helga-Wuertele-portrait

What are the advantages for the individual brands of working together across the Group to achieve greater sustainability?

Through our transfer of knowledge, each brand can draw on the experience and expertise of the Group and the other brands. A good example of this is the introduction of science-based targets to reduce greenhouse gas emissions. Scania was the first brand in the Group to join this initiative. MAN is now following suit and can benefit from exchanges with the employees of its sister brand. Another example is the materiality analysis we conducted in 2021 to find out what influence we as a Group have on the United Nations SDGs and how we — and therefore our brands — can become more sustainable and responsible. On this basis, we then defined key issues that cut across all our brands and derived joint strategies and measures. And we are determined to continue working toward this goal in 2022.

Keep up to date with the latest news from the TRATON GROUP at

www.traton.com/innovation-hub

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This report contains certain forward-looking statements for fiscal year 2022 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.

To Our Shareholders

TO OUR SHAREHOLDERS

Dear readers,

2021 was another year full of ups and downs, opportunities and challenges, both economic and social ones. After plummeting in 2020 as a result of the COVID-19 pandemic, the economy did begin to pick up again in the first half of 2021. However, shortages in the supply of semiconductors, various key bought-in parts, and raw materials ultimately prevented a more robust recovery. Unfortunately, the coronavirus crisis is not over yet. Looking at the scientific facts objectively and neutrally makes it clear that a high vaccination rate is the only way out of this pandemic.

This all requires strength and resources that everyone in our society and all of us in the global TRATON GROUP need elsewhere. First and foremost, for combatting climate change. Europe wants to reduce its CO_2 emissions by at least 55% by 2030 as against 1990 and become climate-neutral by 2050 at the latest. The new US government is equally ambitious, targeting a 50% reduction in CO_2 emissions by 2030 compared to 2005.

The TRATON GROUP supports these ambitious goals. We want to be part of the solution. That is our job as a driver of innovation in the transportation industry — with a focus on profitable, sustainable technologies, solutions, and concepts. This is why the TRATON GROUP intends to become a leader in e-mobility. We have no doubt that the future of transportation is electric. To achieve this goal, we will be investing a total of €2.6 billion in e-mobility research and development between 2021 and 2026.

But we also need a clear signal and more action from policymakers. We need to know that they are committed to going down this road with us, committed to a climate-neutral transportation industry. This will not work without efficient and high-density charging infrastructure. We are jump-starting this infrastructure together with Daimler Truck and the Volvo Group as part of a joint venture owned equally by all parties and have cemented our intention in a binding agreement, which is subject to antitrust approvals. The aim of this joint venture is clear: to install at least 1,700 high-performance charging points for battery electric, heavy-duty long-haul trucks and coaches across Europe in the next five years. And that is just the beginning. Not only is the joint venture open to new partners, we also expect a lot more charging points through public funding.

For the TRATON GROUP, this joint venture agreement is a crucial step in the direction of our big goal: sustainable mobility. And we are prepared to take the road less travelled to reach it. Such major manufacturers working together is certainly not something you see every day. As we move toward a carbon-neutral future, we and our brands strive to do much more than just the minimum required of us. TRATON will go one step further, becoming a driving force behind the transition to zero-emission transportation solutions. That is our mission. We are laying the groundwork so that 80% of the new distribution trucks we sell in Europe produce no emissions in cities by 2030. We are aiming for at least 50% of our long-haul trucks to be zero-emission in Europe by 2030 as long as the corresponding regulation and charging infrastructure have been put in place.

Scania and MAN made key decisions on the way to this goal in 2021: Scania has signed The Climate Pledge, joining other companies in their commitment to reaching net-zero CO_2 emissions by 2040, ten years before the Paris Agreement deadline. Following in Scania's footsteps, MAN Truck & Bus joined the Science Based Targets Initiative in 2021, committing to defining binding science-based targets to reduce harmful greenhouse gas emissions for both its products and its own production activities.

2021 also saw the TRATON GROUP gain a new family member. It is our pleasure to once again welcome around 14,500 Navistar colleagues to our Company. With them, we have gained highly competent employees who will enrich our culture. At the same time, welcoming this long-standing company to our family gives TRATON a strong foothold in the world's largest market for commercial vehicles. As a Group, we are working hard to make Navistar a success story. Our focus on modularization will allow us to get there quickly and sustainably.

In the future, we will become even better at using the size of our Group and the different strengths and market positions of our brands to our advantage. This is important as we will continue to feel the effects of the pandemic in 2022. While we have managed to get a handle on difficulties in the supply of semiconductors and other parts thanks to maintaining close ties with our suppliers and the determined dedication of our colleagues, we are by no means out of the woods yet. This is another area where the close collaboration between our brands will be an advantage.

It is very clear that 2022 will not be an easy year — just look at the conflict that has broken out between Russia and Ukraine. We are analyzing the situation continuously and doing our best to prepare for it. Despite these circumstances, we in the TRATON GROUP want to continue to build on our strengths. Almost 100,000 employees are working every day to make that happen. I want to give my thanks to the entire team for their commitment in these challenging times. And I want to thank you, our shareholders, for your trust in our Company. We hope that we can continue to count on your support.

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
Corporate 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
Caminhões e Ônibus

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 2021. In accordance with the recommendations of the German Corporate Governance 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 passed. 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.

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

The Supervisory Board held seven meetings in fiscal year 2021. 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 94% in fiscal year 2021. 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	7/7	100		
Mr. Stimoniaris	4/4	100	4/4	100		
Mr. Lyngsie	7/7	100	7/7	100		
Mr. Witter	6/7	86			4/4	100
Mr. Bechstädt	7/7	100			4/4	100
Ms. Carlquist	7/7	100				
Ms. Cavallo	3/3	100	3/3	100		
Dr. Döss	6/7	86				
Mr. Kerner	7/7	100	1/2	50		
Mr. Kilian	7/7	100	7/7	100		
Dr. Kirchmann	7/7	100				
Dr. Kuhn-Piëch	7/7	100			4/4	100
Ms. Lorentzon	7/7	100			4/4	100
Mr. Luthin	7/7	100				
Ms. Macpherson	7/7	100			4/4	100
Mr. Osterloh	1/2	50	1/2	50		
Dr. Dr. Porsche	7/7	100	7/7	100		
Dr. Schmid	7/7	100				
Ms. Schnur	7/7	100			3/4	75
Mr. Wansch	2/2	100				
Ms. Werner	5/6	83				
Mr. Zieger	4/7	57				

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. If the Chairman was unable to attend a meeting, members of the committee provided this report in his place.

The names of the members of the committees as of the end of 2021 can be found in the **"Corporate Governance Statement"** section and in the list in Note **"56. Supervisory Board committees"** to the Consolidated Financial Statements.

The **Presiding Committee** of the Supervisory Board held seven meetings in the year under review. At its meetings, the Presiding Committee carefully prepared the resolutions of the Supervisory Board and decided on issues including contractual matters that were not related to remuneration and the approval of secondary activities by members of the Executive Board. The Presiding Committee also discussed in detail the succession planning for the Executive Board.

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

The **Audit Committee** held a total of four meetings in the year under review. It dealt in detail with financial reporting issues, the Annual Financial Statements of TRATON SE and the TRATON GROUP, and the audit reports submitted by the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich (EY).

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, 2021. 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 2021, 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 risk position, 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 its 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.

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, matters concerning the Company are regularly dealt with in depth at Supervisory Board meetings (e.g., technologies of the future with a comparison of battery electric drives and hydrogen, or the latest findings and developments in the field of autonomous driving). In 2021, the members of the Supervisory Board also participated in training on capital market and insider law. 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 2021:

SUPERVISORY BOARD MEETING ON FEBRUARY 22, 2021
Our meeting on February 22, 2021, focused on the Consolidated Financial Statements for 2020. After detailed examination, we approved the Consolidated Financial Statements of the TRATON GROUP for 2020, which were prepared by the Executive Board. In addition, we resolved to engage EY to audit the 2021 Annual Financial Statements — provided the 2021 Annual General Meeting were to elect EY as the auditor for the year under review. The other items on the agenda included the resolution on aspects relevant to the remuneration of the Executive Board and the composition of the Executive Boards of TRATON SE and its Scania CV AB subsidiary, including the associated change in management at Scania CV AB, among other things. We also dealt with the status of the acquisition of all MAN SE shares (squeeze-out under merger law) as well as with the agenda and resolutions proposed by the Supervisory Board for the Annual General Meeting of TRATON SE. The Supervisory Board again updated the agenda and the proposed resolutions by a resolution adopted in writing on May 10, 2021. Lastly, the meeting looked at an in-depth comparison of electric battery and fuel cell drive technologies.

SUPERVISORY BOARD MEETING ON APRIL 23, 2021
During our meeting on April 23, 2021, we dealt with the composition of TRATON SE's Executive Board and the associated Executive Board appointment for the area of Human Resources.

SUPERVISORY BOARD MEETING ON MAY 8, 2021
The focus of the meeting in May was on implementing the squeeze-out of MAN SE shareholders under merger law.

SUPERVISORY BOARD MEETING ON JUNE 9, 2021
During our meeting on June 9, 2021, we dealt with matters including an adjustment to the List of Responsibilities of TRATON SE and to the members of TRATON SE's Presiding Committee (Ms. Daniela Cavallo was elected to the Presiding Committee). In addition, we discussed the status of the work packages for the planned integration of Navistar International Corporation into the TRATON GROUP and current information about the financial and capital markets.

SUPERVISORY BOARD MEETING ON SEPTEMBER 15, 2021
Our meeting in September dealt with issues including organizational aspects of the Supervisory Board and Presiding Committee. With immediate effect, Mr. Michael Lyngsie was elected as the new Deputy Chairman of the Supervisory Board and Mr. Jürgen Kerner was elected to the Presiding Committee of the Supervisory Board. The Supervisory Board also discussed current compliance issues. Moreover, we addressed the composition of the Executive Boards of TRATON SE and the MAN brand, as well as the Navistar Board of Directors. In addition, we dealt with the result of the regular self-assessment of the Supervisory Board in accordance with the German Corporate Governance Code. We also discussed in detail the future corporate strategy, the investment program, and the five-year corporate plan of the TRATON GROUP. The Supervisory Board subsequently approved the investment program and the five-year corporate plan of the TRATON GROUP by a resolution adopted in writing on October 14, 2021.

SUPERVISORY BOARD MEETING ON SEPTEMBER 29, 2021
During our meeting on September 29, 2021, we addressed the composition of TRATON SE's Executive Board and the associated change in the Company's management, among other things.

SUPERVISORY BOARD MEETING ON NOVEMBER 24, 2021
We dealt with the composition of the Executive Boards of TRATON SE and its MAN Truck & Bus SE and Scania CV AB subsidiaries, and with the associated change in management at MAN Truck & Bus SE, among other things. We discussed the remuneration system for the Executive Board and the Declaration of Compliance by the Executive Board and Supervisory Board of the Company relating to the recommendations by the Government Commission on the German Corporate Governance Code in accordance with section 161 of the *Aktiengesetz* (AktG — German Stock Corporation Act) ("Declaration of Compliance"). The resolutions on the last two items were adopted in writing on December 16 and 22, 2021, following further deliberation. We also addressed the syndicated revolving credit facility, known as the syndicated loan, taken out by TRATON SE. Moreover, we dealt with the strategic focus of Scania and of MAN Latin America.

During the year under review, in addition to the aforementioned issues, we adopted resolutions in writing concerning the composition of the executive boards of subsidiaries, Scania's investment in Northvolt, the amendment of the Rules of Procedure for the Executive Board (including an update to the List of Responsibilities), the appointment of senior executives on the first management level below the Executive Board, and the takeover of BILMETRO AB by Scania.

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

In December 2021, the Executive Board and the Supervisory Board issued the annual Declaration of Compliance. This is permanently available on TRATON SE's website at **https://ir.traton.com/websites/traton/English/5000/corporate-governance.html**. Detailed explanations of and the reasoning behind the departures from the recommendations of the German Corporate Governance Code can be found in the Declaration of Compliance dated December 2021.

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

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

Effective the end of April 30, 2021, Mr. Bernd Osterloh resigned his position as a member of the Supervisory Board of TRATON SE. At the proposal of Volkswagen AG's Group Works Council, Ms. Daniela Cavallo was delegated to the Supervisory Board by the Presiding Committee of the Works Council of TRATON SE effective June 1, 2021. During the Supervisory Board meeting on June 9, 2021, Ms. Cavallo was also elected to the Presiding Committee of the Supervisory Board. Effective the end of August 31, 2021, Mr. Athanasios Stimoniaris resigned his position as a member and Deputy Chairman of the Supervisory Board of TRATON SE. Mr. Michael Lyngsie was elected as the new Deputy Chairman of the Supervisory Board of TRATON SE on September 15, 2021. On November 24, he was also elected Deputy Chairman of the Presiding Committee. Moreover, Mr. Jürgen Kerner was elected to the Presiding Committee on September 15, 2021. On September 29, 2021, the Group Works Council of TRATON SE elected Mr. Markus Wansch as a new member of the Supervisory Board of TRATON SE. Effective the end of September 30, 2021, Ms. Hiltrud Werner resigned her position as a member of the Supervisory Board of TRATON SE.

Effective the end of April 30, 2021, Mr. Henrik Henriksson resigned his position as a member of the Executive Board of TRATON SE and CEO of Scania AB and Scania CV AB. Mr. Christian Levin was appointed CEO of Scania AB and Scania CV AB and assumed responsibility for the Scania Group on the Executive Board of TRATON SE effective May 1, 2021. Mr. Bernd Osterloh was appointed as a member of TRATON SE's Executive Board effective May 1, 2021, and took over leadership of the Human Resources Board department. Effective the end of September 30, 2021, Mr. Matthias Gründler and Mr. Christian Schulz resigned their positions as members of the Executive Board of TRATON SE. In addition to his responsibility as CEO of Scania AB and Scania CV AB, Mr. Christian Levin was appointed as Chairman of the Executive Board of TRATON SE effective October 1, 2021. Also effective October 1, 2021, Ms. Annette Danielski was appointed as a member of the Executive Board of TRATON SE. She assumed responsibility for, among other things, the Finance & Controlling Board department from Mr. Christian Schulz. Effective October 1, 2021, Mr. Mathias Carlbaum was appointed as a member of the Executive Board of TRATON SE and assumed responsibility for the newly established Navistar Group Board department. He is also CEO of Navistar International Corporation. Effective the end of November 24, 2021, Dr. Ing. h.c. Andreas Tostmann resigned his position as a member of the Executive Board and his position as Chairman of the Executive Board of MAN Truck & Bus SE. Effective November 25, 2021, Mr. Alexander Vlaskamp was appointed as a member of the Executive Board of TRATON SE. In addition to his position as a member of the Executive Board of TRATON SE, he also assumed the chairmanship of the Executive Board of MAN Truck & Bus SE.

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 2021 on June 30, 2021. 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 audit opinions on the 2021 Annual Financial Statements of TRATON SE and the 2021 Consolidated Financial Statements for the TRATON GROUP, plus the Combined Management Report.

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 continuing 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 2021. 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 2021 Annual Financial Statements.

At both 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 March 11 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, March 11, 2022

On behalf of the Supervisory Board:

Hans Dieter Pötsch
Chairman of the Supervisory Board

At a Glance

	2021	2020	Change
Trucks and buses (units)			
Incoming orders[1]	359,975	216,251	66%
Unit sales	271,608	190,180	43%
of which trucks[2]	230,549	156,371	47%
of which buses	18,857	16,174	17%
of which MAN TGE vans	22,202	17,635	26%
TRATON GROUP			
Sales revenue (€ million)	30,620	22,580	36%
Operating result (€ million)	393	81	312
Operating result (adjusted) (€ million)	1,599	135	1,464
Operating return on sales (in %)	1.3	0.4	0.9 pp
Operating return on sales (adjusted) (in %)	5.2	0.6	4.6 pp
Earnings per share (€)	0.91	–0.20	1.12
Employees[3]	97,235	82,567	14,668
TRATON Operations			
Sales revenue (€ million)	30,103	22,152	36%
Operating result (€ million)	677	176	501
Operating result (adjusted) (€ million)	1,883	230	1,653
Operating return on sales (in %)	2.2	0.8	1.5 pp
Operating return on sales (adjusted) (in %)	6.3	1.0	5.2 pp
Return on investment (in %)	0.8	–0.1	1.0 pp
EBITDA (adjusted) (€ million)	3,434	1,435	1,999
Primary R&D costs (€ million)	1,462	1,154	27%
Capex (€ million)	1,125	988	14%
Net cash flow (€ million)	938	979	–41
Net liquidity/net financial debt (€ million)[3]	–1,694	1,347	–3,041
TRATON Financial Services			
Sales revenue (€ million)	964	820	18%
Operating result (€ million)	259	107	152
Operating return on sales (in %)	26.9	13.1	13.9 pp
Return on equity (in %)	18.6	11.1	7.5 pp

1 Excluding Navistar Class 4/5 contract manufacturing for third parties (2021: 4,141 units)
2 Excluding Navistar Class 4/5 contract manufacturing for third parties (2021: 3,580 units)
3 As of December 31

TRATON on the Capital Markets

Stock market recovery with high volatility

The global stock markets continued to exhibit a high level of volatility in 2021, another unusual year. The recovery that had begun in 2020 after the outbreak of the COVID-19 pandemic and the related stock market crash continued unchanged, however, going from one record to another in some cases.

Financial markets around the globe were again supported by continued monetary and fiscal policy measures on an unprecedented scale. The European Central Bank continued its expansionary monetary policy without change in 2021. By contrast, the Fed gradually tightened monetary policy against the backdrop of robust economic and labor market development in the USA and in light of the dramatic increase in inflation, at least temporarily. In the meantime, successes achieved in tackling the pandemic, including increased availability of vaccines against the SARS-CoV-2 virus, enabled a further recovery in economic activity. As a result, in its “World Economic Outlook” published in January 2022, the International Monetary Fund (IMF) is forecasting a 5.9% increase in global economic activity in 2021 following the sharp (–3.1%) recession caused by the COVID-19 pandemic in 2020.

Investor hopes that the crisis would be overcome and that the global economy would return to growth were buoyed by a more rapid economic recovery in spring and summer than had been assumed originally and by surprisingly positive quarterly corporate results. Sentiment on the global equity markets continued to brighten, especially in the second quarter of 2021.

However, volatility on the global equity markets remained high over the course of 2021. One reason for this was the uncertainty surrounding the future development of the COVID-19 pandemic and its impact on the global economy. In the final months of the year, the rapid spread of the new Omicron variant of the virus triggered fresh concerns regarding control of the pandemic and the development of the economy. The strained global supply chains were another reason. In the third quarter especially, the availability of commodities, intermediates, and bought-in parts — especially semiconductors — was sharply restricted worldwide, which resulted in significantly higher costs and temporary production stops. This adversely affected the financial figures for many industrial sectors, causing share prices to tumble on financial markets around the world.

Nevertheless, sentiment on the global stock markets brightened in the final quarter, as the supply shortages for semiconductors abated slightly, and both companies and investors became increasingly optimistic about 2022, among other things. Major stock indices reached new all-time highs in Europe and the USA.

The Stoxx Europe 50, the index of the largest listed companies in Europe, ultimately rose by 22.8% in 2021. The German benchmark index Dax, which was expanded from 30 to 40 companies in the year under review, saw an increase of 15.8%. The SDax, which comprises the 70 largest companies in Germany outside the Dax and the MDax (reduced from 60 to 50 companies in 2021), grew by 11.2%. The Stoxx Europe 600 Industrial Goods & Services (SXNP) index, whose members are the largest listed European companies in the industrial goods and services sector, rose by 26.7% in 2021.

TRATON experiences volatile share price performance

TRATON SE shares broadly tracked the equity indices in the first months of 2021 in a volatile but improved stock market environment. A better than expected market development and confirmation of signs of a sustained increase in business in the first quarter led to the announcement of financial figures for the first three months of 2021 that exceeded market expectations. Together with positive analyst comments — including in the run-up to the merger with US commercial vehicle manufacturer Navistar — and positive sentiment on the global stock markets, this spurred on the share price starting in May. The TRATON share price reached a new all-time high in June as a result. Subsequently, the share performance was buoyed by the announcement of positive financial figures for the first half of 2021.

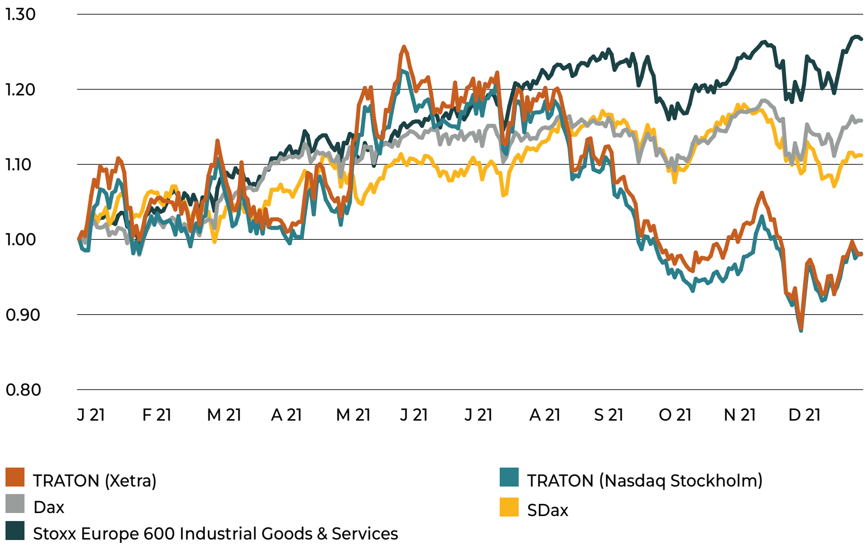
In the second half of the year, however, particularly from September onward, share price performance was dominated by global supply bottlenecks for semiconductors and other key bought-in parts. This weighed on the financial figures and share prices of many industrial sectors, especially in the third quarter. The new and severe wave of coronavirus infections in some countries and regions and the resulting steps to contain the pandemic exacerbated the situation and further darkened the mood on the world’s stock markets. TRATON shares were also unable to escape these negative developments. In the final weeks of the year, they benefited temporarily from the general improvement on stock markets as supply shortages abated slightly and investors became predominantly more optimistic about the outlook for 2022.

TRATON shares recorded a high for the year 2021 of €28.40 on June 2, 2021, and a low of €19.92 on December 3, 2021. The share price on the Nasdaq Stockholm in Sweden reached a high of SEK 286.00 on June 1, 2021, and a low for 2021 of SEK 205.00 on December 3, 2021.

TRATON shares were priced at €22.14 and SEK 229.00 on December 31, 2021. This resulted in a decrease of 2.1% and 1.9%, respectively, in the share price compared with the end of 2020. TRATON shares on the Frankfurt Stock Exchange thus performed 28.7% weaker than the Stoxx Europe 600 Industrial Goods & Services and 13.2% weaker than the SDax. At the end of 2021, TRATON SE's market capitalization was €11.1 billion.

Currently, 20 financial analysts cover TRATON shares. At the end of 2021, eleven analysts voted for "Buy," seven for "Hold," and two for "Sell."

TRATON SHARE PRICE PERFORMANCE IN 2021 COMPARED WITH SELECTED INDICES SINCE JANUARY 1, 2021 (INDEXED)



Significant increase in earnings per share

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 €0.91 due to the sharp increase in operating result in the year under review.

Proposed dividend of €0.50 per share

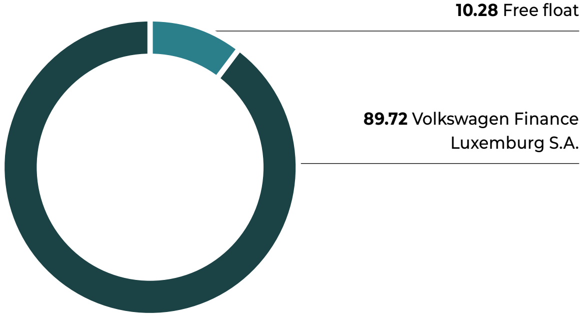
The Executive Board and Supervisory Board of TRATON SE will propose the payment of a dividend of €0.50 at the Annual General Meeting for fiscal year 2021 to be held on June 9, 2022. On the basis of its solid earnings overall, TRATON wishes to also allow its shareholders to participate in this positive performance in its third year as a listed company in line with its policy of dividend continuity.

Based on the proposed dividend for the year under review, the dividend yield for TRATON shares, calculated at the closing rate on the last day of trading in 2021, was 2.3%.

Free float 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, 2021. 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.

SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2021
(AS % OF THE SHARE CAPITAL)



Market environment for corporate bonds

2021 was largely characterized by an attractive market environment for corporate bonds. Despite rising euro benchmark interest rates, companies were able to obtain financing at interest rates that were still relatively favorable by historical standards. Alongside the existing risks from the COVID-19 pandemic, the rate of inflation in particular edged up in 2021. To prevent any risks from rising bond yields to the upturn in the eurozone, the European Central Bank increased the speed of its bond purchases in the second quarter as part of its monetary policy measures. At the same time, at its meeting in early November, the Fed decided on the key data for tapering, i.e., gradually reducing its purchases of marketable securities, and already doubled the rate of reduction at its next meeting in December.

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.

Moody's confirmed its Baa1 rating (negative outlook) on March 16, 2021, following the publication of the results for fiscal year 2020. After the successful merger with Navistar, Moody's reiterated its Baa1 assessment (negative outlook) on July 1, 2021.

S&P confirmed its BBB rating on April 29, 2021, but raised the outlook from negative to stable because of an improved outlook for Volkswagen AG's rating. Following the merger with Navistar, S&P reiterated its current rating and outlook on July 9, 2021.

RATINGS (AS OF DECEMBER 31, 2021)

	Moody's	S&P
Rating	Baa1	BBB
Outlook	negative	stable

TRATON SE successfully places its debut *Schuldscheindarlehen*

TRATON SE successfully placed several *Schuldscheindarlehen* (medium- or long-term loans granted against a note issued by the borrower) in the total amount of €700 million at the beginning of March 2021. The individual *Schuldscheindarlehen* have terms of three, five, and seven years, and have been offered in both fixed and floating-rate formats. The loans were made available by a group of around 100 international investors.

Similarly to the debut syndicated loan in 2020, the *Schuldscheine* also include sustainability criteria (ESG-linked pricing). In doing so, TRATON SE is underlining its commitment to sustainability topics and the high importance of sustainable business performance.

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

European Medium Term Notes program launched

TRATON has had a European Medium Term Notes program since March 12, 2021. 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, our indirect subsidiary TRATON Finance Luxembourg S.A. can also issue bonds under the program. TRATON SE and TRATON Finance Luxembourg S.A. 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 celebrates bond market debut with bond transactions

TRATON SE issued senior notes with a total volume of €3.0 billion in three tranches in its bond market debut at the end of March 2021. Further issues with a total volume of €1.3 billion in three separate tranches followed over the remainder of the year. The issued tranches were for amounts between €300 million and €1.25 billion, with coupons of 0.000 to 1.250%, and terms of two, three, four, eight, and twelve years. 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 page in the **"Debt & Rating"** section.

TRATON share capital

TRATON SE's share capital remained unchanged at the end of fiscal year 2021 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	DE000TRAT0N7
WKN (German Securities Identification Number)	TRAT0N
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. Despite the pandemic-related restrictions, we also held continuous talks with institutional investors and analysts in the course of virtual roadshows and virtual investor conferences in Europe and the USA.

As in the previous year, TRATON SE held its Annual General Meeting without any share-holders or their representatives being physically present in Munich on June 30, 2021. Around 280 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.

KEY PERFORMANCE INDICATORS FOR TRATON SHARES

	2021	2020
Earnings per share from continuing and discontinued operations in € (diluted/basic)	0.91	–0.20
Price-earnings ratio (PE ratio)[1]	24.3	n/a
Dividend per share (€)[2]	0.50	0.25
Dividend yield (in %)[3]	2.3	1.1
Payout ratio (in %)	55%	n/a
Xetra (€)		
Year-end closing price	22.14	22.61
Annual average price	24.25	18.18
Annual high	28.40	24.15
Annual low	19.92	11.23
Nasdaq Stockholm (SEK)		
Year-end closing price	229.00	233.55
Annual average price	245.87	190.35
Annual high	286.00	254.85
Annual low	205.00	123.98
Number of shares (million)[4]	500	500
Market capitalization (€ billion)[4]	11.1	11.3

1 Year-end closing Xetra price in relation to earnings per share
2 For 2021: proposed dividend, subject to approval by the 2022 Annual General Meeting; for 2020: dividend paid out in 2021
3 Dividend per share based on the year-end closing price of TRATON shares (Xetra trading)
4 As of December 31, 2021

New Strategy: TRATON Way Forward

In 2021, the TRATON GROUP reached key milestones in its Global Champion Strategy and gained access to the important North American market. This was made possible by the successful merger with the US commercial vehicle manufacturer Navistar. Advancing climate change, the growing importance of sustainability, as well as decarbonization and digitalization mean that the challenges TRATON is facing today are completely different to those six years ago, as it began its journey as a newly formed independent entity. This does, however, also open up opportunities. The TRATON GROUP's new strategic framework now seeks to address these opportunities. The cornerstones of the new "TRATON Way Forward" strategy were presented for the first time during the virtual Annual General Meeting of TRATON SE in 2021. As part of its new strategy, TRATON has committed to maintaining sustainable and responsible business operations at all times, irrespective of individual corporate decisions.

Under the motto of "Transforming Transportation," TRATON's new strategy focuses on the following three elements: (1) Responsible Company, (2) Value Creation, and (3) TRATON Accelerated!

Responsible Company	Value Creation	TRATON Accelerated!
Make responsible behavior a top priority in everything we do	**Focus on sustainable value creation for our stakeholders**	**Shape our role in the future logistics ecosystem**
• Decarbonization & Circularity • People & Pluralism • Governance & Ethics	• Performance-driven • Navistar as part of TRATON family • TRATON goes China	• 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. Together with our brands, we are working hard on our vision of making lasting changes to transportation. 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 responsible and sustainable perspective on people, employees, customers, suppliers, and strategic partners. Being aware of our responsibility is our top priority and must inform everything we do.

One example of this stronger sense of responsibility in the TRATON GROUP is the planned setup of a charging joint venture with Daimler Truck and the Volvo Group. The joint investment of €500 million to build more than 1,700 charging points for trucks and coaches over the next five years is one of the key factors for the expansion of electric mobility. The joint venture agreement was signed on December 15, 2021. Establishment of the joint venture is subject to official approval.

Responsible Company also includes a corporate culture that focuses on pluralism and inclusion. Pluralism goes beyond the popular notion of diversity. TRATON wants to strengthen its activities to consciously bring together people with different experiences, educational backgrounds, and personalities. Furthermore, the Company is focusing increasingly on ethical principles in governance that enable it to act responsibly.

(2) Value Creation

The second element of the new strategy is Value Creation. It focuses on a sustained increase in value for the TRATON GROUP stakeholders. Additional sources of revenue and key markets should be tapped into to reach this goal. Making all TRATON brands even stronger is another objective. Each brand has a clearly defined target return and is striving to deliver on it. MAN is undergoing a substantial restructuring that will enable it to contribute to the Group's objectives with sustainable profitability in the future.

Another goal is to guide Navistar to new strength. The measures for doing so 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 Navistar's dealer and service network, which is already the largest in the North American market.

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. More than half of all trucks with a permissible maximum laden weight of over 15 tons sold worldwide are sold to customers in China. 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. Scania, for example, will build a production site for the TRATON GROUP in Rugao, 150 kilometers north-west of Shanghai. Work to set up production will already begin in 2022.

(3) TRATON Accelerated!

The third element of the new TRATON strategy is particularly forward-looking: TRATON wants to play an active role in shaping 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 expanding its perspective on logistics and digitalization. What matters here is developing the right capabilities and partnerships in order to be able to shape the transformation of the industry.

All three elements of the TRATON Way Forward are interconnected. Together, they form the new 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. TRATON laid the foundation for this transformation in 2015 with its Global Champion Strategy. The Company is now entering the next phase of its future.

Highlights 2021

The TRATON GROUP achieved success in all three areas of the new corporate strategy in 2021.

Responsible Company

For the TRATON GROUP, there can be no doubt that the future of transportation is electric. To make TRATON a leader in e-mobility, a total of €2.6 billion is being invested in research and development in this field between 2021 and 2026. At the same time, TRATON is scaling back its capital expenditures 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 planned joint venture between the TRATON GROUP, Daimler Truck, and the Volvo Group to set up a high-performance charging infrastructure for trucks and buses in Europe was agreed in December 2021. This will jump-start the development of battery-powered transportation.

The TRATON GROUP also joined the UN Global Compact in November 2021. Its membership of the world's largest and most important initiative for sustainable and responsible corporate governance has since been confirmed. Eco-conscious business practices and respecting fundamental rights are essential in order to make globalization socially and economically acceptable. As a member of the UN Global Compact, the TRATON GROUP is committed to these objectives.

Value Creation

The acquisition of all Navistar shares in 2021 was a vital step in opening up new sources of revenue and markets. At the same time, TRATON is now 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.

Better performance by the Group is also enabled by the successful squeeze-out of non-controlling interest shareholders of MAN SE, who received an appropriate cash compensation. MAN SE was merged with TRATON SE and delisted. MAN Truck & Bus SE and Scania AB, in particular, became wholly owned direct subsidiaries of TRATON SE as a result of the merger. This enables TRATON to make the overall structure of the Group more efficient.

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 began in Sweden in 2021. Although the vehicle operates autonomously on selected sections of highway, there is a driver on board for safety reasons.

Scania

Scania took further key steps toward sustainable transportation in 2021. The Swedish commercial vehicle manufacturer has signed The Climate Pledge, joining a list of companies who have committed to achieving net-zero carbon emissions by 2040 — ten years before the date set by the Paris Agreement. Signing The Climate Pledge means that Scania is committing to three principles: greenhouse gas emissions are measured regularly and the results are reported. Decarbonization strategies in accordance with the Paris Agreement are implemented by means of concrete operational changes and innovation, including efficiency improvements, the use of renewable energies, and reducing material use. Carbon emissions are avoided, and all the remaining emissions neutralized by additional, quantifiable, real, sustainable, and socially beneficial offsets.

Scania has also made a voluntary commitment to reduce the CO_2 emissions caused by its vehicles by 20% by 2025 compared with the level of emissions in 2015. The new engine platform for Euro 6 vehicles with an output of 420 to 560 horsepower that Scania presented at the end of 2021 will also play an important role in reducing CO_2 emissions. This makes Scania the first brand in the TRATON GROUP to introduce the Group-wide 13-liter engine, known as the common base engine (CBE). The CBE is extremely efficient, delivering fuel savings of up to 8% compared with the previous model. The new 13-liter engine will be gradually introduced by the other brands in the TRATON GROUP, thus creating synergies.

Scania also achieved success in the forward-looking field of autonomous driving in 2021. The Swedish road traffic authority granted authorization for self-driving trucks to be tested on the E4 highway between Södertälje and Jönköping. Two Scania trucks equipped with technology from TuSimple are now on the road on this stretch of highway, which is nearly 300 kilometers long. In addition, Scania Growth Capital, the company's corporate venture capital fund, invested in a leading start-up in the key LiDAR (light detection and ranging) technology sector. The company develops and produces sensors for next-generation LiDAR systems, which are a prerequisite for greater vehicle automation.

MAN

MAN Truck & Bus reached key milestones in its restructuring in 2021. At the end of January, the Executive Board and employee representatives agreed on a package of measures to improve earnings by up to €1.7 billion. A considerable portion of this amount is attributable to the agreed repositioning of the production and development network, with a strong focus on technologies of the future. In an investment measure totaling around €130 million, the company has initiated the expansion of its plant in Niepolomice, Poland. In fiscal year 2022, this move is intended to almost triple daily production capacity there to around 300 trucks and driver cabs in the light-, medium-, and heavy-duty ranges. At the same time, work began to prepare the Munich site for electric mobility. MAN Truck & Bus made progress in 2021 in developing more efficient and more environmentally friendly vehicles. The opening of the MAN eMobility Center at the company's headquarters in Munich marked the start of industrial production of battery electric trucks. The entire production process for electric trucks takes place here, including the commissioning of the vehicle. In addition, the Center's employees are learning the process steps and necessary skills for the assembly of electric trucks on the production line.

MAN is around one year ahead of its original plan to build engineering capacities in Ankara and Pune. Moreover, the company is in the process of consolidating major parts of IT in Lisbon. The MAN site in Plauen was sold to BINZ, a manufacturer of special vehicles based in Ilmenau in the German state of Thuringia. The transaction opens up future prospects for the employees at the site. A viable solution for the future of the commercial vehicle plant in Steyr, Austria, was also found following intensive negotiations. MAN Truck & Bus SE agreed to sell all shares in MAN Truck & Bus Österreich GmbH to WSA Beteiligungs GmbH. This means a large number of jobs will remain in the Steyr region.

The groundbreaking ceremony for a forward-looking new building for MAN Truck & Bus in Nuremberg took place in 2021. The new 13-liter diesel engine will be produced there from 2024. The highly efficient diesel engine developed by the TRATON GROUP is the technical and strategic bridge to the electric drives of the future.

The repositioning of the company is based entirely on the NewMAN strategy. One of its aims is to enable the company to achieve an operating return on sales of 8% over a full business cycle. Among other things, structural personnel measures across the company's demographic have been agreed with the employee representatives, and steps have been initiated to significantly reduce material costs. It is planned to streamline administrative and support functions and cut 3,500 jobs in Germany in a socially responsible manner. In the past fiscal year, the company made good progress in implementing this strategically necessary measure for the repositioning of MAN.

Sustainability is also a key component of the new corporate strategy. MAN intends to quantify this in the form of concrete targets for the reduction of greenhouse gas emissions. MAN joined the Science Based Targets Initiative and is therefore committed to defining binding, science-based targets for reducing its greenhouse gas emissions, which are harmful to the environment.

In 2021, MAN achieved important successes on the product side as well. Further configuration options were added for the new truck generation, with the OptiView mirror replacement system increasing digitalization, safety, and efficiency, for example. In the bus segment, MAN launched the Lion's City LE, which combines the advantages of low-entry and intercity buses in a modern, attractive vehicle. MAN commercial vehicles were again awarded prizes by expert international juries. For example, the NEOPLAN Cityliner was named Coach of the Year and the MAN TGX Sustainable Truck of the Year.

Navistar

Navistar became a new member of the TRATON family on July 1, 2021. It is a very good strategic fit for the TRATON GROUP and is systematically pursuing the course toward electric mobility. The internationally known CE school bus series from Navistar's IC Bus brand is already available as an electric model that is very popular with customers. More than 100 electric school buses have already been ordered. The model has also been delivered to customers in Canada.

Navistar's International truck brand now offers its customers an electric model in the medium-duty truck segment — the eMV series was launched at the end of August 2021. In addition, the brand has a specialist NEXT eMobility Solutions team that ensures the seamless integration of electric vehicles into customers' fleets. Five of the first all-electric trucks of the eMV series will be delivered to Penske Truck Leasing, a major leasing provider.

Volkswagen Caminhões e Ônibus

Volkswagen Caminhões e Ônibus (VWCO), a successful commercial vehicle brand that has already manufactured over one million vehicles, celebrated its 40th anniversary in 2021. To continue this success in the era of alternative drives, VWCO has decided to invest BRL 2 billion in the period up to 2025. VWCO is already successful in the market for electric vehicles. The first e-Delivery vehicles were delivered to international beverage group Ambev in 2021 as part of a first series of 100 units. Ambev plans to deploy 1,600 VWCO-branded electric trucks in its fleet in 2025.

Combined Management Report

COMBINED MANAGEMENT REPORT OF TRATON SE, MUNICH, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2021

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. Its product range comprises trucks, buses, and light-duty commercial vehicles. The Group aims to reinvent transportation — with its products, its services, and as a partner to its customers. For TRATON, sustainable economic growth always includes treating people and nature with respect.

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 Caminhões e Ônibus (VWCO). The TRATON Financial Services business area and segment consists of Scania Financial Services and Navistar Financial Services. This segment offers customers a broad range of financial services, including dealer and customer finance, leasing, and insurance products. The activities of the holding companies are reported under Corporate Items. The TRATON GROUP's overall headcount is 97,200.

The TRATON GROUP's brands are clearly positioned:

- Scania is positioned as a premium innovation leader for sustainable transportation solutions.
- MAN is a reliable business partner whose objective is to simplify its customers' business. 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 partner dealerships in the USA and Canada.
- VWCO offers excellent value with products that are tailored to growth markets 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 clear 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 VWCO.

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 VWCO. Purchasing, strategic product planning, and production management for the TRATON GROUP are coordinated in Södertälje in addition to research and development activities.

2. Navistar acquisition

The TRATON GROUP welcomed Navistar as a new member of its family on July 1, 2021. TRATON now holds all of the common shares of Navistar International Corporation, Lisle, Illinois, USA (Navistar). Following receipt of the final approvals at the end of June, the merger of TRATON with the US commercial vehicle manufacturer was completed on July 1, 2021. The transaction builds on a successful cooperative strategic alliance and will drive the growth trajectory of Navistar and TRATON further forward. For TRATON, this deal marks entry into the important North American market and represented a key step toward implementing its Global Champion Strategy. It provides TRATON with access to another major global profit pool and expands its geographical footprint.

Navistar's roots stretch as far back as 1831, when Cyrus McCormick invented the mechanical reaper, which exponentially increased agricultural production and laid the cornerstone for the McCormick Harvesting Company. The International Harvester Company was formed in 1902 as a result of the merger of the McCormick Harvesting Machine Company, the Deering Harvester Company, and three smaller manufacturers of agricultural machinery. After 155 years in the agricultural machinery business, International Harvester sold its agricultural division to J.I. Fall along with the IH brand name. The company was renamed Navistar International Corporation and from then on specialized in commercial vehicles and engines.

Navistar Sales & Services comprises Navistar's manufacturing activities and the distribution of products and services, mainly in the USA, Canada, Mexico, and Brazil. The company sells trucks and buses under the International and IC Bus brands and draws on an extensive network of dealers in the USA and Canada. Navistar also sells engines and spare parts as well as vehicle-specific services. We report Navistar Sales & Services activities as a separate segment.

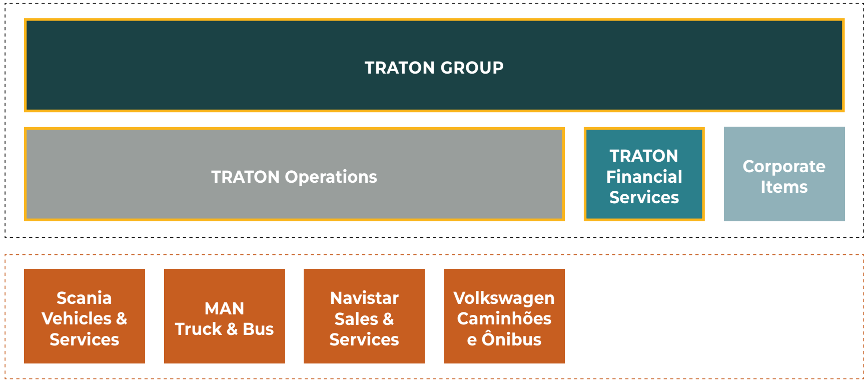
Navistar also offers its customers in the USA, Canada, and Mexico a range of financial services, such as financing for and leasing of Navistar products. Navistar Capital, a program of BMO Harris Bank N.A. and Bank of Montreal (together "BMO"), is Navistar's third-party preferred source of retail and lease customer financing for products offered by Navistar and its dealers in the USA. In addition, Navistar Capital Canada (also a BMO program) provides financing to support the sale of Navistar's products in Canada. Navistar's financing activities are presented in our TRATON Financial Services segment.

The purchase price for the outstanding shares acquired on July 1, 2021, amounted to €3.1 billion (USD 3.7 billion). TRATON SE has financed the acquisition using loans (see Note **"41. Financial risk management and financial instruments"** to the Consolidated Financial Statements) and available cash and cash equivalents and investment deposits with Volkswagen AG.

In the sections that follow, Navistar is included as of July 1, 2021. Our reported key performance indicators were affected by the consolidation of Navistar and thus cannot be compared directly with those for the previous year.

3. Changes in the Group structure and adjustment to prior-year figures

In the course of the Navistar takeover, the structure of the TRATON GROUP was realigned to reflect the relative current sizes of the various former operating units. As a result, we report the activities of our operating units Scania Vehicles & Services, MAN Truck & Bus, Navistar Sales & Services, and Volkswagen Caminhões e Ônibus as separate segments. These four segments are pooled and analyzed in the Combined Management Report as the TRATON Operations business area. At the same time, we continue to report on our financing activities in the TRATON Financial Services segment, which comprises the financial services business of Scania Financial Services and Navistar Financial Services. Corporate Items includes the activities and services of the TRATON Holding, equity investments, consolidation effects between business areas, and the effects of the purchase price allocation (PPA) in the event of the acquisition of an individual segment.



In the course of adjusting the reporting structure, we added an analysis of the results of operations and capital expenditures to the management report. Other analyses deal with the TRATON Operations business area and hence cover the operating business without the activities of Group headquarters. The key performance indicators that were previously reported for the Industrial Business segment have been replaced by key performance indicators for the TRATON Operations business area. The prior-year figures have been adjusted accordingly.

4. Research and development

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

In fiscal year 2021, the primary research and development costs in the TRATON GROUP amounted to €1.5 billion (previous year: €1.2 billion), of which €141 million was attributable to the first-time inclusion of Navistar in the second half of the year. They were therefore above the previous year's level. In 2020, research and development expenses were prioritized due to the COVID-19 pandemic. The year-on-year increase represented a return to the 2019 level.

In fiscal year 2021, the TRATON GROUP continued to prioritize electrifying the product portfolio of all its brands. Another considerable focus of the Group's development activities was the completion and integration of the new 13-liter powertrain.

Scania set itself targets to reduce CO_2 emissions in the context of the Science Based Targets Initiative (SBTi). As well as improving the energy efficiency of conventional drives, renewable fuels and the electrification of the product portfolio are helping to reduce CO_2 emissions. In fiscal year 2021, Scania also committed to achieving at least 30% of total sales with zero-emission vehicles by 2030 in the context of the UN Climate Change Conference. Scania's R&D activities are primarily aligned with these targets.

The new 13-liter powertrain is making a substantial contribution to improving the efficiency of conventional trucks. This product, together with an improved modular chassis, new diesel fuel tanks that offer better fuel capacity, and new axles, was launched by Scania as "Scania Super" in November 2021. The fuel efficiency of the new powertrain is up to 8% higher compared with earlier models. Scania is pressing ahead with the gradual electrification of its vehicle portfolio. For example, the company is working together with its customer, Svenska Cellulosa (SCA), to develop an electric timber truck with a permissible maximum laden weight of up to 80 tons.

MAN Truck & Bus continues to prioritize expanding the portfolio of battery electric trucks to include heavy-duty vehicles for long-haul use. In fact, the MAN eTGM van already operates 100% electrically. It is designed for climate-friendly and especially energy- and cost-efficient operation in inner-city goods transportation and delivery operation. MAN already offers electric city bus models in the form of the Lion's City 12 E (the 12-meter-long rigid bus) and the longer articulated model, the Lion's City 18 E.

Navistar launched a new version of its A26 engine with improved fuel efficiency and also introduced the International eMV, an all-electric medium-duty truck.

In fiscal year 2021, Volkswagen Caminhões e Ônibus began the series production of the e-Delivery, a battery electric model. With a range of up to 250 kilometers and a load capacity of up to 9.1 tons, it is designed for use in urban distribution.

The trend toward alternative drives continues to gain momentum. TRATON positioned itself accordingly: we want to take a leading position in this respect. Protecting the environment is one of our primary goals. This aspiration is also reflected in our planning: 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 of electric mobility in our product development budgets. Expenditure on conventional drives will decline accordingly.

In the key forward-looking field of autonomous driving, we are collaborating with our partner TuSimple Holdings Inc., San Diego, California, USA (TuSimple) to develop autonomous trucks. Hub-to-hub testing of two Level 4 autonomous Scania trucks was initiated, with the trucks driving autonomously between Södertälje and Jönköping along the E4 highway in Sweden.

In a collaboration between MAN Truck & Bus and Hamburger Hafen und Logistik GmbH (HHLA), test drives were carried out that saw prototype trucks equipped with electronic automation systems driving autonomously in regular operations at the Hamburg port terminal, as well as reversing into the correct parking positions.

The TRATON GROUP established its digital brand RIO in 2016, an open, cloud-based solution for the entire transportation and logistics ecosystem. RIO offers a package of digital services that interconnects everyone involved in the supply chain on an open platform. RIO is a solution that can be used with vehicles from any manufacturer. In the year under review, RIO entered into a collaboration with ZF Friedrichshafen AG. In the future, ZF telematics systems will be compatible with RIO, an advantage for mixed fleets that use both companies' software and hardware. As a result of the strategic acquisition of Loom Technologies, which was concluded on December 6, 2021, the Cartright transportation management system will now be integrated as well.

The integration of all technical solutions in a cross-brand modular toolkit 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.

To summarize, three core topics denote innovation for us: 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.

RESEARCH AND DEVELOPMENT IN THE TRATON OPERATIONS BUSINESS AREA IN FIGURES

€ million	2021	2020	Change
Primary R&D costs	1,462	1,154	308
of which capitalized development costs	468	316	152
Capitalization ratio (in %)	32.0	27.4	4.6 pp
Amortization of, and impairment losses on, capitalized development costs	299	265	33
Research and development costs recognized in the income statement	1,292	1,103	189
Sales revenue, TRATON Operations	30,103	22,152	7,951
Primary R&D costs	1,462	1,154	308
R&D ratio (in %)	4.9	5.2	–0.4 pp
R&D employees (as of 12/31)	8,702	7,328	1,374

5. 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, conducted once per year. This covers a period of five years and forms the core of the Group's operational planning.

When planning the Company's future, the individual planning components are determined on the basis of the timescale involved. They include, firstly, the long-term unit sales plan that sets out market and segment growth, from which the TRATON GROUP's delivery volumes are derived; secondly, the product program as the strategic, long-term factor determining corporate policy; and, thirdly, capacity and utilization planning for the individual sites.

The coordinated results of the upstream planning processes are used as the basis for medium-term financial planning. The TRATON GROUP's financial planning comprises the income statement, cash flow and balance sheet planning, profitability and liquidity, as well as the upfront investments needed for alternative products and the implementation of strategic options.

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 follows on from it.

MOST IMPORTANT KEY PERFORMANCE INDICATORS

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 2021:

- Unit sales
- Sales revenue
- Operating return on sales
- Return on investment in the TRATON Operations business area
- Primary research and development costs in the TRATON Operations business area
- Capex in the TRATON Operations business area
- Net cash flow in the TRATON Operations business area

Due to the restructuring of MAN Truck & Bus, the cash conversion rate previously reported as a key performance indicator became meaningless. Net cash flow will be used as a key performance indicator in its place. Moreover, from fiscal year 2021, EBITDA (adjusted) has been added as a key performance indicator for the TRATON Operations business area and return on equity has been reported for the TRATON Financial Services segment.

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 in the TRATON Operations business area
- Primary research and development costs in the TRATON Operations business area
- Capex in the TRATON Operations business area
- Net cash flow in the TRATON Operations business area

For fiscal year 2022, operating return on sales (adjusted) is reported as a most important key performance indicator. By contrast, operating return on sales is no longer used as a most important key performance indicator. The reason for this change is that unlike operating return on sales, adjusted operating return on sales focuses on the TRATON GROUP's normal business performance.

KEY PERFORMANCE INDICATORS OF THE TRATON GROUP

As well as the disclosures and key performance indicators required by the applicable financial reporting standards, the TRATON GROUP publishes alternative key performance indicators that are not defined by any generally applicable standards. We calculate these figures by making certain adjustments to balance sheet or income statement items. We hold the view that they convey relevant information about our business and are designed to enable comparability of the TRATON GROUP's performance over time or compared with our peer group. They are explained in the following together with our core key performance indicators.

Most important key performance indicators at Group level

The following key performance indicators are determined at Group level. Management of the segments is also based on these core key performance indicators.

Unit sales

Unit sales reflect our market performance. They represent the number of vehicles sold by Scania, MAN, Navistar, and Volkswagen Caminhões e Ônibus. 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 (until 2021)
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 result does not include net investment income. Operating return on sales measures the TRATON GROUP's profitability.

Operating return on sales (adjusted) (from 2022)
Operating return on sales (adjusted) is the ratio of adjusted 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 result (adjusted) does not include net investment income. 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.

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 of one-time events with a material impact on the TRATON GROUP's earnings.

Most important key performance indicators in the TRATON Operations business area

In addition to the core key performance indicators determined at Group level, the following core key performance indicators have been defined for managing the TRATON Operations business area.

Return on investment
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.

Operating result after tax is included in the calculation of the return on investment. Operating result of the TRATON Holding, consolidation effects between the TRATON Operations business area and the TRATON Holding, and the earnings effects of purchase price allocations in the TRATON Operations business area are taken into account in addition to operating result of 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. As the concept only comprises our operating activities, assets relating to investments in subsidiaries and associates and the investment of cash funds are not included when calculating invested capital. Interest charged on these assets is reported in 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.

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

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

Additional performance indicators

Operating return on sales (from 2022)

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 result does not include net investment income. 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.

EBIDTA (adjusted)

EBITDA (earnings before interest, taxes, depreciation, and amortization) (adjusted) reflects the 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 in the TRATON Operations and TRATON Financial Services business areas

The equity ratio is the extent to which assets are covered by equity. For each business area, it is calculated from that area's perspective.

Return on equity in the TRATON Financial Services business area

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.

Report on Economic Position

1. Macroeconomic environment

GLOBAL SPREAD OF CORONAVIRUS (SARS-COV-2)

At the end of 2019, initial cases of a potentially fatal respiratory disease became known in China. This disease is attributable to a novel coronavirus. Infections also appeared outside of China from mid-January 2020. The number of people infected rose very rapidly in the course of 2020, albeit with differences in timing and regional spread. Around the world, measures were taken and adapted at national levels and with varying levels of intensity based on the situation. However, these ultimately failed to bring the spread of the SARS-CoV-2 virus under control. In addition, aid packages to support the economy were agreed by the European Commission and by numerous governments in Europe and other regions, and economic stimulus measures were introduced to counter the pandemic's impact. Throughout the whole of 2020, the global spread of the SARS-CoV-2 virus brought enormous disruption to all areas of everyday life and the economy.

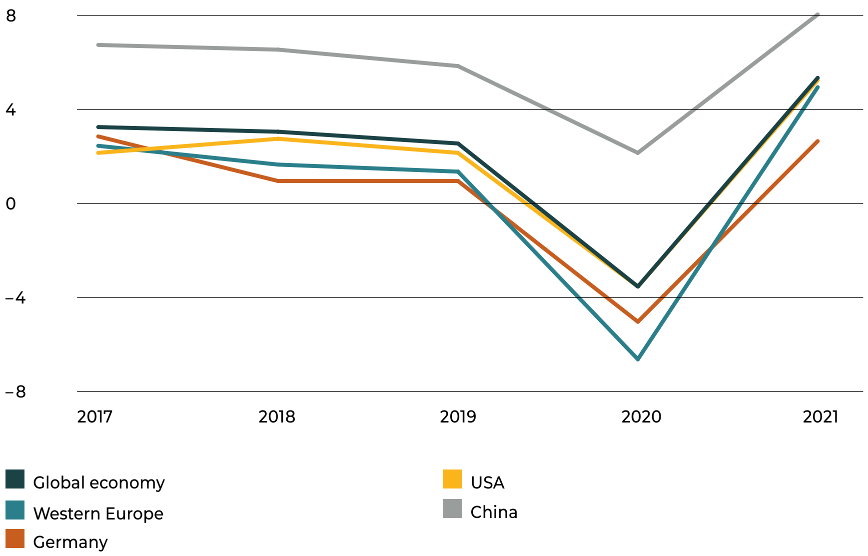
The mostly dynamic increase in the rate of infection continued in many places throughout the first quarter of 2021. This was accompanied by ongoing disruption — such as contact and mobility restrictions or limitations on business activities — in many parts of the world. With the increased availability of testing capacities and vaccines, some countries have permitted the extensive reopening of everyday life and the economy. In China in particular, the measures taken resulted in a removal of restrictions. In most of the world, infection rates initially declined in the second quarter of 2021, leading to further easing of the measures taken to contain the pandemic. However, from the middle of the year, some countries saw a renewed increase in infection rates that was due in particular to new variants of the SARS-CoV-2 coronavirus. Some restrictions returned in response to the situation. Most regions of the world saw a declining rate of new infections in the third quarter of 2021. Against this backdrop, many countries largely lifted their restrictions on everyday life and the economy, depending on the progress of their vaccination campaigns. Temporary increases in case numbers — primarily associated with increased travel — only rarely resulted in the measures being tightened again. Mainly due to new variants of the SARS-CoV-2 virus, numerous countries around the world again recorded some very dynamic increases in infection rates in the fourth quarter, which, depending particularly on the country's vaccination progress, resulted in renewed restrictions.

Overall in 2021, the global spread of the SARS-CoV-2 virus again brought substantial disruption to all areas of everyday life and the economy.

DEVELOPMENTS IN THE GLOBAL ECONOMY

The global economy recovered in 2021 due to the temporary relaxation of many restrictions and recorded positive growth of 5.6% (previous year: contraction of 3.4%). The average rate of expansion of gross domestic product (GDP) was far above the previous year's level in both the advanced economies and the emerging markets. The progress many countries had achieved in vaccinating their population had a positive effect, whereas the emergence of new variants of the virus again led to rising infection figures at national level. At a national level, performance was dependent among other things on the extent to which the negative effects of the COVID-19 pandemic were materializing and on the intensity of measures taken to contain the spread. The governments and central banks of numerous countries continued to pursue their expansionary fiscal and monetary policies. Interest rates therefore remained relatively low. Prices for many energy and other commodities rose significantly year-on-year on average, amid growing shortages of intermediates and commodities. On a global average, consumer prices increased at a faster pace than in 2020, and global trade in goods grew in the reporting year.

ECONOMIC GROWTH
PERCENTAGE CHANGE IN GDP



EUROPE/OTHER MARKETS

As a whole, the economies of Western Europe recorded significant positive growth of 5.4% (previous year: contraction of 6.5%) in 2021. This trend was seen in all countries in Northern and Southern Europe. This was partly attributable to their economies becoming more resilient to high infection rates. At the same time, the economic recovery was hit by temporary national restrictions to contain the pandemic and the imbalances between supply and demand that partially resulted from them.

Further uncertainty in fiscal year 2021 was caused by the United Kingdom's exit from the European Union (EU) and the associated new Trade and Cooperation Agreement.

In the countries of Central and Eastern Europe, real GDP increased significantly by 5.6% (previous year: decrease of 2.4%) in 2021. Economic output increased by 6.4% (previous year: decrease of 2.1%) in Central Europe and by 4.2% (previous year: decrease of 2.8%) in Eastern Europe. A positive trend was also observed in Russia: economic output in Eastern Europe's largest economy grew by 4.3% (previous year: decrease of 2.9%).

In Turkey, the GDP growth rate in 2021 rose to 10.3% (previous year: 1.6%) amid high inflation and a fall in the value of the local currency. South Africa saw significant economic recovery of 4.7% (previous year: contraction of 6.4%) in the reporting period, amid persistent structural deficits and political challenges.

GERMANY

Germany's economic output recorded a positive growth rate of 2.7% (previous year: negative growth rate of 4.9%) in the year under review. The labor market recovered over the course of the year with a fall in the unemployment rate and the number of people on short-time working. The temporary easing of restrictions on everyday life and economic activity led to an improvement in consumer and business confidence. On average, it exceeded the prior-year levels. Confidence rose significantly in the industrial and service sectors.

NORTH AMERICA

US economic output increased by 5.7% (previous year: decrease of 3.4%) in the reporting period despite soaring rates of infection at times. The US government adopted another extensive stimulus package to bolster the economy in the first quarter of 2021. The US Federal Reserve maintained its low interest rates, alongside other measures to support the economy. The weekly number of people filing new claims for unemployment benefits showed a downward trend. This was reflected accordingly in the unemployment rate, which fell significantly year-on-year in the reporting period to 5.4% (previous year: 8.1%), but was still above the 2019 pre-crisis level. GDP rose by 4.6% (previous year: decrease of 5.2%) in neighboring Canada and by 5.5% (previous year: decrease of 8.4%) in Mexico.

SOUTH AMERICA

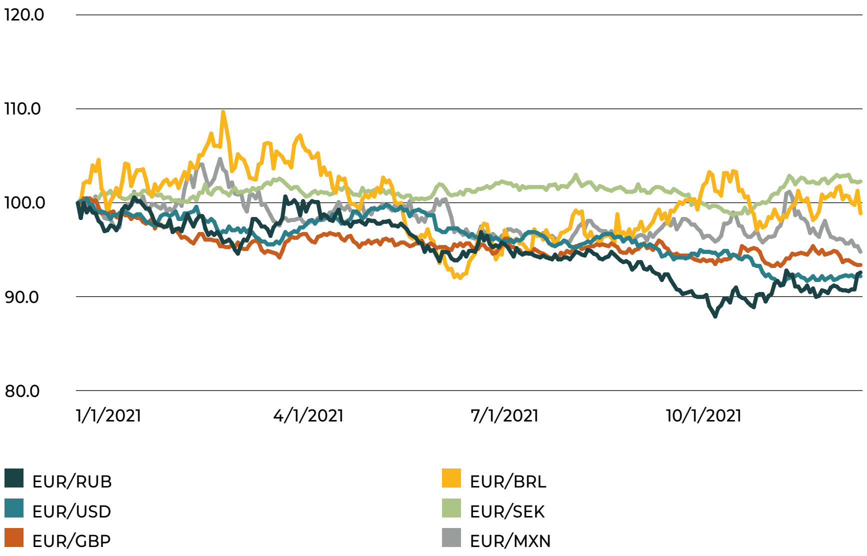
Brazil's economy posted growth of 4.4% (previous year: contraction of 4.2%) in 2021 despite high infection rates. Argentina registered a positive economic performance with year-on-year growth of 8.4% (previous year: contraction of 9.9%) amid continued high inflation and a substantial depreciation of the local currency.

ASIA/PACIFIC

The Chinese economy, which had been exposed to the negative effects of the COVID-19 pandemic earlier than other economies and tackled isolated outbreaks in 2021 with a strict zero-COVID strategy, expanded by 8.1% (previous year: 2.3%). India registered strong growth of 7.8% (previous year: contraction of 7.3%) amid relatively high infection rates at times. Japan posted year-on-year growth of 1.9% (previous year: contraction of 4.5%).

2. Exchange rates

TRATON'S PRIMARY FOREIGN CURRENCIES 2021



	Opening rate for the year	Year-end closing rate	Average rate for the year
BRL/EUR	6.3756	6.3068	6.3812
RUB/EUR	91.7754	84.9779	87.2288
GBP/EUR	0.8993	0.8400	0.8600
USD/EUR	1.2276	1.1320	1.1834
SEK/EUR	10.0247	10.2548	10.1460
MXN/EUR	24.4115	23.1418	23.9955

On average in 2021, the euro gained slightly in value against the US dollar, but depreciated slightly against the Swedish krona and the British pound sterling. One factor here was the continuing uncertainty surrounding the new Trade and Cooperation Agreement between the United Kingdom and the European Union (EU). The euro made in part significant gains against the currencies of some emerging economies. In particular, the Brazilian real and the Russian ruble declined overall in value against the single European currency, whereas the Mexican peso appreciated slightly against the euro.

In 2022, we expect the euro to perform somewhat more strongly against the US dollar and the British pound sterling. It is very likely that the Brazilian real and the Russian ruble will depreciate. For the period from 2023 to 2026, we assume that the euro will remain stable in relation to the major currencies, while the relative currency weakness in the above-mentioned emerging economies is expected to continue. Fundamentally, however, the event risk, i.e., the risk of unforeseeable market developments, remains.

3. Market environment

The available registration data for the TRATON GROUP's core regions reflects the situation from January through December 2021, and January through November 2021 for South Africa.

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, Russia, and Turkey. 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 2021, the most important truck markets (> 6t) for the TRATON GROUP reported a substantial recovery overall worldwide. By contrast, the most important bus markets declined slightly overall. However, the second half of 2021 was adversely affected by shortages in the supply of semiconductors and other key bought-in parts.

New truck registrations in the EU27+3 region were up substantially on the previous year's level in fiscal year 2021. All truck markets in the region recorded growth. In particular, Eastern Europe reported the strongest recovery in Europe in 2021, following the strongest decline in 2020. The Polish market actually reached a new record level. Italy reported strong growth, while the increase in the number of registrations was significant in the United Kingdom and moderate in Germany. In Brazil and Turkey, new truck registrations were much higher year-on-year. Truck registrations in the North America region were significantly above the previous year's level. Russia and South Africa recorded substantial and strong growth, respectively.

The most important bus markets for the TRATON GROUP are the EU27+3 region, the school bus segment in North America, and Brazil. Overall, the bus market remained at a very low level due to the COVID-19 pandemic. Bus registrations in fiscal year 2021 were on a level with the previous year in the EU27+3 region, varying widely between the individual countries and segments. The coach market remained under strong pressure and reached a record low level in 2021. The Brazilian bus market recorded slight growth, whereas the North American bus market saw a slight year-on-year decline.

In the previous year, the uncertainties resulting from the COVID-19 pandemic had been reflected in registrations, mainly starting in the second quarter of 2020, and impacted all of the TRATON GROUP's financial key performance indicators.

4. Target achievement in 2021

The forecast for fiscal year 2021 published in the 2020 Annual Report was updated in the 9M 2021 Interim Statement to take account of TRATON's merger with US commercial vehicle manufacturer Navistar. Consideration was also given to the impact on the financial key performance indicators of the ongoing supply bottlenecks for semiconductors and other key bought-in parts.

It was not possible to achieve the updated forecast for the TRATON GROUP's operating return on sales (including earnings effects from the Navistar purchase price allocation and without the MAN Truck & Bus restructuring expenses) in fiscal year 2021. Operating return on sales was 3.6% and was negatively impacted by expenses at Scania Vehicles & Services in connection with provisions for the EU antitrust proceedings (see the **"Important legal cases"** section for further information). Taking the expenses of €696 million for restructuring measures for the repositioning of MAN Truck & Bus into account, operating return on sales was 1.3%.

Without taking into account the expenses for the EU antitrust proceedings in the amount of €510 million, operating return on sales (including earnings effects from the Navistar purchase price allocation and without the MAN Truck & Bus restructuring expenses) would have been 5.2% and thus slightly above the forecast target range.

Capital expenditures were significantly higher than in the previous year. Primary research and development costs increased sharply.

Due to the restructuring of MAN Truck & Bus, the cash conversion rate previously reported as a key performance indicator has become meaningless. In its place, forecasts were made for net cash flow as a key performance indicator. Net cash flow in the Industrial Business segment, excluding the effects from the Navistar purchase price and the expenses for restructuring measures for the repositioning of MAN Truck & Bus, amounted to €860 million. This exceeded our expectations and was largely attributable to a stronger reduction of working capital. Net cash flow does not include expenses of €2.6 billion for the Navistar acquisition or restructuring expenses of €347 million at MAN Truck & Bus. Net cash flow in the TRATON Operations business area as reported in the new segment structure was €938 million (including MAN Truck & Bus restructuring measures of €347 million).

Return on investment was 4.3% (including earnings effects from the Navistar purchase price allocation and without the MAN Truck & Bus restructuring expenses) and thus below the forecast target range. Taking into account the MAN Truck & Bus restructuring expenses, the return on investment stood at 0.8%.

Without taking into account the expenses at Scania Vehicles & Services in connection with provisions for the EU antitrust proceedings, return on capital would have been 6.8% (including earnings effects from the Navistar purchase price allocation and without the MAN Truck & Bus restructuring expenses) and thus above the forecast target range.

The deviations between the actual figures for 2021 and the original expectations published in the 2020 Annual Report are largely attributable to the integration of Navistar as of July 1, 2021. In terms of both unit sales and sales revenue, the TRATON GROUP (excluding Navistar) outperformed the original forecast. The original forecast for the operating return on sales of the TRATON GROUP (excluding Navistar) was not achieved as a result of expenses at Scania Vehicles & Services in connection with provisions for the EU antitrust proceedings.

The forecast for 2021 was made on the basis of the previous segment structure. The table below also shows target achievement in the new segment structure, for which no separate forecast was made.

TRATON GROUP	Actual 2020	Original forecast for 2021[1]	Latest forecast for 2021[2]	Actual 2021 (legacy structure)[2]	Actual 2021 (new structure)[2]
Unit sales	190,180	sharp increase	very sharp increase	271,608	271,608
Sales revenue (€ million)	22,580	substantial increase	very sharp increase	30,620	30,620
Operating return on sales (in %)	0.4	5.0–6.0	5.0–6.0 (around 4.0–5.0 including earnings effects from purchase price allocation)	4.5 (3.6 including earnings effects from purchase price allocation)	4.5 (3.6 including earnings effects from purchase price allocation)
Industrial Business/TRATON Operations					
Sales revenue (€ million)	22,156	substantial increase	very sharp increase	30,092	30,103
Operating return on sales (in %)	–0.1	4.5–5.5	4.5–5.5 (around 3.5–4.5 including earnings effects from purchase price allocation)	3.7 (2.8 including earnings effects from purchase price allocation)	4.6
Return on investment (in %)	–0.1	6.5–7.5	7.0–8.0 (around 4.5–5.5 including earnings effects from purchase price allocation)	6.2 (4.3 including earnings effects from purchase price allocation)	6.2 (4.3 including earnings effects from purchase price allocation)
Net cash flow (€ million)[3]	676	n/a	0–300	860	1,285
Capex (€ million)	992	considerable increase	sharp increase	1,128	1,125
Primary research and development costs (€ million)	1,165	substantial increase	very sharp increase	1,473	1,462
TRATON Financial Services					
Sales revenue (€ million)	820	moderate increase	substantial increase	964	964
Operating return on sales (in %)	13.1	13.5–17.5	20.0–25.0 (around 18.0–23.0 including earnings effects from purchase price allocation)	26.9 (25.1 including earnings effects from purchase price allocation)	26.9

1 Before expenses for restructuring measures for the repositioning of MAN Truck & Bus and before effects from the merger with Navistar International Corporation

2 Navistar International Corporation included from July 1, 2021 (excluding Navistar purchase price allocation), before expenses for restructuring measures for the repositioning of MAN Truck & Bus

3 Excluding negative impact of the purchase price for Navistar (€2,584 million after deduction of cash and cash equivalents at Navistar Manufacturing Operations at the time of acquisition) and excluding expenses for restructuring measures for the repositioning of MAN Truck & Bus

5. Results of operations

INCOMING ORDERS

INCOMING ORDERS, TRATON OPERATIONS

Units	2021	2020	Change
Incoming orders, TRATON Operations	**359,975**	**216,251**	**66%**
of which trucks[1]	305,745	182,402	68%
of which buses	22,237	14,611	52%
of which MAN TGE vans	31,993	19,238	66%

1 Excluding Navistar Class 4/5 contract manufacturing for third parties (2021: 4,141 units)

Incoming orders in the TRATON Operations business area stood at 359,975 (previous year: 216,251) units in the reporting period, up 66% on the previous year's level. Excluding Navistar, the increase would have amounted to 47% compared to the previous year. This increase resulted from the truck and MAN TGE business, whereas the bus business would have been down 15% on the prior-year figure.

In the second half of 2021, the TRATON GROUP's incoming orders would have been up significantly compared with the previous year's level even without taking Navistar into account. Still, they would have failed to match the very high incoming orders in the first half of 2021. The decline in the second half of 2021 compared to the first half of 2021 resulted primarily from the decrease in truck orders in Europe.

Incoming orders for trucks (> 6t) in 2021 were up very sharply on the prior-year level in all regions except Russia and Asia/Pacific. Incoming orders increased by 67% in the EU27+3 region. Germany, the United Kingdom, France, and Poland posted the strongest growth rates. In South America, Brazil recorded the largest increase in an expanding overall market. Incoming orders in North America amounted to 33,581 (previous year: 1,055) units.

Incoming orders for buses increased very sharply year-on-year. This increase is mainly attributable to North America, where the TRATON GROUP entered the school bus business on July 1, 2021, thanks to the Navistar acquisition. Without Navistar, incoming orders in the bus business would have been significantly below the prior-year level. The Brazilian bus business accounted for most of this decrease, whereas the EU27+3 region's figure was slightly below the prior-year level. Demand for coaches was at a very low level in all relevant markets as a result of the COVID-19 pandemic.

UNIT SALES

UNIT SALES BY COUNTRY

Units	2021	2020	Change
Unit sales, TRATON Operations	**271,608**	**190,180**	**43%**
Unit sales, trucks[1]	**230,549**	**156,371**	**47%**
EU27+3	92,019	81,719	13%
of which in Germany	24,042	24,825	–3%
North America[2]	26,244	1,110	> 1,000%
of which in the USA/Canada	21,653	4	> 1,000%
of which in Mexico	4,591	1,106	315%
South America	72,955	42,283	73%
of which in Brazil	61,571	35,738	72%
Other regions	39,331	31,259	26%
Unit sales, buses	**18,857**	**16,174**	**17%**
EU27+3	5,451	6,098	–11%
of which in Germany	1,768	1,729	2%
North America[2]	6,054	392	> 1,000%
of which in the USA/Canada	4,841	–	–
of which in Mexico	1,213	392	209%
South America	4,812	7,089	–32%
of which in Brazil	3,434	5,117	–33%
Other regions	2,540	2,595	–2%
Unit sales, MAN TGE vans	**22,202**	**17,635**	**26%**
EU27+3	21,534	17,294	25%
of which in Germany	6,320	5,305	19%

1 Excluding Navistar Class 4/5 contract manufacturing for third parties (2021: 3,580 units)

2 Prior-period amounts adjusted to reflect current presentation (reported under "Other regions" in the prior-year period)

Unit sales in the TRATON Operations business area stood at 271,608 (previous year: 190,180) units in the reporting period, up 43% on the previous year's level. The increase resulted primarily from the truck business. Excluding Navistar, the increase would have amounted to 27% compared to the previous year. Unit sales of trucks (> 6t) in the EU27+3 region were up significantly compared with the previous year's level. The strongest growth was recorded in Poland and Italy, whereas unit sales in Germany declined slightly. Brazil was the main contributor to the very strong growth in truck unit sales in South America. The Africa region and the markets in Russia and Turkey recorded a very strong rise as well. In the Asia/Pacific region, unit sales were noticeably up on the prior-year level. 26,244 (previous year: 1,110) trucks were sold in North America.

Unit sales of buses were down significantly year-on-year in the EU27+3 region. This was attributable to high unit sales resulting from public sector orders in Sweden in the prior-year period. Unit sales in all other countries in the EU27+3 region in 2021 were on a level with the previous year overall.

In the South America region and in the Russian and Turkish markets, bus unit sales were down very sharply on the prior-year level. In the Asia/Pacific region, bus unit sales were down substantially on the previous year. By contrast, unit sales in the Africa region posted very strong year-on-year growth as a result of major orders in Morocco and Angola. 6,054 (previous year: 392) buses were sold in North America.

In the second half of 2021, ongoing supply shortages had a negative impact on the TRATON GROUP's unit sales. The shortages affected all brands but to a varying extent determined by their supplier network, specifications of the individual vehicles, and customer demand. Without Navistar, unit sales in the second half of 2021 would have been noticeably below the level of the first half of the year.

SALES REVENUE

SALES REVENUE BY PRODUCT GROUP

€ million	2021	2020	Change
TRATON GROUP	**30,620**	**22,580**	**36%**
TRATON Operations	**30,103**	**22,152**	**36%**
New Vehicles	19,029	13,385	42%
Vehicle Services business[1]	6,392	4,692	36%
Others	4,683	4,075	15%
TRATON Financial Services	**964**	**820**	**18%**
Corporate Items	–447	–393	–

1 Including spare parts and workshop services

The TRATON GROUP generated sales revenue of €30.6 billion (previous year: €22.6 billion) in the reporting period, a year-on-year increase of 36%. Without taking Navistar into account in the second half of 2021, sales revenue would have risen by 20%.

The increase in sales revenue in the TRATON Operations business area resulted primarily from the very strong growth in the unit sales of trucks and vans. Negative exchange rate effects were an offsetting factor, due primarily to the development of the Brazilian real and the Russian ruble.

Sales revenue in the Vehicle Services business increased very sharply. Significant growth would have been recorded even without taking Navistar into account. The Vehicle Services business made a considerable contribution to total sales revenue, consistently accounting for a share of more than 20%. In particular, the genuine parts business posted very strong growth year-on-year. Sales revenue in the Others business was significantly higher year-on-year, mainly as a result of an increase in the engine and used vehicle business.

Sales revenue in the TRATON Financial Services segment rose substantially year-on-year. Sales revenue had grown moderately prior to the inclusion of Navistar's financial services business.

PROFIT AND LOSS

CONDENSED TRATON GROUP INCOME STATEMENT

	TRATON GROUP		TRATON Operations		TRATON Financial Services		Corporate Items	
€ million	2021	2020	2021	2020	2021	2020	2021	2020
Sales revenue	30,620	22,580	30,103	22,152	964	820	–447	–393
Cost of sales	–25,083	–19,121	–24,758	–18,981	–579	–519	253	378
Gross profit	**5,536**	**3,459**	**5,345**	**3,171**	**385**	**302**	**–194**	**–14**
Distribution expenses	–2,758	–2,247	–2,499	–2,118	–143	–123	–116	–5
Administrative expenses	–1,204	–876	–1,020	–717	–15	–	–170	–159
Other operating result	–1,180	–255	–1,149	–160	33	–71	–64	–24
Operating result	**393**	**81**	**677**	**176**	**259**	**107**	**–543**	**–202**
Operating return on sales (in %)	1.3	0.4	2.2	0.8	26.9	13.1	–	–
Operating result (adjusted)	**1,599**	**135**	**1,883**	**230**	**259**	**107**	**–543**	**–202**
Operating return on sales (adjusted) (in %)	5.2	0.6	6.3	1.0	26.9	13.1	–	–
Financial result	255	–115	–106	–135	0	0	361	20
Earnings before tax	**648**	**–34**	**571**	**41**	**260**	**107**	**–182**	**–182**
Income taxes	–178	–89	–349	–80	–47	–32	218	23
Earnings after tax	**470**	**–124**	**222**	**–39**	**212**	**75**	**35**	**–160**

Operating result:

In 2021, gross profit rose to €5.5 billion, an increase of 60% compared with the previous year, which was sizeably affected by the COVID-19 pandemic. Overall, the increase was achieved above all thanks to significant growth of 36% in sales revenue. Moreover, the first-time consolidation of Navistar, including the earnings effects from the purchase price allocation, contributed €353 million to gross profit.

The gross margin improved to 18.1% (previous year: 15.3%) in the reporting period. Alongside the very strong growth in unit sales and the associated reduction in fixed costs, the main drivers of this improvement were lower impairment losses on inventories and a stronger used vehicle business. Offsetting factors were the year-on-year increase in depreciation and amortization charges, higher commodity prices, and higher expenses as a result of shortages in the supply of semiconductors and other key bought-in parts due to the COVID-19 pandemic. In the previous year, depreciation of products leased out, expenses for the realignment of production facilities at Scania Vehicles & Services, additional costs relating to the introduction of the new truck generation at MAN Truck & Bus, and expenses in connection with an engine project involving MAN Truck & Bus and Navistar had been the main negative factors. By contrast, the measures adopted to mitigate the economic impact of the COVID-19 pandemic had been a distinctly more positive factor in the previous year than in the year under review.

Distribution expenses were up on the previous year's level, largely due to €301 million from the first-time consolidation of Navistar and to significant growth in sales revenue. Adjusted to exclude the effect of the first-time consolidation of Navistar in the amount of €269 million, administrative expenses rose only slightly year-on-year thanks to strict cost management. The measures initiated in connection with the COVID-19 pandemic — in particular short-time working arrangements and similar measures for reducing personnel costs — had been a distinctly more positive factor in the previous year than in the year under review. The disproportionately low increase in distribution and administrative expenses compared with sales revenue contributed to an improvement in the ratio of distribution and administrative expenses to sales revenue by 0.9 percentage points to 12.9% (previous year: 13.8%).

Other operating result was €925 million down on the previous year's figure. This decline was mainly due to restructuring measures in connection with the repositioning of MAN Truck & Bus and to expenses of €510 million for provisions at Scania Vehicles & Services in connection with the EU antitrust proceedings. The restructuring measures mainly impacted expenses for personnel measures in the amount of €331 million and the costs of disposal of the commercial vehicle plant in Steyr, which was sold effective August 31, 2021, in the amount of €304 million. In addition, real estate transfer tax expenses from the merger between MAN SE and TRATON SE had a negative impact of €49 million. Compared with the previous year, offsetting factors were lower expenses for bad debt allowances on receivables, lower expenses for provisions, and positive effects from the measurement and realization of foreign exchange positions and derivatives.

At €393 million (previous year: €81 million), the TRATON GROUP's operating result rose by €312 million compared with the prior-year period. Without the first-time consolidation of Navistar or the earnings effects of the purchase price allocation, operating result would have totaled €608 million. The increase in gross profit more than offset the expenses for restructuring measures for the repositioning of MAN Truck & Bus in the amount of €696 million and the expenses at Scania Vehicles & Services in connection with the EU antitrust proceedings in the amount of €510 million. The TRATON GROUP increased operating return on sales by 0.9 percentage points year-on-year to 1.3% (previous year: 0.4%). Without taking into account Navistar's earnings or the earnings effects of the purchase price allocation, operating return on sales would have been 2.3%, up 1.9 percentage points on the previous year's level.

Operating return on sales in the TRATON Operations business area was 2.2%, 1.5 percentage points above the previous year.

Operating result (adjusted):
Operating result (adjusted) amounted to €1.6 billion in the reporting period, corresponding to a €1.5 billion year-on-year increase. The adjustments related to expenses in connection with the repositioning of MAN Truck & Bus, which reduced operating result by €696 million, as well as expenses of €510 million at Scania Vehicles & Services in connection with the EU antitrust proceedings. Restructuring expenses at MAN Truck & Bus mainly included expenses for personnel measures and the costs of disposal of the commercial vehicle plant in Steyr, which was sold effective August 31, 2021. Operating return on sales (adjusted) increased by 4.6 percentage points year-on-year to 5.2% (previous year: 0.6%). The prior-year period had included adjustments to expenses totaling €54 million in connection with measures to realign production facilities at Scania Vehicles & Services. Operating result (adjusted) in the prior-year period was therefore €135 million and operating return on sales (adjusted) was 0.6%.

Operating result (adjusted) in the TRATON Operations business area was €1.9 billion, a year-on-year increase of €1.7 billion. Adjustments of €1.2 billion matched those for the TRATON GROUP. Operating return on sales (adjusted) in the TRATON Operations business area was 6.3% (previous year: 1.0%), 5.2 percentage points above the previous year's level. Prior-year adjustments were also identical with those for the TRATON GROUP.

Financial result:
At €255 million (previous year: €–115 million), financial result was up €370 million year-on-year. This increase stems mainly from the remeasurement of the Navistar shares already held at the time of acquisition as part of the complete acquisition of the company, a significant increase in investment income from equity-method investments — particularly from the interest in Sinotruk (Hong Kong) Limited, Hong Kong, China —, and higher realized income from loan payables in foreign currency. The higher interest expense, especially as a result of the first-time consolidation of Navistar in the year under review, had an offsetting effect.

Taxes:
Income taxes came to €–178 million (previous year: €–89 million), corresponding to a tax rate of 27% (previous year: –261%). The tax rate was thus slightly below the nominal Group tax rate in the year under review. 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 cancelled each other out.

Earnings after tax:
Earnings after tax increased to €470 million in the year under review (previous year: €–124 million). This resulted in earnings per share of €0.91 (previous year: €–0.20). Calculation of earnings per share was based on 500 million shares.

The Executive and Supervisory Boards of TRATON SE proposed to the Annual General Meeting to pay a dividend of €0.25 per share for fiscal year 2020. In line with this proposal, the Annual General Meeting of TRATON SE resolved on June 30, 2021, to pay a dividend of €0.25 per no-par value share carrying dividend rights. This corresponds to a total distribution of €125 million. The payout was made on July 5, 2021.

TRATON GROUP SEGMENTS

SCANIA VEHICLES & SERVICES

	2021	2020	Change
Incoming orders (units)	**116,798**	**92,940**	**26%**
Sales (units)	**90,366**	**72,085**	**25%**
of which trucks	85,930	66,899	28%
of which buses	4,436	5,186	–14%
Sales revenue (€ million)	**13,927**	**11,521**	**21%**
New Vehicles	8,802	6,890	28%
Vehicle Services business[1]	2,964	2,588	15%
Others	2,162	2,043	6%
Operating result (€ million)	903	748	155
Operating result (adjusted) (€ million)	1,412	802	611
Operating return on sales (in %)	6.5	6.5	0.0 pp
Operating return on sales (adjusted) (in %)	10.1	7.0	3.2 pp

1 Including spare parts and workshop services

In the context of the global upturn following the negative impact of the COVID-19 pandemic in the previous year, Scania improved almost all key performance indicators. Following a strong first half of 2021, a decrease in unit sales was observable in the second half of the year due to supply chain bottlenecks. Operating result in the prior-year period had been negatively affected by the COVID-19 pandemic, in particular by the temporary closure of production sites, and by nonrecurring factors.

Scania Vehicles & Services' incoming orders in 2021 stood at 116,798 (previous year: 92,940) units. At 113,002 (previous year: 88,908) units, incoming orders for trucks were up 27% on the previous year. This increase was essentially attributable to the EU27+3 region, where growth of 48% was recorded. There were higher numbers of incoming orders in the Africa, Middle East, Asia/Pacific, and South America regions. The decrease in Russia due to a major order in the previous year had an offsetting effect. Incoming orders for buses decreased moderately to 3,796 (previous year: 4,032) units. This decline was primarily attributable to the South America region, which had included a major order in Colombia in the previous year.

Total unit sales of vehicles rose to 90,366 (previous year: 72,085) units. Unit sales of trucks rose by 28% year-on-year to 85,930 (previous year: 66,899) units. Scania Vehicles & Services increased truck unit sales in virtually all markets, especially in the South America and EU27+3 regions. By contrast, unit sales of buses declined by 14% to 4,436 (previous year: 5,186) units. The decrease was attributable to all regions apart from the Africa region.

Scania Vehicles & Services' sales revenue increased by 21% to €13.9 billion (previous year: €11.5 billion) in the reporting period. This increase was primarily attributable to the truck business. The Vehicle Services business grew by 15%; this development was primarily attributable to substantial growth in the genuine parts business. However, exchange rate effects weighed negatively on sales revenue.

Operating result was €903 million (previous year: €748 million), representing a €155 million increase compared with the previous year. This corresponds to an operating return on sales of 6.5% (previous year: 6.5%). Operating result was negatively impacted by expenses in connection with provisions for the EU antitrust proceedings (see the **"Important legal cases"** section for further information) in the amount of €510 million. Adjusted for these expenses, operating result (adjusted) was €1,412 million (previous year: €802 million) and operating return on sales (adjusted) was 10.1% (previous year: 7.0%). As well as the volume-driven increase in sales revenue, operating result was positively affected by an advantageous product mix. Both effects are primarily attributable to the truck and Vehicle Services business. An offsetting effect came from higher personnel expenses and overheads, which were mainly due to increased production volumes. Shortages in the supply of semiconductors and other key components, increasing raw material prices, negative currency effects, and higher development costs due to intensified e-mobility activities continued to have a negative impact.

In the previous year, operating result had contained costs that were primarily incurred in connection with the reorganization of production facilities in the amount of €54 million.

MAN TRUCK & BUS

	2021	2020	Change
Incoming orders (units)	**143,531**	**84,921**	**69%**
Sales (units)	**93,668**	**81,673**	**15%**
of which trucks	66,837	58,698	14%
of which buses	4,629	5,340	–13%
of which MAN TGE vans	22,202	17,635	26%
Sales revenue (€ million)	**10,934**	**9,659**	**13%**
New Vehicles	6,159	5,353	15%
Vehicle Services business[1]	2,303	2,044	13%
Others	2,472	2,262	9%
Operating result (€ million)	–447	–553	107
Operating result (adjusted) (€ million)	249	–553	802
Operating return on sales (in %)	–4.1	–5.7	1.6 pp
Operating return on sales (adjusted) (in %)	2.3	–5.7	8.0 pp

1 Including spare parts and workshop services

In 2021, MAN Truck & Bus benefited from the global upturn to improve almost all financial key performance indicators. Operating result in the prior-year period had been negatively affected by the COVID-19 pandemic, in particular due to temporary production stops.

MAN Truck & Bus's incoming orders in 2021 stood at 143,531 (previous year: 84,921) units. Incoming orders for trucks (> 6t) came to 107,476 (previous year: 60,862) units, a 77% year-on-year increase. The increase was attributable to all key regions, and growth of 84% was recorded in the most important EU27+3 market. Incoming orders for MAN TGE vans rose by 66% to 31,993 (previous year: 19,238) units. Incoming orders for buses decreased by 16% to 4,062 (previous year: 4,821) units. This decline was observed in all regions.

At 93,668 (previous year: 81,673) units, MAN Truck & Bus's total unit sales were up 15% year-on-year. Unit sales of trucks (> 6t) increased by 14% year-on-year to 66,837 (previous year: 58,698) units. Significant growth was recorded in the key EU27+3 region in particular. Unit sales of MAN TGE vans rose by 26% to 22,202 (previous year: 17,635) units. Unit sales of buses declined by 13% to 4,629 (previous year: 5,340) units. This decline affected all regions except Asia/Pacific.

MAN Truck & Bus generated sales revenue of €10.9 billion (previous year: €9.7 billion), a year-on-year increase of 13%. The increase resulted from higher truck and MAN TGE van volumes. Sales revenue in the service business and sales revenue from used vehicles and engines also increased. By contrast, sales revenue from buses decreased by 19%.

Operating result was €–447 million (previous year: €–553 million), representing a €107 million increase compared with the previous year. This corresponds to an operating return on sales of –4.1% (previous year: –5.7%). Operating result was negatively impacted by expenses of €696 million in connection with the repositioning. Adjusted for these expenses, operating result (adjusted) was €249 million (previous year: €–553 million) and operating return on sales (adjusted) was 2.3% (previous year: –5.7%). In addition to the volume-driven increase in sales revenue, operating result was positively affected by the introduction of the new truck generation, a positive development of the used vehicle market, and strict cost management. Increasing raw material prices and shortages in the supply of semiconductors had a negative impact in the fourth quarter of 2021 in particular.

Under the restructuring program, expenses of €696 million were incurred for the repositioning of MAN Truck & Bus in fiscal year 2021. These expenses contain the expenses directly attributable to the restructuring measures that are necessary for the restructuring and are not related to operating activities. Of the restructuring expenses of €696 million, €331 million is attributable to personnel measures (including severance payments and partial retirement arrangements) and €365 million to impairment losses on property, plant, and equipment and other expenses in the production network, especially in connection with the disposal of the commercial vehicle plant in Steyr.

NAVISTAR SALES & SERVICES

	2021[1]
Incoming orders (units)[2]	**42,588**
Sales (units)	**30,305**
of which trucks[3]	25,113
of which buses	5,192
Sales revenue (€ million)	**3,557**
New Vehicles	2,054
Vehicle Services business[4]	1,053
Others	450
Operating result (€ million)	41
Operating return on sales (in %)	1.2

1 July 1, 2021, to December 31, 2021
2 Excluding Navistar Class 4/5 contract manufacturing for third parties (December 31, 2021: 4,141 units)
3 Excluding Navistar Class 4/5 contract manufacturing for third parties (December 31, 2021: 3,580 units)
4 Including spare parts and workshop services

On July 1, 2021, the TRATON GROUP acquired all outstanding shares of US commercial vehicle manufacturer Navistar and consolidated Navistar in the Group as an additional unit.

Navistar's core business focuses on the truck, school bus, and genuine parts markets in North America. In the truck market, the company mainly does business in vehicle Classes 6 through 8. It has a vehicle fleet of over one million trucks in the USA and Canada, and nearly one-fifth of all vehicles in Classes 6 through 8 are Navistar's International-branded trucks. More than 40% of all school buses on the road in the USA and Canada are Navistar's IC Bus brand vehicles. Navistar has one of the largest distribution and service networks in the USA and offers its customers financing services. International is one of the leading truck brands in Mexico and some countries in South America.

Navistar Sales & Services generated sales revenue of €3.6 billion in the period from July 1, 2021, to December 31, 2021. Operating result for the period was €41 million. It was impacted by the supply chain restrictions and by costs of €54 million incurred in the context of the merger. Operating return on sales was 1.2%.

VOLKSWAGEN CAMINHÕES E ÔNIBUS

	2021	2020	Change
Incoming orders (units)	**57,241**	**38,805**	**48%**
Sales (units)	**57,405**	**36,974**	**55%**
of which trucks	52,794	31,242	69%
of which buses	4,611	5,732	–20%
Sales revenue (€ million)	**2,113**	**1,235**	**71%**
New Vehicles	2,023	1,173	73%
Vehicle Services business[1]	88	75	18%
Others	1	–12	–
Operating result (€ million)	171	–15	186
Operating return on sales (in %)	8.1	–1.2	9.3 pp

1 Including spare parts and workshop services

After the negative impact of the COVID-19 pandemic in the previous year, the global recovery in 2021 enabled VWCO to improve almost all key performance indicators. Operating result in the prior-year period had been negatively affected by the measures taken in connection with the COVID-19 pandemic.

VWCO recorded incoming orders of 57,241 (previous year: 38,805) units. At 52,636 (previous year: 32,963) units, incoming orders for trucks were up 60% on the previous year. This was primarily attributable to rising demand in Brazil. Incoming orders increased in all major export markets in South America, except Argentina, and in Mexico. Incoming orders for buses decreased by 21% to 4,605 (previous year: 5,842) units because of a major order for school buses in Brazil in the previous year. The decline in Brazil was offset by increased demand in Mexico.

VWCO's total unit sales increased by 55% to 57,405 (previous year: 36,974) units. Truck unit sales increased by 69% to 52,794 (previous year: 31,242) units. The increase essentially resulted from the higher truck unit sales in Brazil and in most other countries in South America. Bus unit sales declined by 20% to 4,611 (previous year: 5,732) units due to lower unit sales in Brazil. By contrast, unit sales in Mexico and the Africa region recorded very sharp and perceptible growth, respectively.

VWCO generated sales revenue of €2.1 billion (previous year: €1.2 billion) in 2021, a year-on-year increase of 71%. The increase resulted from the truck business. By contrast, exchange rate effects from translation into the Group currency (euros) negatively impacted sales revenue.

Operating result was €171 million (previous year: €–15 million). This corresponds to an operating return on sales of 8.1% (previous year: –1.2%). Operating result rose very strongly compared with the prior-year period due to a very sharp rise in unit sales and improved product positioning in Brazil. In addition, strict cost management contributed to an improvement in earnings and, at the same time, mitigated the negative impact of inflation-driven cost increases.

TRATON FINANCIAL SERVICES

€ million	2021	2020	Change
Sales revenue	964	820	144
Operating result	259	107	152
Operating return on sales (in %)	26.9	13.1	13.9 pp
Return on equity (in %)	18.6	11.1	7.5 pp

The TRATON Financial Services segment includes the financial services business conducted by Scania and, for the first time, Navistar. In the reporting period, operating result rose by €152 million to €259 million. Excluding Navistar, operating result would have amounted to €229 million. The very strong increase is mainly attributable to lower bad debt allowances on receivables as against the prior-year period. Furthermore, the contract volume was higher on average, as were margins, which had a positive effect. An increase in operational expenses had an offsetting effect.

As of the reporting date, the return on equity was 18.6%. Without Navistar, this figure would have been 21.2% (previous year: 11.1%). The increase mainly resulted from the higher operating result.

6. 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;
- Processing of financial and payment transactions to safeguard 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 debt in a normal business environment. Depending on leverage 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.

As a general rule, the capital structure in the TRATON GROUP excluding Financial Services should correspond to an implied solid investment-grade classification. A key performance indicator in this context is the ratio of net 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 Baa1 (negative outlook), and S&P's rating is BBB (stable outlook). Both ratings are investment-grade.

As a general rule, the equity ratio of the TRATON GROUP excluding Financial Services should be higher than 30%. In the TRATON Financial Services business area, we ensure that leased or financed assets are financed at matching maturities. Equity ratio in the TRATON Financial Services business area should be between 8 and 12%.

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 intend to 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 distribute 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 apply.

FINANCING IN 2021

Gross financial liabilities amounted to €18.2 billion (previous year: €12.3 billion) as of December 31, 2021. €11.3 billion (previous year: €7.4 billion) of this amount was attributable to financing through capital market instruments, €4.3 billion (previous year: €2.8 billion) to bank funding, €1.4 billion (previous year: €1.1 billion) to Volkswagen Group loans, and €1.2 billion (previous year: €1.0 billion) to lease liabilities.

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 *Leases*) is as follows: < 1 year: €241 million, 1–5 years: €621 million, > 5 years: €375 million.

Financial liabilities of the TRATON GROUP as of 12/31/2020, € billion	Total	Due 2021	Due 2022	Due 2023	Due 2024	Due 2025	Due 2026 or later
Bonds	7.2	3.3	1.8	1.3	0.1	0.8	–
of which TRATON Operations	0.5	0.5	–	–	–	–	–
of which TRATON Financial Services	6.7	2.8	1.8	1.3	0.1	0.8	–
of which Corporate Items	–	–	–	–	–	–	–
Commercial paper	0.2	0.2	–	–	–	–	–
of which TRATON Operations	–	–	–	–	–	–	–
of which TRATON Financial Services	0.2	0.2	–	–	–	–	–
of which Corporate Items	–	–	–	–	–	–	–
Liabilities to banks	2.8	1.7	0.6	0.2	0.1	0.1	0.2
of which TRATON Operations	0.5	0.4	0.1	0.0	0.0	0.0	0.0
of which TRATON Financial Services	1.7	0.6	0.6	0.2	0.1	0.1	0.1
of which Corporate Items	0.6	0.6	–	–	–	–	–
Volkswagen Group liabilities	1.1	1.1	–	–	–	–	–
of which TRATON Operations	–	–	–	–	–	–	–
of which TRATON Financial Services	0.0	0.0	–	–	–	–	–
of which Corporate Items	1.0	1.0	–	–	–	–	–
Total financial liabilities (excluding lease liabilities)	**11.3**	**6.2**	**2.4**	**1.4**	**0.2**	**0.8**	**0.2**
of which TRATON Operations	1.1	1.0	0.1	0.0	0.0	0.0	0.0
of which TRATON Financial Services	8.6	3.6	2.4	1.4	0.2	0.8	0.1
of which Corporate Items	1.6	1.6	–	–	–	–	–
Lease liabilities[1]	1.0						
Total financial liabilities	**12.3**						
of which TRATON Operations	2.1						
of which TRATON Financial Services	8.6						
of which Corporate Items	1.6						

1 The maturity structure of the lease liabilities (IFRS 16) is as follows: < 1 year: €192 million, 1–5 years: €497 million, > 5 years: €358 million.

Financing of the TRATON GROUP

Bonds totaling €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.

TRATON SE also placed several *Schuldscheindarlehen* (medium- or long-term loans granted against a note issued by the borrower) in the total amount of €700 million with investors in March 2021, all of which had already been drawn down by December 31, 2021, the reporting date.

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 reduced to €2.8 billion in May 2021 and drawn down in full at the acquisition date. It was partially repaid through bank funding of €1.7 billion and reduced to €1.1 billion ahead of schedule in October and November 2021. In addition, Navistar's liabilities in the amount of €3.0 billion (USD 3.6 billion) were repaid in July 2021, mainly from the proceeds of issues under the €12.0 billion European Medium Term Notes program.

The TRATON Financial Services business saw a decrease of around €1.0 billion in bonds and commercial paper. Scania maintains a €9.0 billion (previous year: €12.0 billion) European Medium Term Notes program, of which €5.0 billion (previous year: €7.0 billion) has been drawn down by Scania Financial Services. A €76 million (previous year: €175 million) bond and a €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 €995 million (previous year: €210 million) 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 €270 million (previous year: €1.0 billion) has been drawn down. There are also bank liabilities of €4.3 billion (previous year: €2.8 billion) and lease liabilities of €1.2 billion (previous year: €1.0 billion).

The TRATON GROUP's total liquidity reserve consists of unused confirmed credit lines of €8.2 billion (previous year: €7.3 billion), including €3.7 billion (previous year: €3.0 billion) from Volkswagen AG.

A further €4.5 billion (previous year: €3.8 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 facility has a term of five years and can be extended twice for one year each. The facility amount is provided by a banking consortium consisting of 23 banks and serves for general corporate purposes and to safeguard the TRATON GROUP's liquidity.

The TRATON GROUP also has €435 million (previous year: €390 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	12/31/2021	12/31/2020
EUR	11.3	6.1
SEK	3.0	3.1
BRL	0.5	0.6
USD	0.5	0.5
NOK	0.3	0.3
GBP	0.4	0.3
MXN	0.3	0.0
CHF	0.0	0.1
Other currencies	0.6	0.3
Lease liabilities	1.2	1.0
Total financial liabilities	**18.2**	**12.3**

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 €2.0 billion (previous year: €1.7 billion) as of December 31, 2021.

Local cash funds in certain countries (e.g., Brazil, Russia, and China) of €1.0 billion (previous year: €719 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.

In addition, €53 million (previous year: €0 million) was reported as restricted cash and cash equivalents in other assets as of December 31, 2021. 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 GROUP excluding Financial Services		TRATON Operations		TRATON Financial Services		Corporate Items	
€ million	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Equity	13,446	13,169	11,623	12,208	6,969	9,616	1,823	961	4,654	2,592
Total assets	55,120	42,767	42,121	32,824	37,937	30,839	12,999	9,943	4,185	1,986
Equity ratio (in %)	**24.4**	**30.8**	**27.6**	**37.2**	**18.4**	**31.2**	**14.0**	**9.7**	**–**	**–**

As of December 31, 2021, the equity ratio was 18.4% (previous year: 31.2%) in the TRATON Operations business area and 14.0% (previous year: 9.7%) in the TRATON Financial Services segment, influenced by the acquisition of Navistar.

CASH FLOW

CONDENSED TRATON GROUP STATEMENT OF CASH FLOWS

	TRATON GROUP		TRATON Operations		TRATON Financial Services		Corporate Items	
€ million	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Cash and cash equivalents as of 01/01	**1,714**	**1,913**	**4,267**	**3,021**	**73**	**60**	**–2,626**	**–1,168**
Gross cash flow[1]	2,706	1,972	3,107	2,113	652	540	–1,054	–681
Change in working capital	–1,172	15	–336	190	–1,435	–528	599	353
Net cash provided by/used in operating activities	**1,534**	**1,987**	**2,771**	**2,303**	**–783**	**12**	**–455**	**–327**
Net cash provided by/used in investing activities attributable to operating activities	–4,406	–1,293	–1,833	–1,323	–1	–1	–2,572	31
Change in marketable securities, investment deposits, and loans	1,959	1,078	–211	185	102	0	2,068	893
Net cash provided by/used in investing activities	**–2,447**	**–215**	**–2,044**	**–1,138**	**101**	**–1**	**–504**	**924**
Net cash provided by/used in financing activities	**1,169**	**–1,873**	**–742**	**140**	**719**	**7**	**1,192**	**–2,020**
Recognition of cash and cash equivalents at Navistar due to consolidation	–	–	534	–	32	–	–565	–
Effect of exchange rate changes on cash and cash equivalents	33	–98	–11	–58	4	–5	40	–35
Change in cash and cash equivalents	**288**	**–198**	**508**	**1,246**	**72**	**14**	**–293**	**–1,458**
Cash and cash equivalents as of 12/31	**2,002**	**1,714**	**4,775**	**4,267**	**146**	**73**	**–2,919**	**–2,626**
Gross cash flow	2,706	1,972	3,107	2,113	652	540	–1,054	–681
Change in working capital	–1,172	15	–336	190	–1,435	–528	599	353
Net cash provided by/used in investing activities attributable to operating activities	–4,406	–1,293	–1,833	–1,323	–1	–1	–2,572	31
Net cash flow	**–2,873**	**694**	**938**	**979**	**–784**	**11**	**–3,027**	**–296**

1 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.

In the reporting period, the TRATON GROUP's net cash provided by operating activities amounted to €1.5 billion (previous year: €2.0 billion). While there was an increase of €469 million in the TRATON Operations business area, the TRATON Financial Services segment recorded a decline of €795 million.

A very significant increase in operating result was attributable to positive unit sales performance. This was offset by high additions to provisions and depreciation and amortization charges in connection with the repositioning of MAN Truck & Bus in the current reporting period. Additionally, high additions were made to provisions for the EU antitrust proceedings at Scania Vehicles & Services in 2021 (see the **"Important legal cases"** section for further information).

Expenses from additions to provisions have a neutral effect on net cash flow. The impact on operating result (in gross cash flow) is offset by the related increase in provisions in working capital. An outflow of €347 million was recorded in 2021 in connection with the restructuring measures.

Growth in operating activities compared with the previous year, which had been impacted by the COVID-19 pandemic, led to an increase in working capital tied up in receivables. Despite continuing shortages in the supply of semiconductors and other key bought-in parts in the current year, inventories remained stable due to sharp inventory reduction in the previous year. The gross change in assets leased out and liabilities from sales with buyback obligations impacts working capital and is connected with depreciation and amortization on assets leased out.

The net cash provided by/used in operating activities in the TRATON Financial Services segment is mainly attributable to the €1.0 billion (previous year: €261 million) increase in funds tied up in financial services receivables, which was offset only in part by the very sharp increase in operating result and a reduction in miscellaneous receivables.

The acquisition of Navistar on July 1, 2021, increased net cash used in investing activities attributable to operating activities of Corporate Items by €2.6 billion. In the statement of cash flows, the purchase price for Navistar (equivalent to €3.1 billion less cash and cash equivalents acquired of €565 million) is presented under capital expenditures to acquire subsidiaries.

Additions to capitalized development costs and capital expenditures increased by €288 million to €1.6 billion. Navistar accounted for €244 million of this increase.

Capital expenditures in other investees amounted to €103 million in the current reporting period, including in TuSimple Holdings Inc., San Diego, California, USA (TuSimple) and in Northvolt AB, Stockholm, Sweden (Northvolt).

The net outflow of cash amounting to €197 million from the disposal of subsidiaries in 2021 was almost entirely in connection with the disposal of the interest in MAN Truck & Bus Österreich GmbH, Steyr, Austria (MTBÖ).

At €938 million (previous year: €979 million), net cash flow in the TRATON Operations business area was moderately below the prior-year level. The improvement of €469 million in net cash provided by operating activities was overcompensated by net cash used in investing activities attributable to operating activities of €510 million. €242 million of these increased investing activities was attributable to Navistar Sales & Services. Overall, net cash flow in the TRATON Operations business area in the second half of 2021 was impacted by €443 million attributable to Navistar Sales & Services.

Net cash flow of the TRATON GROUP amounted to €–2.9 billion (previous year: €694 million) overall and was impacted in the year under review by the acquisition of Navistar, measures in connection with the repositioning of MAN Truck & Bus, and an increase in funds tied up in working capital.

In the year under review, net cash used in investing activities of the TRATON GROUP included repayments of €2.0 billion (previous year: €1.1 billion) from marketable securities and investment deposits, mainly investments of cash funds of TRATON SE with Volkswagen AG.

Net cash provided by financing activities amounted to €1.2 billion (previous year: net cash used in financing activities of €1.9 billion) in the reporting period. Within the framework of MAN SE merging with TRATON SE as of the end of August 2021, an expense of €587 million was incurred as a result of financing the purchase of the 5.64% of the MAN SE shares not yet held by the TRATON GROUP up to the merger (compensation payments and acquisition of shares tendered). This is reported under "Capital transactions with noncontrolling interests" in "Net cash provided by/used in financing activities."

€4.3 billion of the €5.5 billion (previous year: €3.0 billion) bond issues were implemented for the first time by TRATON Finance, a holding company assigned to Corporate Items.

Additionally, in July, a short-term loan of €2.8 billion was raised with Volkswagen International Luxemburg, and Navistar's liabilities of €3.0 billion (USD 3.6 billion) were repaid, primarily from issue proceeds of the €12.0 billion European Medium Term Notes program. This was done in order to finance the purchase price of €3.1 billion (USD 3.7 billion) for Navistar. In the fourth quarter of 2021, loans in the amount of €1.7 billion were already repaid to Volkswagen International Luxemburg.

Repaid bonds in the amount of €5.1 billion (previous year: €2.3 billion) include both Scania bonds and the bonds issued by Navistar in the amount of €1.7 billion.

TRATON SE (under Corporate Items) also placed several *Schuldscheindarlehen* (medium- or long-term loans granted against a note issued by the borrower) in the total amount of €700 million with investors in March 2021, all of which had already been drawn down by December 31, 2021, the reporting date. They include sustainability criteria (ESG-linked pricing), thereby underlining the TRATON GROUP's commitment to sustainability and sustainable business performance.

NET LIQUIDITY

TRATON GROUP NET LIQUIDITY

	TRATON GROUP		TRATON Operations	
€ million	**12/31/2021**	**12/31/2020**	**12/31/2021**	**12/31/2020**
Cash and cash equivalents	2,002	1,714	4,775	4,267
Marketable securities, investment deposits, and loans	290	2,114	302	11
Gross liquidity	**2,292**	**3,828**	**5,078**	**4,278**
Total third-party borrowings	–18,205	–12,298	–6,771	–2,931
Net liquidity/net financial debt	**–15,913**	**–8,470**	**–1,694**	**1,347**

Net debt rose by €7.4 billion to €15.9 billion in 2021, driven mainly by the increase in total third-party borrowings. Total third-party borrowings include loans extended by Volkswagen AG and Volkswagen International Luxemburg to TRATON SE in the amount of €1.3 billion (previous year: €1.0 billion) (for further explanations, refer to the **"Financing in 2021"** section). Investment deposits as of December 31, 2021, contained deposits by TRATON SE of €200 million (previous year: €2.1 billion) with Volkswagen AG.

CAPITAL EXPENDITURES

TRATON GROUP CAPITAL EXPENDITURES

€ million	**2021**	**2020**	**Change**
TRATON GROUP	**4,265**	**1,339**	**2,926**
TRATON Operations	**1,680**	**1,361**	**319**
Scania Vehicles & Services	893	833	60
MAN Truck & Bus	456	450	6
Navistar Sales & Services	246	–	246
VWCO	87	80	7
Reconciliation	–1	–2	1
TRATON Financial Services	**3**	**2**	**1**
Corporate Items	**2,582**	**–23**	**2,605**
Capital expenditures, TRATON Operations	**1,680**	**1,361**	**319**
of which capex	1,125	988	136
Capex ratio[1]	3.7	4.5	–0.7 pp
of which capitalized development costs	468	316	152
of which capital expenditures in other investees	87	56	31

1 Ratio of capital expenditures to sales revenue

During the reporting period, capital expenditures in the TRATON Operations business area increased to €1.1 billion, primarily as a result of the consolidation of Navistar. The primary investing activities related to capital expenditures in conjunction with new products such as the cross-brand heavy-duty drive platform and transmissions at MAN Truck & Bus and Scania, capital expenditures in facility expansions, e.g., foundry equipment at Scania, and replacement investments. In the year under review, further capital expenditures were made at MAN Truck & Bus for the new truck generation that had been presented in the previous year. Volkswagen Caminhões e Ônibus' investing activities focused on replacing diesel powertrains. Navistar invested in constructing new production facilities and expanding existing facilities at the sites in San Antonio, Texas, and Huntsville, Alabama, USA.

The year-on-year increase in capitalized development costs reflects the focus on alternative drives in particular. Consolidation of Navistar had an additional increasing effect.

Corporate Items were impacted by the purchase price of €3.1 billion for the remaining Navistar shares, less cash and cash equivalents acquired of €565 million.

THE TRATON GROUP'S OFF-BALANCE-SHEET COMMITMENTS

€ million	12/31/2021	12/31/2020	Change
TRATON GROUP			
Contingent liabilities	4,415	3,250	1,165
Purchase order commitments for property, plant, and equipment, and intangible assets	724	613	111
Obligations under irrevocable credit commitments	701	494	207
Off-balance-sheet commitments under rental and leasing contracts	116	58	57
Miscellaneous financial obligations	304	3,042	–2,738

The year-on-year increase in contingent liabilities mainly resulted from the inclusion of Navistar in the Consolidated Financial Statements. Consequently, guarantees by Navistar of €1 billion are included for the first time. These are mostly default guarantees in favor of banks. Miscellaneous financial obligations as of December 31, 2021, were impacted by the obligations of the TRATON GROUP amounting to €167 million arising from the agreement signed on December 15, 2021, to set up a charging infrastructure joint venture together with Daimler Truck and the Volvo Group. In the previous year, miscellaneous financial obligations had primarily included the contingent payment obligation from the planned acquisition of the Navistar shares that were not yet held by TRATON at that time.

7. Net assets

BALANCE SHEET ANALYSIS

CONDENSED TRATON GROUP BALANCE SHEET

	TRATON GROUP		TRATON Operations		TRATON Financial Services		Corporate Items	
€ million	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Goodwill	6,166	3,305	390	352	–	–	5,776	2,954
Intangible assets[1]	7,145	3,461	4,018	2,405	4	4	3,123	1,051
Property, plant, and equipment	8,060	6,908	7,568	6,554	25	22	467	332
Assets leased out	6,924	6,496	6,802	6,488	886	752	–765	–744
Equity-method investments	1,280	1,380	203	150	–	–	1,077	1,230
Other equity investments	660	72	1,022	441	0	0	–362	–368
Income tax receivables	268	115	258	366	33	27	–23	–278
Deferred tax assets	2,114	1,231	2,366	910	124	56	–376	264
Financial services receivables	9,936	7,741	8	4	9,925	7,733	3	4
Inventories	5,456	4,325	5,454	4,325	2	–	0	–
Trade receivables	2,437	1,906	2,522	1,952	328	47	–414	–93
Other assets	2,447	2,008	2,523	2,619	1,526	1,228	–1,603	–1,840
Marketable securities and investment deposits	226	2,105	26	5	–	–	200	2,100
Cash and cash equivalents	2,002	1,714	4,775	4,267	146	73	–2,919	–2,626
Total assets	**55,120**	**42,767**	**37,937**	**30,839**	**12,999**	**9,943**	**4,185**	**1,986**
Equity	13,446	13,169	6,969	9,616	1,823	961	4,654	2,592
Financial liabilities	18,205	12,298	6,771	2,931	10,177	8,581	1,257	787
Provisions for pensions and other post-employment benefits	2,648	1,828	2,628	1,793	12	11	8	24
Income tax payables	195	117	286	178	32	20	–123	–80
Deferred tax liabilities	803	767	321	402	123	60	359	304
Income tax provisions	162	128	53	30	3	4	105	93
Other provisions	4,659	2,280	4,556	2,227	6	3	98	50
Other liabilities	10,756	9,411	12,138	10,928	407	199	–1,788	–1,716
Trade payables	4,245	2,769	4,215	2,733	416	104	–385	–68
Total equity and liabilities	**55,120**	**42,767**	**37,937**	**30,839**	**12,999**	**9,943**	**4,185**	**1,986**

1 Prior-period amounts adjusted to reflect the current presentation

The TRATON GROUP's total assets increased by €12.4 billion compared with December 31, 2020. This increase was primarily attributable to the first-time consolidation of Navistar (for further information, refer to Note **"7. Navistar acquisition"** to the Consolidated Financial Statements).

The increase in goodwill and intangible assets reflects the Navistar acquisition.

The increase of €1.2 billion in property, plant, and equipment is essentially due to the Navistar acquisition, with an offsetting effect from the disposal of the Steyr plant by MAN Truck & Bus.

Assets leased out rose by €428 million, essentially due to the first-time consolidation of Navistar.

Equity-method investments declined by €101 million. This figure was impacted by the first-time consolidation of Navistar as of July 1, 2021, and was no longer reported in this balance sheet item from that date. The recognition of earnings of equity-method investments, especially Sinotruk, had an offsetting effect.

Other equity investments grew very strongly to €660 million. This is attributable in particular to the increased interest in TuSimple due to the consolidation of Navistar. Moreover, TRATON exercised an option to acquire additional shares of TuSimple. The growth is also attributable to the fair value measurement of the investment in Northvolt due to its share performance following a successful round of financing, as well as to the acquisition of a further interest in this company.

The increase in deferred tax assets amounted to €884 million. This resulted primarily from the acquisition of Navistar and the recognition of deferred taxes on tax loss carryforwards.

Financial services receivables increased by 28% to €9.9 billion. This was due to the first-time consolidation of Navistar Financial Services on the one hand and the growth of the existing financing business on the other.

Inventories increased by €1.1 billion compared with December 31, 2020. This considerable effect is due to the consolidation of Navistar. Among other things, however, this also reflects the difficulties in the supply of semiconductors and other components, as well as the significant increase in the volume of production.

The rise in trade receivables resulted from the Navistar takeover as well as from the increase in sales revenue of other Group units.

Marketable securities and investment deposits decreased by €1.9 billion. Short-term deposits were liquidated here in order to meet higher demand for cash and cash equivalents.

At €2.0 billion (previous year: €1.7 billion), cash and cash equivalents increased slightly as of December 31, 2021. The reduction in marketable securities, bonds raised, investment deposits and loans taken out resulted in a cash inflow, while items including the acquisition of Navistar, the payment of a settlement to the noncontrolling interest shareholders of MAN in the context of the squeeze-out, and the payment of the dividend after the Annual General Meeting all contributed to a cash outflow.

The TRATON GROUP's total equity increased to €13.4 billion as of December 31, 2021, compared with December 31, 2020. This is attributable primarily to the positive total comprehensive income of €941 million. It is the result of the positive earnings after tax of €470 million and other comprehensive income of €471 million, which is due in particular to the actuarial gains from the measurement of pension obligations, the effects of translating the financial statements of foreign operations into euros, and the measurement of derivatives. The negative effects of the fair value measurement of investments had an offsetting effect. Moreover, equity was adversely impacted by the acquisition of the 5.64% noncontrolling interest in MAN SE as a result of the squeeze-out resolution (see Note **"31. Equity"** to the Consolidated Financial Statements) and the dividend payout resolution.

Financial liabilities rose by €5.9 billion to €18.2 billion. This was attributable in particular to loans issued under the European Medium Term Notes Program by TRATON Finance Luxembourg in the amount of €4.3 billion, the loan taken out from Volkswagen International Luxemburg for a further €1.1 billion, and the issue of several *Schuldscheindarlehen* (medium- or long-term loans granted against a note issued by the borrower) in the total amount of €700 million to finance the Navistar acquisition and the operating business, among other things (see the **"Financial position"** section for further information).

The sharp rise of 45% in pension provisions is primarily due to the first-time consolidation of Navistar. This effect is compensated in part by taking account of actuarial gains due primarily to the adjustment of the discount rate (see Note **"35. Provisions for pensions and other post-employment benefits"**).

Other provisions increased by €2.4 billion. This is largely attributable to the consolidation of Navistar and, in particular, to provisions for litigation risks (see the **"Important legal cases"** section for further information). This figure also reflects expenses at Scania Vehicles & Services in connection with provisions for the EU antitrust proceedings (see the **"Important legal cases"** section for further information) and provisions relating to the repositioning of the business at MAN Truck & Bus.

Other liabilities increased by €1.3 billion. This is primarily attributable to the acquisition of Navistar. Contract and payroll liabilities increased sharply.

The €1.5 billion increase in trade payables resulted almost entirely from the first-time consolidation of Navistar in the TRATON GROUP consolidated financial statements.

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

€ million	2021	2020
Annual average invested capital	14,042	12,326
Operating result, TRATON Operations	677	176
Operating result, TRATON Holding	–244	–181
Earnings effects from purchase price allocation, TRATON Operations	–274	–20
Consolidation, TRATON Operations	1	–1
Operating result for ROI	161	–26
Operating result after tax for ROI	113	–18
Return on investment (in %)	**0.8**	**–0.1**

Compared with the previous year, return on investment increased due to the rise in operating result. By contrast, higher average invested capital in 2021 had a negative impact on return on investment. For more information on invested capital and operating result, refer to the disclosures in the **"Balance sheet analysis"** and **"Profit and loss"** sections.

The operating result for ROI was not adjusted. Expenses of €1,205 million (previous year: €54 million) reported as adjustments were not deducted.

For information on the calculation of the return on investment, refer to the **"Financial management"** section.

8. Summary of economic position

The global economy recovered overall in 2021 after the strong impact of the COVID-19 pandemic in the previous year. In line with these macroeconomic developments, the most important truck markets for the TRATON GROUP also recorded a substantial recovery overall, whereas the most important bus markets saw a slight overall decline. The second half of 2021 was adversely affected by shortages in the supply of semiconductors and other key bought-in parts. The economic recovery also went hand in hand with a significant rise in prices for energy and other commodities.

The merger between TRATON and the US commercial vehicle manufacturer Navistar took place on July 1, 2021. For TRATON, this deal marks entry into the important North American market and represented a key step toward implementing its Global Champion Strategy.

Incoming orders in the TRATON Operations business area stood at 359,975 (previous year: 216,251) units in the full year, an increase of 66%. Excluding Navistar, the increase would have amounted to 47% compared to the previous year's figure.

Unit sales in the TRATON Operations business area amounted to 271,608 (previous year: 190,180) units, which was 43% higher than in the previous year, or 27% without Navistar. The increase in full-year 2021 resulted from the truck business, in particular. Unit sales of vans also rose sharply. By contrast, bus unit sales (excluding Navistar) decreased substantially. In the second half of 2021, ongoing supply shortages negatively affected the TRATON GROUP's unit sales. The shortages affected all brands but to a varying extent determined by their supplier network, specifications of the individual vehicles, and customer demand.

The TRATON GROUP generated sales revenue of €30.6 billion (previous year: €22.6 billion) in the reporting period, 36% higher than in the previous year, or 20% excluding Navistar. The increase in sales revenue in the TRATON Operations business area resulted primarily from the very strong growth in the unit sales of trucks and vans. The Vehicle Services business also grew very strongly. This was offset by the decline in sales revenue in the bus business and negative exchange rate effects. Sales revenue in the TRATON Financial Services segment grew by 18%. Sales revenue would have also grown moderately even without including Navistar's financial services business.

It was not possible to achieve the updated forecast for the TRATON GROUP's operating return on sales (including earnings effects from the Navistar purchase price allocation and without the MAN Truck & Bus restructuring expenses) in fiscal year 2021. Operating return on sales was 3.6% and was negatively impacted by expenses at Scania Vehicles & Services in connection with provisions for the EU antitrust proceedings (see the **"Important legal cases"** section for further information). Taking the expenses of €696 million for restructuring measures for the repositioning of MAN Truck & Bus into account, operating return on sales was 1.3%.

Without taking into account the expenses for the EU antitrust proceedings in the amount of €510 million, return on capital would have been 5.2% (including earnings effects from the Navistar purchase price allocation and without the MAN Truck & Bus restructuring expenses) and thus slightly above the forecast target range.

Against the backdrop of the global economic recovery in 2021, the TRATON GROUP's Executive Board can look back on a satisfactory course of business, especially in the first half of 2021. However, shortages in the supply of semiconductors and other key bought-in parts impaired the positive trend during the second half of the year. Earnings additionally deteriorated as a result of the judgment of the General Court of the European Union within the framework of 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 and indirect) parent company of Scania AB, MAN Truck & Bus SE, MAN Latin America Indústria e Comércio de Veículos Ltda., Navistar International Corporation, and 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, 2021, have been prepared in accordance with the provisions of the *Handelsgesetzbuch* (HGB — German Commercial Code) and the SE Regulation, in conjunction with the *Aktiengesetz* (AktG — German Stock Corporation Act).

As of the reporting date of December 31, 2021, TRATON SE was an 89.72%-owned direct subsidiary of Volkswagen Finance Luxemburg S.A., Strassen, Luxembourg, which is in turn a wholly owned subsidiary of Volkswagen Aktiengesellschaft, Wolfsburg, Germany (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.

On May 8, 2021, TRATON SE submitted a concrete request to the Executive Board of MAN SE regarding realization of the squeeze-out under merger law. TRATON SE held 94.36% of the share capital of MAN SE. The resolution adopted at the Annual General Meeting of MAN SE on June 29, 2021, on the transfer of the shares of the remaining shareholders of MAN SE to TRATON SE in return for appropriate cash compensation was entered in the commercial register of TRATON SE on August 31, 2021. The merger of MAN SE with TRATON SE was registered at the same time. All noncontrolling interests were therefore transferred to TRATON SE. The merger of MAN SE with TRATON SE took effect concurrently, and MAN SE ceased to exist as a legal entity. The merger of MAN SE with TRATON SE therefore took place with financial effect from January 1, 2021, by applying the predecessor accounting method permitted by the recognition option in section 24 of the *Umwandlungsgesetz* (UmwG — German Transformation Act). In connection with the merger, the noncontrolling interest shareholders of MAN were squeezed out pursuant to section 62 (5) of the UmwG in conjunction with sections 327a ff. of the AktG. The cash compensation was set at €70.68 per common and preferred share. Since the carrying amount of the shares in MAN SE exceeded the carrying amount of the assets of MAN SE, a merger loss of €5.6 billion was recorded in the reporting period. The merger mainly impacted financial assets, receivables from affiliated companies, liabilities to affiliated companies, and other operating expenses. MAN Truck & Bus SE and Scania AB, in particular, became wholly owned direct subsidiaries of TRATON SE as a result of the merger. TRATON SE took over MAN SE's financing tasks in connection with the merger.

There was a change in the members of the Executive Board of TRATON SE in the reporting period. Effective the end of April 30, 2021, Mr. Henrik Henriksson resigned his position as a member of the Executive Board of TRATON SE and CEO of Scania AB and Scania CV AB. Mr. Christian Levin was appointed CEO of Scania AB and Scania CV AB and assumed responsibility for the Scania Group on the Executive Board of TRATON SE effective May 1, 2021. Mr. Bernd Osterloh was appointed as a member of TRATON SE's Executive Board effective May 1, 2021, and took over leadership of the Human Resources Board department. Effective the end of September 30, 2021, Mr. Matthias Gründler and Mr. Christian Schulz resigned their positions as members of the Executive Board of TRATON SE. In addition to his responsibility as CEO of Scania AB and Scania CV AB, Mr. Christian Levin was appointed as Chairman of the Executive Board of TRATON SE effective October 1, 2021. Also effective October 1, 2021, Ms. Annette Danielski was appointed as a member of the Executive Board of TRATON SE. She assumed responsibility for, among other things, the Finance & Controlling Board department from Mr. Christian Schulz. Effective October 1, 2021, Mr. Mathias Carlbaum was appointed as a member of the Executive Board of TRATON SE and assumed responsibility for the newly established Navistar Group Board department. He is also CEO of Navistar International Corporation. Effective the end of November 24, 2021, Dr. Ing. h.c. Andreas Tostmann resigned his position as a member of the Executive Board and as Chairman of the Executive Board of MAN Truck & Bus SE. Effective November 25, 2021, Mr. Alexander Vlaskamp was appointed as a member of the Executive Board of TRATON SE. In addition to his position as a member of the Executive Board of TRATON SE, he also assumed the chairmanship of the Executive Board of MAN Truck & Bus SE.

TRATON SE placed several *Schuldscheindarlehen* (medium- or long-term loans granted against a note issued by the borrower) in the total amount of €700 million with investors in March 2021, all of which were fully drawn down as of December 31, 2021. 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 reduced to €2.75 billion in May 2021 and drawn down in full at the acquisition date. It was partially repaid through bank funding of €1.7 billion and reduced to €1.05 billion ahead of schedule in October and November 2021. TRATON SE also increased the syndicated loan of €3.75 billion taken out in the third quarter of 2020 to €4.5 billion in December 2021. This facility can be drawn upon in various currencies. It is used for general corporate purposes and to safeguard the TRATON GROUP's liquidity. The new facility has a term of five years and can be extended twice for one year each. 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. In addition to TRATON SE, the Company's indirect subsidiary TRATON Finance Luxembourg S.A. can also issue bonds under the program. TRATON SE and TRATON Finance Luxembourg S.A. 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 Luxembourg S.A. issued senior notes totaling €4.3 billion under this program in 2021 with a guarantee from TRATON SE.

In fiscal year 2021, Scania Finance Deutschland GmbH, Scania CV Deutschland Holding GmbH, and Scania Real Estate Deutschland GmbH each concluded a profit and loss transfer agreement with a wholly owned direct subsidiary of TRATON SE. This subsidiary was also merged with TRATON SE in fiscal year 2021, with the result that the three profit and loss transfer agreements continued between the aforementioned companies and TRATON SE as the legal successor.

The global economy recovered overall in 2021 after the strong impact of the COVID-19 pandemic in the previous year. In line with these macroeconomic developments, the most important truck markets for the TRATON GROUP also reported a substantial recovery, whereas the most important bus markets saw a slight decline. The second half of 2021 was adversely affected by shortages in the supply of semiconductors and other key bought-in parts. The economic recovery also went hand in hand with a significant rise in prices for energy and other commodities. Due to the spread of coronavirus, it is difficult to forecast the duration and extent of the resulting impact on the earnings of TRATON SE. However, we assume that the COVID-19 pandemic will not have a lasting negative impact on long-term development of the business and that the effects will not have a material influence on the annual financial statements of TRATON SE.

In fiscal year 2021, TRATON SE reported earnings after tax of €–5,552 million (previous year: €–146 million). The deterioration of €5,406 million was primarily attributable to the loss of €5,588 million resulting from the merger of MAN SE into TRATON SE, which is recognized in other operating expenses, and the increase in expenses for foreign currency translation and expenses in connection with financial derivatives. This was offset by an improvement in net investment income and an increase in other operating income.

2. Results of operations

TRATON SE INCOME STATEMENT

€ million	2021	2020	Change
Net investment income	205	2	203
Income from other securities and long-term loans	5	1	4
Net interest income/expense	8	–29	37
Sales revenue	28	26	2
Cost of sales	–18	–25	7
Gross profit	10	1	9
General and administrative expenses	–141	–104	–37
Other operating income	269	120	149
Other operating expenses	–5,943	–137	–5,806
Income taxes	35	0	35
Loss after tax	**–5,552**	**–146**	**–5,406**
Net loss for the year	**–5,552**	**–146**	**–5,406**
Profit carried forward from the previous year	128	100	28
Withdrawal from capital reserves	5,700	300	5,400
Net retained profit	**276**	**254**	**22**

Net investment income increased by €203 million year-on-year. This was mainly attributable to the dividend of €267 million from Scania AB and the profit transfer from Scania CV Deutschland GmbH. By contrast, a loss was assumed from MAN Truck & Bus SE.

The net interest income of €8 million represents an improvement of €37 million year-on-year. The increase resulted principally from income from affiliated companies and interest income on taxes. Offsetting factors were higher expenses to affiliated companies, including in connection with the loan from Volkswagen International Luxemburg and the increased scope of financing activities for the TRATON GROUP.

Sales revenue, which primarily contains services and cost allocations charged to affiliated companies, rose from €26 million to €28 million. General and administrative expenses increased by €37 million to €141 million. This was essentially attributable to the increase in personnel expenses due to the rise in headcount in connection with the merger of MAN SE with TRATON SE as well as to the increase in remuneration to members of governing bodies.

Other operating expenses were impacted by the loss of €5,588 million due to the merger of MAN SE with TRATON SE. The changes in other operating income and other operating expenses mainly result from foreign currency translation.

Tax income of €35 million was reported for fiscal year 2021.

The Executive Board and Supervisory Board of TRATON SE will propose the payment of a dividend of €0.50 per share to the shareholders at the Annual General Meeting. This proposal corresponds to a total payout of €250 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 payments 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

TRATON SE BALANCE SHEET

€ million	2021	2020	Change
Fixed assets	20,340	20,586	–246
Receivables and other assets[1]	3,471	4,190	–719
Bank balances	221	31	190
Total assets	**24,032**	**24,807**	**–775**
Equity	15,072	20,749	–5,677
Liabilities to banks	2,428	550	1,878
Miscellaneous provisions and liabilities[2]	6,533	3,508	3,024
Total equity and liabilities	**24,032**	**24,807**	**–775**

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

Total assets decreased by €775 million year-on-year to €24,032 million.

Fixed assets mainly comprise the shares in Scania AB and TRATON International S.A., the shares in MAN Finance and Holding S.A. and in MAN Truck & Bus SE transferred to TRATON SE in the course of the merger.

The proportion of fixed assets relative to total assets rose to 84.6% (previous year: 83.0%).

Receivables and other assets fell by €719 million to €3,471 million. This was mainly due to the fact that financing activity between TRATON SE and MAN SE ended as a result of the merger. This was offset by the increase resulting from the financing activities taken over from MAN SE.

Bank balances increased to €221 million as a result of the merger of MAN SE with TRATON SE.

The reduction in equity was attributable to the dividend of €125 million paid in the year under review for the 2020 fiscal year, and to the net loss for the fiscal year of €5,552 million. As of December 31, 2021, the equity ratio was 62.7% (previous year: 83.6%).

The capital reserves of TRATON SE amounting to €14,295,313 thousand (previous year: €19,995,313 thousand) constitute the contributions by Volkswagen AG to TRATON SE, in particular from the inclusion of MAN SE and Scania AB. During the fiscal year, €5,700 million was withdrawn from the capital reserves.

Miscellaneous provisions and liabilities contain, in particular, liabilities to affiliated companies, and other provisions. The increase in miscellaneous liabilities mainly related to the financing activities taken over from MAN SE in connection with the merger and to the extended financing activities for the TRATON GROUP. The miscellaneous provisions of €196 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.

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 €3,291 million as of December 31, 2021 (previous year: net liquidity of €322 million).

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 anticipate a substantial increase in operating result plus net investment income due to higher income from equity investments and due to the fact that the loss in connection with the merger of MAN SE with TRATON SE was a nonrecurring effect. 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, 2022, to December 31, 2022, 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. The Navistar acquisition as of July 1, 2021, unlocked potential for additional unit sales of trucks and buses in North America for the TRATON GROUP. The integration of Navistar is reflected in all forecast figures.

RUSSIA-UKRAINE CONFLICT

This forecast has been prepared on the basis of our business performance and internal planning. It does not take into account the current developments in the Russia-Ukraine conflict, since a conclusive assessment of the concrete implications is not yet possible at this stage. There is a risk, however, that the latest developments in the Russia-Ukraine conflict will have a negative impact on the TRATON GROUP's business activities. Likewise, it is not yet possible to predict with sufficient certainty the extent to which the Russia-Ukraine conflict will affect the global economy and the industry's growth in fiscal year 2022.

The TRATON GROUP does not have any material subsidiaries or equity investments in Ukraine. In Russia, the TRATON GROUP has, in particular, one production company in St. Petersburg, which serves the Russian market, as well as sales entities and financing companies. These may be adversely impacted above all by the sanctions that have already been imposed, but also by any new sanctions and the overall developments in Russia. It cannot be ruled out that as this conflict unfolds, it may have a material negative impact on the TRATON GROUP's net assets, financial position, and results of operations.

EXPECTED MACROECONOMIC DEVELOPMENTS

Our planning is based on the assumption that, following on from the recovery in the past fiscal year, the global economy will continue to grow in 2022. The further development of and response to the COVID-19 pandemic, especially in light of the Omicron variant, pose additional risks to global supply chains. In the first half of the year, this may result in ongoing shortages of intermediates and raw materials impacting the manufacturing sector, and thus also commercial vehicle production. We continue to see risks in protectionist tendencies, volatility on the financial markets, and structural deficits in individual countries. In addition, persistent geopolitical tensions and conflicts will weigh on growth prospects. We anticipate that both the advanced economies and the emerging markets will experience positive momentum.

Furthermore, we anticipate that the global economy will also continue to grow in the period from 2023 to 2026.

EUROPE/OTHER MARKETS

We expect robust economic growth in Western Europe. The extensive impact of the COVID-19 pandemic and the further consequences of the United Kingdom's withdrawal from the EU will pose major challenges.

We also expect a robust growth rate in Central Europe in 2022, subject to further developments in the Russia-Ukraine conflict.

Compared with the year under review, we anticipate significantly positive but slower growth in Turkey amid high inflation and a weak currency. The South African economy will likely be dominated by political uncertainty and social tensions again in 2022 resulting from high unemployment, among other factors. Growth is likely to be only moderate.

Germany
We expect significantly positive growth of Germany's gross domestic product (GDP) in 2022. The labor market situation is likely to continue improving during the year.

North America
We are assuming strong economic growth in the USA in 2022 as well as a further labor market recovery. During the course of the year, the Fed is expecting to raise interest rates, although these increases will be relatively small. Economic growth in Canada is also likely to be significantly positive, and we are expecting a moderate growth rate in Mexico.

South America
The Brazilian economy is most likely to record a moderately positive growth rate in 2022. We anticipate a slight improvement in the economic situation in Argentina, although inflation is likely to remain very high and the local currency is expected to depreciate.

Asia/Pacific
It is likely that the Chinese economy will continue to grow at a relatively high level in 2022. However, it is exposed to potentially high risks from the further development of the COVID-19 pandemic. In Japan, we anticipate a solid rise in economic output.

EXPECTED SECTORAL DEVELOPMENTS

The Executive Board of the TRATON GROUP expects that, following on from the recovery in the past fiscal year, the global economy will continue to grow in 2022. However, the growth of the TRATON GROUP will be impacted by ongoing shortages in the supply of semiconductors and other key bought-in parts, as well as by increasing prices for energy and other commodities, especially in the first half of the year.

We expect that new registrations of medium- and heavy-duty trucks (> 6t or Class 6 through 8 in North America) in the Group's core geographic regions, i.e., in 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 Turkey will record generally positive growth compared with the previous year, with growth rates varying from region to region.

The market in the EU27+3 region is expected to expand noticeably because, due to existing supply shortages, it has so far not been possible to fully satisfy the high demand for trucks. We are also assuming a noticeable increase in demand in Brazil. For North America, we anticipate that demand will increase substantially compared with the previous year. We are expecting a moderate rise in demand in Turkey. We anticipate slight market growth in South Africa.

In the bus markets that are relevant for the TRATON GROUP (EU27+3 region, Brazil, school buses in North America), we are projecting rising demand for 2022, albeit with varied regional developments. We are expecting slight market growth in the EU27+3 region and thus the onset of a moderate recovery in the coach segment compared with the previous year as well as orders within the framework of government-subsidized programs. New registrations in Brazil will likely be up sharply on in the previous year. We anticipate substantial market growth in North America.

UNIT SALES 2022

We are assuming a strong increase overall in truck unit sales in 2022. Bus sales volumes are likely to increase very sharply in 2022. Worldwide, we estimate that sales volumes will rise very sharply for all vehicles (including MAN TGE vans) in fiscal year 2022.

SALES REVENUE AND OPERATING RETURN ON SALES 2022

We expect to see a sharp increase in sales revenue of the TRATON Operations business area in fiscal year 2022, primarily due to a rise in truck and bus unit sales. In the TRATON Financial Services segment, we anticipate a significant increase in sales revenue. We therefore expect a sharp increase in the TRATON GROUP's sales revenue overall.

For 2022, we forecast an operating return on sales (adjusted) of between 5.0 and 7.0% for the TRATON GROUP. This forecast includes earnings effects from the Navistar purchase price allocation.

For the TRATON Operations business area, we are anticipating an operating return on sales (adjusted) of between 5.5 and 7.5%. This expectation is based on the growth and unit sales assumptions for the truck and bus markets outlined above.

We expect a return on investment of 7.0 to 9.0%.

The TRATON GROUP's Executive Board expects net cash flow in the TRATON Operations business area to range between €700 million and €1 billion for fiscal year 2022 due to the currently ongoing supply shortages and the resulting impact on current assets. This does not include expenses at Scania Vehicles & Services in connection with the EU antitrust proceedings (see the **"Important legal cases"** section for further information).

We expect operating return on sales (adjusted) to be in the range of 20.0 to 25.0% for the TRATON Financial Services business area.

CAPEX AND PRIMARY RESEARCH AND DEVELOPMENT COSTS

Through investments in our products and plants as well as through our research and development activities, we are laying the foundation for profitable and sustainable growth in the TRATON GROUP. In fiscal year 2022, we are planning a very strong rise in capex and a sharp increase in primary research and development costs for the TRATON Operations business area compared to 2021. These increases are due in particular to the Navistar integration as of July 1, 2021, and to our electrification activities. Our forecast also includes investment at Scania Vehicles & Services to expand our presence in China.

Moreover, we are planning to invest an amount in the low six figures via Corporate Items in order to expand our business activities.

SUMMARY OF EXPECTED DEVELOPMENTS

Provided there is no further rise in the number of cases due to the COVID-19 pandemic and no associated countermeasures are taken by the affected countries, provided there is no further deterioration in the supply shortages of semiconductors and other key bought-in parts, and subject to the negative impact of the Russia-Ukraine conflict on the industry's growth and the TRATON GROUP's business activities, the Executive Board is expecting a very sharp increase in unit sales and a sharp increase in sales revenue in 2022, based on current market expectations. For the TRATON GROUP, we are forecasting an operating return on sales (adjusted) of 5.0 to 7.0%.

	Actual 2021	Forecast 2022
TRATON GROUP		
Unit sales	271,608	very sharp increase
Sales revenue (€ million)	30,620	sharp increase
Operating return on sales (adjusted) (in %)	5.2	5.0–7.0
TRATON Operations		
Sales revenue (€ million)	30,103	sharp increase
Operating return on sales (adjusted) (in %)	6.3	5.5–7.5
Return on investment (in %)	0.8	7.0–9.0
Net cash flow (€ million)[1]	938	700–1,000
Capex (€ million)	1,125	very sharp increase
Primary R&D costs (€ million)	1,462	sharp increase
TRATON Financial Services		
Sales revenue (€ million)	964	significant increase
Operating return on sales (adjusted) (in %)	26.9	20.0–25.0

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

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."

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 still a young company in a period of dynamic growth. The acquisition of Navistar during the course of the reporting period added a further brand to the TRATON GROUP. This means that the TRATON GROUP is continuously evolving and integrating its risk management and internal control systems in order to ensure 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 to management 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 profile 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** risks that may affect the achievement of the Company's plans and objectives;
- **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 more narrow 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 classified using this score.

For risk aggregation purposes, the two quantitative criteria of probability of occurrence and potential net impact are used. Since 2021, a systematic assessment of the aggregated risks against the TRATON GROUP's risk-bearing capability is performed on an annual basis in order to comply with the requirements of revised Assurance Standard 340 issued by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) (IDW PS 340). The result of this comparison is included in the overall assessment of the TRATON GROUP's risk and opportunity position.

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). 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.

Regular GRC Process

The Regular GRC Process is an annual process that aims at the identification, assessment, and mitigation of major systemic risks. For each relevant risk, countermeasures and management controls are recorded and their effectiveness tested. The Regular GRC Process mostly focuses on Company-level risks and management systems.

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 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 when an urgent risk notification to the Executive Board is required. That is the case if a new risk emerges that may have a significant 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.

MAIN FEATURES OF INTERNAL CONTROL OVER FINANCIAL REPORTING

The TRATON GROUP's internal control system is designed 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. As 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 financial reporting internal control system 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 before, 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 are classified into six categories: strategy, markets, products, operations, legal & compliance, and finance.

Russia-Ukraine conflict

At the time of the preparation of this report, there is a risk that the latest developments in the Russia-Ukraine conflict will have a negative impact on the TRATON GROUP's business activities. This may also result from supply chain bottlenecks. A conclusive assessment of the concrete implications is not yet possible at this stage.

Likewise, it is not yet possible to predict with sufficient certainty the extent to which the Russia-Ukraine conflict will affect the global economy and the industry's growth in fiscal year 2022.

The TRATON GROUP does not have any material subsidiaries or equity investments in Ukraine. In Russia, the TRATON GROUP has, in particular, one production company in St. Petersburg, which serves the Russian market, as well as sales entities and financing companies. These may be adversely impacted above all by the sanctions that have already been imposed, but also by any new sanctions and the overall developments in Russia.

It cannot be ruled out that as this conflict unfolds, it may have a material negative impact on the TRATON GROUP's net assets, financial position, and results of operations.

Strategy

Over the past five years, the TRATON GROUP has been dedicated to creating a Global Champion in the transportation industry — a leader in profitability, with global presence and customer-focused innovation. This was at the heart of the Global Champion Strategy. TRATON has achieved key milestones of this strategy and, thanks especially to the merger with Navistar, gained access to the important North American market.

Today, we are addressing other strategic issues such as climate change, society, and the accelerated technological transformation of our industry. For this reason, we have developed a new TRATON strategy. It is based on a long-term vision that describes the future development of TRATON as a corporate Group and a way for TRATON to deal with the anticipated changes in the transportation and logistics industry in order to address them in good time and actively shape them. The new TRATON strategy aims to strike a balance between the needs of human beings, the environment, and the economy, thus ensuring sustainable and responsible corporate development.

The new corporate strategy consists of three elements with an additional focus on strategy implementation and governance. The elements are: (1) Responsible Company; (2) Value Creation; and (3) TRATON Accelerated! Implementing these three elements harbors various opportunities and risks.

Commercial vehicles are subject to a broadening range of increasingly strict environmental laws and regulations worldwide, in particular regulations to address climate change and vehicle exhaust emissions.

In Europe, for example, Regulation (EU) 2019/1242 sets CO_2 emission performance standards for new heavy-duty trucks with a permissible maximum laden weight of 16t. With it, the European Union set very ambitious targets for manufacturers of heavy-duty commercial vehicles, including the TRATON GROUP, for reducing CO_2 emissions within the next decade. 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. Together with other elements of Regulation (EU) 2019/1242, the objective of the 30% reduction by 2030 is expected to be reviewed in 2022. If these emission targets are not met, potential penalties — initially in the period 2025 to 2029 — of €4,250 per gram of CO_2 emissions per ton-kilometer (tkm) would be triggered. Starting in 2030, these penalties rise to €6,800 per gram of CO_2/tkm.

The European Commission's European Green Deal sets the goal of achieving climate neutrality by 2050, coupled with ambitious CO_2 reduction targets for 2030 (reduction of at least 55% in CO_2 emissions in the EU by 2030 compared with 1990), which presents a major challenge to TRATON and the entire transportation industry. This challenge could be heightened by the review of CO_2 emission requirements for heavy-duty trucks, which is planned in the EU in 2022.

In order to achieve these EU targets, it is essential to deploy new technologies to reduce CO_2 emissions. TRATON is therefore investing substantially in climate-friendly alternative drives, primarily battery electric commercial vehicles (trucks and buses).

Innovations can for that matter not only help meet regulatory requirements, they may also help us to better address customer wishes and hence gain market share. Thus, the long-term transition from combustion engines to zero-emission commercial vehicles is associated with uncertainties that are reflected in various risks and opportunities. The gradual switch to battery electric drives, for example, will enable TRATON to comply with CO_2 emission performance standards worldwide and gain market share through early market entry. To raise acceptance of battery electric vehicles in the European market, TRATON is planning a joint venture with commercial vehicle manufacturers Daimler Truck and the Volvo Group, which aims to establish a public high-performance charging network for battery electric heavy-duty trucks and coaches throughout Europe.

By acting responsibly, we are continuing with our aim to foster pluralism and diversity 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.

Each TRATON brand has a clearly defined target return and is seeking to achieve this by winning market share and improving 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. One example of this is the new 13-liter engine (CBE), which will initially be used by Scania in Europe and then rolled out to further brands and markets. Our future success may be jeopardized if we fail to realize long-term synergies from cooperation between the brands and to successfully implement operational efficiency programs within the individual units.

For TRATON, the acquisition of Navistar marked an important milestone in implementing the previous Global Champion Strategy. Navistar's business in North America strengthens the global reach of the TRATON GROUP. In addition, it delivers opportunities to achieve economies of scale, especially in procurement, manufacturing, development, and the expansion of market share. Successful integration of Navistar into the TRATON GROUP and realigning the company are necessary in order to leverage these opportunities. The success of this complex and long-term process is always associated with uncertainty.

In addition, the TRATON GROUP is determined to continue expanding its business activities in Asia, especially China. The first step is the planned localization of Scania in China, making it the first Western truck manufacturer to do so. In this connection, the Chinese market and the regulatory environment harbor risks.

As the electrification, automation, and digitalization of products and services move forward, the new TRATON strategy also envisages the transformation of the business model in the long run. Moving into new business areas such as logistics and other digital business models entail risks for the Group but also offer opportunities to achieve long-term competitiveness as technologies and markets undergo transformation.

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.

Global commercial vehicle markets are currently recovering, although this could be weakened again by the ongoing COVID-19 pandemic. With this in mind, the TRATON GROUP sees medium- to long-term opportunities for profitable growth in the transportation markets for all of its brands, as the underlying global economic trends are expected to continue. These include further economic growth, value chains based on an international division of labor, increasing e-commerce, and the resulting high level of global transportation volumes.

Navistar's presence in North America allows the TRATON GROUP to gain a large share of the global truck business. This opens up additional growth potential for TRATON and also ensures a better balance between regional market developments in the cyclical commercial vehicle industry. Furthermore, Navistar will have substantial growth opportunities in its major North American markets if the company succeeds in gradually building its market share back up to reach the level of the previous years.

There is a risk to Navistar, in particular, of a decline in sales revenue from the engine-related spare part business. On the one hand, this is due to the fact that Navistar also uses engines from external suppliers in its products. On the other, Navistar's market share has declined in recent years, and a general decline in the use of diesel engines is expected.

Potential turbulence on the financial and commodity markets and to the supply of bought-in parts, especially semiconductors, increasing protectionist tendencies, and structural deficits that compromise the development of individual advanced and emerging economies represent considerable risks to the continued growth of the global economy. The growing ecological challenges that are impacting individual countries and regions to varying extents are a further factor. Moreover, the potential transition from an expansionary to a more restrictive monetary policy worldwide harbors risks in the overall economic environment. Private and public sector debt remains high in many places, which hinders growth prospects and can trigger negative market reactions.

Declines in growth in key countries and regions often have an immediate impact on the state of the global economy and therefore pose a risk. Moreover, trade policy measures such as tariffs or nontariff barriers could have a negative impact on TRATON.

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

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.

In light of the existing, strong global interdependence, local developments may also negatively impact the global economy. Any escalation of the conflicts in Eastern Europe, the Middle East, or in Africa could distort the 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.

Due to the ongoing COVID-19 pandemic, great uncertainty about economic developments remains, which is resulting in considerable market risks for TRATON. These relate to the business with new and used vehicles as well as the Vehicle Services business, and can negatively impact sales revenue and earnings.

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 innovation initiatives, which have a positive effect on the total cost of ownership, the ability to address specific customer needs with tailored products and services, and the availability of technological innovations that respond to the major trends of the industry (i.e., alternative drives, connectivity, and autonomous driving). If TRATON fails to successfully compete 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 drives 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 vehicles become 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 by the TRATON GROUP's modular component concept, as the components are used in a number of different vehicles across the brands and hence in higher volumes. By the same token, the modular component concept 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 semiconductors and other bought-in parts, as well as increasing costs for certain 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.

There are continued considerable risks resulting from the COVID-19 pandemic in the event that reclosures of plants or critical production areas were to become necessary. This could be the case if the safety measures taken prove not to be sufficiently effective, or if general infection rates lead to restrictions being reintroduced by the competent authorities.

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.

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 could 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 such employees depends on a variety of factors, including the Company's remuneration and benefit programs, work environment, career development opportunities, commitment to diversity, and public image. To capture the value of our employees and support the strategic targets of the TRATON GROUP, all brands foster an environment in which training, qualification, and continuous professional development are central to the personnel development strategy, from modern 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. The commercial vehicle industry is increasingly concentrated and therefore subject to heightened scrutiny by antitrust authorities. A finding of an infringement of antitrust regulations could adversely affect the 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 international presence and large number of products and services expose us to risks arising from breaches of its patents by third parties, or the unauthorized disclosure of company-specific TRATON expertise by third parties. To address these risks, 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.

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 euro zone 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. Due to the COVID-19 pandemic, there are higher liquidity risks if the expected lower cash inflows cannot be fully offset by a corresponding reduction in current costs.

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

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

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

Furthermore, the 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 is subject to some uncertainty.

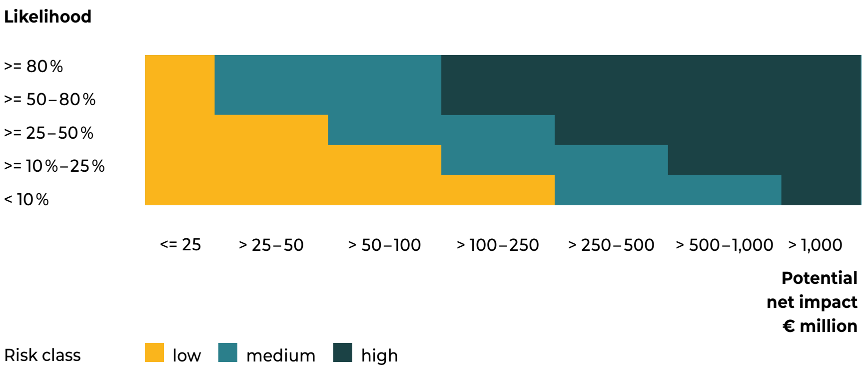
TRATON is regularly subject to tax audits conducted by the tax authorities responsible, which may disagree with the tax positions we have included. Even if the TRATON GROUP considers the reported tax positions appropriate, conducting a tax audit may affect the tax positions reported. As a result, we 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

Based on the following matrix, identified risks are assessed in the aggregate according to their potential net impact and net likelihood, considering any implemented risk mitigating measures. The risk classes are derived based on their impact on the TRATON GROUP's operating result.

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.

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. As Navistar previously did not quantify these risks, they are not included in the following overview.



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

Risk category	Risk class, current (2021 Annual Report)	Risk class, previous year (2020 Annual Report)
Strategy	High	High
Markets	High	High
Products	Medium	High
Operations	High	High
Legal & compliance	High	High
Finance	High	High

The current economic environment, the Russia-Ukraine conflict, the COVID-19 pandemic, and various supply chain issues continue to result in a high degree of uncertainty. This means that most risk classes are assessed as "High," which is unchanged compared with the previous year. The only risk class lower than in the previous year is the "Products" category, which is assessed as "Medium." This lower risk class mainly results from the fact that planned operating result for 2022 is significantly higher than in the previous year, which means the risk exposure is proportionately lower. Furthermore, risks in connection with supply bottlenecks are assigned to the "Markets" category if they result in delayed delivery and thus pose a risk to unit sales.

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 in particular comprise litigation risks. Compared with the previous year, there were other risks here due to the Navistar acquisition. In the strategic risk area, the requirements and risks arising from CO_2 regulation in the European Union 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 years, these risks may arise from the COVID-19 pandemic, supply chain issues, and protectionist measures, as well as from increasing geopolitical tensions and the Russia-Ukraine conflict. 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 parts and shortages in the supply of semiconductors. The primary operations risks arise from the use of information technology. Risks from the successful implementation of efficiency programs

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remain relevant. Among the finance risks, future currency developments remain an area of significant uncertainty that may have both a positive and a negative effect on us.

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 which individually, or in combination with other risks, could endanger its continued existence.

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

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. In place of paying the fines, Scania offered a financial guarantee covering the entire amount of fines. The guarantee was accepted by the Accounting Officer of the European Commission. 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. Following this judgment, the Group increased the €403 million provision that it had set aside to €880.5 million, plus accrued interest.

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. Further claims may follow. The claims against MAN 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 another case, the 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. By contrast, a range of lawsuits against MAN 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 has 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 or contingent liabilities were recognized for these cases since most of these proceedings are still at an early stage, which currently makes assessment impossible. In other cases, a final and unappealable ruling under which MAN or Scania would have to pay damages is not more likely than unlikely at present.

MAN Latin America

In the tax proceedings between 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 for the acquisition of MAN Latin America 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 MAN Latin America. MAN Latin America appealed this judgement 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 €0.5 billion (BRL 3.2 billion) as of December 31, 2021, 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 MAN Latin America 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 €211 million (USD 239 million). However, both parties filed motions in court against 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 are also currently being 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 October 22, 2021, a letter of intent (the "LOI") was signed to settle all Profit Sharing Plan disputes for years 2020 and prior and to terminate all future Profit Sharing Plans and other contributions to the Shy Retiree Supplemental Benefit Trust. Pursuant to the LOI, Navistar agreed to make payments to the Supplemental Benefit Trust in the aggregate amount of €491 million (USD 556 million). 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 LOI. 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. The class action settlement is subject to final court approval. In the fourth quarter, Navistar paid €88 million (USD 100 million) of the €419 million (USD 556 million) under the Profit Sharing Settlement Agreement.

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).

Pursuant to a letter of intent (the "LOI") signed on October 22, 2021, Navistar and the Committee Members intend to settle this matter. In return, it has been agreed under the LOI that the OPEB plan will be adjusted with regard to the contributions, resulting in an increase of €123 million (USD 146 million) in the balance sheet obligation (see Note **"35. Provisions for pensions and other post-employment benefits"**), and Navistar has agreed to make a payment. 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 LOI. The class action settlement is subject to final court approval after notice to the class and a time for objections.

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 €119 million (USD 135 million). However, two intervening class members appealed their inclusion in the settlement. A ruling by the appellate court is pending.

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.

Current information on the MAN SE merger

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.

Events after December 31, 2021

On January 3, 2022, the TRATON GROUP acquired all shares of Bilmetro AB, Gävleborg, Sweden, and three real estate companies via Scania Sverige AB, Södertälje, Sweden. 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 to Din Bil Sverige AB, Stockholm, Sweden, on January 3, 2022.

Bilmetro AB has its registered office in central Sweden and operates at eleven locations in Gävleborg, Dalarna, and Uppsala.

Bilmetro AB's total assets at the acquisition date were €351 million, including a financing portfolio of €256 million. An analysis of the acquisition indicates that there is no material goodwill and no material impact on the sales revenue and total assets of the TRATON GROUP.

The TRATON GROUP issued a €300 million floating-rate note with an 18-month term on January 21, 2022, under the €12.0 billion European Medium Term Notes program.

On February 28, 2022, TRATON SE took out two bilateral bank loans totaling €850 million. In view of the above, €800 million was transferred to Volkswagen International Luxemburg S.A. on the same day to partly repay the €1,050 million of the Navistar purchase price loan that was still outstanding. Furthermore, TRATON SE signed a bilateral loan agreement in the amount of €200 million on February 25, 2022, with the funds scheduled to be paid out on March 11, 2022. An irrevocable voluntary prepayment notice informed Volkswagen International Luxemburg of TRATON SE's intention to repay the outstanding balance of €250 million on March 11, 2022, and thus to terminate the committed term facility ahead of schedule.

At the time of the preparation of this report, there is a risk that the latest developments in the Russia-Ukraine conflict will have a negative impact on the TRATON GROUP's business activities. This may also result from supply chain bottlenecks. A conclusive assessment of the concrete implications is not yet possible at this stage.

Likewise, it is not yet possible to predict with sufficient certainty the extent to which the Russia-Ukraine conflict will impact the global economy and the industry's growth in fiscal year 2022.

The TRATON GROUP does not have any material subsidiaries or equity investments in Ukraine. In Russia, the TRATON GROUP has, in particular, a production company in St. Petersburg, which serves the Russian market, as well as sales entities and financing companies. TRATON generated around 4.8% of its 2021 sales revenue in Russia and Ukraine, with Russia accounting for the far larger share of this figure. 1.8% of the recognized assets were in these two countries on December 31, 2021, with Russia once again accounting for the far larger share.

It cannot be ruled out that as this conflict unfolds, it may have a material negative impact on the TRATON GROUP's net assets, financial position, and results of operations.

Supplemental Information on Fiscal Year 2021

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.

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

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 2021 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 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 Declaration of Compliance was issued in December 2020 and will continue to be complied with, except for the recommendations set out below, for the reasons and periods indicated below.

1. The recommendation in C.5 (Upper limit of term of office as a Board member) will not be 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.
2. With regard to the recommendation in C.13 (Disclosure of candidates proposed for the Supervisory Board), the guidelines in the Code are vague and the definitions unclear. A deviation 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.
3. The recommendation in G.13 sentence 1 (Severance cap) will not be 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 paid out in the period since the submission of the last Declaration of Conformity. In light of the above, the Executive Board and Supervisory Board declare a deviation from recommendation G.13 sentence 1 as a precautionary measure.

The following recommendations of the Code, which have been deviated from in the past, are complied with at the time of submission of this Declaration of Conformity and will continue to be complied with in future:

1. Recommendation C.10 sentence 2 (Independence of the Chair of the Audit Committee from the Controlling Shareholder) and D.4 sentence 1 (Independence of the Chair of the Audit Committee) will be complied with in future. The Chair of the Audit Committee is meanwhile no longer a member of the Board of Management of Volkswagen AG and in the assessment of the shareholder representatives has no personal or business relationship with Volkswagen AG that may cause a substantial and not merely temporary conflict of interest.
2. In December 2018 the Supervisory Board introduced a new remuneration system for the Board of Management members which took into account all recommendations of the Code in the applicable version at that time. These recommendations were amended significantly in the revised Code. On some points the 2018 Board of Management remuneration system no longer complied with these amended recommendations. The Supervisory Board therefore passed a resolution in December 2020 on a new remuneration system for the Board of Management members that complies with all of the recommendations in the current Code. The new Board of Management remuneration system came into effect on 1 January 2021. The Annual General Meeting approved the new Board of Management remuneration system on 30 June 2021. The following Code recommendations, from which deviations had been declared under the former remuneration system for Board of Management members, are complied with under the new Board of Management remuneration system:

    - G.1 (Board of Management remuneration system);
    - G.2 (Target total remuneration);
    - G.10 sentence 2 (4-year commitment period)."

The Declaration of Compliance is available on the Internet 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 Federal Gazette (*Bundesanzeiger*) in accordance with the legal deadlines 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 30, 2021, 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 **"54. 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. After Ms. Werner stepped down as a member of the Supervisory Board effective the end of September 30, 2021, the Supervisory Board currently comprises 19 members.

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 mechanical 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

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, 2021):

– 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, 2021):

– 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, 2021):

– 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 **“55. Members of the Supervisory Board and their appointments”** and **“56. Supervisory Board committees”** to the Consolidated Financial Statements.

In line with recommendation D.13 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

TRATON set up its Governance, Risk & Compliance (GRC) function in 2015. This 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 supporting IT 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) were set up at TRATON level. This enables 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. To ensure TRATON's compliance with all applicable laws and regulations, the Navistar GRC Integration project was initiated in the year under review. The goal is not only to ensure compliance with all applicable laws and regulations, but also to establish trust-based collaboration between TRATON GRC and Navistar GRC, with clearly defined roles and responsibilities.

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, most recently, respect for human rights, based on a comprehensive compliance-related risk assessment.

- Issuing policies for relevant GRC topics, e.g., gifts and invitations, sponsorship and donations, as well as 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 various information channels for whistleblowers, especially in the area of white-collar crime. Reports are investigated in detail. Appropriate consequences are determined by the Committee for Disciplinary Action, depending on the outcome, and implemented by the line manager responsible.

In 2021, TRATON further rolled out Volkswagen's Together4Integrity (T4I) program. The program aims to promote the Group's integrity, compliance, culture, and risk management initiatives so that they are on a level with the Company's key priorities. The program's main purpose is to implement numerous measures that follow five principles of the internationally recognized Ethics & Compliance Initiative (ECI). At Group and subgroup level, the TRATON GRC function organized perception workshops for the T4I Program, which offered a forum for employees at all levels to discuss the issues of compliance and integrity. During the year under review, more than 80 of these workshops with around 3,100 participants were held across the whole Group.

Compliance and integrity were the subject of ongoing communication throughout the Company during 2021. Also in 2021, in cooperation with the Alliance for Integrity, TRATON participated in a global campaign on the subject of anti-corruption, which was communicated both internally and externally by the Company. In addition, there was regular communication via internal channels and newsletters, including GRC Alerts describing specific cases and lessons learned.

The Company also addressed compliance issues in a Group-wide training offering that included an e-learning session on the Code of Conduct and a two-day course on human rights for relevant employees. Moreover, a new training program for the managing directors of local companies and Code of Conduct training for business partners were created and rolled out.

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 forthcoming 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 about the Executive and Supervisory Boards of TRATON SE can be obtained at **https://traton.com/en/company.html**.

The above-mentioned information and documents are available in both German and English. The exception are documents relating to the Scania Group, which are only available in 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 annual 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 were 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 around 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.
– Skills and expertise that the Executive Board should collectively possess include 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. Nonfinancial Group Statement

NONFINANCIAL GROUP STATEMENT

We are publishing this Nonfinancial Group Statement (hereinafter "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 brands Scania, MAN, Navistar, and Volkswagen Caminhões e Ônibus (VWCO), the TRATON GROUP is one of the world's leading commercial vehicle manufacturers. Unless otherwise stated, the terms "TRATON GROUP" or "Company" refer to the TRATON GROUP. The RIO digital brand was only taken into account in the EU Taxonomy chapter.

The acquisition of Navistar by TRATON was completed on July 1, 2021. This meant that Navistar was not involved in some of TRATON's activities in the reporting year. This is indicated accordingly. Sustainability-related key figures have so far only been collected at brand level and not consolidated across the Group.

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 combatting corruption and bribery. To identify issues relevant for the Company within these nonfinancial matters, TRATON conducted a materiality analysis to identify topics that are necessary to understand TRATON's course of business and position and to understand 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 nine material issues identified.

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

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

Sustainability at TRATON

The focus of TRATON's sustainability efforts is 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 Agenda 2030. Since TRATON is a company primarily manufacturing 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 leverage synergies. The focal point of this dialogue and development process are solutions that significantly reduce greenhouse gas and pollutant emissions.

The central Sustainability function at TRATON SE reports indirectly to the Chief Executive Officer and is responsible for coordinating sustainability management at TRATON. Developing the sustainability path of TRATON 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, which is led by the Chief Executive Officer of the TRATON GROUP and in which the brands and central functions are represented, gives strategic direction and defines sustainability focus areas. The TRATON Sustainability Board is also used as a platform for knowledge transfer and for sharing best practices within the Group, with each brand actively contributing its expertise on sustainability topics. New programs and measures receive their final approval from the TRATON Executive Board and at the level of each brand, which are solely responsible for their implementation.

In order to better understand the influence that we as a Group have on sustainable development, TRATON conducted its first materiality analysis in 2021. 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). For that purpose, we followed a science-based approach in defining a longlist of topics representing key business interventions within six sustainability transformation fields: (1) education, gender, and inequality, (2) health, wellbeing, and demographics, (3) energy, decarbonization, and sustainable industry, (4) sustainable land, food, water, and oceans, (5) sustainable cities and communities as well as (6) digital revolution for sustainable development. Within these fields of transformation, we identified a set of 15 sustainability topics that we considered potentially relevant for TRATON. We then conducted additional analyses for these topics to derive the impact of the Company's activities as well as their relevance to TRATON's course of business or position. The results of these analyses were then presented to TRATON's Executive Board, which made a final materiality assessment based on the information gathered. This assessment resulted in nine material issues for the TRATON GROUP (see the "Content of the Nonfinancial Statement" table).

The focal point of this process was the question of how long-term values and objectives can be firmly established within TRATON's future corporate strategy. Said strategy integrates sustainability as an important focal point for the Group's future direction. It enables the brands' existing sustainability activities under the TRATON umbrella to be incorporated and continued at the level of the holding companies, too. 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 cover 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 & Pluralism:** 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	Climate protection
		Resource efficiency
		Clean air & water consumption
Employee matters	People & Pluralism	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. In a process that has been ongoing since the materiality analysis was carried out, we are working with our brands to better understand which competences already exist within the brands and what will be the best way to create synergies 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 issues of "Diversity & inclusion," "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 so far 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 "Decent work." However, it is important for TRATON that there is constant communication and active cooperation between the knowledge carriers in the Group. Coordinating this is the task of the TRATON Sustainability Board.

DECARBONIZATION & CIRCULARITY

The transportation sector is a key element of climate-oriented transformation. According to the International Energy Agency's "Tracking report" (2020), it contributes 24% of global direct CO_2 emissions from fuel combustion. With a view to achieving holistic decarbonization, TRATON GROUP brands look at all aspects of their value chain, mainly focusing on scopes 1, 2, and 3 downstream.

Climate protection

TRATON is committed to doing its part for the decarbonization in the transportation sector. As part of our strategy to reduce CO_2 emissions, we intend to reduce emissions in this scope. To achieve this goal, we work together with all brands of the TRATON GROUP. The most prominent lever for TRATON to contribute to climate protection is the electrification of its product portfolio.

The brands pursue their own CO_2 reduction programs. Scania and MAN, for example, have committed to supporting the targets of the Paris Agreement to limit global warming to well below 2° or 1.5° above preindustrial levels. To achieve this, Scania has adopted science-based climate targets that were officially endorsed by the Science Based Targets Initiative (SBTi). As part of this endeavor, Scania will reduce CO_2 emissions from its own operations by 50% by 2025 compared with 2015, and emissions from its vehicles by 20% over the same period. MAN Truck & Bus is in the process of submitting corresponding targets to the SBTi. MAN's climate strategy sets out climate-neutral production by 2030 and for MAN vehicles to generate zero local emissions by 2050. The other brands within the Group are also developing climate strategies catering to their individual portfolios and markets.

Our priority now is to invest in fully battery electric vehicles (BEVs). For long-haul transportation, our target is 50% zero-emission trucks by 2030 — provided the regulatory mechanisms and infrastructure are in place. In the meantime, until 2030, we are already offering "here and now" technology. With biodiesel and biogas in our product portfolio, we already have an efficient alternative while taking advantage of traditional combustion engine technology, offering a fast reduction of CO_2 emissions. Biofuels and synthetic fuels (e-fuels) can make an important and fast contribution to climate protection in transportation, especially with regard to the existing fleet.

Another key area in this respect 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 develop 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 approved in a binding agreement at the end of 2021, which lays the foundation for a joint venture from 2022 onward. The joint venture is subject to antitrust approvals.

In fiscal year 2021, the TRATON GROUP's brands made progress in achieving their climate-related goals. For example, Scania is developing the first electric timber truck with a technical capability of up to 80 tons total weight that will transport timber in the Swedish region of Västerbotten, starting in 2022. In December 2021, Scania also delivered a 64-ton electric truck to chemical supplier Wibax that will operate between the cities of Piteå and

Skellefteå in northern Sweden, covering a distance of 80 kilometers one way. Also in 2021, four years after the debut of the first prototype, VWCO launched its new e-Delivery truck. VWCO is also a member of an innovative e-Consortium to at its site in Resende. The aim is to develop a comprehensive support structure for electric trucks and establish it on site: from vehicle manufacture 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.

Resource efficiency

As part of its commitment to decarbonization 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. For the time being, we are working on a common perspective for all brands to figure out how and where we can make the most effective collective or individual efforts toward more 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 to increase resource efficiency while at the same time electrifying the transportation sector is the recyclability of battery cells. In a partnership with Northvolt, Scania invests in the development and commercialization of battery cell technology for heavy-duty vehicles and thus in the considerable growth in the European value chain for battery manufacturing, all the way from processing of raw materials to production of battery cells and systems and creation of recycling infrastructure. The plan of Northvolt and its investors includes enforcing recycling capabilities to ensure that 50% of all raw material comes from recycled batteries by 2030.

VWCO 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 that aims to develop studies, research, and measures that promote the circularity of the processes and products developed by the company.

Within a circular economy, both recycling and remanufacturing are critical instruments. For example, 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 already been remanufactured for reuse in the manufacturing process at these plants since 2020. In order to contribute to sustainability in spare parts supply, MAN professionally remanufactures used parts such as cooling water pumps or crankshafts and returns them to the use phase under the MAN Genuine Parts ecoline brand. 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. Scania’s work with remanufacturing of used parts is also an important part of the circular thinking, bringing parts back from the value chain to be remanufactured, sold again in its service network, or used again in its production processes. In its resource efficiency approach, Navistar focuses on remanufacturing used product parts. The company distributes the remanufactured parts through its parts sales network — and thus returns the parts to the product life cycle.

Clean air and water consumption

Protecting the environment goes beyond reducing greenhouse gas emissions and increasing resource efficiency. For TRATON, it also includes improving air quality and protecting water resources, including water consumption. To manage their environmental performance holistically, all our brands have put in place environmental management systems that help them to manage regulatory requirements with regard to legally defined thresholds for environmental issues like particulate matter emissions as well as to continuously improve their environmental performance in the management of natural resources like water. Since these environmental concerns need to be managed on a product or site level, our brands are responsible for setting appropriate targets and following up on them individually.

At Scania, for example, the identification of environmental risks is included in the company's environmental management system that is also directly linked to its risk management. Scania's product development and all of its production sites have an environmental management system that is certified according to ISO 14001. MAN has set itself the goal of having all production sites certified to the ISO 14001 environmental management standard, which it has already achieved for nine sites.

Among other things, these certifications verify that the entire life cycle perspective is taken into account in the development and design of all our products. In addition to CO_2 emissions, a main environmental concern during the use phase of our products is air quality — particularly in inner-city areas. Road traffic still accounts for a considerable share of nitrogen oxide pollution near roads. The emission limit values for nitrogen oxide have been made increasingly more restrictive over the past few years. To even go beyond these threshold requirements, we are working hard to continuously develop our technologies further. The electrified vehicles of our brands, in particular, have the potential to reduce air pollution in cities (see the **"Climate protection"** section).

Holistic protection of the natural environment also includes responsible use of water. As manufacturing companies, the TRATON brands use water primarily as a coolant in the production process, in leak tests, and in painting processes. All TRATON brands aim to continuously reduce their water consumption and thereby also improve wastewater management. For the time being, we are still working on a common perspective for all brands.

MAN is working to optimize water consumption at its sites — especially at locations in areas where water is scarce, such as South Africa and Turkey. Navistar monitors water stress, i.e., the stress suffered by living organisms and in particular plants due to a shortage of water, using a World Resources Institute tool. Two of the four areas with high to very high water stress are Escobedo, Mexico, and São Paulo, Brazil. VWCO is working to further improve the closed water circuits and the cooling system at its factory in Resende to reduce losses in distribution lines, enhance sectoral monitoring, and reduce overall use in its processes. In 2021, for example, the company implemented a project to identify and subsequently rectify water losses in its distribution lines. Among other things, this project resulted in the introduction of water consumption per vehicle as a metric that VWCO uses to manage its water consumption.

PEOPLE & PLURALISM

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 in light of the ongoing structural change in our working world, diversity with regard to job profiles and qualifications of our employees is becoming increasingly important. Megatrends such as globalization and the use of new technologies — for example in the field of automated driving or electric mobility — are changing the needs of employers and employees alike. At the same time, both employers and employees benefit from decent working conditions and adequate income opportunities.

Diversity and inclusion

TRATON promotes diversity and does not tolerate discrimination in terms of ethnicity, gender, age, disability, sexual orientation, gender identity, or political views, and aims to consciously bring together, develop, and support people with different experiences, educational backgrounds, and personalities. TRATON has embedded the core principles of diversity and inclusion in its corporate culture. We also established our Diversity & Inclusion team across all brands within the TRATON GROUP. 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, the companies are taking important steps to promote an inclusive corporate culture that they consider to be a prerequisite for their business success. As a matter of principle, our employees are chosen, hired, and supported based on their qualifications and skills, something which is reflected in our Skill Capture approach to diversity and inclusion. Scania, MAN, and VWCO have developed Skill Capture for their managers. It is a systemic approach to help managers and their teams work with their employees to help them develop to their full potential. Each department then sets its own activities. To obtain a comprehensive picture of employee attitudes in the field of diversity and inclusion, TRATON has included three questions about the perception of diversity and inclusion in the employee survey that together form the Diversity & Inclusion (D&I) index.

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 (Navistar not yet included) target is a 20% proportion of women in management positions by 2024 and 30% by 2029 (management level below the Executive Board). 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 across the company.

It is TRATON's mission to promote the inclusion of people with disabilities. VWCO has launched a range of initiatives to promote the inclusion of people with disabilities. The Novos Horizontes program is aimed at people with disabilities and gives participants a job at VWCO and an opportunity to pursue higher education. All participants receive a full scholarship for specific courses such as engineering, business administration, or finance. At the end of the program, the graduates are promoted to positions at VWCO that are related to their field of study.

Education and human capital

TRATON SE'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 TRATON HR Management Committee, which is composed of HR managers from all of the TRATON GROUP brands, oversees the Group's HR activities and meets twice a month. In addition, the CHROs (Chief Human Resources Officers) of the brands meet regularly to discuss and agree the corresponding activities. The following HR activities apply to the TRATON GROUP brands. Navistar is not yet fully integrated here, but is currently involved in all relevant activities.

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:** the goal is to establish a sound and consistent methodology for evaluating management performance within TRATON by enabling transparent, fair performance reviews independent of the brand. TRATON has agreed on a common management dialogue methodology.
- **Group succession planning and talent management:** at Group level, TRATON organizes talent panels for selected competencies and talents.
- **Employee satisfaction:** the Stimmungsbarometer is the overarching employee survey throughout the Volkswagen 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 by creating specific action plans.

In 2021, the TRATON GROUP received the EFMD (European Foundation for Management Development) Excellence in Practice Gold Award for the "Management Excellence Program," one of TRATON's cross-brand development programs. This award recognizes client–supplier partnerships in the domains of Leadership, Professional, Talent, and Organizational Development.

Scania uses Strategic Workforce Planning as a strategic approach to developing skills and nurturing talent, ensuring the company 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 the ongoing 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.

Navistar also offers development opportunities, for example the FALD (Finance and Accounting Leadership Development) program. This program is a 3-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.

At MAN, internal experts teach specific specialist skills as part of the Berufsfamilien-Akademien (BFA) concept, ensuring systematic knowledge transfer and employee training. The MAN Academy broadens this offering, among other things with topics such as alternative drives, automation, autonomous driving, data science, and software development, as well as new working methods.

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 are striving 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. Almost all permanent employees in Germany are covered by collective bargaining agreements. The involvement of employee representatives traditionally plays an important role in the Group subsidiaries. For example, Scania has a European Works Council extended to include representatives from outside the EU, the SEC (Scania European Committee), which is also equipped with comprehensive codetermination rights.

Together with the labor union and the Works Council, VWCO negotiated a long-term collective bargaining agreement in 2020 with a term of four years that aims to create reliable employment relationships in the long run.

With regard to fair income, Navistar actively seeks to achieve pay equity. This means that employees are paid equally for the same or similar jobs, taking into account other factors such as experience, job performance, and length of service.

The challenging financial situation that MAN is currently facing due to far-reaching structural changes in the commercial vehicle market requires a fundamental realignment. Its aim is to safeguard the Company's jobs in the future. Together with the labor union and the Works Council, MAN has decided to face up to these challenges and take measures to overcome them. MAN's objective is to strike a balance between job security and long-term competitiveness.

In order to define uniform working conditions, 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 globally applicable "workshop concept" (Labor Relations Development Program) is being developed together with employee representatives to further participation and dialogue between company management and employee representatives. It is intended to be made available during 2022.

In 2021, the COVID-19 pandemic continued to present unique challenges to our Company and in particular to our workforce. Each brand in the TRATON GROUP has taken individual measures to ensure that our employees are protected and taken care of in the best possible way. For example, MAN in Germany and Scania in Sweden offered vaccinations to their employees to support during the pandemic.

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, are the basic conditions 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, TRATON has been a member of the UN Global Compact since October 2021 and has committed to principles in the fields of human rights, labor, environment, and anti-corruption, among others. Starting next year, TRATON will regularly report on its activities in these fields as a part of its commitment to the UN Global Compact.

Values-based governance

As one of TRATON's corporate values, integrity is a cornerstone of our entrepreneurial activities. It forms the basis for 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 2021, TRATON continued the Together4Integrity (T4I) program across the TRATON GROUP (Navistar not yet included). 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 create a culture of integrity in 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. The aim of these workshops was to raise awareness for the T4I program and give employees across all levels the opportunity to discuss the topics of compliance and integrity. In 2021, a variety of local units also held their own local 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 program focuses on white-collar crime, in particular combating corruption, preventing money laundering, antitrust law, and respecting human rights. TRATON has developed a Group-wide integrity and compliance program that prevents compliance violations, detects compliance violations that may arise despite preventive measures as early as possible, and responds to these compliance violations. The binding guideline for acting with integrity is the Code of Conduct. Communication and employee training play a key role in compliance and sustainability work across all hierarchy levels. TRATON conducts regular face-to-face and online training sessions on compliance and integrity topics. A new web-based training on the Code of Conduct was developed in 2020 and rolled out throughout the Group in the course of 2021. This training course includes information on business and human rights and is aimed at increasing the awareness of risks in this area for all employees.

Human rights

TRATON aims at sustainable action both inside and outside the Company. We are committed to complying with, protecting, and promoting internal regulations safeguarding human rights that are applicable worldwide as fundamental and universally valid guidelines. We reject any use of child, forced, or compulsory labor and any form of modern slavery and human trafficking. We promote diversity and freedom of association and reject all forms of discrimination and harassment. It is in the fundamental interest of TRATON to protect health and safety in the workplace. These guiding principles are underscored by TRATON's Code of Conduct. Training and communication measures on the Code of Conduct are provided to employees on a regular basis, underscoring TRATON's commitment as well as raising awareness of human rights and describing the Company's expectations toward employees.

At TRATON, human rights have been added to the compliance management system as a further focus topic. In 2021, TRATON conducted a Group-wide compliance risk assessment, which also included a set of questions addressing potential human rights issues. On that basis, every entity has been assigned to a risk category (high, medium, low risk), which mainly reflects the entity's business model and its location. A measure set has been defined to mitigate human rights risks and to support the integration of human rights in the compliance management system — among other things, this includes commitment to human rights by management as well as the initiation of specific training and communication measures.

With this, 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.

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.

In 2022, we are planning to conduct a more comprehensive risk assessment to enhance our understanding of specific human rights risks in our business operations and its environment. A dedicated business and human rights training program has been developed that will be rolled out in 2022 and is mandatory for all brands. The training is based on the Company's Declaration on Human Rights, which is currently being expanded and updated.

Additionally, we are currently reviewing the concrete 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 to protect human rights.

It goes without saying that the protection of human rights does not only apply to cooperation within our Company, but also to the conduct of and toward suppliers and business partners.

We are guided in our efforts by the implementation of human rights due diligence processes as required by the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

We ask our suppliers and business partners to also factor human rights risks into the equation when selecting new suppliers and business partners. Our expectations toward suppliers and business partners related 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 MAN, Scania, and VWCO (Navistar not yet included). Navistar, which joined the Group in 2021, is currently running a GRC integration project that aims at further developing its processes in accordance with the Group-wide standards applicable throughout TRATON.

The S rating is used to check suppliers' sustainability performance and to identify opportunities for continuous improvement. By tying sustainability performance directly to award eligibility for 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.

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 contributing toward 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 related delegated acts (hereinafter together referred to as "EU Taxonomy").

The EU Taxonomy is a classification system for sustainable economic activities. Economic activities are considered to be environmentally sustainable if they make a substantial contribution to at least one of the following six environmental objectives without doing any significant harm to one or more other environmental objectives in the process ("technical screening criteria") and additionally comply with minimum social safeguards ("taxonomy-aligned economic activities"):

1. Climate change mitigation,
2. Climate change adaptation,
3. The sustainable use and protection of water and marine resources,
4. The transition to a circular economy,
5. Pollution prevention and control, and
6. The protection and restoration of biodiversity and ecosystems.

Taxonomy-eligible economic activities are those activities that are described in the delegated acts and for which technical screening criteria have been laid down for two environmental objectives: "climate change mitigation" and "climate change adaptation." All other economic activities represent taxonomy-non-eligible 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

However, the classification of an economic activity as taxonomy-eligible only provides an indication of the future potential of the activity to qualify as taxonomy-aligned and therefore environmentally sustainable.

2. First-time reporting for fiscal year 2021

In accordance with Article 8(1) and (2) of Regulation 2020/852 and Article 10(2) of the Commission Delegated Regulation based on Article 8 of Regulation 2020/852, the TRATON GROUP reported on two environmental objectives for the first time in fiscal year 2021. These are known as "climate change mitigation" and "climate change adaptation." The disclosure requirements cover only the taxonomy-eligible and taxonomy-non-eligible economic activities as a proportion of turnover and of capital and operating expenditure. Prior-year information does not have to be provided since this is the first time these disclosures are being made.

3. Economic activities of the TRATON GROUP

With its Scania, MAN, Navistar, Volkswagen Caminhões e Ônibus, and RIO 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: Industrial Business (TRATON Operations) and Financial Services (TRATON Financial Services).

The TRATON GROUP's economic activities were analyzed on the basis of 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, distribution (including financial services), and maintenance of vehicles are allocated to economic activity 3.3 "Manufacture of low-carbon technologies for transport." The allocation of economic activity is independent of the drive technology of the underlying vehicle. Economic activity 3.3 covers the manufacture, repair, maintenance, retrofitting, repurposing, and upgrade of low-carbon vehicles, rolling stock, and vessels.

In detail, the manufacture and sale of all new and used vehicles (including sale of leased used vehicles) and the associated financing activities 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 economic activity 3.3. 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 primarily to economic activities for vehicles not manufactured by the TRATON GROUP brands themselves 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, 2021, 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 us that specifically account for the "climate change adaptation" environmental objective.

4. Key performance indicators

4.1 Method of calculating key performance indicators

The most important key performance indicators (KPIs) for fiscal year 2021 include the taxonomy-eligible turnover, capital expenditure, and operating expenditure 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 to the "climate change mitigation" environmental objective.

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

The KPIs are determined as follows in accordance with the legal requirements presented above:

Turnover

The turnover is calculated on the basis of the sales revenue reported in the income statement for the period from January 1 to December 31, 2021, of the Consolidated Financial Statements as of December 31, 2021 (denominator). The numerator is determined from the share of sales revenue generated with taxonomy-eligible economic activities. This means that revenue from the sale of vehicles not manufactured internally or sales revenue under the "Engines, powertrains, and parts deliveries" item is taxonomy-non-eligible. Other taxonomy-non-eligible sales revenue can be found in the "Other sales revenue" item in the Consolidated Financial Statements as of December 31, 2021. By contrast, sales revenue from the rental and lease and the financing business is taxonomy-eligible.

Capital expenditure

Additions, as well as 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"**) presented in the Consolidated Financial Statements as of December 31, 2021, form the denominator for calculating the percentages of taxonomy-eligible capital expenditure. Additions to goodwill are not included in the denominator.

TRATON's taxonomy-eligible capital expenditure is expenditure incurred that is directly attributable to taxonomy-eligible economic activities. This means that most capital expenditure items included in the denominator are taxonomy-eligible. 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. Where capital expenditure could not be allocated separately to taxonomy-eligible or taxonomy-non-eligible economic activities, appropriate allocation keys based on the taxonomy-eligible turnover were used.

Operating expenditure

TRATON's operating expenditure includes research and development costs not recognized as assets, as reported in Note **"10. Functional expenses – cost of sales"** to the Consolidated Financial Statements as of December 31, 2021. 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

Taxonomy-eligible operating expenditure is expenditure incurred that is directly attributable to taxonomy-eligible economic activities. This means that most operating expenditure items included in the denominator are taxonomy-eligible. Exceptions relate to operating expenditure in connection with taxonomy-non-eligible economic activities, such as the business with engines, powertrains, and parts deliveries. Where operating expenditure could not be allocated separately to taxonomy-eligible or taxonomy-non-eligible economic activities, appropriate allocation keys based on the taxonomy-eligible turnover were used.

4.2 Presentation of key performance indicators in accordance with the EU Taxonomy

The KPIs itemized below show the proportion of taxonomy-eligible and taxonomy-non-eligible economic activities of the TRATON GROUP for the "climate change mitigation" environmental objective in the period from January 1 to December 31, 2021:

	Total in € million	Proportion of taxonomy-eligible economic activities (in %)	Proportion of taxonomy-non-eligible economic activities (in %)
Turnover	30,620	94%	6%
Capital expenditure	9,013	96%	4%
Operating expenditure	1,150	96%	4%

In fiscal year 2021, 94% of turnover, 96% of capital expenditure, and 96% of operating expenditure of TRATON were taxonomy-eligible. However, these figures do not permit any conclusions about the current taxonomy alignment and environmental sustainability of TRATON's economic activities. They merely identify the potential for TRATON offered by environmentally sustainable technologies and show the proportion of turnover, capital expenditure, and operating expenditure that could potentially be considered taxonomy-aligned and therefore sustainable.

3. 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 2021 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."

4. 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 **"31. 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, 2021.

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.

Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

Income Statement

of the TRATON GROUP

€ million	Note	TRATON GROUP 2021	2020
Sales revenue	**[9]**	**30,620**	**22,580**
Cost of sales	[10]	–25,083	–19,121
Gross profit		**5,536**	**3,459**
Distribution expenses		–2,758	–2,247
Administrative expenses	[10]	–1,204	–876
Net impairment losses on financial assets		3	–95
Other operating income[1]	[11]	744	705
Other operating expenses[1]	[12]	–1,927	–865
Operating result		**393**	**81**
Share of earnings of equity-method investments	[13]	432	84
Interest income	[14]	122	70
Interest expense	[14]	–349	–227
Other financial result	[15]	49	–43
Financial result		**255**	**–115**
Earnings before tax		**648**	**–34**
Income taxes	[16]	–178	–89
current		–528	–378
deferred		350	288
Earnings after tax		**470**	**–124**
of which attributable to shareholders of TRATON SE		457	–101
of which attributable to noncontrolling interests		13	–22
Earnings per share in € (diluted/basic)	[17]	0.91	–0.20

1 Prior-period amounts adjusted. See Note "4. Accounting policies – Prior-period information" for more details

Statement of Comprehensive Income
of the TRATON GROUP

€ million	2021	2020
Earnings after tax	**470**	**–124**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	382	–74
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	–82	17
Pension plan remeasurements recognized in other comprehensive income, net of tax	300	–57
Fair value measurement of other equity investments		
Fair value measurement of other equity investments, before tax	–155	18
Deferred taxes relating to the fair value measurement of other equity investments	64	–3
Fair value measurement of other equity investments, net of tax	–92	16
Share of other comprehensive income of equity-method investments that will not be reclassified subsequently to profit or loss, net of tax	29	63
Items that will not be reclassified subsequently to profit or loss	**238**	**22**
Currency translation differences		
Unrealized currency translation gains/losses	67	–206
Transferred to profit or loss	0	1
Currency translation differences, before tax	67	–206
Deferred taxes relating to currency translation differences	4	–6
Currency translation differences, net of tax	71	–212
Cash flow hedges		
Fair value changes recognized in other comprehensive income	57	–133
Transferred to profit or loss	42	28
Cash flow hedges, before tax	99	–105
Deferred taxes relating to cash flow hedges	–1	3

€ million	2021	2020
Cash flow hedges, net of tax	98	–102
Cost of hedging		
Cost of hedging recognized in other comprehensive income	–5	–3
Transferred to profit or loss	0	–3
Cost of hedging, before tax	–5	–6
Deferred taxes relating to cost of hedging	2	2
Cost of hedging, net of tax	–2	–5
Share of other comprehensive income of equity-method investments that will be reclassified subsequently to profit or loss, net of tax	67	–67
Items that may be reclassified subsequently to profit or loss	**233**	**–386**
Other comprehensive income, before tax[1]	485	–377
Deferred taxes relating to other comprehensive income[1]	–13	13
Other comprehensive income, net of tax	**471**	**–365**
Total comprehensive income	**941**	**–488**
of which attributable to shareholders of TRATON SE	917	–452
of which attributable to noncontrolling interests	24	–36

1 Prior-period amounts adjusted to reflect the current presentation

Balance Sheet

Assets of the TRATON GROUP as of December 31, 2021, and December 31, 2020

€ million	Note	TRATON GROUP 12/31/2021	TRATON GROUP 12/31/2020
Noncurrent assets			
Goodwill	[18]	6,166	3,305
Intangible assets[1]	[19]	7,145	3,461
Property, plant, and equipment	[20]	8,060	6,908
Assets leased out	[21]	6,924	6,496
Equity-method investments	[22]	1,280	1,380
Other equity investments	[23]	660	72
Noncurrent income tax receivables		80	29
Deferred tax assets	[16]	2,114	1,231
Noncurrent financial services receivables	[24]	5,834	4,783
Other noncurrent financial assets	[25]	192	435
Other noncurrent receivables	[26]	435	269
		38,890	**28,369**
Current assets			
Inventories	[27]	5,456	4,325
Trade receivables	[28]	2,437	1,906
Current income tax receivables		188	86
Current financial services receivables	[24]	4,102	2,957
Other current financial assets	[25]	579	453
Other current receivables	[26]	1,240	851
Marketable securities and investment deposits	[29]	226	2,105
Cash and cash equivalents	[30]	2,002	1,714
		16,230	**14,398**
Total assets		**55,120**	**42,767**

1 Prior-period amounts adjusted to reflect the current presentation

Equity and liabilities of the TRATON GROUP as of December 31, 2021, and December 31, 2020

€ million	Note	TRATON GROUP 12/31/2021	TRATON GROUP 12/31/2020
Equity	**[31]**		
Subscribed capital		500	500
Capital reserves		14,295	19,995
Retained earnings		1,477	–4,479
Accumulated other comprehensive income		–2,829	–3,078
Equity attributable to shareholders of TRATON SE		**13,444**	**12,939**
Noncontrolling interests		3	230
		13,446	**13,169**
Noncurrent liabilities			
Noncurrent financial liabilities	[32]	12,181	5,914
Provisions for pensions and other post-employment benefits	[35]	2,648	1,828
Deferred tax liabilities	[16]	803	767
Noncurrent income tax provisions		157	105
Other noncurrent provisions	[36]	1,557	1,304
Other noncurrent financial liabilities	[33]	2,429	2,321
Other noncurrent liabilities	[34]	2,074	1,903
		21,849	**14,143**
Current liabilities			
Current financial liabilities	[32]	6,024	6,384
Trade payables		4,245	2,769
Current income tax payables		195	117
Current income tax provisions		5	22
Other current provisions	[36]	3,103	977
Other current financial liabilities[2]	[33]	2,045	1,855
Other current liabilities[2]	[34]	4,208	3,332
		19,825	**15,455**
Total equity and liabilities		**55,120**	**42,767**

2 Prior-period amounts adjusted. See Note **"4. Accounting policies – Prior-period information"** for more details

Statement of Changes in Equity

of the TRATON GROUP for the period January 1 to December 31

				Accumulated other comprehensive income		
				Items that may be reclassified subsequently to profit or loss		
€ million	Subscribed capital	Capital reserves	Retained earnings	Currency translation	Cash flow hedges	Equity-method investments
Balance as of 01/01/2020	**500**	**20,241**	**–4,150**	**–1,806**	**–8**	**–38**
Earnings after tax	–	–	–101	–	–	–
Other comprehensive income, net of tax	–	–	–	–200	–107	–67
Total comprehensive income	–	–	–101	–200	–107	–67
Capital increase[1]	–	54	–	–	–	–
Dividend payout	–	–	–500	–	–	–
Release of distributable capital reserves	–	–300	300	–	–	–
Other changes	–	–	–29	0	–	0
Balance as of 12/31/2020	**500**	**19,995**	**–4,479**	**–2,005**	**–115**	**–104**
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[2]	–	–	–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**

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

2 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: Remeasurements of pension plans	Equity-method investments	Other equity investments	Equity attributable to shareholders of TRATON SE	Noncontrolling interests	Total
Balance as of 01/01/2020	**–998**	**125**	**–2**	**13,865**	**270**	**14,134**
Earnings after tax	–	–	–	–101	–22	–124
Other comprehensive income, net of tax	–56	63	16	–351	–14	–365
Total comprehensive income	–56	63	16	–452	–36	–488
Capital increase[1]	–	–	–	54	0	54
Dividend payout	–	–	–	–500	–1	–501
Release of distributable capital reserves	–	–	–	–	–	–
Other changes	0	–1	1	–28	–2	–30
Balance as of 12/31/2020	**–1,054**	**186**	**15**	**12,939**	**230**	**13,169**
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[2]	–24	–0	–0	–344	–246	–590
Dividend payout	–	–	–	–125	–10	–135
Release of distributable capital reserves	–	–	–	–	–	–
Other changes	40	–222	–0	57	4	61
Balance as of 12/31/2021	**–745**	**–7**	**–76**	**13,444**	**3**	**13,446**

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

2 Squeeze-out under merger law of MAN SE shareholders by TRATON SE, €587 million effect

Statement of Cash Flows[1]

of the TRATON GROUP for the period January 1 to December 31

€ million	TRATON GROUP 2021	TRATON GROUP 2020
Cash and cash equivalents as of 01/01	**1,714**	**1,913**
Earnings before tax	648	–34
Income taxes paid	–567	–434
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant, and equipment, and investment property[2]	1,308	936
Amortization of, and impairment losses on, capitalized development costs[2]	299	266
Reversals and impairment losses on equity investments	4	2
Depreciation of and impairment losses on products leased out[2]	1,122	1,239
Change in pension obligations	126	–21
Earnings on disposal of noncurrent assets and equity investments	147	–7
Share of earnings of equity-method investments	–353	–56
Other noncash income/expense	–30	82
Change in inventories	3	345
Change in receivables (excl. financial services)	–212	175
Change in liabilities (excl. financial liabilities)	504	248
Change in provisions	713	266
Change in products leased out	–1,174	–760
Change in financial services receivables	–1,007	–258
Net cash provided by operating activities	**1,534**	**1,987**
Capital expenditures in intangible assets (excl. capitalized development costs) and in property, plant, and equipment	–1,131	–995
Additions to capitalized development costs	–468	–316
Capital expenditures to acquire subsidiaries	–2,563	–10
Capital expenditures to acquire other investees	–103	–18
Proceeds from the disposal of subsidiaries	–197	2
Proceeds from the disposal of other investees	2	0
Proceeds from the disposal of intangible assets, property, plant, and equipment, and investment property	54	44
Change in marketable securities and investment deposits	1,879	1,073
Change in loans	80	6
Net cash used in investing activities	**–2,447**	**–215**
Profit transfer to Volkswagen AG	–	–1,404
Dividend payouts	–135	–501
Capital increase by Volkswagen AG	0	54
Capital transaction with noncontrolling interest shareholders	–590	2
Proceeds from the issuance of bonds	5,527	2,993
Proceeds from the issuance of *Schuldscheindarlehen*	698	–
Repayment of bonds	–5,063	–2,295
Loans extended by Volkswagen AG and Volkswagen International Luxemburg S.A.	3,020	–
Loan repayment to Volkswagen AG and Volkswagen International Luxemburg S.A.	–2,701	–
Change in miscellaneous financial liabilities	653	–511
Repayment of lease liabilities	–241	–211
Net cash provided by/used in financing activities	**1,169**	**–1,873**
Effect of exchange rate changes on cash and cash equivalents	33	–98
Change in cash and cash equivalents	**288**	**–198**
Cash and cash equivalents as of 12/31	**2,002**	**1,714**

1 See Note **"39. Statement of cash flows"** for more information

2 Net of impairment reversals

NOTES

to the Consolidated Financial Statements of the TRATON GROUP

1. Basis of preparation

GENERAL INFORMATION

TRATON SE, Munich, Germany ("the Company," "TRATON") is the parent company of the TRATON GROUP. TRATON is registered in the commercial register at the Munich Local Court under no. 246068.

With its Scania, MAN, Navistar, Volkswagen Caminhões e Ônibus, and RIO brands, the TRATON GROUP is a manufacturer 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. RIO has a growing portfolio of digital solutions and 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, 2021, 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 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. Due to recent developments in connection with the Russia-Ukraine crisis, the financial statements were modified after the submission of the audit reports to the Supervisory Board but prior to the approval of the statements by the Supervisory Board. The modifications concerned the **"Report on Expected Developments,"** the **"Report on Opportunities and Risks,"** and the **"Events after December 31, 2021"** section in the Combined Management Report as well as the **"Events after the reporting period"** section in the Notes. The Consolidated Financial Statements were prepared on March 4, 2022, 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 ends on that date.

The fiscal year corresponds to the calendar year.

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.

Subsidiaries are included from the date when control exists; they are deconsolidated from the date on which control no longer exists. Subsidiaries that are acquired during the fiscal year are consolidated from the date when control is established. Companies that are disposed of in the fiscal year are deconsolidated from the date on which control no longer exists.

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.

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.

Insignificant associates and joint ventures are generally recognized at cost, net of any impairment losses required to be recognized, plus any reversals of impairment losses required to be recognized.

All other investees are financial investments.

The composition of the TRATON GROUP is shown in the following table:

	2021	2020
TRATON SE and consolidated subsidiaries		
Germany	19	23
Other countries	320	259
Subsidiaries carried at cost		
Germany	11	7
Other countries	23	23
Associates, joint ventures, and other equity investments		
Germany	10	9
Other countries	25	22

With 60 companies, the addition to the consolidated subsidiaries is largely attributable to the acquisition of Navistar International Corporation, Lisle, Illinois, USA (Navistar), which was included as an associate in the prior-year period (see Note **"7. Navistar acquisition"**). Navistar's impact on the net assets, financial position, and results of operations is explained in the individual sections of the notes.

The list of the TRATON GROUP's shareholdings within the meaning of section 313 (2) of the HGB is presented in Note **"57. List of shareholdings."**

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.

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. Any goodwill 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 of the goodwill is retained unchanged compared with the previous year. 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. Any difference arising due to the acquisition of additional shares of a subsidiary that has already been consolidated is charged directly to equity. 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 contingent consideration is measured at its acquisition-date fair value. Subsequent changes in the fair value of contingent consideration do not adjust the acquisition-date fair value. Acquisition-related costs that are not equity transaction costs are not added to the consideration transferred, but instead recognized as expenses in the period in which they are incurred.

The accounting policies of TRATON SE and its subsidiaries are adjusted in the course of consolidation to ensure that they are presented as if they constituted a single economic entity. 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.

The following consolidated affiliated companies in Germany have satisfied the conditions set out in section 264 (3) of the HGB due to their inclusion in the Consolidated Financial Statements and exercise the exemption to the greatest extent possible:

- 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

CURRENCY TRANSLATION

Financial statements of subsidiaries and associates in countries outside the eurozone are translated using the functional currency method. The functional currency of subsidiaries is the currency of the primary economic environment in which they operate and is almost always their local currency. The functional currency of certain subsidiaries is the euro, US dollar, and Swedish krona, rather than their local currency.

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 the income statement. Financial statements are translated 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.

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, 2021.

Since January 1, 2021, amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts*, and IFRS 16 *Leases* (Interest Rate Benchmark Reform — Phase 2) have been required to be applied. The Phase 2 changes address the accounting treatment if an interest rate benchmark is actually replaced by another interest rate benchmark (IBOR reform). The changes introduce practical expedients with regard to the modification of financial assets, financial liabilities, and lease liabilities, as well as with regard to hedges. Modifications of contractual cash flows due to the economically equivalent replacement of the existing interest rate benchmark as a direct consequence of the IBOR reform are accounted for by updating the effective interest rate without direct modification gains or losses. A similar expedient has been introduced for the accounting for lease liabilities through amendments to IFRS 16. Additionally, the amendments to the standards mean that hedge accounting is not discontinued because of the economically equivalent switch to a new interest rate benchmark. Rather, hedge accounting is continued and the documentation is amended if the hedge continues to meet the other criteria for applying hedge accounting.

Further information on the impact is presented in Note **"41. Financial risk management and financial instruments — Interest rate benchmark reform."**

The IASB issued amendments to IFRS 16 on March 31, 2021. In line with these amendments, optional COVID-19-related rent concessions issued in May 2020 and limited until June 30, 2021, will be extended by a further year, until June 30, 2022. The amendments are effective for annual periods beginning on or after April 1, 2021. The TRATON GROUP has opted not to make use of this temporary relief.

The aforementioned 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 2021 Consolidated Financial Statements, TRATON did not apply the following accounting pronouncements that have already been adopted by the IASB, but were not yet required to be applied for the fiscal year.

Standard/ Interpretation		Published by the IASB	Effective date[1]	Adopted by the EU	Expected impact
IFRS 3	*Business Combinations:* Amendments updating a reference to the Conceptual Framework	05/14/2020	01/01/2022	Yes	No material impact
IAS 16	*Property, Plant and Equipment:* Proceeds before Intended Use	05/14/2020	01/01/2022	Yes	No material impact
IAS 37	*Provisions, Contingent Liabilities and Contingent Assets:* Onerous Contracts — Cost of Fulfilling a Contract	05/14/2020	01/01/2022	Yes	No material impact
	2020 annual improvements cycle[3]	05/14/2020	01/01/2022	Yes	No material impact
IFRS 17	*Insurance Contracts*	05/18/2017[2]	01/01/2023[2]	Yes	No material impact expected
IAS 1	*Presentation of Financial Statements:* Classification of liabilities and deferral of the effective date	01/23/2020; deferred to 07/15/2020	01/01/2023	No	No material impact expected
IAS 1	Disclosures on accounting policies	02/12/2021	01/01/2023	No	Corresponding disclosures adjusted. Essentially waiver of reproduction of the legal regulations
IAS 8	*Accounting Policies Definition of Accounting Estimates and Errors:* Definition of accounting estimates	02/12/2021	01/01/2023	No	No material impact
IAS 12	*Income Taxes:* Deferred tax related to leases and decommissioning obligations	05/07/2021	01/01/2023	No	No material impact
IFRS 17	Amendments to IFRS 17: Initial application of IFRS 17 and IFRS 9 — Comparative information	12/09/2021	01/01/2023	No	No material impact expected

1 Effective date from the TRATON GROUP's perspective

2 The IASB issued amendments to IFRS 17 on June 25, 2020. Together with the original standard, these will become effective on January 1, 2023.

3 Minor amendments to a range of IFRSs (IFRS 1 *First-time Adoption of International Financial Reporting Standards,* IFRS 9, and IAS 41 *Agriculture*)

4. 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.

INTANGIBLE ASSETS & GOODWILL

The TRATON GROUP's intangible assets comprise brands, customer relationships, software, and capitalized development costs.

Purchased intangible assets are recognized at cost and amortized over their economic life using the straight-line method.

Development costs for future series products and other internally generated intangible assets are recognized at cost, to the extent that production of these products is expected to generate an economic benefit for the TRATON GROUP. If at least one of the recognition criteria 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 indirect costs that are directly attributable to the development process. They are amortized using the straight-line method from the start of production over the expected life of the models or technologies developed.

Intangible assets acquired in the course of a business combination are measured at their fair value at the acquisition date. 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.

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 in a reporting period are allocated to the corresponding functions in the income statement.

Goodwill, 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.

To determine the recoverability of goodwill and intangible assets, the TRATON GROUP generally uses the higher of value in use and fair value less costs to sell of the asset or cash-generating unit concerned. Goodwill and brand names are tested for impairment by comparing the carrying amounts of the units to which goodwill or brands are allocated with their value in 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. The goodwill impairment test is conducted at segment level. The segments represent the lowest level at which goodwill is monitored for internal management purposes. If an asset's 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 planning.

Impairment testing is based on the current five-year planning for the unit concerned. Even if the growth forecast for the perpetual annuity or the discount rate varies by –/+0.5 percentage points, there is no requirement to recognize an impairment loss for goodwill or brand names.

For information about the assumptions in the detailed planning period, refer to the **"Report on Expected Developments,"** which forms part of the Combined Management Report, as well as the disclosures on estimates and management's judgment (see Note **"5. Estimates and management's judgment"**). Plausible assumptions concerning future developments are made for the subsequent years. 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 costs of capital rates (WACC) are used, modified if necessary to reflect country-specific risks:

WACC	2021	2020
Volkswagen Caminhões & Ônibus	11.8%	13.6%
MAN Truck & Bus	8.3%	8.5%
Scania Vehicles & Services	8.3%	8.5%
Navistar Sales & Services	9.2%	

The costs of capital rates are 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.

PROPERTY, PLANT, AND EQUIPMENT

Items of property, plant, and equipment are measured at cost and reduced by depreciation and, if necessary, impairment losses. Cost is recognized on the basis of directly attributable direct and indirect 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).

CAPITALIZED BORROWING COSTS

For qualifying assets, borrowing costs are capitalized as part of the cost of the assets. An asset is a qualifying asset if at least one year is necessary to get it ready for its intended use or sale. Borrowing costs of inventories are not capitalized.

LEASES

IFRS 16 defines a lease as a contract — or part of a contract — under which a lessor conveys to a lessee the right to use an asset for an agreed period of time in exchange for consideration.

TRATON as lessee

If the TRATON GROUP is the lessee, as a rule it recognizes a right-of-use asset and a lease liability for all leases in its balance sheet.

There are recognition exemptions for short-term and low-value leases that the TRATON GROUP exercises, hence it does not recognize any right-of-use assets or liabilities for such leases. The related lease payments are recognized as expenses 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 is also not applied to leases of intangible assets.

Right-of-use assets

As a rule, the right-of-use asset is measured at the amount of the lease liability plus any lease payments made at or before the commencement date, less any lease incentives received, plus any additional direct costs, as well as costs incurred by the lessee in dismantling and removing the underlying asset, and restoring the site or the underlying asset. 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 recognized right-of-use assets are reported in the balance sheet items in which the assets underlying the lease would be presented if they were owned by the TRATON GROUP. The right-of-use assets are therefore generally presented in property, plant, and equipment in noncurrent assets at the reporting date 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*.

Lease liabilities

The lease liability is measured by the discounted, outstanding lease payments underlying the lease (the interest rate implicit in the lease). If the interest rate implicit in the lease cannot be readily determined, the lessee's incremental borrowing rate is used. 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.

A large number of leases contain extension and termination options. In determining the term of a lease, all relevant facts and circumstances that create an economic incentive to exercise, or not to exercise, the option are considered. Periods covered by an option are considered when determining the term of a lease if the lessee is reasonably certain to exercise, or not to exercise, the option.

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.

Classification of and accounting for leases

In an operating lease, the significant risks and rewards are retained by the TRATON GROUP. The underlying asset is measured at cost and recognized in the TRATON GROUP's assets leased out; 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.

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 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. The net investment in the lease corresponds to the lease payments receivable by the lessor and any unguaranteed residual value accruing to the lessor, discounted at the interest rate implicit in the lease. Lease payments include fixed payments, less any lease incentives payable, certain variable lease payments, any residual value guarantees that the lessor receives, the exercise price of a purchase option if it is reasonably certain that it will be exercised, and payments of penalties for terminating the lease. 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 modification requirements (see the explanations in the **"Financial instruments"** section).

Credit risk from lease receivables is accounted for in accordance with IFRS 9.

Assets leased out

In addition to vehicles leased out, assets leased out include vehicles subject to a buyback obligation (referred to in the following as “products leased out”), to the extent that the TRATON GROUP retains control over the products leased out and the associated risks and rewards. In the case of operating leases, vehicles with buyback obligations 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. The forecast residual values are adjusted to include constantly updated internal and external information on residual values, depending on specific local factors and the experience gained in the marketing of used vehicles. Impairment losses identified as a result of an impairment test in accordance with IAS 36 are recognized.

Land and buildings held to earn rentals (investment property) are also presented in assets leased out. These assets are recognized at cost less cumulative depreciation and impairment losses. Assets other than land are depreciated using the straight-line method over the estimated useful life. The useful lives underlying depreciation generally correspond to those of items of property, plant, and equipment used by the entity. The fair value of this property is disclosed in the notes to the consolidated financial statements. Fair value is estimated using internal calculations or appraisals prepared by external experts (based on recognized valuation techniques). These can be reused in subsequent years by adjusting the changing variables. The income value is determined on the basis of the rental income, taking into account additional factors such as land value, remaining useful life, administrative and maintenance costs, and a multiplier specific to commercial property.

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 these entities in which TRATON 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 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. Cost comprises directly attributable production costs and proportionate fixed and variable production overheads. Overheads are allocated on the basis of the 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.

FINANCIAL INSTRUMENTS

Primary financial instruments

Primary financial instruments mainly include trade receivables, financial services receivables, 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 (non-current). Correspondingly, borrowings from Volkswagen AG are recognized as financial liabilities. Deposits with globally positioned banks are also a standard practice.

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 furnished in this context. Correspondingly, the cash outflow is reported in net cash provided by operating activities. As of December 31, 2021, trade payables included €388 million (previous year: €317 million) attributable to supplier finance arrangements.

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 as 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 general principle, the TRATON GROUP does not apply the fair value option to financial assets or liabilities.

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.

When the contractual cash flows of a financial asset are renegotiated or modified (e.g., changes in the timing and/or amount of the cash flows) and this change results in a significant modification, the financial asset is derecognized and a new asset is recognized to reflect the adjusted cash flows and the adjusted effective interest rate. If changes in the contractual cash flows do not result in a significant modification, the financial asset is not derecognized. Instead, the gross carrying amount is recalculated using the original effective interest rate and a modification gain or loss is recognized in profit or loss. Each individual entity is responsible for monitoring the change in credit risk due to the modification, which is reflected in the credit risk rating grades. 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.

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: 2.5% of the receivable
- More than 91 days past due: 4.0% of the receivable

The 20% increase in the provision rates made in the prior-year period to take account of an expected increase in cash shortfalls in connection with the COVID-19 pandemic was reversed in the reporting period.

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

The TRATON GROUP is exposed to a range of financial risks on account of its operating business. The TRATON GROUP uses corresponding financial derivatives, such as swaps, forward contracts, and options to hedge foreign exchange (currency) risk, interest rate risk, and commodity price risk. 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 (referred to in the following as "derivatives not included in hedge accounting"). These gains and losses from measurement and realization are recognized in other operating income/expense or in financial result, 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 each hedging relationship for which hedge accounting is used, the designated amount of the hedged item corresponds to the volume of the hedging instrument.

In cash flow hedges, the hedging instruments are measured at fair value. 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.

Hedges are sometimes prolonged. This reflects the fact that the exact timing of the realization of cash flows cannot be predicted when highly probable expected cash flows are hedged. A hedge is only prolonged if the occurrence of the future cash flows is still highly probable. The hedging relationship is not terminated in that case; changes in the value of the derivative continue to be recognized in other comprehensive income and reclassified to profit or loss when the hedged item is realized.

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, life expectancies, 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 the 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 defined benefit asset or liability comprise actuarial gains and losses resulting from differences between the actuarial assumptions made and what has actually occurred, or 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 other comprehensive income, net of deferred taxes, in the period in which they arise.

OTHER PROVISIONS

General

Under IAS 37, 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 embodying economic benefits and whose amount can be measured reliably.

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 (see Note **"43. Contingent liabilities and commitments"**). 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.

SALES REVENUE

Revenue from contracts with customers

Sales revenue is recognized as soon as a performance obligation under a customer contract has been satisfied. Discounts, customer rebates, and other sales allowances reduce the transaction price. If a contract contains multiple performance obligations, the transaction price is allocated to the relevant performance obligations. 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.

Sales revenue from products is recognized when the customer obtains control of the products. As a rule, this is the date when the vehicle is delivered.

Sales revenue from contracts for services is recognized when the services have been rendered. In the case of long-term contracts for services, 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.

Warranties that the product sold matches the agreed specifications are accounted for as provisions. Extended warranties, which customers can purchase separately, are accounted for as a separate performance obligation. Revenue from extended warranties is recognized over the contract period.

TRATON uses the practical expedient to account for a significant financing component only in contracts for which TRATON expects the period between the transfer of the product or service to the customer and the customer payment to be more than one year.

Sales revenue from leases, buyback agreements, and customer finance
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.

In the case of operating leases and short-term vehicle rentals, sales revenue is recognized using the straight-line method over the term of the lease or rental. Leases and rentals relate primarily to new trucks and buses. Further information about operating and finance leases can be found in the **"Leases"** section.

Income from sale transactions in which a Group company incurs a buyback obligation at a predetermined value is not immediately recognized in full as revenue if control does not pass to the customer. The difference between the sale price and the present value of the buyback price is allocated as sales revenue over the period until the return of the vehicle on an accrual basis (recognized as a lease).

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 the 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.

Additionally, there are sales measures and customer loyalty programs that allow the customer to return an old vehicle at a certain time and a certain price when purchasing a new vehicle. The repurchase only happens if both parties to the contract agree on the conditions of the new vehicle. If the measures result in material benefits for the customer, the portion of sales revenue attributable to these measures is deferred and recognized when the new vehicle is sold.

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. Due to the large number of contracts, the obligation is calculated using the expected value method. As well as the right of return obligation, an asset is recognized for the underlying part. By contrast, sales revenue is not recognized this case.

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 indirect 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.

GOVERNMENT GRANTS
Government grants for expenses incurred are recognized in profit or loss in other operating income for the period or in the item in which the expenses to be offset are also recognized. Government grants for assets are deducted from the carrying amount of the asset to which the grant relates and therefore result in a lower depreciation charge over the useful life of the asset compared to depreciation without a grant. If a claim to a grant arises at a subsequent date, the amount of the grant attributable to previous periods is recognized in profit or loss.

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

Certain prior-period information was adjusted to reflect the current presentation to improve comparability. If material, the details of such information are contained in the relevant sections.

Additionally, certain prior-period data was adjusted. Material adjustments in the balance sheet and the income statement for the previous year are explained in the following.

In fiscal year 2021, some subsidiaries reviewed their account allocation for the classification of other current liabilities. This review resulted in a shift between the “Other current financial liabilities” and “Other current liabilities” balance sheet items as of December 31, 2020. The items concerned were adjusted as follows as of December 31, 2020:

BALANCE SHEET (EXTRACT)

€ million	12/31/2020	Increase/ decrease	12/31/2020 (adjusted)
Other current financial liabilities	1,561	293	1,855
Other current liabilities	3,626	–293	3,332

It was determined in fiscal year 2021 that some subsidiaries had reported effects from the translation of receivables/liabilities denominated in foreign currencies as an offset amount. The items concerned were adjusted as follows for fiscal year 2020:

INCOME STATEMENT (EXTRACT)

€ million	2020	Increase/ decrease	2020 (adjusted)
Other operating income	665	40	705
Other operating expenses	–825	–40	–865

5. 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. Additionally, estimates and the application of judgment were necessary for the preparation of these Consolidated Financial Statements due to the COVID-19 pandemic and the associated effects on the global economy as well as on the TRATON GROUP's financial position and results of operations. 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 currently presumes that the COVID-19 pandemic will be a temporary phenomenon that will not adversely affect the Group's business performance in the long term. We also consider the supply bottlenecks for semiconductors and other key bought-in parts to be temporary. This is reflected by the expected continuous improvement in operating return on sales and the underlying growth rates of the key markets across all cash-generating units to which goodwill is allocated. This planning reflects the assumption that existing supply bottlenecks will be eliminated in the course of 2022. We are currently not expecting any setbacks from the COVID-19 pandemic in the planning period.

In addition, the planning for all segments includes the expansion of electric mobility. The cornerstone of these ambitions will be laid with the planned joint venture to set up a charging infrastructure for trucks and buses.

The planning for MAN Truck & Bus includes the positive impact of the realignment program initiated in 2021. Another goal is to guide Navistar to new strength. The measures for doing so 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 Navistar's dealer and service network, which is already the largest in the North American market.

The Executive Board of the TRATON GROUP expects that, following on from the recovery in the past fiscal year, the global economy will continue to grow in 2022. However, the growth of the TRATON GROUP will be impacted by ongoing shortages in the supply of semiconductors and other key bought-in parts, as well as by increasing prices for energy and other commodities, especially in the first half of the year.

We expect that new registrations of medium- and heavy-duty trucks (> 6t or Class 6 through 8 in North America) in the Group's core geographic regions, i.e., in 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, Russia, South Africa, and Turkey will record generally positive growth compared with the previous year, with growth rates varying from region to region.

The market in the EU27+3 region is expected to expand noticeably because, due to existing supply shortages, it has so far not been possible to fully satisfy the high demand for trucks. We are also assuming a noticeable increase in demand in Brazil. For North America, we anticipate that demand will increase substantially compared with the previous year. We are expecting a moderate rise in demand in Russia and Turkey. We anticipate slight market growth in South Africa.

In the bus markets that are relevant for the TRATON GROUP (EU27+3 region, Brazil, school buses in North America), we are projecting rising demand for 2022, albeit with varied regional developments. We are expecting slight market growth in the EU27+3 region and thus the onset of a moderate recovery in the coach segment compared with the previous year as well as orders within the framework of government-subsidized programs. New registrations in Brazil and North America will likely be up sharply on in the previous year.

IMPACT 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, potential impact of future regulatory requirements, in particular of the associated transition to electric mobility, was taken into account. Potential effects, particularly on noncurrent assets, provisions for emissions levies, and future cash flows were taken into account as part of material estimates and assessments that are applied to the consolidated financial statements. The impact of the transition to electric mobility is taken into consideration for the medium-term planning and thus for deriving future cash flows to calculate the recoverable amount as part of testing goodwill and indefinite-lived intangible assets for impairment. In addition, it is assessed on a regular basis whether these developments require ad hoc impairment tests to be carried out for other noncurrent nonfinancial assets or whether their useful lives need to be adjusted. As emissions regulations become more stringent, management ensures that the various regulations that exist at international level are taken into account and any obligations are recognized in a due and proper manner. This did not have any material impact on the consolidated financial statements. 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 are derived from the detailed sales and revenue planning for commercial vehicles, profitability (gross margin) projections for products, and trends in the service business. Estimated cash flows after the end of the planning period are based on an annual growth rate of 1% (previous year: 1%). In the case of finite-lived assets, the asset's useful life can also be used.

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.

DETERMINATION OF FAIR VALUE IN BUSINESS COMBINATIONS

The fair value of assets acquired and liabilities assumed in a business combination is determined using recognized valuation techniques such as the relief-from-royalty method or the multiperiod excess earnings method if no observable market inputs are available.

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 discharge 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 **"35. Provisions for pensions and other post-employment benefits."** Remeasurements are recognized directly in equity through other comprehensive income and therefore have no effect on the gains or losses presented in the income statement.

Any changes in estimates of the amount of other provisions are always recognized in profit or loss. 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. The measurement assumptions are regularly reviewed as the restructuring program progresses. Litigation and other court proceedings lead to complex legal issues and entail numerous uncertainties. A provision is recognized for these if it is probable that an obligation persists in connection with these proceedings that is likely to lead to a future outflow of resources and its amount can be estimated reliably. Determining the amount of the provision is based on estimates of the amount of the loss and the probability of utilization. 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.

6. Segment reporting

REPORTING PERIOD JANUARY 1 TO DECEMBER 31, 2021

€ million	Scania Vehicles & Services	MAN Truck & Bus	Navistar Sales & Services	Volkswagen Caminhões e Ônibus	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**
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
Capital expenditures[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 Capital expenditures 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 Caminhões e Ônibus: €90 million; TRATON Financial Services: €7 million, reconciliation: €2,582 million.

REPORTING PERIOD JANUARY 1 TO DECEMBER 31, 2020

€ million	Scania Vehicles & Services	MAN Truck & Bus	Navistar Sales & Services	Volkswagen Caminhões e Ônibus	TRATON Financial Services	Total segments	Reconciliation	TRATON GROUP	of which TRATON Operations
Total sales revenue	**11,521**	**9,659**	**–**	**1,235**	**820**	**23,235**	**–656**	**22,580**	**22,152**
Intragroup sales revenue	–468	–185	–	–3	–4	–660	660	–	–393
External sales revenue	11,053	9,474	–	1,232	816	22,576	4	22,580	21,759
Depreciation and amortization	–1,029	–1,157	–	–51	–387	–2,624	361	–2,263	–2,236
Impairment losses	–26	–121	–	–1	0	–149	–31	–179	–149
Operating result	**748**	**–553**	**–**	**–15**	**107**	**287**	**–206**	**81**	**176**
Financial result	**–70**	**–17**	**–**	**–49**	**0**	**–135**	**20**	**–115**	**–135**
of which share of earnings of equity-method investments	16	18	–	–	–	35	49	84	35
Capital expenditures[1]	**833**	**450**	**–**	**80**	**2**	**1,365**	**–25**	**1,339**	**1,361**
Equity-method investments	84	67	–	–	–	150	1,230	1,380	150

1 Capital expenditures 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 €1,577 million was distributed as follows in fiscal year 2020: Scania Vehicles & Services: €959 million; MAN Truck & Bus: €555 million; Volkswagen Caminhões e Ônibus: €84 million; TRATON Financial Services: €6 million, reconciliation: €–27 million.

In the course of the Navistar takeover, the TRATON GROUP's structure was realigned to reflect the current and future relative sizes of the different former operating units, resulting in changes to the segment structure. Previously, the TRATON GROUP reported the Industrial Business and Financial Services segments. Starting at the end of 2021, the Group's production and marketing activities are being divided between the Scania Vehicles & Services, MAN Truck & Bus, Navistar Sales & Services, and Volkswagen Caminhões e Ônibus segments. To ensure comparability of the figures for fiscal year 2021 with the prior period, the figures for fiscal year 2020 were adjusted to reflect the new segment structure.

The new classification also 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. As an additional reference, we report the TRATON Operations business area, which corresponds to the consolidated value of the four (previous year: three) 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, Canada, Mexico, and Brazil.

Volkswagen Caminhões e Ônibus 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 Caminhões e Ônibus, Volkswagen Financial Services AG and its subsidiaries provide similar financing solutions outside the TRATON GROUP.

Segment result in the TRATON GROUP is determined on the basis of operating result, which is calculated as earnings before tax and before financial result.

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 the 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. Capital expenditures in intangible assets, property, plant, and equipment, and investment property are reported exclusive of additions of right-of-use assets under IFRS 16.

The reconciliation of the segment amounts to the corresponding Group accounts is shown in the following tables:

RECONCILIATION TO THE TRATON GROUP'S SALES REVENUE

€ million	2021	2020
External sales revenue (total segments)	**31,496**	**23,235**
External sales revenue, TRATON Holding	11	10
Effects from purchase price allocation not allocated to the segments	–15	–
Consolidation	–872	–665
Sales revenue (TRATON GROUP)	**30,620**	**22,580**

RECONCILIATION TO THE TRATON GROUP'S EARNINGS BEFORE TAX

€ million	2021	2020
Operating result (total segments)	**927**	**287**
Operating result, TRATON Holding	–244	–181
Earnings effects from purchase price allocation not allocated to the segments	–291	–20
Consolidation	1	–5
Operating result (TRATON GROUP)	**393**	**81**
Financial result	255	–115
Earnings before tax	**648**	**–34**

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
2021								
Noncurrent assets (excluding financial instruments, equity investments, and deferred taxes) as of 12/31/2021	5,408	13,155	7,079	730	1,607	147	684	28,810
Sales revenue[1]	4,321	12,920	2,728	762	3,465	1,074	5,350	30,620
2020								
Noncurrent assets (excluding financial instruments, equity investments, and deferred taxes) as of 12/31/2020	5,391	13,011	2	26	1,294	128	616	20,468
Sales revenue[1]	4,112	11,146	85	127	1,896	855	4,358	22,580

1 Allocation of sales revenue to the regions follows the destination principle.

2 Also includes sales revenue from hedging transactions

7. Navistar acquisition

A TRATON GROUP company acquired all outstanding shares of US commercial vehicle manufacturer Navistar on July 1, 2021. The cash purchase price was €3,118 million (USD 3,700 million). TRATON SE now indirectly holds all shares of Navistar International Corporation, which was previously accounted for as an equity-method investment (16.7% interest). Navistar shares have been delisted from the New York Stock Exchange.

The transaction builds on the existing strategic partnership with Navistar. For the TRATON GROUP, it means entering the important North American market.

Initial accounting for the acquisition has not been finalized due to the size of the transaction, as internal examinations of the information underlying purchase price allocation have not yet been completed. Accordingly, the amounts recognized as of December 31, 2021, are preliminary.

The goodwill of €2,783 million resulting from the acquisition reflects the synergies arising from the business activities with Navistar, in particular through expanding market share, purchasing, production costs, modularization and the use of common components, and research and development.

The fair value of the equity interest in Navistar that the TRATON GROUP held directly prior to the acquisition date was determined on the basis of the stock market price of USD 44.50 per share at the acquisition date and amounts to €624 million. Remeasurement of this equity interest results in income of €219 million. In addition, because of the derecognition of the equity-method interest in the course of the first-time consolidation of Navistar, an expense of €37 million recognized in other comprehensive income was reclassified to the income statement. In total, this resulted in income of €182 million, which is reported in the share of earnings of equity-method investments.

To finance the acquisition, TRATON SE took out an acquisition loan (see Note **"41. Financial risk management and financial instruments"**) and used existing cash funds and investment deposits with Volkswagen AG. The purchase price was fully hedged by foreign currency derivatives.

The preliminary allocation of the purchase price to the assets acquired and liabilities assumed is presented in the following:

€ million	Preliminary fair values as of 07/01/2021
Consideration transferred:	
Cash and cash equivalents	3,118
Settlement of preexisting relationships	126
Replacement of share-based payment awards	22
Total	**3,266**

€ million	Preliminary fair values as of 07/01/2021
Net assets acquired:	
Intangible assets	3,542
of which customer relationships	2,163
of which trademarks	736
Property, plant, and equipment	917
Assets leased out	316
Other equity investments	621
Noncurrent receivables and financial assets	369
Inventories	1,045
Current receivables and financial assets	1,732
Cash and cash equivalents	565
Deferred tax assets	600
Total assets	**9,709**
Noncurrent financial liabilities	509
Provisions for pensions and other post-employment benefits	1,066
Deferred tax liabilities	114
Other noncurrent liabilities and provisions	695
Current financial liabilities	3,322
Other current liabilities and provisions	2,894
Total liabilities	**8,599**
Total net assets acquired	**1,109**

CALCULATION OF PRELIMINARY GOODWILL

€ million	
Consideration transferred	3,266
Noncontrolling interests	3
Fair value of previously held equity interest	624
less	
Net assets acquired	1,109
Goodwill	**2,783**

The amount included in the consideration transferred for the settlement of preexisting relationships of €126 million corresponds to the fair value of the receivables from and payables to Navistar in the TRATON GROUP as of the acquisition date. The fair value of one receivable of MAN Truck & Bus from Navistar from the termination of a development project exceeds the previously reported carrying amount by €12 million. The difference was recognized in other operating income in profit or loss.

Receivables and financial assets include the following groups of receivables whose gross amounts differ from their fair values:

€ million	Gross amount	Expected uncollectible amount
Receivables from financing business	924	15
Lease receivables	201	36
Trade receivables	501	15
Other receivables	512	1

Transaction costs incurred as a result of the implementation of the merger in the period up to December 31, 2021, were recognized in administrative expenses in the amount of €34 million.

As a result of the consolidation of Navistar as of July 1, 2021, the TRATON GROUP's sales revenue as of December 31, 2021, increased by €3,494 million and its earnings after tax decreased by €217 million, taking into account the depreciation of uncovered hidden reserves.

If Navistar had already been included in the consolidated financial statements of the TRATON GROUP since January 1, 2021, the consolidated sales revenue after consolidation reported as of December 31, 2021, would have been €34,222 million and the reported earnings after tax would have been €526 million lower, at €–55 million. These pro-forma figures were calculated for comparison only. The pro-forma sales revenue and earnings after tax figures do not provide a reliable indication of either the operating result that would have actually been achieved had the acquisition taken place as of January 1, 2021, or of any future results.

8. Noncurrent assets or disposal groups held for sale

The disposal of MAN Truck & Bus Österreich GmbH, Steyr, Austria (MTBÖ) was completed effective August 31, 2021, in the course of restructuring measures. MTBÖ's assets and liabilities were presented as a disposal group in the TRATON GROUP's financial statements from June 10, 2021 (date when the purchase agreement was signed) until the disposal. MTBÖ's assets and liabilities as of the date of the disposal can be disaggregated as follows:

€ million	08/31/2021
Deferred tax assets	3
Inventories	2
Trade receivables and other current assets	151
Cash and cash equivalents	199
Total assets	**355**
Pension provisions	90
Deferred tax liabilities	2
Other provisions	24
Trade payables and other liabilities	95
Total liabilities	**211**

In connection with the disposal, an expense was recognized, €160 million of which was primarily attributable to impairment losses on property, plant, and equipment, and €144 million to a deconsolidation loss. The entire expense is reported in other operating expenses; the related assets and liabilities are allocated to the MAN Truck & Bus segment. Additionally, MTBÖ reported accumulated losses from pension plan remeasurements amounting to €50 million in accumulated other comprehensive income that was reclassified to the TRATON GROUP's retained earnings, rather than profit or loss, as of the disposal. The disposal of the interest in MTBÖ resulted in a net outflow of cash amounting to €199 million, which is presented in net cash provided by/used in investing activities.

The disposal of the MAN facility in Plauen was completed effective March 31, 2021. This resulted in a loss on disposal of property, plant, and equipment of €13 million, which is reported in other operating expenses.

Income statement disclosures

9. Sales revenue

STRUCTURE OF SALES REVENUE

€ million	Scania Vehicles & Services	MAN Truck & Bus	Navistar Sales & Services	Volkswagen Caminhões e Ônibus	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[1]	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**

€ million	Scania Vehicles & Services	MAN Truck & Bus	Navistar Sales & Services	Volkswagen Caminhões e Ônibus	TRATON Financial Services	Reconciliation	2020	of which TRATON Operations
New vehicles	6,890	5,353	–	1,173	–	–36	13,380	13,385
Genuine parts	1,802	1,392	–	70	–	–16	3,248	3,249
Used vehicles and third-party products[1]	856	667	–	2	5	–1	1,530	1,525
Engines, powertrains, and parts deliveries	302	575	–	–	–	–207	669	669
Workshop services	787	652	–	4	–	–1	1,442	1,443
Rental and leasing business	753	875	–	–	433	–382	1,680	1,628
Interest and similar income	8	–	–	–	381	–3	387	8
Other sales revenue	124	146	–	–14	–	–10	245	245
	11,521	**9,659**	**–**	**1,235**	**820**	**–656**	**22,580**	**22,152**

1 Since 2021 including Navistar Class 4/5 contract manufacturing for third parties; since 2021 including sales of leased out used vehicles, previously included in rental and leasing business, also adjusted for 2020

Sales revenue in fiscal year 2021 includes revenue from operating leases of €1,321 million (previous year: €1,241 million).

Other sales revenue includes revenue from product-related royalties. The "Reconciliation" column contains consolidation adjustments between the reporting segments and TRATON holding companies.

Sales revenue recognized in the reporting period that was included in contract liabilities at the beginning of the reporting period (see Note **"34. Other liabilities"**) amounted to €1,767 million (previous year: €1,284 million).

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. As well as standard statutory warranties, the Group also offers service guarantees.

Performance obligations in connection with the transfer of products are satisfied when the customer obtains control of those products. That is normally the case when the product is delivered to the customer and the customer has accepted the vehicle.

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. Contracts do not contain any significant financing components. 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, the Group normally receives the payment from that party shortly after the customer has received the vehicle.

Performance obligations relating to service contracts and service guarantees are recognized over the term of the contract. 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 of service fees match the services provided, the sales revenue recognized corresponds to the fees paid.

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.

Allocation of transaction price to the remaining performance obligations

The total transaction price for unsatisfied or partly satisfied performance obligations at the end of the reporting period and the expected timing of revenue recognition are as follows:

€ million	2021	2020
Expected timing of revenue recognition		
Up to one year	21,319	8,420
1 to 5 years	1,971	1,746
More than 5 years	211	255
	23,501	**10,422**

The transaction price for the remaining performance obligations 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. The increase in order backlog was largely attributable to both the first-time consolidation of Navistar and the shortages of semiconductors and the resulting supply bottlenecks.

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.

10. 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 €579 million (previous year: €519 million) attributable to the TRATON Financial Services segment for the fiscal year ended December 31, 2021.

Research and development costs are contained in cost of sales and are broken down as follows:

€ million	2021	2020
Primary R&D costs	1,473	1,165
of which capitalized development costs	468	316
Capitalization ratio (in %)	32%	27%
Amortization of, and impairment losses on, capitalized development costs	299	265
Research and development costs recognized in the income statement	**1,303**	**1,114**

ADMINISTRATIVE EXPENSES

The administrative expenses mainly include personnel costs and nonstaff overheads, as well as depreciation and amortization applicable to the administrative functions. The €329 million increase compared with the previous year is primarily attributable to the first-time consolidation of Navistar, accounting for €269 million.

PERSONNEL

Personnel expenses rose by €1,067 million year-on-year. Among other things, this reflected the expenses in connection with restructuring measures for the repositioning of MAN Truck & Bus as well as the initial consolidation of Navistar. In addition, a significant year-on-year decrease in government grants related to income resulted in an increase in personnel expenses. In the previous year, many governments launched short-time working programs and similar measures to support workforce employment in response to the COVID-19 pandemic. Government grants related to income, which are contained in personnel expenses, amounted to €30 million (previous year: €126 million) in fiscal year 2021 and were reported as deductions from the related expenses.

PERSONNEL EXPENSES

€ million	2021	2020
Wages and salaries	4,879	3,940
Social security, post-employment, and other benefit costs	1,238	1,109
Personnel expenses	**6,116**	**5,049**

Post-employment benefit costs amounted to €287 million (previous year: €281 million).

AVERAGE ANNUAL NUMBER OF EMPLOYEES

	2021	2020
Performance-related wage-earners	40,803	37,563
Salaried staff	50,196	45,880
Total number of employees	**90,999**	**83,443**
of which in the passive phase of partial retirement	513	503
Vocational trainees	3,149	3,696
Total headcount	**94,148**	**87,139**

The increase is due primarily to the initial consolidation of Navistar, where an average of 14,335 employees had been employed since July 1, 2021, the acquisition date.

11. Other operating income

€ million	2021	2020
Gains from exchange rate movements[1]	389	467
Income from reversal of provisions and accruals	54	15
Income from foreign currency derivatives not included in hedge accounting	53	61
Income from cost allocations	46	38
Gains on disposal of noncurrent assets	33	19
Rental and lease income	20	16
Miscellaneous income	148	89
	744	**705**

1 Prior-period amounts adjusted. See Note **"4. Accounting policies – Prior-period information"** for more details

Gains from exchange rate movements 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 foreign currency 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. Exchange rate losses are reported in other operating expenses.

Miscellaneous income contains royalty income of MAN Energy Solutions amounting to €26 million (previous year: €25 million). Value-added tax refunds for fiscal years 2017 to 2019 resulted in additional income of €22 million.

Miscellaneous income also includes government grants of €7 million (previous year: €4 million) for expenses incurred.

12. Other operating expenses

€ million	2021	2020
Losses from exchange rate movements[1]	387	479
Expenses for litigation and legal risks	621	102
Expenses for personnel measures due to restructurings	333	–
Losses from foreign currency derivatives not included in hedge accounting	60	84
Losses on disposal of noncurrent assets	31	10
Miscellaneous expenses	497	190
	1,927	**865**

1 Prior-period amounts adjusted. See Note **"4. Accounting policies – Prior-period information"** for more details

Expenses for litigation refer mainly to expenses in connection with the antitrust proceedings initiated by the European Commission against European truck manufacturers. The increase is attributable primarily to additions of €510 million to provisions at Scania Vehicles & Services that had already been recognized in connection with this matter.

Expenses for personnel measures (including severance payments and partial retirement arrangements) in the amount of €330 million were 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.

Losses from foreign currency 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.

MTBÖ was sold in the course of the restructuring measures for the repositioning. 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 were recognized in miscellaneous expenses.

Miscellaneous expenses also include expenses in connection with an engine project between MAN Truck & Bus and Navistar International Corporation, Lisle, Illinois, USA (Navistar), in addition to expenses for other personnel costs.

13. Share of earnings of equity-method investments

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€ million	2021	2020
Income from equity-accounted investments	437	154
of which from associates	434	145
of which relating to joint ventures	3	9
Expenses relating to equity-accounted investments	–5	–70
of which from associates	–5	–70
Share of earnings of equity-method investments	**432**	**84**

The increase in the share of earnings attributable to Sinotruk (Hong Kong) Limited, Hong Kong, China (Sinotruk) had a positive effect on income from associates. The share of earnings attributable to the TRATON GROUP increased to €244 million (previous year: €116 million).

In addition, the Navistar equity interest held immediately prior to the business combination was remeasured as part of the company's first-time consolidation, resulting in an increase in earnings of equity-method investments (see Note **"7. Navistar acquisition"**). The reclassification of gains and losses that had previously been recognized in other comprehensive income to the income statement and Navistar's earnings of €–24 million (fiscal year 2020: €–66 million) for the first half of 2021 had an offsetting effect.

14. Net interest expense

€ million	2021	2020
Interest and similar income	122	70
Interest and similar expenses	–279	–168
Interest expense for lease liabilities	–29	–32
Net interest on the net liability for pensions and other post-employment benefits	–39	–26
Unwinding of discount and effect of change in discount rate on liabilities and other provisions	–1	–1
Net interest expense	**–227**	**–157**

Interest on tax refunds positively affected interest income in the current fiscal year. 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. Expenses rose by €110 million in connection with the significant increase in the volume of financing. In 2021, expenses were incurred for the first time for the €12,000 million European Medium Term Notes program of TRATON Finance Luxembourg S.A., Strassen, Luxembourg (TRATON Finance), which saw notes in the principal amount of €4,300 million being issued. VWCO recorded higher interest expenses because of the rise in interest rates in Brazil.

In the year under review, interest expense was also incurred in connection with provisions for the EU antitrust proceedings. See Note **"44. Litigation/legal proceedings"** for further disclosures on the antitrust proceedings.

Interest expenses contain negative interest of €5 million on financial assets.

Interest income and expenses contain realized income and expenses from interest rate derivatives on net liquidity positions.

15. Other financial result

€ million	2021	2020
Other income from equity investments	7	1
Other expenses from equity investments	–4	–2
Income and expense from profit and loss transfer agreements	1	1
Realized income and expense of loan receivables and payables in foreign currency	–84	–350
Gains/losses from remeasurement of financial instruments	434	–366
Gains/losses from changes in the fair value of derivatives not included in hedge accounting	–305	674
Other financial result	**49**	**–43**

The fair value changes from derivatives not included in hedge accounting largely offset the currency translation effects on net debt in both items.

16. Income taxes

COMPONENTS OF TAX INCOME AND EXPENSE

€ million	2021	2020
Current tax expense (+)/income (–), Germany	–5	86
Current tax expense (+)/income (–), outside Germany	533	291
Current income taxes	**528**	**378**
of which prior-period expense (+)/income (–)	–38	11
Deferred tax expense (+)/income (–), Germany	–162	–269
Deferred tax expense (+)/income (–), outside Germany	–188	–20
Deferred tax expense (+)/income (–)	**–350**	**–288**
Income taxes	**178**	**89**

The statutory corporate income tax rate in Germany for the 2021 assessment period was 15%. Including trade tax and the solidarity surcharge, this produces an aggregate tax rate of 31.9% (previous year: 33.0%). The reason for the year-on-year decline was mainly the expansion of TRATON SE's consolidated tax group, among other things in connection with the merger of MAN SE with TRATON SE (merger squeeze-out).

The measurement of deferred taxes in the German consolidated tax group as of December 31, 2021, was based on a tax rate of 31.9% (previous year: 33.0%).

The local income tax rates applied to foreign companies vary between 0 and 50%. 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 €2 million (previous year: €3 million) at Group level in 2021.

The realization of tax loss carryforwards from previous years reduced current income tax expense in 2021 by €36 million (previous year: €19 million).

The current income taxes in the reporting period decreased by €24 million (previous year: €16 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 €50 million (previous year: €4 million) reduction in deferred tax expense in 2021.

TAX LOSS CARRYFORWARDS

€ million	12/31/2021	12/31/2020
Available for an indefinite period[1]	1,937	1,278
Limit on utilization within the next 10 years	165	158
Limit on utilization between 11 and 20 years[1]	2,866	651
Total currently unused tax loss carryforwards	**4,968**	**2,087**
Indefinite tax loss carryforwards[1]	835	1,096
Expire within the next 10 years	139	133
Expire between 11 and 20 years[1]	673	651
Total unusable tax loss carryforwards	**1,646**	**1,880**

1 Prior period adjusted

WRITE-DOWNS OF DEFERRED TAX ASSETS

€ million	12/31/2021	12/31/2020
Deferred tax expense resulting from the write-down of a deferred tax asset	4	11
Deferred tax income resulting from the reversal of a write-down of a deferred tax asset	–42	–8

Tax credits granted by various countries amounted to €172 million (previous year: €13 million) as of December 31, 2021.

NONRECOGNITION OF DEFERRED TAX ASSETS

€ million	12/31/2021	12/31/2020
for deductible temporary differences	10	–
for tax credits that would expire in the next 20 years	137	–
for tax credits that will not expire	–	–

No deferred taxes were recognized for the retained earnings of €30,434 million (previous year: €25,383 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 €1,351 million (previous year: €135 million) were recognized as of December 31, 2021, 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 2021, total deferred taxes of €8 million (previous year: €19 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	2021	2020
Intangible assets	109	5
Property, plant, and equipment, and assets leased out	61	56
Noncurrent financial assets	78	1
Inventories	42	30
Receivables and other assets (including financial services receivables)	239	185
Pensions and other post-employment benefits	734	504
Liabilities and other provisions	2,665	2,091
Loss allowances on deferred tax assets from temporary differences	–11	–9
Temporary differences, net of loss allowances	3,916	2,862
Tax loss carryforwards, net of loss allowances	876	59
Tax credits, net of loss allowances	39	13
Value before consolidation and offset	**4,831**	**2,933**
of which attributable to noncurrent assets and liabilities	3,676	2,157
Offset	–3,395	–2,405
Consolidation	678	703
Amount recognized	**2,114**	**1,231**

DEFERRED TAX LIABILITIES

€ million	2021	2020
Intangible assets	1,656	840
Property, plant, and equipment, and assets leased out	1,954	1,846
Noncurrent financial assets	115	28
Inventories	50	44
Receivables and other assets (including financial services receivables)	196	179
Pensions and other post-employment benefits	2	0
Liabilities and other provisions	147	224
Temporary differences	4,119	3,161
Value before consolidation and offset	**4,119**	**3,161**
of which attributable to noncurrent assets and liabilities	3,890	2,854
Offset	–3,395	–2,405
Consolidation	79	10
Amount recognized	**803**	**767**

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. Deferred tax assets rose by €884 million year-on-year, largely due to the first-time consolidation of Navistar, including earnings effects of €730 million from purchase price allocation, as well as the recognition of tax loss carryforwards in TRATON SE's tax group in the amount of €115 million.

RECONCILIATION OF EXPECTED TO EFFECTIVE INCOME TAX EXPENSE

€ million	2021	2020
Earnings before income tax	648	–34
Expected income tax expense (+)/income (–) (tax rate: 31.9%; previous year: 33.0%)	**207**	**–11**
Reconciliation:		
Effect of different tax rates outside Germany	–21	–45
Proportion of taxation relating to:		
tax-exempt income	–172	–45
expenses not deductible for tax purposes	235	71
effects of loss carryforwards and tax credits	–126	72
Prior-period tax expense and tax risks	22	35
Effect of tax rate changes	2	3
Other taxation changes	32	11
Effective income tax expense (+)/income (–)	**178**	**89**
Effective tax rate (in %)	**27**	**–261**

17. Earnings per share

€ million	2021	2020
Earnings after tax (attributable to shareholders of TRATON SE)	457	–101
Number of shares outstanding	500,000,000	500,000,000
Earnings per share (€)	**0.91**	**–0.20**

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

Balance sheet disclosures

18. Goodwill

CHANGES IN GOODWILL

€ million	2021	2020
Cost		
Balance as of 01/01	**3,374**	**3,347**
Currency translation differences	74	25
Additions from business combinations	2,788	2
Disposals of subsidiaries	–1	–
Balance as of 12/31	**6,234**	**3,374**
Depreciation and amortization		
Balance as of 01/01	**69**	**69**
Balance as of 12/31	**69**	**69**
Carrying amount as of 12/31	**6,166**	**3,305**

€2,783 million of the additions from business combinations is attributable to the Navistar acquisition (see Note **"7. Navistar acquisition"**).

The allocation of goodwill to the segments is shown in the following table:

€ million	12/31/2021	12/31/2020
Goodwill by segment		
MAN Truck & Bus	222	222
Scania Vehicles and Services	2,749	2,808
Volkswagen Caminhões e Ônibus	277	275
Navistar Sales & Services	2,917	–
	6,166	**3,305**

19. Intangible assets

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	736	2,164	416	228	3,544
Transfers	–	–	0	8	8
Disposals	–	–	–2	–20	–22
Disposals of subsidiaries/reclassification to assets held for sale	–	–	–63	–5	–68
Balance as of 12/31/2021	**1,757**	**2,832**	**5,826**	**659**	**11,074**
Amortization and impairment					
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	–	–	–63	–6	–69
Balance as of 12/31/2021	**37**	**603**	**2,905**	**383**	**3,929**
Carrying amount as of 12/31/2021	**1,720**	**2,228**	**2,921**	**276**	**7,145**

CHANGES IN INTANGIBLE ASSETS IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2020

€ million	Brand names	Customer relationships	Capitalized development costs	Other intangible assets	Total
Cost					
Balance as of 01/01/2020	**983**	**637**	**4,722**	**449**	**6,791**
Currency translation differences	24	–73	4	–34	–79
Additions	–	1	316	16	333
Transfers	–	–	0	7	7
Disposals	–	–	0	–13	–13
Balance as of 12/31/2020	**1,007**	**566**	**5,042**	**424**	**7,038**
Amortization and impairment					
As of 01/01/2020	**52**	**512**	**2,397**	**353**	**3,314**
Currency translation differences	–15	–37	42	–32	–42
Additions to cumulative amortization	–	11	236	37	283
Additions to cumulative impairment losses	–	–	31	1	32
Disposals	–	–	–	–9	–9
Balance as of 12/31/2020	**37**	**486**	**2,705**	**350**	**3,578**
Carrying amount as of 12/31/2020	**971**	**80**	**2,336**	**74**	**3,461**

The levels on which impairment tests are performed for brand names are outlined in Note **"4. Accounting policies."** The allocation of the brand names to the segments is shown in the following table:

€ million	12/31/2021	12/31/2020
Brand names by segment	**1,720**	**971**
Scania Vehicles and Services	949	971
Navistar Sales & Services	748	–
TRATON Financial Services	23	–

Other intangible assets comprise in particular licenses, software, and similar rights. Along with customer relationships and capitalized development costs, these are finite-lived assets. Amortization and impairment losses are included in the functional expenses, in particular cost of sales and distribution expenses.

20. Property, plant, and equipment

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	Payments on account 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	400	201	117	202	921
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	**5,618**	**4,733**	**3,031**	**1,334**	**14,717**
Depreciation and impairment					
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	**3,801**	**1,683**	**1,246**	**1,331**	**8,060**

Impairment losses of €159 million were recognized on property, plant, and equipment in fiscal year 2021, mainly in connection with the disposal of MTBÖ. The entire expense is reported in other operating expenses; the related assets and liabilities are allocated to the MAN Truck & Bus segment.

CHANGES IN PROPERTY, PLANT, AND EQUIPMENT IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2020

€ million	Land, land rights, and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and assets under construction	Total
Cost					
Balance as of 01/01/2020	**4,877**	**4,367**	**2,578**	**731**	**12,553**
Currency translation differences	–86	–87	–62	–4	–238
Additions	216	77	278	643	1,215
Additions from business combinations	–	14	–	0	14
Transfers	71	166	143	–388	–7
Disposals	–60	–68	–113	–10	–251
Balance as of 12/31/2020	**5,018**	**4,469**	**2,824**	**974**	**13,285**
Depreciation and impairment					
As of 01/01 2020	**1,503**	**2,716**	**1,542**	**2**	**5,763**
Currency translation differences	–18	–34	–37	–1	–90
Additions to cumulative depreciation	241	342	272	–	855
Additions from business combinations	–	3	–	–	3
Additions to cumulative impairment losses	15	9	6	1	32
Disposals	–30	–57	–99	–	–186
Balance as of 12/31/2020	**1,712**	**2,979**	**1,684**	**2**	**6,377**
Carrying amount as of 12/31/2020	**3,306**	**1,490**	**1,140**	**971**	**6,908**

In the prior-year period, impairment losses on property, plant, and equipment resulted mainly from the reorganization of production facilities at Scania Vehicles & Services. These were reported in cost of sales.

The right-of-use assets contained in property, plant, and equipment are explained in Note **"37. 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 €95 million (previous year: €44 million). Lease income from investment property amounted to €5 million (previous year: €3 million) in the reporting period. As a general rule, fair value is calculated using an income capitalization approach based on internal data or using internal calculations (Level 3 in the fair value hierarchy). Depreciation and impairment losses are included in the functional expenses.

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
Changes in basis of consolidation	262	48	–1	310
Additions	2,309	–	0	2,309
Transfers	–	2	0	2
Disposals	–2,160	0	1	–2,159
Balance as of 12/31/2021	**9,785**	**94**	**44**	**9,922**
Depreciation and impairment 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
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**

CHANGES IN ASSETS LEASED OUT IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2020

€ million	Vehicles leased out	Investment property	Other assets leased out	Total
Cost				
Balance as of 01/01/2020	**9,605**	**47**	**43**	**9,695**
Currency translation differences	–502	–	2	–500
Changes in basis of consolidation	–	–	–	–
Additions	1,962	1	0	1,963
Disposals	–2,091	–6	–	–2,098
Balance as of 12/31/2020	**8,975**	**42**	**45**	**9,061**
Depreciation and impairment As of 01/01/2020	**2,500**	**39**	**37**	**2,576**
Currency translation differences	–357	–	2	–355
Additions to cumulative depreciation	1,124	0	0	1,124
Additions to cumulative impairment losses	115	–	–	115
Disposals	–889	–6	–	–895
Balance as of 12/31/2020	**2,493**	**33**	**39**	**2,565**
Carrying amount as of 12/31/2020	**6,482**	**9**	**5**	**6,496**

In the case of vehicles leased out, the review of the forecast residual values in 2020 due to the COVID-19 pandemic resulted in impairment losses of €115 million. Many of the restrictions were relaxed in the course of 2021 as a result of the rising vaccination rate. Due to this and due to the recovery in the used vehicle market, impairment losses of €46 million were reversed in the reporting period.

Impairment losses and reversals of impairment losses are largely presented in the MAN Truck & Bus segment and contained in cost of sales.

The acquisition of Navistar accounts for the bulk of the change in cost attributable to the basis of consolidation.

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 €938 million (previous year: €1,436 million) as of December 31, 2021.

Summarized financial information for Sinotruk on a 100% basis and reconciliation to the carrying amounts

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	2021[1]	2020[1]
Sales revenue	15,273	9,072
Earnings after tax from continuing operations	1,057	538
Other comprehensive income	–10	–1
Total comprehensive income	**1,047**	**537**
Dividend received[2]	75	30

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	12/31/2021[1]	12/31/2020[1]
Noncurrent assets	3,852	2,578
Current assets	12,346	8,755
Noncurrent liabilities and provisions	161	185
Current liabilities and provisions	10,499	7,180
Net assets	**5,539**	**3,969**
Reconciliation of the financial information to the carrying amount of the equity-accounted investments		
Net assets	5,539	3,969
Noncontrolling interests	978	405
Net assets attributable to shareholders	4,560	3,564
Interest held by TRATON (in %)	25	25
Net assets attributable to the TRATON GROUP	**1,140**	**891**
Goodwill, effects of purchase price allocation, currency translation differences, and other changes	–63	–37
Carrying amount as of 12/31	**1,077**	**854**

1 Amounts shown relate to the reporting period ended June 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 **"7. Navistar acquisition"**).

Summarized financial information on individually immaterial associates of the TRATON GROUP based on its proportionate interest

The carrying amounts of other associates amounted to €134 million (previous year: €90 million) as of December 31, 2021. The following table contains summarized financial information on the other associates; the disclosures relate to the Group's share of the investees in all cases:

€ million	2021	2020
Earnings after tax from continuing operations	21	19
Other comprehensive income	–1	–1
Total comprehensive income	21	18

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 €68 million (previous year: €60 million) as of December 31, 2021. 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	2021	2020
Earnings after tax from continuing operations	3	9
Total comprehensive income	3	9

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	12/31/2021	12/31/2020	2021	2020
TuSimple	500	14	–	–
Northvolt AB	97	28	–	–
H2GS	10	–	–	–
Other investees	12	5	1	0
	618	**47**	**1**	**0**

There was a very sharp rise in the carrying amount of other investments measured at fair value directly in other comprehensive income. This is attributable in particular to the addition of interests in TuSimple in the course of the Navistar acquisition and the exercise by TRATON of an option to acquire further interests in TuSimple. The interests in Northvolt AB increased following a successful round of financing and the acquisition of additional interests.

24. Financial services receivables

€ million	Carrying amount			Carrying amount		
	current	noncurrent	12/31/2021	current	noncurrent	12/31/2020
Receivables from financing business						
Customer financing	1,408	2,700	4,107	1,061	2,020	3,081
Dealer financing	881	2	882	372	3	374
	2,288	**2,701**	**4,989**	**1,432**	**2,023**	**3,455**
Receivables from operating leases	2	–	2	2	–	2
Receivables from finance leases	1,811	3,133	4,944	1,523	2,760	4,283
	4,102	**5,834**	**9,936**	**2,957**	**4,783**	**7,741**

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 **"38. The TRATON GROUP as lessor"** and **"41. Financial risk management and financial instruments."**

The major portion of the increase in financial services receivables compared with the previous year is attributable to the acquisition of Navistar.

As of December 31, 2021, financial services receivables contained related party balances of €8 million (previous year: €7 million), mainly for rental agreements.

25. Other financial assets

€ million	12/31/2021	12/31/2020
Positive fair value of derivatives	262	503
Restricted balances	53	0
Receivables from loans (excluding interest)	15	15
Miscellaneous financial assets	441	369
	771	**888**

Derivatives are measured at fair value. In the prior-year period, the positive fair value of derivatives increased due to the depreciation of the Brazilian real against the euro and the US dollar and due to fluctuations in the Swedish krona and various other currencies as a result of the economic impact of the COVID-19 pandemic. In fiscal year 2021, a number of currency swaps that had high positive fair values due to sharp price movements in the previous years were settled and replaced by new derivatives. In addition, the recovery of the Brazilian real against the euro and of various other currencies against the Swedish krona reduced the positive fair value of derivatives. Further information on derivatives as a whole can be found in Note **"41. Financial risk management and financial instruments."**

Restricted balances mainly serve as collateral in the context of asset-backed securities transactions.

The increase in miscellaneous financial assets is mainly due to the initial consolidation of Navistar. The item includes reimbursement claims, insurance management receivables, and guarantee credits, among others.

As of December 31, 2021, other financial assets contained related party receivables of €49 million (previous year: €88 million). Of this amount, €10 million (previous year: €9 million) is attributable to receivables from loans.

Other financial assets are reported in the following balance sheet items:

€ million	12/31/2021	12/31/2020
Other noncurrent financial assets	192	435
Other current financial assets	579	453

26. Other receivables

€ million	12/31/2021	12/31/2020
Recoverable taxes	1,003	670
Miscellaneous receivables	673	450
	1,676	**1,120**

The increase in recoverable taxes is primarily due to higher value-added tax and indirect tax receivables, above all in Brazil.

Miscellaneous receivables include €63 million (previous year: €1 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. The increase in miscellaneous receivables is also due in part to the positive change in plan assets for pension obligations, especially in Switzerland and the United Kingdom.

As of December 31, 2021, other receivables contained related party balances of €23 million (previous year: €16 million).

Other receivables are reported in the following balance sheet items:

€ million	12/31/2021	12/31/2020
Other noncurrent receivables	435	269
Other current receivables	1,240	851

Other current receivables are predominantly noninterest-bearing.

27. Inventories

€ million	12/31/2021	12/31/2020
Raw materials, consumables, and supplies	1,204	620
Work in progress	783	415
Finished goods and purchased merchandise	3,467	3,274
Prepayments	1	16
	5,456	**4,325**

Semiconductor shortages and the resulting supply bottlenecks had an increasingly negative impact on the entire industry. TRATON's production was also affected. This was reflected in an increase in raw materials and work in progress in fiscal year 2021.

Inventories of €24,788 million (previous year: €18,826 million) were recognized in cost of sales at the same time as the sales revenue. The increase is mainly a result of the acquisition of Navistar. Valuation allowances recognized as expenses in the fiscal year amounted to €107 million (previous year: €186 million).

28. Trade receivables

€ million	12/31/2021	12/31/2020
Trade receivables from		
third parties	2,321	1,727
related parties	116	179
	2,437	**1,906**

The increase in trade receivables compared with the previous year is mainly due to the first-time consolidation of Navistar.

€5 million (previous year: €5 million) of the trade receivables is due in more than one year.

29. Marketable securities and investment deposits

Marketable securities and investment deposits serve to safeguard liquidity. Marketable securities and investment deposits are fixed-income securities with short maturity. The item includes investment deposits at Volkswagen AG of €200 million (previous year: €2,100 million) as of December 31, 2021. They are allocated to the financial assets measured at amortized cost category.

The year-on-year decrease in investment deposits with Volkswagen AG is due to the increased liquidity requirements for the Navistar acquisition.

30. Cash and cash equivalents

€ million	12/31/2021	12/31/2020
Bank balances	1,706	1,281
Checks, bills, and cash	19	5
Cash pool receivables from unconsolidated affiliated companies	4	7
Receivables from affiliated companies of the Volkswagen Group	273	421
	2,002	**1,714**

31. 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 €14,295 million (previous year: €19,995 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 €14,295 million are distributable capital reserves within the meaning of section 272 (2) no. 4 of the HGB. €5,700 million was released in the reporting period and transferred to retained earnings.

Retained earnings and other comprehensive income

The retained earnings of €1,477 million (previous year: €–4,479 million) reported as of December 31, 2021, 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 €0.25 (previous year: €1.00) per share in 2021. This resulted in a total payout of €125 million (previous year: €500 million).

As of December 31, 2021, the accumulated other comprehensive income of €–2,829 million (previous year: €–3,078 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 interests. Further information can be found in the statement of comprehensive income.

For fiscal year 2021, TRATON SE's Executive and Supervisory Boards are proposing to the Annual General Meeting to be held on June 9, 2022, to pay a dividend of €0.50 (previous year: €0.25) per share. This proposal corresponds to a total distribution of €250 million (previous year: €125 million).

Noncontrolling interests

On February 28, 2020, TRATON SE (TRATON) announced its intention to merge MAN SE, Munich, (MAN) with TRATON. A transfer of the shares held by noncontrolling interest shareholders of MAN to TRATON against payment of an appropriate cash compensation was to take place in connection with this merger (squeeze-out under merger law).

TRATON held 94.36% of MAN's share capital and announced its offer of a cash compensation to MAN's noncontrolling interest shareholders in the amount of €70.68 on May 8, 2021. The merger of MAN with TRATON was agreed by the Annual General Meeting of MAN SE on June 29, 2021. Following this resolution, the present value of the put options granted, amounting to approximately €587 million, had to be recognized as a current liability not affecting net income. Noncontrolling interests in the TRATON GROUP's equity and retained earnings declined accordingly.

The squeeze-out under merger law became effective on August 31, 2021, when the merger between MAN SE and TRATON SE was entered in the commercial register.

Since that date, no material amounts are reported as noncontrolling interests.

The equity transaction led to the following results:

€ million	2021
Cash compensation for the 5.64% noncontrolling interests (including interest)	587
Equity attributable to noncontrolling interests	245
Reduction in equity attributable to shareholders of TRATON SE	**342**
of which	
Retained earnings	270
Accumulated other comprehensive income from currency translation	46
Accumulated other comprehensive income from cash flow hedges	1
Accumulated other comprehensive income from equity-method investments	1
Accumulated other comprehensive income from pension plan remeasurements	24

32. Financial liabilities

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

€ million	12/31/2021	12/31/2020
Bonds	9,553	7,170
Liabilities to banks	5,310	3,001
Lease liabilities	1,237	1,047
Loans from Volkswagen International Luxemburg S.A.	1,049	–
Schuldscheindarlehen	699	–
Loans from Volkswagen AG	270	1,000
Loans and miscellaneous liabilities	88	80
	18,205	**12,298**

Financial liabilities from bonds mainly relate to European Medium Term Notes (EMTNs).

Bonds totaling €4,300 million from the €12,000 million European Medium Term Notes program launched by 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.

Scania has launched a €9,000 million European Medium Term Notes program, €4,954 million of which was drawn down.

TRATON SE also placed several *Schuldscheindarlehen* (medium- or long-term loans granted against a note issued by the borrower) in the total amount of €700 million with investors in March 2021, all of which had already been drawn down by December 31, 2021. They include sustainability criteria (ESG-linked pricing), thereby underlining the TRATON GROUP's commitment to sustainability and sustainable business performance.

Financial liabilities are reported in the following balance sheet items:

€ million	12/31/2021	12/31/2020
Noncurrent financial liabilities	12,181	5,914
Current financial liabilities	6,024	6,384

33. Other financial liabilities

€ million	12/31/2021	12/31/2020
Liabilities from buyback obligations	3,438	3,439
Negative fair value of derivatives	272	225
Factoring liabilities	113	–
Interest rate liabilities	78	45
Miscellaneous financial liabilities[1]	574	467
	4,474	**4,176**

1 Prior-period amounts adjusted. See Note **"4. Accounting policies – Prior-period information"** for more details

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 **"41. Financial risk management and financial instruments."**

With regard to the factoring liabilities, refer to Note **"40. Additional financial instruments disclosures in accordance with IFRS 7 — transfers of financial assets."**

Miscellaneous financial liabilities mainly contain deferrals for outstanding supplier invoices.

Other financial liabilities are reported in the following balance sheet items:

€ million	12/31/2021	12/31/2020
Other noncurrent financial liabilities	2,429	2,321
Other current financial liabilities[1]	2,045	1,855

1 Prior-period amounts adjusted. See Note "4. Accounting policies – Prior-period information" for more details

34. Other liabilities

€ million	12/31/2021	12/31/2020
Deferred purchase price payments for assets leased out	2,444	2,333
Contract liabilities	1,767	1,284
Payroll liabilities	856	653
Miscellaneous tax payables	522	440
Liabilities related to social security contributions	208	174
Miscellaneous other liabilities[1]	484	352
	6,282	**5,236**

1 Prior-period amounts adjusted. See Note "4. Accounting policies – Prior-period information" for more details

Deferred purchase price payments for assets leased out relate to liabilities from buyback transactions.

Other liabilities are reported in the following balance sheet items:

€ million	12/31/2021	12/31/2020
Other noncurrent liabilities	2,074	1,903
Other current liabilities[1]	4,208	3,332

1 Prior-period amounts adjusted. See Note "4. Accounting policies – Prior-period information" for more details

The following table explains the change in contract liabilities in the reporting period:

€ million	2021	2020
Contract liabilities as of 01/01	**1,284**	**1,232**
Additions and disposals	291	95
Currency translation adjustments	38	–44
Changes in basis of consolidation	155	–
Contract liabilities as of 12/31	**1,767**	**1,284**

The changes in the basis of consolidation primarily relate to additions of contract liabilities from the first-time consolidation of Navistar.

35. 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 €326 million (previous year: €310 million) in 2021. €110 million (previous year: €107 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 (see the **"Multi-employer plans in the TRATON GROUP"** section).

MULTI-EMPLOYER PLANS IN THE TRATON GROUP

There are multi-employer pension plans in the TRATON GROUP in the United Kingdom, Sweden, Switzerland, and the Netherlands. Most of these are defined benefit plans (see the **"Plans in other countries"** section).

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. This applies to the Dutch pension funds Pensioenfonds Metaal en Techniek and Bedrijfstakpensioenfonds Metal Elektro, which are administered by MN Services, and to part of the Swedish ITP occupational pensions, which are administered by Alecta, a pensions insurer. Alecta's insurance obligations are calculated using actuarial techniques and assumptions. These techniques and assumptions are different to those required by IAS 19 for measuring defined benefit pension plans.

No probable material risks are known from the multi-employer defined benefit pension plans that are accounted for as defined contribution plans.

The contributions to these plans expected for fiscal year 2022 amount to €38 million. Under the terms of the multi-employer plans, the TRATON GROUP only has a very limited liability for the obligations of the other employers. In the case of the defined benefit plans accounted for as defined contribution plans, the TRATON GROUP's share of the obligations represents a small proportion of the total obligations.

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.

As a result of the acquisition of Navistar effective July 1, 2021, additional defined benefit plans in the USA, Canada, Mexico, and Brazil were added during the reporting period.

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. €11 million (previous year: €4 million) was recognized as an expense for healthcare benefits in fiscal year 2021. The related carrying amount recognized in the balance sheet as of December 31, 2021, amounted to €613 million (previous year: €47 million).

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 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 €216 million (previous year: €152 million) as of December 31, 2021. Another part of ITP2 is secured by contributions to Alecta, a pensions insurer (see the **"Multi-employer plans in the TRATON GROUP"** section).

In addition to these obligations, there are also defined benefit obligations for employees taking 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 benefits of the two pension plans for salaried employees are 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. 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. The plan assets are managed under the supervision of the Health Benefit Program Committee (HBPC), whose members are Navistar employees and retired participants in the funded plan. 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 will be adjusted with regard to the contributions that participants are required to pay for pensioner healthcare under the terms of the plan to reflect the amendment of the 1993 agreement. This will see pensioner contributions being reduced by the government subsidies from the employer group waiver plan agreement. This change will result in a €123 million increase in the obligation as of December 31, 2021. Final court approval of the agreement to settle the disputes relating to the 1993 agreement is expected in the first half of 2022 (see Notes **"36. Other provisions"** and **"44. 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 a modern and attractive occupational pension system that constitutes one of the key elements of its remuneration policy. Occupational pensions provide reliable 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 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) or occupational pension providers (Scania) 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 (OBEP) plan. The pension plans provide lifetime annuities and are closed to new entrants. The pension plan for salaried employees 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, Turkey, Poland, Italy).

The following amounts were recognized in the balance sheet for defined benefit plans:

€ million	12/31/2021	12/31/2020
Present value of funded obligations	6,313	3,460
Fair value of plan assets	4,458	2,022
Funded status (net)	1,855	1,438
Present value of unfunded obligations	720	387
Amount not recognized as an asset because of the ceiling in IAS 19	6	2
Net liabilities recognized in the balance sheet	**2,581**	**1,827**
of which provisions for pensions and other post-employment benefits	2,648	1,828
of which other assets	66	0

Measurement of the pension provisions was based on the following actuarial assumptions:

	Germany		USA		Sweden		Other countries	
in %	2021	2020	2021	2020	2021	2020	2021	2020
Discount rate as of 12/31	1.0	0.5	2.6	–	2.0	1.3	2.5	1.5
Payroll trend	3.0	3.0	0.3	–	3.0	2.3	1.4	1.2
Pension trend	1.7	1.5	0.0	–	2.3	1.5	1.1	1.0
Staff turnover rate	2.5	2.6	3.5	–	4.7	4.8	3.0	3.8
Annual increase in healthcare costs	–	–	6.2	–	–	–	6.3	7.1

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 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. The applied mortality considers adjustments as a result of the COVID-19 pandemic. 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. The employee turnover rates are based on past experience and future expectations. The annual increase in healthcare costs reflects expected cost trends for medical services based on experience relating to eligible pensioners, short-term cost expectations, and industry benchmarks and surveys.

The following table shows changes in the net defined benefit liability recognized in the balance sheet:

€ million	2021	2020
Net liabilities recognized in the balance sheet as of 01/01	**1,827**	**1,765**
Current service cost	120	114
Net interest expense	39	26
Actuarial gains (–)/losses (+) arising from changes in demographic assumptions	–2	–11
Actuarial gains (–)/losses (+) arising from changes in financial assumptions	–221	129
Actuarial gains (–)/losses (+) arising from experience adjustments	84	15
Income/expense from plan assets not included in interest income	–236	–77
Change in amount not recognized as an asset because of the ceiling in IAS 19	2	1
Employer contributions to plan assets	–97	–123
Employee contributions to plan assets	11	5
Pension payments from company assets	–69	–40
Past service cost (including plan curtailments)	–3	–1
Gains (–) or losses (+) arising from plan settlements	–1	–
Changes in basis of consolidation	973	0
Other changes	124	–1
Currency translation differences from foreign plans	32	26
Net liabilities recognized in the balance sheet as of 12/31	**2,581**	**1,827**

The change in the present value of the defined benefit obligations is attributable to the following factors:

€ million	2021	2020
Present value of obligations as of 01/01	**3,848**	**3,651**
Current service cost	120	114
Interest expense	76	46
Actuarial gains (–)/losses (+) arising from changes in demographic assumptions	–2	–11
Actuarial gains (–)/losses (+) arising from changes in financial assumptions	–221	129
Actuarial gains (–)/losses (+) arising from experience adjustments	84	15
Employee contributions to plan assets	13	8
Pension payments from company assets	–69	–40
Pension payments from plan assets	–166	–74
Past service cost (including plan curtailments)	–3	–1
Gains (–) or losses (+) arising from plan settlements	–2	–
Changes in basis of consolidation	3,079	2
Other changes	124	–1
Currency translation differences from foreign plans	155	11
Present value of obligations as of 12/31	**7,033**	**3,848**

At the reporting date, €3,183 million of the defined benefit obligation is attributable to the Navistar plans in the USA, €1,739 million (previous year: €1,760 million) to the plans of the TRATON Holding and the German MAN companies, and a further €1,294 million (previous year: €1,242 million) to Scania's plans in Sweden.

The changes in the basis of consolidation contain 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” is attributable to the effect of the agreement (pending court approval) to settle the disputes relating to the 1993 agreement on the funded OPEB plan in the USA, for which another provision was 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		**12/31/2021** € million	**12/31/2021** Change in %	**12/31/2020** € million	**12/31/2020** Change in %
Discount rate	is 0.5 percentage points higher	6,631	–5.7	3,567	–7.3
	is 0.5 percentage points lower	7,483	6.4	4,166	8.3
Pension trend	is 0.5 percentage points higher	7,191	2.2	4,009	4.2
	is 0.5 percentage points lower	6,900	–1.9	3,720	–3.3
Payroll trend	is 0.5 percentage points higher	7,125	1.3	3,947	2.6
	is 0.5 percentage points lower	6,951	–1.2	3,759	–2.3
Longevity	increases by one year	7,307	3.9	3,988	3.6

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 12 years (previous year: 16 years).

The present value of the defined benefit obligation is spread across the members of the plan as follows:

€ million	**12/31/2021**	**12/31/2020**
Active members with entitlements from defined benefits	63,467	50,379
Members who have left the company with vested entitlements	16,090	11,570
Pensioners	88,374	21,260
	167,940	**83,209**

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	**12/31/2021**	**12/31/2020**
Payments due within the next fiscal year	378	101
Payments due in two to five years	1,443	483
Payments due in more than five years	5,213	3,264
	7,033	**3,848**

Changes in plan assets are shown in the following table:

€ million	2021	2020
Fair value of plan assets as of 01/01	**2,022**	**1,888**
Interest income from plan assets determined using the discount rate	37	19
Income/expense from plan assets not included in interest income	236	77
Employer contributions to plan assets	97	123
Employee contributions to plan assets	2	3
Pension payments from plan assets	–166	–74
Gains (+) or losses (–) arising from plan settlements	–1	–
Changes in basis of consolidation	2,107	1
Other changes	0	–1
Currency translation differences from foreign plans	123	–14
Fair value of plan assets as of 12/31	**4,458**	**2,022**

In the next fiscal year, employer contributions to plan assets are expected to amount to €121 million (previous year: €91 million).

The investment of plan assets to cover future pension obligations resulted in income of €273 million (previous year: €96 million).

Plan assets are invested in the following asset classes:

			12/31/2021			12/31/2020
€ million	Quoted prices in active markets	No quoted prices in active markets	Total	Quoted prices in active markets	No quoted prices in active markets	Total
Cash and cash equivalents	166	–	166	63	–	63
Equity instruments	116	–	116	112	–	112
Debt instruments	137	5	142	83	–	83
Direct investments in real estate	–	43	43	–	5	5
Equity funds	1,510	1	1,511	550	1	551
Bond funds	1,430	157	1,587	768	5	773
Real estate funds	364	23	387	117	–	117
Other instruments	36	173	209	36	24	60
Other	42	256	298	5	253	258
Fair value of plan assets	**3,800**	**657**	**4,458**	**1,735**	**287**	**2,022**

Plan assets as of December 31, 2021, include investments of €10 million within the TRATON GROUP, of which €5 million is attributable to financial positions and €5 million to non-financial positions (previous year: €9 million, of which €5 million attributable to financial and €5 million to nonfinancial positions).

Changes in the effects of the asset ceiling are as follows:

€ million	2021	2020
Effects of the asset ceiling as of 01/01	**2**	**1**
Change in amount not recognized as an asset because of the ceiling in IAS 19	2	1
Changes in basis of consolidation	1	–
Effects of the asset ceiling as of 12/31	**6**	**2**

The following amounts were recognized in the income statement:

€ million	2021	2020
Current service cost	–120	–114
Net interest expense	–39	–26
Past service cost (including plan curtailments)	3	1
Gains (+)/losses (–) arising from plan settlements	1	–
Balance of expenses (–) and income (+) recognized in the income statement	**–154**	**–139**

The above amounts are generally contained in the personnel costs of the functions. Net interest on the net defined benefit liability is reported in interest expenses.

36. Other provisions

€ million	Obligations arising from sales	Obligations to employees	Litigation and legal risks	Restructuring	Miscellaneous provisions	Total
Balance as of 01/01/2021	**1,129**	**253**	**446**	**18**	**434**	**2,280**
Additions from business combinations	419	54	972	9	166	1,619
Currency translation differences	26	2	37	0	13	78
Utilization	–640	–76	–296	–22	–234	–1,268
Additions/ new provisions	880	146	548	237	396	2,207
Disposals of subsidiaries	0	–22	–	–	–8	–31
Unwinding of discount/effect of change in discount rate	–1	0	–	–	1	0
Reversals	–134	–5	–20	–1	–67	–227
Balance as of 12/31/2021	**1,679**	**352**	**1,687**	**241**	**700**	**4,659**
of which current	876	80	1,405	200	542	3,103
of which noncurrent	803	272	282	41	159	1,557

Disposals of subsidiaries include €24 million from the disposal of MTBÖ. Further explanations are contained in Note **“8. Noncurrent assets or disposal groups held for sale.”**

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. The timing of the settlement of provisions for warranties depends on the timing of the warranty claim. 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.

Provisions for litigation and legal risks are largely the result of the antitrust proceedings that the European Commission launched against European truck manufacturers. In addition, the provisions for litigation and legal risks 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. Further information about legal risks and antitrust proceedings can be found in Note **"44. Litigation/legal proceedings."**

Additions to provisions for litigation and legal risks from business combinations are primarily attributable to Navistar's profit-sharing disputes. The recognized amount takes into account the agreement to settle the disputes relating to the 1993 agreement, which is still subject to court approval (see Note **"44. Litigation/legal proceedings."**).

Provisions for restructuring were primarily recognized for the repositioning of MAN Truck & Bus in fiscal year 2021 and were attributable 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.

37. 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, 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 technical equipment and machinery	Right-of-use assets contained in other equipment, operating and office equipment	Total right-of use assets
Cost				
Balance as of 01/01/2021	**1,114**	**1**	**243**	**1,358**
Currency translation differences	17	0	0	17
Changes in basis of consolidation	103	0	9	112
Additions	247	0	77	325
Disposals	–55	0	–63	–119
Balance as of 12/31/2021	**1,426**	**1**	**266**	**1,693**
Depreciation and impairment				
As of 01/01/2021	**242**	**0**	**109**	**351**
Currency translation differences	3	0	0	3
Changes in basis of consolidation	2	0	–3	–1
Additions to cumulative depreciation	166	0	79	245
Additions to cumulative impairment losses	0	–	1	1
Disposals	–32	0	–61	–92
Balance as of 12/31/2021	**381**	**1**	**125**	**507**
Carrying amount as of 12/31/2021	**1,044**	**1**	**141**	**1,186**

CHANGES IN RIGHT-OF-USE ASSETS IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2020

€ million	Right-of-use assets contained in land, land rights, and buildings, including buildings on third-party land	Right-of-use assets contained in technical equipment and machinery	Right-of-use assets contained in other equipment, operating and office equipment	Total right-of use assets
Cost				
Balance as of 01/01/2020	**1,013**	**1**	**230**	**1,243**
Currency translation differences	–28	0	–4	–31
Additions	172	0	65	238
Disposals	–43	0	–49	–92
Balance as of 12/31/2020	**1,114**	**1**	**243**	**1,358**
Depreciation and impairment				
As of 01/01/2020	**126**	**0**	**68**	**195**
Currency translation differences	–5	0	–1	–7
Additions to cumulative depreciation	135	0	83	218
Additions to cumulative impairment losses	6	–	1	6
Disposals	–20	0	–41	–61
Balance as of 12/31/2020	**242**	**0**	**109**	**351**
Carrying amount as of 12/31/2020	**872**	**1**	**134**	**1,007**

Subleases of right-of-use assets resulted in income of €5 million (previous year: €3 million) in the year under review.

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. The following tables show the allocation of lease liabilities in the balance sheet and provide an overview of the contractual maturities of those liabilities:

€ million	12/31/2021	12/31/2020
Noncurrent financial liabilities	995	856
Current financial liabilities	241	192
Carrying amount of lease liabilities	**1,237**	**1,047**

Taking into account future interest payable, the maturity structure of the lease liabilities is as follows:

	Contractual maturities			
Balance as of 12/31/2021 € million	**2022**	**2023 – 2026**	**From 2027**	**Total**
Lease liabilities	269	715	424	**1,408**

	Contractual maturities			
Balance as of 12/31/2020 € million	**2021**	**2022 – 2025**	**From 2026**	**Total**
Lease liabilities	219	589	417	**1,224**

Interest expense of €30 million (previous year: €32 million) was incurred for lease liabilities in the reporting period.

No right-of-use assets are recognized for low-value and short-term leases. Expenses for low-value underlying assets amounted to €34 million (previous year: €43 million) in the reporting period. This figure does not include any expenses for short-term leases, which amounted to a total of €12 million (previous year: €13 million) in the reporting period.

Overall, leases resulted in cash outflows of €318 million (previous year: €299 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	12/31/2021	12/31/2020
Potential future cash outflows due to		
extension options	721	463
termination options	1	1
leases not yet commenced (contractual obligation)	55	45

38. 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. 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. The underlying asset continues to be recognized in the balance sheet.

OPERATING LEASES

The following payments are expected in the years shown from outstanding undiscounted lease payments arising from operating leases:

Balance as of 12/31/2021 € million	2022	2023	2024	2025	2026	From 2027	Total
Lease payments	567	362	234	107	65	39	1,373

Balance as of 12/31/2020 € million	2021	2022	2023	2024	2025	From 2026	Total
Lease payments	479	271	171	81	37	29	1,069

Income from operating leases is classified as follows:

€ million	2021	2020
Lease income	1,341	1,256
Income from variable lease payments	1	0
Income from operating leases	**1,341**	**1,257**

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. These are recognized at the net investment in the lease. They are reported in financial services receivables. The increase in the net investment in the lease amounting to €638 million (previous year: decrease of €186 million) is attributable to the good business performance of the TRATON Financial Services segment. Through its initial consolidation, Navistar additionally contributed €179 million to the net investment in the lease.

TRATON takes into account the entire default risk associated with lease receivables by recognizing specific loss allowances and portfolio-based loss allowances in accordance with the requirements of IFRS 9. Interest income from the net investment in the leases amounted to €213 million (previous year: €189 million) and is reported in sales revenue. Finance leases resulted in a disposal gain of €244 million (previous year: €130 million) in the fiscal year.

RECONCILIATION OF LEASE PAYMENTS FROM FINANCE LEASES

€ million	12/31/2021	12/31/2020
Undiscounted lease payments	**5,435**	**4,701**
Unearned interest income	–398	–302
Net investment in the lease	**5,038**	**4,399**
Loss allowance for lease receivables	–93	–116
Carrying amount	**4,944**	**4,283**

The following payments are expected in the years shown from expected outstanding undiscounted lease payments arising from finance leases:

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

Balance as of 12/31/2020 € million	2021	2022	2023	2024	2025	From 2026	Total
Lease payments	1,704	1,243	850	492	228	185	4,701

39. 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 **"30. 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 2021, cash flows from operating activities contained interest received of €550 million (previous year: €427 million) and interest paid of €389 million (previous year: €338 million). Cash flows from operating activities in 2021 also contained dividends received from joint ventures and associates amounting to €79 million (previous year: €36 million) and dividends received from other equity investments of €7 million. No dividends had been received from other equity investments in the previous year. 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 (see Note **"15. Other financial result"**).

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. When subsidiaries are acquired, cash and cash equivalents acquired are deducted from the purchase price paid.

The settlement payments from the merger squeeze-out to former shareholders of MAN SE amounting to €587 million are reported in net cash provided by/used in financing activities. In the prior-year period, the transfer of the 2019 profit to Volkswagen AG amounting to €1,404 million had been reported here, which was based on the domination and profit and loss transfer agreement in force until the end of 2019. The following reconciliation shows the changes in financial liabilities, classified by changes affecting cash flows and noncash changes.

€ million	01/01/2021	Changes affecting cash flows	Noncash changes: Foreign exchange differences	Noncash changes: Changes in basis of consolidation	Noncash changes: 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**

€ million	01/01/2020	Changes affecting cash flows	Noncash changes: Foreign exchange differences	Noncash changes: Changes in basis of consolidation	Noncash changes: Other changes	12/31/2020
Bonds	6,409	698	63	–	–	7,170
Other third-party borrowings	5,012	–713	–218	1	–	4,081
Lease liabilities[1]	1,077	–211	–26	–1	207	1,047
Total third-party borrowings	**12,497**	**–226**	**–181**	**1**	**207**	**12,298**
Put options/compensation rights granted to noncontrolling interest shareholders	–	2	–	–	–2	0
Derivatives in connection with financing activities[2]	89	202	24	–	–703	–388
Financial assets and liabilities in financing activities	**12,586**	**–22**	**–157**	**1**	**–497**	**11,911**

1 Other changes in lease liabilities largely contain noncash additions of lease liabilities.

2 Other changes in currency derivatives in connection with financing activities result from changes in fair value.

40. Additional financial instruments disclosures in accordance with IFRS 7

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
- 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.

NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORIES

€ million	2021	2020
Net gains and losses:		
Financial instruments at fair value through profit or loss	–392	546
Financial assets at amortized cost	778	–503
Financial liabilities at amortized cost	–394	–257

GAINS AND LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AT AMORTIZED COST

€ million	2021	2020
Gains on derecognition of financial assets at amortized cost	1	0
Losses on derecognition of financial assets at amortized cost	–6	–5
Gains/losses on derecognition of financial assets at amortized cost	**–5**	**–5**

Net gains and losses on financial assets and liabilities at fair value through profit or loss comprise derivatives not included in a hedging relationship.

Net gains and losses on financial assets and liabilities at amortized cost comprise interest income and expenses 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	2021	2020
Interest income:		
Assets at amortized cost	266	186
Interest expense:		
Liabilities at amortized cost	–279	–189

Interest income on impaired financial assets is insignificant because receipt of payment is expected in the short term in most cases.

CARRYING AMOUNT OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORIES

€ million	12/31/2021	12/31/2020
Assets at amortized cost	10,126	9,538
Other equity investments at fair value through other comprehensive income	618	47
Assets at fair value through profit or loss	295	528
Total financial assets	**11,039**	**10,112**
Liabilities at amortized cost[1]	25,416	17,971
Liabilities at fair value through profit or loss	219	95
Total financial liabilities	**25,635**	**18,066**

1 Prior-period amounts adjusted. See Note **"4. Accounting policies – Prior-period information"** for more details

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, 2021

	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
€ million	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

The “Financial liabilities” item contains liabilities from bonds with a carrying amount of €2,029 million and a fair value of €2,032 million that are included in hedge accounting as a fair value hedge. They were allocated to the “Measured at amortized cost” category.

RECONCILLIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTES AS OF DECEMBER 31, 2020

	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 12/31/2020
€ million	Through other comprehensive income	Through profit or loss	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets							
Other equity investments	47	–	–	–	–	25	72
Financial services receivables	–	–	2,023	2,033	–	2,760	4,783
Other financial assets	–	336	99	99	–	–	435
Current assets							
Trade receivables	–	27	1,879	1,879	–	–	1,906
Financial services receivables	–	–	1,432	1,432	–	1,525	2,957
Other financial assets	–	165	285	285	3	–	453
Marketable securities and investment deposits	–	–	2,105	2,105	–	–	2,105
Cash and cash equivalents	–	–	1,714	1,714	–	–	1,714
Noncurrent liabilities							
Financial liabilities	–	–	5,059	5,187	–	856	5,914
Other financial liabilities	–	39	2,275	2,275	7	–	2,321
Current liabilities							
Financial liabilities	–	–	6,192	6,192	–	192	6,384
Trade payables	–	–	2,769	2,769	–	–	2,769
Other financial liabilities[1]	–	56	1,676	1,676	123	–	1,855

1 Prior-period amounts adjusted. See Note “4. Accounting policies – Prior-period information” for more details

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 mainly comprise shares in unlisted companies for which there is no active market. The fair value of these investments is calculated using standard measurement models, such as discounted cash flow models. Due to the small carrying amount of these investments, a change in unobservable inputs would not result in a significantly lower or higher measurement of the instruments' fair value.

The option relating to TuSimple Holdings Inc., San Diego, California, USA (TuSimple) contained in the "Other financial assets" item was exercised in 2021, which led to an increase in other equity investments. In the course of TuSimple's IPO in April 2021, a significantly higher share price was achieved compared with the preceding financing rounds. In addition, TRATON acquired the shares of TuSimple held by Navistar through the business combination with Navistar. As of December 31, 2021, the fair value (Level 1) of the investment in TuSimple amounted to €500 million (previous year: €14 million).

Due to factoring transactions, a portion of trade receivables is now measured at fair value through profit or loss and hence allocated to the "Financial instruments measured at fair value" category. The factoring portfolio is categorized within Level 3 of the fair value hierarchy. Fair value is measured by reference to the original transaction price, taking contractual factoring allowances into account.

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 table shows changes in other equity investments measured at fair value and categorized within Level 3 as well as in trade receivables intended to be sold under factoring transactions, other financial assets, and other financial liabilities:

CHANGES IN BALANCE SHEET ITEMS MEASURED AT FAIR VALUE BASED ON LEVEL 3

€ million	Other equity investments categorized within Level 3	Trade receivables categorized within Level 3	Other financial assets categorized within Level 3	Other financial liabilities categorized within Level 3
Balance as of 01/01/2021	**47**	**27**	**16**	**102**
Fair value changes in "Fair value measurement of other equity investments" recognized in other comprehensive income	316	0	–	–
Fair value changes in "Cash flow hedges" recognized in other comprehensive income	–	–	–	–97
Fair value changes in "Cost of hedging" recognized in other comprehensive income	–	–	–	–2
Fair value changes in "Other operating expenses" recognized in profit or loss	–	–	–	–1
Fair value changes in "Other financial result" recognized in profit or loss	–	–3	–	–
Transfer into Level 1	–333	–	–	–
Additions/acquisitions	83	192	–	–
Changes in basis of consolidation	7	–	–	–
Currency translation differences	–1	0	–	
Disposals	–	–179	–	–
Sales and settlements	–	–	–16	–3
Balance as of 12/31/2021	**119**	**38**	**–**	**–**
Balance as of 01/01/2020	**14**	**–**	**–**	**–**
Fair value changes in "Fair value measurement of other equity investments" recognized in other comprehensive income	18	–	–	–
Fair value changes in "Cash flow hedges" recognized in other comprehensive income	–	–	–	97
Fair value changes in "Cost of hedging" recognized in other comprehensive income	–	–	–	2
Fair value changes in "Other operating expenses" recognized in profit or loss	–	–	–	4
Fair value changes in "Other financial result" recognized in profit or loss	–	–3	6	–
Reclassified to equity-method investments	–1	–	–	–
Additions/acquisitions	15	206	10	–
Currency translation differences	1	0	–	–
Disposals	–	–176	–	–
Balance as of 12/31/2020	**47**	**27**	**16**	**102**

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**	**–**

€ million	12/31/2020	Level 1	Level 2	Level 3
Financial services receivables	3,466	–	–	3,466
Trade receivables	1,879	–	1,879	–
Other financial assets	384	0	384	0
Marketable securities and investment deposits	2,105	–	2,105	–
Cash and cash equivalents	1,714	1,714	–	–
Fair values of financial assets measured at amortized cost	**9,548**	**1,714**	**4,368**	**3,466**
Trade payables	2,769	–	2,769	–
Financial liabilities	11,379	–	11,379	–
Other financial liabilities[1]	3,951	1	3,950	–
Fair values of financial liabilities measured at amortized cost	**18,099**	**1**	**18,098**	**–**

1 Prior-period amounts adjusted. See Note **"4. Accounting policies – Prior-period information"** for more details

The lease receivables have a carrying amount of €4,946 million (previous year: €4,285 million) and a fair value (Level 3 of the fair value hierarchy) of €4,934 million (previous year: €4,285 million).

The transfers between the levels of the fair value hierarchy are reported at the respective reporting dates. The transfer out of Level 3 into Level 1 relates to the investment in TuSimple, for which market price data is now available as a result of the company's IPO. In addition, the "Financial liabilities" item contains liabilities measured at amortized cost from bonds amounting to €1,915 million that were reclassified from Level 2 to Level 1 because the market is classified as active due to an increase in liquidity. There were no further transfers between the levels of the fair value hierarchy in 2021. There were no transfers between the levels of the fair value hierarchy in 2020.

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.

				Amounts that are not offset in the balance sheet	
€ million	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments	Net amount as of 12/31/2021
Derivative financial instruments	262	–	262	–71	191
Trade receivables	2,460	–23	2,437	–	2,437

		Amounts that are not offset in the balance sheet	
€ million	Net amounts of financial assets presented in the balance sheet	Financial instruments	Net amount as of 12/31/2020
Derivative financial instruments	503	–86	417

				Amounts that are not offset in the balance sheet		
€ million	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Collateral pledged	Net amount as of 12/31/2021
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

		Amounts that are not offset in the balance sheet	
€ million	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Net amount as of 12/31/2020
Derivative financial instruments	225	–86	138

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.

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 €341 million (previous year: €175 million). The corresponding carrying amount of the receivables is €421 million (previous year: €206 million). The expected payments were assigned to structured entities during the transaction and collateral with a total amount of €421 million (previous year: €206 million) was provided. These asset-backed securities transactions did not lead to the derecognition of financial service receivables in the balance sheet, because the TRATON GROUP retains the bad debt and payment date risk and, in some instances, can require the transfer of certain 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, 2021, the fair value of the assigned receivables that continue to be recognized in the balance sheet was €421 million (previous year: €206 million). The fair value of the associated liabilities amounted to €341 million (previous year: €175 million) as of that date. The resulting net position is €80 million (previous year: €32 million).

Moreover, the contractual rights to cash flows from leases are sometimes transferred to an external bank. At the reporting date, the carrying amount of the lease receivables that have been transferred but not derecognized amounted to €10 million (previous year: €– million). The receivables did not qualify for derecognition due to a general recourse clause. The corresponding other financial liability had a carrying amount of €111 million (previous year: €– million) at 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 amounts to €10 million (previous year: €– million), the fair value of the corresponding liability amounts to €111 million (previous year: €– million), and the net position thus equals €101 million (previous year: €– million).

41. Financial risk management and financial instruments

1. 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.

2. INTEREST RATE BENCHMARK REFORM

The TRATON GROUP is exposed to the interest rate benchmark reform. To avoid any material risk arising from the transition to alternative benchmark rates (interest rate basis risk, liquidity risk, litigation risk, operational risk), the TRATON GROUP launched a project and has closely monitored the market and the output from the various working groups managing the transition to new benchmark interest rates. Furthermore, adequate risk management strategies and procedures are implemented.

Regarding the relevant benchmark rates, the TRATON GROUP has almost finished its transition process. 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, on cessation of the benchmark rate, follow the fallback clause provided in the ISDA protocol.

Financial instruments that are affected by the IBOR reform at the reporting date relate to primary financial liabilities and derivatives. As the Euro Interbank Offered Rate (EURIBOR) was reformed in 2019, we currently do not expect a further reform. Additionally, some entities of the TRATON GROUP switched their derivatives to an alternative reference interest rate at the beginning of the first interest period in 2022. As a result, there will be no fixing for any of these derivatives in 2022 based on the previous interest rate benchmarks. Consequently, these transactions no longer result in any risks for TRATON.

QUANTITATIVE INFORMATION ON FINANCIAL INSTRUMENTS THAT HAVE YET TO TRANSITION TO AN ALTERNATIVE REFERENCE 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**

3. 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 €21 million (previous year: €– million) with contractual amounts outstanding were written off during the reporting period but are still subject to enforcement activity.

CHANGE IN 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 01/01/2021	**16**	**4**	**24**	**–**	**106**	**149**
Transfer into Stage 1	0	–1	0	–	–	–1
Transfer into Stage 2	–2	4	0	–	–	1
Transfer into Stage 3	–5	–2	10	–	–	4
Utilization	–	–	–7	–	–6	–13
Reversals	–8	–1	–6	–	–16	–31
Financial assets issued/acquired (additions)	16	–	–	2	35	50
Changes in models or inputs	–3	1	1	–	0	0
Other changes (mainly changes due to exchange rate movements)	0	0	5	–	1	6
Loss allowance as of 12/31/2021	**13**	**5**	**25**	**2**	**119**	**165**
Loss allowance as of 01/01/2020	**7**	**4**	**29**	**–**	**103**	**144**
Transfer into Stage 1	0	–2	–1	–	–	–3
Transfer into Stage 2	–1	3	–1	–	–	1
Transfer into Stage 3	–1	–1	7	–	–	5
Utilization	–	–	–8	–	–6	–14
Reversals	–5	–1	–4	–	–13	–23
Financial assets issued/acquired (additions)	15	–	–	–	25	40
Changes in models or inputs	–	–	–	–	3	3
Other changes (mainly changes due to exchange rate movements)	1	0	1	–	–7	–5
Loss allowance as of 12/31/2020	**16**	**4**	**24**	**–**	**106**	**149**

CHANGES IN LOSS ALLOWANCE FOR LEASE RECEIVABLES

€ million	Simplified approach
Loss allowance as of 01/01/2021	**116**
Utilization	–4
Reversals	–56
Financial assets issued/acquired (additions) and changes to models or risk parameters	25
Other changes (mainly changes due to exchange rate movements)	13
Loss allowance as of 12/31/2021	**94**
Loss allowance as of 01/01/2020	**80**
Utilization	–5
Reversals	–28
Financial assets issued/acquired (additions) and changes to models or risk parameters	51
Other changes (mainly changes due to exchange rate movements)	18
Loss allowance as of 12/31/2020	**116**

The loss allowance relates mainly to credit risk from trade receivables and financial services receivables. Since many of the restrictions that had been imposed in 2020 as a result of the COVID-19 pandemic were relaxed in 2021, in part due to the rising vaccination rate, no new material loss allowances were recognized as of December 31, 2021. For financial assets with objective indications of impairment at the reporting date, collateral provided mitigates the risk by €30 million (previous year: €54 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 01/01/2021	**4**	**–**	**–**	**–**	**4**
Transfer into Stage 1	–	–	–	–	–
Transfer into Stage 2	–0	0	–	–	0
Transfer into Stage 3	–1	–0	2	–	1
Utilization	–	–	–1	–1	–2
Reversals	–1	0	0	0	–1
Changes in basis of consolidation	6	0	–	4	10
Additions	2	–	–	–	2
Changes in models or inputs	0	0	0	0	–1
Loss allowance as of 12/31/2021	**10**	**0**	**1**	**3**	**14**
Loss allowance as of 01/01/2020	**0**	**–**	**–**	**–**	**0**
Additions	4	–	–	–	4
Loss allowance as of 12/31/2020	**4**	**–**	**–**	**–**	**4**

CHANGE IN GROSS CARRYING AMOUNTS OF FINANCIAL ASSETS AT AMORTIZED COST

€ million	General approach					
	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
Gross carrying amount as of 01/01/2021	**7,541**	**90**	**74**	**–**	**1,983**	**9,688**
Transfer into Stage 1	23	–21	–2	–	–	0
Transfer into Stage 2	–71	72	–1	–	–	0
Transfer into Stage 3	–18	–12	29	–	–	0
Changes due to financial assets issued/ acquired or derecognized	–1,025	7	–57	0	–815	–1,891
Changes in basis of consolidation	1,025	7	0	10	1,295	2,337
Exchange rate movements	102	1	0	0	55	157
Gross carrying amount as of 12/31/2021	**7,576**	**144**	**42**	**11**	**2,518**	**10,291**
Gross carrying amount as of 01/01/2020	**8,653**	**136**	**96**	**–**	**2,247**	**11,132**
Transfer into Stage 1	40	–37	–4	–	–	0
Transfer into Stage 2	–37	39	–2	–	–	0
Transfer into Stage 3	–12	–15	27	–	–	0
Changes due to financial assets issued/ acquired or derecognized	–695	–21	–30	–	–131	–877
Changes in basis of consolidation	0	–	–	–	1	1
Exchange rate movements	–408	–13	–12	–	–134	–568
Gross carrying amount as of 12/31/2020	**7,541**	**90**	**74**	**–**	**1,983**	**9,688**

CHANGE IN GROSS CARRYING AMOUNTS OF LEASE RECEIVABLES

€ million	Simplified approach
Gross carrying amount as of 01/01/2021	**4,402**
Changes due to financial assets issued/acquired or derecognized	429
Changes in basis of consolidation	162
Other changes (mainly changes due to exchange rate movements)	47
Gross carrying amount as of 12/31/2021	**5,040**
Gross carrying amount as of 01/01/2020	**4,591**
Changes due to financial assets issued/acquired or derecognized	17
Other changes (mainly changes due to exchange rate movements)	–206
Gross carrying amount as of 12/31/2020	**4,402**

CHANGE IN CREDIT RISK EXPOSURE FOR FINANCIAL GUARANTEE CONTRACTS AND CREDIT COMMITMENTS

	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)	Total
Risk exposure as of 01/01/2021	**537**	**–**	**–**	**–**	**537**
Transfer into Stage 1	–	–	–	–	–
Transfer into Stage 2	–1	1	–	–	–
Transfer into Stage 3	–	–3	3	–	–
Financial guarantee contracts and credit commitments issued, revoked, or drawn down	155	2	–1	–2	154
Changes in basis of consolidation	1,157	1	–	12	1,170
Exchange rate movements	57	0	0	0	57
Risk exposure as of 12/31/2021	**1,905**	**0**	**2**	**10**	**1,918**
Risk exposure as of 01/01/2020	**431**	**–**	**–**	**–**	**431**
Financial guarantee contracts and credit commitments issued, revoked, or drawn down	108	–	–	–	108
Exchange rate movements	–2	–	–	–	–2
Risk exposure as of 12/31/2020	**537**	**–**	**–**	**–**	**537**

The following tables present the carrying amounts of financial assets and the credit risk exposure of financial guarantees and credit commitments by credit risk rating grade:

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	12/31/2021
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**

€ 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	12/31/2020
Rating grade						
Credit risk rating grade 1	7,541	–	–	–	5,847	13,388
Credit risk rating grade 2	–	90	–	–	389	479
Credit risk rating grade 3	–	–	74	–	161	235
	7,541	**90**	**74**	**–**	**6,398**	**14,103**

CREDIT RISK EXPOSURE FOR FINANCIAL GUARANTEE CONTRACTS AND CREDIT COMMITMENTS 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)	12/31/2021
Rating grade					
Credit risk rating grade 1	1,905	–	–	–	1,905
Credit risk rating grade 2	–	0	–	–	0
Credit risk rating grade 3	–	–	2	10	12
	1,905	**0**	**2**	**10**	**1,918**

€ 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)	12/31/2020
Rating grade					
Credit risk rating grade 1	537	–	–	–	537
Credit risk rating grade 2	–	–	–	–	–
Credit risk rating grade 3	–	–	–	–	–
	537	**–**	**–**	**–**	**537**

4. 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 the companies in the TRATON Financial Services segment to cover their funding requirements.

Cash and cash equivalents amounted to €2,002 million (previous year: €1,714 million) as of December 31, 2021.

The syndicated revolving loan taken out by TRATON SE as a liquidity reserve in the third quarter of 2020 with a volume of €3,750 million was increased to €4,500 million in December 2021. It has a term of five years and can be extended twice for one year each. The facility amount is provided by a banking consortium consisting of 23 banks and serves for general corporate purposes and to safeguard the Company's liquidity.

The TRATON GROUP's liquidity reserve consists of unused confirmed credit lines of €8,230 million (previous year: €7,300 million), including €3,730 million (previous year: €3,000 million) from Volkswagen AG.

In November 2020, TRATON SE took out a loan of €3,300 million 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. The credit facility was reduced to €2,750 million in May 2021 and drawn down in full at the acquisition date. It was partially repaid through bank funding of €1,700 million and reduced to €1,050 million ahead of schedule in October and November 2021. In addition, Navistar's liabilities in the amount of €2,952 million (USD 3,582 million) were repaid in July 2021, mainly from the proceeds of issues under the €12,000 million European Medium Term Notes program. The TRATON GROUP also has €435 million (previous year: €390 million) in unused unconfirmed credit lines from banks at its disposal in order to enhance flexibility in financing decisions.

Local cash funds in certain countries (e.g., Brazil, China, and Russia) of €1,038 million (previous year: €719 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 following table shows how the cash flows relating to liabilities, derivatives, and financial guarantees affect the TRATON GROUP's liquidity position:

		2021			2020	
Maturity overview	**Remaining contractual maturities**			**Remaining contractual maturities**		
€ million	**2022**	**2023–2026**	**> 2026**	**2021**	**2022–2025**	**> 2025**
Financial liabilities[1]	6,567	10,072	2,515	6,503	5,639	562
Trade payables[1]	4,231	14	–	2,767	1	–
Other financial liabilities[1,2]	1,916	2,151	130	1,382	2,153	113
Derivatives	6,741	4,399	1,046	13,079	3,043	7
Financial guarantees	1,006	–	–	25	–	–
	20,462	**16,636**	**3,692**	**23,756**	**10,836**	**682**

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 at the reporting date.
- It is assumed that the cash outflows will not occur earlier than shown.

2 The undiscounted maximum cash outflows from buyback agreements 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 **"45. Other financial obligations,"** classified by contractual maturities.

Certain TRATON GROUP companies use supplier finance arrangements to manage their liabilities. This does not result in any material liquidity risk or any risks from risk concentrations.

5. MARKET RISK

5.1 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.

5.2 Market risks

5.2.1 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 euro zone in the consolidated financial statements represents a risk as a result of currency translation. As a general rule, TRATON does not use derivatives to hedge these translation risks.

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.

After signing the merger agreement between TRATON and Navistar on November 7, 2020, and in light of the associated intention to acquire Navistar for a price of USD 44.50 per share, the TRATON GROUP was exposed to a currency risk from a highly likely anticipated transaction. To hedge the resulting currency risks, we had entered into a deal-contingent forward as the hedging instrument, which is included in hedge accounting. The closing of the Navistar acquisition was a particular condition for fulfilling the terms of the deal-contingent forward. The hedging instrument was not separated into spot and forward elements. The hedging relationship was discontinued on schedule when the acquisition of Navistar was completed as of July 1, 2021.

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:

€ million	12/31/2021 Equity +10%	12/31/2021 Equity –10%	12/31/2021 Earnings for the period +10%	12/31/2021 Earnings for the period –10%	12/31/2020 Equity +10%	12/31/2020 Equity –10%	12/31/2020 Earnings for the period +10%	12/31/2020 Earnings for the period –10%
Currency pair								
EUR/SEK	0	0	–61	61	0	0	–50	50
EUR/GBP	36	–44	–6	7	6	–8	0	0
EUR/USD	1	–1	30	–37	–185	226	12	–13
BRL/EUR	0	0	–28	28	0	0	–3	3
EUR/CHF	8	–10	5	–6	2	–3	1	–1
SEK/USD	0	0	–11	11	0	0	–8	8
EUR/DKK	6	–7	4	–4	3	–4	1	–2
EUR/MXN	0	0	8	–10	0	0	–8	10

The following tables show details of derivatives including in hedge accounting in terms of the currency risk:

AMOUNT, TIMING, AND UNCERTAINTY OF CASH FLOW

€ million	Maturity < 1 year	Maturity 1 to 5 years	Maturity > 5 years	Total nominal amount
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**	**0**	**1,028**
2020				
Currency risk:				
Currency forwards EUR/USD	3,065	–	–	3,065
Currency forwards BRL/USD	68	47	–	115
Currency forwards EUR/GBP	105	–	–	105
Currency forwards EUR/ZAR	57	–	–	57
Currency forwards EUR/HUF	55	–	–	55
Currency forwards EUR/DKK	46	3	–	49
Currency forwards EUR/CHF	37	–	–	37
Currency forwards EUR/AUD	27	–	–	27
Currency forwards EUR/NOK	23	–	–	23
Currency forwards — other currencies	24	–	–	24
	3,508	**50**	**0**	**3,558**

€3,047 million of the increase in the nominal amount of euro/US dollar currency forwards in the previous year is attributable to the hedge of the purchase price payment relating to the Navistar acquisition.

Currency risk was hedged by cash flow hedges at the following average hedging exchange rates for the major currency pairs: 0.86 EUR/GBP; 1.08 EUR/CHF; 5.28 BRL/USD.

INFORMATION ON HEDGING INSTRUMENTS INCLUDED IN HEDGE ACCOUNTING

€ million	2021	2020
Currency risk:		
Fair value change to determine hedge ineffectiveness	–29	–131
Carrying amount of other financial assets	4	3
Carrying amount of other financial liabilities	32	130
Nominal value	1,028	3,558

INFORMATION ON HEDGED ITEMS INCLUDED IN HEDGE ACCOUNTING

€ million	2021	2020
Currency risk:		
Fair value change to determine hedge ineffectiveness	30	127
Reserve for active cash flow hedges	–30	–127

INFORMATION ABOUT THE EFFECTS OF HEDGE ACCOUNTING ON THE STATEMENT OF COMPREHENSIVE INCOME

€ million	2021	2020
Currency risk:		
Hedging instruments included in hedge accounting		
Unrealized gains and losses on hedging instruments	70	–124
Reclassification of realized gains and losses to profit or loss	28	13
Reclassified to profit or loss because future cash flows are no longer expected to materialize	0	4
Cost of hedging		
Unrealized gains and losses relating to cost of hedging	–3	–6
Reclassification of realized gains and losses to profit or loss	0	–2
Reclassified to profit or loss because future cash flows are no longer expected to materialize	0	–
Ineffectiveness recognized in profit or loss and reported in other operating expenses	1	–4

Ineffectiveness recognized in profit or loss is attributable to the hedge of the purchase price payment to acquire Navistar.

RECONCILIATION OF CASH FLOW HEDGE RESERVE

€ million	2021	2020
Balance as of 01/01	**–127**	**–23**
Gains and losses from effective hedges	57	–138
Reclassification to profit or loss		
because the hedged future cash flows are no longer expected to materialize	0	7
due to recognition of hedged item in profit or loss	41	20
Other changes (foreign exchange effects)	1	7
Balance as of 12/31	**–30**	**–127**

RECONCILIATION OF THE RESERVE FOR COST OF HEDGING

€ million	2021	2020
Balance as of 01/01	**4**	**11**
Gains and losses from effective hedges	–4	–8
Reclassification to profit or loss		
because the hedged future cash flows are no longer expected to materialize	–	–1
due to recognition of hedged item in profit or loss	0	–2
Other changes (foreign exchange effects)	0	5
Balance as of 12/31	**0**	**4**

Reclassifications to profit or loss because the hedged future cash flows are no longer expected to materialize related primarily to hedged projected revenues in foreign currencies.

5.2.2 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, 2021, earnings after tax would have been €36 million lower (previous year: €16 million higher). If market interest rates had been 100 bps lower as of December 31, 2021, earnings after tax would have been €41 million higher (previous year: €16 million lower).

Of the bonds with a total volume of €4,300 million issued in 2021, €2,050 million is included in a hedging relationship as of December 31, 2021; 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
2021				
Interest rate risk				
Interest rate swaps	–	14	6	21

INFORMATION ON HEDGING INSTRUMENTS INCLUDED IN HEDGE ACCOUNTING

€ million	2021
Interest rate risk:	
Fair value change to determine hedge ineffectiveness	–21
Carrying amount of other financial liabilities	21
Nominal value	2,050

INFORMATION ON HEDGED ITEMS INCLUDED IN HEDGE ACCOUNTING

€ million	2021
Interest rate risk:	
Carrying amount of financial liabilities	2,029
Accumulated amount of hedge adjustments	–21
Fair value change to determine hedge ineffectiveness	–21

5.2.3 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 €0 million (previous year: €2 million). Hedge accounting is not used at present.

The maximum remaining maturity of hedges of future transactions at the end of fiscal year 2021 was 13 months (previous year: 14 months). A hypothetical 10% increase/decrease in commodity prices is assumed, in line with the sensitivity analysis of currency risks. The potential effect on earnings after tax of changes in the fair value of the commodity futures as of December 31, 2021, was €5 million (previous year: €1 million) for +10% or €–5 million (previous year: €–1 million) for –10%.

42. Capital management

The 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, and on increasing the return on equity in the TRATON Financial Services segment. The overall objective is to maximize the value of the Group and its subdivisions for the benefit of all of the Company's stakeholders.

In order to maximize the use of resources in the TRATON Operations business area and to measure its performance, we use return on investment (ROI) as a value-based control concept. ROI indicates the return on invested capital in a period, based on operating result after tax. If ROI exceeds the market cost of capital, the value of invested capital increases.

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 the earnings effects from the purchase price allocation with regard to the TRATON Operations business area. This is calculated by applying a flat average tax rate of 30%. 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.

Due to the specific characteristics of the TRATON Financial Services segment, its management focuses on return on equity, a special target linked to invested capital. This key performance indicator 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. In addition, the goals of the TRATON Financial Services segment are to meet the regulatory capital requirements of the banking supervisory authorities and to procure equity for the growth planned in the coming fiscal years. To ensure compliance with banking regulatory requirements at all times, a planning procedure integrated into internal reporting has been put in place in the TRATON Financial Services segment, allowing the capital requirements to be continuously determined based on actual and expected business performance. In the year under review, this again ensured that regulatory minimum capital requirements were always met both at Group level and at the level of individual companies subject to specific capital requirements.

The return on investment in the TRATON Operations business area as well as the return on equity and the equity ratio in the Financial Services segment are shown in the following table:

€ million	2021	2020
TRATON Operations		
Operating result after tax for ROI	113	–18
Invested capital (average)	14,042	12,326
Return on investment (in %)	**0.8**	**–0.1**
TRATON Financial Services		
Earnings before tax	260	107
Average equity	1,392	966
Return on equity before tax (in %)	**18.6**	**11.1**
Equity ratio (in %)	**14.0**	**9.7**

43. Contingent liabilities and commitments

€ million	12/31/2021	12/31/2020
Liabilities under buyback guarantees	2,603	2,431
Contingent liabilities under guarantees	1,045	60
Other contingent liabilities	767	759
	4,415	**3,250**

Contingent liabilities under guarantees as of December 31, 2021, include financial guarantees of €1,017 million (previous year: €36 million), primarily default guarantees by Navistar in favor of banks.

As of December 31, 2021, guarantees of €21 million (previous year: €22 million) were in place for the benefit of subsidiaries and other investees of Volkswagen AG that are not part of the TRATON GROUP. Guarantees for consolidated and unconsolidated subsidiaries of Volkswagen AG outside the TRATON GROUP in the amount of €13 million (previous year: €31 million) were also in place as of December 31, 2021. The decrease in 2021 is primarily due to the expiration of these guarantees.

In fiscal year 2021, guarantees of €18 million in favor of third parties were reported for an associate of Navistar.

Other contingent liabilities relate mainly to contingent liabilities for potential charges from tax risks, which exist primarily for Volkswagen Caminhões e Ônibus. Further information is available in Note **"44. Litigation/legal proceedings."**

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 amounted to €2,603 million (previous year: €2,431 million) as of December 31, 2021. However, experience shows that the majority of these guarantees expire without being drawn upon.

44. 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. In place of paying the fines, Scania offered a financial guarantee covering the entire amount of fines. The guarantee was accepted by the Accounting Officer of the European Commission. 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. Following this judgment, the Group increased the €403 million provision that it had set aside to €880.5 million, plus accrued interest.

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. Further claims may follow. The claims against MAN 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 another case, the 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. By contrast, a range of lawsuits against MAN 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

Further Information

damages (on an equitable basis) have been issued against MAN. MAN has 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 or contingent liabilities were recognized for these cases since most of these proceedings are still at an early stage, which currently makes assessment impossible. In other cases, a final and unappealable ruling under which MAN or Scania would have to pay damages is not more likely than unlikely at present.

MAN LATIN AMERICA

In the tax proceedings between 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 for the acquisition of MAN Latin America 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 MAN Latin America. MAN Latin America appealed this judgement 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 €0.5 billion (BRL 3.2 billion) as of December 31, 2021, 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 MAN Latin America 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 €211 million (USD 239 million). However, both parties filed motions in court against 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 are also currently being 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 October 22, 2021, a letter of intent (the “LOI”) was signed to settle all Profit Sharing Plan disputes for years 2020 and prior and to terminate all future Profit Sharing Plans and other contributions to the Shy Retiree Supplemental Benefit Trust. Pursuant to the LOI, Navistar agreed to make payments to the Supplemental Benefit Trust in the aggregate amount of €491 million (USD 556 million). 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 LOI. 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. The class action settlement is subject to final court approval. In the fourth quarter, Navistar paid €88 million (USD 100 million) of the €491 million (USD 556 million) under the Profit Sharing Settlement Agreement.

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).

Pursuant to a letter of intent (the "LOI") signed on October 22, 2021, Navistar and the Committee Members intend to settle this matter. In return, it has been agreed under the LOI that the OPEB plan will be adjusted with regard to the contributions, resulting in an increase of €123 million (USD 146 million) in the balance sheet obligation (see Note **"35. Provisions for pensions and other post-employment benefits"**), and Navistar has agreed to make a payment. 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 LOI. The class action settlement is subject to final court approval after notice to the class and a time for objections.

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 €119 million (USD 135 million). However, two intervening class members appealed their inclusion in the settlement. A ruling by the appellate court is pending.

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.

CURRENT INFORMATION ON THE MAN SE MERGER

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.

45. Other financial obligations

2021 € million	Due in 2022	Due in 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

2020 € million	Due in 2021	Due in 2022–2025	Due from 2026	Total 12/31/2020
Purchase order commitments for				
property, plant, and equipment	439	160	–	599
intangible assets	11	3	–	14
Obligations from				
irrevocable credit and lease commitments to customers	423	65	6	494
long-term rental and lease contracts	31	26	1	58
Miscellaneous financial obligations	3,031	11	0	3,042

On December 15, 2021, the TRATON GROUP signed a contract to establish a 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.

In the previous year, miscellaneous financial obligations had primarily included the contingent payment obligation from the planned acquisition of the Navistar shares not held by TRATON at that point.

46. 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, 2021, 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, together with its affiliated companies and related parties in accordance with IAS 28 *Investments in Associates and Joint Ventures*
- 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 the 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, 2021, 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: –) shares of TRATON SE on December 31, 2021.

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

€ million	Sales and services rendered 2021	Sales and services rendered 2020	Purchases and services received 2021	Purchases and services received 2020
Volkswagen AG	26	4	189	170
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP[1]	1,635	1,393	801	687
Unconsolidated subsidiaries	29	12	10	12
Associates and their majority interests	161	191	276	223
Joint ventures and majority-owned interests	15	12	47	67

1 Prior-period amounts adjusted (sales and services rendered)

€ million	Receivables from 12/31/2021	Receivables from 12/31/2020	Liabilities (including obligations) to 12/31/2021	Liabilities (including obligations) to 12/31/2020
Volkswagen AG	210	2,362	362	1,062
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	372	332	3,566	2,465
Unconsolidated subsidiaries	37	18	49	35
Associates and their majority-owned interests[1]	38	154	29	8
Joint ventures and majority-owned interests	2	2	1	2

1 Prior-period amounts adjusted (related party receivables)

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. 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. In 2021, the TRATON GROUP made short-term investment deposits at Volkswagen AG, amounting to €200 million (previous year: €2,100 million) as of December 31, 2021. The investment deposits are subject to market interest rates. The year-on-year decrease in investment deposits with Volkswagen AG is due to the increased liquidity requirements for the Navistar acquisition.

Liabilities to Volkswagen AG include loans granted by Volkswagen AG in the amount of €270 million (previous year: €1,000 million) resulting from a €4,000 million (previous year: €4,000 million) credit facility. The credit facility is subject to market interest rates. The €1,000 million loan contained in liabilities to Volkswagen AG in the prior-year period was repaid in the first half of 2021.

The amounts of supplies and services transacted, as well as outstanding receivables and obligations, relating to Volkswagen AG also include remuneration and severance components for two former members 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 increase 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 is subject to market interest rates. The credit facility was reduced to €2,750 million in May 2021 and drawn down in full at the acquisition date. It was partially repaid through bank funding of €1,700 million and reduced to €1,050 million ahead of schedule in October and November 2021. TRATON SE pays commitment fees to Volkswagen International Luxemburg in connection with the loan.

The decrease in the balance in respect of associates and their majority interests compared with the previous year is largely due to the initial consolidation of Navistar as of July 1, 2021.

The sale of receivables to subsidiaries of Volkswagen AG that are not part of the TRATON GROUP amounted to €1,023 million (previous year: €960 million) in fiscal year 2021. 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 **"43. Contingent liabilities and commitments."**

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 €1 million (previous year: €3 million). The pension provisions for the members of the Executive Board in office amounted to €1 million (previous year: €2 million) as of December 31, 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 (tranche 2019–2021 and tranche 2020–2022) of the performance share plan. In 2021, certain members of the Executive Board (Mr. Cortes, Mr. Levin, and Mr. Schulz) received advances on the 2020–2022 tranche of the performance share plan. As of December 31, 2021, there was a receivable of €1 million (previous year: €0 million) from current members of the Executive Board. As of December 31, 2021, 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 **"48. Remuneration of the Executive Board and the Supervisory Board in accordance with section 314 of the HGB."**

The following expenses were recognized in fiscal year 2021 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. They also include benefits that were offset with Volkswagen AG.

€ million	2021	2020
Short-term benefits	9	10
Benefits based on performance shares	8	3
Post-employment benefits	3	2
Termination benefits	19	17
Total	**39**	**32**

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.

The termination benefits relate to the payments to Mr. Henriksson, Mr. Gründler, Mr. Schulz, and Dr. Ing. h.c. Tostmann (previous year: Mr. Drees and Mr. Renschler) in connection with their departure from the Executive Board before the end of their term.

47. Benefits based on performance shares (share-based payment)

The remuneration system for the Executive Board comprises fixed and variable components. The variable remuneration consists of a performance-related profit bonus with a two-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.

At the time the LTI is granted, the annual target amount under the LTI is converted on the basis of the initial reference price of TRATON SE shares (grants starting in 2020) or Volkswagen AG's preferred shares (granted in 2019) into performance shares, which are allocated to the respective member of the Executive Board purely for calculation purposes. A cash settlement is made after the end of the three- or four-year term of the performance share plan. The payment amount corresponds to the number of specified performance shares, multiplied by the closing reference price at the end of the three- or four-year period, plus a dividend equivalent for the relevant term. The payment amount under the performance share plan is capped at 200% of the target amount.

If 100% of the relevant agreed targets are achieved, the target amount for the Executive Board members in 2021 is €7 million (previous year: €7 million). The target amount is reduced ratably if the employment contract begins or ends in the course of a year. In the case of several former Executive Board members, under the terms of the *Aufhebungsvereinbarung* (agreement to annul the employment contract), the employment contract continues in force at the end of the appointment. As a result, the target amount is not reduced in this case.

€ million	2021	2020
Total expense for the reporting period	15	6
Carrying amount of the obligation	19	6
Intrinsic value of the liabilities	4[1]	1[1]
Fair value on the granting date	11	8[2]
Number of performance shares granted	944,933[3]	433,779[3]
of which granted in the reporting period	511,154	408,385[4]

1 Of which €4 million (previous year: €1 million) based on Volkswagen AG preferred shares
2 Of which €1 million based on Volkswagen AG preferred shares
3 Of which 29,790 (previous year: 29,790) performance shares based on Volkswagen AG preferred shares
4 Of which 4,396 performance shares based on Volkswagen AG preferred shares

The intrinsic value corresponds to the amount that the members of the Executive Board would have received if they had stepped down on December 31, 2021. Only the nonforfeitable (vested) performance shares at the reporting date are included in the calculation.

In addition to the performance shares of members of the Executive Board currently in office, the figures given above also include the performance shares of former members of the Executive Board, some of which were awarded to former members of the Executive Board under the terms of an *Aufhebungsvereinbarung*.

48. 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 amounts to €12 million (previous year: €13 million).

Under the performance share plan, the members of the Executive Board were awarded a total of 263,213 (previous year: 225,474) performance shares for fiscal year 2021, whose value at the award date amounted to €6 million (previous year: €6 million).

Advances granted to members of the Executive Board as of December 31, 2021, under the performance share plan amount to €1 million (previous year: €0 million). In fiscal year 2021, a total of €1 million (previous year: €3 million) of the advances granted to members of the Executive Board was offset against the performance share plan payment. A loan of €3 million (previous year: €– million) was additionally extended to a member of the Executive Board as of December 31, 2021.

Former members of the Executive Board and their surviving dependents were paid €19 million (previous year: €17 million) in fiscal year 2021. There were pension provisions of €8 million (previous year: €5 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).

49. Supervisory Board

Effective the end of April 30, 2021, Mr. Bernd Osterloh resigned his position as a member of the Supervisory Board of TRATON SE. At the proposal of Volkswagen AG's Group Works Council, Ms. Daniela Cavallo was delegated to the Supervisory Board by the Presiding Committee of the Works Council of TRATON SE effective June 1, 2021. Effective the end of August 31, 2021, Mr. Athanasios Stimoniaris resigned his position as a member of the Supervisory Board and Deputy Chairman of the Supervisory Board of TRATON SE. Mr. Michael Lyngsie was elected as the new Deputy Chairman of the Supervisory Board of TRATON SE on September 15, 2021. On September 29, 2021, the Group Works Council of TRATON SE elected Mr. Markus Wansch as a new member of the Supervisory Board of TRATON SE. Effective the end of September 30, 2021, Ms. Hiltrud Werner resigned her position as a member of the Supervisory Board of TRATON SE.

50. Executive Board

Effective the end of April 30, 2021, Mr. Henrik Henriksson resigned his position as a member of the Executive Board of TRATON SE and CEO of Scania AB and Scania CV AB. Mr. Christian Levin was appointed CEO of Scania AB and Scania CV AB and assumed responsibility for the Scania Group on the Executive Board of TRATON SE effective May 1, 2021. Mr. Bernd Osterloh was appointed as a member of TRATON SE's Executive Board effective May 1, 2021, and took over leadership of the Human Resources Board department. Effective the end of September 30, 2021, Mr. Matthias Gründler and Mr. Christian Schulz resigned their positions as members of the Executive Board of TRATON SE. In addition to his responsibility as CEO of Scania AB and Scania CV AB, Mr. Christian Levin was appointed as Chairman of the Executive Board of TRATON SE effective October 1, 2021. Also effective October 1, 2021, Ms. Annette Danielski was appointed as a member of the Executive Board of TRATON SE. She assumed responsibility for, among other things, the Finance & Controlling Board department from Mr. Christian Schulz. Effective October 1, 2021, Mr. Mathias Carlbaum was appointed as a member of the Executive Board of TRATON SE and assumed responsibility for the newly established Navistar Group Board department. He is also CEO of Navistar International Corporation. Effective the end of November 24, 2021, Dr. Ing. h.c. Andreas Tostmann resigned his positions as a member of the Executive Board and as Chairman of the Executive Board of MAN Truck & Bus SE. Effective November 25, 2021, Mr. Alexander Vlaskamp was appointed as a member of the Executive Board of TRATON SE. In addition to his position as a member of the Executive Board of TRATON SE, he also assumed the chairmanship of the Executive Board of MAN Truck & Bus SE.

51. Fees paid to the auditor of the consolidated financial statements

The following table shows the fees charged in the reporting period for the work performed by the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY) and by companies of the international EY network.

€ million	2021	2020
Audit of the financial statements	14	7
Other assurance services	1	0
Tax advisory services	1	2
Total expenses for fees	**17**	**9**

The increase in the fees for financial statement audits is primarily a result of the acquisition of Navistar and the associated increase in the number of companies to be audited.

The fees charged for the work performed by the auditor, EY, in Germany are shown in the following table:

€ million	2021	2020
Audit of the financial statements	3	2
Other assurance services	1	0
Tax advisory services	1	1
Total expenses for fees	**5**	**3**

Most of the fees charged for the work of the auditor in 2021 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.

52. 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 2021. 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**.

53. Events after the reporting period

On January 3, 2022, the TRATON GROUP acquired all shares of Bilmetro AB, Gävleborg, Sweden, and three real estate companies via Scania Sverige AB, Södertälje, Sweden. 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 to Din Bil Sverige AB, Stockholm, Sweden, on January 3, 2022.

Bilmetro AB has its registered office in central Sweden and operates at eleven locations in Gävleborg, Dalarna, and Uppsala.

Bilmetro AB's total assets at the acquisition date were €351 million, including a financing portfolio of €256 million. An analysis of the acquisition indicates that there is no material goodwill and no material impact on the sales revenue and total assets of the TRATON GROUP.

The TRATON GROUP issued a €300 million floating-rate note with an 18-month term on January 21, 2022, under the €12,000 million European Medium Term Notes program.

On February 28, 2022, TRATON SE took out two bilateral bank loans totaling €850 million. In view of the above, €800 million was transferred to Volkswagen International Luxemburg S.A. on the same day to partly repay the €1,050 million of the Navistar purchase price loan that was still outstanding. Furthermore, TRATON SE signed a bilateral loan agreement in the amount of €200 million on February 25, 2022, with the funds scheduled to be paid out on March 11, 2022. An irrevocable voluntary prepayment notice informed Volkswagen International Luxemburg of TRATON SE's intention to repay the outstanding balance of €250 million on March 11, 2022, and thus to terminate the committed term facility ahead of schedule.

At the time of the preparation of this report, there is a risk that the latest developments in the Russia-Ukraine conflict will have a negative impact on the TRATON GROUP's business activities. This may also result from supply chain bottlenecks. A conclusive assessment of the concrete implications is not yet possible at this stage.

Likewise, it is not yet possible to predict with sufficient certainty the extent to which the Russia-Ukraine conflict will impact the global economy and the industry's growth in fiscal year 2022.

The TRATON GROUP does not have any material subsidiaries or equity investments in Ukraine. In Russia, the TRATON GROUP has, in particular, a production company in St. Petersburg, which serves the Russian market, as well as sales entities and financing companies. TRATON generated around 4.8% of its 2021 sales revenue in Russia and Ukraine, with Russia accounting for the far larger share of this figure. 1.8% of the recognized assets were in these two countries on December 31, 2021, with Russia once again accounting for the far larger share.

It cannot be ruled out that as this conflict unfolds, it may have a material negative impact on the TRATON GROUP's net assets, financial position, and results of operations.

54. Members of the Executive Board and their appointments

Christian Levin
Lidingö, Sweden
Chairman of the Executive Board (since October 1, 2021)

2 MAN Truck & Bus SE (Chairman)
4 Navistar International Corporation, USA
Scania Growth Capital AB, Sweden

Matthias Gründler
(until September 30, 2021)
Albershausen,
Chairman of the Executive Board

1 Volkswagen Financial Services AG
2 MAN Truck & Bus SE (Chairman)
3 Sinotruk (Hong Kong) Ltd., China
4 Scania AB, Sweden (Chairman)
Scania CV AB, Sweden (Chairman)
MAN Latin America Indústria e Comércio de Veículos Ltda., Brazil (Chairman)

Mathias Carlbaum
(since October 1, 2021)
Hinsdale, United States of America
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 Financial Services Brazil, Brazil

Annette Danielski
(since October 1, 2021)
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 (Chairman)
Scania CV AB, Sweden (Chairman)
MAN Latin America Indústria e Comércio de Veículos Ltda., Brazil

Henrik Henriksson
(until April 30, 2021)
Stockholm, Sweden
Member of the Executive Board

3 CREADES AB, Sweden
Electrolux AB, Sweden
Hexagon AB, Sweden

Bernd Osterloh
(since May 1, 2021)
Wolfsburg, Fallersleben,
Member of the Executive Board

1 Autostadt GmbH
Volkswagen Group Services GmbH
3 VfL Wolfsburg-Fußball GmbH

Christian Schulz
(until September 30, 2021)
Stuttgart,
Member of the Executive Board

2 MAN Truck & Bus SE
4 Navistar International Corporation, USA
Scania AB, Sweden
Scania CV AB, Sweden

Dr. Ing. h.c. Andreas Tostmann
(until November 24, 2021)
Braunschweig,
Member of the Executive Board

1 Rheinmetall MAN Military Vehicles GmbH
2 MAN Truck & Bus Deutschland GmbH (Chairman)
3 Fraunhofer Research Austria GmbH, Austria
Sinotruk (Hong Kong) Ltd., China

Alexander Vlaskamp
(since November 25, 2021)
Johanneshov, Sweden
Member of the Executive Board

2 MAN Truck & Bus Deutschland GmbH (Chairman)

As of December 31, 2021, 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

55. 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 (since September 15, 2021)

3 Scania AB, Sweden
Scania CV AB, Sweden

Athanasios Stimoniaris*
(until August 31, 2021)
Munich,
Chairman of the Group Works Council of TRATON SE and the SE Works Council
Chairman of the Group Works Council of MAN SE and the SE Works Council,
and Chairman of the Group Works Council and the General Works Council of
MAN Truck & Bus SE and the SE Works Council

Deputy Chairman of the Supervisory Board

1 MAN Truck & Bus SE
MAN SE
MAN Truck & Bus Deutschland GmbH
Volkswagen AG
Rheinmetall MAN Military Vehicles GmbH

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*
(since June 1, 2021)
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
3 Porsche Holding Stuttgart GmbH
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

Dr. Manfred Döss
Mülheim,
Member of the Executive Board of Porsche Automobil Holding SE
and General Counsel of Volkswagen AG

1 PTV Planung Transport Verkehr AG

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
CARIAD 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 Chairwoman)
Netel Group AB
Scania AB, Sweden
Scania CV AB, Sweden
Scandinavian Enviro Systems AB, Sweden

Bernd Osterloh*
(until April 30, 2021)
Wolfsburg, Fallersleben,
Chairman of the General and Group Works Councils of Volkswagen AG

1 Volkswagen AG
Autostadt GmbH
Wolfsburg AG
Volkswagen Group Services GmbH
3 Volkswagen Immobilien GmbH
Porsche Holding Stuttgart GmbH
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

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)
Öffentliche Versicherung Braunschweig Anstalt des öffentlichen Rechts (institution under public law)

Karina Schnur*
Reichertshofen,
General Secretary of the Works Council of MAN Truck & Bus SE and TRATON SE

1 MAN Truck & Bus SE

Markus Wansch
(since September 29, 2021)
Schwabach,
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

Hiltrud Werner
(until September 30, 2021)
Munich,
Member of the Board of Management of Volkswagen AG

2 AUDI AG
Dr. Ing. h.c. F. Porsche AG
4 SEAT S.A., Spanien
Porsche Holding Stuttgart GmbH

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*
Leipzig,
Chairman of the General Works Council of MAN Truck & Bus Deutschland GmbH

1 MAN Truck & Bus Deutschland GmbH (Deputy Chairman)

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* Elected by the workforce

As of December 31, 2021, 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

56. Supervisory Board committees

(As of December 31, 2021)

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

57. List of shareholdings

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2021

Name and domicile of the company	Currency	Exchange rate (1 euro=) 12/31/2021	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	37,322	566		2020
M A N Verwaltungs-Gesellschaft mbH, Munich	EUR		100.00	1,039	–	1)	2021
MAN GHH Immobilien GmbH, Oberhausen	EUR		100.00	44,668	–	1)	2021
MAN Grundstücksgesellschaft mbH & Co. Epsilon KG, Munich	EUR		100.00	623	181		2020
MAN Marken GmbH, Munich	EUR		100.00	27	–		2021
MAN Service und Support GmbH, Munich	EUR		100.00	25	–	1)	2021
MAN Truck & Bus Deutschland GmbH, Munich	EUR		100.00	130,934	–	1)	2021
MAN Truck & Bus SE, Munich	EUR		100.00	564,841	–	1)	2021
Navistar Europe GmbH, Nuremberg	EUR		100.00	616	31	3) 7)	2020
Scania CV Deutschland Holding GmbH, Koblenz	EUR		100.00	66,295	–	11)	2021
SCANIA DEUTSCHLAND GmbH, Koblenz	EUR		100.00	36,625	–	1)	2021
Scania Finance Deutschland GmbH, Koblenz	EUR		100.00	72,913	9,111	11)	2020
SCANIA Real Estate Deutschland GmbH, Koblenz	EUR		100.00	15,183	–	11) 12)	2021
Scania Versicherungsvermittlung GmbH, Koblenz	EUR		100.00	929	209		2020
SCANIA Vertrieb und Service GmbH, Koblenz	EUR		100.00	9,463	–	1)	2021
TARONA Verwaltung GmbH & Co. Alpha KG, Pullach i. Isartal	EUR		100.00	5,124	563		2020
TB Digital Services GmbH, Munich	EUR		100.00	–25	–	1)	2021
TORINU Verwaltung GmbH & Co. Beta KG, Pullach i. Isartal	EUR		100.00	18,100	549		2020

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2021

Name and domicile of the company	Currency	Exchange rate (1 euro=) 12/31/2021	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
2. Other countries							
AB Dure, Södertälje	SEK	10.2548	100.00	1,440	–	5)	2020
AB Folkvagn, Södertälje	SEK	10.2548	100.00	120	–	5)	2020
AB Scania-Vabis, Södertälje	SEK	10.2548	100.00	100	–	5)	2020
Ainax AB, Södertälje	SEK	10.2548	100.00	120	–	5)	2020
Blue Diamond Parts LLC, Lisle, Illinois	USD	1.1320	100.00	15,576	72,566	3) 7)	2020
Centurion Truck & Bus (Pty) Ltd. t/a, Centurion	ZAR	18.0532	70.00	14,790	4,485		2020
Chicago International Trucks - Chicago, LLC, Chicago, Illinois	USD	1.1320	100.00	–5,793	–	3) 5) 7)	2020
CNC Factory AB, Värnamo	SEK	10.2548	100.00	1,979	–		2020
Codema Comercial e Importadora Ltda., Guarulhos	BRL	6.3068	99.98	255,785	19,509	12)	2020
DynaMate IntraLog AB, Södertälje	SEK	10.2548	100.00	100	–	5)	2020
Fastighetsaktiebolaget Flygmotorn, Södertälje	SEK	10.2548	100.00	18,561	–	1)	2020
Fastighetsaktiebolaget Hjulnavet, Södertälje	SEK	10.2548	100.00	53,051	–	1)	2020
Fastighetsaktiebolaget Vindbron, Södertälje	SEK	10.2548	100.00	42,070	–	1)	2020
Ferruform AB, Luleå	SEK	10.2548	100.00	72,939	–5,443		2020
Griffin Automotive Ltd., Road Town	TWD	31.3270	100.00	1,665,390	443,583		2020
Griffin Lux S.à r.l., Luxembourg	EUR		–	–	–	4) 13)	2019
Harbour Assurance Company of Bermuda Ltd., Hamilton	BMD	1.0945	100.00	22,755	4,327	3) 7)	2020
HTD I Oskarshamn AB, Oskarshamn	SEK	10.2548	100.00	–	–	7)	2021
IC Bus LLC, Lisle, Illinois	USD	1.1320	100.00	868,830	110,036	3) 7)	2020
IC Bus of Oklahoma, LLC, Tulsa, Oklahoma	USD	1.1320	100.00	–	–	3) 7)	2020
International DealCor Operations, Ltd., George Town	KYD	0.9085	100.00	82,433	120	3) 7)	2020
International Engine Intellectual Property Company, LLC, Lisle, Illinois	USD	1.1320	100.00	501,706	31	3) 7)	2020
International Industria Automotiva da America do Sul Ltda., São Paulo	BRL	6.3068	100.00	600,855	–61,992	3) 7)	2020
International of Mexico Holding Corporation LLC, Lisle, Illinois	USD	1.1320	100.00	288,990	–15,002	3) 7)	2020
International Parts Distribution S. de R.L. de C.V., Miguel Hidalgo	MXN	23.1418	100.00	346,312	192,185	7) 12)	2020

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2021

Name and domicile of the company	Currency	Exchange rate (1 euro=) 12/31/2021	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
International Truck and Engine Corporation Cayman Islands Holding Company, Lisle, Illinois	USD	1.1320	100.00	548,346	3,224	3) 7)	2020
International Truck and Engine Corporation U.S. Holding Company, LLC, Lisle, Illinois	USD	1.1320	100.00	92	–	3) 7)	2020
International Truck and Engine Investments Corp., Lisle, Illinois	USD	1.1320	100.00	–19,269	310	3) 7)	2020
International Truck and Engine Overseas Corp., Lisle, Illinois	USD	1.1320	100.00	–10,124	12	3) 7)	2020
International Truck Intellectual Property Company, LLC, Lisle, Illinois	USD	1.1320	100.00	981,747	2,385	3) 7)	2020
International Truck Leasing Corp., Lisle, Illinois	USD	1.1320	100.00	5,331	118	3) 7)	2020
Italscania S.p.A., Trento	EUR		100.00	47,234	28,065		2020
Kai Tak Holding AB, Södertälje	SEK	10.2548	100.00	120	–	5)	2020
Laxå Specialvehicles AB, Laxå	SEK	10.2548	100.00	123,151	4,181		2020
LOTS Chile S.p.A., Santiago de Chile	CLP	964.4600	100.00	–	–	4) 6)	2021
LOTS Group AB, Södertälje	SEK	10.2548	100.00	108,481	–2,102		2020
LOTS Latin América Logística de Transportes Ltda., São Bernardo do Campo	BRL	6.3068	100.00	51,262	2,228		2020
Lots Logistics (Guangxi) Ltd, Beihai	CNY	7.1870	100.00	1,610	–1,381		2020
LOTS Ventures Canada Inc., Vancouver, British Columbia	CAD	1.4417	80.00	–	–	7)	2021
Mälardalens Tekniska Gymnasium AB, Södertälje	SEK	10.2548	80.00	23,088	5,040		2020
MAN Automotive (South Africa) (Pty) Ltd., Johannesburg	ZAR	18.0532	100.00	926,733	15,059		2020
MAN Bus Sp. z o.o., Starachowice	PLN	4.5943	100.00	812,513	67,223		2020
MAN Engines & Components Inc., Pompano Beach, Florida	USD	1.1320	100.00	94,383	9,766		2020
MAN Finance and Holding S.A., Strassen	EUR		100.00	1,633,170	–250,824		2020
MAN Hellas Truck & Bus A.E., Aspropygros	EUR		100.00	2,288	–273		2017
MAN Kamion és Busz Kereskedelmi Kft., Dunaharaszti	HUF	369.8350	100.00	5,728,058	729,746		2020
MAN Kamyon ve Otobüs Ticaret A.S., Ankara	TRY	15.1347	100.00	316,680	52,627		2020
MAN Latin America Indústria e Comércio de Veículos Ltda., São Paulo	BRL	6.3068	100.00	160,432	–304,877		2020
MAN Nutzfahrzeuge Immobilien GmbH, Vienna	EUR		100.00	27,357	1,725		2020
MAN Shared Services Center Sp. z o.o., Poznan	PLN	4.5943	100.00	10,753	2,239		2020
MAN Truck & Bus (Korea) Ltd., Yongin	KRW	1,344.9650	100.00	12,334,375	–4,926,534		2020

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2021

Name and domicile of the company	Currency	Exchange rate (1 euro=) 12/31/2021	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
MAN Truck & Bus (M) Sdn. Bhd., Rawang	MYR	4.7159	100.00	–25,612	–21,149		2019
MAN Truck & Bus Asia Pacific Co. Ltd., Bangkok	THB	37.5372	99.99	143,106	9,433		2020
MAN Truck & Bus Czech Republic s.r.o., Cestlice	CZK	24.8590	100.00	1,225,673	65,049		2020
MAN Truck & Bus Danmark A/S, Greve	DKK	7.4367	100.00	124,964	1,057		2020
MAN Truck & Bus France S.A.S., Evry	EUR		100.00	74,135	1		2020
MAN Truck & Bus Iberia S.A., Coslada	EUR		100.00	109,059	–13,732		2020
MAN Truck & Bus Italia S.p.A., Dossobuono di Villafranca	EUR		100.00	28,126	2,212		2020
MAN Truck & Bus México S.A. de C.V., El Marqués	MXN	23.1418	100.00	–1,122,417	–385,427		2020
MAN Truck & Bus Middle East FZE, Dubai	AED	4.1579	100.00	52,600	3,037		2019
MAN Truck & Bus N.V., Kobbegem	EUR		100.00	27,018	1,049		2020
MAN Truck & Bus Norge A/S, Lorenskog	NOK	9.9894	100.00	181,590	94		2020
MAN Truck & Bus Polska Sp. z o.o., Nadarzyn	PLN	4.5943	100.00	42,390	–51,480		2020
MAN Truck & Bus Portugal S.U. Lda., Lisbon	EUR		100.00	4,281	–2,847		2020
MAN Truck & Bus Schweiz AG, Otelfingen	CHF	1.0332	100.00	27,736	638		2020
MAN Truck & Bus Slovakia s.r.o., Bratislava	EUR		100.00	10,000	552		2020
MAN Truck & Bus Slovenija d.o.o., Ljubljana	EUR		100.00	12,332	–104		2020
MAN Truck & Bus Trading (China) Co., Ltd., Beijing	CNY	7.1870	100.00	72,504	9,819		2020
MAN Truck & Bus UK Ltd., Swindon	GBP	0.8400	100.00	102,985	3,508		2020
MAN Truck & Bus Vertrieb Österreich GmbH, Vienna	EUR		100.00	247,925	939		2020
MAN Trucks Sp. z o.o., Niepolomice	PLN	4.5943	100.00	1,195,637	122,592		2020
MAN Türkiye A.S., Ankara	TRY	15.1347	99.99	1,083,251	237,274		2020
MW-Hallen Restaurang AB, Södertälje	SEK	10.2548	100.00	2,027	–3		2020
MWM Indústria de Motores Diesel Ltda., São Paulo	BRL	6.3068	100.00	200	–	3) 7)	2020
MWM International Motores S.A., Jesus Maria	ARS	116.2451	100.00	337,631	86,812	3) 7)	2020
N.W.S. S.r.l., in liquidation, Trento	EUR		52.50	623	511	2)	2020
Navistar (Shanghai) Trading Co., Ltd., Shanghai	CNY	7.1870	100.00	23,509	1,183	7)	2020
Navistar Aftermarket Products, Inc., Lisle, Illinois	USD	1.1320	100.00	43,080	876	3) 7)	2020

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2021

Name and domicile of the company	Currency	Exchange rate (1 euro=) 12/31/2021	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Navistar Auspac Pty. Ltd., Tullamarine	AUD	1.5612	100.00	1,765	145	3) 7)	2020
Navistar Big Bore Diesels, LLC, Huntsville, Alabama	USD	1.1320	100.00	–57,228	7,888	3) 7)	2020
Navistar Canada, ULC, Halifax, Nova Scotia	CAD	1.4417	100.00	–155,682	24,718	3) 7)	2020
Navistar Cayman Islands Intellectual Property Company, George Town	KYD	0.9085	100.00	–68,496	1,242	3) 7)	2020
Navistar Comercial S.A. de C.V., Miguel Hidalgo	MXN	23.1418	100.00	254,262	25,933	7)	2020
Navistar Component Holdings, LLC, Lisle, Illinois	USD	1.1320	100.00	118,061	–10	3) 7)	2020
Navistar Delaware Holdings, LLC, Lisle, Illinois	USD	1.1320	100.00	25,000	–	3) 7)	2020
Navistar Diesel of Alabama, LLC, Lisle, Illinois	USD	1.1320	100.00	–	–	3) 7)	2021
Navistar Finance Holdings LLC, Lisle, Illinois	USD	1.1320	100.00	–	–	4) 6)	2021
Navistar Financial Corporation, Lisle, Illinois	USD	1.1320	100.00	192,439	6,694	3) 7)	2020
Navistar Financial Dealer Note Master Owner Trust II, Wilmington, Delaware	USD	1.1320	–	–	–	7) 13)	2020
Navistar Financial Securities Corp., Lisle, Illinois	USD	1.1320	100.00	119,875	3,860	3) 7)	2020
Navistar Financial, S.A. de C.V. SOFOM E.R., Miguel Hidalgo	MXN	23.1418	100.00	4,656,560	349,233	7) 12)	2020
Navistar Global Operations Corp., Lisle, Illinois	USD	1.1320	100.00	–	–	3) 7)	2020
Navistar Hong Kong Holding Company Ltd., Hong Kong	HKD	8.8278	100.00	4,503	–107	3) 7)	2020
Navistar International B.V., Amsterdam	EUR		100.00	21,330	–51	3) 7)	2020
Navistar International Corporation, Lisle, Illinois	USD	1.1320	100.00	3,527,552	–34,797	3) 12)	2020
Navistar International Employee Leasing Company, Lisle, Illinois	USD	1.1320	100.00	4,391	1,782	3) 7)	2020
Navistar International Holdings B.V., Amsterdam	EUR		100.00	21,330	–51	3) 7)	2020
Navistar International Mexico, S. de R.L. de C.V., Escobedo	MXN	23.1418	100.00	1,634,584	237,579	7)	2020
Navistar International Pvt. Ltd., Pune	INR	84.1690	100.00	143,050	5,560	3) 7)	2021
Navistar International Southern Africa (Pty) Ltd., Johannesburg	ZAR	18.0532	100.00	8,281	4,041	3) 7)	2020
Navistar International Truck Mexico, S. de R.L. de C.V., Miguel Hidalgo	MXN	23.1418	100.00	1,481,664	750,972	7)	2020
Navistar Leasing Company, Lisle, Illinois	USD	1.1320	–	–	–	7) 13)	2020
Navistar Leasing Services Corp., Lisle, Illinois	USD	1.1320	100.00	90,198	6,670	3) 7)	2020
Navistar Luxembourg Intellectual Property Company, Luxembourg	EUR		100.00	–5,130	260	3) 7)	2020
Navistar Mexico, S. de R.L. de C.V., Mexico City	MXN	23.1418	100.00	2,669,250	279,991	7)	2020

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2021

Name and domicile of the company	Currency	Exchange rate (1 euro=) 12/31/2021	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Navistar San Antonio Manufacturing LLC, Lisle, Illinois	USD	1.1320	100.00	–7,129	–7,129	3) 7)	2020
Navistar Sweden AB, Södertälje	SEK	10.2548	100.00	943	–672	3) 7)	2020
Navistar, Inc., Lisle, Illinois	USD	1.1320	100.00	–7,956,543	–508,120	3) 7)	2020
NC2 Brasil Industria e Comercio de Caminhoes Ltda., Canoas	BRL	6.3068	100.00	7,993	10	3) 7)	2020
NC2 Global LLC, Lisle, Illinois	USD	1.1320	100.00	142,871	1,790	3) 7)	2020
NC2 Luxembourg S.a.r.l., Luxembourg	EUR		100.00	–109,423	–2,240	3) 7)	2020
Norsk Scania A/S, Oslo	NOK	9.9894	100.00	270,137	475,222		2020
Norsk Scania Eiendom A/S, Oslo	NOK	9.9894	100.00	110,451	10,159		2020
OCC Technologies, LLC, Lisle, Illinois	USD	1.1320	100.00	–40,216	–11,822	3) 7)	2020
OOO MAN Truck & Bus Production RUS, St. Petersburg	RUB	84.9779	100.00	785,128	104,903		2020
OOO MAN Truck and Bus RUS, Moscow	RUB	84.9779	100.00	6,189,995	372,389		2020
OOO Scania Finance, Moscow	RUB	84.9779	100.00	584,798	–4,244		2020
OOO Scania Leasing, Moscow	RUB	84.9779	100.00	2,795,337	2,169,983		2020
OOO Scania Peter, St. Petersburg	RUB	84.9779	100.00	190,392	–59,063		2020
OOO Scania Service, Golitsino	RUB	84.9779	100.00	152,405	8,003		2020
OOO Scania Strachovanie, Moscow	RUB	84.9779	100.00	71,205	13,662		2020
OOO Scania-Rus, Golitsino	RUB	84.9779	100.00	5,666,826	2,257,348		2020
Parts and Service Ventures, Inc., Lisle, Illinois	USD	1.1320	100.00	1,791	31	3) 7)	2020
Power Vehicle Co. Ltd., Bangkok	THB	37.5372	100.00	1,887	–59		2020
PT Scania Parts Indonesia, Balikpapan	IDR	16,133.8300	100.00	4,110	507		2020
Reliable Vehicles Ltd., Milton Keynes	GBP	0.8400	100.00	2,500	–	5)	2019
Sågverket 6 AB, Södertälje	SEK	10.2548	100.00	664	–293		2020
Scan Siam Service Co. Ltd., Bangkok	THB	37.5372	100.00	76,377	11,683		2020
Scanexpo International S.A., Montevideo	USD	1.1320	100.00	8,280	–28		2020
Scania (Hong Kong) Ltd., Hong Kong	HKD	8.8278	100.00	63,408	19,776		2020
Scania (Malaysia) Sdn. Bhd., Shah Alam	MYR	4.7159	100.00	64,400	14,265		2020
Scania AB, Södertälje	SEK	10.2548	100.00	18,143,909	6,000,003		2021

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2021

Name and domicile of the company	Currency	Exchange rate (1 euro=) 12/31/2021	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Scania Administradora de Consórcios Ltda., Cotia	BRL	6.3068	99.99	90,054	8,593		2020
Scania Argentina S.A., Buenos Aires	USD	1.1320	100.00	12,829,593	2,198,093		2020
Scania Australia Pty. Ltd., Melbourne	AUD	1.5612	100.00	73,169	14,496		2020
Scania Banco S.A., São Bernardo do Campo	BRL	6.3068	100.00	503,887	80,627		2020
Scania Belgium N.V., Neder-Over-Heembeek	EUR		100.00	9,499	11,318		2020
Scania BH d.o.o., Sarajevo	BAM	1.9558	100.00	2,985	85		2020
Scania Botswana (Pty) Ltd., Gaborone	BWP	13.3099	100.00	28,156	16,809		2020
Scania Bulgaria EOOD, Sofia	BGN	1.9559	100.00	11,739	3,335		2020
Scania Bus & Coach UK Ltd., Milton Keynes	GBP	0.8400	100.00	1,029	–	5)	2019
Scania Bus Financing AB, Södertälje	SEK	10.2548	100.00	100	–	5)	2020
Scania Central Asia LLP, Almaty	KZT	492.4200	100.00	957	–46,913		2020
Scania Chile S.A., Santiago de Chile	CLP	964.4600	100.00	17,927,845	4,090,138		2020
Scania Cma Gora d.o.o., Danilovgrad	EUR		100.00	–	–	4)	2020
Scania Colombia S.A.S., Bogotá	COP	4,607.0000	100.00	80,683,505	44,632,389		2020
Scania Comercial, S.A. de C.V., Querétaro	MXN	23.1418	100.00	517,762	–63,325		2020
Scania Commercial Vehicles India Pvt. Ltd., Bangalore	INR	84.1690	100.00	–739,490	–661,122		2020
Scania Commercial Vehicles Renting S.A., San Fernando de Henares	EUR		100.00	36,541	2,007		2020
Scania Commerciale S.p.A., Trento	EUR		100.00	9,084	563		2020
Scania Corretora de Seguros Ltda., São Bernardo do Campo	BRL	6.3068	100.00	2,994	2,950		2018
Scania Credit (Malaysia) Sdn. Bhd., Shah Alam	MYR	4.7159	100.00	420	–3,025		2020
Scania Credit AB, Södertälje	EUR		100.00	2,380	–1,308		2020
Scania Credit Argentina S.A.U., Buenos Aires	ARS	116.2451	100.00	–	–	4) 6)	2021
Scania Credit Hrvatska d.o.o., Lucko (Zagreb)	HRK	7.5161	100.00	19,338	3,763		2020
Scania Credit Romania IFN S.A., Ciorogârla	RON	4.9488	100.00	55,550	–10,152		2020
Scania Credit Singapore Pte. Ltd., Singapore	SGD	1.5281	100.00	297	–		2020
Scania Credit Solutions Pty Ltd., Aeroton	ZAR	18.0532	100.00	14,632	2,004		2020
Scania Credit Taiwan Ltd., New Taipei City	TWD	31.3270	100.00	2,886	–10,858		2020

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2021

Name and domicile of the company	Currency	Exchange rate (1 euro=) 12/31/2021	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Scania CV AB, Södertälje	SEK	10.2548	100.00	44,608,304	3,594,159		2020
Scania Czech Republic s.r.o., Prague	CZK	24.8590	100.00	596,558	311,851		2020
Scania Danmark A/S, Ishöj	DKK	7.4367	100.00	245,744	62,124		2020
Scania Danmark Ejendom ApS, Ishöj	DKK	7.4367	100.00	127,036	11,176		2020
Scania del Perú S.A., Lima	PEN	4.5176	100.00	52,815	2,520		2020
Scania Delivery Center AB, Södertälje	SEK	10.2548	100.00	139,515	29,008		2020
Scania East Africa Ltd., Nairobi	KES	128.0850	100.00	–339,526	–		2020
Scania Eesti AS, Tallinn	EUR		100.00	8,094	1,121		2020
Scania Finance Australia Pty. Ltd., Melbourne	AUD	1.5612	100.00	23,240	642		2020
Scania Finance Belgium N.V., Neder-Over-Heembeek	EUR		100.00	16,696	1,299		2020
Scania Finance Bulgaria EOOD, Sofia	BGN	1.9559	100.00	14,858	2,612		2020
Scania Finance Chile S.A., Santiago de Chile	CLP	964.4600	100.00	2,363,399	65,657		2020
Scania Finance Colombia S.A.S., Bogotá	COP	4,607.0000	100.00	5,754,948	–603,303		2020
Scania Finance Czech Republic spol. s r.o., Prague	CZK	24.8590	100.00	767,615	–49,421		2020
Scania Finance France S.A.S., Angers	EUR		100.00	61,526	4,813		2020
Scania Finance Great Britain Ltd., London	GBP	0.8400	100.00	97,920	11,688		2020
Scania Finance Hispania EFC S.A., San Fernando de Henares	EUR		100.00	45,310	1,068		2020
Scania Finance Holding AB, Södertälje	SEK	10.2548	100.00	196,576	–104,054		2020
Scania Finance Ireland Ltd., Dublin	EUR		100.00	11,291	2,094		2020
Scania Finance Italy S.p.A., Milan	EUR		100.00	52,133	–4,767		2020
Scania Finance Korea Ltd., Chung-Ang	KRW	1,344.9650	100.00	34,611,645	1,399,195		2020
Scania Finance Luxembourg S.A., Münsbach	EUR		100.00	4,729	–124		2018
Scania Finance Magyarország Zrt., Biatorbágy	HUF	369.8350	100.00	2,644,505	120		2020
Scania Finance Mexico, S.A. de C.V. SOFOM, E.N.R., El Marqués	MXN	23.1418	100.00	–	–		2020
Scania Finance Nederland B.V., Breda	EUR		100.00	52,401	5,987	8)	2020
Scania Finance New Zealand Ltd., Auckland	NZD	1.6569	100.00	–	–	4)	2020
Scania Finance Polska Sp. z o.o., Nadarzyn	PLN	4.5943	100.00	219,781	–9,099		2020

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2021

Name and domicile of the company	Currency	Exchange rate (1 euro=) 12/31/2021	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Scania Finance Schweiz AG, Kloten	CHF	1.0332	100.00	6,927	–1,592		2020
Scania Finance Slovak Republic s.r.o., Senec	EUR		100.00	13,033	–552		2020
Scania Finance Southern Africa (Pty) Ltd., Aeroton	ZAR	18.0532	100.00	607,294	–45,318		2020
Scania Financial Leasing (China) Co., Ltd, Shanghai	CNY	7.1870	100.00	160,873	6,361		2020
Scania Finans AB, Södertälje	SEK	10.2548	100.00	1,330,070	63,784		2020
Scania France S.A.S., Angers	EUR		100.00	63,036	18,216		2020
Scania Great Britain Ltd., Milton Keynes	GBP	7.0006	100.00	78,252	35,030		2020
Scania Group (Thailand) Co., Ltd., Samut Prakan	THB	37.5372	100.00	–223,364	–227,034		2020
Scania Growth Capital AB, Södertälje	SEK	10.2548	90.10	150,428	–291		2020
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	20,938	12,759		2020
Scania Holding France S.A.S., Angers	EUR		100.00	108,563	27,478		2020
Scania Holding Inc., Columbus, Indiana	USD	1.1320	100.00	1,945	–370		2020
Scania Hrvatska d.o.o., Lucko (Zagreb)	HRK	7.5161	100.00	49,045	8,895		2020
Scania Hungaria Kft., Biatorbágy	HUF	369.8350	100.00	2,608,639	1,348,217		2020
Scania Industrial Maintenance AB, Södertälje	SEK	10.2548	100.00	41,968	–3,022		2020
Scania Insurance Nederland B.V., Middelharnis	EUR		100.00	–	–	9)	2019
Scania Insurance Polska Sp. z o.o., Nadarzyn	PLN	4.5943	100.00	2,941	–		2020
Scania Investimentos Imobiliários S.A., Vialonga	EUR		100.00	487	–3		2020
Scania IT AB, Södertälje	SEK	10.2548	100.00	117,172	–21		2020
Scania IT France S.A.S., Angers	EUR		100.00	311	168		2020
Scania IT Nederland B.V., Zwolle	EUR		100.00	849	179		2020
Scania Japan Ltd., Tokyo	JPY	130.3200	100.00	–438,357	59,226		2020
Scania Korea Group Ltd., Seoul	KRW	1,344.9650	100.00	55,008,305	23,609,608		2020
Scania Latin America Ltda., São Bernardo do Campo	BRL	6.3068	100.00	2,802,843	518,060		2020
Scania Latvia SIA, Riga	EUR		100.00	8,742	2,718		2020
Scania Leasing d.o.o., Ljubljana	EUR		100.00	6,879	772		2020

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2021

Name and domicile of the company	Currency	Exchange rate (1 euro=) 12/31/2021	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Scania Leasing Ltd., Dublin	EUR		100.00	–	–	5)	2019
Scania Leasing Österreich GmbH, Brunn am Gebirge	EUR		100.00	12,797	–		2020
Scania Leasing RS d.o.o., Krnješevci	RSD	117.5800	100.00	101,501	–		2020
Scania Lízing Kft., Biatorbágy	HUF	369.8350	100.00	399,661	–		2020
Scania Location S.A.S., Angers	EUR		100.00	–	–	5)	2019
Scania Logistics Netherlands B.V., Zwolle	EUR		100.00	4,433	1,090		2020
Scania Luxembourg S.A., Münsbach	EUR		100.00	–	841		2019
Scania Makedonija d.o.o.e.l., Ilinden	MKD	61.6200	100.00	11,233	5,022		2020
Scania Manufacturing (Thailand) Co., Ltd., Samut Prakan	THB	37.5372	100.00	–439,561	–486,322		2020
Scania Maroc S.A., Casablanca	MAD	10.5163	100.00	167,221	21,142		2020
Scania Middle East FZE, Dubai	AED	4.1579	100.00	18,079	5,028		2020
Scania Milano S.p.A., Lainate	EUR		100.00	5,141	1,131		2020
Scania Moçambique, S.A., Beira	MZN	72.5600	100.00	–58,967	–25,964		2020
Scania Namibia (Pty) Ltd., Windhoek	NAD	18.0520	100.00	52,635	4,375		2020
Scania Nederland B.V., Breda	EUR		100.00	109,701	17,604		2020
Scania New Zealand Ltd., Wellington	NZD	1.6569	100.00	–	–		2018
Scania Omni AB, Södertälje	SEK	10.2548	100.00	2,400	–	5)	2020
Scania Österreich GmbH, Brunn am Gebirge	EUR		100.00	29,880	14,016		2020
Scania Österreich Holding GmbH, Brunn am Gebirge	EUR		100.00	18,589	–4		2020
Scania Overseas AB, Södertälje	SEK	10.2548	100.00	71,631	–3,000		2020
Scania Polska S.A., Nadarzyn	PLN	4.5943	100.00	169,960	105,470		2020
Scania Portugal, Unipessoal Lda., Santa Iria de Azóia	EUR		100.00	8,908	2,290		2020
Scania Power Polska Sp. z o.o., Warsaw	PLN	4.5943	100.00	–8	–37		2020
Scania Production (China) Co., Ltd., Rugao	CNY	7.1870	100.00	307,057	–72,334		2020
Scania Production Angers S.A.S., Angers	EUR		100.00	30,594	2,230		2020
Scania Production Meppel B.V., Meppel	EUR		100.00	22,971	2,158		2020
Scania Production Slupsk S.A., Slupsk	PLN	4.5943	100.00	44,884	5,247		2020

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2021

Name and domicile of the company	Currency	Exchange rate (1 euro=) 12/31/2021	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Scania Production Zwolle B.V., Zwolle	EUR		100.00	57,789	6,186		2020
Scania Properties Ltd., Milton Keynes	GBP	0.8400	100.00	501	–	5)	2019
Scania Real Estate (UK) Ltd., Milton Keynes	GBP	0.8400	100.00	7,362	945		2020
Scania Real Estate Belgium N.V., Neder-Over-Heembeek	EUR		100.00	3,216	406		2020
Scania Real Estate Bulgaria EOOD, Sofia	BGN	1.9559	100.00	22	–14		2020
Scania Real Estate Czech Republic s.r.o., Prague	CZK	24.8590	100.00	114,697	–15,854		2020
Scania Real Estate Finland Oy, Helsinki	EUR		100.00	17,493	3,704		2020
Scania Real Estate France S.A.S., Angers	EUR		100.00	4,055	238		2020
Scania Real Estate Hispania S.L., San Fernando de Henares	EUR		100.00	895	131		2020
Scania Real Estate Holding Luxembourg S.àr.l, Münsbach	EUR		100.00	–	323		2020
Scania Real Estate Holding Oy, Helsinki	EUR		100.00	5,510	–9		2020
Scania Real Estate Hong Kong Ltd., Hong Kong	HKD	8.8278	100.00	46	–1	5)	2018
Scania Real Estate Hungaria Kft., Biatorbágy	HUF	369.8350	100.00	1,023,396	128,467		2020
Scania Real Estate Kenya Ltd., Nairobi	KES	128.0850	100.00	183,783	–11,579		2020
Scania Real Estate Lund AB, Södertälje	SEK	10.2548	100.00	100	–		2020
Scania Real Estate Österreich GmbH, Brunn am Gebirge	EUR		100.00	9,538	1,237		2020
Scania Real Estate Polska Sp. z o.o., Nadarzyn	PLN	4.5943	100.00	66,243	6,741		2020
Scania Real Estate Romania S.R.L., Ciorogârla	RON	4.9488	100.00	6,475	958		2020
Scania Real Estate Schweiz AG, Kloten	CHF	1.0332	100.00	5,515	4,015		2020
Scania Real Estate Services AB, Södertälje	SEK	10.2548	100.00	874,133	69,237		2020
Scania Real Estate Slovakia s.r.o., Senec	EUR		100.00	3,863	536		2020
Scania Real Estate The Netherlands B.V., Breda	EUR		100.00	12,701	3,303		2020
Scania Rent Romania S.R.L., Ciorogârla	RON	4.9488	100.00	13,403	–3,927		2020
Scania Romania S.R.L., Ciorogârla	RON	4.9488	100.00	13,675	–10,586		2020
Scania Sales (China) Co., Ltd., Beijing	CNY	10.2548	100.00	113,810	–18,725	3)	2020
Scania Sales and Service (Guangzhou) Co., Ltd., Guangzhou	CNY	7.1870	100.00	–16,516	66,681		2020
Scania Sales and Services AB, Södertälje	SEK	10.2548	100.00	16,285,097	1,453,330		2020

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2021

Name and domicile of the company	Currency	Exchange rate (1 euro=) 12/31/2021	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Scania Schweiz AG, Kloten	CHF	1.0332	100.00	51,155	23,230		2020
Scania Senegal S.U.A.R.L., Dakar	XOF	655.9570	100.00	35,518	21,265		2020
Scania Services del Perú S.A., Lima	PEN	4.5176	100.00	20,588	–16,121		2020
Scania Servicii Asigurari S.R.L., Ciorogârla	RON	4.9488	100.00	2,362	70		2020
Scania Servicios, S.A. de C.V., Querétaro	MXN	23.1418	100.00	153	–22		2020
Scania Siam Co. Ltd., Bangkok	THB	37.5372	99.99	453,963	17,740		2020
Scania Siam Leasing Co. Ltd., Bangkok	THB	37.5372	100.00	438,664	23,896		2020
Scania Singapore Pte. Ltd., Singapore	SGD	1.5281	100.00	9,112	3,364		2020
Scania Slovakia s.r.o., Senec	EUR		100.00	8,823	1,959		2020
Scania Slovenija d.o.o., Ljubljana	EUR		100.00	12,520	1,513		2020
Scania South Africa (Pty) Ltd., Aeroton	ZAR	18.0532	100.00	585,229	67,281		2020
Scania Srbija d.o.o., Krnješevci	RSD	117.5800	100.00	441,760	130,509		2020
Scania Suomi Oy, Helsinki	EUR		100.00	32,100	19,337		2020
Scania Sverige AB, Södertälje	SEK	10.2548	100.00	505,709	–11,152		2020
Scania Sverige Bussar AB, Södertälje	SEK	10.2548	100.00	42,966	–	5)	2020
Scania Tanzania Ltd., Dar-es-Salaam	TZS	2,609.2600	100.00	–844,589	–789,395		2020
Scania Thailand Co. Ltd., Bangkok	THB	37.5372	99.99	120,080	–2,676		2020
Scania Transportlaboratorium AB, Södertälje	SEK	10.2548	100.00	3,282	–34		2020
Scania Treasury AB, Södertälje	SEK	10.2548	100.00	80,882,674	624,174		2020
Scania Trucks & Buses AB, Södertälje	SEK	10.2548	100.00	79,210	166		2020
Scania USA Inc., San Antonio, Texas	USD	1.1320	100.00	11,224	1,912		2020
Scania West Africa Ltd., Accra	GHS	7.0006	100.00	11,362	–9,968		2019
Scania-Kringlan AB, Södertälje	SEK	10.2548	100.00	6,000	–	5)	2020
Scanlink Ltd., Milton Keynes	GBP	0.8400	100.00	1,956	–	5)	2019
Scanrent - Alguer de Viaturas sem Condutor, S.A., Santa Iria de Azóia	EUR		100.00	11,086	672		2020
Scantruck Ltd., Milton Keynes	GBP	0.8400	100.00	1,671	–	5)	2019
SLA Treasury Spain S.L, Barcelona	EUR		100.00	–	–	6)	2021

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2021

Name and domicile of the company	Currency	Exchange rate (1 euro=) 12/31/2021	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Södertälje Bilkredit AB, Södertälje	SEK	10.2548	100.00	100	–	5)	2020
SOE Busproduction Finland Oy, Lahti	EUR		100.00	4,741	1,168		2019
Southway Scania Ltd., Milton Keynes	GBP	0.8400	100.00	1,170	–	5)	2019
SST Sustainable Transport Solutions India Pvt. Ltd., Nagpur	INR	84.1690	99.99	46,834	1,329		2020
Tachy Experts S.A.S., Angers	EUR		100.00	80	6		2020
TOV Donbas-Scan-Service, Makijivka	UAH	30.8838	100.00	17,523	403		2020
TOV Kyiv-Scan, Kiev	UAH	30.8838	100.00	12,704	44		2020
TOV MAN Truck & Bus Ukraine, Kiev	UAH	30.8838	100.00	281,210	6,263		2020
TOV Scania Credit Ukraine, Kiev	UAH	30.8838	100.00	196,576	104,054		2020
TOV Scania Ukraine, Kiev	UAH	30.8838	100.00	109,115	42,421		2020
TOV Scania-Lviv, Lviv	UAH	30.8838	100.00	32,508	295		2020
Transproteccion Agente de Seguros S.A. de C.V., Miguel Hidalgo	MXN	23.1418	100.00	32,710	25,659	7)	2020
TRATON AB, Södertälje	SEK	10.2548	100.00	11,898	–10,834		2020
TRATON Finance Luxembourg S.A., Strassen	EUR		100.00	26	–4	4)	2020
TRATON International S.A., Strassen	EUR		100.00	195	–735	4)	2020
TRATON Sweden AB, Södertälje	SEK	10.2548	100.00	–	–	7)	2021
TRATON US Inc., Wilmington, Delaware	EUR		100.00	0	–	4) 12)	2020
Truck Retail Accounts Corp., Lisle, Illinois	USD	1.1320	100.00	97,426	7,617	3) 7)	2020
UAB Scania Lietuva, Vilnius	EUR		100.00	7,674	1,522		2020
Union Trucks Ltd., Milton Keynes	GBP	0.8400	100.00	573	–	5)	2019
UpTime Parts, LLC, Lisle, Illinois	USD	1.1320	100.00	118,755	3,417	3) 7)	2020
Vabis Bilverkstad AB, Södertälje	SEK	10.2548	100.00	101	–	5)	2020
Vabis Försäkringsaktiebolag, Södertälje	SEK	10.2548	100.00	199,299	–		2020
Vindbron Arendal AB, Södertälje	SEK	10.2548	100.00	13,745	–388		2020
Westrucks Ltd., Milton Keynes	GBP	0.8400	100.00	336	–	5)	2019
Workhorse International Holding Company, Lisle, Illinois	USD	1.1320	100.00	2,061	–105	3) 7)	2020

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2021

Name and domicile of the company	Currency	Exchange rate (1 euro=) 12/31/2021	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
B. Unconsolidated companies							
1. Germany							
GETAS Verwaltung GmbH & Co. Objekt Ausbildungszentrum KG, Pullach i. Isartal	EUR		100.00	26	–		2020
GETAS Verwaltung GmbH & Co. Objekt Verwaltung Nürnberg KG, Pullach i. Isartal	EUR		100.00	26	–		2020
LoadFox GmbH, Munich	EUR		100.00	–	–1,122		2020
Loom Technologies GmbH, Paderborn	EUR		100.00	–	–	7)	2021
MAN Brand Management GmbH, Grünwald	EUR		100.00	–	–	4) 6) 11)	2021
MAN Grundstücksgesellschaft mbH & Co. Gamma KG, Munich	EUR		100.00	2,904	24		2020
MAN HR Services GmbH, Munich	EUR		100.00	935	366	1)	2021
MAN Personal Services GmbH, Dachau	EUR		100.00	25	–	1)	2021
MAN-Unterstützungskasse GmbH, Munich	EUR		100.00	517	–69		2020
Ortan Verwaltung GmbH & Co. Objekt Karlsfeld KG, Pullach i. Isartal	EUR		100.00	1,373	382		2020
Unterstützungseinrichtung VGW GmbH, Munich	EUR		100.00	123	–40		2020
2. Other countries							
Beech's Garage (1983) Ltd., Belper	GBP	0.8400	100.00	–	–		2020
ERF (Holdings) plc, Swindon	GBP	0.8400	100.00	757	–	5)	2018
ERF Ltd., Swindon	GBP	0.8400	100.00	–	–	5)	2018
Global Truck & Bus Procurement LLC, Lisle, Illinois	USD	1.1320	100.00	356	–		2020
HRVS Group Ltd., Belper	GBP	0.8400	100.00	–	–		2020
HRVS Rentals Ltd., Belper	GBP	0.8400	100.00	–	–		2020
Lauken S.A., Montevideo	UYU	50.5040	100.00	–	–	5)	2018
LKW Komponenten s.r.o., Bánovce nad Bebravou	EUR		100.00	11,315	266		2020
MAN Bus & Coach (Pty) Ltd., in liquidation, Olifantsfontein	ZAR	18.0532	100.00	–	–1,775	2) 5)	2017
MAN Financial Services Administrators (S.A.) (Pty) Ltd., Isando	ZAR	18.0532	100.00	0	–	5)	2018
MAN Truck & Bus (S.A.) (Pty) Ltd., in liquidation, Isando	ZAR	18.0532	100.00	–	–68,539	2) 5)	2017
MAN Truck & Bus India Pvt. Ltd., Pune	INR	84.1690	99.99	3,197,300	–56,270		2020

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2021

Name and domicile of the company	Currency	Exchange rate (1 euro=) 12/31/2021	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
MAN Truck and Bus Hong Kong Ltd., Hong Kong	HKD	8.8278	100.00	9,159	659	4)	2020
OOO Truck Production RUS, St. Petersburg	RUB	84.9779	100.00	121,864	1,525		2020
Re-MAN Parts Ltd., Belper	GBP	0.8400	100.00	–	–		2020
Rio Soluções Digitais Ltda., São Paulo	BRL	6.3068	99.99	10	–		2020
S.A. Trucks Ltd., Bristol	GBP	0.8400	100.00	1	–	5)	2018
Scanexpo S.A., Montevideo	UYU	50.5040	100.00	–	–	5)	2018
Scania de Venezuela S.A., Valencia	VES	5.1975	100.00	285	22		2020
Scania Finance Israel Ltd., Tel Aviv	ILS	5.1975	100.00	1,000	–		2020
Scania-MAN Administration ApS, Copenhagen	SEK	10.2548	100.00	1,400	248		2019
TRATON, LLC, Herndon, Virginia	USD	1.1320	100.00	1,129	406		2020
Volkswagen Caminhões e Ônibus Comércio e Serviços Ltda., Limeira	BRL	6.3068	100.00	10	–		2020
III. JOINT VENTURES							
A. Equity-accounted companies							
1. Germany							
2. Other countries							
Cummins-Scania XPI Manufacturing, LLC, Columbus, Indiana	USD	1.1320	50.00	145,935	8,882		2020
Oppland Tungbilservice A/S, Fagernes	NOK	9.9894	50.00	2,056	5,701		2020
Tynset Diesel A/S, Tynset	NOK	9.9894	50.00	1,188	4,840		2020
B. Companies accounted for at cost							
1. Germany							
HINO & TRATON Global Procurement GmbH, Munich	EUR		51.00	2,025	149		2020
2. Other countries							
AMEXCI AB, Karlskoga	SEK	10.2548	9.10	33,963	–20,402		2020
Powertrain Industria e Comercia Ltda., Resende	BRL	6.3068	50.00	3,620	278	7)	2020

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2021

Name and domicile of the company	Currency	Exchange rate (1 euro=) 12/31/2021	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
IV. ASSOCIATES							
A. Equity-accounted associates							
1. Germany							
Rheinmetall MAN Military Vehicles GmbH, Ottobrunn	EUR		49.00	55,268	2,848		2020
sennder GmbH, Berlin	EUR		13.69	78,007	–9,061		2019
Telematics Solutions GmbH, Berlin	EUR		46.73	2	0		2020
2. Other countries							
BITS DATA i Södertälje AB, Södertälje	SEK	10.2548	33.00	23	5		2020
ScaValencia, S.A., Ribarroja del Turia	EUR		26.00	13	1		2020
Sinotruk (Hong Kong) Ltd., Hong Kong	CNY	7.1870	25.00	35,679,407	7,423,650	8) 10)	2020
UZ Truck and Bus Motors, LLC, Samarkand	UZS	12,247.8650	32.89	176,753,722	107,565,125		2019
B. Associates accounted for at cost							
1. Germany							
Scantinel Photonics GmbH, Ulm	EUR		43.00	–	–	7)	2021
2. Other countries							
Corebon AB, Arlöv	SEK	10.2548	24.20	88,288	370		2020
Innokraft AB, Sundsvall	SEK	10.2548	46.00	4,483	–		2020
Magnum Power Products, LLC, Franklin, Indiana	USD	1.1320	30.00	43,050	876	3) 7)	2020
Maudlin International Parts and Services of Palm Bay, LLC, Lisle, Illinois	USD	1.1320	49.00	469	–100	3) 7)	2020
ND Holdings, LLC, Lisle, Illinois	USD	1.1320	30.00	24,574	–3,090	3) 7)	2020
Newstream Enterprises, LLC, Springfield, Missouri	USD	1.1320	49.00	4,940	1,692	3) 7)	2021
Roboyo Midco Limited, Stockholm	SEK	10.2548	15.83	26,292	3,981		2020
Södertälje Science Park AB, Södertälje	SEK	10.2548	25.00	2,223	1,335		2020

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2021

Name and domicile of the company	Currency	Exchange rate (1 euro=) 12/31/2021	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
V. EQUITY INVESTMENTS							
1. Germany							
Car2Car Communication Consortium, Braunschweig	EUR		5.55	307	–138		2020
FFK Fahrzeugservice Förtsch GmbH Kronach, Kronach	EUR		30.00	1,473	97		2020
Grundstücksgesellschaft Schlossplatz 1 mbH & Co. KG, Berlin	EUR		8.16	934	525		2020
Roland Holding GmbH, Munich	EUR		22.83	3,006	1		2020
Verwaltungsgesellschaft Wasseralfingen mbH, Aalen	EUR		50.00	14,453	–11		2020
2. Other countries							
Combient AB, Stockholm	SEK	10.2548	4.65	40	–6		2020
Enersize OY, Helsinki	EUR		2.75	1,781	–2,181		2020
H2GS AB, Stockholm	SEK	10.2548	2.02	–	–	7)	2021
Maghreb Truck Industry SpA, Sidi M'Hamed	DZD	157.4070	10.00	128,980	–1,020	4)	2019
Northvolt AB, Stockholm	SEK	10.2548	0.97	11,956	–600		2020
OneH2, Inc., Hickory, North Carolina	USD	1.1320	5.13	–	–	3) 7)	2021
Shenzhen Haylion Technologies Co. Ltd., Shenzhen	CNY	7.1870	2.00	84,871	3,176		2020
TuSimple Holdings Inc., San Diego, California	USD	1.1320	7.41	–405,473	–198,829		2020

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
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 Profit and loss transfer agreement from 2021 onward
12 Matter within the meaning of section 1 of the *Umwandlungsgesetz* (UmwG — German Transformation Act)
13 Structured company in accordance with IFRS 10 and IFRS 12

Further Information

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, March 4, 2022

TRATON SE

The Executive Board

Christian Levin	Annette Danielski	Mathias Carlbaum
Antonio Roberto Cortes	Bernd Osterloh	Alexander Vlaskamp

Independent Auditor's Report

Translation of the German independent auditor's report concerning the audit of the consolidated financial statements and combined management report prepared in German

Report on the audit of the consolidated financial statements and of the group management report

To TRATON SE

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, 2021 to December 31, 2021, the consolidated balance sheet as at December 31, 2021, the consolidated statements of changes in equity and cash flows for the fiscal year from January 1, 2021 to December 31, 2021, 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, 2021 to December 31, 2021. In accordance with the German legal requirements, we have not audited the content of the parts of the group management report mentioned in the appendix to the auditor's report and the Company information listed there outside the annual report, which is referred to 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 Sec. 315e (1) of the HGB ["Handelsgesetzbuch": 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, 2021 and of its financial performance for the reporting year from January 1, 2021 to December 31, 2021, 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. Our opinion on the group management report does not cover the content of the components of the group management report referred to in the appendix to the auditor's report.

Pursuant to Sec. 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 Sec. 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, 2021 to December 31, 2021. 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:

ACCOUNTING TREATMENT OF THE ACQUISITION OF NAVISTAR INTERNATIONAL CORPORATION

Reasons why the matter was determined to be a key audit matter:
The acquisition of Navistar International Corporation, Lisle, Illinois, USA ("Navistar"), was completed on July 1, 2021. TRATON SE now indirectly holds all shares in the company which was previously accounted for using the equity method (16.7% interest). The acquisition was accounted for on the basis of a preliminary purchase price allocation in accordance with IFRS 3 Business Combinations. The purchase price for the acquisition of the outstanding shares amounted to EUR 3.1bn (USD 3.7bn).

The fair value of the equity interest in Navistar that the TRATON GROUP held directly prior to the acquisition date was determined on the basis of the stock market price as of the acquisition date. The accounting treatment of the business combination achieved in stages resulted in total income of EUR 182m, which is reported in the share of earnings from investments accounted for using the equity method.

The accounting treatment of the acquisition was a key audit matter due to the estimation uncertainties and judgment involved regarding the preliminary purchase price allocation (in particular with reference to the measurement of acquired intangible assets) as well as the overall material effects on the assets, liabilities, financial position and financial performance of the Group, the complexity of the transaction and the associated significant risk of material misstatements.

Auditor's response:
Our procedures in relation to the preliminary purchase price allocation comprised the appraisal of the consideration paid by TRATON, the assessment of the methodology applied by the external expert consulted by the executive directors to identify and measure the acquired assets and the assumed liabilities with regard to the requirements of IFRS 3. Among other things, we assessed the suitability of the external appraisal as audit evidence by interviewing the executive directors and the external expert. With the assistance of our internal valuation specialists, we also analyzed the assumptions and estimates subject to judgment (in particular growth rates, cost of capital rates, royalty rates or remaining useful lives) made to determine the fair values of the acquired, identifiable assets (in particular the acquired customer relationships and brand names) as well as of the liabilities assumed, whether they correspond to general and industry-specific market expectations. In addition, we checked the clerical accuracy of the valuation models and reconciled the estimated future cash flows used for valuation purposes with the internal business plans, among other things. As part of our audit procedures, we also verified the effects on earnings from the subsequent accounting of the acquired assets and the assumed liabilities in fiscal year 2021, particularly taking into consideration the useful lives applied for acquired assets.

Furthermore, we examined the method and calculation used for the accounting treatment of the business combination achieved in stages and assessed the appropriateness of the valuation of the interest previously held by TRATON in Navistar.

We also considered the use of uniform accounting policies, the tax effects of the acquisition and the accounting for the initial consolidation of the Navistar entities in the consolidation system. In addition, we assessed the information in the notes to the consolidated financial statements about the acquisition of Navistar with regard to the IFRS requirements.

Our audit procedures did not lead to any reservations relating to the accounting treatment of the acquisition of Navistar.

Reference to related disclosures:
The accounting policies applied for the accounting of business combinations are disclosed in section 4 "Accounting policies" of the notes to the consolidated financial statements. Details of the transaction and information on the preliminary purchase price allocation are contained in section 7 "Navistar acquisition" of the notes to the consolidated financial statements.

MEASUREMENT OF THE PROVISIONS FOR RISKS FROM EU ANTITRUST PROCEEDINGS

Reasons why the matter was determined to be a key audit matter:
In September 2017, the EU Commission issued a decision, making Scania AB responsible for a potential infringement of the competition law in the form of a cartel for price coordination and an alleged exchange of information, and imposed a fine totaling EUR 0.88bn. Scania AB appealed this decision in December 2017 before the European Court of Justice and offered a bank guarantee as cash-backed security until the decision. On February 2, 2022, the European Court of Justice delivered a verdict and essentially confirmed the

ruling of the EU Commission. Scania can still appeal this decision before the European Court of Justice. The consolidated financial statements of TRATON SE contain provisions to cover the risk of a fine at Scania AB.

Furthermore, both MAN and Scania are exposed to numerous claims for damages filed by customers in various countries.

As part of our audit, we determined this to be a key audit matter because the risk assessment and the amount of the provision to cover the aforementioned risks are subject to a high level of uncertainty and are influenced by estimates and assumptions made by the executive directors with regard to the outcome of the proceedings.

Auditor's response:
As part of our audit procedures, we obtained an understanding of the process installed by the Group to deal with the facts of the EU Commission's investigation. We assessed the estimates and assumptions of the executive directors and Company's internal lawyers in connection with the current development, in particular the ruling of the European Court of Justice dated February 2, 2022 and discussed and verified the reasons underlying these estimates and assumptions involving internal experts for antitrust law with the executive directors and the Company's legal department.

We also discussed the development in various countries regarding the claims for damages from customers arising from new rulings or additional claims with the executive directors and internal and external lawyers. In addition, we obtained quarterly external confirmations from lawyers and addressed the significant topics and developments in discussions with external lawyers.

Our audit procedures did not lead to any reservations relating to the accounting treatment of the provision for risks from EU antitrust proceedings.

Reference to related disclosures:
The Company's disclosures on the EU antitrust proceedings can be found in the sections "36. Other provisions" and "44. Litigation/legal proceedings" of the notes to the consolidated financial statements.

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 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. Taking into account the impact of the ongoing COVID-19 pandemic, as well as the current situation on the commodities market and bought-in parts, especially semiconductors, 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. We assessed the derivation of the capitalization 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 section 4. "Accounting policies" and section 18. "Goodwill" of the notes to the consolidated financial statements.

ACCOUNTING AND MEASUREMENT OF RESTRUCTURING MEASURES AT MAN TRUCK & BUS

Reasons why the matter was determined to be a key audit matter
The Executive Board of MAN Truck & Bus SE have announced a comprehensive repositioning of MAN Truck & Bus. The intended repositioning primarily includes a reorganization of the development and production network as well as significant job cuts. Following negotiations with the Group Works Council, the planned objectives and measures were defined in a key point paper in January 2021 and in later agreement on the reconciliation of interests for the individual locations. The individual measures extend over the period until 2023. The job cuts are planned to be primarily achieved via voluntary severance packages and partial retirement arrangements.

In addition to the personnel measures mentioned above, the sale of the production site in Steyr, Austria, was a significant part of the planned reorganization. The buyer has undertaken to continue producing trucks for MAN on a contract manufacturing basis for a period of around 18 months. In turn, MAN agreed to pay various fixed and variable amounts which were defined accordingly in the "Contract Manufacturing Agreement (CMA)".

In our audit, we determined the accounting and measurement of restructuring measures to be a key audit matter because the measurement of the planned measures and the obligations arising therefrom are highly dependent on the estimates and assumptions by the executive directors and on acceptance rates, the concrete form and possible financial effects of various measures. Furthermore, the determination of effects from the sale of the Steyr plant for the consolidated financial statements was based on complex underlying contractual regulations, particularly relating to the assets and liabilities to be transferred. This also applies to the accounting treatment of the "CMA", particularly regarding the complete reporting and recognition of payments made or owed in the correct period.

Auditor's response:
As part of our procedures regarding the personnel-related restructuring measures in the consolidated financial statements, we examined the underlying business processes and performed analytical procedures and substantive tests. We discussed the planned measures with the executive directors, in particular regarding the point in time of accounting and the nature of obligation, and we inspected internal documents such as minutes of Executive Board and Supervisory Board meetings and the restructuring plans. We verified method and calculation used to calculate the provisions for severance payments and partial retirement arrangements. Already concluded agreements with employees were reconciled with the underlying agreements on a sample basis. For estimated values, we reconciled the parameters used such as acceptance rates, number of affected employees and levels of wage/salary for the group companies concerned with the payroll accounting and the personnel master data and examined the disclosure in the income statement.

We also analyzed and validated with the executive directors, whether additional expenses beyond the personnel expenses from the planned restructuring measures can arise in the future and how they have been taken into account.

We also verified the sale of the Steyr plant in terms of clerical accuracy and the methods used. We discussed the parameters underlying the calculation, particularly in terms of the completeness and correct measurement of assets and liabilities to be transferred, with the persons responsible and reconciled them with the purchase agreement. We assessed the payment obligations arising from the CMA regarding their correct and complete recognition and cut off using payment documents and the agreements in the CMA. We verified the system-based integration of assets remaining at MAN Truck & Bus SE, inventories in particular, with assistance from internal IT specialists.

Our audit procedures did not lead to any reservations relating to the recognition and measurement of the restructuring measures.

Reference to related disclosures:
The Company's disclosures regarding the recognition and measurement of restructuring measures are contained in the sections 4 "Accounting policies" and 36. "Other provisions" 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 was therefore was 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 and also using data analytics. We discussed the assumptions regarding the estimated claims for damages with the responsible employees and assessed them based on past experience. 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 4 "Accounting policies – other provisions" and 36. "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 2021 Annual Report. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the German Corporate Governance Code, which is part of the declaration on corporate governance. In all other respects, the executive directors are responsible for other information. The other information comprises the components 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 Sec. 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 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 Sec. 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 for one 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 assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 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 on the electronic rendering of the consolidated financial statements and the group management report prepared for publication purposes in accordance with Sec. 317 (3a) HGB

Opinion

We have performed assurance work in accordance with Sec. 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 the file „TRATON_SE_KA_ZLB_ESEF-2021-12-31.zip" (SHA-256-checksum: d566bc208df61d264183d60f38481a164e8c32994d1ec0aad7afbe787f12350d) and prepared for publication purposes complies in all material respects with the requirements of Sec. 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 Sec. 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, 2021 to December 31, 2021 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 Sec. 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 Sec. 317 (3a) HGB (IDW AsS 410) (10.2021) 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 Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 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 Sec. 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 Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 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 file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this 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 30, 2021. We were engaged by the Supervisory Board on September 24, 2021. 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).

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 *Bundesanzeiger* [German Federal Gazette] – 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.

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 EUR 12bn European Medium Term Notes (EMTN) Program;
- Audit of the remuneration report in accordance with Sec. 162 AktG;
- Audit to obtain limited assurance of the group non-financial statement in accordance with Secs. 315b et seq. HGB;
- Voluntary audits or reviews of annual financial statements;
- Tax advisory services in connection with a corporate reorganization and mergers;
- Consulting services in connection with acquisitions.

NOTE ON SUPPLEMENTARY AUDIT

We issue this auditor's report on the amended consolidated financial statements and amended group management report as well as on the amended electronic rendering of the consolidated financial statements and the group management report prepared for publication purposes, on the basis of our audit, duly completed as of February 17, 2022, and our supplementary audit completed as of March 8, 2022, which related to the changes in the sections "Report on expected developments", "Report on opportunities and risks" and "Events after December 31, 2021" of the group management report as well as the changes in section "Events after the reporting period" of the notes due to the effects in connection with the Russia-Ukraine conflict. Please refer to section "General information" of the amended notes to the consolidated financial statements for the presentation of changes by the executive directors.

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 corporate governance statement contained in the section "Supplemental information on fiscal year 2021" of the group management report
- the group non-financial statement contained in the section "Supplemental information on fiscal year 2021" of the group management report.

2. Further other information

The other information further comprises the prescribed components of the Annual Report, which were provided to us prior to us issuing this auditor's report, including, but not limited to the following sections:

- Section 1 To Our Shareholders
- Section 4 Other 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 17, 2022 /
with regard to the amendments mentioned in the note on the supplementary audit only: March 8, 2022

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 non-financial group statement 2021 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 group non-financial statement included in the "Group non-financial statement" section of the group management report of TRATON SE, Munich, (hereinafter the "Company"), as well as the "Business activities and organization" section of the group management report incorporated by reference, for the period from January, 1 to December, 31 2021 (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, prior-year disclosures as well as the external sources of documentation or expert opinions mentioned in the group non-financial statement, which are marked as unassured.

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 non-financial statement about the preparation process, about the internal control system related to this process, and about disclosures in the 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 group management report
- Evaluation of the presentation of the group non-financial statement
- Evaluation of the process to identify the economic activities taxonomy-eligible 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 January, 1 to December, 31 2021 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, 17 February 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Richter	Welz
Wirtschaftsprüferin	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Remuneration Report

The Executive Board and Supervisory Board of TRATON SE compiled the first remuneration report in accordance with section 162 of the *Aktiengesetz* (AktG — German Stock Corporation Act), in the version as amended by the Second Shareholder Rights' Directive (ARUG II), for fiscal year 2021. 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.

Remuneration of the members of the Executive Board

BUSINESS PERFORMANCE IN THE YEAR UNDER REVIEW

The global economy recovered overall in 2021 after the strong impact of the COVID-19 pandemic in the previous year. In line with these macroeconomic developments, the most important truck markets (> 6t) for the TRATON GROUP reported a substantial recovery overall worldwide. By contrast, the most important bus markets declined slightly overall. The second half of 2021 was adversely affected by shortages in the supply of semiconductors and other key bought-in parts as well as a significant rise in prices for energy and other commodities. Overall, however, a sharp year-on-year increase in unit sales and sales revenue was recorded. Nevertheless, the judgment of the General Court of the European Union within the framework of the EU antitrust proceedings had a negative impact on operating result.

A further milestone was achieved in fiscal year 2021 with the merger of the TRATON GROUP with US commercial vehicle manufacturer Navistar on July 1, 2021. For the TRATON GROUP, this transaction represents its entry into the important North American market and thus the further expansion of its global reach.

PRINCIPLES OF EXECUTIVE BOARD REMUNERATION

The remuneration of the members of the Executive Board is based on the remuneration system resolved by the Supervisory Board on December 16, 2020, which came into effect on January 1, 2021. 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 Code as amended on December 19, 2019 (entered into force on March 20, 2020). The Annual General Meeting approved the remuneration system on June 30, 2021, with 97.2% of the votes cast. 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 following provides an overview of the remuneration system for the Executive Board that was applicable in fiscal year 2021 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 2021. 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.

2021 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.

2021 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) and previous fiscal year – Performance criteria: o **Financial subtargets:** • **Operating return on sales** (50%) and • **Return on investment** (50 %) o Operating return on sales is ratio of the operating result of the Industrial Business segment[1] before tax and excluding adjustments to the corresponding sales revenue. o Return on investment is ratio of the operating result of the Industrial Business segment[1] after tax (normalized tax rate of 30%) and excluding adjustments to the corresponding average invested capital. • The Supervisory Board defines minimum, target, and maximum values for the financial subtargets for the bonus fiscal year. The minimum, 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 bonus fiscal year and the previous fiscal year (average over two years). • Total financial target achievement = subtarget achievement operating return on sales x 50% + subtarget achievement return on investment x 50% o **ESG targets** • **Environment** subtarget (in fiscal year 2021: to develop and implement a strategic core key performance indicator to measure Group-wide decarbonization/CO_2 reduction), 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 Environment 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: [Environment 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: in cash in the month following approval of the consolidated financial statements for the bonus fiscal year	The 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 Environment, Social, and Governance factors.

2021 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 2021.)*	– 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 in 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). – Payment: 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 a relocation – Optional minimum remuneration guarantee	These (compensation) payments are intended to enable the company to attract qualified candidates for the Executive Board.

2021 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. – €5,500,000 gross for the Chairman of the Executive Board per fiscal year; in general, €3,700,000 gross for the members of the Executive Board per fiscal year; in deviation from this €1,750,000 gross for Mr. Cortes and €4,000,000 gross for the member of the Executive Board who is also CEO of Scania AB and/or Scania CV AB. – The maximum remuneration for Executive Board members who are also members of the Executive Board of a foreign subsidiary consists of the total remuneration of TRATON SE together with that of 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 In the course of the Navistar takeover, the structure of the TRATON GROUP was realigned. In fiscal year 2021, the former Industrial Business segment was replaced by "TRATON Operations including Corporate Items (excluding consolidation effects between the TRATON Operations business area and the TRATON Financial Services segment and effects from the purchase price allocations to Financial Services)."

Remuneration of the Executive Board members appointed in fiscal year 2021

MEMBERS OF THE EXECUTIVE BOARD IN FISCAL YEAR 2021

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 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 2021, 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. In addition, until April 30, 2021, Mr. Levin was Managing Director of

TRATON AB and, since May 1, 2021, has been Chief Executive Officer of Scania AB and Scania CV AB. From January 1, 2021, to April 30, 2021, and from May 1, 2021, to September 30, 2021, Mr. Levin received 20% of his fixed and variable remuneration from TRATON SE and 80% from TRATON AB and Scania CV AB. Since October 1, 2021, the remuneration is divided between TRATON SE and Scania CV AB based on areas of responsibility. Until April 30, 2021, Mr. Levin received fringe benefits and occupational retirement provision solely from TRATON AB; since May 1, 2021, they are solely received from Scania CV AB.

Matthias Gründler: Mr. Gründler was a member and Chairman of the Executive Board from July 16, 2020. He stepped down effective the end of September 30, 2021.

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 International Corporation (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 MAN Latin America Indústria e Comércio de Veículos Ltda. (MAN Latin America). Mr. Cortes receives 20% of his fixed and variable remuneration from TRATON SE and 80% from MAN Latin America. Mr. Cortes received his fringe benefits and occupational pension entirely from MAN Latin America.

Annette Danielski: Ms. Danielski has been a member of the Executive Board since October 1, 2021.

Henrik Henriksson: Mr. Henriksson was a member of the Executive Board from 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. He stepped down effective the end of April 30, 2021. Mr. Henriksson was also President and Chief Executive Officer of Scania CV AB and Scania AB. He also stepped down from these roles effective the end of April 30, 2021. Mr. Henriksson received 20% of his fixed and variable remuneration from TRATON SE and 80% from Scania CV AB. Mr. Henriksson received his fringe benefits and occupational pension entirely from Scania CV AB.

Bernd Osterloh: Mr. Osterloh has been a member of the Executive Board since May 1, 2021. From October 1 to December 31, 2021, he was also a member of the Executive Board and *Arbeitsdirektor* (Executive Board member responsible for employee relations) of MAN Truck & Bus SE. Mr. Osterloh received no separate remuneration in fiscal year 2021 for his role at MAN Truck & Bus SE. The Supervisory Board of MAN Truck & Bus SE resolved to reimburse TRATON SE 20% of the remuneration expenses (fixed and variable remuneration) for the period since October 1, 2021, by way of intercompany charging.

Christian Schulz: Mr. Schulz was a member of the Executive Board from 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. He stepped down effective the end of September 30, 2021.

Dr. Ing. h.c. Andreas Tostmann: Dr. Ing. h.c. Tostmann was a member of the Executive Board from July 16, 2020. He stepped down effective the end of November 24, 2021. Moreover, he was Chairman of the Executive Boards of MAN SE (until the merger with TRATON SE on August 31, 2021) and of MAN Truck & Bus SE. He also stepped down from his positions as member and Chairman of the Executive Board of MAN Truck & Bus SE effective the end of November 24, 2021. Dr. Ing. h.c. Tostmann received no separate remuneration in fiscal year 2021 for his roles at MAN SE and MAN Truck & Bus SE. The Supervisory Board of MAN Truck & Bus SE resolved to reimburse TRATON SE 80% of the remuneration expenses (fixed and variable remuneration) for fiscal year 2021 by way of intercompany charging.

Alexander Vlaskamp: Mr. Vlaskamp has been a member of the Executive Board since November 25, 2021, and is also Chairman of the Executive Board of MAN Truck & Bus SE. Mr. Vlaskamp received no separate remuneration in fiscal year 2021 for his role at MAN Truck & Bus SE. The Supervisory Board of MAN Truck & Bus SE resolved to reimburse TRATON SE 80% of the expenses for remuneration (fixed and variable remuneration) for the period since November 25, 2021, by way of intercompany charging.

Remuneration granted and owed in fiscal year 2021

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 previous remuneration reports. 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 2021. The time of actual payment is not significant. Correspondingly, the remuneration granted in 2021 includes the base salary paid in fiscal year 2021, the fringe benefits, the bonus paid for fiscal year 2021 following approval of the Company's consolidated financial statements, and any advance payments on LTI 2020–2022. Advance payments of this kind were received by Mr. Cortes, Mr. Levin, and Mr. Schulz because they had already been members of the Executive Board on January 17, 2019. The aim is to compensate for the payment gap caused by the switch to the forward-looking performance share plan. The advance payment is offset against actual target achievement at the end of the three-year performance period. The advance will not be paid if conduct meeting penalty criteria exists in the first year of the performance period. A penalty was not triggered for either Mr. Cortes, Mr. Levin, or Mr. Schulz. No LTI was paid in the year under review since neither a three-year nor a four-year performance period had yet ended. 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.

The pension expense is shown as the service cost in accordance with IAS 19, which is not "granted or owed" remuneration within the meaning of section 162 (1) sentence 1 of the AktG because it is not received by the member of the Executive Board in the year under review. 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 2021.

Further explanations about the individual tables can be found below the tables.

CHRISTIAN LEVIN

Remuneration component		2021 € thousand[1]	2021 in %
Fixed remuneration components			
Base salary	TRATON SE	414	58
	Scania CV AB	407	
	TRATON AB	187	
Fringe benefits	TRATON SE	0	2
	Scania CV AB	22	
	TRATON AB	14	
Total	**TRATON SE**	**414**	**60**
	Scania CV AB	**430**	
	TRATON AB	**201**	
	Total	**1,045**	
Variable remuneration components			
Multi-year variable remuneration			
– Profit bonus (target amount €883 thousand per annum)	TRATON SE	0	0
	Scania CV AB	0	
	TRATON AB	0	
– LTI 2020–2022 (performance share plan, three-year term; target amount €1,175 thousand per annum) — advance payment	TRATON SE	149	42
	Scania CV AB	0	
	TRATON AB	595	

Remuneration component		2021 € thousand[1]	2021 in %
Sum — remuneration granted and owed	**TRATON SE**	**563**	**100**
	Scania CV AB	**407**	
	TRATON AB	**782**	
	Total	**1,752**	
Pension expenses	TRATON SE	0	
	Scania CV AB	382	
	TRATON AB	713	
Total remuneration including pension expenses	**TRATON SE**	**563**	–
	Scania CV AB	**789**	
	TRATON AB	**1,495**	
	Total	**2,847**	
Maximum remuneration	**Total**	**4,275**	
Clawback in accordance with section 162 (1) sentence 2 no. 4 of the AktG		0	

1 Contractually agreed exchange rate: SEK 10.30 = €1

MATHIAS CARLBAUM

Remuneration component		2021 € thousand	2021 in %
Fixed remuneration components			
Base salary	TRATON SE	37	58
	Navistar	150	
Fringe benefits	TRATON SE	0	42
	Navistar[1]	136	
Total	**TRATON SE**	**37**	**100**
	Navistar	**286**	
	Total	**323**	
Variable remuneration components			
Multi-year variable remuneration			
– Profit bonus (target amount €750 thousand per annum)	TRATON SE	0	0
	Navistar	0	
– LTI (performance share plan, four-year term; target amount €996 thousand per annum)	TRATON SE	0	0
	Navistar	0	
Sum — remuneration granted and owed	**TRATON SE**	**37**	**100**
	Navistar	**286**	
	Total	**323**	
Pension expenses	TRATON SE	0	
	Navistar	86	
Total remuneration including pension expenses	**TRATON SE**	**37**	**–**
	Navistar	**371**	
	Total	**409**	
Maximum remuneration	**Total**	**925**	
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 appointment to Navistar.

ANTONIO ROBERTO CORTES

Remuneration component		2021 € thousand[1]	2021 in %
Fixed remuneration components			
Base salary	TRATON SE	124	69
	MAN Latin America	496	
Fringe benefits	TRATON SE	0	3
	MAN Latin America	24	
Total	**TRATON SE**	**124**	**72**
	MAN Latin America	**520**	
	Total	**644**	
Variable remuneration components			
Multi-year variable remuneration			
– Profit bonus (target amount €310 thousand per annum)	TRATON SE	0	0
	MAN Latin America	0	
– LTI 2020–2022 (performance share plan, three-year term; target amount €310 thousand per annum) — advance payment	TRATON SE	50	28
	MAN Latin America	198	
Sum — remuneration granted and owed	**TRATON SE**	**174**	**100**
	MAN Latin America	**718**	
	Total	**892**	
Pension expenses	TRATON SE	0	–
	MAN Latin America	247	
Total remuneration including pension expenses	**TRATON SE**	**174**	
	MAN Latin America	**966**	
	Total	**1,139**	
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

ANNETTE DANIELSKI

	2021	
Remuneration component	**€ thousand**	**in %**
Fixed remuneration components		
Base salary	175	94
Fringe benefits	12	6
Total	**187**	**100**
Variable remuneration components		
Multi-year variable remuneration		
– Profit bonus (target amount €700 thousand per annum)	0	0
– LTI (performance share plan, four-year term; target amount €930 thousand per annum)	0	0
Sum — remuneration granted and owed	**187**	**100**
Pension expenses	11	–
Total remuneration including pension expenses	**198**	
Maximum remuneration	**925**	
Clawback in accordance with section 162 (1) sentence 2 no. 4 of the AktG	0	

MATTHIAS GRÜNDLER[1]

	2021	
Remuneration component	**€ thousand**	**in %**
Fixed remuneration components		
Base salary	1,012	93
Fringe benefits	71	7
Total	**1,084**	**100**
Variable remuneration components		
Multi-year variable remuneration		
– Profit bonus (target amount €1,350 thousand per annum)	0	0
– LTI (performance share plan, three-year term; target amount €1,800 thousand per annum)	0	0
Sum — remuneration granted and owed	**1,084**	**100**
Pension expenses	348	–
Total remuneration including pension expenses	**1,431**	
Maximum remuneration	**4,125**	
Clawback in accordance with section 162 (1) sentence 2 no. 4 of the AktG	0	

1 Until September 30, 2021

HENRIK HENRIKSSON[1]

Remuneration component		€ thousand[2]	2021 in %
Fixed remuneration components			
Base salary	TRATON SE	50	94
	Scania CV AB	200	
Fringe benefits	TRATON SE	0	6
	Scania CV AB	17	
Total	**TRATON SE**	**50**	**100**
	Scania CV AB	**217**	
	Total	**267**	
Variable remuneration components			
Multi-year variable remuneration			
– Profit bonus (target amount €750 thousand per annum)	TRATON SE	0	0
	Scania CV AB	0	
– LTI 2020–2022 (performance share plan, three-year term; target amount €996 thousand per annum)	TRATON SE	0	0
	Scania CV AB	0	
Sum — remuneration granted and owed	**TRATON SE**	**50**	**100**
	Scania CV AB	**217**	
	Total	**267**	
Pension expenses	TRATON SE	0	–
	Scania CV AB	148	
Total remuneration including pension expenses	**TRATON SE**	**50**	
	Scania CV AB	**365**	
	Total	**415**	
Maximum remuneration	**Total**	**1,333**	
Clawback in accordance with section 162 (1) sentence 2 no. 4 of the AktG		0	

1 Until April 30, 2021

2 Contractually agreed exchange rate: SEK 10.30 = €1

BERND OSTERLOH

Remuneration component	€ thousand	2021 in %
Fixed remuneration components		
Base salary	467	86
Fringe benefits	76	14
Total	**543**	**100**
Variable remuneration components		
Multi-year variable remuneration		
– Profit bonus (target amount €700 thousand per annum)	0	0
– LTI (performance share plan, four-year term; target amount €930 thousand per annum)	0	0
Sum — remuneration granted and owed	**543**	**100**
Pension expenses	187	–
Total remuneration including pension expenses	**729**	
Maximum remuneration	**2,467**	
Clawback in accordance with section 162 (1) sentence 2 no. 4 of the AktG	0	

CHRISTIAN SCHULZ[1]

	2021	
Remuneration component	**€ thousand**	**in %**
Fixed remuneration components		
Base salary	525	40
Fringe benefits	45	3
Total	**570**	**43**
Variable remuneration components		
Multi-year variable remuneration		
– Profit bonus (target amount €700 thousand per annum)	0	0
– LTI 2020–2022 (performance share plan, three-year term; target amount €930 thousand per annum) — advance payment	744	57
Sum — remuneration granted and owed	**1,314**	**100**
Pension expenses	180	–
Total remuneration including pension expenses	**1,495**	
Maximum remuneration	**2,775**	
Clawback in accordance with section 162 (1) sentence 2 no. 4 of the AktG	0	

1 Until September 30, 2021

DR. ING. H.C. ANDREAS TOSTMANN[1]

	2021	
Remuneration component	**€ thousand**	**in %**
Fixed remuneration components		
Base salary	629	42
Fringe benefits	65	4
Total	**694**	**46**
Variable remuneration components		
Multi-year variable remuneration		
– Profit bonus (target amount €700 thousand per annum)	0	0
– LTI (performance share plan, three-year term; target amount €930 thousand per annum)	0	0
Other		
Special payments	813	54
Sum — remuneration granted and owed	**1,507**	**100**
Pension expenses	187	–
Total remuneration including pension expenses	**1,694**	
Maximum remuneration	**3,325**	
Clawback in accordance with section 162 (1) sentence 2 no. 4 of the AktG	0	

1 Until November 24, 2021

ALEXANDER VLASKAMP

	2021	
Remuneration component	**€ thousand**	**in %**
Fixed remuneration components		
Base salary	71	88
Fringe benefits	10	12
Total	**81**	**100**
Variable remuneration components		
Multi-year variable remuneration		
– Profit bonus (target amount €750 thousand per annum)	0	0
– LTI (performance share plan, four-year term; target amount €996 thousand per annum)	0	0
Sum — remuneration granted and owed	**81**	**100**
Pension expenses	0	–
Total remuneration including pension expenses	**81**	
Maximum remuneration	**375**	
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

Grandfathering of the fixed and bonus remuneration components for fiscal year 2021 (total of €1,638 thousand) resulting from a remuneration guarantee from his time at Volkswagen AG was contractually agreed with **Dr. Ing. h.c. Tostmann**. The amount paid to Dr. Ing. h.c. Tostmann is reported as a special payment. In addition, Dr. Ing. h.c. Tostmann was reimbursed for the costs of accommodation at his regular place of work and for weekly family trips home.

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. The Company is also assuming any relocation, moving, and real estate agent costs incurred as well as the costs of a tax advisor.

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.

The reimbursement of costs for accommodation at his regular place of work and assumption of the taxes levied on the monetary value of travel using the company car (including use of a driver) between the place of residence and the primary place of work were contractually agreed with **Mr. Gründler**. The entitlement to these benefits ceased when he stepped down from the Executive Board and with termination of his employment contract.

With the exception of the remuneration guarantee for Dr. Ing. h.c. Tostmann, these benefits to the members of the Executive Board are reported as 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 values, and maximum values for the financial subtargets, namely operating return on sales in the Industrial Business segment and return on investment in the Industrial Business segment for fiscal years 2021 and 2020, which are relevant to earnings, and the actual values or target achievement in percent. In the course of the Navistar takeover, the structure of the TRATON GROUP was realigned. In fiscal year 2021, for the purpose of including Navistar, the former Industrial Business segment was replaced by "TRATON Operations including Corporate Items (excluding consolidation effects between the TRATON Operations business area and the TRATON Financial Services segment and effects from the purchase price allocations to Financial Services)."

	2021	2020
Operating return on sales		
Maximum value	10.8%	10.8%
100% target level	6.0%	6.0%
Minimum value	4.0%	4.0%
Actual	0.5%	–0.1%
Actual average 2020/2021	0.2%	
Target achievement (in %)	0.0%	
Return on investment		
Maximum value	13.8%	13.8%
100% target level	7.7%	7.7%
Minimum value	3.8%	3.8%
Actual	0.8%	–0.1%
Actual average 2020/2021	0.3%	
Target achievement (in %)	0%	
Overall target achievement	0.0%	

ESG targets

The following overview shows the values defined by the Supervisory Board for the minimum, target, and maximum values for the Social subtarget for fiscal year 2021 and the actual value or target achievement in percent in fiscal year 2021. In fiscal year 2021, the Environment subtarget was to develop and implement an indicator to measure Group-wide decarbonization/CO_2 reduction. This was a qualitative target. The Executive Board developed the ratio of the number of battery electric vehicles and fuel cell electric vehicles to the total number of vehicles sold, excluding the MAN TGE model, as a measure of Group-wide decarbonization/CO_2 reduction. In the future, this indicator will be used for the Environment subtarget. The Supervisory Board has assessed the development and implementation of this indicator and exercised its professional judgment in defining subtarget achievement as 1.0.

SOCIAL (OPINION INDEX)

Points	2021
Maximum value	79
100% target level	75
Minimum value	71
Actual	78
Subtarget achievement	1.2

For fiscal year 2021, the Supervisory Board defined a normal value of 1.0 for the Governance factor, taking account of and assessing the collective performance of the Executive Board as a whole and the performance of the current individual members of the Executive Board.

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. 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, will 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. This affects Mr. Cortes, Mr. Levin, and Mr. Schulz. The two advances will each be 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 advance on the 2020–2022 tranche was paid out at the start of fiscal year 2021 and will be reported as remuneration granted and owed in fiscal year 2021.

EPS target values

The following overviews show the minimum, target, and maximum values defined by the Supervisory Board at the beginning of the 2019–2021, 2020–2022, and 2021–2023 or 2021–2024 performance periods and which actual values or target achievement in percent were already recorded for individual years in the assessment period. The performance share plans for the 2019–2021, 2020–2022, and 2021–2023 or 2021–2024 performance periods were not yet due in fiscal year 2021 and had not yet been paid out. They are therefore not considered to be remuneration granted or owed in fiscal year 2021.

PERFORMANCE PERIOD 2019–2021
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

PERFORMANCE PERIOD 2020–2022
EPS TRATON SHARES (POST-IPO)

€	2021	2020
Maximum value	4.32	4.32
100% target level	2.90	2.90
Minimum value	1.95	1.95
Actual	0.91	–0.20
Target achievement (in %)	–	–

PERFORMANCE PERIOD 2021–2023
EPS TRATON SHARES

€	2021
Maximum value	4.32
100% target level	2.90
Minimum value	1.95
Actual	0.91
Target achievement (in %)	–

PERFORMANCE PERIOD 2021–2024
EPS TRATON SHARES

€	2021
Maximum value	4.32
100% target level	2.90
Minimum value	1.95
Actual	0.91
Target achievement (in %)	–

REFERENCE PRICES/DIVIDEND EQUIVALENT FOR THE PERFORMANCE PERIOD

The reference prices and dividend equivalent for the performance periods are shown in the following overview.

€	2021–2024[2]	2021–2023[2]	2020–2022[2]	2019–2021[3]
Initial reference price	22.40	22.40	24.58	147.08
Closing reference price[1]			–	175.75
Dividend equivalent				
2019			–	4.86
2020			1.00	4.86
2021	0.25	0.25	0.25	4.86

1 Determined at the end of the performance period
2 TRATON shares
3 Volkswagen preferred shares

Alignment with the remuneration system

The remuneration granted and owed to the members of the Executive Board in fiscal year 2021 complies with the requirements of the Executive Board remuneration system. There was no deviation from the valid remuneration system in fiscal year 2021. The bonus payouts and the advance payments on the performance share plan for the 2020–2022 performance period were not reduced because the caps of 180% on the 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 2021 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 ROLES

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 maintains the occupational pension plans for Ms. Danielski, Mr. Gründler, Mr. Schulz, Dr. Ing. h.c. Tostmann, Mr. Osterloh, and Mr. Vlaskamp. The occupational pension plans for the other members of the Executive Board are maintained by Scania CV AB (Mr. Henriksson, Mr. Carlbaum, and Mr. Levin), TRATON AB (Mr. Levin), and MAN Latin America (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, 2021, as well as the associated amount expensed or provided for post-employment benefits in fiscal year 2021, 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 2021
Christian Levin *(until April 30, TRATON AB; from May 1, Scania CV AB)*	0 (TRATON AB) and 342 (Scania CV AB)	713 (TRATON AB) and 382 (Scania CV AB)
Matthias Gründler *(TRATON SE)*	807	463
Mathias Carlbaum *(Scania CV AB)*	136	86
Roberto Cortes *(MAN Latin America)*	0	247
Annette Danielski *(TRATON SE)*	320	11
Henrik Henriksson *(Scania CV AB)*	391	148
Bernd Osterloh *(TRATON SE)*	193	187
Christian Schulz *(TRATON SE)*	1,036	240
Dr. Ing. h.c. Andreas Tostmann *(TRATON SE)*	416	208
Alexander Vlaskamp *(TRATON SE)*	28	0

In the event of the regular termination of their function, the members of the Executive Board who were previously provided with a company car by TRATON SE may be able to use a company car under certain circumstances. The respective Executive Board member must have held the function for a total of at least ten years, or must have worked for the Company for a total of at least 15 years, or the Supervisory Board considers 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 2021.

BENEFITS AND DEFINED BENEFITS TO MEMBERS OF THE EXECUTIVE BOARD WHO STEPPED DOWN IN FISCAL YEAR 2021

Mr. Henriksson stepped down in fiscal year 2021. He was originally 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 January 17, 2024. TRATON SE and Mr. Henriksson mutually agreed the premature termination of his Executive Board function effective the end of April 30, 2021. At the same time, Scania CV AB and Mr. Henriksson also agreed the premature termination of his functions with the company. Both TRATON SE and Scania CV AB concluded termination agreements with Mr. Henriksson. The object of both termination agreements included the annulment of the employment contracts effective April 30, 2021. The parties agreed to settle and grant Mr. Henriksson's fixed and variable remuneration and fringe benefits up until the termination. The target bonus amount and the target amount for the performance share plan tranche for the 2021–2023 performance period were reduced pro rata temporis (4/12) for fiscal year 2021. It was agreed with Mr. Henriksson that he would receive no advance payment for the 2020–2022 performance period. In return for not exercising a competitive function for a period of 18 months following the date of termination, the companies agreed to grant Mr. Henriksson a monthly gross waiting allowance of €21 thousand (TRATON SE) and €84 thousand (Scania CV AB).

Mr. Schulz also stepped down prematurely in fiscal year 2021 on the basis of a mutual agreement to terminate his function effective the end of September 30, 2021. He was originally appointed as a member of the Executive Board until January 17, 2024. TRATON SE concluded a termination agreement with Mr. Schulz as a result. The object of the termination agreement included the annulment of the employment contract effective December 31, 2022. TRATON SE has agreed to continue paying Mr. Schulz his monthly fixed remuneration until the end of his employment contract, and to pay the bonuses for fiscal years 2021 and 2022 and the LTI for the 2021–2023 and 2022–2024 performance periods as contractually agreed and with no pro rata temporis reduction. Until midnight on September 30, 2021, Mr. Schulz retained the use of all company cars. In addition, Mr. Schulz was granted the private use of his second and third company cars and entitlement to fringe benefits until the end of his employment contract. TRATON SE will also pay Mr. Schulz's pension contributions until this date. In return for not exercising a competitive function for a period of nine months following the termination of his employment contract, TRATON SE agreed to grant Mr. Schulz a monthly gross waiting allowance of €97,000.

Mr. Gründler was originally appointed as a member of the Executive Board and as Chairman of the Executive Board until July 15, 2023. By mutual agreement with TRATON SE, he stepped down as a member of the Executive Board and as Chairman of the Executive Board effective the end of September 30, 2021. TRATON SE concluded a termination agreement with Mr. Gründler as a result. The object of the termination agreement included the continuation of Mr. Gründler's employment contract until its regular termination effective the end of July 15, 2023. TRATON SE has agreed to continue paying Mr. Gründler his monthly fixed remuneration until termination of his employment contract. In fiscal years 2021 and 2022, Mr. Gründler will receive a bonus without any pro rata temporis reduction in the target amount; he will also participate in the performance share plan for the 2021–2023 and 2022–2024 performance periods without any pro rata temporis reduction. In fiscal year 2023, the bonus target amount and the target amount of the performance share plan for the 2023–2024 performance period will be reduced pro rata temporis (196/365). Until the end of his employment contract, Mr. Gründler will continue to have private use of his company cars and will be generally entitled to fringe benefits. In derogation of this, TRATON SE assumed the costs of hotel accommodation, a serviced apartment, or a rental apartment in Munich only until the end of September 30, 2021, or until the end of the period of notice on the rental agreement. TRATON SE will continue to pay pension contributions for Mr. Gründler until his employment contract ends.

Dr. Ing. h.c. Tostmann also stepped down in the fiscal year under review. He was originally appointed as a member of the Executive Board of TRATON SE and as Chairman of the Executive Boards of MAN SE and MAN Truck & Bus SE until July 15, 2023. TRATON SE and Dr. Ing. h.c. Tostmann mutually agreed the premature termination of his Executive Board function effective the end of November 24, 2021. At the same time, MAN Truck & Bus SE and Dr. Ing. h.c. Tostmann also agreed the premature termination of his functions with the company. TRATON SE and MAN Truck & Bus SE concluded a tripartite termination agreement with Dr. Ing. h.c. Tostmann as a result. The object of these termination agreements included the continuation of Dr. Ing. h.c. Tostmann's employment contract with TRATON SE until its regular termination effective the end of July 15, 2023. TRATON SE has agreed to continue paying Dr. Ing. h.c. Tostmann his monthly fixed remuneration until termination of his employment contract. In fiscal years 2021 and 2022, Dr. Ing. h.c. Tostmann will receive a bonus without any pro rata temporis reduction in the target amount; he will also participate in the performance share plan for the 2021–2023 and 2022–2024 performance periods without any pro rata temporis reduction. In fiscal year 2023, the bonus target amount and the target amount of the performance share plan for the 2023–2025 performance period will be reduced pro rata temporis (196/365). Until the end of his employment contract, Dr. Ing. h.c. Tostmann will continue to have private use of his two company cars and will be generally entitled to fringe benefits. In derogation of this, TRATON SE assumed the contractually agreed costs of family trips home only until the end of November 24, 2021, and will assume the costs of hotel accommodation, a serviced apartment, or a rental apartment in Munich only until the end of the period of notice for the rental agreement if notice is given in November 2021 or until February 28, 2022, at the latest. TRATON SE will continue to pay pension contributions for Dr. Ing. h.c. Tostmann until his employment contract ends. The employment contract with MAN Truck & Bus SE ended effective the end of November 24, 2021. Dr. Ing. h.c. Tostmann is not entitled to any remuneration from MAN Truck & Bus SE.

No clawback in fiscal year 2021

There was no clawback of variable remuneration components from individual Executive Board members by TRATON SE in fiscal year 2021. 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 2021 (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 2021 to former members of the Executive Board who stepped down after fiscal year 2011. The bonuses for fiscal year 2021 paid out at the start of 2022 are included in the remuneration granted in fiscal year 2021 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	**2021**	
	€ thousand	**in %**
Pension payments	0	0
Base salary	700	47
Fringe benefits	59	4
Profit bonus	0	0
LTI 2020–2022 (performance share plan) — advance payment	744	50
Severance payments	0	0
Sum — remuneration granted and owed	**1,503**	**100**
Pension expense	0	–

MATTHIAS GRÜNDLER

Chief Executive Officer of TRATON SE Left September 30, 2021	**2021**	
	€ thousand	**in %**
Pension payments	0	0
Base salary	337	92
Fringe benefits	30	8
Profit bonus	0	0
LTI (performance share plan)	0	0
Severance payments	0	0
Sum — remuneration granted and owed	**368**	**100**
Pension expense	116	–

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	2021 € thousand	 in %
Pension payments	0	0
Base salary	0	0
Fringe benefits	0	0
Profit bonus	0	0
LTI 2020–2022 (performance share plan) — advance payment	403	100
Severance payments	0	0
Sum — remuneration granted and owed	**403**	**100**
Pension expense	0	–

CHRISTIAN SCHULZ

Member of the Executive Board of TRATON SE, CFO Left September 30, 2021	2021 € thousand	 in %
Pension payments	0	0
Base salary	175	83
Fringe benefits	37	17
Profit bonus	0	0
Severance payments	0	0
Sum — remuneration granted and owed	**212**	**100**
Pension expense	60	–

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	2021 € thousand	 in %
Pension payments	0	0
Base salary	71	35
Fringe benefits	37	19
Profit bonus	0	0
LTI (performance share plan)	0	0
Special payments[2]	92	46
Severance payments	0	0
Sum — remuneration granted and owed	**200**	**100**
Pension expense	21	–

1 Until August 31, 2021 (merger between MAN SE and TRATON SE)
2 For remuneration guarantee, see the explanations given under additional contractual agreements

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 an advance payment on the 2020-2022 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.

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 key performance 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, 2021, excluding the members of the 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 %	2021 compared with 2020[2]
Executive Board remuneration[1]	
Carlbaum, Mathias[3]	–
Cortes, Roberto	–10.6%
Danielski, Annette[3]	–
Drees, Joachim	3.8%
Gründler, Matthias	69.0%
Henriksson, Henrik	–85.0%
Intra, Dr. Carsten	–59.5%
Levin, Christian	25.1%
Osterloh, Bernd[3]	–
Schulz, Christian	6.1%
Tostmann, Dr. Andreas	96.9%
Vlaskamp, Alexander[3]	–
Earnings performance	
Earnings after tax of TRATON SE in accordance with German GAAP[4]	–
Operating return on sales of the TRATON GROUP	0.9 pp
Development of employee remuneration[5]	
Employees of TRATON SE	7.5%
Employees of the TRATON GROUP	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

4 Percentage change in earnings after tax of TRATON SE in accordance with German GAAP from 2021 to 2020 cannot be presented because there were negative earnings in both fiscal year 2021 and fiscal year 2020.

5 Personnel expenses additionally adjusted for government grants in 2020 and the 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 2021. 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 interests of TRATON SE and whether it is appropriate to the tasks performed by the members of the Supervisory Board and to 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. In the Annual General Meeting on June 30, 2021, the remuneration was confirmed and the remuneration system approved by 99.99% of the votes cast.

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 deputy chairs 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 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 a 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.

Members of the Supervisory Board who step down from the Supervisory Board do not receive any further remuneration from TRATON SE for their past Supervisory Board activities after their departure.

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 Code.

Remuneration of Supervisory Board members in fiscal year 2021

REMUNERATION GRANTED AND OWED TO THE SUPERVISORY BOARD MEMBERS ACTIVE IN FISCAL YEAR 2021

The following table shows the serving members of the Supervisory Board of TRATON SE in fiscal year 2021 and the remuneration granted and owed to the individual members of the Supervisory Board in fiscal year 2021. 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 2021, i.e., the remuneration paid to the members of the Supervisory Board for their roles on the Supervisory Board in fiscal year 2021, 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
	2021		2021		2021		2021	2021
	€ thousand	in %	€ thousand	in %	€ thousand	in %	€ thousand	€ thousand
Pötsch, Hans Dieter	225	72	80	26	7	2	312	–
Lyngsie, Michael[2]	–	–	–	–	–	–	–	–
Bechstädt, Torsten[1]	75	52	60	41	10	7	145	–
Carlquist, Mari[2,4]	–	–	–	–	–	–	–	–
Cavallo, Daniela[1]	42	61	22	32	5	7	69	–
Döss, Dr. Manfred[2]	–	–	–	–	–	–	–	–
Kerner, Jürgen[1]	75	81	11	13	6	6	92	68
Kilian, Gunnar[2]	–	–	–	–	–	–	–	–
Kirchmann, Dr. Albert X.	75	91	–	–	7	9	82	17
Kuhn-Piëch, Dr. Julia	75	60	40	32	10	8	125	26
Lorentzon, Lisa[2,4]	–	–	–	–	–	–	–	–
Luthin, Bo[2,4]	–	–	–	–	–	–	–	–
Macpherson, Nina	75	60	40	32	9	7	124	67
Osterloh, Bernd[1]	25	64	13	34	1	3	39	0
Porsche, Dr. Dr. Christian	75	61	40	33	8	7	123	27
Schmid, Dr. Wolf-Michael	75	91	–	–	7	9	82	–
Schnur, Karina[1]	75	61	40	33	8	7	123	50
Stimoniaris, Athanasios[1]	100	69	40	28	4	3	144	55
Wansch, Markus[1]	19	91	–	–	2	9	21	50
Werner, Hiltrud Dorothea[2]	–	–	–	–	–	–	–	–
Witter, Frank[3]	37	46	40	49	4	5	81	–
Zieger, Steffen[1]	75	95	–	–	4	5	79	25

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 2021 was waived in full.

3 Remuneration for the year to June 30, 2021, was waived in full.

4 In view of the waivers, the Executive Board of TRATON SE decided that it will make a contribution of €436 thousand to "Scanias Personalstiftelse 1996" after the 2022 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 key performance 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, 2021, excluding the members of the 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 %	2021 compared with 2020[2]
Supervisory Board remuneration[1]	
Pötsch, Hans Dieter	0.3%
Lyngsie, Michael	0.0%
Bechstädt, Torsten	–1.4%
Carlquist, Mari	0.0%
Cavallo, Daniela[3]	–
Döss, Dr. Manfred	0.0%
Kerner, Jürgen	–18.8%
Kilian, Gunnar	0.0%
Kirchmann, Dr. Albert X.	15.1%
Kuhn-Piëch, Dr. Julia	–16.6%
Lorentzon, Lisa	0.0%
Luthin, Bo	0.0%
Macpherson, Nina	–1.5%
Osterloh, Bernd	–67.5%
Porsche, Dr. Dr. Christian	17.2%
Schmid, Dr. Wolf-Michael	–1.2%
Schnur, Karina	–16.0%
Stimoniaris, Athanasios	–36.0%

Annual change in %	2021 compared with 2020[2]
Wansch, Markus[3]	–
Werner, Hiltrud Dorothea	0.0%
Witter, Frank[4]	–
Zieger, Steffen	–16.1%
Earnings performance	
Earnings after tax of TRATON SE in accordance with German GAAP[5]	–
Operating return on sales of the TRATON GROUP	0.9 pp
Development of employee remuneration[6]	
Employees of TRATON SE	7.5%
Employees of the TRATON GROUP	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

4 Mr. Witter waived his Supervisory Board remuneration in full in fiscal year 2020 and until June 30, 2021, in fiscal year 2021.

5 Percentage change in earnings after tax of TRATON SE in accordance with German GAAP from 2021 to 2020 cannot be presented because there were negative earnings in both fiscal year 2020 and fiscal year 2021.

6 Personnel expenses additionally adjusted for government grants related to income in 2020 and the exceptional project profit sharing by selected managers in 2021.

Financial Calendar

The latest information and dates are available on TRATON SE's website at **www.traton.com/financialcalendar**.

Supplementary Information and Glossary

1. Overview by quarter

INCOMING ORDERS, TRATON OPERATIONS

Units	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Incoming orders, TRATON Operations	**91,658**	**97,371**	**89,204**	**81,742**
of which trucks[1]	75,214	83,332	76,937	70,262
of which buses	8,914	6,963	3,367	2,993
of which MAN TGE vans	7,530	7,076	8,900	8,487

1 Excluding Navistar Class 4/5 contract manufacturing for third parties (Q3 2021: 1,604 units; Q4 2021: 2,537 units)

UNIT SALES BY COUNTRY

Units	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Unit sales, TRATON Operations	**76,186**	**68,972**	**66,135**	**60,315**
Unit sales, trucks[1]	**63,733**	**58,151**	**57,347**	**51,318**
EU27+3	25,214	17,812	24,824	24,169
of which in Germany	6,450	5,010	5,995	6,587
North America[2]	14,040	11,460	447	297
of which in the USA/Canada	11,934	9,715	–	4
of which in Mexico	2,106	1,745	447	293
South America	16,304	19,824	19,871	16,956
of which in Brazil	12,810	16,838	17,434	14,489
Other regions	8,175	9,055	12,205	9,896
Unit sales, buses	**6,271**	**6,083**	**3,410**	**3,093**
EU27+3	1,999	1,440	1,255	757
of which in Germany	748	356	327	337
North America[2]	2,685	2,998	182	189
of which in the USA/Canada	2,186	2,655	–	–
of which in Mexico	499	343	182	189
South America	867	1,072	1,412	1,461
of which in Brazil	572	590	1,215	1,057
Other regions	720	573	561	686
Unit sales, MAN TGE vans	**6,182**	**4,738**	**5,378**	**5,904**
EU27+3	5,830	4,616	5,282	5,806
of which in Germany	1,658	1,524	1,597	1,541

1 Excluding Navistar Class 4/5 contract manufacturing for third parties (Q3 2021: 789 units; Q4 2021: 2,791 units)

2 Prior-period amounts adjusted to reflect current presentation (reported under "Other regions" in the prior-year period)

SALES REVENUE BY PRODUCT GROUP

€ million	Q4 2021	Q3 2021	Q2 2021	Q1 2021
TRATON GROUP	**8,950**	**8,049**	**7,076**	**6,544**
TRATON Operations	**8,800**	**7,900**	**6,965**	**6,437**
New Vehicles	5,581	4,815	4,572	4,061
Vehicle Services business[1]	1,919	1,884	1,291	1,298
Others	1,300	1,202	1,102	1,079
TRATON Financial Services	**281**	**264**	**214**	**205**
Corporate Items	–132	–115	–102	–98

1 Including spare parts and workshop services

CONDENSED TRATON GROUP INCOME STATEMENT

€ million	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Sales revenue	8,950	8,049	7,076	6,544
Cost of sales	–7,565	–6,682	–5,601	–5,235
Gross profit	**1,385**	**1,367**	**1,475**	**1,310**
Distribution expenses	–809	–752	–612	–586
Administrative expenses	–363	–380	–236	–226
Other operating result	–461	–49	–327	–343
Operating result	**–248**	**186**	**301**	**155**
Operating return on sales (in %)	–2.8	2.3	4.2	2.4
Financial result	–57	243	–12	81
Earnings before tax	**–305**	**429**	**289**	**236**
Income taxes	98	–103	–65	–108
Earnings after tax	**–207**	**326**	**224**	**127**

PERFORMANCE INDICATORS, TRATON OPERATIONS

€ million	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Operating result	–161	393	294	151
Operating result (adjusted)	364	402	605	512
Operating return on sales (in %)	–1.8	5.0	4.2	2.3
Operating return on sales (adjusted) (in %)	4.1	5.1	8.7	8.0
Capex	503	277	185	160
Primary R&D costs	480	367	323	291

EBITDA (ADJUSTED), TRATON OPERATIONS

€ million	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Operating result	–161	393	294	151
Adjustments	525	9	311	362
Operating result (adjusted)	364	402	605	512
plus share of earnings of equity-method investments	–3	8	13	11
plus other financial result	40	6	32	–10
plus depreciation and amortization of, and impairment losses on, intangible assets, property, plant, and equipment, and investment property, net of impairment reversals	274	260	384	232
plus amortization of, and impairment losses on, capitalized development costs, net of impairment reversals	83	83	66	67
plus impairment losses on equity investments, net of impairment reversals	4	–	–	–
EBITDA (adjusted)	**761**	**759**	**1,101**	**813**

KEY PERFORMANCE INDICATORS, TRATON FINANCIAL SERVICES

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Operating result (€ million)	81	79	49	51
Operating return on sales (in %)	28.8	29.8	23.1	24.6

CONDENSED STATEMENT OF CASH FLOWS, TRATON OPERATIONS

€ million	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Gross cash flow	370	974	901	863
Change in working capital	1,088	–1,172	–405	152
Net cash provided by/used in operating activities	**1,459**	**–198**	**496**	**1,015**
Net cash used in investing activities attributable to operating activities	–673	–590	–308	–262
Change in marketable securities, investment deposits, and loans	–195	110	74	–199
Net cash used in investing activities	**–868**	**–480**	**–234**	**–462**
Net cash provided by/used in financing activities	**–248**	**–29**	**–549**	**85**
Additions to cash and cash equivalents due to Navistar consolidation	–	534	–	–
Effect of exchange rate changes on cash and cash equivalents	–13	–33	74	–39
Change in cash and cash equivalents	**329**	**–207**	**–213**	**599**
Cash and cash equivalents at quarter-end	**4,775**	**4,446**	**4,653**	**4,866**
Gross cash flow	370	974	901	863
Change in working capital	1,088	–1,172	–405	152
Net cash used in investing activities attributable to operating activities	–673	–590	–308	–262
Net cash flow	**786**	**–788**	**188**	**753**

NET LIQUIDITY, TRATON OPERATIONS

€ million	12/31/2021	09/30/2021	06/30/2021	03/31/2021	12/31/2020
Cash and cash equivalents	4,775	4,446	4,653	4,866	4,267
Marketable securities, investment deposits, and loans to affiliated companies	302	75	173	205	11
Gross liquidity	**5,078**	**4,521**	**4,825**	**5,072**	**4,278**
Total third-party borrowings	–6,771	–6,858	–3,321	–3,218	–2,931
Net liquidity/net financial debt	**–1,694**	**–2,337**	**1,504**	**1,854**	**1,347**

2. Financial information on the first-time consolidation of Navistar

	2021 (TRATON GROUP)	of which Navistar, including purchase price allocation[1]	2021 (TRATON Classic)[2]	2020 (TRATON Classic)
Trucks and buses (units)				
Incoming orders[3]	359,975	42,588	317,387	216,251
Unit sales	271,608	30,305	241,303	190,180
of which trucks[4]	230,549	25,113	205,436	156,371
of which buses	18,857	5,192	13,665	16,174
of which MAN TGE vans	22,202	–	22,202	17,635
TRATON GROUP				
Sales revenue (€ million)	30,620	3,610	27,010	22,580
Operating result (€ million)	393	–215	608	81
Operating result (adjusted) (€ million)	1,599	–215	1,814	135
Operating return on sales (in %)	1.3	–6.0	2.3	0.4
Operating return on sales (adjusted) (in %)	5.2	–6.0	6.7	0.6
Earnings per share (€)	0.91	–	1.36	–0.20
Employees[5]	97,235	14,360	82,875	82,567

	2021 (TRATON GROUP)	of which Navistar, including purchase price allocation[1]	2021 (TRATON Classic)[2]	2020 (TRATON Classic)
TRATON Operations				
Sales revenue (€ million)	30,103	3,557	26,546	22,152
Operating result (€ million)	677	41	636	176
Operating result (adjusted) (€ million)	1,883	41	1,842	230
Operating return on sales (in %)	2.2	–0.1	2.4	0.8
Operating return on sales (adjusted) (in %)	6.3	–0.7	6.9	1.0
EBITDA (adjusted) (€ million)	3,434	141	3,293	1,435
Primary R&D costs (€ million)	1,462	141	1,321	1,154
Capex (€ million)	1,125	180	944	988
Net cash flow (€ million)	938	–443	1,381	979
Net liquidity/net financial debt (€ million)[5]	–1,694	–3,357	1,663	1,347
TRATON Financial Services				
Sales revenue (€ million)	964	101	863	820
Operating result (€ million)	259	30	229	107

1 Excluding consolidation effects
2 Including consolidation effects
3 Excluding Navistar Class 4/5 contract manufacturing for third parties (December 31, 2021: 4,141 units)
4 Excluding Navistar Class 4/5 contract manufacturing for third parties (December 31, 2021: 3,580 units)
5 As of December 31, 2021, and December 31, 2020

3. Defined terms

Basis of consolidation: The basis of consolidation is composed of all companies included in the consolidated financial statements.

Brand: The TRATON GROUP's brands are Scania (including Scania Financial Services), MAN, Navistar, Volkswagen Caminhões e Ônibus, and the RIO digital brand.

Capitalization ratio: The capitalization ratio is defined as the ratio of capitalized development costs to total research and development costs in the TRATON Operations business area. It denotes the portion of total primary expenditure for research and development that is 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.

EBITDA (adjusted), TRATON Operations: EBITDA (earnings before interest, taxes, depreciation, and amortization) (adjusted) reflects the 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 above all as an indicator for peer group comparisons.

Equity method: Method of including investments that are not consolidated in the investor's consolidated financial statements in cases where the investor has significant influence over the investment's financial and operating policy decisions. The carrying amount of the investment is adjusted for any changes in the investor's share of the investment's equity. These changes are usually reported in the owner's income statement.

Equity ratio: Indicates the ratio of total equity to total capital.

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 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.

Incoming orders: Incoming orders are defined as legally effective, binding orders.

IPO: An initial public offering by a previously unlisted company (AG or SE) to subscribe for shares of the issuing company.

Operating units: The four operating units Scania Vehicles & Services, MAN Truck & Bus, Navistar Sales & Services, and Volkswagen Caminhões e Ônibus are reported as individual segments. Together, they form the TRATON Operations business area. They operate the main business of the TRATON GROUP with the production of trucks, buses, and engines and the provision of services.

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.

Other comprehensive income: Other comprehensive income is a special category within equity. It contains gains and losses recognized in the balance sheet, but not yet realized in profit or loss, in particular from the fair value measurement of other equity investments and hedging transactions, from the translation of foreign Group entities included in the consolidated financial statements, and from pension plan remeasurements, net of deferred taxes.

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.

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.

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.

Unit sales: Unit sales represent the number of vehicles sold by our brands Scania, MAN, Navistar, and Volkswagen Caminhões e Ônibus.

Weighted Average Cost of Capital (WACC): WACC is derived from the return required by capital providers.

Publication Details

PUBLISHED BY
TRATON SE
Dachauer Str. 641
80995 Munich
www.traton.com

CORPORATE COMMUNICATIONS
T: +49 89 36098 303
media-relations@traton.com

INVESTOR RELATIONS
T: +49 89 36098 0
investor.relations@traton.com

CONCEPT, DESIGN, AND LAYOUT
3st kommunikation GmbH, Mainz

PHOTOGRAPHS
Getty Images (cover)
Dan Bomann (p. 2, p. 4)
MAN Truck & Bus (p. 2, p. 5)
Kari Medig (p. 2)
Pedro Danthas MIII (p. 2)
Floyd McCraney (p. 4)
Konstantin Eckert (p. 4)
Malagrine Studio (p. 5)
Gustav Lindh (pp. 6–8)

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

	2021	2020	2019	2018	2017
Trucks and buses (units)					
Incoming orders	359,975	216,251	227,240	243,714	229,074
of which trucks[1]	305,745	182,402	190,974	209,738	205,291
of which buses	22,237	14,611	21,032	23,889	20,522
of which MAN TGE vans	31,993	19,238	15,234	10,087	3,261
Unit sales	271,608	190,180	242,219	232,992	204,911
of which trucks[2]	230,549	156,371	205,935	202,492	183,481
of which buses	18,857	16,174	21,496	22,629	19,218
of which MAN TGE vans	22,202	17,635	14,788	7,871	2,212
TRATON GROUP					
Sales revenue (€ million)	30,620	22,580	26,901	25,927	24,366
Operating result (€ million)	393	81	1,884	1,513	1,512
Operating result (adjusted) (€ million)	1,599	135	1,871	1,650	1,462
Operating return on sales (in %)	1.3	0.4	7.0	5.8	6.2
Operating return on sales (adjusted) (in %)	5.2	0.6	7.0	6.4	6.0
Employees[3]	97,235	82,567	82,679	97,395	92,554

	2021	2020	2019	2018	2017
TRATON Operations[4]					
Sales revenue (€ million)	30,103	22,152	26,444	24,963	23,403
Operating result (€ million)	677	176	1,741	1,346	1,368
Operating result (adjusted) (€ million)	1,883	230	1,729	1,484	1,318
Operating return on sales (in %)	2.2	0.8	6.6	5.4	5.8
Operating return on sales (adjusted) (in %)	6.3	1.0	6.5	5.9	5.6
Return on investment (in %)	0.8	–0.1	9.7	8.6	9.0
EBITDA (adjusted) (€ million)	3,434	1,435	3,022	2,366	2,107
Primary R&D costs (€ million)	1,462	1,154	1,376	1,411	1,427
Capex (€ million)	1,125	988	993	931	839
Net cash flow (€ million)	938	979	2,711	221	–162
Net liquidity/net financial debt (€ million)[3]	–1,694	1,347	1,500	227	2,262
Scania Vehicles & Services					
Incoming orders (units)	116,798	92,940	88,739	97,446	109,415
Unit sales	90,366	72,085	99,457	96,475	90,777
Sales revenue (€ million)	13,927	11,521	13,934	12,981	12,427
Operating result (adjusted) (€ million)	1,412	802	1,506	1,207	1,167
Operating return on sales (adjusted) (in %)	10.1	7.0	10.8	9.3	9.4

	2021	2020	2019	2018	2017
MAN Truck & Bus					
Incoming orders (units)	143,531	84,921	100,652	112,915	94,003
Unit sales	93,668	81,673	104,887	102,556	89,987
Sales revenue (€ million)	10,934	9,659	11,088	10,815	10,022
Operating result (adjusted) (€ million)	249	–553	371	539	476
Operating return on sales (adjusted) (in %)	2.3	–5.7	3.3	5.0	4.8
Navistar Sales & Services					
Incoming orders (units)[1]	42,588	–	–	–	–
Unit sales[2]	30,305	–	–	–	–
Sales revenue (€ million)	3,557	–	–	–	–
Operating result (adjusted) (€ million)	41	–	–	–	–
Operating return on sales (adjusted) (in %)	1.2	–	–	–	–

	2021	2020	2019	2018	2017
Volkswagen Caminhões e Ônibus					
Incoming orders (units)	57,241	38,805	41,103	36,535	27,381
Unit sales	57,405	36,974	41,891	36,362	25,881
Sales revenue (€ million)	2,113	1,235	1,738	1,421	1,162
Operating result (adjusted) (€ million)	171	–15	43	28	–103
Operating return on sales (adjusted) (in %)	8.1	–1.2	2.5	2.0	–8.8
TRATON Financial Services					
Sales revenue (€ million)	964	820	849	760	721
Operating result (adjusted) (€ million)	259	107	142	138	111
Operating return on sales (adjusted) (in %)	26.9	13.1	16.8	18.2	15.4
Return on equity (in %)	18.6	11.1	16.9	19.2	15.9
TRATON shares					
Earnings per share (€)[5]	0.91	–0.20	3.04	2.78	2.06
Dividend per share (€)[6]	0.50	0.25	1.00	–	–
Number of common shares as of 12/31	500,000,000	500,000,000	500,000,000	10,000,200	–
Common shares, closing price (Xetra price in €)	22.14	22.61	23.92	–	–

1 Excluding Navistar Class 4/5 contract manufacturing for third parties (2021: 4,141 units)

2 Excluding Navistar Class 4/5 contract manufacturing for third parties (2021: 3,580 units)

3 As of December 31

4 Prior-period amounts were adjusted to reflect the current structure of the TRATON Operations business area for 2020 only; for 2017–2019, the amounts correspond to those for the Industrial Business segment in the previous year.

5 Comparable earnings per share for 2017 through 2018 calculated on the basis of 500 million shares

6 2021: proposed dividend, subject to approval by the 2022 Annual General Meeting

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